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Perri 6 is Director of Policy and Research at Demos. His other recent books include *Escaping poverty: from safety nets to networks of opportunity* (Demos), *Holding back the years: how Britain could better in the twenty first century* (with Diana Leat, Demos), *The substance of youth: the place of illicit drugs in young people's lives in Britain* (Joseph Rowntree Foundation), *The contract culture in public services: studies from the UK, Europe and the USA* (edited with Jeremy Kendall, Ashgate); *The British spirit* (with Geoff Mulgan and others, Demos); *On the cards: privacy, identity and trust in the age of smart technology* (Demos).

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Summary and recommendations

After a century of growth, governments in all western countries have become caught between the public's resistance to paying more tax and their continuing demand for governments to provide high quality welfare, infrastructures and social order. With rising demands for education, health and long-term care, governments are desperately seeking ways of achieving more for less. A wave of reforms in the 1980s and early 1990s sought to address these challenges. Much of the world is now familiar with that agenda of competition, privatisation, market forces and passing responsibilities out from the state to citizens and employers. These reforms have had some successes. They arrested the growth of government (although they failed to put in into reverse), introduced new efficiencies and encouraged some innovation.

However, they had one overriding failure – they left government less, rather than more, able to solve the important, 'wicked' problems that most concern electors: how to cut crime, to create jobs, to improve educational performance and health. To the surprise of the reformers, in important respects government ended up delivering less, while citizens found themselves paying more.

This book sets out an alternative. It draws on a number of reforms and innovations taking place in governments around the world and in large organisations more generally. It shows how the 'reinventing government' reforms can be taken into a new era of 'holistic government' which will deliver greater effectiveness within stable budgets.

The core problem for government is that it has inherited from the nineteenth century a model of organisation that is structured around functions and services rather than around solving problems. Budgets

are divided into separate silos for health, education, law and order and so on. The vertical links between departments and agencies in any one field and professional groups such as the police, teachers, doctors and nurses are strong. The horizontal links are weak or non-existent.

To solve complex problems that cut across these boundaries, new approaches are needed. Government needs to become more holistic, achieving greater integration across the public sector. It also needs to become more preventive, shifting the balance of effort away from *curing* problems – the main priority of most of the key professions in Britain – towards *preventing* them.

Achieving this will often require that government goes beyond providing services and enforcing the law to focus instead on changing the cultures of parents and patients, adults and children. Moreover, more holistic and effective government will require that government moves steadily towards a sharper focus on *real outcomes* such as better health, lower unemployment or less crime, rather than the measures of activity which have dominated the most recent phase of reform.

In sum, the watchwords for the next generation of government reformers will be:

- holistic government
- preventive government
- culture-changing government
- outcome-oriented government.

Practically, this means twelve major changes of policy and style of managing government. None of these changes can be made overnight. The key is for government to begin making changes in each of these areas, recognising that in some cases it will take a decade for the full programme to be implemented.

1. Holistic budgeting: order that services can be designed in the most effective manner, and closely targeted upon key groups in each area, budgets should be organised not by functions or organisations but around outcomes and geographical areas, right down to the level of the post code district.

2. Organisations defined around outcomes: instead of departments, agencies and quangos being responsible for administering services, organisations should be charged with achieving outcomes and using their budgets to buy whatever services or functions they require.

3. Integrated information systems: One-stop shops should become the principal means by which the public deals with government, both physically and electronically, through a common interface in order to simplify the process of dealing with government. To make government more comprehensible to citizens, one-stop shops will organise what the public sector offers by the life events that trigger people's need for services. The functions and services that make up today's public sector will become 'back offices' and 'content providers' for these one-stop shops and will, over time, operate and be managed in more integrated ways. Because these systems will handle very large volumes of personal information, much more of which will be shared across government, they will need to be subject to new privacy codes on the handling of personal information.

4. Case workers: The roles of frontline staff should be developed, empowering them to purchase services across health care, housing, social services, benefits and job training to bring together packages of customised solutions that suit the needs of the individual.

5. Outcome-based contracts: growing proportion of contracts for services to be delivered to the public should be specified in outcome terms, allowing providers more flexibility to define the service activities to achieve this. However, there will be some contracts, typically for pilot projects, experiments and for more preventive work where the time scale for results is very long, impossible to quantify or where the outcomes are uncertain, where this will not be appropriate.

6. Audits for prevention: Every department, agency and tier of government should be audited to identify the balance of effort that it puts into preventive activity across the range of outcomes with which it is charged.

7. Enhancing the status and role of preventive work: In medicine, policing, teaching, social work and so on, preventive roles should be

encouraged and given enhanced status through codes of practice, institutes and accreditation programmes.

- 8. Early warning systems with safeguards:** public agencies should make greater use of risk assessment tools, futures tools, contingency planning and scenario planning. Where risk assessment tools involve making inferences about individuals that can affect how they are treated, there should be tighter codes of practice to prevent public managers from taking draconian action on the basis of soft evidence against individuals who might be at risk or who may present risks. These codes should be published.
- 9. Smarter purchasing:** major programme should be put in place to develop public purchasing skills for managers, enabling them to make clearer and better trade-offs between the goals of purchasing, sustaining contestability, promoting innovation, reducing transaction costs and avoiding cream-skimming.
- 10. Culture audits:** there should be, alongside value for money and prevention audits, audits on the cultural dimensions of key problems to identify beliefs, attitudes, values, habits and assumptions among service users and the wider public that need to be challenged if these problems are to be tackled and prevented.
- 11. Building information and persuasion into budgets:** fiscal incentives through the tax and benefits system can often be unaffordably expensive, have large dead-weight costs or are simply blunt because the target populations are not motivated principally by cash incentives. In these areas, government needs to develop information and persuasion initiatives within all preventive programmes.
- 12. Cross-functional outcome measures:** major 'impact programme' should be put in place to develop new, more sophisticated, holistic measures of outcomes at the level of the post code district. This would be led by a consortium of the major central audit and statistics agencies. The aim would be to use these measures in purchasing, contract management and, where possible, the design of new preventive activity.

1. Introduction

Governments remain saddled with a problem they cannot solve. After a century of growth, governments in all western countries are now caught between the public's resistance to paying tax and their rising demand for the provision of welfare, education, health care, infrastructures and social order.

A wave of reforms in the 1980s and early 1990s sought to address these problems and to achieve more for less. Much of the world is now familiar with that agenda under banners such as 'reinventing government' or 'new public management'. It created specialist agencies, competition, contracting-out, privatisation and passing responsibilities out from the state to citizens and employers.¹

These reforms have had some successes. They arrested the growth of government (although they failed to put it in into reverse), introduced new efficiencies, gave management greater focus, brought in some new private capital and encouraged some innovation.

The public wants government, above all else, to reduce crime, unemployment, ill health and poor educational attainment. These consistently have been the public's top priorities reported in surveys. Although their positions within the top four have changed over time, their priority has never been unseated by concerns such as inflation or low economic growth.²

The overriding failure of the reforms is that they left government less, rather than more, able to solve these central, 'wicked' problems.³ To the surprise of the reformers, in important respects government ended up delivering less, while citizens found themselves paying more.

This book sets out an alternative. It draws on a number of reforms and innovations taking place in governments around the world and in large organisations more generally. It shows how the reforms of ‘reinventing government’ can be taken into a new era in ways that will deliver greater effectiveness within stable budgets.

Its key message for the United Kingdom is that unless politicians and public managers are prepared to think radically about structures of government, they will go on failing to improve Britain’s record in cutting crime, increasing employability, boosting school performance and improving health.

At best, more demanding targets, tougher regulation and political dynamism will achieve only marginal improvements. At worst, the gap between rhetoric and reality will further undermine public trust in government.

Outline of the book

In the first two chapters, I set out the flaws, the difficulties, the problems and the challenges that we have inherited in government. We still organise government in ways that stem as much from the nineteenth century as from the 1980s. Indeed, for all that has changed in the last generation, much of what goes on in the core executive in Whitehall would be entirely recognisable to Lloyd George or even Benjamin Disraeli. Chapter two examines the structure and culture of government that we have inherited from the great waves of reform in the Victorian age and more recently from the changes and experiments of the Thatcher and Major administrations, namely, that government should be organised around functions.

Chapter three examines the problems and shows how each reflects the functional principle that underpins the organisation of government today. I argue that where the reforms of the last generation did have bite, their legacy is problematic. Some real gains were made in organisational performance although they have not shown up in the blunt statistics on crime, health and unemployment. But some traditional problems with public administration were actually made worse – such as poor coordination, poor use of information, excessive control by professionals and inadequate effort to measure outcomes achieved.

In chapters four to seven, I set out some strategic principles for the new agenda. Chapter four sets out in detail how more holistic systems of budgeting, service design and information systems can transform government. I argue in chapter four that government needs to learn to act in integrated and ‘holistic’ ways, operating across departmental and agency boundaries, and describe a toolkit for achieving this.

Chapter five argues that government needs to learn better how to anticipate and prevent problems if it is to escape the crushing burden of paying for remedial efforts in welfare, health and crime. Thinking and working to very short-term goals is, if anything, more of a problem in government than in business.

In chapter six I go on to show that ‘holistic government’ is as much involved in cultures as it is in the traditional tools of ‘command and control’ and economic incentive. Unless governments can more effectively influence the cultures of parents, patients, employees and citizens so that they can take more responsibility for themselves, the weight of demands for curative services on the state will prove unmanageable. The chapter describes a toolkit for government focusing on changing cultures.

In chapter seven, I make the case for a new effort to measure and reward achievement in terms of outcomes. Continuing the argument of chapters two and three, each of these principles is addressed to the four key public priorities of reducing crime, improving health, increasing employability and enhancing educational attainment.

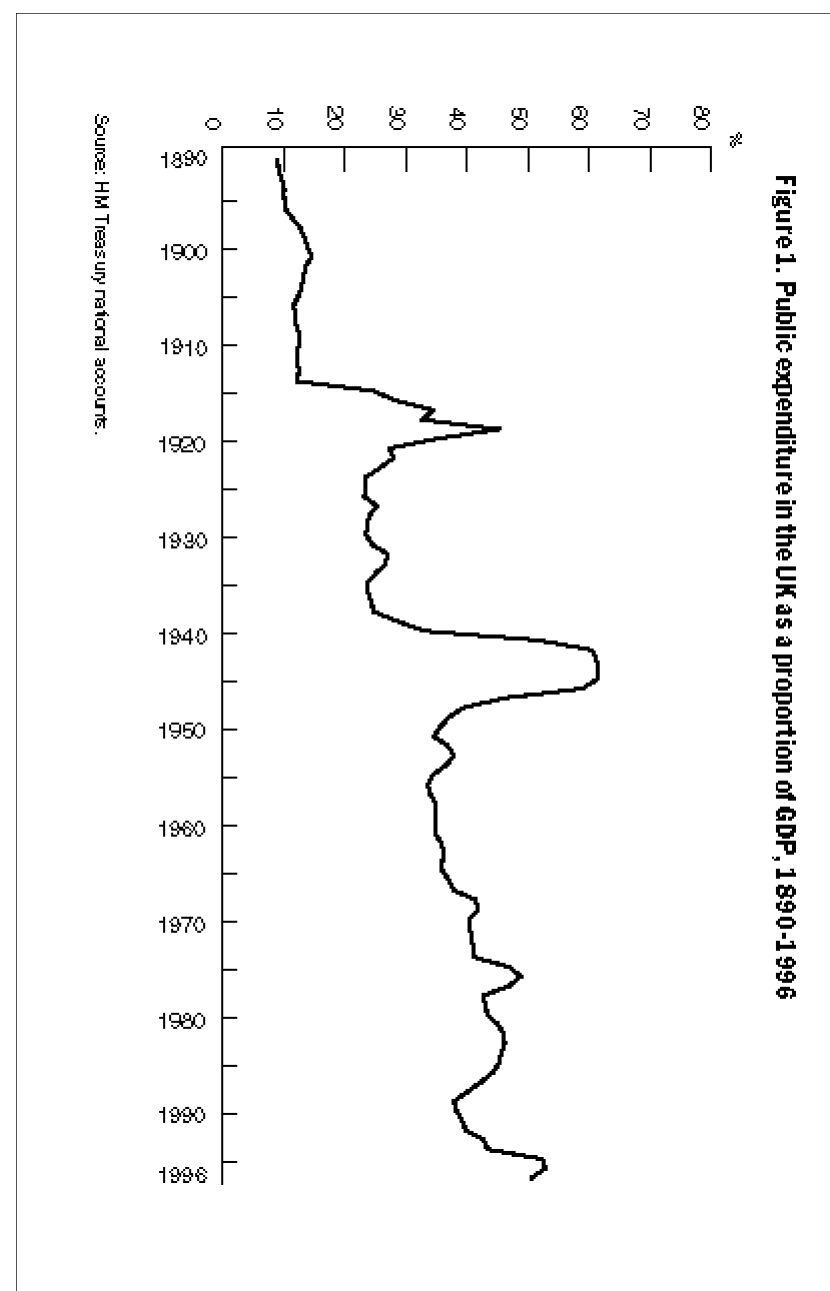
The book concludes with a summary of the new agenda for government in the twenty first century.

2. The inheritance

Departmental cages

It was only in the last decade of the nineteenth century that the bill for government in Britain began to exceed 10 per cent of national wealth.⁴ Even Lloyd George's modest experiments with pensions and unemployment insurance did not dramatically increase this proportion. But after each of the two world wars, government spending settled at substantially higher levels. While state welfare was a major contributor, after the Second World War a wide range of nationalised and municipalised industries brought much more of the economy into the government sector. By the end of the 1970s, about one half of expenditure in Britain came from the Exchequer. The rate of growth was slowed in the early 1980s and by the late 1980s there was actually a small reduction in the proportion of national wealth passing through government. However, spending grew again under Mr Major in the 1990s. Figure 1 presents an inflation-adjusted view of the trend in total public spending during the twentieth century.

Throughout the last century, the basic structure of government has remained remarkably stable.⁵ The principles of organisation are simple and few, although they are not particularly consistently applied.⁶ The key principle is that central government departments have been built around *functions*—that is, around particular purposes and activities such as managing prisons and police services, conducting defence and war, managing medicine, regulating a monopoly utility industry, providing transport infrastructure, providing statistics, promoting trade or running the civil and criminal justice system. At lower levels, government is structured around *territories*—local government, the



Scottish and Welsh offices, the recently created regional offices. Some specialist agencies – such as the public agencies working with refugees or ex-offenders – have been created to serve a wide range of needs for a specific *clientel* which is scattered across different regions and localities, although this is more common in the United States than in Britain.

Many of today’s central government departments can trace their origins readily back to those created in the Northcote-Trevelyan reforms of the 1860s or to the reforms following the Haldane report of 1918. Defence has lost few responsibilities since the demise of the old war department and the core business of home affairs has always been law enforcement and correction.

Other functions have been put together and pulled apart many times during the twentieth century in the name of ‘rationalisation.’⁷ But the particular rationales have often had less to do with synergies of functions or the disappearance of old needs and the emergence of new ones than with the need to give or deny power to particular politicians of cabinet rank. Housing, local government and pollution were combined to create an Environment department, which has recently acquired Transport and the Regions. Broadcasting was transferred from the Home Office to join Arts and Libraries in National Heritage, now renamed Culture, Media and Sport. Some experiments, such as Harold Wilson’s economic planning functions, have gone, absorbed into the Treasury or Trade and Industry. Energy ceased to be a ministry in its own right after the privatisation of the utilities and today its remaining functions squat alongside the science and technology sections of the Department of Trade and Industry. Gradually, European affairs have been transferred from the Foreign and Commonwealth Office to each of the relevant domestic ministries, with a small coordinating unit in the Cabinet Office. Public health has joined health care in the Department of Health, although it was once a bedfellow of Housing and Local Government. Figure 2 summarises the functional organisation of central government today, while Figure 3 gives that for a typical unitary local authority.

Despite numerous phases of structural reform, the functional principle of organisation has never really been challenged in the core executive. Even within the Scottish and Welsh offices, functions have

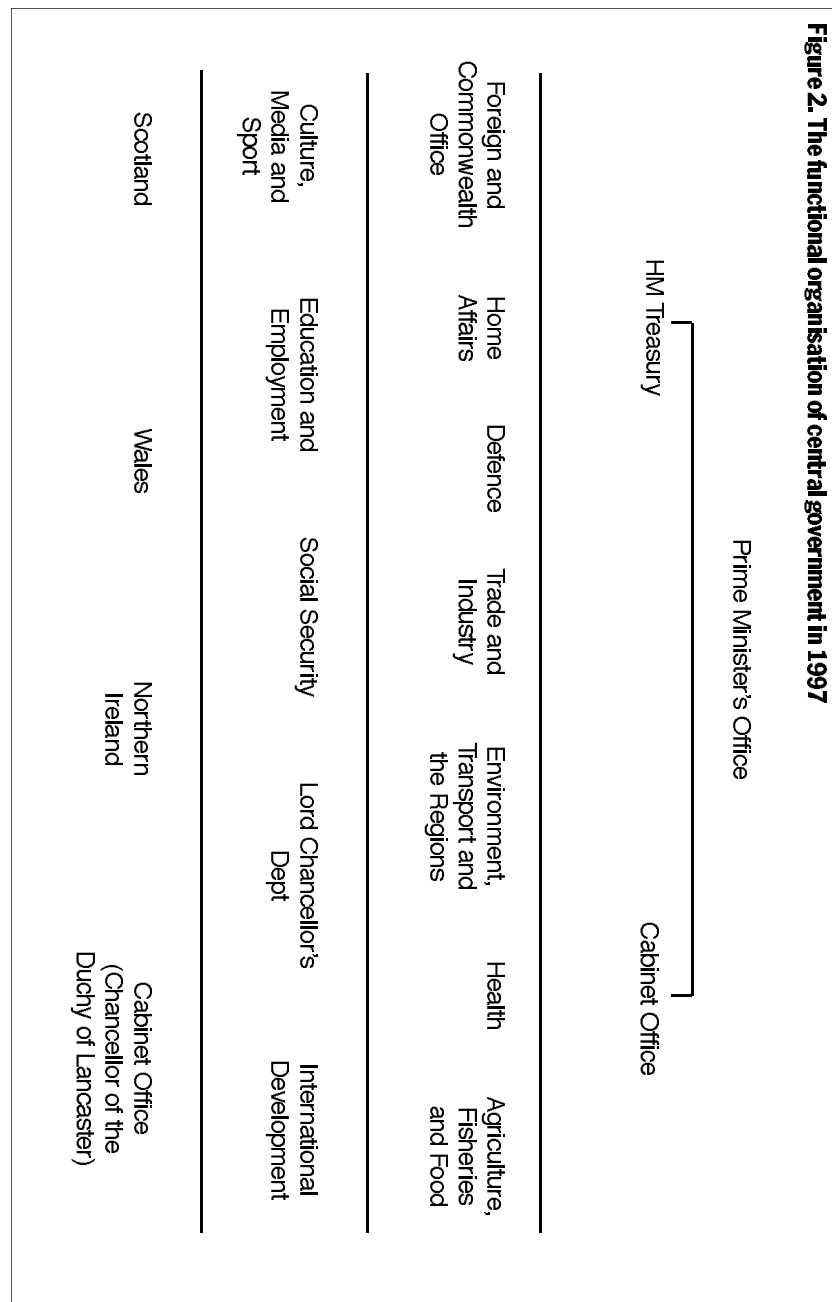
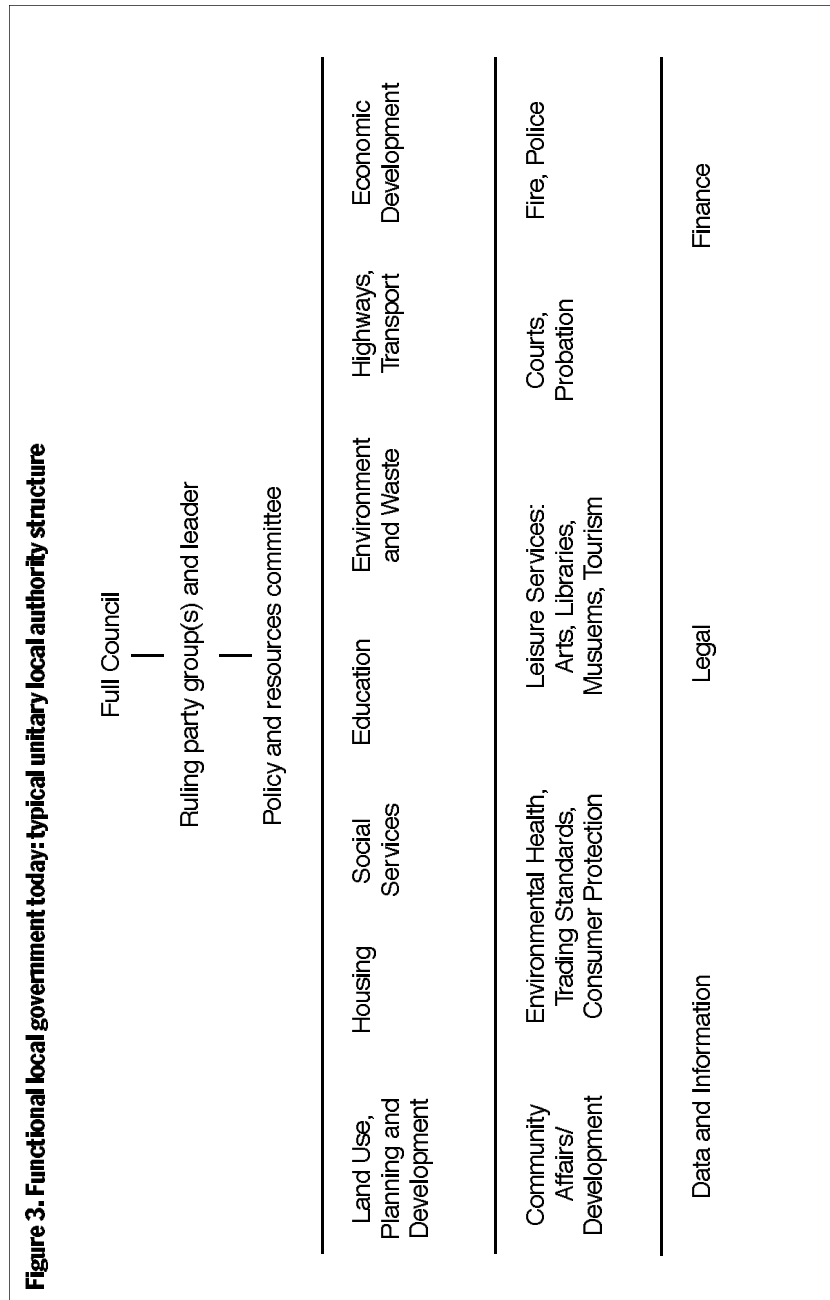


Figure 3. Functional local government today: typical unitary local authority structure



remained largely separate. The result has been a culture of thinking and working inside departmental cages and a defensiveness about functional turf which still bedevils British government’s effectiveness despite innumerable efforts to contain, combat or undermine it. Under every government since the beginning of the century at least, ministers have called for more cross-departmental working and announced grand reform projects.⁸ Inter-departmental working parties proliferate. Cabinet committees and special inter-ministerial working groups purport to coordinate policy across departments on a wide variety of topics and issues. The Cabinet Office has gradually acquired ever more specialist units whose writs are supposed to run across government. The prime minister’s office has taken new powers to force departments to work together. Every reform of the civil service has stressed the importance of high fliers working in a number of departments as they rise so as to avoid the creation of functional specialists.

Figure 4 summarises the range of agencies that have some role in trying to coordinate across central government. Almost all work from

Figure 4. Who coordinates the coordinators?				
Political control	Joint decision making	Support	Scrutiny	Regulation
Prime Minister and No. 10 Policy Unit	Cabinet	Chancellor of the Duchy of Lancaster	Parliament (esp. Select Committees)	National Audit Office (and Audit Commission)
Chancellor of the Exchequer	Cabinet Committees	Cabinet Office agencies	Committee on standards in public life	
Minister without Portfolio	Inter-Ministerial groups	Head of the Home Civil Service	Parliamentary Commissioner	
Lord President of the Council	Inter-departmental working groups			

NB. Cabinet Office and Office for Public Service agencies with co-ordinating role include: Central Information Technology Unit; Central Computing and Technology Agency; European office; Better government unit; Better regulation unit; International public service unit; Buying Agency; Citizens Charter Unit; Freedom of information Unit; Central Intelligence Machinery; Parliamentary Counsel Office; Public appointments and public bodies agencies; Civil Service College; Property advice to the Civil estate.

the top down and from outside the functions and their budgets and information systems. Even the system of coordination is fragmented.

Most of this effort to coordinate has been in vain for a simple reason: it cuts against the grain. The system is fundamentally designed to administer discrete functions and that design defends it against even the most robust attempts to bring functions together. Few gain in career terms from questioning the interests of their department. Few are promoted for cutting their own budgets. Few are thanked by their ministers for negotiating away any of their power.

But there is also another fundamental reason why the commitment to functional division has become so ingrained in the civil service and among politicians. The professions that in practice govern much of everyday life have organised themselves around these functions and have become powerful and able to make their professional thinking part of the 'common sense' of governance. Police and prison officers, medical doctors, town planners, the military and latterly environmental planners, social workers, teachers and the like have organised their professional status, role, standards and relationships with clients around the idea of functional administration. Their training and the way in which their functional thinking has become taken for granted within government are as much to blame for their defence of turf as is the crude lobbying power of their trade unions from the frontline.

Even more governing by functions

If the conventional pundits are to be believed, the generation of reformers that worked in the 1980s and early 1990s have effected a revolution in Whitehall.⁹ Figure 5 gives a short chronology of the main reform initiatives in central government since the mid-nineteenth century. Since 1980, the British government machine has been subject to:

- greater ministerial scrutiny and power¹⁰
- new forms of Treasury financial control¹¹
- extensive downsizing¹²
- an influx of recruits from business
- the creation of a new generation of dedicated agencies known as 'quangos', principally accountable to ministers¹³

Figure 5. A short chronology of civil service reform

- 1854** Northcote-Trevelyan: Report on the organisation of the permanent civil service: division of work into intellectual and mechanical tasks, recruitment by open competitive examination through independent Civil Service Board, promotion on merit, interdepartmental staff transfers
- 1870** open competitive examination
- 1875** Playfair: reform of grading
- 1886** Ridley: reform of grading
- 1918** Haldane: need for central coordination, departmental reorganisation around functions
- 1919** Fisher: consolidation of central power of Treasury, interdepartmental staff transfers as heart of civil service career, single organisation intellectuals not managers at the top
- 1924** Anderson: incremental change toward central coordination
- 1961** Plowden: financial management at all levels, modernisation of management culture
- 1968** Fulton: criticism of civil service amateurism, removal of strategic management function from Treasury, more specialists, single hierarchy, reform of grading, career planning, secondments to and from private sector, hiving-off executive functions, departmental policy think tanks, professional management
- 1970** Reorganisation of central government, Meyjes, Rayner, Boyle, Schreiber, Sharp: creation of Central Policy Review Staff, Programme Analysis and Review, management and organisational division by functional objectives, gigantism
- 1977** English: review of implementation of Fulton
- 1981** Heseltine introduces MINIS in DoE
- 1982** Financial Management Initiative, devolved budgeting, performance indicators, value for money reviews
- 1983** abolition of the Central Policy Review Staff
- 1983** Rayner: Efficiency scrutiny unit
- 1988** Next Steps Agencies
- 1991** Fraser: more power to agency CEOs
- 1991** Competing for quality, market testing
- 1991** Citizens' Charter
- 1994** Nolan Committee established
- 1994** Continuity and change: downsizing by more market testing, privatisation and so on
- 1994** Code of practice on government information
- 1995** Scott Enquiry into arms for Iraq
- 1996** government.direct

Sources: Barberis P, 1996, 'Introductory essay: Whitehall since the Fulton report' in Barberis P, ed, *The Whitehall reader*, Open University Press, Buckingham, 1-20; Pyper R, 1995, *The British civil service*, Prentice Hall Harvester Wheatsheaf, Hemel Hempstead; Jordan G, 1994, *The British administrative system: principles versus practice*, Routledge, London; Hennessy P, 1989, *Whitehall*, Secker and Warburg, London.

- the creation of hived-off specialist 'Next Steps' agencies dedicated to much more specific tasks¹⁴
- purchaser-provider splits leading to market testing and contracting out¹⁵
- the Private Finance Initiative¹⁶
- introduction of new agencies of regulation for private monopolies and publicly purchased services¹⁷
- much greater activity and performance measurement and semi-independent audit¹⁸
- greater control over local government¹⁹
- Citizens Charter quality standards of service and complaints systems
- extensive re-codification of civil service ethics and accountability to Parliament²⁰
- selective openness
- wider scope for judicial review²¹ and public enquiry headed by senior judges
- much greater involvement with supra-national bodies from the World Trade Organisation, international law courts and regional trading and law-making institutions such as the European Union.²²

More or less similar reforms have been conducted in New Zealand,²³ Australia,²⁴ the United States²⁵ and, more recently, in more moderate forms throughout the developed world.²⁶

These reforms were certainly successful in some of their objectives. Privatisation of services such as telecommunications, airlines, pharmaceutical research and many other activities has been successful for consumers and shareholders. Purchaser-provider splits, market testing and contracting-out have a more mixed record but for relatively straightforward services where output and quality can be measured without too much difficulty and where competition can be sustained, there have been savings and improvements in service quality.²⁷ Even with more complex services where the outcomes are hard to measure²⁸ and where the gains are less clear cut, the effect of the reforms has been to improve managerial focus and efficiency,²⁹ at least where there has been competition.

However, there have been several major problems with the system of government that we have inherited from the 1980s and early 1990s, including lack of public trust and confidence, centralisation of the wrong things, expense and ineffectiveness. All these derive from a single fundamental flaw – the failure to challenge the functional principle of organisation.

3. The flaws of the functional model

Because the reformers of the 1980s and early 1990s failed to break with the functional principle and even reinforced it, their strategies did not deliver on their promises. They failed to prevent public confidence in government from tumbling; failed to control the cost of government; did little or nothing to improve the effectiveness of public services; and skewed the accountability of public services to the wrong people. There are nine key flaws in the model of public services that we have inherited:

- high cost
- centralisation of the wrong things
- crude understanding of how to change behaviour
- short-term thinking
- too much focus on cure, too little on prevention
- lack of coordination and exacerbated problems of ‘dumping’
- measuring the wrong things
- accountability to the wrong people.

Each of these problems is considered below. All are grounded in the functional principle of organisation.

High cost

Government is expensive and it is not getting any cheaper. Seen in the context of the economic cycle, the reforms of the 1980s and early 1990s only slowed the growth of public spending as a proportion of national wealth and some of the saving achieved in the 1980s were

offset by increases in spending in the 1990s. While the rate at which costs rise has been contained, the causes of the high cost of government have not been dealt with strategically, despite the restructuring of the late 1980s and early 1990s. Because budgets are spent in departmental silos, costs have to be linked to functions rather than needs or outcomes. This makes it hard to apply investment models that might deliver savings in the long-run.

Centralisation of the wrong things

While any programme of reform will re-centralise some things and decentralise others, the last generation’s programme – at least in Britain³⁰ – has involved extensive centralisation of control and policy making in the Treasury and in Whitehall, over local government, agencies and other public bodies. Certainly, the reformers of the 1980s and early 1990s sought to decentralise the managerial responsibility for the delivery of many services to local agencies such as schools, hospitals, Training and Enterprise Councils and even local authority social services departments. However, intelligence gathering, accountability, much policy formulation and a great deal of budget control were all re-centralised. In certain circumstances, the Treasury was prepared to relax detailed line item control of spending, as happened in the case of the Next Steps agencies, but only where other instruments in place made it unnecessary.

This balance has proven to be less effective than was hoped. The Treasury has become a bottleneck for many decisions. Public managers have incentives to find ways to salt money away, in fear of ‘claw back’. Much of the information and intelligence about what works and what doesn’t, what customers want and do not want, that is gained by front line agencies is wasted because the design of services and the specification of what can be purchased remains the responsibility of Whitehall. Morale has fallen among many public managers who are therefore less innovative than they might otherwise have been. Accountability to local communities and service users has weakened, undermining public trust in government generally and the reforms of the 1980s and early 1990s specifically.

Crude understanding of how to change behaviour

The reformers of the last generation recognised that traditional command-and-control style regulation was not sufficient to change people's behaviour. The effort therefore switched, as we have seen, to the use of incentives. They included:

- subsidies for buying one's council house
- incentives for doctors to offer certain additional services
- sharper disincentives to idleness within the benefits system
- tax reliefs for older people to take out private medical insurance
- tax reliefs for using certain means to give to charity using GiftAid
- tax reliefs for using certain vehicles for savings such as TESSAs and PEPs.

Talk of sentences for criminals as 'tariffs' was commonplace, suggesting that politicians thought that punishment was, too, a simple matter of incentives. In fact, incentives often proved very expensive and in some cases were not effective because they simply moved existing savings or charitable giving into tax efficient vehicles. At most they stimulated much less saving or giving than they cost in tax reliefs.³¹

Incentives have often proven very expensive, perverse or at least ineffective. Tax incentives for savings alone, for example, amount to £10 billion each year.

Many current outcome and output related funding mechanisms create perverse incentives for providers to select the cheapest and easiest to serve who may well not be those most in need ('cream-skimming'). When there are no incentives to offset this (for example weighting the incentives toward disadvantaged people), the result can be injustice ('adverse selection').³² In health care, capitation systems of funding doctors and dentists present a good example of the risks. The idea was to provide rewards based on outcomes but the improvements in health status promised have not been achieved and cream-skimming effects may be part of the explanation.³³

Behind these problems lies a crude model of human motivation. The idea was that with an appeal to short-term financial interest, one could influence behaviour directly. But people are more complicated than that. Above a certain level of income or wealth, further incentives for

saving have little effect,³⁴ unless they are unaffordably lavish, because often people want other things more than money. If people do not wish to bear certain risks individually, simple incentives will have limited impact in persuading them to do so.

What was missing in the last generation of public sector reforms was any attempt to influence the hearts and minds and the cultures of service users and the public.³⁵ Yet it has become increasingly evident that the central problems of crime, unemployment, poor educational achievement and ill health cannot be solved unless the public at large is willing to take greater responsibility. Educational weaknesses can only be tackled when parents and teenagers place greater value upon education. Willingness to commit crime is in fact very little influenced by changes in the length of sentences. Crime will fall in some parts of the country only when cultures of enforcement and prevention change. Employability will only rise as cultures of learning and adaptability to shocks and setbacks change. Cultures of behaviour such as smoking, exercise and work are obviously crucial to health. The only alternative to changing cultures of responsibility is a huge increase in public spending, for example to pay for more teachers, police on the beat or GPs.

Short-term thinking

The functional approach to government traps departments within the limits of the annual spending round and prevents them from thinking for the long term.

Budgets are drawn up annually around functions. Over-spending is punished by deductions but under-spending is also punished by a Treasury clawback of resources, giving departments no incentive either to save resources or to think beyond the current year's sending cycle.

Because politicians rarely think beyond the next general election, it is all the more important that the executive arms of government provide a counter-balancing pressure for long-term thinking. But the absence of any organisational or financial reason to think about the implications of what effects a programme has outside the function that administers it makes for short-term thinking in management. Focused on managing curative services rather than prevention,

working by a fiscal environment of endless short-term fixes and constrained in its capacity to innovate by its legal powers, executive government has failed to be a force for long term thinking.

Too much cure, too little prevention

With the exception of education, most services that government provides are curative. They intervene after the harm has already occurred. Medicine is, for the most part, not prophylactic but concerned with curing people who have fallen ill. Policing – despite some marginal effort in community policing and crime prevention – is an almost wholly curative effort to detect and clear up reported crimes after they have been committed. Most cash benefits – which now take up almost one half of all government spending – are available only after something harmful has occurred to an individual to make them eligible, such as unemployment, disability or loss of other sources of income. Public interventions in housing spend few resources in preventing housing need and most in keeping people in their homes with cash through the tax or benefits system, or providing them with homes if they have lost their own or if their homes have become uninhabitable for some reason. Child protection services are mostly concerned with investigations after harm has occurred.

Few of these curative systems are very effective. Medicine explains less than five years of the total increase in life expectancy in the whole of the twentieth century.³⁶ Many benefits create poverty traps and, for at least some people, may foster attitudes of fatalism, dependency and low aspiration. Effort and expenditure on policing have risen relentlessly but so has crime. Differences in expenditure on policing and the number of officers explain a tiny proportion of the variation over time and across regions in levels of crime. And so on. Yet the alternatives to curative government are only now being developed and are often resisted by the great professional interests that have grown up around these services. Preventive public health activity is a very small proportion of health spending and is regarded by clinicians with the same suspicion as energy companies look upon energy efficiency and demand reduction programmes. Crime prevention is still in its infancy and is often marginal but it can be shown to be both more effective

than the criminal justice system in reducing crime levels and more cost-effective.³⁷

Despite their ineffectiveness, ‘curative’ public services – the National Health Service, the police and the welfare state – are ones to which the British public has become attached. It is very difficult for politicians to shift commitments made to them, even if the services provided are not solving but mainly administering the problems they are meant to address.

The last generation of public sector reformers did little or nothing to shift the balance toward prevention and, in some cases, reinforced the curative principle. By directing most of their political energy for welfare state reform to the question ‘who will pay?’, they failed to ask whether the service was one worth spending so many resources – public or private – upon in the first place. Because many of the 1980s and early 1990s reformers felt that there was something ‘soft’ about crime prevention, something unacceptably ‘nanny state’ about sickness prevention, they actually disinvested in these areas with predictable results.³⁸

Lack of coordination and problems of ‘dumping’

The key flaws inherent in the functional principle of organisation are the failure to coordinate activities and the risk of problems and individuals being ‘dumped’ by one agency on another.

Recent reforms were meant to alleviate the flaws of the old administrative model. Instead, by sticking to the functional principle, they have often made government less able to respond to new challenges and less able to coordinate its diverse functions. Indeed, many of the reforms have reinforced the functional approach, particularly the obsession with encouraging dedicated, single-purpose agencies.³⁹ In 1982, the then environment minister, the Rt Hon Michael Heseltine, announced the Urban Development Corporations, describing them as ‘single-minded’ and ‘focused like a laser beam’ on the problem with which they were charged. The stream of ‘single-minded’ agencies created since the Next Steps initiative – and the particular version of ‘managerial focus’ that was taught to public sector managers as the prevailing business wisdom – has made traditional problems of coordination worse.

Coordination problems resulting from the functional principle of organisation have been numerous:

- the right kinds of service get delivered but ineffectively, inflexibly and slowly⁴⁰
- the wrong kinds of service altogether get delivered⁴¹
- people get ‘dumped’ without service.

One example is the effect of the change in how schools’ performance is measured and rewarded. The design of league table competition has contributed to rising levels of exclusions of difficult-to-teach pupils. These excluded pupils are disproportionately involved in youth crime, putting more pressure on the police and the criminal justice system.⁴² Fragmentation of services for children has been held responsible for serious problems in meeting the needs of vulnerable children.⁴³ Another example is the effect of greater focus in social services and GP services, which has led to rising demand for hospital accident and emergency services as people jump the queue. Fragmentation of effort in the environmental policy field has also been a major source of policy failure and stasis. However, the recent integration of the Departments of Environment and Transport is a notable sign of a new acknowledgement of the need for holistic approaches in this area.

Many of the worst off find their plight made greater as they fall through holes in the networks of government or are ‘dumped’ between agencies. ‘Dumping’ occurs when providers cease to provide a service to a client at all, either passing the responsibility to another or washing their hands of it altogether, resulting in demonstrably worse outcomes for the client. Its growing importance in the contemporary welfare state can be explained by:

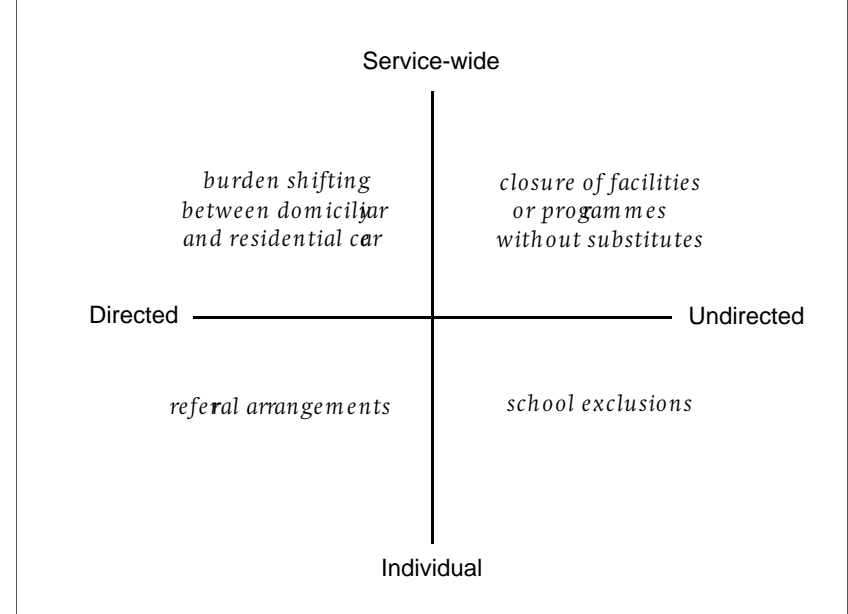
- the use of incentives that lead to cream-skimming in the selection of clients or the services offered to them⁴⁴
- a growing culture of managerial focus on ‘core’ responsibilities and competencies, almost always defined functionally, taken from the private sector
- the continuing importance of professional discretion.⁴⁵

It is useful to classify dumping on two dimensions. The provider may discontinue an entire service (‘service-wide’) or merely use their discretion not to serve or to cease serving a particular individual (‘client’). It may explicitly argue that the responsibility is now that of another agency (‘directed’ dumping) or it may leave other agencies to cope as best they may (‘undirected’). Figure 6 provides some examples. Dumping is not a new phenomenon but there is plenty of evidence that it has become worse since the reforms of the 1980s and early 1990s.

Measuring the wrong things

The language of ‘the 3Es’ – economy, efficiency and effectiveness – dominated the 1980 and early 1990s. But only the first two were ever pursued seriously. The last generation of reformers were in fact principally obsessed with efficiency. Some internal efficiencies have been achieved. But neither measured nor felt levels of unemployment, crime, ill health and low educational achievement have been ameliorated by the reforms.

Figure 6. Types of dumping: some examples



In pursuit of effectiveness, these reformers had but one principal weapon. They introduced many new performance measures and new kinds of audit. Yet too often, the measures they accepted were the ones put forward by professionals and managers in the services rather than the ones the public wanted. Government today is awash with statistics which purport to measure performance but in fact only measure levels of activity.⁴⁶

The result has been a focus on sharper administration of services which impact insufficiently or in the wrong way on the customers of government. Too many evaluations concentrate on the effectiveness of management and relationships at the expense of the outcomes achieved.⁴⁷ While consultants and academic advocates of the last generation of reforms constantly call for outcome measurement and outcome-based reward systems,⁴⁸ few seem to recognise that these data cannot be collected or used meaningfully if government continues to be organised around functions. In the few cases where some outcome measures have been introduced, they have not been properly connected with specific services (for instance, 'Health of the Nation') or are related only to public services and not to all the other factors that influence the outcome (such as 'value added' measures in education). Although there has been some effort to measure service 'quality', most of this has been concerned with the quality of processes. Where outcomes have been defined, this has usually only been done by arbitrarily constructing service-specific and fragmented measures of customer satisfaction.⁴⁹ Even where measures of trust and satisfaction are collected – for example, under the Citizens Charter, by some NHS hospital trusts and the Benefits Agency – they are still specific to particular functions and too often concerned more with client's feelings about the process of dealing with the agency than about the outcome.

In too many public services, little effort is yet being made to address the problem of measuring real effectiveness because the focus of recent reforms has been more on efficiency and economy. 'Value for money' has too often been construed in very narrow ways. The Audit Commission has gone further than the National Audit Office in efforts to instil a culture of measurement of real effectiveness, not least in the

sphere of youth justice⁵⁰ and frontline policing⁵¹ where it has been particularly critical, but it has often encountered serious resistance.

Professionals also prefer to work with outcome measures which are to do with the observable behaviour or conditions of their clients. So medicine works with measures of absence of disease-causing bacteria or absence of cancerous cells or – in the case of geriatric medicine – with observed physical functioning in daily activities. Professionals tend to be suspicious of subjective outcome measures of consumer satisfaction, trust or changes in aspirations, confidence or values. For example, police officers often have little interest in measures of public satisfaction in 'bobbies on the beat' because they feel that this leads to resource allocation that does not improve clear-up rates. Intelligence-led policing is less visible and therefore less conducive to improving feelings of safety. But the professionalism of the police is organised less around feelings of public safety than around clear-up, conviction and arrest rates. Doctors, too, feel that consumers are often satisfied with the 'wrong' things, choosing to consume medicines that do not improve health, may leave them dependent or reduce levels of functioning. Teachers are suspicious of pupil and parental satisfaction measures, believing that pupils typically want the 'wrong' things from education and that parents are too often little better.⁵² Professionals who see their job as controlling moral hazard and fraud – such as those in the administration of social security benefits or taxes – often feel that high satisfaction ratings would mean that they are not doing the coercive side of their job well. No professional in the state has any direct interest in the satisfaction and trust of taxpayers who are not the people directly served or processed.

But subjective measures of effectiveness do matter. Subjective satisfaction is often an important part of getting to the outcome. The more satisfied and trusting the patient, the greater the placebo effect.⁵³ The higher the aspiration and confidence of the pupil and the parent, the more effective the learning. The more the public feel safe and protected from crime, the more they will be willing to report criminals and cooperate with the police in detection.

Government has been poor in developing generic measures of quality of life.⁵⁴ There has been no recent innovation to parallel the leaps forward in measuring national output and income that were

made during the Second World War and which still provide the most used measure of overall societal success – namely, gross domestic product. Yet without adequate measures of well-being and of how individual services contribute to it, government cannot allocate its resources strategically.

Accountability to the wrong people

The reinforcement of government by functions in the last generation of reforms has skewed the accountability of public services. Dedicated agencies, subject to greater central control of budgets and performance measurement systems and staffed by professionals with a sense of loyalty to national professional bodies, are principally accountable upwards to Whitehall and Westminster. But if they are seriously engaged in changing cultures as well as trying to reverse the decline in public trust, then more downward accountability to and involvement of service users and local populations is absolutely essential.

Overcoming the dominance of functions is the first stage in any effort to increase downward accountability. Citizens and service users do not – and should not need to – think in the bureaucratic functional terms that politicians and public managers do in order to hold public services accountable. Why should young, unemployed people need to understand the functional distinction between the payment of benefits such as Jobseekers Allowance and Income Support (Employment Service and Benefits Agency), the payment of welfare benefits such as Housing Benefit (local authority), the provision of job training (Training and Enterprise Councils) and the provision of advice (Citizens' Advice Bureaux) in order to hold these services to account for their impact on their employability? Equally, why should elderly people need to understand the arcane theology that distinguishes health from social care to hold these care services accountable? Only when government is no longer organised principally around functions will citizens and consumers of its services be able to hold government accountable and will falling levels of trust in every level of government start to rise.⁵⁵

4. Holistic government

The key theme of the new agenda, and the answer to many of these problems, is more 'holistic' government – that is, horizontal integration and linkage between fields and functions. Holism is crucial because the fragmented structure of separate health, law and order, education, housing, child protection and social services has consistently failed to make real inroads on the problems of crime, unemployment, poor educational achievement and ill health.

Past experiments in holistic government

There have been many attempts in the past to bring about greater integration by top-down or 'macro' methods such as bringing together functions believed to have synergies with one another into gigantic central structures. These have always failed because they have not moved beyond the functional basis of organisation.⁵⁶

The most basic structure of government that is supposed to coordinate policy and administration in any country is the Cabinet. But, as everyone knows, most Cabinet ministers speak from their department or portfolio, defend their departmental turf and, over time, come to regard coordination as a game of winners and losers. In the executive, the Treasury and the central policy staff are expected to coordinate but they often find themselves fighting departments on an essentially bilateral basis. Indeed, coordination often comes to be thought of by politicians, administrators and commentators alike as simply a matter of more effective management of these relationships and of questions of centralisation versus decentralisation. The expectations of government on the wicked issues are often scaled down to match.⁵⁷

The simplest and commonest form of holism has been the multi-purpose local authority. This was designed in the nineteenth century to bring coherence to what had previously been separate boards. Yet within most councils, despite at least 25 years of attempts to introduce more ‘corporate’ policy making structures (now described as ‘strategic management’) the division of labour, power and policy goals is still organised around functions.⁵⁸

While recent efforts to pull together councils around common goals set by political and executive leaderships are encouraging, the track record of councils in overcoming fragmentation by profession and function is not.⁵⁹ Even the defenders of local government do not typically tend to argue for further extension of the multi-purpose authority.⁶⁰

Another model that achieved less than it promised was ‘joint planning’ in the 1970s.⁶¹ Under that model, all the agencies involved in any activity were expected to participate in joint decision making forums. Not surprisingly, the problems of acting together were so great that little was achieved. In recent years, these attempts at round table consensus between ‘stakeholders’ in a neo-corporatist style have come back into fashion in some fields, such as Child Protection Committees, environmental action, health and social care joint arrangements,⁶² Drug Action Teams,⁶³ the newly announced Health Action Zones,⁶⁴ Employment Zones and some ‘partnership’ programmes in local economic development which bring together local authorities, Training and Enterprise Councils and public and private bodies.⁶⁵

These experiments have some value but they suffer from slow decision making because they must appeal to the lowest common denominator in the agendas of each of the functionally organised partners. They depend heavily on the willingness of the individual representatives to work together and the calibre of leadership to sustain that willingness.⁶⁶ Moreover, because they do not always fully pool key resources such as budgets and information, they offer limited incentives for integration.

Toward the next generation of initiatives in holistic government

There is also a more recent set of initiatives to learn from. Figure 7 provides a matrix of the main types of recent initiative classified

Figure 7. Types of holistic initiative in government

	Central coordination	Decentralised coordination
Strategic	<ul style="list-style-type: none"> ● Local case managers ● Integration of information management and customer interface 	<ul style="list-style-type: none"> ● Holistic budgeting and purchasing ● Inter-departmentalism
Reactive	<ul style="list-style-type: none"> ● Fewer, more centralised agencies ● Restricting agencies’ ability to pass on costs 	<ul style="list-style-type: none"> ● Joint production of services ● Cross-industry collaboration

according to the degree of centralisation and the degree to which they are typically strategic or reactive.

Inter-departmentalism

Inter-departmental working parties, inter-ministerial groups and the like have been the conventional tactics for responding to problems that transgress organisational boundaries. In the past ten years or so, they have proliferated with extraordinary energy in areas such as drugs policy, pollution control and new technologies in central government, and in linkages between housing and social services,⁶⁷ between housing and environmental health and between housing and transport in local government. However, where they lack real budgetary power and political backing at Cabinet level or spending power at committee level in local government, they have had limited impact on the substantive policy areas they are supposed to address. Nevertheless, some experiments have been moderately successful.⁶⁸

Collaboration across functions

In the 1980s, the experiments with ‘multi-agency’ work in policing and child protection began as ways of using inter-agency partnerships to overcome the organisational difficulties of tackling these problems.

There have been a variety of experiments in collaborative inter-professional working and team structures in health and social services. When used in a context where there are few other instruments for holism, the results are mixed at best.⁶⁹

Central coordinating mechanisms across network

Clearing houses, based on formal or informal agreements not to dump, have been developed in some areas. One well known example of this is the Bed and Breakfast Information Exchange (BABIE) in London, established under the auspices of the London Housing Unit. BABIE allocates people in ways that attempt to minimise dumping of housing and social services responsibilities for homeless people by one borough on to another.

Centralisation, or fewer agencies with broader responsibilities

At the local level, housing departments have merged with the housing sections of environmental health departments and some mergers with social services departments have taken place. Nationally, there has been a series of departmental reorganisations such as the abolition of the Department of Energy and the re-allocation of its functions to Environment for energy efficiency in housing, to Trade and Industry for international trade and so on. We have also seen mergers such as the creation of the Department for Education and Employment and the Department of the Environment, Transport and the Regions. All these reflect a desire to reflect more accurately the interaction of functions and problems. Unfortunately, as the history of Whitehall reorganisations shows, this kind of 'gigantism' usually creates new boundary problems of its own. Suggestions of a 'super-Treasury' imply a similar centralising response to governmental fragmentation which may be as unsuccessful in tackling 'wicked' policy problems as all previous attempts to centralise state power have been.

Restricting agencies' ability to pass on costs

In environmental protection, for example, there have been experiments with the 'polluter pays' principle to prevent organisations from dumping the external costs of their activities on others. Some of the

policy discussion surrounding school exclusions is seeking to reshape the incentives for schools to reduce numbers of exclusions.

Joint production of services

'Foyers', imported from France to provide services for young homeless people, represent a new kind of agency that spans the industries of housing provision and job training. A number of other combinations have been tried with varying degrees of success, including adding community care goals to the housing management goals of social housing managers and vice versa and integrating transport and social services for people with motor disabilities. The Home Office has recently called for a whole range of public services, from school administration to land use planning, to be managed and audited with the goals of crime reduction in mind.⁷⁰

This form of joint production of services can be effective, provided that one does not load too many goals without clear priorities between them to guide managers in those situations where they must make choices between them. However, it will only work when expertise from different disciplines is combined. Managers trained in just one functional discipline are generally not well-equipped to achieve multiple goals. Just placing new kinds of targets on organisations is not an effective route to a culture of integrated thinking.

Multi-disciplinary and inter-disciplinary teams in health and social care have been tried for a number of years and, while their record of success is mixed, there are lessons for practitioners about managing and working in such teams. An obvious but important one is that it is easy to get obsessed with designing holistic organisations at the expense of thinking holistically about purpose and client need.⁷¹ There are also international experiences at local and national levels on which to draw.⁷²

Case manager

Although yet to be implemented, ideas have been developed that would build on the concept of the 'case manager' drawn from social services and health care. In local government, there have been experiments in authorities such as the London Borough of Hackney with the creation of 'floating' chief officers who work across service functions.

Case managers would be given power to buy services not simply from a single industry but across industries and fields to respond to the interaction of tasks and problems which confront them. Although GP fundholders are largely restricted to buying health care, there are some total fundholding pilots which show what could be done if and when these restrictions are at least partially lifted. For instance, education welfare officers might find themselves purchasing housing services and health visitors purchasing environmental health or energy efficiency services for their clients as well as connecting people to schooling and health care.

Information management and user interface integration

In the 1990s, the challenge to the fragmentation of government has grown deeper and the agenda has shifted toward integrating the key resources that, when fragmented, lead to poor coordination and dumping – money and information. The 1996 Green Paper, *Government Direct*, proposes a radical new system for information management in the public sector: a common electronic system for the entry and retrieval of basic personal information and a common customer interface for public services which could be clustered around life events. This system could be used from touch screen kiosks in shopping centres or a personal computer in a library or one's own home. There are challenges here to ensure that concerns about privacy and confidentiality of personal information are met⁷³ but the implications for greater holism in government are potentially very great.

Holistic budgeting and purchasing

The Single Regeneration Budget is an important experiment in creating budgets for the single purchase of activities across the functional boundaries of housing, physical renewal, job training and community development. A range of other 'challenge' funds has come into existence. The new 'best value' programme which will replace compulsory competitive tendering in local government specifically requires that operations subjected to the best value process should be cut across services and functions. In a recent publication, I set out ideas about how holistic budgeting can overcome the 'pass the parcel' game between health and social care agencies in care for the elderly.⁷⁴

Obstacles to be overcome

Considerations of privacy have long prevented the flow of personal information across departments, agencies and tiers of government. As we increase the flow of information across functional boundaries, new kinds of safeguards must be given to citizens about the uses to which personal information will be put. These should include detailed codes of practice ruling out 'fishing expeditions' and requiring reasonable grounds, for example of suspicion of fraud, before permitting generalised data mining and matching strategies to be used.⁷⁵ These codes could and should mandate the wider use of systems of referring on databases to individuals anonymously where bureaucrats or agencies do not need to know the true identity of an individual in order to carry out a transaction.⁷⁶ They could also include much clearer and more detailed codes of practices and statements of the purposes for which government collects and uses personal information.⁷⁷ Moreover, there will be some areas where full integration is inappropriate. For example, where preventive services need to attract clients who are engaged in illegal behaviour such as drug taking, it will be important to state that these services are quite separate from law enforcement and to retain 'firewalls' in the flows of personal information.⁷⁸

Opportunities

Despite the obstacles of vested interests, inertia and the legitimate need to brand services differently, the new century presents huge opportunities for achieving greater integration in government. New information and communications technologies enable the integration of information systems as never before. Over 30 years' development of models for changing cultures across boundaries and over networks has left us a rich inheritance of ideas on how micro-level integration strategies might work.⁷⁹ Practical experiments in multi-disciplinary working, holistic budgeting and common interfaces have shown the potential of more integration.

Holistic government is no longer a dream without organisational substance. Although challenges remain, it is a set of practices on which much greater ambitions can now be built.

Key recommendations for holistic government

All of the approaches to integration listed above have their place in the toolkit for more holistic government. Together, these tools can be used to force integration downstream in planning, designing and providing services. They can also reinforce the focus of government on cross-functional purposes. The key to real progress is the integration of budgets and information. The fundamental building blocks are:

- budgets designed around outcomes and purposes, not functions or activities⁸⁰
- more competition for the achievement of those purposes
- requirements that successful bidders build partnerships across traditional functional boundaries
- requirements that they work to achieve measurable improvements in real outcomes.

In the course of this strategy, it will be necessary to re-centralise some things, such as overall goal-setting, measuring outcomes and setting budgets. Others will need to be decentralised, such as intelligence gathering, initiative and innovation in programme design, delivery and local democratic accountability to users and the public.

Integration of budgets

There are many ways in which budgets can be integrated. For example, schemes have been developed which will overcome the division between health and social care for elderly people.⁸¹ These examples can be built on in fields such as homelessness to overcome the divisions between different benefits and housing budgets.

Resources from these holistic budgets for outcome based contracts should be much more open to competition between departments and other tiers of government such as local government, consortia, partnerships and the private sector. This will require the introduction of contracts that are enforceable and have private law status between ministers or the core executive and the bodies that deliver operations, along the lines pioneered in New Zealand.

Single area budgets

There is a strong argument for more area based initiatives that bring together the government's proposed Education Action Zones, Employment Zones and Health Action Zones with Single Regeneration Budgets. The aim should be an ever rising proportion of mainstream budgets which are being competed for with specified real outcomes and incentives for partnership across the public sector and across barriers between functions and professions.

Holistic budgets should be developed to target the needs of particular groups at this level, such as small businesses, lone parents and long-term unemployed young people.

Holistic budgeting by areas will decentralise much of the gathering of information and intelligence and give much greater financial scope to local purchasing agencies to design services as they see fit. In this context, it will be possible to introduce much more downward accountability to citizens and service users. Central systems of oversight, audit and policy review will then concentrate on evaluation, identifying lessons about effectiveness and value for money, disseminating best practice from local innovation.

Case workers

The role of individual case workers can be developed further. For example, in combining functions of the Benefits Agency and Employment Service, individual frontline staff could put together packages of benefits, training and housing to assist as many as possible of the currently long-term unemployed into work.

There will be cultural barriers to be overcome and recruitment and training systems will need to focus on new competencies. However, changes of similar magnitude have been introduced successfully before – for example, the introduction of GP fundholding into the NHS.

Holistic government will certainly require some increase in the discretion of those administering budgets and managing information systems. This should not be a source of alarm. For all the claims of the last generation of government reformers to be squeezing administrative and professional discretion out of the public services and for all the self-serving pleas of the professionals that they were losing their

discretion, in fact teachers, police officers, clinicians, training providers and benefit officers have retained great discretion in the rationing of resources, the selection of clients, the quality of services offered and the strategic directions pursued. It could hardly be otherwise.⁸² The point is to discipline and harness the innovative capacity of discretion with competition, to employ codes of practice to prevent the wrongful use of discretion and reinforce the ethos of public service and to focus it on achieving real change using outcome-based standards.

Figure 8 summarises one model of how holistic budgeting might work.

Information systems

Where possible, we need to integrate the ‘front-end’ of government, or the parts that deal with individuals. ‘One-stop shops’ have developed within certain tiers of government, for instance, at neighbourhood level within local councils. But it is now time to go much further.

One-stop shops should become the principal means by which the public deals with government, both physically and electronically, through a common interface, in order to simplify the process of dealing with government for governments’ customers. To make systems more comprehensible, one-stop shops will be organised around life events which trigger people’s need for services. It should be simple for individuals to alert government to a life event such as a bereavement, becoming unemployed or losing a home. This could be done by using graphical multiple choice systems with touch screens. Then the system would bring to their attention all the services that might help them. By offering space to relevant private business services, it should be possible to attract private finance for the capital investment involved.⁸³

The functions and services that make up today’s public sector will become ‘back offices’ and ‘content providers’ for these one-stop shops. Over time, they will operate and be managed in more and more integrated ways. Because these systems will handle very large volumes of personal information about individuals, much more of which will be shared across government, they will need to be subject to new privacy codes on the handling of personal information.

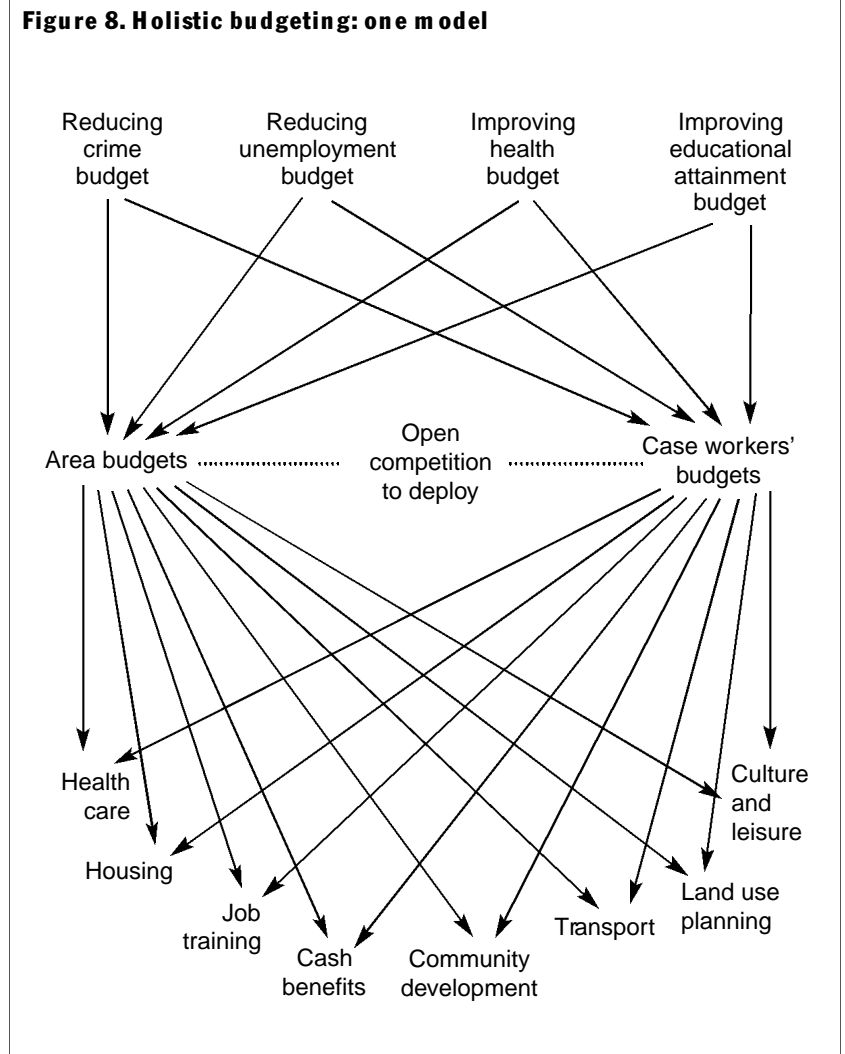
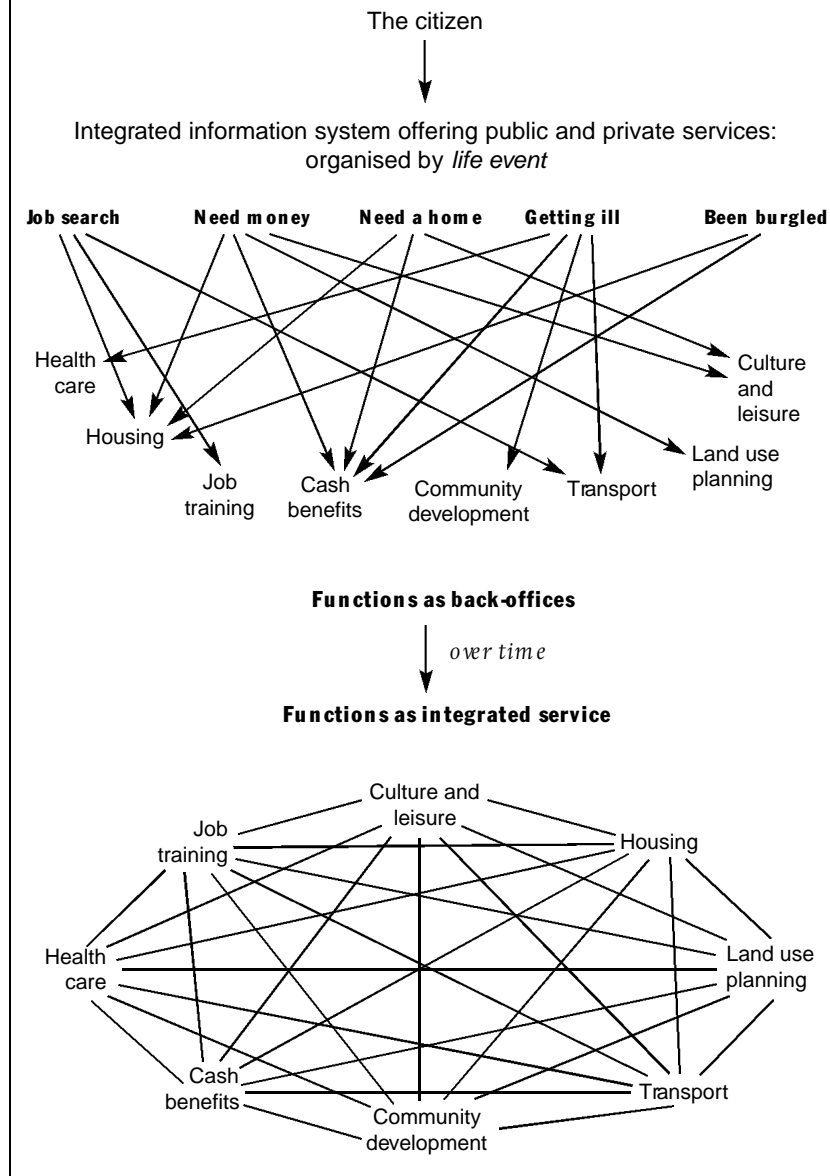


Figure 9 summarises how a holistic information system might work over time to be a force for holistic organisation within public services.

Targets

There is a case for experimenting with opening up the targets and performance indicators to community participation to enable each

Figure 9. Holistic information system s



area to determine its own priority targets at the post code district level within a nationally set framework. These could set out what each different set of agencies can contribute and what the community itself can contribute. A number of US cities and states, such as Seattle and Oregon, have led the way in this kind of community consultation on targets.

Organisations defined around outcomes not functions

The most radical step would be to replace governing by functions with outcome-focused departments. One could imagine not a department for education and unemployment but one charged with enhancing the one and reducing the other and with powers to operate across the whole range of functions in housing, family policy, public health, public information, cultural policy, crime and so on. Again, to achieve this will require New Zealand-style formal and contestable contracts that are enforceable in private law between ministers and their departments.⁸⁴

These methods would not solve all of the problems of inconsistency and coordination since all forms of integration draw organisational boundaries in better places but do not abolish them altogether.⁸⁵ Nor would they solve all the problems of information and centralisation of the wrong things. But they would represent a major advance.

Measures of this kind would substantially improve the focusing of resources on key problems. They would also further shift the culture of government away from the culture of the 'departmental silo' toward one of genuine partnership.

again, cash benefits and lost economic activity, tax revenues and growth.

Dimensions of prevention

It is important to distinguish between different kinds of preventive strategy. *Primary prevention* is concerned with preventing problems from arising in the first place. Vaccination against specific diseases and basic skills education are obvious examples.⁸⁷ *Secondary prevention* is concerned with preventing acute problems from recurring or preventing chronic problems from getting worse.⁸⁸ Programmes to reduce crime in an area by persuading residents to install alarms, better locks and closed circuit television cameras are one example. There are many pharmaceutical products the main benefit of which is neither vaccination nor cure but palliation and slowing the progress of disease.

In the fields of primary crime prevention,⁸⁹ health promotion, sickness prevention,⁹⁰ and financial literacy improvement, there has been some recent innovation at local level in Britain which can be built upon. The key area on which work is needed is in the primary prevention of long-term unemployment and poverty. While the systems of income maintenance, job training and voluntary childcare provision are a basic secondary preventive network, the only form of primary prevention nationally available is the education system. However, as numbers of school exclusions rise, those most at risk of long-term unemployment are often no longer being reached.

Secondary prevention can be put at the centre of the incentive structure through better purchasing and using outcome related systems such as capitation in health care.⁹¹ However, it is important that these are compensated appropriately to avoid the risk of providers 'skimming the cream' and leaving some clients without service altogether.⁹²

It will not be appropriate for all contracts for preventive work to be framed in terms of outcomes. In some cases, the effects of preventive work will not show up for ten years or more and so outcome specification could make inappropriate rigidities. Because primary prevention is still in its infancy in some fields, experiments and pilot projects will be needed for which detailed outcome specification would be inappropriate. However, as practice develops and we learn more about what holistic interventions work and prevention becomes more routine

5. Anticipatory government

The case for prevention

A more holistic approach must imply a preventive system of government. It is not possible or even meaningful to claim that one is effectively tackling crime by dealing with each of the risk factors, causes and sources of crime after the crime has occurred. Again, tackling health in a holistic way is simply impossible on a curative basis: the causes of illness are too various and too powerful to be tackled after the event. Only preventive work in housing conditions, working conditions, education, regular monitoring, stress reduction and improvement in diet and exercise can affect long-term health. The fragmentation of government by function enabled and encouraged the growth of curative professions. The only meaningful comprehensive attack on the sources of major social evils is prevention.

The converse is also true: preventive government can only be delivered holistically. No strategy of crime prevention or health promotion could be credible if it involved largely discrete operations on the causes of crime or ill health in housing, work, family life and parenting, hygiene and land-use planning.⁸⁶

Prevention is critical for two reasons. The first is simple effectiveness. When it works, it works much better than cure.

The second is fiscal. Only preventive action on crime, unemployment, ill health and poor educational achievement offer any hope of being able to make savings further down the line in policing, criminal justice, prisons and probation services; cash benefits and training programmes; medicine and long-term care; remedial education and,

across government, it may be possible to work toward greater outcome measurement and specification.

In a July 1997 speech on welfare, the prime minister announced that he intended to ask all departments for reports on measures of the preventive impact of their policies. While no doubt many will focus on secondary rather than primary prevention, the role of audit in shifting the culture of the civil service toward prevention is important.

The toolkit of prevention

The main tools of anticipatory government will be:

- developing skills, competencies and a new kind of professional status around prevention
- early warning systems and scenario building exercises on the risks of particular needs arising
- early identification of at risk individuals through schools, social services and the police
- the provision of information and persuasion to change cultures of behaviour
- audits of the preventive impact of the entire range of government policy and services aimed at identifying areas where prevention would, over foreseeable periods, yield savings
- development of more early intervention services targeted at children and young people to prevent them from poor educational achievement, delinquency, crime, ill health and unemployment
- encouraging preventive roles, practices and models to develop within each of the professions, using codes of practice, institutes, and systems of accreditation
- challenging the public’s attachments to curative services that are ineffective (such as hospitals and authoritarian policing), by making more powerfully the case for effective preventive measures.

Overcoming the obstacles

Some people have been prejudiced against preventive government because they associate it with violations of civil liberties such as preventive detention, preventive exclusion, inappropriate state care and so on.

Certainly, preventive programmes need to be combined with proper safeguards against the abuse of power both in the form of constitutional legal protections and in codes of practice on frontline public servants making inferences from ‘soft’ information.

Others object to preventive government for exactly the opposite reason: that primary crime prevention or secondary prevention by way of rehabilitation is too ‘soft’ and insufficiently punitive. However, no serious consideration of modern methods of crime prevention could sustain this criticism today.⁹³

Other people fear that preventive government will be unacceptably paternalist. Programmes of vaccination and water fluoridation have sometimes attracted this criticism. But this is muddled. Curative government is often much more paternalistic than preventive, in collecting taxes to finance medical procedures or educational programmes. The important thing is that each case of paternalism is openly and publicly debated and that the agencies responsible for delivering it are publicly accountable.

Fundamentally, however, the justification for preventive government must be the greater priority that the public attaches to reducing crime, improving educational attainment and employability and improving health than it attaches to the freedom for each individual to fail, when it comes at the expense of their fellow citizens.

Key recommendations for preventive government

Audit

Every department, agency and tier of government should be subject to an audit of the effort, effectiveness and priority of primary preventive activity in respect of the main wicked problems – ill health, unemployment, poor educational achievement, pollution and crime.

Encouragement of prevention in the professions

In the course of discussions with each of the welfare state professions over pay, status and negotiations structures, government should bring forward concerns over the skills, training, priority, effort, status, reward and management of preventive activity. Where possible, it should make offers concerned with remuneration, working conditions, consultation programmes and other benefits conditional upon profes-

sions having greater roles in preventive activity. Government should seek to work with the professions to build up the role of prevention in their systems of accreditation, teaching and professional development, special institutes, codes of practice, systems of promotion and status. This should start with public health, community policing and rehabilitation of offenders. The professions and semi-professions in teaching, training and benefits administration should be encouraged by government to examine ways in which they can encourage employability. Just as professional organisation worked to reinforce curative government, it can be turned to support preventive government.

Early warning systems with safeguards

Each department, agency and tier should be expected to develop early indicators that are measured regularly to show the presence of risk factors for any of the key areas for which it has competence. These should be reported and published at least annually. Where risk assessment tools involve making inferences about individuals that can affect how they are treated, there should be tighter codes of practice as safeguards to prevent these early warning systems from leading public managers to take draconian action on the basis of soft evidence against individuals who might be at risk. These codes should be published.

Affording prevention

In the long run, it is a reasonable hope that prevention will cost less than cure. A number of crime prevention projects have proven themselves cheaper than cure when all the relevant costs are taken into account. Many health promotion and sickness prevention programmes of basic hygiene, improvements in diet and education in health related behaviours are more cost effective ways to achieve longer and healthier life than health care interventions.

But preventive government still costs money. Therefore, it will be important to find ways to free up resources from curative work to finance preventive activity.

In part, these resources can only come from shifting the burden of financing curative services further from the state to the individual. Some risks are very difficult for those people most likely to face them

to insure themselves against. The conventional examples are delinquency and crime, unemployment, unplanned parenthood, need for long-term care and certain health care needs.⁹⁴

The one area in which people of all political views expect the state to remain the leading provider of curative services is in the detection and punishment of crime. However, there may be scope for reducing costs of punishment and rehabilitation through graduated repayments and reparations on release from prison or during community service and probation for those sentenced in the community.

However, the steady process of shifting the burden for curative services from taxpayers to the individual can be continued, at least incrementally, although not in the form of dramatic overnight withdrawals from health care or unemployment insurance.⁹⁵

Shifting the balance of government effort from cure to prevention is one of the most difficult and demanding challenges of the new era of government reform. The curative model of government has deep historical roots and has been buttressed by the growth of professions and lobbies that maintain constant pressure for more resources to be thrown toward cure. It also retains longstanding public affection. Yet in the long term, the curative focus has created fiscal difficulties, ineffectiveness and enormous risks for government with which today's politicians are grappling. It will require vision and determination to extricate government from it.

From prevention to anticipation

Prevention is only the first stage towards more anticipatory government. More exactly, prevention is concerned with the negative goals of government, with the reduction or elimination of risks. Anticipation is also about positive behaviour and making government more strategic.

Most of the policy proposals put forward by national administrations are expected to operate over a period of ten to fifteen years, yet surprisingly little of the intellectual capacity of government is oriented to the medium range future. The Parliamentary Office for Science and Technology (POST) does some scanning and technology forecasting. The Office of National Statistics produces some population and household projections. The Treasury, however, largely eschews medium range futures work, mainly on the grounds that the one tech-

nique it has ever tried for that purpose – namely, econometric forecasting – has failed.

Specific commissions and reviews are sometimes undertaken within departments to examine certain developments. Within the NHS, a number of scenario building exercises have been tried and have produced useful results.⁹⁶ Some public sector consultancy firms have offered such exercises.⁹⁷ But although there has been a growth in this activity in the 1990s, much of government remains impervious to and suspicious of scenario building.

The reason for this is not the absence of useful and illuminating techniques for thinking about the future. A plethora of scenario building techniques are now well tried and tested from traditional military and civil defence methods of contingency planning, the Shell approach,⁹⁸ the Global Business Network method⁹⁹ and the Demos Serious Futures method,¹⁰⁰ the latter specifically designed for the purpose of analysing public policy, to more formal soft systems modelling approaches.¹⁰¹

The reason for the short-term orientation of government is a matter of political culture. The British administrative and political élite has long prided itself on its pragmatism. But British élite pragmatism is rather different from, say, that of the American élite. Its attitude to risks is one of avoiding expensive commitments in advance for fear that they might turn out to be Maginot lines, useless when the risk materialises. Rather, the British administrative culture is one of trying to secure enough spare capacity to respond ‘on the night’.¹⁰²

Of course, any government needs to balance the reasonable claims of flexibility and the need to avoid committing resources to plans that may turn out to be quite inappropriate with the need to anticipate, to prepare contingency plans and to explore the risks that today’s policy choices and commitments might face tomorrow. British political and administrative culture has, however, never struck a sensible balance. It has left anticipation to a handful of specialists and never conducted anticipation in any holistic way that considers the interactions of all the specialities.

There are some optimistic prospects for a cultural change in this direction in the late 1990s. The toolkit for anticipation is now better understood and more widely disseminated across government than

ever before. The rather confused disdain for any kind of forward-looking study as if it were about socialist economic planning has largely dissipated. Politicians are at least talking publicly about the need for long-term thinking in politics.

Key recommendation for anticipatory government

Futures resources across government

A specific capacity should be created in every part of British government for centres of excellence in anticipatory techniques and methods. The centre itself should not seek to carry out the bulk of such exercises. That would be to repeat the mistake of the old Central Policy Review Staff, created under the Heath administration and abolished in 1983 under Mrs Thatcher.¹⁰³ Rather, it should work with the Civil Service College, with the Local Government Management Board, with the Audit Commission and with the leading public sector consultancy firms to disseminate the skills and methods as routine management tools throughout the public sector and act as a repository for the products of such exercises.

Anticipation and integration

Prevention and anticipation are essentially holistic activities. Curative government has been the source of much fragmentation and the professional culture of the curative professions has been partly to blame for the weakness of government’s capacity to anticipate in useful ways. Therefore, the next phase of government reform must be one in which integration and anticipation are pursued together. Neither can succeed without the other.

6. Culture-changing government

The case for changing cultures

Reshaping government budgets, information systems and strategies toward prevention alone cannot solve unemployment, ill health, poor educational achievement and crime. These are problems that are sustained by cultures of behaviour, thought and social ties among the public. The key challenge for government is to identify tools with which it can seek to persuade and enable key sections of the public to change their cultures.

Anyone who is serious about prevention must be serious about sustaining a preventive culture of responsibility among the public. People who are at risk of ill health, parents whose children are at risk of poor educational achievement, communities that face real risks from rising crime all need to take actions that require a culture of prevention. In some cases, it may mean recognising the need for and demanding preventive services (for example, in public health) but in many cases, it will involve more direct preventive action.

The refocusing of government on prevention, both in the orientation to the long term and away from the financing of curative services, will involve engendering major cultural shifts among the public to explain and make legitimate these changes and to enable people to think through the implications for their own lives, including bearing more individual responsibility for financing curative services.

Organising budgets, information systems and organisations more holistically will require cultural change in those sections of the population that have grown most accustomed to dealing with fragmented services and have learned to use the inherited systems.

Priorities for cultural change

Increasingly, if governments are to achieve their objectives they will try consciously and deliberately to influence the cultures of the governed.¹⁰⁴ In particular, government needs to influence:

- *unemployment*: the ability and willingness of long-term unemployed people to raise their aspirations, to seek out new forms of skills, use their contacts to find work and the willingness of ‘insiders’ in the labour market to make short-term sacrifices of income in order to finance the creation of work for others
- *educational achievement*: the willingness of parents to participate in their children’s schools, to share and reinforce the values of learning, to take early preventive action with schools if their children are performing poorly
- *crime*: the willingness of communities to take part in crime prevention activities, to report misdemeanours and take part in common prevention activities such as neighbourhood watch
- *health*: the willingness of the public to avoid health-damaging behaviours and take moderate exercise, the willingness of businesses and workplaces to sustain high standards of hygiene and in some areas to bear individually more of the costs of curative services in order to enable government to focus its resources more effectively on prevention.

All of these are cultural changes that involve the creation of new norms, new kinds of solidarity and involvement by individuals in the lives of others. In other words, solving the wicked problems requires more social capital.¹⁰⁵ Government alone can’t do very much to make new social capital but it can stop damaging existing social capital and do more to enable people and businesses to build it.

The dilemmas of changing cultures

Sometimes people argue that it is undemocratic for government to attempt to change the minds of the citizens.¹⁰⁶ Yet in practice, even the most ‘minimal’ government is involved in changing minds whether it likes it or not. Punishment of crimes, even if the aim is deterrence, is as much about changing minds as rehabilitation or health promotion.

Education by its very nature inculcates the basic elements of the inherited culture in children and young people. More generally, the provision of any kind of service or regulation by government has cultural consequences, whether it be the effects of state welfare upon cultures of unemployed people or the effects of competition policy and environmental taxation on the culture of businesses. Government cannot conceivably be neutral in the cultures of the governed. And where some cultures clearly have damaging consequences for the four key risks that citizens want government to tackle, there is a powerful case that, at the very least, government's actions should not make matters culturally worse.

The feasibility of changing cultures

It is common to hear the word 'culture' used to explain why things don't change, why things can't be changed or why someone has given up all hope of changing something. 'It's deep in the culture' is the excuse given by so many failed agents of change within organisations and in government.

This might be taken seriously if cultures did not change as a rule or only with glacial slowness. But in fact, we are constantly acknowledging how quickly cultures can change. Youth cultures come and go with fascinating rapidity. In business, organisational cultures change only a little more slowly but, within the last generation, the cultures of aspiration, management, knowledge and responsibility have shifted dramatically. Even within government itself – supposedly, if conventional wisdom were to be believed, the place where organisations and bureaucratic practices are preserved in aspic – there has been significant cultural change during the 1980s and early 1990s, although not all of it in the direction that reformers had hoped.

The cynics usually respond that cultures do indeed change but cannot be changed deliberately in the direction that reformers want. Unintended consequences will always overwhelm any attempt to change cultures. The cynics will then always point to the 'dependency culture' engendered by the welfare state as evidence that cultures may change but not in the way that reformers hope. All attempts to engineer cultural change will run, the cynics say, into a backlash or else will create problems of moral hazard, free-riding and abuse.

Again, the evidence does not support this view. There are, when we look for them, plenty of cases of benign deliberate cultural change among the wider public, at least on a smaller scale.¹⁰⁷ Kemal Atatürk brought about enormous cultural change in his programme of modernisation for Turkey in the 1920s. State decisions to promote a certain language can bring about major cultural change, as every nationalist from Quebec to east Africa knows. More recently, in Germany, many parts of the United States and Canada and some other parts of the world, cultural attitudes toward recycling have changed dramatically and people are willing to put themselves to some inconvenience to separate out rubbish into up to seven categories and even take some kinds of rubbish themselves to recycling centres. Campaigns against litter in the streets have had a real effect in Britain. In schools, the long battle to change long-established cultures of bullying are beginning to bear fruit. Despite some recent setbacks, the campaigns against the cultures associated with smoking as 'cool' or 'sophisticated' have shown important results. There have indeed been some cases of backlash and free-riding in each of these cases but in none of them have they been so great as to undo the gains achieved.

Strategies and tools for cultural change

It does not follow that government can do anything it likes to change cultures. A democratic and liberal government cannot engage in brainwashing, subliminal advertising or indeed coercion, except in response to crime or other major public threats. However, there are tools with which government can legitimately seek to influence cultures among the wider public and the users of its services. Within constitutional and ethical limits, democratic governments can legitimately seek to address and influence change in each of the dimensions of culture, using the four principal strategies by which cultures are changed within organisations: coercion, contagion, coaching and learning.¹⁰⁸

Land use planning powers, transport policy, arts policy and patronage, environmental regulation from litter and graffiti laws through to industrial pollution regulations, state ritual, product standards regulation and tax policies can all influence the material culture and environment. Laws of libel, obscenity, blasphemy, privacy and intellectual property have long influenced the content of a variety of communi-

cations from the press to broadcasting and the Internet with consequences for cultures. The ordinary tools of information and persuasion by way of education and public campaign can have an effect on risks perceived and norms accepted. Government policies in labour market regulation, housing and education can and do have an effect on the structure of social networks.¹⁰⁹ Politicians and government agencies can certainly influence expectations and aspirations and regularly seek to do so in rhetoric, in policies for equal opportunity or economic liberty and so on. That governments can influence worldviews and ideologies is well-known: many people believe that the Thatcher years made irreversible changes to British political culture.

The conventional but restricted government toolkit of command-and-control instruments supplemented with a range of incentives through public purchasing, tax reliefs and social security is not sufficient to change cultures; these tools have a continuing role but others are needed. In the key cases which we are concerned with, the apparently 'weak' tools of information provision, persuasion and education are often more powerful, albeit rather more long term in their effects, on willingness to think and behave differently. When these work with the grain of public culture – as has happened with drink driving, smoking and, to some extent, with schools, the effects can be extremely powerful. When they do not, it is often not because the problems are insoluble but because the tools are being applied piecemeal rather than holistically; other government programmes are getting in the way. The key weak tools are the following:

- *persuasion* education, public information campaigns, individual counselling and support
- *example* experiments, personal example by politicians and civil servants, pilot projects
- *redress* provision of rights to information, compensation, enforceable in various ways
- *structuring the ways in which organisations and individuals interact* competition policy, freedom of information, competitive purchasing.

The most important lesson from the successful use of tools to change cultures is that they need to be used holistically. It is no use trying to

change willingness to behave in a certain way – for example, to recycle household waste – only by working on that behaviour. The point about seeing these things as embedded in cultures is that they are sustained by systems of status, solidarity, aspiration, significance and shared institutions. Government action that seeks to tackle damaging behaviours needs to work at all these cultural levels.

Key recommendations for cultural change

Working on cultures is a style of governance that should pervade the whole public sector. There is no point in, for example, creating new organisations within government responsible for championing the case for cultural change. Rather, the whole of the public sector needs to work differently. The key tools for inducing this are to use the auditing and budgeting process as levers.

Auditing the cultural basis of social problems

The first step in changing the cultures that sustain high levels of crime, poor educational achievement, ill health and unemployment is to understand them. It is surprising how little work has been done within government or the wider research communities to pull together what we know and understand about the cultural roots of these problems. Too often, policy makers start and finish their understanding of the problems they are tackling with a disorderly list of individual-level risk factors. The agencies responsible for tackling the four key social problems need to develop a holistic and cultural understanding of them and of the cultural tools legitimately at their disposal for tackling them. Institutionally, the responsibility for developing that understanding rests with the various research agencies in government. The responsibility for developing an improved understanding of the effectiveness of tools for cultural change should rest with the audit bodies in the new and wider role that I have outlined throughout this book.

Building in tools of cultural change

In the more holistic systems of budgeting, information management and organisation, we need an explicit recognition of the role of cultural change and strategies designed to achieve this. For example,

holistic budgets should be designed to include appropriate budgets for information and persuasive activity as well as purchasing and regulation where appropriate. The risks of moral hazard and backlash that some programmes of cultural change bring need to be understood. Preventive action needs to be built into the design of these budgets and strategies.

Only when government is oriented more to cultural change than to administration can it become genuinely holistic and preventive. Public cultures have their impacts across functions and have for too long reinforced the curative character of government. Today, we have a clearer understanding of the mechanisms by which cultures change and the tools with which organisations, leaders and governments can influence those changes.

7. Outcome-oriented government

Beyond the 3 Es

The next phase of government reform will have to shift the balance of government effort in measurement, audit and reward beyond economy and efficiency toward effectiveness. The functional principle of organisation has bequeathed us any number of measures of activity but very few measures of outcome. Only holistic government will be able to institutionalise a culture oriented towards measuring, rewarding and managing better outcomes.

Overcoming professional and academic fatalism

Outcome measurement is, like the organisation of government, a subject on which practical politicians are in direct conflict with the conventional wisdom of academics and professionals. The conventional wisdom among academic and professional pessimists has generally been that outcomes in many white collar and professional services are inherently difficult to measure because they:

- are multi-dimensional
- involve complex trade-offs
- rely for their achievement on inherently unmeasurable things like 'tender loving care' and 'politeness', 'public service ethos', 'ethical standards' and 'culture'
- measure dimensions of well-being that often change by making quantum changes at particular thresholds rather than continuous incremental or decremental change

- are not suitable for presentation in league tables because they need to be read with sensitivity to other factors that explain league table position
- are difficult if not impossible to apply successfully using rewards and sanctions without creating perverse effects such as excessive focus on measured and measurable things (in the old Soviet Union, glass manufacturers given targets by weight produced glass that was too thick, and, given targets by square metre, produced glass so thin that it readily broke)
- tend to lead to cream-skimming; where service providers have any discretion over the selection of their clientele, people will be selected for whom it will be easy to achieve the outcomes, even if they are – or precisely because they are not – the ones in greatest need¹¹⁰
- tend to encourage the abdication of professional judgement in favour of following mechanical procedures – that is, treating performance indicators that call for further investigation ('tin openers') as if they were indicators that require a single specific corrective action ('dials')¹¹¹
- represent outdated management methods of detailed control and removal of discretion.¹¹²

Academics and professionals regard these arguments as the distillation of experience. They tend to see politicians' endless demands for measurable results as exercises in cynical decentralisation of blame.¹¹³ Politicians on the other hand, tend to see these arguments, on the part of public service professionals, as lazy excuses and a refusal to be held accountable and, on the part of academics, as cases where the professionals have captured their thinking.

In the late 1990s, it is now possible to see the outlines of a more fruitful debate and a common agenda. It is possible to improve both the design and the application of outcome measures in public services. The difficulties that the academics and professionals have pointed to are real but not insoluble. The solutions – pilot projects, experimentation and evaluation – will take time to develop. Indeed, the art of measuring outcomes and designing systems of organisation to deliver improved outcomes is still in its infancy.

Impact programme

The imperative is now to develop:

- better measures of outcomes for services in general
- better ways of establishing the causal efficacy of services in bringing about change in outcomes
- better generic – not service-specific – measures of quality of life and other outcomes; establishment of causal efficacy of services in bringing about change in quality of life
- better relationships between outcomes for the services government provides making it clear what trade-offs have to be accepted between different dimensions of well-being
- more composite measures that integrate objective indices of observable behaviour with reported dimensions of well-being.

Government can only develop its operations to target desired outcomes and their improvement more effectively if it is prepared to invest time, effort and money in the research necessary to measure what it is seeking to change. Outcome-oriented government is, by definition, a measurement-intensive affair.

To be sure, this is not straightforward and will call for new kinds of collection and recording of information. For example, the impact of policy and public services on the four key problems of crime, unemployment, ill health and poor educational achievement can only be measured adequately using more and better designed longitudinal studies. This means that there are good reasons for government to invest in such collections, where possible jointly with private companies which share an interest in the findings.

It is always a challenge to isolate the contribution of a public intervention or service. However, methods from a large number of evaluation studies have evolved which should enable government to do this rather better and more systematically than has hitherto been possible.

The greatest intellectual challenge for government is the construction of meaningful generic quality of life indicators that aggregate and weight dimensions of well-being without simply aggregating measures of the impact of services defined by functions.¹¹⁴ Unless this is done, any exercise to identify the relative effect of government policies and

services on quality of life is trivial, merely exploring its own methodological entrails.

The most promising route is to begin with composite and generic indicators such as the Social Deprivation Scale or Adjusted National Income where standard indicators are adjusted to reflect happiness, health, sustainability and so on.¹¹⁵ The next stage is to examine the impact of public service initiatives upon them for individuals and areas.

In order to overcome the problem that so many outcome measures are service-specific, there is a case for some government-wide initiative in this area. It might be called the Impact Programme.

The aim of such an initiative would not merely be to draw together the strands of existing knowledge about outcome measurement and the difficulties to be overcome. That task has been done many times. Rather, the initiative would:

- develop a manageable number of pilot projects and experiments with innovations in outcome measurement and reward
- concentrate only on the four key policy goals, namely reducing crime, ill health, poor educational performance and unemployment
- draw up a detailed set of recommendations on the specific means by which more effective outcome-oriented performance could be measured and rewarded in the context of more holistic and preventive government.

A number of agencies would need to be involved in this cross-governmental initiative. The Audit Commission and National Audit Office are currently the bodies with the greatest concentration of expertise in this area. Therefore, they should lead the initiative. A number of other inspectorates such as the Social Services Inspectorate, the Housing Corporation, the Police Complaints Authority and advisory bodies such as the Citizens Charter Unit in the Cabinet Office and the Local Government Management Board need to become involved, perhaps linked with the Office of National Statistics which is responsible, through *Social trends* and other programmes, for taking an overview and analysing public measures of well-being.

Other countries are now moving in this direction. For example, the federal government in Australia is embarking on a major national programme to develop and publish indicators of well-being and to relate them to the performance of public services. The state of Oregon has developed a set of quality of life benchmarks.¹¹⁶

Smarter purchasing

A new focus on outcomes will enable government to purchase services more intelligently. A certain 'machismo' among purchasers in the early 1990s in social care and job training services sometimes led to the acceptance of loss leader bids. Incumbents have then been able to make sure that there is no effective contestability when the contracts are re-let. Contract sizes need to be smaller to allow multiple sources of supply to continue to flourish.¹¹⁷ Innovation funding needs to be separated from funding for service provision. Purchasers need to temper the idea of short-term value to consumers and taxpayers with a longer-term concern for the health of the organisational ecology of suppliers, as many major business purchasers have learned to do.

In fields such as social care, low-cost rented housing, job training and environmental services, public purchasers have often made assumptions that organisations are caring, flexible and innovative purely on the basis that they are voluntary. But there is no evidence that voluntary organisations are typically superior to for-profit firms in any of these respects.¹¹⁸

A major goal of the next phase of government reform is likely to involve achieving smarter purchasing which makes better trade-offs between the goals of:

- focusing effort on outcomes while recognising that, in many services, we have multiple objectives that will sometimes compete for priority and may conflict
- giving incentives to innovate in the direction of prevention and away from cure
- reducing transaction costs
- avoiding adverse selection
- sustaining a healthy ecology of provider organisations and contestability at the point of re-contracting.

8. The politics of the new agenda

The new agenda for government in the twenty first century is becoming clear. At its heart is the idea and the goal of ever more holistic government, built as much from the bottom up as from the top down.

While government has much still to learn from large business organisations, it has special responsibilities that are not shared by other organisations. It has a greater responsibility to act for the long term; it has a greater responsibility to see things in the round and it must care more about outcomes than about outputs. This makes integration, prevention and outcomes more important than in many kinds of business.

Having just come through a period of extensive fragmentation and functional focus, it is now appropriate to swing the balance toward integration. It is possible that if greater holism were to bring with it a loss of focus another stage of the cycle would begin. Other countries may be at different stages in their cycle. The important issue is for policy makers to understand the purposes served by fragmentation and by integration.¹¹⁹

There is, among practising civil servants, academics and pundits, a measure of fatalism about the prospects for integration across government. The common mindset is that everything has already been invented, tried, found wanting and been abandoned and that the institutional constraints are simply too great to be overcome.¹²⁰ For those of this persuasion, the best that can be hoped for is a constant and shifting process of negotiations, bargaining games and mutual adjustment across networks of organisations, without overarching objectives.¹²¹

The fatalist account of government is misleading for several reasons. Firstly, by focusing wholly on the internal issues of public administration, it ignores the growing pressures from public mistrust and rising expectations that are pushing governments to reform. Secondly, the fatalistic view misdescribes the last generation of public sector reforms that it purports to be based upon. In fact, powerful mechanisms of coordination and objective setting were put in place in Britain and in such countries as Australia and New Zealand in order to implement them. Such devices can be developed again for quite new purposes. Thirdly, it flies in the face of the evidence of recent innovation in new kinds of integrative mechanisms, from the Single Regeneration Budget to best value, from the development of foyers to the creation of the BABIE clearing house, from the Central Drug Coordination Unit to the plethora of electronic one-stop shops that are growing at local level and latterly at national level in Britain. Finally, it would be quite wrong to see the programme of holistic government as simply resurrecting old and failed tools from the 1960s and 1970s such as corporate management, programme analysis and review or the Central Policy Review Staff. None of the pre-Thatcherite strategies for bringing about integration and coordination across government broke with the functional principle. All were top-down and centralising. None sought to construct budgets and information systems holistically.

The 'nothing new under the sun' view of conventional public administration is part of the problem, not the solution. By sapping the energy and will of public managers, it is partly responsible for the continuation of old and under-performing systems of governance.

The barriers to achieving the ambitions for a holistic, preventive, outcome-oriented and culturally literate government are not to be underestimated. Nevertheless, the opportunity has never before been so great to achieve a measure of focus and integration across government.

Holistic government will need political champions at every level. No prime minister acting with his or her own powers alone can turn around the huge tanker that is British government and inculcate across the public service the necessary cultures of holism, prevention, culture change and outcome-orientation. Throughout the civil service, agencies, local government, the NHS and other limbs of government,

as well as from the public sector professions, leaders are needed to carry forward this programme.

If this change is to be made successfully and if government is to avoid another turn of public disillusion and distrust, it will have to learn to integrate more than it analyses, to prevent more than it provides and to mobilise more than it makes. Only when this is achieved can reformers talk seriously of a government that ‘works’.

Notes

1. Osborne D and Gaebler T, 1992, *Reinventing government: how the entrepreneurial spirit is transforming the public sector*, Plume [Penguin], New York; Osborne D and Plastrik P, 1997, *Banishing bureaucracy: the five strategies for reinventing government*, Addison Wesley, Reading, Massachusetts; Weller P and Davis G, eds, 1996, *New ideas, better government*, Allen and Unwin, St. Leonards, New South Wales; Bekke HAGM, Perry JL and Toonen TAJ, eds, 1996, *Civil service systems in comparative perspective*, Indiana University Press, Bloomington, Indiana; Boston J, Martin J, Pallot J and Walsh P, 1996, *Public management: the New Zealand model*, Oxford University Press, Auckland; Ferlie E, Ashburner L, Fitzgerald L and Pettigrew A, 1996, *The new public management in action*, Oxford University Press, Oxford; Pollitt C, 1993, *Managerialism and the public service*, 2nd edn, Blackwell, Oxford; Walsh K, 1995, *Public services and market mechanisms: competition, contracting and the new public management*, MacMillan, Basingstoke; Kooiman J, ed, 1993, *Modern governance: new government-society interactions*, Sage, London; Eliassen KA and Kooiman J, eds, 1993, *Managing public organisations: lessons from contemporary European experience*, Sage, London; Foster CD and Plowden FJ, 1996, *The state under stress: can the hollow state be good government?*, Open University Press, Buckingham; DiLulio JJ jnr, ed, 1994, *Deregulating the public service: can government be improved?*, Brookings Institution, Washington DC; DiLulio JJ jnr, Garvey G and Kettl DF, eds, 1993, *Improving government performance: an owner's manual*, Brookings Institution, Washington DC; Kettl DF, Ingraham PW, Sanders RP and Horner C, 1996, *Civil service reform*, Brookings Institution, Washington DC; Peters BG, 1996, ‘Models of governance for the 1990s’ in Kettl DF and Milward HB, eds, 1996, *The state of public management*, Johns Hopkins University Press, Baltimore, Maryland; Dunleavy P, 1994, ‘The globalisation of public services production: can government be “best in world”?’ in *Public Policy and Administration*, vol 9, no 2, 36–65.
2. See, for example, the MORI Omnibus survey, reported in British public opinion, monthly, MORI, London. The survey has for many years included the questions, ‘What would you say is the most important issue facing Britain today?’ and ‘What do you see as other important issues facing Britain today?’. Responses are not prompted. The July 1997 newsletter reported data from

October 1996 through to June 1997 which are typical. The top six are described in the MORI analysis under the following rubrics, which summarise the respondents' own words: 'unemployment', 'common market/EU', 'NHS/hospitals', 'education/schools', 'crime/law and order', and 'economy'. The 'economy' variable comes consistently below all the others. When, in this book, I discuss the key 'wicked' issues, I ignore the 'common market/EU' variable, because it reflects a set of legal and organisational means for tackling other issues, rather than a substantive problem in its own right. It is worth noting that the issues of 'pensions/social security', 'pollution/environment', 'housing', 'morality', 'drug abuse', 'taxation', 'Northern Ireland', 'race/immigration', 'inflation/prices', 'defence/foreign affairs' 'BSE/beef', 'privatisation', 'local government/council tax' are consistently ranked very low indeed and usually only the first of that group of issues ever gets more than 15 per cent of the sample to select it as the most important. For these reasons, therefore, in the rest of this book I focus on the top four substantive issues of crime, unemployment, ill health and poor educational achievement, which can stand as reasonable proxies for the leading 'wicked' issues on which the public wants to see action.

3. The term 'wicked problems' has been given new currency in this context by Sue Richards, borrowing from John Stewart. See Richards S, 1996, 'New Labour, new civil service' in *Political Quarterly*, vol 67, no 4, 311–320; Richards S, 1997, 'Promoting change through public policy' in *RSA Journal* no 5748, 31–37; and Clarke M and

Stewart J, 1997, *Handling the wicked issues: a challenge for government*. INLO-GOV Discussion Paper, Institute of Local Government Studies, University of Birmingham, Birmingham.

4. On recent public spending levels, see Corry D and Gray D, 1997, 'Recent history of public spending' in Corry D, ed, *Public expenditure effective management and control*. Dryden Press, Harcourt Brace, London, and Foster CD and Plowden FJ, 1996, *The state under stress: can the hollow state be good government?* Open University Press, Buckingham.

5. Jordan G, 1994, *The British administrative system: principles versus practice* Routledge, London; Hennessy P, 1989, *Whitehall* Secker and Warburg, London.

6. They date from the work of the Haldane committee in 1918 and from the work of Gulick in the USA in the 1930s: Haldane RB, 1918, *Report of the machinery of government committee: Ministry of reconstruction*. Cd 9230, HMSO, London; Gulick L, 1937, 'Notes on the theory of organisation' in Gulick L and Urwick L, *Papers on the science of administration*. Institute of Public Administration, Columbia University, New York. See also Jordan G, 1995, *The British administrative system: principles versus practice* Routledge, London.

7. Hennessy P, 1989, *Whitehall* Secker and Warburg, London.

8. The chronology of major reform initiatives and reports is in itself revealing: Northcote-Trevelyan, 1854; Playfair, 1875; Ridley, 1886; MacDonnell, 1915; Haldane, 1918; Fisher, 1920; Tomlin, 1931; Anderson, 1944; Priestly, 1955; Plowden, 1961; Fulton, 1968; Boyle, Schreiber, Sharp, 1970; FMI, 1982; Rayner, 1983; Ibbs, 1988; Citizens Charter, 1991: see Barberis P, 1996, 'Introductory essay;

Whitehall since the Fulton report' in Barberis P, ed, *The Whitehall reader*. Open University Press, Buckingham, 1–20; Campbell C and Wilson GK, 1995, *The end of Whitehall: death of a paradigm?* Blackwell, Oxford; Pyper R, 1995, *The British civil service* Prentice Hall Harvester Wheatsheaf, Hemel Hempstead; Jordan G, 1994, *The British administrative system: principles versus practice* Routledge, London; Hennessy P, 1989, *Whitehall* Secker and Warburg, London.

9. Jenkins S, 1996, *Accountable to none: the Tory nationalisation of Britain* Penguin, Harmondsworth; Barberis P, 1996, 'Introductory essay: Whitehall since the Fulton report' in Barberis P, ed, *The Whitehall reader*. Open University Press, Buckingham, 1–20; Campbell C and Wilson GK, 1995, *The end of Whitehall: death of a paradigm?* Blackwell, Oxford; Pyper R, 1995, *The British civil service* Prentice Hall Harvester Wheatsheaf, Hemel Hempstead.

10. Campbell C and Wilson GK, 1995, *The end of Whitehall: death of a paradigm?* Blackwell, Oxford; Foster CD and Plowden FJ, 1996, *The state under stress: can the hollow state be good government?* Open University Press, Buckingham; Jenkins S, 1996, *Accountable to none: the Tory nationalisation of Britain* Penguin, Harmondsworth.

11. Pollitt C, 1993, *Managerialism and the public service* 2nd edn, Blackwell, Oxford.

12. Pyper R, 1995, *The British civil service* Prentice Hall Harvester Wheatsheaf, Hemel Hempstead.

13. Plummer J, 1994, *The governance gap: quangos and accountability*. Joseph Rowntree Foundation, York and LGC Communications, London.

14. Greer P, 1994, *Transforming central government: the Next Steps initiative*. Open University Press, Buckingham.

15. Harden I, 1993, *The contract state*. Open University Press, Buckingham; Walsh K, 1995, *Public services and market mechanisms: competition, contracting and the new public management*. MacMillan, Basingstoke.

16. Corry D, Le Grand J and Radcliffe R, 1997, *Public-private partnerships: a marriage of convenience or a permanent commitment?* Institute for Public Policy Research, London, ch 7.

17. Bishop M, Kay J, and Mayer C, 1995, *The regulatory challenge*. Oxford University Press, Oxford.

18. Power M, 1994, *The audit explosion* Demos, London; Carter N, Klein RE and Day P, 1993, *How organisations measure success: the use of performance indicators in government*. Routledge, London.

19. Cochrane A, 1993, *Whatever happened to local government?* Open University Press, Buckingham; Jenkins S, 1996, *Accountable to none: the Tory nationalisation of Britain* Penguin, Harmondsworth.

20. Chapman R, ed, 1993, *Ethics in public service* Edinburgh University Press, Edinburgh; Frederickson HG, ed, 1993, *Ethics and public administration*. ME Sharpe, New York; Henry C, ed, 1995, *Professional ethics and organisational change in education and health*. Edward Arnold, London.

21. Marshall G, 1995, 'Lions around the throne: the expansion of judicial review in Britain' in Hesse JJ and Johnson N, eds, *Constitutional policy and change in Europe*. Oxford University Press, Oxford.

22. Pyper R, 1995, *The British civil service* Prentice Hall Harvester Wheatsheaf, Hemel Hempstead; Rhodes RAW, 1997, *Understanding governance: policy networks,*

governance, reflexivity and accountability
Open University Press, Buckingham.

23. Boston J, Martin J, Pallot J and Walsh P, 1996, *Public management: the New Zealand model* Oxford University Press, Auckland.

24. Zifcak S, 1994, *New managerialism: administrative reform in Whitehall and Canberra*, Open University Press, Buckingham; Weller P and Davis G, eds, 1996, *New ideas, better government* Allen and Unwin, St Leonards, New South Wales.

25. DiIulio JJ jnr, Garvey G and Kettl DF, 1993, *Improving government performance: an owner's manual* Brookings Institution, Washington DC; DiIulio JJ jnr, ed, 1994, *Deregulating the public service: can government be improved?* Brookings Institution, Washington DC; Kettl DF and Milward HB, eds, 1996, *The state of public management* Johns Hopkins University Press, Baltimore, Maryland.

26. Bekke HAGM, Perry JL and Toonen TAJ, eds, 1996, *Civil service systems in comparative perspective* Indiana University Press, Indianapolis, Indiana.

27. Walsh K, 1995, *Public services and market mechanisms: competition, contracting and the new public management* MacMillan, Basingstoke.

28. Smith P, ed, 1996, *Measuring out comes in the public sector* Taylor and Francis, London.

29. 6 P and Kendall J, eds, 1997, *The contract culture in public services: studies from Britain, Europe and the USA* Ashgate Arena, Aldershot.

30. In the USA, the programme was implemented together with extensive devolution of responsibilities – but not always the funds with which to carry them out, creating the problem of ‘unfunded mandates’ – from federal

government to the states and local governments.

31. Jupp, B, 1997, *Saving sense: a new approach to encourage saving* Demos, London; Marriott R and Jones A, 1996, ‘The economic efficiency of tax concessions for charitable giving: lessons from recent evidence’ in *Non-Profit Studies* vol 1, no 1, 27–37.

32. Le Grand J and Bartlett W, eds, 1993, *Quasi-markets and social policy* MacMillan, Basingstoke; Bartlett W, Propper C, Wilson D and Le Grand J, eds, 1994, *Quasi-markets in the welfare state*, School for Advanced Urban Studies Press, Bristol.

33. 6 P with Jupp B and Bentley T, 1996, *Open wide: futures for dentistry* 10, 20 Demos, London.

34. 6 P, 1997, ‘Governing by cultures’ in Mulgan G ed, *Life after politics: new thinking for the twenty-first century*, Fontana Press, London. For an example, see Jupp B, 1997, *Saving sense: a new approach to encourage saving* Demos, London.

35. Advocates have talked at great length about winning hearts and minds within government and among contractor agencies, and about changing organisational cultures, but very little about bringing about change in the public culture: see for example, Osborne D and Plastrik P, 1997, *Banishing bureaucracy: the five strategies for reinventing government*, Addison Wesley, Reading, Massachusetts, ch 8.

36. Bunker JP, Frazier HS and Mosteller F, 1994, ‘Improving health: measuring effects of medical care’ in *Milbank Quarterly*, no 72, 225–258, summarised in Tarlov AR, 1996, ‘Social determinants of health: the sociobiological transition’ in Blane D, Brunner E and Wilkinson R, eds, *Health and social organisation: towards a health policy for the twenty-first century*, Routledge, London, 71–93; see also Wilkinson R, 1996, ‘How can secular improvements in life expectancy be explained?’ in Blane D, Brunner E and Wilkinson R, eds, *Health and social organisation: towards a health policy for the twenty-first century*, Routledge, London, 109–122.

37. Bright J, 1997, *Turning the tide: crime, community and prevention* Demos, London.

38. The most famous international advocates of ‘reinventing government’ seem actually to have gone backwards in this respect. David Osborne and Ted Gaebler’s 1992 book, *Reinventing government* (Plume [Penguin], New York) featured a chapter on ‘anticipatory government’ – albeit a rather primitive one on how to avoid greater costs down the line by better strategic planning. Osborne’s 1997 volume with Peter Plastrik, (*Banishing bureaucracy: the five strategies for reinventing government* Addison Wesley, Reading, Massachusetts) drops all such concerns and argues only for ways to get people to provide the existing services more cheaply, effectively and enthusiastically.

39. Although Fulton complained of the nineteenth century character of the civil service in calling for greater specialism, he actually reinforced the very functionality that has been the true legacy of the Victorian reformers.

40. Alexander A with Orr K, 1995, *Managing the fragmented authority* Local Government Management Board, Luton.

41. Leat D and 6 P, 1997, *Holding back the years: how Britain can grow old better in the twenty-first century*, Demos, London.

42. Commission for Racial Equality, 1996, *Exclusion from school: the public cost*

Commission for Racial Equality, London, para 4.4.

43. Hodgkin R and Newell P, 1996, *Effective government structures for children: report of a Gulbenkian Foundation enquiry* Gulbenkian Foundation, London.

44. Bartlett W, Propper C, Wilson D and Le Grand J, eds, 1994, *Quasi-markets and the welfare state*, School for Advanced Urban Studies Press, Bristol.

45. Some people have argued that the ‘managerialism’ of the public sector reforms of the 1980s and early 1990s reduced discretion (Pollitt C, 1993, *Managerialism and the public service* 2nd edn, Blackwell, Oxford). Formally, this may have been the case with the National Curriculum and in one or two other areas, but in fact frontline police officers, clinicians, teachers, social workers and even service managers retain a great deal of discretion over the allocation of attention to problems (March JG and Olsen JP, 1976, *Ambiguity and choice in organisation* Universitetsforlaget, Bergen), rationing (Klein RE, Day P and Redmayne S, 1996, *Managing scarcity: rationing in the NHS* Open University Press, Buckingham) and in negotiations over service level agreements. As is suggested by agency theory, which stresses the ‘transaction’ costs to principals of enforcing any reduction in agents’ discretion (Williamson OE, 1985, *The economic institutions of capitalism* Free Press, New York), and by the theory of street level bureaucracy (Lipsky M, 1980, *Street-level bureaucracy: dilemmas of the individual in public service* Russell Sage Foundation, New York), this continuation of discretion, despite greater formalisation under contracting models, is only to be expected.

46. Carter N, Klein RE and Day P, 1993,

How organisations measure success: the use of performance indicators in government, Routledge, London.

47. For example, a recent series of papers published by the Home Office presented evaluations of initiatives intended to combat the harms done by the use of illicit drugs. Few offered any measures at all of the impact on users' levels of consumption, manner or place of consumption or adoption of safer consumption practices, but all discussed the streamlining or inter-agency relationships.

48. Osborne D and Gaebler T, 1992, *Reinventing government: how the entrepreneurial spirit is transforming the public sector*, Plume [Penguin], New York; Osborne D and Plastrik P, 1997, *Banishing bureaucracy: the five strategies for reinventing government*, Addison Wesley, Reading, Massachusetts.

49. Pollitt C and Bouckaert G, eds, 1995, *Quality improvement in European public services: concepts, cases and commentary*, Sage, London.

50. Audit Commission, 1996, *Misspent youth: young people and crime*, Audit Commission, London.

51. Audit Commission, 1996, *Streetwise: effective policy patterns*, Audit Commission, London.

52. Ruddick J, Chaplain R and Wallace G, eds, 1996, *School improvement: what can pupils tell us?* David Fulton, London.

53. Davis P, 1997, *Managing medicines: public policy and therapeutic drugs*, Open University Press, Buckingham, ch 3.

54. Baldwin S, Godfrey C and Propper C, eds, 1990, *Quality of life: perspectives and policies*, Routledge, London; Nussbaum M and Sen A, eds, 1993, *The quality of life*, Clarendon Press, Oxford University Press, Oxford.

55. Atkinson S, 1995, 'Suspicious

minds: public distrust of government' in *Missionary government* Demos Quarterly, issue 7, 12–14; young people are particularly sceptical and disenchanted: Wilkinson H and Mulgan G, 1995, *Freedom's children: work, relationships and politics for 18–34 year olds in Britain*, Demos, London, 98–122. Some scholars, it should be acknowledged, interpret the public opinion data differently. Kaase and Newton (Kaase M and Newton K, 1995, *Beliefs in government* Oxford University Press, Oxford) argue that there is no great problem. While they are surely right to argue that there is no grand crisis of democracy in the sense proposed by Habermas (Habermas J 1973, *Legitimation crisis* Beacon Press, Boston), because they rely heavily on data from the 1980s, there seem to be real trends of disaffection and distrust in the 1990s which their data do not pick up, but for which MORI and Henley Centre for Forecasting data are better sources.

56. Clarke and Stewart (Clarke M and Stewart J, 1997, *Handling the wicked issues: a challenge for government*, INLOGOV Discussion Paper, Institute of Local Government Studies, University of Birmingham) sometimes seem to argue that the principal reason for the failure of past initiatives is not, as I argue, institutional but cognitive. For them, the failure to cultivate skills and cognitive styles of holistic management thinking are more important factors. No doubt cognitive style is one important causal and an important cultural dimension of functional government. However, in devising strategies to overcome the functional principle, it seems more important to stress institutional, financial and informational innovation than simply individual cog-

nitive style among public managers.

57. See for example, Davis G, 1997, 'Executive coordination mechanisms' in Weller P, Bakvis H and Rhodes RAW, eds, *The hollow town: countervailing trends in core executive government*, MacMillan, Basingstoke, 126–147.

58. For the debate twenty years ago, see Cockburn C, 1977, *The local state: management of cities and people*, Pluto Press, London; for contemporary ideas on central strategic management in local government, see Wilson D and Game C with Leach S and Stoker G, 1994, *Local government in the United Kingdom* MacMillan, Basingstoke, ch 18 and 20, and Clarke M, 1996, *Renewing public management: an agenda for local government* Pitman Publishing, London, ch 5.

59. Davis H, 1996, 'The fragmentation of community government' in Leach S, Davis H and associates, *Enabling and disabling local government*, Open University Press, Buckingham, 9–24. Clarke and Stewart (Clarke M and Stewart J, 1997, *Handling the wicked issues: a challenge for government*, INLOGOV Discussion Paper, Institute of Local Government Studies, University of Birmingham, 6), however, think that multi-purpose bodies ought to be better equipped for holistic working. While this is no doubt true in theory, the practice – as they accept – is less reassuring.

60. Davis H and Hall D, 1996, *Matching purpose and task: the advantages and disadvantages of single- and multi-purpose bodies* Joseph Rowntree Foundation, York.

61. Challis L, Fuller S, Henwood M, Klein R and others, 1988, *Joint approaches to social policy*, Cambridge University Press, Cambridge.

62. Hambleton R, Essex S, Mills L and Razzaque K, 1995, *The collaborative council: a study of inter-agency working in prac-*

tice, Joseph Rowntree Foundation and Local Government Management Board, LGC Communications, York, Luton and London.

63. Lord President of the Council and Leader of the House of Commons, 1995, *Tackling drugs together: a strategy for England, 1995–98*, Cm 2846, HMSO, London.

64. Secretary of State for Health, 1997, Speech to annual conference of the NHS Confederation, 25 June 1997.

65. Bailey N with Barker A and MacDonald K, 1995, *Partnership agencies in British urban policy*, CL Press, London.

66. For an example of success in this kind of inter-organisational collaboration that shows how much depends on individual characteristics, see Bardach E, 1996, 'Turf barriers to interagency collaboration' in Kettl DF and Milward HB, eds, *The state of public management* Johns Hopkins University Press, Baltimore, Maryland, 168–192.

67. Arblaster L, Conway J, Foreman A and Hawtin M, 1996, *Inter-agency working for housing, health and social care needs of people in general needs housing*, Housing Research Findings 183, Joseph Rowntree Foundation, York.

68. Hambleton R, Essex S, Mills L, and Razzaque K, 1995, *The collaborative council: a study of inter-agency working in practice*, Joseph Rowntree Foundation and Local Government Management Board, LGC Communications, York, Luton and London.

69. Øvretveit J, Mathias P and Thompson T, eds, 1997, *Interprofessional working for health and social care*, MacMillan, Basingstoke.

70. Secretary of State for the Home Department, 1997, *Getting to grips with crime – a new framework for local action: a*

- consultation paper Home Office, London.
- 71.** Øvretveit J, Mathias P and Thompson T, eds, 1997, *Interprofessional working for health and social care* MacMillan, Basingstoke, esp ch 9.
- 72.** Radin BA, 1996, 'Managing across boundaries' and Bardach E, 1996, 'Turf barriers to interagency collaboration' in Kettl DF and Milward HB, eds, *The state of public management* Johns Hopkins University Press, Baltimore, Maryland.
- 73.** 6 P, 1998 [forthcoming], *Privacy future* [working title], Demos, London.
- 74.** Leat D and 6 P, 1997, *Holding back the years: how Britain can go old better in the twenty first century*, Demos, London.
- 75.** As Elizabeth France, the present Data Protection Registrar, has argued forcefully, not least in the context of the Social Security (Fraud) Act 1990, which permits greater flow of personal information that was previously allowed between the Inland Revenue, Benefit Agency and other DSS agencies and local authorities, for the purpose of the detection of fraud: see Data Protection Registrar, 1996, 'Appendix Eighteen, Memorandum to the House of Commons Social Security Inquiry into Housing Benefit Fraud' in Data Protection Registrar, *Twelfth annual report of the Data Protection Registrar* HMSO, London, 131-133.
- 76.** Information and Privacy Commissioner for Ontario and Registratiekamer, 1995, *Privacy-enhancing technologies: the path to anonymity* I and II, Information and Privacy Commissioner for Ontario and Registratiekamer, Ottawa and Den Haag; see also Data Protection Registrar, 1997, *Thirteenth annual report of the Data Protection Registrar* HMSO, London, app 11 and 14.
- 77.** See 6 P, 1998 [forthcoming], *Privacy future* [working title], Demos, London, for more detailed recommendations.
- 78.** 6 P, Jupp B, Perry H and Lasky K, 1997, *The substance of youth: the place of illicit drugs in young people's lives* today Joseph Rowntree Foundation, York.
- 79.** Beginning with the work of Thompson JD, 1967, *Organisations in action* McGraw-Hill, New York, on boundary spanning and leading more recently to highly sophisticated models of how organisations network and collaborate and build boundary spanning relationships in systems, within the population ecology of organisations tradition (Baum AC and Singh JV, eds, 1993, *Evolutionary dynamics of organisations* Oxford University Press, Oxford) and the network analysis tradition (Burt RS, 1992, *Structural holes: the social structure of competition* Harvard University Press, Cambridge, Massachusetts, and Nohria N and Eccles RG, eds, 1992, *Networks and organisations: structure, form and action* Harvard Business School Press, Cambridge, Massachusetts). For a recent review of techniques drawing on this literature, see Radin BA, 1996, 'Managing across boundaries' in Kettl DF and Milward HB, eds, *The state of public management* Johns Hopkins University Press, Baltimore, Maryland, 145-167.
- 80.** In this regard, I disagree sharply with Clarke M and Stewart J, 1997, *Handling the wicked issues: a challenge for government*, INLOGOV Discussion Paper, Institute for Local Government Studies, University of Birmingham, 4. Clarke and Stewart believe that focusing on outcomes and purposes leads to 'management by objectives' and 'linear thinking' and in turn to reinforcing the functional principle, although they do not provide evidence for this. I take the contrary view that taking outcomes seriously will force government and public managers to think across boundaries.
- 81.** Leat D and 6 P, 1997, *Holding back the years: how Britain can go old better in the twenty first century*, Demos, London.
- 82.** Bartlett W, Propper C, Wilson D and Le Grand J, eds, 1994, *Quasi-markets and the welfare state*, School for Advanced Urban Studies Press, Bristol.
- 83.** For a detailed account of how such an information and communications infrastructure might work to support holistic government in a major city, see Stoker G and 6 P, 1997 [forthcoming], *Twenty first century governance for London: a blueprint*, Association of London Government, London.
- 84.** Boston J, Martin J, Pallot J and Walsh P, 1996, *Public management: the New Zealand model* Oxford University Press.
- 85.** Clarke M, 1996, *Renewing public management: an agenda for local government* Pitman Publishing, London, ch 6.
- 86.** For a detailed application of this point to crime prevention, see Bright J, 1997, *Turning the tide: crime, community and prevention* Demos, London.
- 87.** Pearson and Scherer (Pearson M and Scherer P, 1997, 'Balancing security and sustainability in social policy' in *OECD Observer* April-May) argue for early intervention case-work combining more flexible use of benefits budgets for lifelong employability.
- 88.** The origins of the distinction are in the public health literature: Clark EG and Leavell HR, 1958, 'Levels of application of preventive medicine' in Clark EG and Leavell HR, *Preventive medicine for the doctor in his community* McGraw-Hill, New York, 13-39, discussed in Steering Committee on Future Health Scenarios, 1992, *The future of public health: a scenario study*, Kluwer Academic Publishers, Dordrecht, 5.
- 89.** Bright J, 1997, *Turning the tide: crime, community and prevention* Demos, London.
- 90.** Brown HG and Seffrin JR jnr, eds, 1996, *Horizons 2B: longer, better, life without cancer* American Cancer Society, Atlanta; McCallum A, 1997, 'Public health, health promotion and broader health strateg' in Iliffe S and Munro J, eds 1996, *Healthy choices: future options for the NHS* Lawrence and Wishart, London, 94-119; Blane D, Brunner E and Wilkinson R eds, 1996, *Health and social organisation towards a health policy for the twenty first century*, Routledge, London. Even those who criticise health promotion, sickness prevention and undue interference in the realm of individual choice can also be read offering implicit lessons in better preventive public health strategy: Bunton R, Nettleton S and Burrows R, eds, 1995, *The sociology of health promotion: critical angles of consumption, lifestyle and risk*, Routledge, London; Peterson A and Lupton D, 1996, *The new public health: health and self in the age of risk*, Sage, London.
- 91.** 6 P, Jupp B and Bentley T, 1996, *Open wide: futures for dentistry 10, 20* Demos, London.
- 92.** Le Grand J and Bartlett W, eds, 1993, *Quasi-markets and social policy* MacMillan, Basingstoke; Bartlett W, Propper C, Wilson D and Le Grand J, eds, 1994, *Quasi-markets in the welfare state*, School for Advanced Urban Studies Press, Bristol.
- 93.** Bright J, 1997, *Turning the tide: crime, community and prevention* Demos, London.

- 94.** Burchardt T and Hills J, 1997, *Private welfare insurance and social security* Joseph Rowntree Foundation, York.
- 95.** As advocated by, for example, Duncan A and Hobson D, 1995, *Saturn's children: how the state favours liberty, prosperity and virtue* Sinclair-Stevenson, London.
- 96.** Hemingford Group, 1994, *The Hemingford scenarios: alternative futures for health and health care* Hemingford Group, Anglia and Oxford Health Authority, Oxford; Longley M, Riley C and Warner M, 1995, 'A health service fit for the 21st century: the Welsh "Health and social care 2010" project' in *Futures* vol 27, no 9; World Health Organisation, 1994 *Health futures in support of health for all* report of and international consultation convened by the World Health Organisation, Geneva, 19–23 July 1993, WHO/HST/93.4; Wyke A, 1996, 'The future of medicine' in *The Economist*, *Going digital* The Economist, London.
- 97.** For example, Office of Public Management, 1996, *Public services 2007* Office of Public Management, London; Kable, 1995, *Wired Whitehall* Kable, London; Kable, 1996, *Tomorrow's town hall* Kable, London; Kable, 1997, *Citizen direct* Kable, London.
- 98.** van der Heijden K, 1997, *Scenarios: the art of strategic conversation* Wiley, London
- 99.** Schwartz P, 1991, *The art of the long view: planning for the future in an uncertain world* Currency/Doubleday, New York.
- 100.** See for example, 6 P with Jupp B and Bentley T, 1996, *Open wide: futures for dentistry in 20*, Demos, London.
- 101.** Rosenhead J, ed, 1989, *Rational analysis for a problematic world: problem structuring methods for complexity, uncertainty and conflict* Wiley, London.
- 102.** In the parlance of risk management scholars, this is a stance of 'resilience' rather than 'anticipation': see Hood CC, Jones, DKC, Pigeon NF, Turner BA, Gibson R, Bevan-Davies C, Funtowicz SO, Horlick-Jones T, McDermid JA, Penning-Rowsell E, Ravetz JR, Sime JD and Wells C, 1992, 'Risk management' in Royal Society, *Risk: analysis, perception and management* Royal Society, London, 135–201; Jones HKC and Hood CC, 1996, 'Introduction' in Hood CC and Jones DKC, eds, *Accident and design: contemporary debates in risk management* UCL Press, London; 6 P, 1998 [forthcoming], 'Housing policy in the risk archipelago: toward holistic and anticipatory government' in *Housing Studies* Collingridge D, 1996, 'Resilience, flexibility and diversity in managing the risks of technologies' in Hood CC and Jones DKC, eds, *Accident and design in contemporary debates in risk management* UCL Press, London, 40–45.
- 103.** Blackstone T and Plowden W, 1988, *Inside the think tank: advising the Cabinet 1971–8* Mandarin, London.
- 104.** 6 P, 1997, 'Governing by cultures' in Mulgan G, ed, *Life after politics: new thinking for the twenty-first century*, Fontana Press, London, 260–285.
- 105.** For a classification of the main elements of social capital, see 6 P, 1997, *Escaping poverty: from safety nets to networks of opportunity* Demos, London, 28–30; see also Putnam RD with Leonard R and Nanetti RY, 1993, *Making democracy work: civic traditions in modern Italy*, Princeton University Press, Princeton, New Jersey; Coleman JS, 1990, *Foundations of social theory* Harvard University Press, Cambridge, Massachusetts; Fukuyama F, 1995, *Trust: the social virtues and the source of prosperity* Hamish Hamilton, London;
- Burt RD, 1997 [forthcoming], 'The contingent structure of social capital' in *Administrative Science Quarterly*; Hall PA, 1997, *Social capital in Britain* Centre for European Studies, Harvard University, Cambridge, Massachusetts.
- 106.** Even advocates of more holistic government are sometimes very squeamish about using the tools of government to influence cultures. For example, Clarke and Stewart (Clarke M and Stewart J, 1997, *Handling the wicked issues: a challenge for government* NLO-GOV Discussion Paper, Institute of Local Government Studies, University of Birmingham, Birmingham, 13–14) much prefer to stress innovations in democratic participation and involvement than to stress active persuasion by government. Yet simple involvement is often not sufficient, and, without persuasion, may serve to reinforce old models of working, as in the case of public pressure to preserve old hospitals, even when there are better ways to produce health and to deliver health care.
- 107.** And of malign cultural change. Dictators and demagogues are constantly being blamed for changing the cultures of their peoples in ways that revolt us. The German National Socialists of the 1930s, the Serb nationalists of the 1980s and 1990s, and many other chauvinist leaderships are held responsible for creating a cultural climate in which people tolerated or even admired the most appalling behaviour. If villains can achieve the cultural changes they want, why can there not be not more beneficent agents of change?
- 108.** Hague D, 1993, *Transforming the dinosaurs: how organisations lead* Demos, London.
- 109.** 6 P, 1997, *Escaping poverty: from safety nets to networks of opportunity* Demos, London.
- 110.** Le Grand J and Bartlett W, eds, 1993, *Quasi-markets and social policy* MacMillan, Basingstoke; Bartlett W, Propper C, Wilson D and Le Grand J, eds, 1994, *Quasi-markets and the welfare state*, School for Advanced Urban Studies Press, Bristol. The case has often been made particularly tellingly against Training and Enterprise Councils: National Council for Voluntary Organisations, 1993, *Cramming and creaming* NCVO, London, and National Council for Voluntary Organisations, 1995, *Compromising on quality: report of main findings of the 1994–95 training providers survey*, NCVO, London.
- 111.** Carter N, Klein RE and Day P, 1993, *How organisations measure success: the use of performance indicators in government* Routledge, London, ch 2.
- 112.** Pollitt C, 1993, *Managerialism and the public service* 2nd edition, Blackwell, Oxford.
- 113.** The phrase, 'the decentralisation of blame' is from Klein RE, 1995, *The politics of the National Health Service* 2nd edn, Longman, Harlow.
- 114.** Baldwin S, Godfrey C and Propper C, eds, 1990, *Quality of life: perspectives and policies* Routledge, London; Nussbaum M and Sen A, eds, 1993, *The quality of life* Clarendon Press, Oxford University Press, Oxford.
- 115.** Muffels R, 1993, 'Deprivation standards of living indicators' in Berghman J and Cantillon B, eds, *The European face of social security* Avebury, Aldershot; on generic and composite indicators such ANP, see Anderson V, 1991, *Alternative economic indicators* Routledge, London and Carr-Hill R and Lintott J with

Bowen J and Hopkins M, 1996, 'Societal outcome management: the European dimension' in Smith PJ, ed, *Measuring outcomes in the public sector*, Taylor and Francis, London, 174–194.

116. Senate Legal and Constitutional References Committee, Parliament of the Commonwealth of Australia, 1996, *National well-being: a system of national citizenship indicators and benchmarks*, Senate Legal and Constitutional References Committee, Parliament of the Commonwealth of Australia, Canberra, and Sullivan L, Maley B and Warby M, 1997, *State of the nation: statistical indicators of Australia's well-being*, Centre for Independent Studies, St Leonards, New South Wales.

117. Steinberg, R, 1997, 'Competition in contracted markets' in 6 P and Kendall J eds, *The contract culture in public services: studies from Britain, Europe and the US*, Arena /Ashgate, Aldershot, 161–180.

118. 6 P, 1997, 'The new politics of welfare contracting' in 6 P and Kendall J eds, *The contract culture in public services: studies from Britain, Europe and the US*, Arena /Ashgate, Aldershot, 181–192.

119. For similar arguments, see Clarke M, 1996, *Renewing public management: an agenda for local government*, Pitman publishing, London, and Davis H and Hall D, 1996, *Matching purpose and task: the advantages and disadvantages of single- and multi-purpose bodies*, Joseph Rowntree Foundation, York.

120. See for example, Davis G, 1997, 'Executive coordination mechanisms' in Weller P, Bakvis H and Rhodes RAW, *The hollow own: countervailing trends in core executives*, MacMillan, Basingstoke; Jordan G, 1994, *The British administrative system: principles versus practice*, Routledge, London, ch 2; for a generally fatalistic account of government's

inability to escape the claws of their inheritance, see Rose R and Davies PL, 1994, *Inheritance in public policy: change without choice in Britain*, Yale University Press, New Haven.

121. The leading British proponent of this view is Rhodes. See for example, Rhodes RAW, 1995, *The new governance: governing without government*, Economic and Social Research Council, Swindon; Rhodes RAW, 1997, "Shackling the leader": coherence, capacity and the hollow crown, in Weller P, Bakvis H, and Rhodes RAW, *The hollow own: countervailing trends in core executives*, MacMillan Basingstoke; and Rhodes RAW, 1997, *Understanding governance: policy networks, governance, reflexivity and accountability*, Open University Press, Buckingham, esp ch 3, 5, 9. However, the account has its origins in Lindblom's classical account of incrementalism and mutual adjustment: see for example, Lindblom CE, 1988, *Democracy and markets*, Norwegian University Press, Oslo, ch 7–11.