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by

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ABSTRACT

We examine the nature of the third way as a vision of public sector reform in Britain. New Labour has a distinctive public philosophy that contains an ideal often found in the socialist tradition, that is, citizens attaining moral personhood within and through the community. Old Labour generally sought to realise such an ideal in a universal welfare state characterised by a command form of service delivery. New Labour has responded to dilemmas, akin to those highlighted by the New Right, by transforming this model of the public sector. It conceives of the state as an enabler acting in partnership with citizens and other organisations, delivering services through networks characterised by relationships of trust. We explore this distinctive public philosophy through its ethical vision and then its implications for welfare reform and the delivery of public services.

New Labour and the Public Sector in Britain¹

The third way has become a familiar slogan in contemporary politics. Bill Clinton hosted a symposium, on the topic that was attended by the new generation of socialist leaders in Europe, including Tony Blair from Britain and Gerhard Schroeder from Germany. Yet the slogan often remains unacceptably vague, especially in respect of its implications for the public sector (Abrams, 1999; Corera, 1998; Finlayson, 1999; White, 1999). In May 1997 Tony Blair led the British Labour Party to its first general election victory in over twenty years. The victory represented a triumphant conclusion to a long process of transforming the ideas, policies, organisation and image of the Party - the transformation from Old to New Labour. However, the victory represented in addition the beginning of the process of applying the ideas behind New Labour to the public sector – the forging of a third way, the making of a New Britain. What does the British example tell us about the third way as a vision of public sector reform?

We want to focus on New Labour's political vision of the public sector, indicating how it differs from those of Old Labour and the New Right. We will argue that New Labour's public philosophy represents a development of the socialist tradition in response to specific dilemmas conceived largely in terms associated with the New Right. The third way constitutes a distinct set of ideas that informs the government's approach to both the delivery of public services and the welfare state. We should remember, of course, that Old Labour, New Labour, and the New Right are abstractions that simplify complex sets of political ideas, practices, and loyalties.

There are debates within each group, and there are also individuals who straddle any two groups. The New Right exhibited various, at times competing traits, including not only individualism and a faith in markets but also a commitment to traditional authority and strong leadership (Gamble, 1998). Issues vital to the rise of New Labour and the New Right received attention from theorists associated with Old Labour, as in Sydney and Beatrice Webb's attempt to respond to the guild socialists' critique of bureaucratic inefficiency in their vision of a socialist commonwealth (Webb, 1975). Nonetheless, we believe that these abstractions still capture broad and identifiable movements in British politics; movements, moreover, that help us to understand many of the key ideas informing the policies of the Labour government.

In exploring New Labour's public philosophy, we will focus primarily on Blair's own pronouncements: we will portray his vision of a Third Way as an attempt to rework the socialist tradition in response to the New Right. Thereafter we will show how this ideal informs aspects of government thinking and policy on the welfare state and the delivery of public services. To do so, we will examine both government documents and the policy proposals of some of the relevant Ministers and ex-Ministers of State. No doubt it is too early to consider how successful the Labour government has been in reforming the public sector. But we can explore the rationale and content of New Labour's vision of the public sector, and also indicate how government policies reflect this vision.

Socialism and the Third Way

New Labour's public philosophy echoes a traditional socialist ethic. Peter Mandelson, one of the principal architects of New Labour, and Roger Liddle, one of

Blair's policy advisors, tell us that Blair's heritage 'is an ethical socialism which draws on the ideas of Tawney and Ruskin' (Mandelson and Liddle, 1996: 32). Tony Wright, a New Labour MP who wrote a biography of R. H. Tawney, argues similarly that 'ethical socialism . . . represents our most fertile political tradition' (Wright, 1997: 9). Blair himself frequently appeals to the ideas of ethical socialists, including Tawney, arguing, for example, that 'the ethical basis of socialism is the only one that has stood the test of time' (Blair, 1995a: 12). The socialist tradition upholds ethical values such as equality, social justice, fellowship, and community. Its adherents typically believe in reciprocal altruism as the condition for the highest possible moral development of all. The proper goal of political action is a moral community in which all citizens attain freedom through co-operation. This idea of the individual attaining moral personhood within the community found expression for many socialists in the idea of a universal welfare state. Fellowship was unpacked in terms of social rights to common goods distributed according to egalitarian principles. Tawney, for example, believed that liberty, equality, and fellowship could only prosper in a community in which all citizens were adequately fed, clothed, and sheltered (Thompson, 1996: 47-54). Although the post-war expansion of the welfare state drew on various political ideals, one of these was undoubtedly that of individuals being provided with the pre-conditions for their own moral development. Blair certainly recognises that the welfare state has been a practical expression of socialist values including 'social justice and solidarity, security and opportunity, rights and responsibilities' (Blair, 1995b). In addition to enshrining socialist values the welfare state also embodied a command model of public service provision that had been advocated by numerous socialist thinkers.

The Labour Party thus stood for a universal welfare state characterised by a bureaucratic form of service delivery. Over the past twenty years this vision of the state - which was eventually accepted by many Conservatives - has been under fierce attack. The public philosophy of New Labour represents a modification of Old Labour's approach to welfare and the provision of public services in the light of dilemmas originally highlighted by the New Right. For a start, the dilemma of an emerging underclass of welfare dependants has led New Labour to move away from the Party's historic faith in a universal welfare state. In addition, the dilemma of bureaucratic inefficiency has led New Labour to move away from the Party's historic faith in a command form of service delivery. More generally, these dilemmas, particularly the latter, are associated with an overloaded state: spiralling expenditure and inflated public expectations are said to have imposed impossible pressures on state structures and finances. New Labour has responded to these dilemmas from within the socialist tradition, thereby developing a vision of the public sector different from those of both Old Labour and the New Right.

New Labour has described its grand vision using a succession of terms, from stakeholding and community to the Third Way, associated with a succession of gurus from Will Hutton and Amitai Etzioni to Tony Giddens (Blair, 1996a: 290-321, 1998; Etzioni 1995, 1997; Giddens 1994, 1998; Hutton 1995, 1997). All of these terms evoke a concept of moral personhood that overlaps considerably with that of many earlier socialists. They reflect the belief, here expressed by Blair, that 'individuals prosper best within a strong, active society, whose members acknowledge that they owe duties to each other as well as themselves' (Blair, 1994a). Blair's vision clearly draws in part on the socialist belief in individual freedom found through and within

the community. The appeal of terms such as stakeholding and the Third Way consists, however, not only in their resonance with the socialist tradition, but also in their implicit critique of the economic theory of the New Right. The concept of a stakeholder was first deployed in the US during the 1960s and 1970s as a centre-left reaction to such free-market capitalism. Centre-left economists used it as part of their attempt to rethink what made for a successful company. They did so, moreover, in part to develop their critique of free-market capitalism, which was seen as being prone to a narrow-focus, short-termism, economic volatility, and social divisiveness. They argued that the company is not simply a profit-creating organisation embodying narrow shareholder interests, but rather a broad network of reciprocal interests, including employees, customers, and suppliers, as well as shareholders. By the 1990s these ideas had become popular with several British economists, some of who were close to the Labour leadership. John Kay, for example, argued that successful companies typically recognise themselves to be social organisations based on trust, not just vehicles for maximising profit (Kay, 1993). Will Hutton similarly argued that the firm is a social organisation embedded in a complex skein of rights and moral obligations such that it must promote trust and reciprocity if it is to thrive (Hutton 1996). As Ed Mayo succinctly explains: ‘the original concept of stakeholding recognises that companies are social institutions, where economic exchange rests on a bedrock of trust and co-operation’ (Mayo, 1996).

Terms such as stakeholding and the Third Way echo the socialist concept of moral personhood within community whilst extending this concept from the individual to the company so as to provide a critical perspective on the free-market capitalism of the New Right. New Labour applies the concept of stakeholding beyond

the individual and the company to society and the state. Stakeholding and the Third Way thus represent possible solutions to two fundamental issues facing contemporary Britain, namely, social fragmentation and declining economic performance (Blair, 1996a: 290-321). New Labour seeks a social cohesion that will foster economic success. Just as economic theorists suggest that stakeholding in the commercial sector leads to more cohesive companies capable of a stronger and more competitive performance, so New Labour evokes a stakeholding society or Third Way in which morally empowered individuals promote social cohesion and thus an economically vibrant nation. The logical progression here is from the individual to the company, and finally the state. The starting point remains the socialist belief in moral personhood within community. Companies that do not adopt stakeholder principles are liable to fail in part because they do not reflect the true nature of human beings. Similarly, New Right doctrines led to an increasingly divided society in large part because they neglected the mutual rights and obligations of individuals within the community. And the economic performance of Britain has declined in large part because of the failure of the New Right to allow in its public policies for the social nature of human beings - to adopt the Third Way.

Our suggestions are, therefore: first, that the ideas associated with terms such as stakeholding and the Third Way constitute a public philosophy that informs New Labour's approach to the welfare state and the delivery of public services; second, that this public philosophy reflects the impact upon the socialist tradition of dilemmas such as the underclass and state overload; and third, that it thus differs in crucial respects from those associated with both Old Labour and the New Right. Whereas many socialists historically believed in a community of fellows linked by universal

rights to substantial resources, and whereas the New Right upheld individualism in which contracts and the market act as the key forms of social relations, New Labour advocates a third way of stakeholders who are linked by networks of partnership and trust. The basic contrasts are highlighted in Table 1. We will develop them in greater detail, and with a number of nuances, as we proceed.

(Insert Table One here)

The Welfare State

New Labour has modified the Party's traditional ideas about welfare to promote a vision of the state as an enabler and partner. Old Labour evoked the state as a paternalistic provider of resources for individuals. The state gave citizens cash benefits, health care, education, and, if necessary, things such as housing. The New Right challenged this vision of the welfare state on a number of fronts. For a start, New Right theorists argued that a high level of public spending is bad for the economy, indeed, the spiralling levels of public expenditure apparently required by the welfare state were said to be unsustainable. David Marsland, for example, argues that the 'extravagantly excessive' costs of the welfare state are 'driving Britain into bankruptcy' (Marsland, 1996: 85-6). In addition, the New Right argued that the welfare state encourages a culture of dependency among an underclass of welfare recipients. The controversial concept of an underclass refers to a stratum of society that allegedly has become overly-reliant on state benefits. D. T. Campbell, for instance, describes a 'dependency syndrome' in which welfare recipients become dependent, both economically and psychologically, upon the welfare services of the

state (Campbell, 1981: 335). New Right theorists argued that the modern welfare state offers too much to the individual in the form of benefits and demands too little back in the form of social obligations. In doing so, it erodes individual responsibility and self-reliance among welfare recipients. The response of the New Right to the perceived problems of spiralling public expenditure and the underclass has been to 'roll back the state'. It has sought to reduce government activity in individuals' affairs, thereby both cutting costs and promoting self-reliance.

New Labour argues that the New Right's attempts to withdraw the state and promote individualism have eroded communal and co-operative values. New Labour's approach to welfare reform thus reflects a particular concept of the moral person. Blair evokes this concept, in implicit contrast to that of the New Right, when he says:

People are not separate economic actors competing in the marketplace of life. They are citizens of a community. We are social beings. We develop the moral power of personal responsibility for ourselves and each other . . . People are not just competitive; they are co-operative too. They are not just interested in the welfare of themselves; they are interested in the well-being of others (Blair, 1996a: 299-300).

New Labour's welfare programme reflects the idea of citizens who are linked together by reciprocal duties and responsibilities joining with the state in a co-operative enterprise that will ensure an economically vibrant country. The state acts as an enabler and a partner. It provides citizens with opportunities to advance themselves, but it is up to the citizens to take advantage of these opportunities. Whereas the New

Right's competitive individualism promotes individual responsibility through competition, New Labour advocates a collective individualism to promote individual responsibility through co-operation. Frank Field, former Minister for Welfare Reform, talks, for example, of an 'age of mutuality' in which 'self-interest . . . will also promote the common good' (Field, 1997: 78-80). However, New Labour also marks a distinct shift within the socialist tradition; a shift, moreover, which owes a clear debt to the New Right's concerns about an underclass and individual responsibility. Thus Field goes on to emphasise the importance of 'preventing social security from entrenching an underclass' and of locating responsibility for self-improvement with the individual (Field, 1997: 83, 103). Whereas Old Labour wanted the state to act as a paternalistic provider distributing universal benefits to passive recipients, New Labour wants it to act as an enabling partner creating opportunities for individuals to assist themselves. If the New Right could complain that Old Labour reduced welfare recipients to a passive subsistence on society, New Labour responds by portraying them as participants in their own development and even contributors to the social good.

New Labour envisages a welfare state that, in Mandelson and Liddle's words, 'guarantee[s] access for all to a decent minimum quality of life and fair life chances, while permitting greater individual freedom of choice' (Mandelson and Liddle, 1996: 143). The state should act as an enabler encouraging individuals to better themselves. Blair himself has said that 'the modern welfare state is not founded on a paternalistic government giving out more benefits but on an enabling government that through work and education helps people to help themselves' (Blair, 1996a: 302). 'We want', a Labour Party document explains, 'to create an active society, not a dependency

state' (Labour Party, 1996: 2). A government consultation document expresses similar ideas, criticising the existing welfare structure for chaining people 'to passive dependency instead of helping them to realise their full potential' (HMSO, 1998a: 9). New Labour wants to shift the emphasis from increasing personal incomes through benefits to encouraging people back into work. 'Labour's modern welfare should not just recommend increased benefits', Blair said in an important speech on welfare reform, but rather 'reduce dependency and get rid of disincentives to paid work' (Blair, 1994b). The emphasis should fall on empowerment, with people being given not just cash payments, but also the opportunity, through programmes of employment, training, and education, to improve themselves. The principle of universalism is supposed to be preserved in that the opportunity for self-development is available to all. Yet Mandelson and Liddle readily admit that it is also modified in that the services provided are no longer uniform - one individual may not need the services required by another (Mandelson and Liddle, 1996: 143).

Under New Labour, the welfare state should not be reduced to the safety-net sometimes evoked by the New Right, nor should it remain primarily a provider of benefits. Rather, it should become an enabler, generating opportunities for self-improvement. The state should generate such opportunities by co-operating with people in an allegedly new type of partnership. Blair evokes this partnership when he writes of 'a new contract between citizen and state' (HMSO, 1998a: v). In this contract, the enabling state accepts the responsibility to provide suitable opportunities for all its citizens, and in return citizens accept the duty to utilise these opportunities. The traditional 'something-for-nothing' culture of benefits is thus supposed to be superseded by a 'something-for-something' culture of rights bound by duties. A

government document explicitly lists the duties of both individuals and the government (HMSO, 1998a: 80). The duties of government include: to provide assistance in finding work, to make work pay, and to support those unable to work. The duties of individuals include: to seek training or work, to take up opportunities, to be independent, to save for retirement, and not to engage in welfare fraud. The duties of all include: to help people to realise their full potential, to promote economic independence, and to build a cohesive society.

THE NEW DEALS

For New Labour, the welfare state should be based on a partnership between state and citizens grounded in reciprocal rights and responsibilities. This idea of partnership clearly informs New Labour's flagship welfare programmes, the New Deals, all of which are founded on the principle that 'welfare must enhance duties and responsibilities and not be a substitute for them' (Blair, 1994b). Under the New Deals, the government accepts the responsibility to create opportunities for work and training, but the citizen, if capable, must accept the reciprocal responsibility to seek and accept such opportunities when they are available. For example, the New Deal for Young People requires those aged between eighteen and twenty-four to accept work, undertake full-time education or training, engage in voluntary work, or work on an environmental task-force - 'there will be no fifth option of simply remaining on benefit' (HMSO, 1998a: 25). The state here seeks to enable people to improve themselves by creating opportunities for work or training. It even provides employers with a subsidy for each worker they recruit through the New Deal as well as a grant to

provide New Deal employees with training towards a recognised qualification. In addition, the state acts as a partner, working alongside individuals to move them off benefits into paid employment. Each young person who registers for a New Deal scheme is thus allocated a personal advisor who provides expert advice on things like training programmes and job searching, and who then provides ongoing aftercare to ease the transition into working life.

A New Deal scheme also operates for lone parents. Although it mainly targets lone parents with school-age children, it is also available to those with younger children. Lone parents who sign up to the New Deal receive information and ongoing support from personal advisors. They also can benefit from expanded child-care services. Yet another New Deal scheme targets the long-term unemployed. It offers help to people aged over twenty-five who have been out of work for more than two years. The government offers a subsidy to employers for six months for each worker recruited from this group. In addition, changes to the rules governing benefits are supposed to improve the availability of education and training to the long-term unemployed. Yet another New Deal operates for disabled people (HMSO, 1998b). Like the other New Deals, disabled people receive personal support and expertise from an advisor. In addition, important new testing procedures will establish what work, if any, disabled people are capable of doing. Traditional incapacity tests are said to focus on what disabled people cannot do, and failure in these tests allegedly subjects them to dependence on incapacity benefits. The new tests will establish the skills and abilities they possess so as to identify appropriate types of training and work.

Another New Deal scheme targets older benefit claimants. It offers help to people aged over fifty who have been out of work for more than six months. If they return to work, the government gives them a tax-free “employment credit” in addition to their wages. The scheme also provides training grants and offers special assistance to those who want to set up their own business. Finally, in an attempt to reduce the number of households in which nobody has employment, a New Deal operates for the partners of people claiming benefit. Although this scheme does not provide cash payments, it does offer training programmes as well as advice about things such as searching for a job, interview technique, and the availability of benefits while in work.

THE SINGLE GATEWAY

The Labour government is now developing a “Single Gateway” scheme to operate alongside the New Deals (HMSO, 1998c, 1998d). The Single Gateway is a package of initiatives that aims to make it easier for people generally to find work or training. It emphasises the responsibility individuals have to be economically independent, but it also provides the relevant information to enable them to become so. The Single Gateway provides a single source for access to personal advisors and information about work, training, education, housing, tax credits, and other government services. One notable feature of the Single Gateway is that new benefit claimants must undergo a personal assessment. Where appropriate, people who are capable of work will be required to attend a “work-focused interview” that will encourage them to find work rather than simply claim benefits. Here too the responsibilities of the individual acquire a punitive dimension should they decline to

make use of the opportunities the state provides. So, benefits can actually be withheld until a claimant participates satisfactorily in an interview. The work-focused interviews thus aim to maximise participation in the labour market by ‘signalling the linkage between rights and responsibilities’ (HMSO, 1998d: 9). The government even plans future legislation to make it a prerequisite of receiving benefits that all claimants must undertake work-focused interviews as and when required.

The Single Gateway and the New Deal aim to reduce dependency by providing opportunities for people to work or train. They also aim to “make work pay” by eradicating disincentives created by the tax and benefit system. For example, a Working Families Tax Credit will supplement earnings from paid employment with cash benefits so that every family with a full-time worker has a guaranteed minimum income of £190 a week (HMSO, 1998e: 61). Families whose weekly income is less than half the national male average earnings will pay no income tax.² Further tax and national insurance reforms will also help to lower the marginal rates of tax faced by those entering the labour market and to reduce the tax burden on the lowest earners. New Labour aims to reduce dependency on benefits by removing disincentives to work and training. Traditional cash benefits allegedly entrench such disincentives: individuals are said to be unable or unwilling to forgo benefits in favour of work because their income might diminish as result. The Single Gateway and the New Deal, in contrast, are meant to combine cash benefits with opportunities so as to enable individuals to become more self-reliant without any loss of income: they assist people to work or encourage training thereby making them increasingly employable and self-reliant. The individual thus moves from being a passive welfare recipient to being an active partner in a self-help programme.

PENSION REFORM

Although pension reform is obviously motivated in part by financial pressures - the country, the government claims, simply cannot afford the current system - it also reflects a commitment to the public philosophy discussed earlier. Like the New Deals, New Labour's pension reforms are based on the idea of reciprocal rights and responsibilities. In a foreword to a government document, for example, Blair writes that 'we believe that those who can save for their retirement have the responsibility to do so, and that the State must provide effective security for those who cannot' (HMSO, 1998f: iii). During a long process of consultation, Field wrote extensively on the idea of "stakeholder pensions", whilst Mandelson and Liddle proposed mutual pension funds (Field 1996a, 1996b, 1998; Mandelson and Liddle, 1996: 145).³ A government document on pension policy also discusses stakeholder pensions, while legislation establishing stakeholder pensions is included within the 1999 Welfare Reform and Pensions Bill (HMSO, 1998f). These stakeholder pensions are funds that offer retirement provision in addition to a limited state pension, and that are effectively owned and run by their members. In theory they will promote individual responsibility and mutuality simultaneously. They will promote self-reliance because individuals will be responsible for providing for their own retirement, and because individuals, not the state, will own the capital invested in the funds. They will promote co-operation because any profits earned from commercial activity will be retained by the members as lower premiums or higher pensions. Indeed, stakeholder pensions are required to be run in 'the interests of their members' in such a way that 'all [members] benefit from improvements to the scheme' (HMSO, 1998f: 51).

With respect to pensions, the state again acts as an enabling partner. It establishes and regulates the framework within which stakeholder pensions operate so as to enable individuals to take greater responsibility for their own retirement. Within this framework, moreover, it sets standards that stakeholder pension operators must meet. Stakeholder pensions must have an 'approved governance structure' that acts always in the interests of members. In the Welfare Reform and Pensions Bill, for instance, the government requires stakeholder pension funds to be established within existing trust law and run by a board of trustees, whilst allowing for other governance structures to be approved in the future. Stakeholder pensions should promote an inclusive community based on partnership. Hence the fund must accept low minimum contributions and allow members to stop and re-start contributions without any penalty. Such regulations hopefully will ensure that everyone can join a fund. People in low paid, part-time, or irregular work - many of whom are excluded from the existing schemes - should have improved opportunities to save for retirement. Field even suggests that stakeholder pensions might act as agents of social cohesion since 'they are inclusive bodies, thriving on participation, co-operation and partnership' (Field, 1996a: 66). In short, stakeholder pensions embody a central theme of the Third Way: they encourage 'a new welfare era where collective provision is achieved through individualised ownership and effort' (Field, 1996a: 64).

Public Service Delivery

New Labour has modified the Party's traditional model of the welfare state in response to dilemmas highlighted by the New Right. A similar dynamic appears in the changes in the Party's model of the provision of public services. The Old Labour model was a top-down, command-style bureaucracy based on centralised rules. Some

of the Party's leading intellectuals prior to the Second World War were even impressed by the system of planning in the Soviet Union. Labour thus became associated with a hierarchic bureaucracy in which co-ordination was secured by administrative orders. The New Right challenged this model of public service delivery, arguing that it was both inefficient and a threat to individual freedom. The Thatcher government attempted to make public services more efficient through privatisation, marketisation, and the New Public Management (NPM). The citizen appeared as a consumer able to choose between an array of available services. New Labour has responded to the dilemma of bureaucratic inefficiency by adopting a pluralist approach to the delivery of public services. It seeks to open-up established hierarchies without fetishizing markets, and thereby to establish a variety of networks governed by relations of trust.

BEST VALUE

The Labour government's key document on administrative arrangements explains that 'we must not assume that everything government does has to be delivered by the public sector' (HMSO, 1999a: 35). It explicitly criticises New Right policies such as Compulsory Competitive Tendering (CCT) for over-emphasising the private sector. Even when such policies improve efficiency, they often do so at the expense of service quality (HMSO, 1999a: 41). So, New Labour insists that the choice of deliverer should depend on which sector provides a particular service most efficiently and effectively. A document explains that 'services should be provided through the sector best placed to provide those services most effectively', where 'this can be the public, private or voluntary sector, or partnerships between these sectors' (H. M. Treasury, 1998: 33). Thus, the Labour government has replaced market testing

and CCT with the idea of Best Value in government services. The Best Value initiative entails a review of all central and local government services in order to identify the most appropriate supplier in each case - with the focus being on quality as well as efficiency (HMSO, 1998g: 64-78, 1999b). Best Value suppliers are those which deliver the highest quality services at the best value for money. Unlike CCT, Best Value does not require either privatisation or competitive tendering of services. The government's role is to enable. It establishes and regulates a basic framework for service provision, including in some instances the creation of nationwide standards. Yet New Labour does mark a distinct shift in the socialist tradition; a shift, moreover, that owes clear debt to the New Right with its concerns about bureaucratic inefficiency. Marketisation is seen as an appropriate response to such inefficiency in at least some cases, so that 'competition will retain an important role' in service delivery (H. M. Treasury, 1998:36). The Best Value initiative demands that public sector organisations do not deliver services themselves if more efficient and effective deliverers are available. In finding Best Value service suppliers 'competition will be considered seriously as an option in every case' (HMSO, 1999a: 41).

New Labour believes that many areas of the public sector are not amenable to competitive markets. One clear example is the National Health Service where the government is abolishing the internal market. New Labour criticises the internal market on a number of grounds. Most importantly, the government claims that the internal market fragmented health services. Thousands of organisations, such as Health Authorities, General Practitioner fundholders, and NHS Trusts, competed in the planning, funding, and delivery of healthcare in a way that hindered an appropriate co-ordination between them (HMSO, 1997: 13). Some organisations were even unwilling to share principles of best practice for fear of losing competitive advantage

(HMSO, 1997: 14). Thus, the internal market forced organisations to compete against each other even when co-operation was more appropriate. In addition, the government believes that the internal market generated new tiers of bureaucracy and unsustainable administrative costs, distorted performance indicators by measuring purchasing efficiency rather than service quality, and created instability through short-term contracts that in some instances were agreed only on a day-to-day basis. Far from promoting efficiency and quality, therefore, marketisation can undermine standards of service.

Even where market structures are regarded as inappropriate, the government sometimes deploys measures reminiscent of the New Right in an attempt to make services more efficient and effective. Government documents criticise traditional “one-size fits all” services for stifling innovation and putting the needs of institutions ahead of those of the users of services (HMSO, 1998h: 31, 1997a). Consequently, we are told, ‘there will be no return to the old centralised command and control systems of the 1970s’ (HMSO, 1997: 10). Instead initiatives like Public Sector Benchmarking, Charter Marks, and Public Service Agreements aim to improve services by making the relevant institutions more efficient and more focused on the customer. Here the Labour government has expanded the Public Sector Benchmarking Project (PSBP) originally launched by the Conservative government in 1996. This project aims to improve public sector organisations by developing principles of best practice that derive from a Business Excellence Model. These principles cover nine areas, including the efficient use of resources, effective policy-making, and customer satisfaction (HMSO, 1998i: 4-11, 1999c: 9-15). In addition, the Labour government has continued the Charter Mark scheme as a way of encouraging improvement in the delivery of public services. These Charter Marks

reward a focus on the customer, since organisations are assessed against criteria such as user access, choice, fair treatment, and having complaint and redress procedures that are easy to understand (HMSO, 1998i: 12-13, 1999c: 16-17). Similarly the government has introduced Public Service Agreements (PSAs) (HMSO, 1998j). These agreements, which cover all central government departments and agencies, are published and demand measurable improvements in standards. They provide SMART (specific, measurable, achievable, relevant, and timed) targets (HMSO, 1998j: 5). They contain each organisation's aims and objectives, the resources available to achieve them, performance targets for service delivery, and information about how each organisation intends to increase its operational efficiency. Such measures show how concerned the government is that public services should 'offer choice, and services better suited to individual needs' (HMSO, 1998j: 38). In some social services the government is even promoting direct cash payments in place of controlled services (HMSO, 1998j: 18). People in need of home care, occasional care, or short stays in nursing or residential homes are offered money with which to purchase services themselves. They are meant to be able to choose how, and by whom, their care is delivered. In future, the government might make it mandatory for local authorities to offer the option of direct payment and also extend the idea to other social services.

NETWORKS

New Labour accepts the role of both markets and flexible, customer-focused hierarchies in the delivery of public services. More generally, the government promotes the idea of networks of organisations and individuals co-operating so as to deliver services. A policy document tells us that 'by working together with other

services, each organisation can make more effective use of its resources' (HMSO, 1999a: 30). New Labour's concept of a network involves several interdependent actors co-operating in the delivery of public services. The Labour government uses such networks to institutionalise the idea of partnership: it wants to foster 'a new spirit of flexible partnership working' in service delivery (HMSO, 1998h: 97). These partnerships bring together an array of service areas including health, housing, education, and social services. As well as often itself being a partner in these networks, the state also, of course, appears as an enabler. It creates and regulates flexible frameworks within which agencies and organisations collaborate in service delivery. Several government initiatives draw on the idea of such a network. For a start, the Invest to Save Budget (ISB) scheme provides extra funding for projects that involve two or more public bodies collaborating to deliver more efficient services (HMSO, 1998h: 31). Typical ISB projects include "one-stop shops" that give users access to multiple services in a single location, thereby enabling service providers to share resources.⁴ Similarly, as we have seen, the Single Gateway scheme provides access in one location to the services offered by the Benefits Agency, the Child Support Agency, the Employment Service, and the benefits departments of Local Authorities (HMSO, 1999a: 32). Numerous other "cross-cutting" initiatives transcend traditional departmental and administrative boundaries. Sure Start, the New Deals, and the Single Regeneration Budget all involve agencies working together and pooling budgets to deliver services.⁵ In addition, the government has established Integrated Service Teams to explore additional ways of improving collaboration between service providers (HMSO, 1999a: 23).

Within the National Health Service (NHS) such networks are going to supersede the internal market. The government has announced 'a new statutory duty

for NHS Trusts to work in partnership with other NHS organisations' (HMSO, 1997: 45). This statutory duty requires all actors involved in the delivery of health care services - GPs, NHS Trusts, and Local Authorities - to work together in order to develop integrated systems of care based on Health Improvement Programmes. These Programmes set mutually agreed standards for health care based on quality and efficiency. They replace competitive contracts with partnerships between the relevant actors.

New Labour extends the idea of networks from the public sector itself to include partnerships between public and private organisations. A Cabinet Office publication announces, for example, that 'we will work in partnership with the private sector, extending the circle of those involved in public service' (Cabinet Office, 1998a). An example of this is the Labour government's resurrection and expansion of Private Finance Initiatives (PFIs). Under the Conservative government, PFIs often maintained a clear division between public and private sector bodies. Private companies would plan, design, and construct roads or buildings and then sell them to the public sector organisations that provide the relevant service. Under the Labour government, in contrast, PFIs provide various mechanisms by which public and private organisations can form deeper partnerships that entail collaboration at all stages in a joint venture (H. M. Treasury, 1997: 2). Typical examples include the construction and repair of schools, hospitals, and transport infrastructure. More generally, the government seeks to create and regulate legal frameworks within which public and private sector organisations combine to deliver services. It aims to promote such partnerships by 'removing legal and other obstacles to joint working' (HMSO, 1998h: 97). The National Health Service (Private Finance) Act, 1997, for

example, allows NHS Trusts to draw on private finance to build new hospitals.

Again, partnerships between the public and private sectors are central to New Deals.

The networks promoted by New Labour embrace not only organisations but also individuals. Relevant individuals include ‘outside experts, those who implement policy and those affected by it’ (HMSO, 1999a: 16). The government appears especially keen, however, to involve front-line staff in the planning of services. In the NHS the government has established a National Taskforce on Staff Involvement, composed, amongst others, of nurses, doctors, and even a hospital porter (HMSO, 1999a: 57). The Service First charter programme encourages more general “Quality Networks”. These networks will consist of local groups, the members of which should come from all areas and all levels of the public sector to work together in partnership. They will contribute to the development and dissemination of principles of best practice, the sharing of troubleshooting skills, and the building of new partnerships between appropriate organisations. The government thus aims to encourage ‘public services to work together’ so as ‘to ensure that services are . . . effective and co-ordinated’ (Cabinet Office, 1998b). Although the idea of Quality Networks applies primarily to individuals in the public sector, the government once again extends the underlying principles to the private and voluntary sectors.

The Labour government’s networks also extend to those who use the relevant services. Individual users become partners in the network through, for example, both consultation and involvement in the planning and delivery of services. A government document tells us that ‘people should have a say in what services they get and how they are delivered’, indeed, public services are more or less required to ‘consult and involve’ present and potential users (HMSO, 1998h: 8, 1998j: 3). A government guide suggests an array of methods for securing this, including interviews, focus

groups, citizen juries, and citizen panels (Cabinet Office, 1998c). Citizen juries consist of a small number of lay people who scrutinise specific proposals. The jurors hear evidence from experts and interested parties over several days before then reporting their conclusions. Citizen panels consist of a larger representative sample of the population. They discuss specific proposals and also develop broader ideas about future services.⁶ This idea has been expanded further in the People's Panel. This is a group of five thousand members representing a cross-section of the population. It is consulted about all sorts of issues, including, to date, transport, local democracy, new technology in government, and care in the community. These juries and panels supposedly enable citizens to contribute to policy making. Policies are thus developed by networks comprising government agencies, service providers, and individual citizens.

INSPECTION AND REGULATION

The shift from a traditional bureaucracy to networks embracing various styles of service delivery leaves the state with fewer means of direct control. Where once there were aspects of a hierarchic chain of command, there is now a more explicit and extensive reliance on negotiation and diplomacy. As the direct control of the state over the delivery of services has declined, so New Labour has adopted a range of additional procedures by which to inspect and regulate public services in an effort to guarantee certain standards of efficiency and quality. These new regulatory bodies once again reveal New Labour's faith in networks embodying partnerships that cover the private and public sectors alike. So, the remit of the Regulatory Impact Unit, formerly known as the Better Regulation Taskforce, is being extended from private enterprise to the public sector. It promotes the principles now seen as constitutive of

good regulation, namely, transparency, accountability, targeting, consistency, and proportionality (Cabinet Office, 1999). As part of New Labour's key agenda for "modernising government", the unit has launched a programme of "public sector regulatory efficiency" based on the application of these principles to public services such as healthcare, education, social services, local authorities, the police, and the civil service.

Among the first areas to be subject to New Labour's regime of regulation are care services for families, children, and the elderly. A government document explains that existing arrangements for regulating care are "piecemeal" and "divided", and that some services "are not subject to any regulation" (HMSO, 1998h: 65). Hence, the government is building a more comprehensive system of regulation for care services. For a start, new regional bodies called Commissions for Care Standards (CCSs) will regulate care services in line with national standards developed by the government in consultation with relevant organisations and individuals (HMSO, 1998h: 67-83). The CCSs will reflect New Labour's concern with networks of partners in that they will be independent of government and composed of representatives from local government, health authorities, service providers, and service users. They will assume responsibility for the regulation of services currently regulated by a range of different authorities, such as residential care homes for children and the elderly; and they will monitor care services that previously were not the subject of statutory regulation, such as residential family centres and fostering services. Above such networks, the government intends to create a General Social Care Council whose responsibilities will include regulating the training of social workers, setting enforceable standards of good conduct, and recommending principles of best practice for all workers in the social services (HMSO, 1998h: 85-95).

New Labour's regime of regulation and inspection notably embraces the NHS. A government document highlights "unacceptable variations" in the standards of health service, suggesting these might be rectified by comparing performance and by sharing principles of best practice (DoH, 1998: 2). A National Framework for Assessing Performance, covering all organisations within the NHS, will assess the quality of services against the criteria of improvement of health, fair access, effective delivery of appropriate care, efficiency, the experiences of patients and carers, and outcomes for health (DoH, 1999: para 4.46 – 4.56). Detailed performance indicators will be used in relation to each of these criteria. The assessment of fair access, for example, will refer to the socio-economic and demographic characteristics of patients, the mean time from diagnosis to operation, and patients' evaluation of their experience. The results of the assessments will be published. They also will direct the planning and management of future healthcare strategies.

The government also intends to create a National Institute for Clinical Excellence (NICE) to regulate frontline healthcare (DoH, 1999: para 2.8 – 2.31). NICE will aim principally to ensure high and consistent standards of clinical practice throughout the NHS by drawing on a partnership of health professionals, academics, economists, and representatives of patients, and by forming networks alongside NHS organisations at all levels including the local providers of care, regional bodies, and national organisations such as professional associations and the Department of Health. As well as regulating standards, NICE will actively support medical staff by helping to disseminate information about best practice for new and existing treatments.

A number of other new regulatory procedures within the NHS are noteworthy. For a start, National Service Frameworks will specify national standards and preferred models for specific types of service (DoH, 1999: para 2.32 – 2.43). The Calman-Hine

Cancer Service Framework, for instance, defines the arrangements deemed appropriate to high quality and comprehensive cancer care (DoH, 1999: para 2.35). In addition, the government will establish a Commission for Health Improvement so as to provide independent scrutiny of healthcare providers such as NHS Trusts (DoH, 1999: para 4.3 – 4.45). In particular, the Commission will monitor the implementation of both National Service Frameworks and the guidance provided by NICE. It will have the power to investigate and to intervene when performance is found to be unsatisfactory. Finally, the government will introduce an annual National Survey of Patient and User Experience to enable NHS organisations to measure their performance against the aspirations and experience of patients, to compare their performance with those of other organisations both locally and nationally, and to identify trends in performance over time (DoH, 1999: para 4.57 – 4.63). The Survey will address issues such as waiting times, ease of access to services, the availability and clarity of information, the privacy and dignity of patient care, and the courtesy and helpfulness of staff. The outcome of each survey will be published, and NHS organisations will be required to take demonstrable action to rectify any problems indicated by the results.

New Labour's programme of regulation and inspection in the public sector probably will extend beyond the implementation of public policy to the formation of policy. Thus, a recent review of the Civil Service proposes several reforms to enhance policymaking, including an increased emphasis on outcomes, greater research, the sharing of principles of best practice between departments, and a wider use of ideas and expertise from outside bodies (Wilson R., 1999). Independent reviews will monitor the impact of these measures on policymaking, and also promote models of excellence based on performance indicators and benchmarking.

TRUST

New Labour's networks for the delivery of public services are supposed to be based on trust. Blair describes such trust as 'the recognition of a mutual purpose for which we work together and in which we all benefit' (Blair, 1996: 292). It implies that we are not individual economic actors connected only through relations of contract, but rather interdependent beings who characteristically achieve more by co-operating than by competing. Quality public services are, therefore, best achieved through co-operative relations based on trust. Mandelson and Liddle similarly emphasise the importance of 'building a relationship of trust between purchasers and providers' of services (Mandelson and Liddle, 1996: 153). Trust is promoted between organisations through the Quality Networks programme: organisations should provide information about their practices to one another so as to facilitate better co-operation. Trust is promoted within organisations by promoting "management within boundaries": individual responsibility and discretion increasingly should replace rigid hierarchical structures so that individuals are trusted to make decisions and implement policy without being constrained by strict procedures. Trust is promoted between organisations and individuals through the Service First programme: citizens should trust organisations to provide appropriate services, and organisations should trust citizens to use services appropriately. The idea of networks of trust between service users and providers is often expressed in terms of reciprocal rights and responsibilities. The Cabinet Office tells us explicitly that such networks depend upon 'balancing rights and responsibilities'. So, 'the Service First programme is based on a partnership between users and providers, in which both parties have rights and responsibilities' (Cabinet Office, 1998b). The rights of the users of services

include those to clear information about what is on offer, well-defined procedures for complaint, and fair treatment. Service providers have a responsibility to ensure such rights are honoured. The responsibilities of the users of services include extending courtesy to staff and promptly providing accurate information when asked for it. Service providers have a right to expect such things from the users.

Future Prospects

We have outlined the main developments in the public sector under New Labour. Although it is too early properly to evaluate the impact of the reforms, we can offer some brief comments about their feasibility and possible future trajectories. In the case of the welfare state, official statistics provide some evidence of a real reduction in the level of unemployment, although how significant the welfare reforms have been in bringing this about remains unclear. Doubts also surround the ability of the reforms to sustain any reduction for which they might be responsible. The New Deals appear to provide only a short-term programme of welfare-to-work. They are currently financed by a one-off windfall tax on the profits of privatised utilities, and there is no commitment to find additional funding. Besides, the jobs provided under the New Deals are temporary ones that typically last only for two years. We might expect, therefore, to find that those aided often will fail to find permanent employment. Schemes of subsidised employment in general also raise problems of displacement, with subsidised workers merely taking jobs that otherwise would have gone to others, and of deadweight effects, with people who would have found employment anyway receiving unnecessary financial assistance from the state to do so (King and Wickham-Jones, 1999). Several critics argue that long-term reductions in

unemployment depend on the creation of permanent jobs, rather than on motivating or compelling people to work (Solow, 1998; Crine, 1994).

Quite apart from doubts about the viability of its reforms, New Labour remains under pressure to square them with the Party's traditional values. In so far as New Labour appeals to many social-democratic values to differentiate itself from the New Right, the withholding of state assistance raises what at times are awkward questions about its commitment to social justice. Critics within and without the Party often emphasise the punitive elements of the New Deal schemes, viewing them mainly as a withdrawal of benefits. They argue that even if the New Deals offer some people a way out of poverty, they are unacceptably harsh for others; and even if they help to reduce future poverty, the most vulnerable groups in society still need traditional cash benefits to alleviate their poverty right now (Hattersley 1997a, 1997b). Cuts in the benefits to lone parents and the disabled have been widely condemned on just these grounds. Moreover, other critics argue that the government's overwhelming stress on paid employment both overlooks the value of unpaid work such as parenting and fails to address inequalities among the working population (Jordan, 1998; Levitas, 1998).

New Labour's approach to the delivery of public services also gives rise to tensions. For a start, although government documents encourage forms of competition where appropriate, they generally remain vague as to the nature of suitable models of competition and the circumstances in which they are appropriate. Some critics take such vagueness as evidence that the practice of Best Value will barely differ from CCT, and even that Best Value might represent an extensive privatisation agenda for public services (Boyne 1999; Wilson J., 1999; Vincent-Jones 1999). Furthermore, although networks are intended to promote a collaborative,

joined-up approach to the delivery of services, they can become arenas of conflict. In the delivery of healthcare, for example, problems can arise when different actors in local partnerships want to commission services contrary to one another's priorities (Paton, 1999).

While a greater role for the state might help to resolve such conflicts, New Labour's regime of regulation is itself the site of significant tensions. A clear tension appears between the government's aim of devolving powers to the local providers of services and the imposition by central government of specified targets and national standards (Boyne 1999; Clarence and Painter, 1998: 15). By specifying targets, the government also might erode partnership by forcing local providers to attend to the wishes of government rather than the needs of their communities. A strict regulatory regime certainly suggests an absence of the very trust New Labour wants to promote. In some cases, then, regulation may seriously undermine the possibility of collaborative networks. Finally, some critics claim that the regulatory regime conflicts with the government's concern with efficiency and effectiveness since it imposes extra costs and bureaucratic constraints (Cope and Goodship, 1999: 10). Beneath many of these tensions, there lurk issues of accountability. Whereas hierarchical models of service delivery generally contain vertical decision-making structures with clearly defined lines of accountability, networks typically relate different actors in horizontal decision-making structures in ways which can blur lines of responsibility (Rouse and Smith, 1999; Rowe, 1999).

Despite these tensions in, and criticisms of, New Labour's reform of the public sector, the broad shifts in policy we have identified seems unlikely to be reversed. In welfare, the shift in emphasis from state provision to partnerships intended to enable citizens to help themselves seems set to continue. The increasing concern with things

such as employability and lifelong-learning, coupled with the plans for an expansion of private pension arrangements, provides some evidence for this. In the delivery of public services, the greater reliance on networks or joined-up governance also seems set to continue. Real or perceived economic constraints provide a powerful impetus for yet further diversification in the delivery of services so as to draw on the private and voluntary sectors as well as the public one. We might wonder, however, how far these networks will allow for local participation, diversity, and trust, rather than being subject to overt or hidden forms of central control, standardisation, and regulation.

Conclusion

We have suggested that New Labour's Third Way constitutes a public philosophy distinct from those associated with Old Labour and the New Right. This philosophy arose in response to specific dilemmas highlighted by the New Right. The dilemma of the underclass prompted New Labour to rethink the welfare state in terms of a partnership between an enabling state and participating citizens. The state is supposed to provide the preconditions for the citizen's self-reliance. The dilemma of inefficiency similarly prompted New Labour to rethink the delivery of public services in terms of a partnership between users and providers. Efficient and responsive services are supposed to provide greater choice and greater citizen involvement thereby enhancing individual freedom. New Labour envisages a public sector based on partnerships between the welfare state and citizens, and between public and private organisations and the individual recipients of public services. It wants these partnerships to develop in the context of networks that are grounded in trust and co-operation expressed through reciprocal rights and responsibilities.

New Labour's Third Way envisages a society of stakeholders. It modifies the collective individualism of ethical socialism in response to the challenge of the New Right. In doing so it breaks with both Old Labour and the New Right to develop a public philosophy characterised by partnership, networks, and trust. Quite how this public philosophy will transform the public sector remains to be seen. It seems unlikely, however, that the consequences will be exactly as the government would wish.