

GALLERY DAVID ROWE

BUSINESS TASKFORCE...

WHILE THEY'RE AT IT, DO YOU THINK THEY'D MIND KEEPING AN EYE OUT FOR MY SURPLUS?



A third way on services

As Treasurer Wayne Swan announces plans to establish mutuals as the “fifth pillar” of Australia’s banking system, David Cameron and his team in the United Kingdom are hoping that mutuals, of a very different sort, will play a role in providing public services.

The new coalition government is introducing reforms that aim to change the way a range of services are financed, designed and delivered. Owing to the country’s dire fiscal state, it has no choice but to find ways of providing public services at lower cost.

Britain’s fiscal deficit is at a peacetime high, and government debt is close to £1 trillion (\$1.6 trillion). The government is seeking to return the budget to structural balance by 2015. It plans for the bulk of the adjustment to occur through spending cuts, rather than tax increases. The savings needed are significant. There has to be a fundamental reshaping of government activities, and the provision of public services cannot be immune.

Without reform, public services will be unaffordable. Indeed, the challenge the government faces is to find ways to cut spending, without cutting services.

Is this possible? The government certainly hopes so and sees mutuals, also commonly referred to as co-operatives, as part of the solution. It believes that creating mutuals that give public-sector workers and service users a greater say in the running of services will result in more effective and efficient forms of service provision.

Research shows that if employees and users become involved in service delivery, they become far less tolerant of waste and bureaucracy. This can lead to significant savings. In addition,

Governments need to involve private and voluntary organisations to deliver services more efficiently, writes **Elizabeth Fells**.

it is hoped that allowing staff to have greater control, and make decisions about service design and delivery, will raise morale, increase commitment, and lower staff turnover.

The government has given public-sector workers a right to form employee-owned co-operatives and bid to take over the services they deliver. And it has announced 12 “pathfinders”, pilots to trial new ways of involving workers and users in delivering services.

One pathfinder involves National Health Service employees forming a social enterprise to provide services for homeless people in Leicester. Another has teaching and support staff setting up a trust to run an agricultural college in Cumbria, in the north of England. London councils want to create mutuals to deliver children’s services.

Before the general election, Cameron’s team promoted mutuals as part of its Big Society agenda, which aims to “empower communities” and “liberate” people from “top-down, heavy, controlling” government.

Critics accused the Conservatives of attempting to shirk responsibility by calling on communities and individuals to be more involved in civic activities. Some unions have been suspicious of mutuals, seeing them as privatisation.

But the use of co-operatives to deliver public services is one of the few initiatives with support from all the

major parties. Earlier this year Labour announced that Lambeth, in London, would become a “co-operative council”.

Lambeth has been badged a “John Lewis council”, a reference to the much-loved British retailer, the UK’s largest employee-owned firm. John Lewis staff are all “partners” and have a say in the way the company is run, as well as a share in the profits. John Lewis believes this leads to a stronger business, and greater staff and customer satisfaction.

Similarly, councils could introduce initiatives such as providing council tax rebates to residents in exchange for helping to run services. The plan would be for this to enable people to get the services they want, at a lower cost.

It is too soon to tell whether these attempts will be successful. There has been much enthusiasm about the initial projects. Whether there’s enough fervour for widespread change, and whether the skills and the know-how are there for projects to thrive, is questionable.

No government funding has been provided to help establish the mutuals. However, many private and voluntary organisations in the UK share the vision and are supporting the initiative, offering mentoring and advice.

This is exactly what is needed. The days of government funding and delivering a wide suite of services are gone. Instead, as government seeks new ways to provide services, it will need to involve private and voluntary organisations more. Without this, it will not be able to cut spending without cutting services.

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