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Viewpoints

Editorial: Consumerism in public services

Catherine Needham

Users as 'experts'

The assumption that public services should be more carefully attuned to the preferences of their users drives public management reform across the world (OECD, 2008). Although consumerism in public services can be defined narrowly or broadly (see Simmons *et al.*, 2009, for an overview), there is a common thread of user responsiveness. Such a criterion may seem trivial or self-evident: public services have always sought to address the needs of their users, alongside the broader community. However, only fairly recently has special weight been accorded to the self-ascribed preferences of users (Needham, 2007). The presumption that services should respond to the 'felt needs' of their users (DETR, 2000, §9.18) or that users should be reclassified as 'experts' in their own conditions (see Tone Alm Andreassen in this edition) is anything but trivial. It involves a radical reappraisal of service design, commissioning, delivery, monitoring and evaluation.

The mechanisms through which public service consumerism becomes operationalized—including choice, complaint, targets, surveys, ballots, group representation and deliberative workshops—are so varied they defy generalization. Similarly varied are the roles played by the service user, the frontline provider, the state, the community and the private and voluntary sectors. Thus, while few would seek to argue against making services more responsive to their users, the policy implications of consumerism can be interpreted in different ways, evoking varied forms of celebration and resistance. For some the language of consumer, and the related customer, marks a discourse of enablement, an empowerment of the traditional

client (Pirie, 2001). For others, it can signal a diminution of the citizen, an attempt to bring market disciplines and discourses into the public realm and establish new regimes of control (Needham, 2003, 2007; Clarke *et al.*, 2007).

The issues raised by consumerism in public services were the focus of a debate article by Jones and Needham (2008) in an earlier edition of *Public Money & Management*. In it the authors rehearsed some of the arguments for and against consumer-oriented reforms in public services. However, the article identified the need for empirical data to validate or debunk the claims made about consumerism. Some consumer-oriented reforms are so new it is as yet unclear how they will affect service provision—such as the Choose and Book system in Britain's National Health Service. Other UK reforms, such as school choice for parents, have had an uneven impact, depending on a wide range of contextual factors and market-design (Le Grand, 2007). Public attitudes to consumerist reforms appear similarly ambivalent. Evidence can be deployed showing that users want choice in public services or that they are suspicious of choice and rank it lower than other priorities (compare Le Grand, 2007 with Clarke *et al.*, 2007).

Improving the evidence base

The six contributions to this themed edition of *Public Money & Management* strengthen the empirical foundation of the debate, providing internationally-diverse perspectives on public service consumerism. Drawing on ethnographic research, surveys, comparative case studies and documentary analysis the articles help trace what happens to consumer-oriented reforms when implemented by public managers and professionals. The contributions by Marianna Fotaki (p. 83) and Ian Greener and Russell Mannion (p. 95) explore user choice in public services, often seen as the 'flagship' consumerist policy. Fotaki's article offers a broad perspective on choice, reviewing research findings from health, education and social care in the UK and comparator countries. Greener and Mannion's article looks in depth at choice in the context of a hospital in the north of England. The next two articles, by Sven Modell and Fredrika Wiesel (p. 101) and Brian Collins and Hyun Joon Kim (p. 109), explore the processes through which public managers seek to operationalize consumer responsiveness. Modell and Wiesel's article draws on case studies from five Swedish central government agencies to assess whether devolved

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management practices (such as performance management) foster greater consumer responsiveness. Collins and Kim's article probes the linkage between user satisfaction surveys and trust in government, focusing particularly on how far satisfaction increases the public's willingness to pay for additional public amenities.

The final two contributions focus on collective approaches to user empowerment. Alm Andreassen's article on p. 117 explores consumerism as linked to 'voice' in Norwegian health policy, examining how relationships between service users and providers are shifting as part of the redevelopment of rehabilitation and disability services. Martin and Webb's contribution provides an overview of public service reform in Wales, where public service reformers have explicitly rejected consumer-driven competition and sought other approaches to policy improvement. Steve Martin and Adrian Webb (p. 123) argue that, if implemented more effectively, the Welsh 'citizen collaboration' model, could offer a viable alternative to market-based approaches.

Together the articles highlight a number of key themes about public service consumerism. First, the contributions—along with Pat Barrett's debate article—reaffirm the instability of the discourse. Alm Andreassen's focus—what she calls the Norwegian model of 'voice consumerism'—is explicitly collectivist rather than individual, shaped by Norway's corporatist tradition. This notion of consumerism is distinct from the market-oriented model identified by Fotaki and Greener and Mannion, in which individuals are encouraged to shop around between service providers. It is closer to the Welsh 'citizen collaboration' approach, discussed by Martin and Webb as a potential alternative to market-based consumerism. Ambiguities surrounding consumerism are also evident within the case studies. For example, Greener and Mannion's interviews with hospital managers reveal that consumerism is associated with improving services such as carparking and food, rather than standards of care. The notion that consumerism applies to the periphery rather than the core of the service can again be seen in Alm Andreassen's article, in which mental health professionals defer to service users' calls for minor procedural alterations but discredit broader calls for service reform.

Second, the articles highlight the difficulties that public managers face in translating user preferences into service redesign. As Collins and Kim make clear, public managers can use satisfaction surveys to assess priorities and identify problems, but they rarely provide data about

what corrective actions will improve satisfaction. Modell and Wiesel's article demonstrates the difficulty of incorporating customer satisfaction data into goal setting and performance evaluation frameworks. Both contributions highlight the difficulties of implementing a consumer orientation in a context of service rationing, and affirm the failure of policy-makers to address such tensions. Modell and Wiesel conclude that customer satisfaction indicators are often utilized by agencies as tools of external legitimization, rather than devices to make decision-making more customer-oriented.

Third, consumer-orientated reforms may create perverse incentives that distort service delivery in particular local contexts. Greener and Mannion highlight the poor resource planning produced by pro-market business models, particularly in deprived areas where patients find it difficult to travel and a shortage of primary care resources leads many patients into hospital as emergency admissions. Martin and Webb highlight the problems of trying to offer a consumerist model of provider choice in a rural environment with low population densities.

Fourth, the articles reveal that consumer-oriented reforms play out differently in different services. Alm Andreassen finds that brain injury patients were better able to challenge the traditional model of the professional as expert than were mental health patients. Fotaki's article points to significant differences over choice between users of health, social care and education. She places these differences on a gradually increasing continuum, with users most comfortable handling choice in education and least comfortable in health. The importance of loyalty—as opposed to exit and voice (Hirschman, 1970)—in health is reaffirmed by Greener and Mannion's interviews with hospital staff and managers, which showed that patients were reluctant to exercise choice decisions. Patients continued to use their local hospital despite its well-publicised financial and environmental problems—ants on the wards, for example—and senior managers continued to operate on the assumption that patients would not go elsewhere.

No road map for public managers

Together the contributions in this themed edition challenge the notion that consumerism provides a roadmap for public managers, a navigation tool through which services can be aligned with the interests of their users. Consumerism can be

hitched to a diverse set of management practices, associated at times with the market and the choice-wielding individual, at other times with moves to provide more collective forms of dialogue between users and service providers. There is diversity across national government programmes, as Barrett reaffirms, as well as between states. Efforts to generalize about consumerism struggle to capture the background conditions that shape its impact. There is a radical and contentious message contained within consumerism: that the service user rather than the professional is the expert about what the consumer wants and needs. However, as the contributions gathered here show, some forms of consumerism are resisted by staff and users themselves, as well as by managers and political leaders. ■

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Debate: Customers versus citizens—does the language matter?

Pat Barrett

The driving forces for what is often called 'public service consumerism' have been an improving interaction with the recipient (usually a citizen) and service quality. In Australia, these forces go back to the Coombs Report in 1976 which argued for a new style of public administration which placed more emphasis on 'getting the business of government done as close as possible to the people' (Coombs, 1976, p. 147). In particular, the Report recommended a review of all programmes which involve direct contact between the community and the administration 'with the object of making the point of contact with the member of the public the point of decision' (Coombs, 1976, p. 418).

Following on from the UK Citizen's Charter initiative (July 1991), the Australian government belatedly introduced service charters in March 1997, as part of its policy of Putting Service First. The text freely used the term 'customers' who were defined as 'people whom the government body is seeking to serve, whether by direct provision of services or through activities such as enforcement activity' (Prosser, 1997, p. viii).

In Australia, we have used both 'customer' and 'client' service delivery in our public service terminology to describe how much better focused we are on the citizen. Perhaps reflecting a degree of discomfort in describing 'citizens' as 'customers', virtually all departments and agencies now talk about 'citizen-centric' and 'client-oriented' service delivery with one significant, and resolute, user of the term 'customer'—our major public sector service delivery agency Centrelink.

After years of using such terminology in service delivery, does it actually matter any more? Having gone through the era of New Public Management (NPM) and the greater involvement of the private sector as both an adviser and provider of public services, I think it does. Clearly many others share that view. For example, the recently retired Secretary of the Australian Department of Prime Minister and Cabinet, Dr Peter Shergold, commented:

I think we have let ourselves down by embracing our commitment to improved service (itself an admirable objective) as if it is customer service. I think this is utterly wrong-headed. The people we deal with are not customers (Shergold, 2005).

To me, the problem is primarily about the use of particular terms to get the message across which can, in practice, have the opposite results. Unfortunately, this effect has been more widespread across a number of public sector reforms over the past 20 to 30 years. Nevertheless, I am attracted to John Alford's use of the concept of 'social exchange' and the typology involved that goes beyond the use of particular terminology (Alford, 2002). This is the argument of substance.

Contrasting approaches in Australia

This leads to some observations about two contrasting Australian examples. I start with the proposition that there is no 'one way' of delivering public services but there are fundamental issues that need to be recognized and addressed. Centrelink is a statutory agency within the Human Services Portfolio, which delivers a range of government payments and services for retirees, families, carers, parents, people with disabilities, people who are seeking work or studying, Indigenous people and people from diverse cultural and linguistic backgrounds. Centrelink was established under the Commonwealth Services Delivery Agency Act 1997.

At the time of its last annual report (2007), Centrelink delivered services on behalf of 31 policy departments and other organizations. Its accountability to the Australian government is set out in a Statement of Expectations from the minister for human services to the Centrelink's chief executive officer. The relationships and accountability between the agency and policy departments are set out in business partnerships agreements. These agreements include business assurance arrangements that Centrelink is meeting the performance expectations of government, policy departments, stakeholders and customers.

In short, Centrelink is a major public sector service provider that is subject to all relevant legislation, for example dealing with public service values and Code of Conduct (see Public Service Act 1999), financial and budgetary management, fraud control, freedom of information, security, privacy, and administrative law. The only real choice available to citizens, other than to use

Centrelink, is the degree that Centrelink targets available assistance to the individual concerned, coupled with the responses/action taken by the service recipient. The latter reflects the so-called 'mutual obligation' approach to social welfare. The 'quasi-contract' with the service recipient is the Customer Service Charter (revised November 2006), which is 'Centrelink's public statement of our commitment to excellence in service delivery and tells customers what they can expect from us and what they can do if they are not satisfied' (Centrelink, 2007, p. 4).

As with other public sector bodies, Centrelink's major accountability document is its annual report, which provides a range of performance measures. Regular customer surveys are conducted which contribute to the published results of Centrelink's performance against its service commitments which are shown on its website (see www.centrelink.gov.au). In addition, a network of customer relations units provides opportunities for customer feedback, including complaints, compliments, suggestions and requests for general information. The result is a framework that recognizes, and provides assurance about, the relationships between government and the citizen while endeavouring to be available and responsive to individual service recipients and delivering high-quality service which is expected by *citizens* not just *consumers*.

In contrast, the now Department of Education, Employment and Workplace Relations is responsible for a programme, Job Network, which is in the 10th year of operation, where assistance for job seekers is provided under contract by non-government organizations (private and community-based). The arrangements are consistent with the approach of NPM with the apparent separation of policy and administration between the purchaser (the department) and the providers (the non-government organizations as described above). In addition, there is a degree of choice of providers available and the possible establishment of a professional-client relationship. The decisions on who to help, what to buy, and how much to spend using public funding, are made by staff members of the providers. The nature of the expenditure makes it difficult to verify, leaving the department with:

...the challenge of balancing the need for assurance that Commonwealth funds have been spent appropriately with the need for a workable and flexible approach that is not overly burdensome for

Job Network Members or for the department (Australian National Audit Office, 2007, p. 14).

This is more a public accountability than a client service issue. Yet, not surprisingly, process accountability issues tend to loom large in contractual arrangements. The department has about 200 contract managers. While considerable formal guidance has been provided, this in itself makes the administration (and direct relations) that much more complex and costly. Nor is the range of public sector assurance mechanisms, mentioned earlier in relation to Centrelink, available either for the benefit of the citizen generally, or for the individual job seekers, in their capacity as citizens. A simple example is the uncertainty, trauma and adjustment necessary when a provider goes out of business. The Australian Parliament has made it clear that the department is accountable for dealing with such a situation and achieving the required outcomes. There is a friction between the latter and the focus on processes, particularly where the most disadvantaged are concerned, and reflects the friction between a focus on *consumers* as opposed to *citizens*, particularly in welfare services. As Jocelyne Bourgon noted:

Public servants want to meet citizens' expectations and are ready to remove barriers to more effective service delivery, but it must be done in a manner that is true to the roles and values of the public sector (Bourgon, 1997, p. 24).

A debatable view

Both the public and private sectors still have much to learn from each other if there are to be effective partnerships or other interactive involvement in the delivery of public sector goods and services. In a political environment, I do not see any point in describing the public focus as being other than on *citizens*. Other terminology that suggests an alternative, such as *consumer*, *customer*, or *client*, is a distraction that only creates an apparent difference for its own sake.

Put simply, why do we not use the terminology that explains clearly what is required? For example, if we want the public sector to be 'more responsive', to be aware of 'cost and prices', to better assess demand, and to deliver 'quality services', then let us say so. But, at the end of the day, we serve *citizens* when we determine the nature and scope of programmes required, the outcomes we need to achieve and the manner in which services are delivered. ■

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Debate: Reforming the governance of the NAO

David Heald

The National Audit Office (NAO) now has a Chair of a Board that does not statutorily exist and will soon be headed by the third Comptroller and Auditor General (C&AG) since New Year 2008. The NAO has been accustomed to generating headlines about other organizations rather than being the subject of media controversy itself. Although this unexpected turnaround may have caused amusement among some of the NAO's clients, there are fundamentally important issues at stake.

The UK Parliament is one of the weakest in financial matters of any in an industrialized democracy. Executive power over finance is unshakeable for deep historical reasons. The Estimates cycle, through which Parliamentary authorization is given for public expenditure, is rich in constitutional symbolism (no majority government would be likely to survive a defeat on the Estimates) but devoid of opportunity for

Parliament to influence appropriations (the procedures are purely formal). This situation encourages governments to treat Parliament with disdain on expenditure matters, notwithstanding the efforts of select committees, notably the Treasury Committee.

Whereas Parliamentary control of expenditure is a myth, the scrutiny function is enhanced by the work of a strong NAO. Its record under Sir Gordon Downey (1981–1987) and Sir John Bourn (1988–2008) is generally impressive. For example, it successfully handled the transition of government accounting from cash to accruals, it has developed a substantial body of value-for-money audit work, and it has played a significant role in auditing international organizations and providing technical assistance abroad.

Identifying the problem

So, what went wrong? The landmark National Audit Act 1983 contained a fatal flaw: it did not set a term limit or a retirement age for the C&AG. It is understandable that this omission did not attract attention then, given the tradition of appointing senior Treasury officials to a final posting. However, Sir John Bourn held the post for 20 years, until the age of 73, and could have stayed longer had it not been for *Private Eye*'s hostile coverage of his expenses and acceptance of hospitality. This excessively long tenure meant that his Deputy and Assistant Auditor Generals had all been appointed by him and might also have left before him. This contributed to his domination of the NAO and to the failure of the Senior Management Board to function corporately; the operational activities of the NAO were in practice managed by the Management Committee chaired by the Deputy C&AG.

Before the *Private Eye* articles, there was concern within the NAO about the risk of controversy about expenses and hospitality but no effective mechanism for addressing the matter. The close proximity of the then C&AG to the lax control environment of the Houses of Parliament may have been a contaminating factor. Questions were raised not only about expenses and acceptance of hospitality but also about accepting paid employment as the Labour Government's adviser on ministerial interests. In connection with MPs, Kellaway (2008) has suggested a link between perceptions of inadequate pay and tolerated abuse of expenses arrangements.

The reforms proposed by the Public Accounts Commission (2008) adapted the proposals of the Tiner Report (2008), which it commissioned at the height of the expenses controversy. The intention was to include these within a planned

Constitutional Renewal Bill. In the event, this Bill was missing from the light legislative programme announced in December 2008. To confuse matters further, there have been changes (for example the joint determination of strategy by the NAO Board and C&AG rather than by the Board alone) between the Commission's July 2008 report and what is now expected to be in the Bill (National Audit Office, 2008). I have discussed these proposals in detail elsewhere (Heald, 2008). Here I focus on four issues.

The fundamental issues

First, the tension between 'independence' and 'accountability', identified by Gay and Winetrobe (2008) as generic across 'constitutional watchdogs', is manifest in the case of the C&AG. The incumbent is not only an Officer of Parliament but also a corporation sole, a legal status that facilitates the transfer of rights and obligations from one incumbent to another. With salary being a standing charge on the Consolidated Fund, there is symbolic protection from the Executive; the C&AG is head of the NAO without being an employee. Although this sounds archaic, it does constitute as strong a case of 'hard delegation' as one will find in British government.

Following Tiner, the NAO will become a corporate body, with a part-time Chair (Sir Andrew Likierman) and newly-appointed C&AG (Amyas Morse) as chief executive. The NAO Board will have a non-executive director majority and a veto over the C&AG's nominations of NAO staff as executive members of that Board. Whereas the C&AG will have a non-renewable term of 10 years, the Chair and non-executives have once-renewable three-year terms. A code of practice will be in place to protect the independence of the C&AG, particularly in making audit judgements. These arrangements duplicate governance mechanisms—corporation sole and corporate body—rather than choose between them. The risks are obvious: the Chair and Board might become conduits for government influence on the NAO; declarations that this will not happen should be assessed in the light of the experience of ministerial influence over other supposedly independent appointees. Alternatively, the NAO Board will over-complicate the governance of the NAO, directing the efforts of senior management away from operational tasks.

Second, the terms of reference which the Public Accounts Commission gave to John Tiner, formerly chief executive of the Financial

Services Authority, formulated the problem as one of structure, whereas it was primarily one of process. The failures of process revealed by recent controversies could have been addressed by a term limit on the C&AG and by strengthening the Audit Committee.

Third, though Parliament should not be blamed directly for the original problem of expenses and hospitality, there is indirect responsibility. The Westminster culture whereby laxness on expenses is a knowing substitute for proper salaries for MPs has repercussions. The salary of the C&AG is presently linked to that of a high court judge; this may have seemed reasonable in 1983 but the trend of remuneration in private audit firms and for public sector managers mean that the C&AG is now far from being one of the best paid jobs in the public sector. Holding down the salary of the C&AG on the basis that a title will compensate also depresses senior management salaries within the NAO relative to those available in private audit firms and in financial posts elsewhere in the public sector. If there has to be a statutory link, a more appropriate comparator would be the Lord Chief Justice. Paying below the market rate, as in financial regulation, is a false economy in financial scrutiny. It also undermines good public policy reasons for imposing the strongest legally enforceable constraints on the subsequent careers of former C&AGs; it is only too easy to envisage later roles that would embarrass Parliament and the NAO.

Fourth, the effect of the proposed structure for the NAO will be to weaken the Public Accounts Commission when the Parliamentary accountability and legitimacy of the NAO require it to be strengthened. The Commission is a statutory body which consists entirely of MPs. Since 2002 it has held, in public, meetings with the C&AG to approve the NAO's annually revised corporate plan (July) and the NAO Estimate (February), which is then presented to the House of Commons by the Chairman. The Public Accounts Commission has acted as a valuable protective buffer for the NAO against the Executive. When NAO strategy is internally negotiated between the NAO Board and the C&AG, there will be less opportunity for the Commission to have an effective input.

The Public Accounts Commission should also be worried that the expenses and hospitality issues did not reach it before these became a public controversy. The *Private Eye* coverage so shocked the Commission that structural change of the NAO was always likely. The Commission tends to confuse its own oversight role with the client role of the Public Accounts Committee in

relation to the NAO. Its meetings suffer from poor attendance and from an operating style more appropriate to a select committee than a statutory body. Together with better resourcing of the Public Accounts Commission, these are the issues that should have been addressed. They do not generally require legislation, other than removing from membership the Leader of the House of Commons who never attends.

Conclusion

As a voice independent of the Executive, and a resource for Parliament to access, the role of the NAO will become even more important during a period of macroeconomic difficulties and of public expenditure restrictions. NAO judgements, whether these concern accounting treatments or value-for-money studies, will from time to time create serious tensions with government. Notwithstanding the protection provided to the C&AG by the requirement of resolutions of both Houses of Parliament for removal from office, the manner of Sir John Bourn's exit has probably made future C&AGs less secure. This is not the time to over-complicate NAO governance; fortunately the delayed Constitutional Renewal Bill creates the opportunity to rethink. ■

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