

Policy watch

Are co-operatives and mutuals the big idea for public service reform?



Political parties like to go into a general election with at least one big idea especially in an area as important as reform of public services, but this time it seems that both major Parties have landed on the same one: co-operatives and mutuals.

The thinking behind public service co-operatives and mutuals is hugely attractive to any Party seeking to distance itself from the perceived centralist, target driven and top-down model that has characterised public service reform in recent years. It also helps shift the debate on from the rather nebulous stakeholder model propositioned by Tony Blair before the '97 election and gives a political Party a new and potentially much more attractive vehicle in which to locate public service reform for the future. There's an added attraction too apart from the obvious one of handing back power to the people and that is that the most successful mutuals have claimed productivity rises of 4 or 5% with one of the most well known, the John Lewis partnership, a shining example of this. It's no wonder therefore that politicians are scrambling to get on board.

This week it was the Conservatives who launched their plans *"to give power to public sector workers who are fed up with Gordon Brown's top-down control of their working lives."* This would be in the form of a *"new right to form employee owned co-operatives throughout the vast majority of the public sector including Job Centre Plus offices, community nursing teams and primary schools."* The Party claims to have been interested in the idea since David Cameron launched the Conservative Co-operative movement in 2007 and is enthusiastically calling its latest proposals, *"the biggest shift of power from government to people since the right to buy your council house in the 1980s."*

The government has hit back claiming that *'they had supported co-operatives for many years and were extending the idea into frontline health and education services with plans for 200 Co-operative Trust schools by the end of this year.'* Indeed, Ministers have been testing out co-operative schemes in the Health Service for some time notably in the *'Right to Request'* scheme which allows NHS staff to bid to Primary Care Trusts to develop independent enterprises. Nor has it stopped there, for also this week, Tessa Jowell, the Cabinet Minister leading on much of this area, publicly endorsed plans for Lambeth Council to become the first co-operative council should Labour win the forthcoming council election. It would mean that a council tax rebate, the rather awkwardly named *"active citizen's dividend,"* could be offered to local organisations that form mutuals to lead on local services while local users could vote on whether other local services such as primary schools and Sure Start services should be turned into *"citizen-led mutuals."*

So just what are public service co-operatives and *'citizen-led mutuals'* and how might they work?

As the name implies they are not new. The Co-operative Party which has been the spiritual home for many of these ideas has been around for nearly a century. The Party's '*Fourth Term Agenda*,' in effect its manifesto launched after the Party Conference last year sets out the context: "*from foundation hospitals to co-operative trust schools, we are already seeing the benefits that new mutual organisations are bringing to public services. These can provide the efficiency gains of the private sector whilst providing real democratic accountability, giving users, employees and other stakeholders a real say in how their organisations are run.*"

The benefits of co-operatives and mutuals were further extolled in a useful think piece from the Innovation Unit just before last Christmas under the heading: '*The Engagement Ethic*.' This recognised that while co-operatives and mutuals were neither "*a panacea for public services*" nor suitable in every context, they did offer enormous potential for helping reform public services; "*the co-operative model is enjoying a new heyday of public trust and business success.*" The Paper put forward three main proposals. Firstly, extend the '*Right to Request*' to set up co-operatives beyond the health service to other public services; secondly, open up the design of governance for such enterprises to include more staff and citizens; thirdly, develop "*a community right-to-request*" giving local people a greater say in their own services.

Co-operatives may have their limitations, the Innovation Unit for instance warn against '*producer capture*,' the seizure of a service by an articulate, professional local group to the exclusion of everyone else. There's also the problem of how you balance individual needs and resolve differences let alone of the whole thing being seen as just the latest in a long line of politically driven fads. Equally, not all services may fit the bill; the Conservatives for example have said that the armed forces, police, prison officers and parts of the health system would be exempt. However, "*in most other parts of the public sector employees would be able to negotiate a contract with the relevant department to run their service.*"

The process, they claim, would be "*very simple*" and would be "*directly facilitated*" by a team in the Cabinet Office. Where the case for a staff takeover arose, this team would conduct a scoping exercise including a business case and assessment of potential. In most cases, particularly where it's a function that receives standard government funding, "*they would,*" the Conservatives claim, "*simply be able to convert to a co-operative and then deliver the services independently.*" Government would negotiate a cost tariff or payment by results contract that would include incentives for raised performance. Co-ops would be able to buy in expertise where required, enter into joint-ventures and, in time, compete for contracts including in other areas of government activity but wouldn't be bailed out if things went wrong.

The right to propose a staff takeover would "*be open to staff performing most forms of public service provision. This could include anything from executive agencies through to all community based health and nursing services, and teachers and parents taking over schools.*"

It all sounds attractive and the Conservatives claim that "*it offers the best hope for users of public services and the people who work in them*" but for many, it's the prospect of becoming their own boss that may really swing it.

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