10. Pushing through to productivity advances

Thinking about prescriptive strategies for improving public sector performance often gets side-tracked into a hunt for simple remedies, which turn out subsequently not to work as intended. We have charted here, for instance, the overall failure of new public management approaches to boost organizational productivity in UK government, despite being intensively applied for nearly two decades. In a closely congruent analysis, Hood and Dixon (2012) conclude that administrative spending and running costs increased sharply in Whitehall across the new public management (NPM) period (1980 to 2010) – making its reputation as a cost-cutting approach an ill-deserved one.

We turn in this final chapter to some better evidenced advice on coping with the complexity of achieving and maintaining sustainable increases in the productivity of public sector agencies, looking at four specific lessons:

1. Paying detailed, focused and consistent attention to boosting productivity, and putting in place strong and lasting institutional mechanisms to sustain this effort, are vital. You can rarely improve any aspect of organizational performance that has not been fixed and quantified in some degree. Nor has it been easy for politicians or top officials to sustain the necessary long-run focus on growing productivity, amidst a welter of different and often adversarial public management strategies. Achieving a consistent focus on productivity requires putting in place better organizational arrangements.
2. Strengthening provider succession, and the ability to shift users of public services from less productive to more productive providers could contribute strongly to productivity growth if it was achievable – but in fact it is very difficult to do. What is needed is a genuine analogue to the competition and succession processes (i.e., the transfers of output and activity from less efficient to more efficient firms) that account for half of all productivity advances in the private sector. A wide range of different NPM solutions have only transferred across superficial business processes in rather crude ways, without transferring risks. And constantly fiddling with the location of the interface

between the public and private sectors, or promoting quasi-markets, has been a waste of time in terms of generating more genuine provider succession. This service architecture tinkering mainly just displaces the nature of productivity growth problems. In most public services the key to securing more provider succession is to refocus on *substantive* changes of services, fostering innovations that can bring in new providers plus solutions. For instance, don't try to run the existing local public libraries system more cheaply. Set up a wholly e-book national lending library in competition, and then see how citizens really want to read books, and what books they want to read (Dunleavy, 2011a).

3. For productivity change to be continuous, and not a special exercise in a few episodic years, government staff need to be involved much more centrally and cooperatively in securing the future role of the state. Government managers and politicians need to counteract the often justified suspicions of state workers, trade unions and left-of-centre political parties that growing the productivity of government services is just a code for shrinking the state and degrading the working conditions of government sector workers. A non-opportunistic approach to productivity gains, one that shares gains more with state workers, is needed. Demonstrating such a commitment also entails liberating public sector organizations from artificial restrictions on intra-government competition. It will be important that successful public sector agencies can grow the scale of their operations and compete for work in the same way that contractors can – allowing them to build up expertise and capabilities to compete on even terms.
4. In the past the search for productivity gains was often passively obstructed or opposed by trade unions and allied parties on the political left. They have often been tolerant of slow or no productivity growth, and to this end insisted that the productivity of government services cannot be measured. Social democrats in Europe have especially seen a 'large-public-sector' strategy as a way of pursuing egalitarian objectives – for instance, expanding public sector employment as a way of involving more women, minorities and disabled people in the labour force. But in those countries where a large productivity gap chronically exists between public services and the private economy, a 'big state' no longer combats contemporary social inequalities effectively – and may even imperil the overall legitimacy of government. A smarter strategy for fostering genuine social equality is for unions and left-wing parties to cooperate in a push to create a high productivity public sector, while using the money saved in a generous welfare system – which evens out social gains far more effectively.

10.1 KEEPING FOCUSED ON PRODUCTIVITY

Many endemic problems in organizations persist because they are never directly identified, analysed in detail, mobilized against and attacked as a priority. We noted in Chapter 1 that a chronic diffusion of focus about organizational productivity in the government sector has been evident:

- in the decades-long inability to simply cost weight outputs to create whole-organization-level indicators for all government agencies;
- in the scarcity of high-quality, quantitative indices of organizational productivity across the public sector;
- in the tendency to give up on measuring productivity when faced with a need to make quality adjustments instead of coping with the issues involved;
- in the failure to develop and maintain good over-time indices of outputs/inputs; and
- in politicians' and top officials' constant lurching off from a precise outputs/inputs focus into wider (much less quantifiable) concepts like effectiveness or 'value for money'.

These patterns of behaviour have meant that public officials have not focused clearly, consistently and enduringly enough to keep the problem of productivity changes continuously in view over recent decades. Nor have government sector managers or professionals created a sufficient cumulation of information about how to sustain productivity growth, allied with practical experiences and strategies.

The good news, however, is that by analysing organizational productivity in the ways set out above, then in modern conditions most public managers should be quickly able to redress these gaps. They can learn a lot, quickly, about the productivity of their own agency, the dynamics of changes in its productivity over time, and the specific ways in which more generic suggestions for boosting productivity can be adapted to fit their own government organization.

In terms of *cost pressures*, the key factors to which managers need to pay attention include the following:

- The general dynamics from inflationary pressures on wages (since labour costs are often or usually dominant cost elements in government agencies). Although pay bargaining in the public sector is much more decentralized now than in earlier periods, it will nonetheless be hard for public agencies to avoid paying 'the going rate' of settlements elsewhere, most directly in the government sector, and less restrictively in the wider labour market.

- The costs of outsourced services provision by private contractors (and to a much lesser degree third-sector organizations) are equally wage driven.
- Other costs are usually smaller, but they may have significant influence at particular periods – as we demonstrated for the combined IT, construction and consultancy costs for major UK agencies in the 2000 to 2007 spending 'boom' period.
- Movements in materials costs generally only have visible impact on public agencies in special periods, or on those organizations that spend a lot on particular things, for example, periods of rapidly rising fuel costs for a police force with many squad cars. The biggest exceptions to this rule are the defence sector and government-funded 'big science'. In both these areas procurement costs always matter hugely.
- Major reorganization periods will normally raise capital and IT costs significantly, and have substantial opportunity costs in terms of normal productivity changes being put on hold and productivity levels degrading with unfamiliar new processes, as Chapters 3 to 6 repeatedly demonstrated.

The *level of demand for agency services* will always have implications for any government organization's productivity, in much the same way as it does for firms. Agency productivity will rise when demand increases faster than extra personnel can be recruited or facilities added to handle it – so, productivity usually grows in the early part of a demand boom. Existing offices and staff are worked harder, overtime is accumulated and part-time staff are hired in to cope with the extra demand, all at generally lower costs. Mostly these 'surge' hikes in agency productivity are not sustainable beyond the short term. As demand stabilizes at higher levels, so rather more 'normal' staffing and facilities levels are restored and productivity gains typically even off, as problems are fixed or procedures retightened. Less commonly, some of the innovations in business processes brought in to cope with the growth period become permanent, so that productivity levels stabilize at a new, higher rate.

When demand for an agency's services *falls off* suddenly or unexpectedly, productivity levels must decline, because in the short term the agency is left with too many staff or facilities for the new lower usage rate. Firms often 'hoard' skilled labour in shorter-term market downturns – because it is costly to lose key staff, but then have to rehire and retrain new people. In the same way public services managers are normally reluctant to overreact to potentially temporary conditions in ways that restrict their capacity irrevocably. But if a slump in service demand is too large or sustained, simply not replacing people who leave may not be enough to accommodate the change, and wider changes (like selling buildings or closing lines of activity) may become necessary. In the meantime, productivity levels must fall, because output levels are undersized relative to committed input costs.

Funding constraints may raise some similar problems, even in times of constant or rising service demands. If the budgets in an organization are cut or frozen across the board, the activity levels of many units may be constrained. In the otherwise buoyant or growing areas of the organization, productivity levels will thus decline for reasons that have nothing to do with demand, and everything to do with sharing the burden of adjustment across all parts of the organization. Managers may not wish to disband or downsize teams with otherwise strong demand, especially if they believe that a squeeze or freeze will lift in the near future.

Cross-public-sector changes can have both positive and negative implications for agency productivity. On the plus side, digital changes operating across the whole government sector, and other general modernization pressures, may push prevailingly conservative departments and agencies to look again at their business processes, and to adopt changes being demanded by politicians or by centre-of-government units (such as Prime Minister's Office). On the negative side, many 'fads and fashions' may be cycled through in ways that are not 'organic' to or 'authentic' for particular agencies. Changes happen in the agency only because the governing party or president alternates, triggering government-wide changes in the rhetoric or in the policy delivery styles of all public sector agencies at a given tier of government. Such imposed or 'inauthentic' changes, which do not arise from a department's or agency's individual context, may easily have counterproductive effects, boosting organizations' costs without helping their outputs or activity levels. A great deal of 'policy churn' (solely politically inspired changes in policy goals, implementation methods or regulatory approaches) may also have either zero or negative effects on individual agencies, despite being adopted government-wide with the aim of improving policy effectiveness.

Changes in the nature of service provision and in services quality may influence productivity, but in asymmetrical ways. Generally speaking quality shading is very easy to start doing in not very visible ways within public services. For instance, officials under pressure may degrade previous service standards, crowd facilities more, lengthen queues, shorten contact times in face-to-face or phone-based services, not pick up many phone calls and hope peole go away, and so on. Small changes here may help boost activity levels and for a time avoid falls in measured productivity. But after a while major declines of service quality need to be incorporated into productivity analyses. The cost-weighted output series has to be adjusted to reflect that we are no longer comparing provision of the same kind of public service output at time t_2 that was initially there at t_1.

On the other hand, productivity analysts need to reject the constant temptation inside bureaucracies for officials to tell each other 'good news' stories that hype up as exceptional achievements some wider improvements in service quality that are in fact occurring generally across the economy or society. Quality gains in public services should be identified only very sparingly. And non-specific or unquantified quality improvements should never be used as excuses for 'explaining away' rising running costs and falling productivity levels. In particular, transition periods where agencies are 'dual-running' an old business system and a new one in harness together are often more expensive and less productive than normal. It is much better to explicitly acknowledge something of a hit to cost containment in such circumstances, rather than to try to use intangible or contested quality gains as an excuse.

Policy changes can generally be expected to lower productivity. As new goals or policy instruments are brought in, agencies and staff inherently take time to fully understand and operate new things well. New business processes always create 'teething difficulties' for staff and customers. And a great deal of 'organizational learning' actually has to be experienced before lessons can in fact be understood and converted into responses (see section 9.2, Chapter 9). James Scott (1998) makes a powerful case for believing that policy-makers (both politicians and senior officials) will normally pursue rationalistic goals in ways that neglect what he terms 'métis', the practical experience of how given problems have been/are being handled in the community by non-expert decision-makers, like firms, families, workers and communities, and by the agency workers dealing with them.

Major reorganizations often distract managers, creating by far the most directly adverse impacts on productivity levels in the public sector. Managers' attention is displaced away from making serial improvements in familiar and well-understood business processes. Instead they are asked to focus on 'big planning' for restructurings that may well create uncertainty and have adverse impacts on their career chances, perhaps endangering the position of their division within the organization. Some managers leave or retire early, using the reorganization as an occasion to decommit. Those who remain may be preoccupied by securing a role in the new set up, even with an initially ring-fenced labour market. All major reorganizations turn managerial attention inwards, and away from external linkages and cooperative relations with other agencies and stakeholders – which also become more fragile the larger the scale of the internal reorganization. All of these effects are generally strengthened the more 'inorganic' the changes are, that is, the less they are rooted in the specific development of the department or agency in question.

The dynamics of such developments normally cannot be prevented or controlled by department or agency managers because they originate in the agency's wider or political environments. For instance, how can an agency management that is keen to maintain or improve its productivity level respond to strong wage increases elsewhere in the government sector? A non-sensible approach might be to fiercely resist wage increases over a run of years, causing a flight of talent from the agency. Depressing relative wages in the agency might secure some temporary pause in the decline of productivity levels, but it will not be sustainable. Good staff will leave in a random 'Swiss cheese' pattern, and new staff will be hard to find or of lower quality. Add in short-term freezes of IT budgets and the agency's position within the mainstream of public sector advances could quickly be jeopardized after only two or three years of such policies. To respond in more sustainable ways to stronger wage pressures on costs, managers need to uprate and intensify their search for a wide range of serial improvements in their business processes, continuously bringing forward more innovations that could lead to increased output with the same levels of staff, yielding potential productivity increases that may counteract the costs bulge.

For a department or agency to be fully committed to continuously raising (or at the least maintaining) its productivity level, both managers and staff will need to have a wide menu of changes that they can push forward in a serial manner – typically a programme of linked incremental improvements where feasible changes happen regularly. Yet, empirical studies of government innovation strongly suggest another dominant pattern, reflecting the common absence of competition, and the relatively enduring character of most government organizations. In a study drawing on responses from 150 departments and agencies, Dunleavy et al. (2006b) found that UK national government organizations tended to become frozen into overly stable configurations that endure for long periods, during which productivity can decline gradually in response to wage or costs inflation. These periods of stasis are punctuated only by periodic 'large-scale' changes or reorganizations (during which productivity will normally decrease or be set back a few years). Many UK government organizations responded to a National Audit Office (NAO) survey about their innovations, by nominating very large-scale changes (designed to improve policy 'effectiveness' rather than productivity), or discussed projects taking five to eight years to complete. Dunleavy et al. (2006b) contrasted this with evidence from private sector comparator organizations, where large businesses almost never made innovations taking longer than two to three years to implement, instead adding many more but smaller-scale innovations, in a repeating manner, every year – mostly arranged in 'chain' sequences that led on from one to another. By contrast, UK government agencies mainly nominated only isolated or one-off innovations. In addition, some agencies had no, or very few, changes to report to NAO.

In the modern era there seems to be a considerable scope for government organizations to pick up and adopt many of the same types of changes undertaken by the giant private retailers (such as Tesco in the UK or Walmart in the USA), large insurance companies, some private healthcare providers and other reputable private firms with business processes that have some close analogies in the government sector. Table 10.1 provides a summary list of initiatives made within private services that have potential applicability in public sector services.

This list may seem a little specific and oddly focused when looked at from the perspective of most existing public administration or public management textbooks. The academic literature is preoccupied (one might say, obsessed) with two 'managerialist' topics – the design of organizational structures, and the selection, incentivization and socialization of staff. By contrast, Table 10.1 focuses on quite different kinds of generic change. It suggests that what matters is the *substantive content* of what a government organization is doing, especially in terms of the following:

- Simplifying policy to fit closely with the needs and preferences of customers, wherever possible delivering what it is that they need in a 'co-production' manner.
- Focusing hard on the nature of the substantive professional solutions currently deployed, and on innovations and upgradings of provision made possible by technological changes.
- Working creatively with contractors in competitive environments so as to help develop the role that other firms and organizations can play in completing the agency's key missions tasks.
- Paying close attention to customer interactions and to exploiting the huge potential for savings and quality improvements that modern digital era processes (run by more skilled staff) make feasible. Speeding up, simplifying and scaling up information flows between service providers and users, and expanding customer choices, are key here. Well-informed and often expert customers are often the first to identify new needs, or approaches that maximize their

Table 10.1 Twenty four generic suggestions for growing the productivity of all government services

Management suggestions	(a) Private sector examples	(b) Government sector examples
1. Shift to risk-based administrative processes (and away from volumetric checks)	Staffed supermarket checkouts replaced by customer self-checkouts	Adoption of risk-based checks for the processing of UK imports and exports (Customs)
2. Increase the scale of procurement to match technological change	Large supermarkets dominate modern retailing because of these economies of scale.	Consortia of government agencies often procure collectively to try to increase their buying power (but also often struggle with a 'not invented here' attitude).
3. Make suppliers do more of the work	Milk in supermarkets is delivered in trolleys suitable for immediate customer self-serve, going straight into chilled cabinets within the sales space. No transhipping by shop staff. Requiring suppliers to make staggered just-in-time milk deliveries means there's no need for 'back of shop' chill storage.	Some forms of business process outsourcing by government agencies work in similar ways, e.g. UK defence catering, even to forces on active field service overseas.
4. Increase the transparency and accessibility of information about stores and stocks to grassroots workers	A standard element of 'lean' manufacturing on the Toyota model	Assigning smallish delegated social care budgets to front line care workers, so that they can flexibly respond to client needs and ease immediate acute problems
5. Communicate key work flows progress against	Extensively used in manufacturing industries and most	Typically only deployed in minor ways in the public sector – e.g. staff in

Table 10.1 (continued)

Management suggestions	(a) Private sector examples	(b) Government sector examples
targets and achievements to grassroots workers; actively involve workers via incentives and information in achieving performance improvements	large private sector services companies	government call centres work with big screens showing call response times, and queues of waiting customers against expected response standards. Some police forces, schools and hospitals play back to staff accessible daily or weekly information on how their organization is performing.
6. Understand where costs and delays occur in the flow of business, then 'reverse engineer' so as try to eliminate costs and delays. Within any given service class, what's good for service quality is generally also good for costs and performance as well.	Standard practice in product redesign and service improvement in the private sector	Beginning to be used in large agencies, in customer understanding or communication units. A government-wide example was the PM's Delivery Unit, set up by Tony Blair (Barber, 2008; Kelman, 2006), but since abolished.
7. Stop doing unnecessary tasks	Airlines used to run separate ticketing systems and boarding card systems – now they rely on customers own ID documents and get customers online to pre-issue boarding cards with barcodes.	Eliminating the necessity different ID numbers for government services: NI, Tax codes, etc. Introducing 'digital by default' provisions that make online applications and transactions etc. mandatory unless there are very good reasons not to.
8. Scale up service provision, with 'network	Amazon dominates ebook marketing and dissemination	Hypothetically – a national ebook service could replace book lending

Table 10.1 (continued)

More management suggestions	(a) Private sector examples	(b) Government sector examples
products' displacing 'local products'	in a centralized way, partly displacing local bookshops.	by local public libraries (although not their community roles).
9. Develop more 'part-finished' or 'platform' products or facilities that users can then deploy to accomplish a very wide diversity of individual goals (Nooteboom, 2005).	e-Bay is a platform product that users can employ in very different ways. The Apps market for phones and tablet PCs is a classic example, along with Microsoft past strategy.	Like private systems, government labour market systems in UK and many EU countries let employers load job vacancies directly. Publicly funded wi-fi facilities, e.g. covering whole cities and providing free public Internet access.
10. Follow design/ prototype/ pilot/improve strategies, with rapid prototyping of multiple possibilities, online testing using randomized control tests, sifting from large menu to final solution	Standard 'big data'/ data warehousing methods of working, with online experiments of all elements of new market concepts and communications. Large numbers of transactions surface knowledge in depth of what works.	Government data warehousing and analysis is starting, but online experimentation is rare due to conservatism. Officials are reluctant to do prototyping and pilots for fear of 'political' problems, hence mostly still try to reach single perfect solutions, launched with big bang.
11. Design services so as to engineer customer 'returns' and bad service experiences out of the system. Aim for zero or minimum-feasible complaints.	In private services many of the most onerous costs attach to bad customer experiences, complaints and 'exceptions management'. Hence companies have strong economic incentives to minimize and try to eliminate avoidable costs generated this way.	Public sector processes almost never creatively aim to achieve 'zero complaints', but instead to achieve only a government-wide average level of problems. The average is often set too low for high-stress areas (like tax or social security), and here demotivates staff who respond by fatalistically normalizing complaints.

Table 10.1 (continued)

More management suggestions	(a) Private sector examples	(b) Government sector examples
	They focus intensively on – smoothing service experiences, removing checks, snags, irritations, and faults for customers; – removing difficulties and complexities for staff; – replacing points where unnecessary costs arise.	At the same time in low stress areas the overall average is too high and easily attained, so there is no continuous drive to eliminate remaining complaints, even where feasible (see Dunleavy et al, 2010a).
12. Phase out services for which demand has declined	Standard product succession strategies in the private sector.	'Creative de-commissioning' of public services where usage levels are dropping.
13. Use zero touch technology (ZTT) requiring no human intervention or checking for transactions	Most online e-commerce systems	Most online tax systems. Automated e-passport gates at airports.
14. Automate information-gathering	Combining store loyalty cards with fully electronic tills itemizing each purchase, especially in food and other product supermarkets, allow the auto-uploading of 'shopping basket' information overnight to fully automated re-ordering systems for chains. Data warehousing on a massive scale facilitates very sophisticated and	Hard to think of an analogous government use. Nor has government yet gained access to 'big data' piles in the private sector, because of privacy law and concerns. E.g. Walmart (in USA) or Tesco (in UK) control databases of purchasing behaviours that could be very valuable for government in fields like health care – knowing what people buy would hugely help government experts combating the adverse health or schooling effects of obesity

Table 10.1 (continued)

More management suggestions	(a) Private sector examples	(b) Government sector examples
	responsive trends and consumer targeting analyses, on a store-by-store basis, in real time.	or tobacco or alcohol addiction.
Customer focus suggestions	**(a) Private sector examples**	**(b) Government sector examples**
15. Automate permanent customer identification, and use 'one-time' customer identifications	Customer loyalty cards in retail as above	Having a unique ID number for all government transactions, as in Sweden, where banking sector IDs are also used for government purposes. The UK is moving towards a single number for social security and tax purposes.
16. Allow/persuade/help customers to do more of the work tasks	Customer self-check-in at airports	Social care customers manage their own care budgets and choose how to allocate spending (within limits).
17. Segment customers more	Supermarkets that are able to offer tailored offers to customers based on shopping patterns	Online (intelligent) forms filter customers through relevant questions only, based on previous answers.
18. Feed back to users what other users find helpful	Standard in emerging social media marketing. Long record e.g. Amazon product reviews	Most government agencies give little or no customer feedback, and insist on tightly authoring all content on their websites in 'paranoid' public relations mode.

Table 10.1 (continued)

Customer focus suggestions	(a) Private sector examples	(b) Government sector examples
		solicits customer views of hospitals. UK schools and family doctors have less intensive scrutiny possibilities.
20. Capitalize on staff (and customer) knowledge	Some private companies run strong staff suggestion schemes, e.g. the Tesco mantra that suggestions should be 'Better for customers, simpler for staff, cheaper for Tesco'. This is backed up systematic collating of suggestions and rewards for changes adopted.	Very few government agencies run proper suggestions schemes. Changes have included 'innovation tournaments' with pilot funding for projects that come top.
Service design suggestions	**(a) Private sector examples**	**(b) Government sector examples**
21. Respect and release the expertise of front-line staff. Show continuously that the benefits from staff disclosing information to improve performance will be shared and that managers are trustworthy.	Large private firms aim to close fit their HR systems to rewards indicators of innovation and effectiveness of teams via promotions and incentive payments. 'No blame' systems for understanding problems have worked well in developing 'safety bureaucracies' (like airlines). Inventive 'talent management' strategies for key innovative personnel.	Many government HR systems still encourage staff to 'run a desk' and minimize the risk of mistakes and incurring blame. This can create a 'never volunteer, keep your head down' organizational culture. Introducing team working, scrapping tagged 'desks', requiring evidence of innovation for promotion, and introducing 'no blame' experiments and pilots, can all help change entrenched attitudes.

Table 10.1 (continued)

Service design suggestions	(a) Private sector examples	(b) Government sector examples
22. Use better service design.	There are developed professions and sub-professions in the private sector for all aspects of product and service design.	Service design professionals are less commonly employed in government, and often services are introduced by 'generalist' officials (and politicians) with little specific training.
23. Shift from 'Task once, use once' processes to 'Task once, use many times' processes	Engrained in cost minimization efforts.	Shift most government websites from inflexible content management systems to blogs, and use RSS feeds, permanent URLs etc. to cut maintenance costs and problems
24. Use fault-tolerant systems	Design websites for immediate use (no pre-registering or unnecessary IDs. Provide immediate remedies on lost log-in details.	Greater cross-use of same identities across government services e.g. 'Tell Us Once' programme in UK. Getting rid of pointless registrations and over-asking for ID is a long battle still.

Note: RSS is Really Simple Syndication.

satisfaction. Hence 'democratizing innovation' (allowing customers to drive or at least partly define the innovation programme) can offer service organizations a real competitive edge (Nooteboom, 2005; von Hippell, 2005). Conventional R&D efforts expensively seek to detect and then remotely 'model' or 'simulate' what customers want, and it speeds up the change process. In modern government involving customers more actively cuts these costs and may particularly stimulate the production of not-fully-finished products or capabilities, that customers can adapt to their needs (Nooteboom, 2006). However, while smaller innovative firms organized as fluid 'adhocracies' (Mintzberg, 1983) can fit this change into their organizational cultures relatively easily, this is a much harder adaptation for conventional 'hierarchist' public bureaucracies to adopt (Hood, 1998, Ch. 4).

- Constantly redeploying and developing staff and incrementally shifting organizational processes in much more flexible ways so as to maintain or develop outputs at lower costs. This process always entails retaining strong 'mission commitment' by staff and (if this is working well) high levels of trust by workers that managers will not behave opportunistically if they offer up information about where efficiencies can be made (see section 10.3 below).

It is worth briefly noting what is not included in Table 10.1, the kinds of things that although very fashionable in the recent period, and much practised in the era of new public management's predominance, seem to have little or nothing to do with improving government sector productivity. These include the following:

- Focusing on business process outsourcing, and forcing intra-governmental processes to be outsourced to private firms.
- Worrying about 'optimally' allocating the ownership of assets, so as to maximize the economic efficacy of their use.
- Obsessing about the 'realignment' of 'narrowly economic' or 'rational actor' incentives, or the notional transfer of risks in public services. These theory-based arrangements are often fragile. They can easily break down in a crisis, with any catastrophic cessation of services simply causing risks to revert to the state.

Occasionally, in response to particular policy problems or needs, it can be constructive to push the barriers between public and private sector activities back and forth. This is especially the case where the private sector markets involved are genuinely competitive and cost-lowering, and where supplier diversity can be increased. For example, these conditions can often be met by bringing voluntary or third sector organizations into play as possible local providers of particular services to customers, where they have particular organizational expertise or other advantages. But merely involving a few large private firms in service provision paid by government does very little to constrain costs or to save money (see next section). Instead it often freezes provision in a form that then becomes contractually specified for years ahead, slows down technological changes and creates stronger legal and contractual barriers to the organic, incremental and serial changes in services of the kinds recommended above.

10.2 STRENGTHENING PROVIDER SUCCESSION

Over-polarized, partisan debates about the role and operations of government have been amongst the most debilitating and persistent influences tending to blunt the optimal development of productivity in government services. In this section we focus especially on why right-wing parties, business interests and neo-liberal commentators tend to undermine efforts to improve government productivity in several dimensions. The public statements of such groups often seem to insist that government activity is inherently ineffective and repugnant, and somehow doomed to be wasteful and chronically inefficient (Haldenby et al., 2009).We need only note here how incredibly unlikely it is that the productivity patterns of a private hospital and of a public hospital, or of units undertaking highly analogous administrative tasks in firms and in government agencies, must somehow *necessarily* diverge across sector boundaries. If organizations carry out the same activities, with the same technologies, within a common societal culture, their productivity levels should be reasonably convergent.

At the same time, the generally right-wing colouration of 'new public management' (NPM) has focused on creating market-analogue processes within government. This approach has a certain theoretical resonance, but its effects in increasing government productivity remain at best unproven. The theory argument starts from the proposition that in competitive private industries, less productive firms have higher costs, charge higher prices or offer only lower-quality products. Hence they should progressively sell less than their more productive rivals. So long as the market concerned does not have monopoly or oligopoly features, or restrictive regulation protecting incumbents, then the competitive process will automatically tend to transfer business from less productive to more productive firms over time, accelerating the changes in industry productivity following from internal improvements in each firm. In the private sector generally, including many sectors that are far from perfectly competitive or are not impartially regulated, this transfer of business effect is nonetheless resilient and recurs regularly. Across many different business sectors it usually accounts for around half of the observed improvements in industry-level productivity.

Trying to reproduce analogues of this effect within the government sector has stimulated one of the biggest and most intractable debates in modern public management. Responsibilities for delivering public services still tend to be allocated either to state monopolies (at national level, plus state governments in federations) or to decentralized local authorities. With national or regional monopoly provision, citizens and service customers have nowhere else to go if the only services available to them are poor or costly. The users of municipal services have some capacity to shift between local areas in pursuit of an efficient tax/service mix. In the well-known Tiebout (1956) model, the marginal effects of citizens moving to more efficient areas can theoretically be magnified in ways analogous to the marginal shifts of customers between suppliers in private markets, thereby generating positive welfare effects. But the transactions costs of moving house between areas are always high for citizens. And any efficiency differences between local authorities anyway tend to be amortized into the capital values for properties in their areas (Dowding et al., 1994) in ways that negate both the signalling effects and the direct positive market effects of people moving areas.

The oldest models of public administration placed their reliance on political control at the local and national levels to create stimuli that would regularly energize government officials, generating new political impulses for them to be efficient and to introduce innovations in timely ways. Responding to public choice theories deeply distrustful of public bureaucracies (especially Niskanen [1971] 1995), the NPM wave from 1985 to 2005 advocated a wide range of methods that it was claimed would inject more competition between providers, cut costs and bring in new capital and organizational cultures to sustain increased innovation. Such effects have been claimed in turn for privatization, mandatory outsourcing, contracting out services, introducing private finance (PFIs) and private–public partnerships (Dunleavy et al., 2006a). Many NPM advocates on the right believed that bringing in private sector providers would automatically increase the rate of technological change and innovation because new suppliers would put pressure on incumbent government providers. As market maturity deepened, so the ‘contestability’ of huge blocks of work previously securely ‘owned’ by single suppliers would increase – creating lasting positive welfare effects beyond the cost savings achieved at the initial transfer.

With hindsight, much of this NPM prospectus has proven to be hopelessly optimistic and ill-grounded in organizational realities. In the IT sector, for instance, contracting out in strong NPM countries simply transferred monopoly power from public agencies to oligopolistic, multinational system integrator companies, every bit as conservative and uninnovative as the (maligned) civil servant operators before them (Dunleavy et al., 2008). The recurring difficulties with defence procurement oligopolies in the USA, UK, France and other high-spending countries also provide ample testimony that outsourcing or privatization in many circumstances does not effectively transfer risk away from government, nor create any strong pathways for cost-reducing innovations to be effectively developed. In both legacy IT systems contracting and defence procurement, contractors have faced a choice between modularizing capital good and service provision into low-cost forms that can be generalized and competed for more effectively – or retaining high-cost, à la carte models of service delivery (which lend themselves well to proprietary lock-in by oligopolistic suppliers). Not surprisingly they chose the security of the latter route, aided by the fact that politicians and government bureaucracies also share strong and myopic preferences for the à la carte model (Dunleavy et al., 2010, Ch. 9).

A quite different area of outsourcing has been for services that are not capital intensive and are often small scale, such as cleaning services and catering in small institutions. Here unsophisticated contract specification by government clients often led to an initial 'race to the bottom' as small businesses competed by cutting costs to the bone, in the process quality-shading in dozens of hard-to-capture but nonetheless often vital ways. In the UK lowest-cost cleaning contracts in hospitals contributed to a scandal of hospital cleanliness. Partly as a direct result, and partly because NPM management practice encouraged 'bed-cramming' and unrealistically high levels of usage, UK levels of hospital-acquired infections in the early 2000s reached the highest levels in Western Europe – at one point being 40 times greater than those in Denmark (NAO, 2000b).

Similarly, the outsourcing of school catering led to scandals of 'junk food only' school lunches contributing to rising obesity levels, as contractors sought more customers by lowest common denominator, fattening menus (Belot and James, 2011). And even contracts for refuse collection have proved problematic, with many winning bids proving to be underfunded. Penalty clauses have frequently been activated over quality-shading by contractors, and there have often been contract breakdowns and terminations (sometimes preceded by many months of inadequate service). Many of the new contractors in all these cases were undercapitalized firms and there were few signs of increased specialization or superior management practices (beyond cost-paring).

The main solutions adopted to stem quality declines in all these cases partly involved better contract writing, in which quality levels became more restrictively set out, recreating the 'iron cage' of government regulation that NPM originally wished to dispense with (Gill, 2011). A secondary solution has been to re-foster industrial concentration of even 'ancillary' roles in the hands of fewer, bigger companies with more assured quality-control capacities. The cost here though is in reduced competition and the emergence of oligopolistic markets dominated by two or three providers in cleaning, catering, refuse collection and many other services – such as Serco and Capita who now dominate the UK market. In the USA too 'there is evidence that competition, in and of itself, leads to some contractor turnover . . . [But] it does not appear that competitive vendors are held to higher standards than their noncompetitive counterparts regarding performance (as measured by adherence to contract terms)' (Lamothe and Lamothe, 2009, p. 164).

In the UK, the archetype of NPM provision was the massively used Private Finance Initiative (PFI), which increased procurement costs substantially and produced an oligopolistic initial market for most major projects, with very few viable bids per contract, even in the supposedly competitive construction sector (NAO, 2011a). Public agencies have repeatedly got trapped into dealing repetitively with tiny numbers of feasible providers, especially on the highest-value and most complex contracts, where only the largest contractors can insure against the risks involved. Again, deficiencies in contract writing led to scandals of UK public sector clients being charged tens or hundreds of pounds for simple maintenance tasks (like changing light bulbs). The government sector also lost out to the tune of hundreds of millions of pounds when PFI contractors succeeded in refinancing their projects (once built) at much lower interest rates, without initially having to pass on any of the gains made to their government sector clients (NAO, 2006).

An increasingly oligopolistic secondary market in PFI contracts was also created, where service delivery responsibilities are at permanent risk of being shuffled repeatedly across multinational firms in ways that government cannot even monitor effectively, let alone control (NAO, 2006, Part 3). Asset values are often stripped away at each transaction in ways that are exceptionally hard to regulate. Contract sizes are routinely aggregated massively in ways that re-pool risks. Ownership often transfers away from initially resting with firms with sector-relevant expertise towards hedge funds, banks or other financial entities solely motivated by short-term shareholder value.

In the UK in mid-2011 a social care provider looking after 31 000 elderly people (Southern Cross) went bankrupt after being successively owned by hedge funds that re-aggregated and remortgaged its assets (hundreds of old people's care homes) and took capital value out as dividends before selling the services contracts on. This event reflected the cartelization of provision rapidly achieved in the social care market (Scourfield, 2012). It created a huge risk for the UK national government, one that was many times greater than had care services remained under direct local authority provision – for then any provider difficulties would have only affected a few homes or areas at the same time.

These developments culminated in 2011 in the virtual abandoning of the previous crude models of PFI and public–private partnership (PPP) projects in the UK. If they are to revive, then very different and sophisticated models for involving private capital funding will need to be evolved (Treasury Select Committee, 2011; Hellowell, 2012a). Similarly, although the UK government has promoted quasi-markets heavily as a means of reorganizing the NHS, the future likelihood of success will depend heavily on achieving genuine competition that is fruitful in terms of innovation (Hellowell, 2012b).

The dwindling band of NPM advocates have placed great hopes in the creation of quasi-markets within the vast government education and health services, by decentralizing provision to thousands of micro-local providers, such as individual schools, colleges or hospitals (LeGrand, 2007, 2012). Here national government provides principally a regulatory framework and a national funding formula that allow local facilities to compete with each other to attract users or activities, with each user or activity attracted bringing with them a 'virtual pack' of financing. The regulatory structures of quasi-markets need to be set up so that users or customers can compare nearby or feasible providers easily using 'league tables', showing their comparative performance on key performance indicators (KPIs). Digital era developments have greatly simplified the information-giving process. And for many (fairly well-off) people living in urbanized areas, the transaction costs of moving between nearby micro-local providers can be much less than they would be for people moving across whole municipal areas. Offsetting shifts in house price capitalizations might also be lessened if detailed local geographies ('catchment areas') become less of a determinant of who can gain access to which services. The initial impacts of quasi-market systems are also often positive in terms of attracting entrepreneurial professionals and managers to 'first-mover' opportunities.

Yet, as with other NPM effects, the benefits of quasi-markets often quickly dwindle away as the changes involved become generalized to apply across whole policy sectors. The initial round of benefits experienced here may primarily reflect a selection bias, with innovations being picked up first by the most innovative leaders and organizations (compounding with the effect of the policy shift). Positive effects on staff and customers may also owe a good deal to 'Hawthorne' effects, where people initially respond to the occurrence of management interventions, largely irrespective of their actual welfare gains from the intervention. Over time, however, staff, competing providers, and contractors all learn how to 'play' the new system.

A range of club-type effects may also emerge, with 'good' schools progressively able to pick their students selectively from pools of the 'best' children, a process appropriately called 'client shaping' (a version of bureau shaping) (Dunleavy, 1991, Ch. 8). Client shaping is highly rational since teachers in a ‘good’ school need to work less hard to get good marks from brighter and parentally supported children than from those with lower IQ levels or unsupportive home backgrounds. Often the costs here are counted in increased expulsions of ‘difficult’ children; more banding; more class-based and ethnic segregation of students across schools; decreased social control in the worst schools; declining levels of cooperation across schools; and reduced community linkages or influence over schools. Such client-shaping processes are often subtle and cumulative in school systems and hospitals, and hence they can be very hard to detect early on and to counteract before problems become intense.

A key overall constraint on the effectiveness of quasi-markets is the extent to which competition for clients between providers is real or fake. Real competition depends upon there being significant levels of slack in the numbers of school places or hospital beds that are available at any given time. If customers (like parents or patients) are to have a genuine choice of providers then they need to be able to move relatively freely across providers without joining long queues for access to the facilities they want to reach. Yet this entails governments being willing to support slack capacity in the system, to somehow fund empty school places, or hospital beds and operating theatre slots left unfilled. Both the traditional public administration focus on avoiding duplication in provision, and NPM’s obsessive stress on maximizing usage levels of school premises or hospital beds, militate against the provision of slack capacity.

Yet without significant amounts of unused capacity in the system, competitive effects are highly blunted (and may dissipate altogether in worst case set ups) because poor schools and hospitals know that they will tend to fill up anyway, despite their inadequacies. The clients of failing schools will be the least successful children (making it hard to recruit good teachers); or for poor hospitals they may be patients with the worst prognoses (making it hard to retain good doctors and nurses). But still these institutions will have ‘customers’ and their leaders and staff will be employed – and they will have a strong exculpatory story to tell about their abnormal difficulties. The conventional optimism of economists that club competition will improve welfare levels assumes that there are an optimal number of (good) clubs; that users are allocated efficiently but impartially across them (with no capacity for incumbent club members to exclude or tax new joiners); and that no one is left out of being a member of a viable club (Cornes and Sandler, 2006). Always hard to realize in practice, these onerous conditions are necessarily especially rare where the number of school places or hospital beds is closely linked to actual demand levels.

What this review of all forms of NPM shows is essentially that the problem of provider competition and succession is little addressed by most NPM solutions, once some one-off positive 'shock' effects have worn away. Ensuring that provision moves over time from less productive to more productive providers within the government sector is instead a complex problem, one that requires sustained attention over decades. It cannot be addressed by gimmicky or ideology-driven solutions, designed to reap short-term political returns from lobby groups or to help win a particular election by 'magicking' up short-term savings in the apparent costs of complex services.

10.3 INVOLVING GOVERNMENT WORKERS AND SECURING THE FUTURE OF GOVERNMENT

Over-polarized partisan debates are not confined to right wing parties and commentators. Social democratic parties, labour unions and left-wing commentators often tend to deny or indulge evidence of slow-growing productivity in public services, lining up instead behind the defence of anachronistically organized services. Workers and unions commonly oppose or reject many forms of services change that foster increased productivity or lower costs, using foot-dragging tactics to try to bargain for higher wages. Without a reappraisal of left attitudes to government productivity, such stances risk maintaining low-productivity performance into a digital era where fundamental improvements in the economic competitiveness of government provision would otherwise be feasible.

There are several powerful reasons for these historic attitudes and we discuss some broader and longer-run political factors involved in section 10.4. Here we want to focus on the main engine for reproducing and constantly updating resistance by state workers and public sector unions to productivity advances. As in private business, public sector workers and unions worry that if they offer up information to their managers about how to improve efficiency and productivity then they could be dealing with managers (or political controllers) who will not treat the information given in good faith. Instead, opportunistic managers will exploit information on how improve efficiency very selectively, using it to secure only one-sided, short-run gains at the workers' expense (Miller, 1992).

This was the central problem addressed by the so-called 'humanistic' forms of NPM, of which the leading example was the Clinton-Gore 'National Performance Review' period in the early 2000s (Kelman, 2005), with some parallels under the Australian Labour governments from 1985 to 1996 (Halligan, 2011). Miller stresses that managers have to show that if cost-saving information is volunteered by workers, they will use it in fair-minded ways to enhance the long-run viability and efficacy of the organization (thereby securing jobs and maintaining or potentially increasing wages and conditions). This is always a difficult line to walk, but Kelman (2005) stressed that the best staff in any organization typically want it to work more effectively. Managements that prove themselves worthy of trust in Kelman's view can normally draw on the strong commitment of around 30 per cent of staff keen to push ahead improvements in government agencies. They in turn will tend to bring along with the reform efforts the next half of the staff, who are potentially positive but normally quiescent. This process also tends to marginalize the perhaps fifth of employees who are highly resistant to changes for ethically bad reasons (self-interest, or reluctance to learn new things).

In the modern world, public sector workers' interests are best served by encouraging the emergence of a new, largely high-tech government sector, where the maximum range of activities are undertaken in 'inherently' or 'essentially digital' ways that are sustainable over the long term (Dunleavy, 2011a). Only a higher productivity route can offer public sector workers the opportunities to be better paid, to work in a clearly modern and efficient workplace, and to deliver services in a fashion that commands societal respect. The onset of austerity conditions in many advanced industrial societies after 2008 has greatly strengthened these imperatives.

As the realization spreads of the need to reappraise attitudes, it is important to look also at positive solutions to enhancing productivity, competition and provider succession within a government sector that continues to be a strong player in society and a key source of societal innovations. Here strategies to maximize productivity growth are likely to revolve around five key points:

1. *Creating strong and robust private–public sector competition processes*, where government always retains a real capacity to undertake service provision itself if private sector solutions are unattractive in cost or service quality terms. There are many different ways of sustaining such cross-sectoral competition, including:
   - a deliberate effort by government to sustain multiple private contractors;
   - government running its own centrally funded IT, procurement or other business;
   - service agencies operating in competition with contractors, to keep them up to the mark; and
   - local governments especially retaining the capacity to set up their own direct operations either individually or in coalitions across areas (especially in low-capital service areas).

2. *Fostering intra-public sector competition* involves allowing successful operators inside the public sector to quickly grow to scalable levels and to compete on fair terms with other government or private sector providers. This could be either on an occasional basis (for instance, one agency taking on service provision tasks or procurement handling for a nearby or similar agency), or on a cross-governmental basis (for instance, a centre of excellence within a tier of government regularly competing with private firms across a wide range of contracts). Regional or local agencies with a comparative advantage must be freed up to compete for work outside their own spatial areas. A range of intra-governmental contractors is needed that are of viable size, and are not artificially constrained by spatial or sector boundaries, in order to create continuous competitive tension with private sector providers. At least some government providers need to be able to obtain capital and professional expertise on comparable terms to large private competitors.
3. *Strengthening intra-public sector 'competition by comparison'* involves freeing up existing limited methods for public feedback and evaluation of decentralized providers of all kinds (for example, schools, local family doctors, clinics, hospitals, refuse collection providers, roads providers, transport providers) so that there is immediate (if moderated) online customer feedback about how service provision is going. The necessary concomitant is full transparency by the provider or contractor about its service levels and costs. Public agencies' governing bodies and contractors would both be required to show that they have paid regular and sustained attention to comments, complaints and customer feedback. In cases of long-standing problems, or underperformance on objective indicators relative to comparable services, the governing bodies of agencies would be required to consider bids from alternative providers (including for instance, neighbouring facilities or next door municipalities) to take over running their services.
4. *Making genuine differentiation of public services more flexible* entails allowing government sector providers who have a proven advantage to specialize in what they do and to appropriately scale up their operations (if they succeed). However intra-government competition is organized, it is important that some operators there can be of the right scale to attract the best professional expertise and high-quality management. If a government agency can develop excellent services, it should also be able to grow the scale of its operations in a fair competition environment.
5. *Capitalizing on professional advances more quickly* also requires changing how public sector agencies are staffed and organized, so that

organizational heads or management teams of proven worth within government could develop scalable operations to extend the reach of their expertise. Much of this might be small scale and cooperative between decentralized areas or authorities. For example, the UK has already seen some experiments with the heads of successful schools also taking on leadership roles in running another, nearby but less successful school. With more flexible provision for management teams to develop within government sector, similar but wider processes might mean successful management teams taking over failing hospitals, prisons or other facilities to seek to accomplish turnaround transformations.

6. *Analysing carefully what is to be centralized or decentralized* in public policy systems will be critical if all the initiatives above are to help create a digital state. Local or sub-regional control over policy-making may have been most appropriate in the past, and is still needed in services where it is important to vary policy choices so as to respond to differing circumstances and political priorities across areas. But this older pattern may not be needed in some services because of digital changes – and here trying to retain it may only lead to an extensive duplication of facilities and costs.

   For instance, in England there are 110 local councils that are library authorities, providing access to books and other information services for citizens, but 80–85 per cent of their book stocks are exactly the same, and they are still organized into only around 70 consortia for book-buying purposes. Mainly small councils are all independently contracting now for e-book provision, even though a national contract menu for e-book services would clearly be a much cheaper alternative for digital provision. Little wonder that digital or e-book provision is lamentable, and many councils are threatening to cut their library services drastically. Obviously, a national digital books service could operate without any local branches at all – whereas the many defenders of public libraries stress their vital social and community roles. But should not such roles be directly facilitated and staffed by appropriate staff (community or youth workers, rather than librarians, not renowned for their social skills)? The book provision role could then be undertaken in the most effective and cost-minimizing digital form. This example shows that separating out what is best done centrally (supplying books to citizens) from what is inherently decentralized (libraries' current half-developed community roles) is going to be a continuously important task in the digital era. 'Creative decommissioning' will increasingly mean being able to run down declining demand services, while opening up new ones (Bunt and Leadbeater, 2012). Virtually free marginal provision of e-services is continuously revolutionizing the organization of government (Dunleavy, 2011a) and the implications for cultural institutions are especially significant (Leadbeater, 2010).

10.4 PRODUCTIVITY AND COMBATING SOCIAL INEQUALITY

The political left and labour movements in many liberal democracies have also favoured 'big state' solutions for some broader reasons. They have often seen the public sector as an area of society where templates for the more civilized and humane treatment of workers and employees can be initially developed, and from this base can then be exported to the rest of civil society. Unionization itself, extensive employee consultation, better wage rates and progressive human relations policies are now all closely bound up with public sector employment in advanced industrial societies. As a result, the left is reluctant to see this bridgehead of more constructive employee relations reduce in size. The largest labour unions especially have a strong vested interest now in safeguarding the numbers of public employees, on whom their membership levels increasingly depend.

In addition, however, and more altruistically, the left has correctly regarded a 'big state' strategy as an important post-war means of incorporating first manual workers, and latterly women, ethnic minorities and gender minorities into full participation in the labour market. Large-scale government, on this view, has directly fostered major reductions in social inequality by opening up employment opportunities for minorities. When minority members get decently paid government sector jobs, then this helps to reduce income disparities and to break down centuries-old restrictions on the advancement of the most socially disadvantaged groups. Those who were economically marginal to employment, especially women and ethnic minorities, have moved into near parity in wages in many large-state countries, largely through the expansion of public employment, especially since the 1960s.

However, the 'big state' strategy has increasingly yielded diminishing returns in reducing inequalities, according to Lee et al. (2011, p. 117), with the widening gap between high productivity business sectors and low-productivity state agencies as a key culprit:

> The role of public-service expansion in decreasing income inequality by providing job opportunities for the economically and socially marginalized has been significantly diminished by an increasing inter-sectoral productivity gap and structural imbalance between sectors. [W]hen increasing productivity

> differences arise between private-manufacturing and public-service sectors, a public-sector-expansion strategy could disrupt an important institutional mechanism of wage restraint – coordinated wage bargaining – that had undergirded the dominance of corporatist politics after the postwar period . . . Once the coordinated wage-setting institutions are weakened, wage flexibility in highly competitive sectors severely worsens distributional outcomes . . . [A] decline in employment potential and wage coordination leads to increased income inequality. Our findings demonstrate that our public sector–sectoral productivity gap interaction model accounts for the variations in within-country income inequality over the past three decades . . . [T]he conventional wisdom stating that public-sector employment will decrease income inequality . . . has been taken for granted as a formal, macroeconomic formula for equality projects in many countries. We found that the effect of equality projects based on public-service expansion is conditional on a structural factor: the inter-sectoral productivity gap.

Low productivity growth in a large state sector limits the reduction of social inequality in a second key way, by creating an increasingly 'leaky bucket' for redistributing via welfare state payments. If public service costs rise over time, then the economic surplus available for welfare payments is restricted, and the overall economic growth rate becomes impaired. This causes the sums available for welfare payments to first stop increasing and later to shrink back against indicators such as median wage levels. Yet there is clear evidence that it is the generosity of welfare payments that has the closest and most substantial effects in reducing social inequality across different countries (Lee et al., 2011, pp. 117–18). Over time, defending a low-productivity, 'big state' strategy will only erode the capacity of welfare states to ameliorate the most acute forms of disadvantagement.

Abandoning a tolerance of lagging government productivity does not mean giving up on the pursuit of social equality, nor does it entail that the left and social democratic movements should abandon their traditional objectives to reduce inequalities. It instead recognizes that privileging the employment conditions of only public sector workers, in ways that confer few real benefits on those workers over time (in terms of higher wages or real job security), is an unsustainable solution. Especially when government sector productivity increases far less than that in the private sector, this approach will tend both to erode public support for state intervention and to reduce the societal resources available for welfare state redistribution – on which the real reduction of inequalities most depends. As Lee et al. (2011, p. 100) conclude: 'Severely uneven productivity gaps due to different degrees of technological innovations significantly weaken and limit the effectiveness of left-wing governments' policy interventions through public-service expansion'.

The current austerity push in many European countries and the USA has underlined the importance of reaching a more sustainable basis for government's role in liberal democracies. The extraordinarily strong 'backlash against the state' that accompanied the onset of austerity policies (Dunleavy, 2010b, 2010c, 2011c) has acutely dramatized the political unsustainability of maintaining a long-term productivity gap between the public and private sectors. A smaller, leaner and high productivity public sector can be a powerful force for reducing social inequality – if it efficiently levies taxes, uses digital methods to regulate scrupulously in the public interest, provides transactional public services in robust ways, and uses diversely contestable methods for delivering remaining face-to-face services, co-producing an increasingly large range of outcomes with citizens themselves.

Conclusions

There is no single prescription for enhancing the organizational productivity of government agencies. The four routes to better performance set out in this chapter probably all need to be followed *at the same time* if the relative costs of public services are not to rise sharply over time. Government leaders need to take workers and professional staff along with them, boosting productivity in an atmosphere of active cooperation and mutual trust, where agency leaders' long-term commitments both to securing change and to distributing productivity gains fairly are not in doubt. Parties and unions on the left need to exorcise their fears of management opportunism and a slowing of social progress with a smaller state, in order to embrace more fully the scope for digitally-based modernizations that will increase the legitimacy of and demands for state involvement.

At the same time parties and interest groups on the right need to recognize that doing without the state in modern conditions is a throwback mirage, like the Tea Party hankering in the USA for a simpler, pre-modern world (Bernstein, 2010). Constantly raising the spectre of somehow (against all evidence) doing without the state only serves to distract attention from the continuous effort needed to make it better. Previous NPM strategies focusing on outsourcing, privatization and constantly fiddling with the boundaries of the public and private sectors have typically made surprisingly little positive difference to the long-run productivity of government.

Instead, to get government productivity growing month by month, and year by year, the changes needed are more varied and more subtle. The fundamental steps are:

1. collecting good-quality and stable data on government services' inputs, outputs and productivity growth;

2. focusing consistently on productivity trends within major organizations over long periods;
3. understanding what drives advances, stasis and declines in productivity;
4. normalizing pervasive increases in efficiency; and
5. committing to organizational learning and faster digital change (as discussed in the last chapter).

Creating genuinely competitive processes within and between government organizations can greatly increase the tempo and acceptance of transferring activities from less productive to more productive government organizations and community providers.

Overall, this is a huge change agenda, on which it is scarcely surprising that previous progress has often been confused or fragmentary. Yet this book shows that public sector workers, professionals and managers can generate the information, knowledge, expertise and opportunities needed to reverse the historic neglect of organizational productivity within government. The struggle to do so is certain to remain one of the defining challenges of the early twenty-first century.