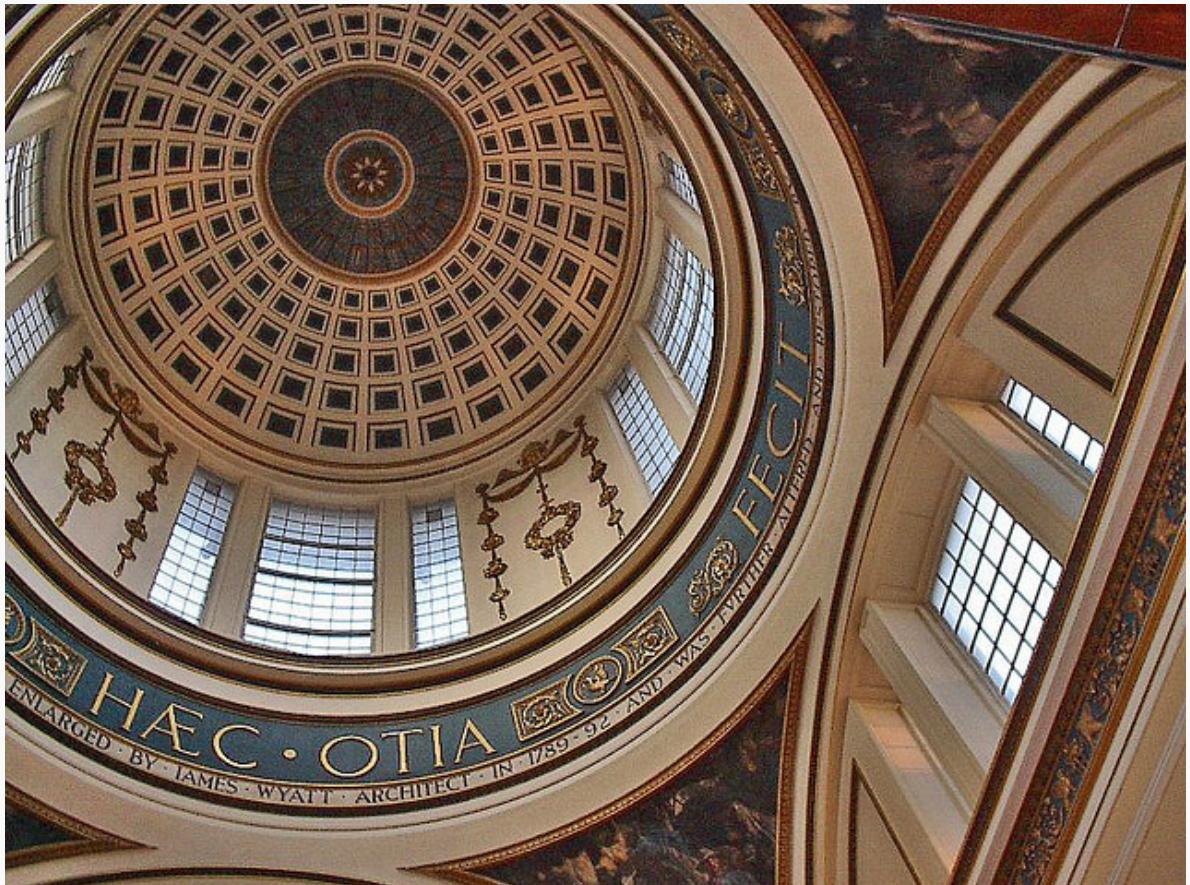


Those who argue outsourcing endangers accountability are still fighting the last war

By Democratic Audit

Critics of the practice of outsourcing – paying external organisations to provide public services – point to a lack of democratic accountability and public service ethos in justifying their view. But is this fair? Simon Parker, the Director of the New Local Government Network think tank, and a veteran of the CBI's Public Services Strategy Board, argues that it isn't, and that critics are fighting the last war, with new models of partnership between the state, private, and third sectors becoming the new norm.

The silly season used to mean news stories about dogs performing amazing feats of acrobatics and the face of Jesus appearing in pieces of burnt toast. These days, the summer lull in the news agenda seems to be reliably filled with articles about the evils of



Councils no longer enter into 10 year 'mega deals' of the kind practised by Liverpool Council in their town hall (credit: the yes man, cc by 2.0)

outsourcing. I have been involved in this debate for a long time. In fact, I once spent 18 months working for the CBI's Public Services Strategy Board – recently described by Stephen Wilks of Exeter university on this blog as promoting '[constitutional blasphemy](#)'. But while I moved on a decade ago, the debate about outsourcing has not.

The critique is familiar – corporates put profit before people, don't care about accountability, may even be lobbying government for the perversion of democracy. The flaws in the argument are also well-rehearsed.

The critics tend to argue from theory rather than evidence, so a lack of formal constitutional accountability is taken to mean a lack of much accountability at all, when what we really need to do is assess and improve upon the effectiveness of current contracting arrangements. Their arguments tend to build on anecdotes of private sector failure that ignore the thousands of outsourced contacts that perform perfectly well, while they forget that the public sector can also fail spectacularly.

But the real problem here is that many critics of outsourcing are still fighting the last war. The debate about the role of the private sector is moving on dramatically, and so must researchers.

In local government, the sector I know best, there has been a decisive turn against conventional outsourcing. The vast strategic partnerships that councils like Liverpool entered into in the 2000s are dying a slow death. With a few exceptions, local authorities faced with huge budget reductions are reluctant to take on 10-year contracts. If I don't know what my income will in two years' time, why would I sign up to a five year outsourcing deal?

Councils like Northumberland and Cornwall – which have gone to the market with this sort of contract – have often scaled back or even scrapped their procurements in the face of political uncertainty.

There is a new wave of confident, publicly-owned trading companies entering the market. Take Norfolk's Norse Group, which is chaired by the county council's chief executive, Northamptonshire and Cambridgeshire's LGSS joint venture, or Buckinghamshire's new school support services mutual. At the same time, anecdotal evidence suggests that there is a trend towards bringing services back in-house, which some councils believe will give them a better shot at saving money than sticking with an inflexible contractor.

The real challenge for the private sector is not about coping with a glut of new contracts, but about finding something that local government actually wants to buy. The result is a drive for innovation that has not been seen for a generation, with much of the effort focused on joint ventures where councils and the private sector work together to open up new business opportunities. Take Trafford's partnership with Amey to trade their social services expertise with other councils, or Staffordshire's JV with Capita to retail school support services.

These new models at the very least complicate the case against outsourcing. Staffordshire owns 49% of its joint venture with Capita and takes a share of the profits, so can it really be said to lack democratic accountability? The staff are mostly the same ones who delivered the service when it was purely in-house, so do they still have a public service ethos or not?

But there is an even more profound question for the critics of outsourcing. If we can all agree that the public sector needs to innovate to find new ways to cope with spending cuts, then we must also accept that innovation does not generally thrive in bureaucracies. Change is much more likely to emerge from the creation of a diverse market of mutuals, public trading bodies and businesses. Reject that if you like, but I would rather find ways to ensure that diversity and innovation can flourish alongside democracy and accountability.

Note: This post gives the views of the author, not those of Democratic Audit or the London School of Economics. Please read our [comments policy](#) before commenting.

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