

The State We'll Be In

Seminar report: 3 December 2010

About the event

On 3 December 3 the Institute for Government hosted a high level panel to discuss the shape the state will be in by the time of the next election.

In the wake of the CSR, and with major reform planned for key areas of public services, we invited policy experts to set out their view of how the government's reforms may evolve over the period to 2015.

The panel

- **Professor Simon Burgess**, Director, Centre for Market and Public Organisation, Bristol University
- **Anita Charlesworth**, Chief Economist, Nuffield Trust
- **Richard Garside**, Director, Centre for Crime and Justice Studies
- **Mike Brewer**, Director of the Direct Tax and Welfare Research Programme, Institute for Fiscal Studies

Respondents

- **Simon Parker**, Director, New Local Government Network
- **Neil O'Brien**, Director, Policy Exchange

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Simon Burgess opened the discussion with an analysis of the likely evolution of **schools and teaching** in light of the recent White Paper. His analysis was based on work with Rebecca Allen of the Institute of Education.

Overall, he thought that there was little in the White Paper that would significantly raise standards and reduce inequality. His view was:

- that the admissions code and pupil premium will be key in determining how the reforms unfold – there was little to suggest the pupil premium would be set high enough to make a difference.
- there was no evidence that competition from Free Schools would have any significant impact, positing that any systemic influence would be minimal, and that benefits to pupils actually attending the Free schools would be limited and socially graded.
- evidence from the US on Charter Schools is mixed, though some robust recent evidence from Boston shows positive outcomes for the city's Charter Schools, akin in some ways to Academies.
- the emphasis on a good degree for teacher training is unlikely to have an impact: there is no correlation between a teacher's university grades and teaching ability, and that the turnover rate (20,000 teachers from a stock of 400,000 per annum) is too small to have a significant impact in 5 years time. Instead of restricting the pool of potential teachers, training them and then giving them a virtual job guarantee for life, they saw a strong case for widening the pool but then being much more rigorous in selecting proven good teachers through the use of a probation system, and pay tied to good performance.

Looking at **health**, **Anita Charlesworth's** analysis was that the systemic changes which make up the bulk of the reform package will not kick in in time to achieve their stated aims by 2015. While health spending has been relatively protected, cost pressures will require £20bn of savings by 2015. Meanwhile:

- planned savings targets of £3bn were unlikely to be achieved, as they are based on a model of reducing input costs, while getting the bottom 75% of institutions increasing to the efficiency levels of the top 25%.
- effective regulation would be key to deliver improvements.
- the focus on systemic reform overlooked the fact that labour force reform would be crucial to increasing productivity through labour force mechanisms.
- there needs to be more sophisticated pricing which requires data- but that the focus on reductions in administration costs will in fact negatively impact on informatics.
- in addition there will be transaction costs in the short term in making changes

Richard Garside from the Centre for Crime and Justice Studies spoke about the changes taking place within the Home Office and MoJ. He pointed out that the criminal justice agencies, particularly the police, had been big gainers in spending under the last government, so any reductions were from a high base.

His analysis of the proposed changes led him to see the following developments over the coming 5 years:

- the police had escaped relatively lightly – the 20% reduction in police budgets – compared with a 30% reduction in Home Office non-policing budgets – indicated that the police had been protected.
- in practice the government was expecting police budgets to fall by 14%, with local government being asked to make up the shortfall. Some cuts remained likely, though it was civilian, back office staff who might be more affected by this. One result might be that frontline police would then need to take over these functions.
- the introduction of directly elected police commissioners could cause disputes at local level.
- the continued trend of private and third sector organisation involvement in the probation services. Meanwhile, prisons numbers will remain high, with further moves towards privatisation likely.

Whether these changes would affect crime rates was much harder to say – that was largely driven by societal factors, regardless of changes in policing and prison funding. What had happened in the last recession was an increased vulnerability to homicide and violence victimisation among those living in poorer areas. This might be repeated.

Mike Brewer of the Institute for Fiscal Studies outlined the proposed changes to the welfare system, in particular the £18 billion of cuts and the introduction of a Universal Credit. IFS analysis of the changes found that:

- The key theme is money saving, while leaving pensioners unaffected.
- The focus of the cuts will be on making disability benefits harder to access, refocusing family benefits on the poorest, and ending the principle that benefit recipients can live anywhere. This last change in particular may impact landlords, and may have impacts on affordability.
- The Universal Credit aims to simplify benefits, and strengthen incentives to be in work- although it remains to be seen if it is deliverable.
- It also remains to be seen if the government will go through with the planned large cuts.

In the IFS's view the welfare reform was along the right lines, making it easier to alter the size and scope of welfare benefits and extend conditionality– though it would be the end of the decade before the real benefits began to flow through.

Commenting, **Simon Parker** added that uncertainty persisted about the impact 28% cuts in local government would have. The New Local Government Network sees a trend over the next few years of a shift from providing to commissioning, and from wholesale to retail; and a shift towards sharing back office functions. More generally, they see the reforms as a shift away from the 'lens of place', and while recognising the potential for the Big Society to increase innovation, they see the cuts reducing local government's capacity to coordinate services at a local level.

Neil O'Brien reiterated the need for reform of public sector labour markets. In what was to become a theme of the later discussion, he spoke of how the reforms may prove to not have been radical enough and argued that there were a number of challenges that needed to be taken head on. He spoke of the difficulties the government will encounter staying on track with its policies and attempt to reduce the deficit. He argued that different competing ideas about 'fairness' would clash.

The overall picture painted was one of uncertainty, coloured by a pessimistic outlook of the consequences of the austerity measures which will kick in over the coming years. The discussion which followed looked at whether the outlook was too negative, whether the policies were radical enough to deliver the reforms needed, and whether the government would be able- politically, practically, and with reduced administrative capacity- to deliver these policies.

Overall the reforms are seen as a leap of faith, with time alone determining if they will be effective, and no guarantee that answers will be clear by the next election.

*By Liz Carolan
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