

GOVERNANCE: THE LOMBARDY WAY
Assessing an experience, designing new perspectives

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Freedom of choice: why insist?

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Testo non rivisto dall'autore

Thank you very much indeed. Good morning. Thank you very much for this invitation to attend such a distinguished meeting. I hope we can have this discussion in a spirit of friendship, despite the deceiving results of the Champions' League final. I obviously congratulate: definitely the better team won, and I hope you enjoy your temporary ownership of the trophy before next year's final. I hope that what I have to say can support what the first presentation said. I hope I can talk a little bit more on some of the practicalities of some of the issues around introducing subsidiarity.

First of all I would like to give a very brief introduction about my own organisation: we are an independent, non-party, charitable think-tank policy body, which has recently thought out a better way to deliver public services and economic prosperity: that is our charitable purpose. We have a relatively small core team, but we have pretty quite a good influence now on policy making in Westminster. The message I have today is that there is tremendous similarities between the situation in Lombardy and in the South-East of England, to make a comparison by region. I was really delighted to meet Alessandro Colombo when he came to Reform. He had read our work and wanted us to participate in this seminar. The more that I read about Lombardy and about the nature of the Region and the challenges that you face in changing your public services, the more I see an incredibly close parallels with the U.K. I think actually you are ahead of the U.K., and I now say to people in London: you must have a look at the Lombard experience, because they do not overlook that. There is lessons I think from what particularly this government has been trying to do which may be of interest to you.

I would like to give just a comparison of the two areas: it is not perfect, of course, because it does not include London. The South-East in England does not include London, whereas Lombardy does include Milan. But still, there is tremendous similarity. I would have thought that Lombardy has one of the highest

employment levels in Italy just as the South-East of England does in the United Kingdom. But in terms of wealth per head and associated social problems, really the parallels are amazingly close. They are both very prosperous regions, both with some of the problems that prosperous regions in Europe have: congestion, difficulties regenerating areas from industrial development, problems of equality, great disparities between rich and poor, and of course the challenge of an ageing population). I only take one minute on that: one of the themes we have talked about in Reform is the IPOD generation; I do not know if this works in Italian, but in England you can talk about IPOD: the letters are I-P-O-D, standing for “insecure pressurized over-taxed debt-ridden”. The point is it is quite hard now in the U.K. to be 25 years old, because you cannot afford a house, you have to pay incredibly high taxes, pay for high spending over pensions, from which of course you do not benefit. And you are also having now to pay for your own higher education, increasingly through private pensions. Before too long it will be [...] private health care. So it is a terrible time to be 25 in the U.K., that is basically a great time to be 55. Anyway, I just wanted to mention that there is parallels with Italy.

Just before I get on some of the details of public services, just a thought on subsidiarity: I am very impressed by the background papers which have been circulating for this seminar: they made clear that the discussion on subsidiarity in Lombardy has partly come through a constitutional debate, it is about the place of Lombardy as a region and in terms of its relationship with central government. Some of the developments of subsidiarity has come from formal attempts to make Lombardy as a region more independent. South-East England is not like that: I mean, in England we have not had a regional debate: over the last ten years there has been one referendum on giving one English region formally more powers from central government, and that was on the North-East of England, which is the most regionally-minded region, and even that region voted 80% against regional devolution. So, in England there is not, if you like, a sort of constitutional framework; the constitutional dimension is not really part of the English debate. But still, we are talking about the same ideas, some people do talk about subsidiarity in terms of devolution, decentralisation, reform is this public service change, it is disgust in these terms. Most people talk about it in terms of a word such as reform of choice, of competition, but really I think this comes down to the same thing: what we are really talking about is empowering individuals and organisations with the decision making authority to exercise change over the public services such as health, public welfare, education, and so on. Therefore, even though it is a different constitutional framework context, I think we can still see the parallels.

I thought I might just introduce some of the practicalities, i.e. why do we want to change our public services, why do not stick with them? What we want to change is the 1948 model of public services which are centrally organised, heavily controlled, regulated by central government funded entirely by taxation. Why do not stay with that? Well, firstly because Britain society – I take the U.K. example, but normally it is the same for the other countries – is different than it was after the last World War. It is clearly hugely wealthier, it is much more better educated,

people are more independent, it is also more consumerist. Perhaps whether we like it or not, one of the MPs on our advisory board points out this fact: if you compare a British supermarket, say, thirty years ago and today, you will see the most dramatic transformation. Thirty years ago there would be a tiny range of products, today there would be a vast range of products; thirty years ago the products would have come to a small number of areas of the country, today they are all over the world; thirty years ago they would open six hours a day, today they are open 24 hours a day. This is a dramatic change in people's lives and expectations. Let us now see the public services. If you compare going to a doctor's surgery thirty years ago and today, it is almost exactly the same: still open from seven hours a day, it is still very hard to access, very often still in the same buildings. So there is this transformation in expectations and experiences in huge parts of people's everyday lives which they want to see in public services. And lastly, of course, there is – at least in the U.K. – a depression on public finances: it is becoming harder to increase taxation on populations. Certainly, the U.K. has reached its limits of taxation (it would not support any more tax rises), so people demand greater efficiency from public sector [...] at least two ideas of reform and subsidiarity.

I would just make a quick comparison between the Lombard and the U.K. model, and I am really drawing heavily on this outstanding paper by Alessandro Colombo and Martino Mazzoleni. To summarize what subsidiarity means in Lombardy, quoting from their paper, it is that government should fund and regulate public services but not necessarily provide them and that it should favour maximum freedom of choice. Examples of this in practice is the limited ability now for some children to be paid for their education by the State while attending schools that are not run by government; the limited ability for some family services to be paid for by government while being run by separate agencies, for people going for hospital treatment to take a choice, to be able to choose freely between government-run and non-government run services. And lastly, the services for disabled people should be paid for by individuals with a voucher provided by the government. This is a very consistent or coherent argument. What I am particularly interested in is the paper's conclusion that this has only got so far and that there are clear barriers to the actual significant change in services despite these objectives. The barriers that Alessandro Colombo and Martino Mazzoleni highlight are what they call "bureaucratic resistance". Policy choices are often driven by the desire to accommodate rather than to innovate: I think what that really means is that there is always a danger with reform, that existing services are put under pressure and may face competition, may need to change, in some cases even go out of existence. Now this is very difficult. As a consequence – they conclude – the results still have to come and the actual benefits for the whole Lombard society and economy still have to emerge. So the idea is that, although we have these principles of subsidiarity, we have yet to see the actual change.

Well, the parallel with the South-East of England and indeed England could not be more clear. This is the express principles of Tony Blair's government in public service delivery: it is up to the state to fund and regulate but not necessarily

to provide. Here are some of the policies that the Blair government has introduced; you will see they are, almost without exception, exactly the same: vouchers for services for old or disabled people; some funding food for children at non-government schools; next year we will have free choice of hospital, whether it is a government or non-government. A different example that the Blair's government has also introduced is private charges for the costs of higher education, tuition. So you can see that part of the principle is consistent with the principle of subsidiarity and reform. What I hope might be the most useful part of my presentation now is that Britain has also faced tremendous barriers to this process. Tony Blair with the majority of his party has barely been able to try through this process of change, and it seems to me that some of the reasons he has managed to do it perhaps are exactly the same that makes it difficult in Lombardy. And if I could just emphasize these three, I would be interested on how does it compare to Lombardy:

The first is (if I can actually take the third on that slide) is that the changes that have already been seen have been on the edge of services. It is now possible to be treated at government expense in non-government facilities. But this year less than 1% of NHS (our National Health Service) patients will be treated in non-government hospitals, so it is just a tiny, tiny amount. Similarly, one of the government's key policies is to introduce a new type of school, independent school, funded by government or city academies (this is really the government's big education policy idea). This year, there are 70 of these schools out of the total number of 3.500 schools. It has been the most difficult debate for this government, but the change has been very very limited. Furthermore, the trouble with introducing changes like this is that, firstly, it does not create a constituency of support of these changes: there are very few patients who can stand up and say "I have benefited of subsidiarity in the U.K."; they do not say that. The second problem is that it allows the political opposition to these changes to emerge from within existing public services (e.g., particularly trade unions led the opposition into reform in the U.K.). And it allows them to organise, so it is quite important to be conscious of what we have called half-way health reform, which is a very limiting reform and brings its own problems. There are many examples in British history of halfway health reforms being introduced and then abolished because of the degree of opposition that it arises.

Let us now consider two other key barriers to change in subsidiarity in the U.K. One has been the huge extra-spending that the government has put into traditional public services, and into policies of centralisation (of central government decision making, which have also been strengthened). Just to talk quickly about that, at the same time as introducing these quasi-markets in healthcare, the government has also spent a huge amount of extra money – actually a colossal unprecedented amount – on the existing national service; and spending [...] inflation has literally doubled over the last [...] years [...] 35,000,000 pounds [...] 70,000,000 pounds. So it is been a dramatic change, but that process of spending on the existing service has increased the cost of that service, therefore, I suppose, absorbed the resources that could be spent on new provision. What does the NHS in Britain need more than anything? It is a huge shift of care away from traditional, old-

fashioned general hospitals, which are very inaccessible, very inefficient, very expensive. It needs to shift care out of those hospitals into new units run by people, less focused on senior hospital consultants, much more run by teams of health workers at different levels. This is the health debate that is now happening across the world. The extra spending of this government has actually prevented that process because the employment of traditional hospital consultants, as well as the building of traditional hospitals has really locked in resources to the traditional model of health care delivery rather than allow new investments in new services. There are other cases across the public sector, education for example. At the beginning of this decade, the number of people working in schools employed by government has enormously increased: the number of teachers has increased by 30,000, the number of teaching assistants has increased by over 100,000: it is a vast increase in the education workforce. All these people are on full-time, permanent contracts and have to be paid for. They impose a block on the redirection of resources into new areas according to people's choices. So, this is sort of a key to highlight, to emphasize that one has to be extremely careful about just spending more money on existing services because it is an opportunity cost.

And then lastly, as the first speaker said, when we are talking about subsidiarity, we are still dealing with the inevitable power of the central government, still playing a part in really anything, [...] ruling thumb, making decisions limiting the outcomes of subsidiarity. At the same time it has tried to open up health service delivery in the U.K., the central government has introduced a range of national targets, which defines the existence of the people in the health services. They absolutely see their job as measuring their success against the targets that are set by the national government in terms of waiting times, access and so on. Now, those targets have meant success in some areas but not in others. E.g. the government has set targets for shortening waiting times in some condition. What are the results? It is true waiting times have come down in those conditions, but in other conditions that are outside those targets they have not improved, and if you are waiting for a hearing aid, the average wait for it is one year (in some areas you will wait 5 years, so do not be deaf in England). This is an example of - although there are [...] of central direction, and targets can't have limited benefits (of course they can in improving public services), other areas in those services will always be neglected, and it will always limit the scope for subsidiarity and change.

So what does this mean in terms of how we can overcome these barriers? Well, there is no way round it. We should achieve what we described as a structural reform, which is to fully think through the consequences of subsidiarity. In an area like education it is absolutely possible for individuals to make a choice over where their children attend schools and the types of education they want to follow; it is absolutely possible to open up the supply of education, as it is very easy to open a new school and therefore increase the range of choices to parents. The Netherlands is a classic example of this: there, if a hundred parents come together and want to set up a new school, the government is compelled to fund that school. In fact there is a school at every corner; it is a huge, lively and dynamic market of education. So it is possible to do this, and that is all we have to

do. The limits of one [...] is away from that sort of true delivery of subsidiarity, the less the benefits will be [...] : that is the key lesson of the U.K. experience. We are just talking about it, and talking about the benefits of the principles is worthwhile in itself, but the actual delivery of change really does depend on empowering to people with spending power and on opening up the supply side, so that new providers connect to the market. It is those two changes which still have yet to happen in the U.K. and also need to be delivered better in Lombardy.

So if I may conclude, I hope this can become the beginning of a dialogue. It does strike me that there are tremendous similarities between the U.K. and Lombard experiences. The U.K., and perhaps both of us, are really beginning a process of reform, of change, of the introduction of subsidiarity, we are conducting research on the outcomes of this process. I would be delighted if we can share the outcomes of that research going forward. And I hope the outcome of that dialogue might be the improvement of the quality of the debate on subsidiarity and reform in both of our countries. Thank you.

Answering to questions:

Thank you very much. I would just like to agree completely with what Professor Zamagni has just said. Speaking as someone who would call himself a liberal, your model at the bottom is exactly what we are trying to achieve. It is a social market where government can guarantee access, can guarantee policy, it is not always [...] government, so there's a change in the role of government.

Just in response to two of the questions which were both asking about the conflict between individualisation and civil society: what is the role for the intermediate institutions? That has to do also with the chairman's question: what would be successful examples? Let me just give a couple of successful examples, which I am afraid are from liberal countries (America and the U.K.). In America, when they introduced vouchers in Milwaukee in the 1990s they were introduced by Democrats, it was not a Republican reform. The reform said that any low-income parent can send their child either to a State-run school or to a non-State run school, I am pretty sure non-profit non-State entity. We had a conference with some of the Milwaukee people years ago. One of the head teachers of a school – the Lutheran school – explained that after this reform he made sort an inquiry. He lived in one of the roughest areas in Milwaukee, really a lousy area, with people emigrating from the area and very high levels of crime. He got a telephone directory and phoned the parents in his area and said: "I want to expand my school, I want to transform this school, [...] allowances and transform them into [...] having great education and I want to teach your kids properly. Will you send your kids to my school? In fact after this reform I can have the resources to do it".

Lots of parents decided to send their children to this school. It is a school exception in my understanding, as they are teaching Latin, which is not normally taught in the American school system. It has been a huge success. There will be similar examples of voluntary, social initiatives which also have emerged. The results from Milwaukee is that the decline of wellness in the city has been reversed, and residents decided to come back in the suburb; there is now a much more healthy, racial mix than it used to be, with less racial segregation. So, that is one example.

The idea of that is individualisation, it is that the parents have the right to choose where to send their kids, but the outcome is the growth of strong third institutions: that's the point. A slightly different point, on the level of Law and Order we have talked about, another American example would be New York, which had tremendous problems of violence. In 1993 the mayor Giuliani was elected on a platform to change police, he had the power as a mayor to appoint a police commissioner and chose who had just cleaned up the new subway system. There was obviously a tremendous change and improvement in the performance of the police, a tremendous fall in crime, tremendous consequent benefits to the society of New York, great increasing investment, and tremendous benefits to people in low-income areas in particular. Therefore, I suppose that I feel ready to be more relaxed, if you like it, about this conflict between individualisation and society, thinking of intermediate institutions. By giving individuals more rights in health and education, what really emerged is these institutions, which is a sort of change. I think that is the right way to do it, because it means that those institutions are actually valued and have some integrity and purpose, danger perhaps. There are some examples in the U.K. of a [...] to choose by central governments without a local base of support, without a demand that Professor Zamagni describes as the bottom-up, and those institutions do not have a life, do not have a great integrity, do not have a great local commitment, I don't think they really have a social capital: one of the consequences of empowering individuals is the growth of truly valued, truly sustainable intermediate organisations between individuals and government.