

THE CITIZENS' CHARTER

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"Previous governments over two centuries have tried to cut back the state and control its costs. But the current changes have been formed by a theory of public administration which is quite new. The key text of this approach by Niskanen appeared in 1971. It seemed no more than an ideological excursion of orthodox economics into a neighbouring academic field. Within 20 years it stands at the centre of our political stage, as Keynesian generations listen passively to the sound of its axes in the cherry orchards of the state.

'Public choice' - for that is the name given to the new approach - appears to be about introducing the market economy into previously sacred public domains. Its language is that of contracts and competition, of consumption and choice. In this it already decisively changes the traditional points of focus from inputs to outputs. It calls the producers to account on behalf of the consumers, and seeks a new democracy of service choice to replace an old corruption of producer interests. Its advocates, like Adam Smith before them, invoke the market as a weapon against an order of privilege, and in doing so believe they have history in their sails."

Robin Murray
Marxism Today, May 1991.

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1. CHANGING THE BALANCE

The single key fact which makes the public sector different in kind from the viewpoint of consumer sensitivity is that the customer cannot take his or her money and shop elsewhere. In the private sector the need to retain customers and their goodwill makes businesses acutely conscious of their opinions and their degree of satisfaction. Firms, or at least the sensible ones, spend time and money to learn what their customers want, and expend considerable effort in the attempt to supply it.

At the bottom line is profit. Without customers there is no revenue flowing in from which to draw profits. In a competitive market a firm knows that a dissatisfied customer can easily become a lost customer. Although firms popularly express the need to satisfy customers by expressions such as "the customer is king," the reality is that of forces in balance. The needs of producers would tend to dominate the activity, and the output of goods and services would serve their interests only, were it not for the ability of customers to take their business elsewhere.

Factors which favour the consumer, such as keen prices and high quality of service, are only there to attract and to keep customers who might otherwise choose to shop elsewhere. The attentiveness of the private sector to consumer satisfaction derives not from any philanthropic motive, but from sound commercial considerations. Firms which treat their customers well tend to prosper; those which do not tend to fail. This is why the private sector has pioneered and developed ways of dealing with customer complaints, and why it provides redress in the event of a failure to meet reasonable service standards.

The private sector is quite good at giving satisfaction to consumers. It has to be prodded by law from time to time, but broadly speaking it has developed a range of responses to complaint which owe more to fear of competitors than to fear of authority. The generally accepted maxim is that of "money back if not satisfied." Other things being equal, customers are more likely to shop where this rule prevails than where it does not.

It is instructive to watch the way the private sector deals with something as routine as an overbooked flight, or a late one. Airlines are impelled to overbook on the basis that some passengers will be "no shows." They know roughly what that proportion will be, but occasionally the unexpected happens, and passengers with confirmed seat cannot be carried. The airlines have developed a procedure which, by competition rather than by consultation, is now reasonably standard. They ask for volunteers to take a later flight, offering either financial compensation or free ticket vouchers as incentive.

In the case of a delayed flight, if the passenger has an onward booking which is missed, and is too late for another flight, the airline will routinely provide overnight hotel rooms at or near the airport. Those who consider this treatment no more than what should be expected might compare it with the treatment received in similar circumstances from a public sector operation such as British Rail.

Some firms make a virtue of carrying this policy beyond normal limits, again, for commercial reasons. The rule of Marks and Spencer to accept back goods at any branch and for any reason undoubtedly leads many people to purchase gifts there rather than elsewhere, on the grounds that if they do not fit or are not wanted, they can more readily be exchanged for something which does or which is.

There is no counterpart to this kind of consumer-sensitivity in the public sector because there does not need to be. The customers of the public sector cannot take their money and shop elsewhere because it has already been taken in taxation and is no longer theirs to control. The talk within the public sector is of serving the public, but in the absence of effective consumer pressures, the reality is one of producer domination. The industry or service is captured by the producers because there is no balance of forces.

The public sector does not usually make profits. Indeed, it rarely seeks them. Its revenue, derived from taxpayers, reaches it from government hands rather than from its customers. Not only are customers denied the opportunity to take their cash elsewhere, but the public service does not benefit from their numbers. Since its finance does not depend directly upon the numbers who use it, customers are something of a nuisance; they justify the activity, but it would run more smoothly if there were less of them.

The imbalance is further heightened by the fact that public services often operate under monopoly or near-monopoly conditions. This means there is not the constant incentive to outdo rivals, or to pick up valuable innovations and practices from competitors. All of these factors which constrain private industry to give careful attention to consumer satisfaction are absent from public sector operations. Inevitably, the balance swings toward meeting producer needs, and the consumers are given short shrift.

Making the state accountable

It was against this background that the privatization revolution of the 1980s began. By moving state industries or services into the private sector, the imbalance was substantially redressed. The introduction or extension of competition has played a key role here in making formerly dominant state industries anxious to woo and keep customers.

The changes at British Airways have exemplified the transformation. During the process of privatization it went from a very low standard of customer satisfaction to a very high one. It is now routinely voted among the world's best airlines. And it is revealing that one of the devices used to effect this change was the sending of the entire staff of British Airways through "charm school" to learn how to be considerate to customers. It was not something they had ever had to do before.

Once in the private sector the former state firms are subject to the forces which act upon private firms, and they start to behave as other private companies do. British Telecom now offers compensation to its customers if repairs are not undertaken within a fixed time; it never did before. The newly private electricity companies are offering compensation if power is not restored within a set time of being cut off; it never happened when the state ran the service.

Privatization has provided a valid answer to the problem of insufficient attention to consumers, especially where it has been accompanied by enhanced competition and the creation of an independent regulatory agency to oversee practices within the industry. The problem still remains for those industries and services which have not yet been privatized, or where privatization is considered inappropriate. The need is to create pressures in the public sector to achieve some of the consumer responsiveness which competition and the need for profits create in the private sector.

Voice versus exit

The traditional method so far has been consumer representation; and it is ineffective. Users' councils have been tried in several state industries, with the idea of giving consumers a voice through representatives. In the absence of the pressures which their ability to shop elsewhere would bring to bear, the expedient has been tried of allowing chosen consumer representatives to express their views directly to management. Through Post Office Users' Councils and Rail Users' Councils the general public is supposed to have a voice to which the governing board will listen.

Unfortunately there are no effective powers to back up this voice, nor any means of ensuring that those chosen are indeed representative and remain so. Critics have documented a trend for those so chosen to become "captured" by the board, in that they are reported to identify increasingly with the state company and its problems, rather than with the general public whose voice they are supposed to be. In the absence of effective powers, moreover, the management will respond to the real pressures imposed by government and production staff, rather than to the mere opinions expressed allegedly on behalf of the public.

There are no penalties for ignoring the voice of the Users'

Council, and no sanctions available for it to bring to bear. It is hardly surprising that the record of users' councils has not been one of continually improving standards as the recommendations of the representative body are met. The two methods discussed are called "exit," where customers can take their cash and shop elsewhere, and "voice," where their views are made known through a representative body. The contest between "voice" and "exit" is no contest.

Equivalent rights

It is against this background that the notion of a Citizens' Charter makes its appearance. The central idea behind it is that citizens, or consumers of state services, shall be equipped with rights which seek to provide substitutes for the rights which they would have in a private market. The Citizens' Charter, if it is to be effective, must imitate in some sense the rights which people have as customers in a competitive market.

It is because the public sector has no commercial reason to develop consumer responsiveness that this must be supplied externally. Government cannot simply abandon consumers of public services; it has the option to introduce from the outside the sort of rights which are generated spontaneously within the private sector.

The government has correctly recognized that the time is very propitious for this exercise, in that the perceived gap between the public and private sectors is larger than ever before. The economic growth of the 1980s brought with it new wealth and higher standards of service. People have come to expect higher standards. They have seen, moreover, what previously moribund state firms are capable of once released by the process of privatization. The contrast between the service-conscious private sector and the still unresponsive public sector has turned attention to ways of improving public performance.

The point should be made that the rise in the quality of private sector service levels has not derived from a rise in consumerism in Britain. It has instead been largely market driven, arising out of the economic growth of the 1980s, and the response of business to the new wealth. Consumerism, which seeks political controls on business activity, never caught on in Britain as it did in the United States, for example. This is perhaps just as well, since consumerism tends to focus its attention on private business, whereas the problem in Britain lies in the relatively low quality and lack of responsiveness of the public services.

Those who make the claim for more public spending without any structural reform are simply calling for new taxpayer funds to be spent as inefficiently as previous monies. The public sector has already had greatly increased spending, without a substantial improvement in its quality of service. Indeed, some of its critics claim it is worse. New spending may be needed here and there, but it will not be effective without a new approach.

The citizens' charter represents a radically new approach because it reinforces the idea of public service with the notion of a contract between those who pay for the service and those who provide it. Its assumptions are threefold. They are that the citizen is entitled to receive some level of service in return for the taxpayer funds used to finance it; that the citizen is entitled to know what level of service that is; and that he or she is entitled to some form of redress if that level is not attained.

In effect, the citizens' charter redefines the contract between the citizen and the state. In place of the specific duties of the citizen and the rather vague obligations upon the state, the citizens' charter tightly defines both sets of obligations. The taxpayer will be able to know in detail just what the state is expected to deliver for its part, and just what level and quality of performance is required. Where it fails to meet the declared standards, the citizen will be equipped with a procedure to secure either the missing service, or some compensation in lieu of it.

The new contract

The citizens' charter will not work if it is only a pious declaration of the theoretical rights of the citizen. Nor will it be effective if it does no more than list what the state would like to achieve. The effectiveness of it lies in the details: the details of precisely what the state is obliged to deliver in every single area of public service, and the details of precisely what penalties fall upon it when it fails to perform as obligated.

At the start of the process must come self-analysis by the public sector. Each state service has to examine what it is supposed to be doing, and has to establish a standard of service to which all are entitled. For an agency of bureaucracy which issues documents such as passports or vehicle licences, this commitment might be to a maximum response time. For state services it might be to a minimum level of provision. For a local government authority it might be a minimum standard for each of its local services.

The essential point is that such commitments should be published. In the case of many areas of state provision this will be the first time that any attempt will have been made to define what it is that the operation is supposed to be achieving. It will certainly be the first time that the recipients of the service have been given any indication of what they are supposed to be receiving.

To accompany the published performance targets there must be some independent procedure which monitors the actual output. The public sector services should not serve as defending counsel, judge and jury when their performance is assessed. Finally there must be a system which provides for penalties to the producers or

compensation for the recipients when they fail to receive the promised level of service.

It is a moot point which of the two is more effective. The claim might be made that the public sector will not change its culture unless some sanction is imposed upon it. Without penalties which its management sees to avoid, its performance will not be constrained. On the other hand, the object of the exercise is not to discipline and punish the public sector, but to empower the citizens who are its consumers. The aim is to give them some redress, either to enable them to access an alternative service, or at the very least, to compensate them when the state services let them down.

Finally, there is the very real difficulty to be addressed that any sanction or compensation could come at the expense of taxpayers or other consumers. In the private sector any compensation paid to customers would come from profits. The degree to which it can be passed on to other customers through price rises is limited by competition. In the public sector there are no profits, and rarely any competition to be worried about.

Any compensation paid must be structured so that it does not simply come as an added burden on taxpayers to which the state producers are largely indifferent. It must also be put in place in ways which do not impose open-ended claims upon the public purse. The object is to improve the public services by equipping citizens with rights of redress, not to open state coffers to potentially unlimited demand.

All of these constraints mean that the citizens' charter has to employ innovative techniques to achieve its basic objectives without falling victim to the hazards which would simply increase public spending. It makes the operation an intricate one, and one in which success or failure lies very much in the details.

2. PERFORMANCE LEVELS

The citizen who tries to discover the obligations imposed upon public services soon finds out how minimal these are. An inspection of the conditions under which rail passengers are carried shows how little the carrier is obliged to do. The Birmingham parents who took their local health authority to court in an attempt to secure an operation for their son were in effect told by the judge that the health authority could more or less deliver what it pleased, without any recourse being available to patients.

The first step in the establishment of a citizens' charter is an evaluation for each public sector service of just what it is that it is supposed to be delivering. While some are obvious, such as the aim of the passport office to issue passports to applicants, others are less self-evident. The aims of such public sector institutions as the National Health Service or the local education authorities are sufficiently vague and general to leave observers unsure of whether they are or are not achieving those aims.

If the citizens' charter did no more, the requirement for every public sector body to evaluate its role and purpose would be of immense value. It is only when an organisation knows what it is trying to do that it can begin to determine whether it is succeeding. It is an easy prediction to suggest that many public sector bodies will seek the shelter of ambiguity when they come to evaluate and define their own role. Indefinable terms such as an "adequate" level or a "decent" standard incorporate a subjectivity which would render a citizens' charter valueless.

The aim of the declared performance levels is to provide a basis for knowing when they are attained, and when the service fails to achieve them. This means that they must be couched in tightly defined terms which are susceptible to measurement. Instead of being told that provision will be made "within an acceptable time," we need actual measures, such as "four days," "five weeks," "six months."

The performance levels of bodies which issue passports or vehicle licences must specify the target times for responding to requests, and the maximum acceptable waiting times. For bodies which offer specific services, the level of each service must be specified in detail.

While this exercise will be new to much of the bureaucracy, there is a well-developed literature from the private sector to explain how standards can be measured. The casual observer might think it would be difficult to define a "clean" street, for example, yet

private firms and local governments which use outside contractors to do their cleaning routinely define and measure such things. Similarly services such as refuse collection or window cleaning can have performance levels set according to definitions borrowed from the private sector.

The requirement for the public services to publish the details of each citizen's service entitlement is a first and very important step on the road to providing citizens with some means of securing the delivery of an appropriate level and quality of service. Even so, there may well be surprises when people discover how little the public sector feels able to commit itself to. Those who think that Britain's public services do deliver high quality and good value may find their case undermined when the obligation comes to be spelled out.

Indeed, some critics of the citizens' charter concept have claimed that when people realize how little the public services feel able to commit themselves to deliver, there will be demands for huge increases in public spending. The argument might equally be turned the other way, however. It could be that when people appreciate how little they are entitled to in return for their taxes, they might demand curbs on the public sector as a relatively inefficient and poor value for money way of delivering services.

Monitoring

Following the publication of standard performance levels for each service, the need will be for an effective method of monitoring the delivery. For each public service there must be a readily accessible way by which both the government and members of the public can know if the promised performance is being attained in practice.

One way in which the private sector escapes from impossibly detailed specifications is to make use of customer complaints. It would be possible theoretically to define a clean street in terms of the number of items of litter of a specified volume being found within a 24 hour period. It would be possible, perhaps but cumbersome. Routinely used in its place is an evaluation based on the number of customer complaints.

It is standard practice when councils contract out street cleaning to have penalty clauses in the contract activated by the number of complaints received. The public sector, by contrast, is not known for paying penalties if the work is not up to standard. If there is a case where local taxpayers have received some of their money back because of inadequate work by council employees, it is not one which has been widely publicized.

The use of complaints is only one among a range of indices which must be used as performance measures. For each service there must be agreed definitions. The standard must state how late a train has to be before it is classified as late; they must tell us how

overdue a first class mail item has to be before the Post Office is deemed to have failed in its obligation; they must clarify how many trains per hour below the promised level count as a default by London Underground.

In some cases the item concerned will be objective and easily measured; in others an objective index such as frequency of complaint will cover the subjective territory of a difficult-to-measure standard. The process will neither be as difficult nor as innovative as might be first thought, because most of the methods can be derived by studying international comparisons or by examining the private sector equivalents.

Auditors

The actual task of monitoring performance must be handled by an independent outside agency charged with the task. The public service itself has traditionally measured its own performance, and this has led to the figures being disputed. The Post Office figures for first class letters delivered on target have not been matched by any of the independent surveys launched by business organisations or newspapers. Similarly the British Rail figures for on-time trains are widely disputed by random measures performed by outside bodies, as they are by the passengers.

If the public sector is to promise performance levels, then the body which measures its actual output must be one respected as genuinely independent and trustworthy. It must also be respected for its rigour and professionalism. While it would be possible to establish new monitoring bodies for each area of public service, this would be an expensive and a laborious way of achieving the objective.

The Audit Commission already exists, and has earned widespread respect for both its competence and its independence. It has moreover shown its readiness to move into new areas where its skills are needed and where it can play a socially useful role. The straightforward way in which the Audit Commission issues judgements on the performance of Departments of State or local government authorities has established its reputation as an unbiased body which seeks to make valid assessments without regard to the political complexion of its subjects, and without allowing ideological predisposition to colour its approach.

The most effective way to monitor the performance of public services as they try to carry out their obligations under a citizens' charter might be to assign the task to an expanded Audit Commission. The Audit Commission is well placed to make comparisons between the public services in Britain and their counterparts abroad or in the private sector. The techniques of measurement and sampling could be applied to its new subjects, giving a trustworthy measure of the public sector's actual performance.

One of its most revealing measures might well be a comparison

between public services on an area basis. The very different levels of efficiency between health authorities has served as a spur to those who score low on such surveys, and has alerted government to opportunities to raise the proportion of health funds spent on patient care. The same would almost certainly be true of other public services, with the area-by-area comparisons showing where the opportunities for improvement in both efficiency and service quality were to be found.

In addition to an independent monitoring procedure, such as an enhanced Audit Commission might provide, it would be of great value to have several independent organisations undertaking studies and disseminating information on what is being achieved in other countries, and on the effectiveness of particular service innovations. University and business research groups could have a role to play in this field, and government would be well advised to see to it that research funds were available for such studies. This is a case where relatively modest investments in research could pay big dividends in both savings and improved performance.

Regulating the Public Sector

Regulation has been largely perceived hitherto as a means of curbing the potential excesses of the private sector. The assumption has been that its purpose is to place controls over bodies which would otherwise act independently. The public sector, lying nominally under government's control, has been thought not to require independent regulation. It may be time for this assumption to change, and a citizens' charter could provide the catalyst to facilitate that change.

One of the success stories of the 1980s has been the strong performance of the independent regulatory bodies set up in the wake of privatization. The first of these, OFTEL, has served as a model for later ones in the gas and electricity industries. When privatization was mooted, government was determined to avoid the US model of regulatory agency. The US utilities were allowed a return on capital, leading to over-investment as the way to greater returns. Far from promoting competition, they tended to raise entry barriers against new businesses wanting to come into the field, thus co-operating implicitly with the market dominator.

The British model was that of a competition-promoting agency with powers to control price according to a pre-set formula based on the cost of living index (RPI), any gains due to technological advance (X), and any debits arising from special factors such as tighter environmental standards (Y). The formula $RPI - X + Y$, combined with a mandate to promote competition, has already shown itself superior to the US model in promoting the interests of consumers.

The new regulatory bodies have been established thus far to deal with firms in the newly privatized sectors. Their success in

those areas has provided ample justification to consider extending the model into those areas which remain in the public sector, either because they await privatization, or because no privatization is contemplated. The customer of public services merits no less protection than the customer of the privatized sector.

Regulatory bodies could be established to cover the railways, the underground services, the Post Office, and even the health and education services. The new bodies could be modelled on their private counterparts and enjoy similar functions. OFRAIL, OFPOST and the others would enjoy powers to regulate the producers and thus provide an important counterweight for consumer interests in areas where this has often been minimally considered.

One great advantage of these bodies is that they de-politicize a relationship which would otherwise be open to political pressure. A state industry or service is controlled by government to only a limited degree. A proposed directive can be opposed by the industry with the claim that it would hit the service. There is far less chance of this claim even being made, let alone succeeding, when it has to be made against a visibly independent and impartial body set up to take consumers into account.

Independent regulatory bodies to oversee state services as they do the privatized utilities would establish a distance between regulatory measures and the party political process. They would make the process more of a technical and professional concern than the needs of day-to-day politics will allow.

Complaints Procedure

In addition to the published performance levels, the monitoring and auditing process, and the outside control by independent regulatory bodies, for a citizens' charter to work there has to be an established complaints procedure, complete with a fair method of evaluating complaints and an accepted arbitration procedure.

Again, the need is for complaints to be handled by external bodies. It could be done by the independent regulatory bodies themselves, or by a recognized "ombudsman" body for each service. The important stage will be the formulation of rules for the industry, rules which establish the measures by which the service shall be deemed to have fallen below its promised performance levels. The rules need to be clear and easy to interpret, and must not be judged by industry itself, but by some neutral body.

In most cases the issue might be straightforward. If service is not delivered within the promised time, the procedure under which citizens register for compensation has to be very simple and very quick. If a train is later than the permitted degree, claim forms should be waiting at the exit on its arrival, if not on the train itself. If the passport or the licence has not arrived within the

requisite time, the complaint procedure must be easy and accessible.

In addition to the routine procedures whereby citizens can gain redress in the event of poor performance, a procedure will be needed to handle disputed claims and appeals. Lessons can be drawn from the current methods by which aggrieved customers are supposed to have access to redress. While it is possible to gain compensation from British Rail, for example, in cases of glaring failure to perform, the process is so cumbersome and time-consuming that only minute numbers are able in practice to avail themselves. To be meaningful it has to be simple and straightforward.

The model for successful complaint procedures might be built from the methods already in use by private businesses. The speed and simplicity with which airlines deal with delayed or cancelled flights, or with which shops handle returned goods, indicates the kind of automatic and direct process which is needed to handle failings in public sector services.

The point should finally be made that private sector businesses are judged not only by the quality of their output, but by their readiness to handle complaints sensitively, and by the straightforward way they offer satisfaction to customers who feel they have been poorly treated. It is surely not asking an unreasonable thing to have the public sector required to conform to the same standards. It may always be judged as a poor relation until it does so.

3. REDRESS FOR POOR PERFORMANCE

The publication of performance targets and the establishment of independent bodies to monitor and regulate public services constitute vital elements in the improvement of public services, as does the setting up of a simple and straightforward complaints procedure. But a system which brings redress to the aggrieved recipient is no less essential as part of the process of systematic improvement. Indeed, it constitutes the "teeth" of the reforms in two senses: it brings some recompense to citizens who are let down by the public sector, and it imposes a discipline towards improved output quality on the public services themselves.

It is redress in the form of compensation and penalties which makes the citizens' charter proposals radically different from other so-called performance pledges. Redress is the element which distinguishes between pious hopes for improvement and a system which enables and promotes that improvement.

Some councils have made a start by offering what they call contracts to their electors. York, for example, offers its citizens a "charter" which guarantees high quality local services. Islington offers users of its swimming pool the assurance that water temperature and quality will be of the highest standard. Increasingly, other councils are beginning to follow their lead.

The problem with such assurances is that they are not backed up by sanctions. If the promised services fail to materialize, or if they do not live up to the expectations aroused by the public pledges, there is little the citizen can do except complain. There is no independent arbitration procedure, no outside auditors to monitor performance, no "ombudsman" with powers to investigate complaints.

More seriously, there is no evidence of compensation rights for the recipients of poor services, or of penalties imposed upon producers who fall below par. The point about a contract is that it should be enforceable. Unwritten contracts are not worth the paper they are not written on. A citizens' charter which contains no procedure to back up its promises by a system of compensation for receivers and penalties upon providers will be far less effective than one which does. Indeed, it will scarcely be worth the effort of putting it in place.

The publication of performance targets is one step, but it should be accompanied by measures which are triggered when the output falls short of those targets by an agreed amount. The prime aim of such measures is to bring relief to the aggrieved consumer,

who has hitherto had no recourse at all. If he or she does not receive the promised service, then at least they will receive some compensation. It may not be as good as receiving the levels of service they were assured of, but it is more than they receive currently from defaulting public services.

Effect on producers

A secondary and equally valid aim is the future improvement of the service. In other words the compensation which is positive for the consumer is also negative for the producer. Those who manage public sector operations will try to achieve the nominated performance partly out of pride in public service, but partly out of a desire to avoid having to make compensation.

It should be stressed that it is not necessarily the financial penalty, if any, which acts as the spur. There are problems, as will be evident, in imposing fines on public service operations. The point is that it is not the penalty itself, but the fact of having incurred it, which serves as the disincentive to continue with poor performance. The public sector is served by a work force of which at least some and possibly many are motivated by a desire to serve the public. The triggering of compensation payments serves as notice that the service is inadequate, and prompts steps to improve it.

As with private businesses, the mere publication of comparative measures provides an incentive. No one wants their branch or department branded as the least efficient; everyone wants the kudos of serving with an outfit recognized to be performing a superior job. People take pride in their work if given reason and opportunity to do so. The publication of comparison tables provides an incentive to improve performance by setting in train a competition in virtue. The payment of compensation to disgruntled recipients would set that effect in motion, with each branch trying to provide a service sufficiently good to minimize the need for compensation.

The exact form which the compensation is to take can vary widely according to the service. It might be a cash payment, as a notional refund of the tax payments which failed to secure an adequate service in return. It might take the form of a voucher which entitles the recipient to further public sector services which would otherwise have entailed payment. It could even be a voucher which allowed the recipient to buy in the private sector the service which the public sector failed to deliver.

The common feature should be that if the service is not delivered within the announced time, or is not of the announced quality, then some form of recompense is triggered automatically. This is the kind of consumer-sensitive response which the private sector does so well for the most part, and which has been singularly lacking within the public services.

The problem with the public sector is that any compensatory

payments would probably be made either at the expense of other users, who would find even less funding available to meet their own needs, or at the expense of taxpayers. The actual impact upon the producers might be quite small. There would be the disgrace of providing a service so poor that compensation had to be paid, but few of the financial constraints which act so effectively on the private sector.

Compensation and penalties

The exact form of compensation and penalties in the public services has to be determined so that the incentive is maximized, while the adverse effects on other users and taxpayers is minimized. In practice this means that the type of recompense made available to disappointed users must be carefully calculated. Ideally the compensation should come to the recipient in ways which neither reduces the cash available to fund the service, nor increases the total bill which the taxpayers have to meet. This rather calls for a quart to be drawn from a pint pot, but there are creative ways in which the effect can be achieved.

For example, in the event of trains being cancelled or arriving unacceptably late according to the published standards, the fairest and most straightforward option would be to give refunds to passengers. Unfortunately this would be prohibitively expensive. Such is the record of British Rail after decades in the public sector that refunds of this nature would soon eat away the funds needed to run the service and to modernize, extend and re-equip. It may be that their record would improve very rapidly under this kind of discipline, but the cost of imposing that discipline might be staggering.

This does not mean that nothing can be done; it means that whatever is done has to be intelligently calculated. One option which attracts support is that of giving compensatory off-peak tickets instead of cash. Instead of costing the huge sums which refunds would entail, this would involve the railways in filling seats which would otherwise be carried empty. It is not as good as a refund, but it is rather better than nothing at all, which is what passengers currently receive. It rather resembles the credit notes which some shops give in place of cash refunds for such items as sale goods, or when the reason for rejecting the goods is less than compelling.

In the case of the National Health Service a right to treatment should be established, with maximum permissible waiting times laid down for most of the common ailments. The rule here should be that if the NHS cannot do the work within the allotted time, then for the patient's sake someone else should be given the chance. After the time limit the local health authority or other budget holder could sub-contract the job to the private sector. This is already being done increasingly by hard-pressed authorities in the interests of greater efficiency and better use of NHS resources. The difference is that under a citizens'

charter it would become a right, with the time of its activation clearly specified.

Another way of achieving the same objective could be accomplished by giving patients the right to a voucher if they were not treated within the specified time. The voucher would be equal to what the NHS would have spent if it had done the treatment, and would be deducted from the health authority's next budget. Since the obligation to perform the treatment would also be removed, it would be comparatively neutral to overall spending. The patient could use the voucher to put toward private treatment. The effect is the same: to sub-contract treatment which the NHS cannot perform within the acceptable time.

From the patient's point of view the treatment would be guaranteed within a fixed time. The NHS would be given the first chance, but would make use of private sector facilities as a last resort. The presence of such a right to treatment would serve to increase the efficiency of the NHS. Budget holders would monitor patients on the waiting lists, redoubling their efforts as the deadline approached, in order to get the treatment done before the alternatives kicked in. One could argue that this is what ought to be happening anyway in the NHS.

Local government services

One of the most fruitful fields for citizens' charter rights lies in the domain of local government services. Citizens who pay local taxes ought to be receiving the services for which they are designated. If the garbage is uncollected and the streets unswept, the citizens' charter should provide redress.

Once again, while a refund would be the most straightforward solution, it might be cumbersome to provide and expensive to administer. What is needed is the assurance that the work will be done. Ultimately the citizen must enjoy a right to service, and if the public sector cannot do what it is supposed to do and what it is paid to do, then the opportunity should pass to others.

If certain classes of local government services are not performed in the requisite time, or to an appropriate standard, then local residents should be given access to the private sector to get the work done. In theory they should be able to call in private contractors to do the work, and send the bill to the local authority. In practice there will be a need to control costs, and the best way to achieve the objective might be by employing a variant of the scheme used by Merseyside Improved Homes, a housing association dealing with people in need in the Liverpool area.

Merseyside Improved Homes co-operated with local businesses which they trusted, and put out an approved list of contractors. In the event of repairs being needed, to fix windows or plumbing, for example, their residents simply call in one of the contractors to

do the work, and the bill is sent directly to Merseyside Improved Homes.

A modification of this scheme could give teeth to a citizens' charter at the local government level. In the event of work not being done, the resident would have access to an approved contractor to do the work directly, with the council footing the bill. It is an extension of the sub-contracting which has already made substantial improvements to the quality and cost-effectiveness of council work. The main point about it is that it would empower local taxpayers to have delivered the services they are supposed to be receiving, and the ones they have paid for.

Passports and licences

For the issue of documents such as passports and licences, more ingenuity is needed. One could hardly go out for a private passport if the official one failed to arrive within a designated time. It should be said, though, that some critics think the work could be done more efficiently and without lower security standards by sub-contracting the entire operation.

Nor could penalty clauses be invoked to fine the departments concerned for poor service quality, since this would simply be passed on to the taxpayers who fund the enterprise. A solution which has been suggested is to link the remuneration of the civil servants who man such operations to the quality of the service they provide. This means that their salaries would be affected either by penalties or bonuses dependent upon service satisfaction. In other words, there would be bonuses payable according to monitored performance.

If the documents were delivered efficiently inside the specified limits, staff would qualify for bonus payments. A slowdown in output or a rise in the number of complaints would stop the bonus payments. Thus the incentives would act directly upon those responsible for the service, and those who could improve it.

The same principle, extended for other suitable services in the public sector, would relate reward to performance. This is already true much more in the private sector than in the domain of government. Private managers and workers have less security but access to higher rewards based on personal performance. It could be that the citizens' charter initiatives will bring the opportunity to make the terms of employment for civil servants correspond more closely to those of their private sector counterparts.

In the final analysis if public services are to improve, then the management of those services must improve. The pressures and incentives which can be driven by a citizens' charter will only constitute an upgrading of standards in the public sector if there is management there ready and able to implement changes. This means that the publication of performance standards, the use of outside auditors and independent regulatory bodies, and even

the introduction of redress for customers, all depend upon the presence of a management ready to react to change and to seize opportunities.

It may well be that the public service tradition which has given us a secure civil service but a comparatively cheap one, will have to be re-examined. By allowing reward levels to be determined in part by performance levels, we may be moving toward a system which involves us in paying more for a higher quality. If pay is indeed linked to output, at least that higher quality is secure. But it is worth repeating that pay is not the whole answer. Those who choose to work at this level are motivated in part by the desire to serve, by pride in their work and in themselves, by the estimation of their equals, by public recognition of their value.

In moving to a system in which achievement is measured against predetermined target levels, we move to a system in which reward based on achievement becomes more possible, and perhaps essential. Financial reward is included certainly, but also the reward of high public standing and the satisfaction over the production of services whose quality is high, and measurably so. The citizens' charter aims at a change in the whole culture and ethos of the public sector. One of its prime purposes is to transform intangible outputs into measured performance, and to restructure the reward system accordingly.

4. THE CHARTER IN PERSPECTIVE

Critics on the Left have attacked the citizens' charter on the grounds that it only recognizes citizens as consumers of public services. They claim that it seeks to reduce the interaction between state and citizen to the individual case. The supposition is that while the individuals might have an interest in their own case, they also have public interests at heart. By giving them only powers which affect their own receipt of a public service, the claim is that the charter mechanisms deny that public dimension to their views. Individuals, we are told, have interests in public services as part of a group, as well as in their role as individuals.

The criticism is interesting because it is largely correct. It is true that the citizens' charter proposals do deal in terms of individual one-off transactions. They aim to set up a declared service norm, and empower any individual who does not receive it. They do not empower people as members of the community, or as groups with a common interest in public services.

That the critique is made from the Left indicates how deep the collectivist errors still lie, even after the world-wide collapse of socialism as an economic system. Despite the public humiliation of their ideology they still only recognize the outcomes which are planned and premeditated. They seem as far as ever from appreciating the merits of spontaneous orders, or from an acceptance that such orders can hold more information and more intelligence than can be held in the mind of a few planners.

The point is that people participating in one-off transactions can be achieving socially useful goals by their interactions. This is, after all, how the free market itself harnesses the effort of everyone to better his or her condition into an extended order which makes it possible for distant people to serve each other's needs without ever coming into contact or even knowing about each other.

The individual who makes or postpones a purchasing decision is unconsciously sending information through the system which bears upon the products and services which are offered to others. The public does not need to be knowledgeable and informed; the few who are like that suffice to make a difference. Producers can be swayed on the margins by a few percent making informed decisions. The individual transaction has social consequences, often beneficial ones.

The citizens' charter seeks to empower individuals precisely because it is through those decisions that impact can be made upon the service. There is little point in people banding

together to vote for better services or to lobby for better services if those selfsame services have already shown themselves to be remarkably impervious to political pressures. Governments and pressure groups have tried for years to secure higher standards from the public sector. Privatization worked because it altered the balance of forces working upon state industries. It did so by moving them into the private sector.

Now the citizens' charter proposes to alter the forces at work upon those services which remain in the public sector. Its instrument is the individual transaction which each citizen makes with a public service. The citizen has had little power to affect that service hitherto, but the charter will supply those powers. The effect will be to improve those services far more surely than could any collective action at the political level.

It is entirely possible, for example, that the decision of an individual in some cases could be to forego the state supply in favour of a private alternative. The charter might well empower citizens with vouchers here and there which enable them to access private alternatives. It is also possible that if those citizens were asked their opinions, they might prefer the public service to be improved, rather than having to leave it. It does not matter; the effect of their individual transactions will be to improve the public service.

The point of the charter is that it is consumer pressure which improves supply. When people have choices and alternative recourses, the producers have to take them into account, and amend the output in the light of those alternatives. If people start receiving compensation, or access to private alternatives at public expense, the state service will have to respond to those new pressures. Managers who generate many complaints and compensation payments will be replaced by ones who do not. New management techniques will be introduced; innovative service packages will be offered; and public good will be served more securely than if individuals had banded together to attain it.

This might seem to Left-wing critics like taking it on trust; but in fact it involves using a proven system which has many times shown its superior worth. Transactions by individuals achieve a positive effect on the service in general. A decision by one to invoke rights under the citizens' charter improves the service for others.

The blunt fact is that public services have not been aided by the absence of market inputs and mechanisms. Empowering their recipients is one step on the road to bringing benign pressures to work within the state sector. There are others, but rights for the citizen may well be the key on which all of the tumblers will turn. The intention is that its impact will cause the public services to adopt many of the most useful features of private business, while remaining in the public sector, funded out of taxation, and available to all.

The first step, that of publishing target performance levels, will cause a searching examination of goals and priorities. It is something the private sector does routinely. In the public sector this kind of self-examination is needed to develop both a long term strategic view of the service, and to put in place the appropriate mechanisms to stimulate good management.

It might well be that some parts of the public sector will need to undergo an "unbundling" of the sort which private firms do when they revert to their core function and rethink some of their more peripheral activities. A reassessment of what each part of the public sector does best, and what its basic purpose is, will undoubtedly cause some shifting of priorities.

Far more use might well be made of alternate producers under contract. Private firms often engage sub-contractors to perform specialist services on a contract basis. The public sector could undoubtedly benefit from greater use of this type of arrangement. Similarly, the use of franchise operatives is something which public services might benefit from. The pressures to keep the output cost-effective and to satisfy consumers have not been felt sufficiently to cause the public sector to employ these devices used by private business. Under the citizens' charter this may change.

Internal markets have just been introduced on a voluntary basis in both health and education. The charter may well cause their use to spread rapidly. At the heart of them is the idea that having to buy in services from other departments imposes controls upon the misallocation of resources and leads to more efficient use of them.

The analysis of each service's role and optimal output might lead to much better value for money, in the sense that there will be closer concern with what is spent on each operation versus the perceived value of the output. Parts of the public sector which have been allocating huge resources to things of little benefit may well begin to husband those resources more assiduously.

It is also likely that the standard output of the typical public service will be replaced by more varied offerings designed to suit different needs. In place of the uniform take-it-or-leave-it supply, there may be several different options for people to choose between.

All of these are unremarkable in the world of private business because of the need to attract customers and keep them satisfied, and by the desire to operate as efficiently as possible within the available financial provision. The role of the citizens' charter will be to make them no less desirable in the public sector, once it begins to feel some of the same pressures.

In effect, the citizens' charter will blur the boundary between public and private sectors. By giving citizens some of the rights which private customers enjoy, it will encourage the public

services to adopt many of the mechanisms which have been the private sector's response to those rights.

The Conservative Party Chairman, Chris Patten, must be growing weary of hearing his opinion quoted that by 2010 the public services should be so good that no-one will automatically assume the private alternatives to be superior. At risk of wearying him yet more, he must be aware that this is most likely to occur if the public services start to behave like their private counterparts. And this is most likely to happen if they are exposed to equivalent pressures.

It will be no bad thing if the public services, under the cumulative impact of one-off transaction pressures, begin to respond as the private sector does to such forces, and to employ many of the mechanisms which it uses in its response.

Ultimately, if the boundary which has sharply separated public sector production from private begins to blur, then so can the sharp differences in service quality which have been evident thus far.

"Twelve voices were shouting in anger, and they were all alike. No question, now, what had happened to the faces of the pigs. The creatures outside looked from pig to man, and from man to pig, and from pig to man again; but already it was impossible to say which was which."

George Orwell
Animal Farm