

# **Inside the laboratory: the new politics of public services in Wales**

By Steve Davies  
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*Labour won an increased majority in the Welsh Assembly in elections this year, reversing earlier nationalist incursions and freeing it to govern without the Liberal Democrats.*

*As in Westminster, public services have been defined as the "issue of issues" in Wales. But under the leadership of Rhodri Morgan the policies and language of Welsh Labour reveal interesting divergences from Downing Street's agenda for public sector reform. In this lively and informative analysis Steve Davies asks if devolution has created a "laboratory of opposition" to the market orthodoxies of New Labour.*

## **Introduction**

Tony Blair has repeatedly emphasised that the key measure of the success of his second term will be whether public services improve. This focus on delivery – what he calls the "core mission" in "the third phase of New Labour" (1) – is inextricably tied to his programme of public sector reform. When the Welsh Labour Party faced elections in May for a second term for the National Assembly, it, too, highlighted public services as the issue of issues. But its approach towards public services is markedly different from its Westminster parent.

The articles of faith of the Blair reformation include the Private Finance Initiative (PFI), Foundation Hospitals, the Best Value regime in local government, specialist schools, SATS, league tables, and top-up fees in universities. The attitude of Welsh Labour towards these ideas has been either extreme scepticism or outright rejection. Neither PFI, Foundation Hospitals, nor best value were even mentioned in Welsh Labour's manifesto, and top up fees only in the context of a pledge not to introduce them.

While Tony Blair stresses the role of the market, praises the efficiency of the private sector and emphasises consumer choice, politicians' language in Wales is more likely to refer to citizenship, equality of outcome, universality, collaboration rather than competition, and public rather than private provision.

## **A changed political landscape**

In Scotland, devolution has produced a "Europeanisation" of the political scene, with parties of the far left and environmentalism joining various independents for their parliamentary place in the sun. In Wales, there has been no important breakthrough by smaller parties on the back of proportional representation, but the political debate has

shifted on its axis. The political centre of gravity in Wales is now considerably to the left of that in Westminster.

Only the Welsh Conservatives match Tony Blair's zeal for the virtues of markets in public services. Their manifesto enthusiastically urged the use of PFI for constructing schools, hospitals and roads, and demanded the establishment of Foundation Hospitals and specialist schools throughout Wales. Embracing Blairite notions about the "enabling state", the Conservatives called for local authorities to "concentrate on their role as commissioners of high quality care rather than the direct providers of services". Similarly, they want to see public assets transferred to "community control" and more public services delivered through the voluntary sector (2).

The Welsh Liberal Democrats (a partner with Labour in the previous coalition government) are sceptical about PFI, their support conditional on demonstrating "that it is in the interests of both the service to the public and the public purse". They also want "a level playing field for all public service providers" – public or private – and a review of the PFI tendering and negotiations processes (3).

Plaid Cymru offered more robust opposition to what they described as "New Labour's plans for creeping privatisation". One of the nationalists' main election objectives was to associate Welsh Labour with the Westminster parent's enthusiasm for market-based solutions to the public services. PFI was described as damaging and expensive, putting future generations in hock, and of ripping off the borrower. Plaid claimed that PFI lowers standards of design, disempowers public sector organisations and employees, and "in the long run ... threatens to undermine the public provision of services and strengthen the push to privatisation" (4). Clearly Plaid saw its policy on public services as the key indicator in positioning itself to the left of Mr Blair.

What is more noteworthy is that Welsh Labour also appears to see public services as the fault line between itself and Labour in Westminster. If anything, the success in the election confirmed this view. The Party in Wales appears convinced that its rejection of New Labour's credo in favour of "Classic Labour" was what allowed it to break free of the irritation of coalition with the Liberal Democrats and reverse the earlier nationalist incursions into the valleys heartlands.

### ***The new policy agenda***

The devolution settlement in Wales is frequently compared unfavourably with the Scottish Parliament, and the Welsh Assembly Government has been criticised for timidity and for its failure to push for greater powers. But what is interesting is that even within the constrictions of the current arrangements, Cardiff and Westminster are developing distinctive approaches to the provision of public services – separated by "clear red water". Moreover, these differences, although relatively minor at the moment, point to a more fundamental ideological divergence.

The first Assembly Government began as a minority Labour government and later became a coalition between Labour and the Liberal Democrats. It introduced a number of public service reforms, including:

- free prescriptions for the under 25s, and a price freeze for everybody else;
- free eye tests for high risk groups;
- free bus passes for pensioners and disabled people (which allow pass holders to travel from one end of Wales to the other);
- the appointment of a Children's Commissioner;
- free school milk for infants;
- the abolition of school league tables and SATS for 7 year olds;
- and the introduction of new student grants.

The new Labour government elected in May 2003 is pledged to

- extend free prescriptions to all;
- end home care charges for the disabled;
- introduce free breakfasts for all primary school pupils;
- free entry to swimming pools for older people and school pupils during holidays;
- an extension of the free bus travel scheme;
- and a promise of no top up fees in Welsh universities for the duration of the next Assembly.

Since the establishment of the Assembly in 1999, there has also been a steady stream of institutional changes which rarely make headlines but are an important part of the growing pull away from the public service norm in England.

### ***Primary and secondary education***

Education is probably the public service where differences with England are most pronounced, where the Assembly Government has rejected many of the main tenets of new Labour's programme.

While Charles Clarke "overhauls" SATS for English schools, tests for seven year olds in Wales were abolished in the first term and in June 2003, Welsh Education Minister Jane Davidson announced an independent review of tests for 11 and 14 years olds, which is widely expected to lead to the scrapping of SATS for Key Stages 2 and 3 (5). The Assembly government is also piloting a Welsh Baccalaureate that may eventually replace A-levels.

But the language and arguments of ministers are almost as interesting as the reforms themselves. Asked about the possible use of private sector trouble-shooters in problem schools, Jane Davidson replied:

We do not accept that you cannot find really good 'turn round' experts in the [public] education profession. There are some outstanding examples in Wales of schools which have been turned around in extremely difficult circumstances – we do not see the reason why the private sector should be able to do it any better. (6)

In 2001, launching the Assembly Government's document, *Wales: a learning country*, Davidson said:

In a small country, with relatively small unitary authorities, with so many distinctive features and circumstances there would be real risks in a wholesale shift to extensive and untested measures delivered solely through the private or other sectors without the most careful consideration. As a matter of policy, that reliance on the private sector has been ruled out for Wales. So too has the introduction of a programme of specialist schools. (7)

Far from embracing Tony Blair's view that we have now entered a "post-comprehensive era" (8), she says:

we have a comprehensive system that we are fully proud of, and which has served Wales very well. I don't believe the private sector has a role in the delivery of education in Wales (9).

### ***Higher education***

The Assembly Government has introduced a modest means-tested grant for FE and HE students and pledged no university top up fees for this term at least. Davidson made her position on upfront student fees very clear when she described them as

a disincentive and what we want to do is create incentives. I do not see it as an issue benefiting our sector in Wales when one of our biggest agendas is about widening participation. (10)

The means tested Assembly Learning Grants (ALG) are worth up to £1,500 a year for students in further and higher education (although on average eligible students will get around £900). The Assembly Government claims that 50,000 Welsh students will benefit from the ALG which will apply wherever they study in the UK. On announcing the grant, Davidson said:

This major step forward in widening access shows we are taking hardship, and the ill effects of debt among disadvantaged learners, seriously in Wales. We are the only part of the UK to tackle it in this way. We are doing things differently in Wales. It is a very good time to study in Wales, and another step towards establishing Wales as a Learning Country. (11)

In July, the UK government announced that it had agreed an Assembly Government request to devolve remaining responsibility for student fees and student support from September 2006. At that stage Wales will have the power to scrap tuition fees if it chooses.

## ***Health***

In health, the Assembly Government faces many of the same problems as the Westminster government: expectations are high, the challenge is enormous and results have been limited.

Nevertheless, the Cardiff administration froze prescription charges for most people and abolished them for sixteen to 25 year-olds and the over-60s, abolished dental charges for the same age groups and eye-test charges for the over-60s. Now all prescription charges are to be abolished.

The NHS in Wales has been reorganised into 16 Trusts and 22 Local Health Boards (LHBs) which share boundaries with the 22 local government unitary authorities. This is unique in the UK and LHBs are expected to work closely with councils on health and social service issues. Together with the retention of Community Health Councils (to be abolished in England), this forms part of the Assembly Government's declared aim of democratising health provision. Health Minister Jane Hutt says that the new arrangements "will bring a greater local voice to NHS decision making" (12). The reorganisation has its critics in Wales but is a long way from the Westminster government's reliance on markets and Foundation Hospitals – which have been explicitly rejected in Wales.

After conducting a health review of the NHS for the UK government, Derek Wanless was asked by the Assembly Government to do a similar job on health and social care in Wales. The report (13), published in July, recognised the fact that demand in Wales is disproportionately high because of an aging population and the impact of socio-economic factors on general health (with worse than UK average life expectancy, mortality and key survival rates). However it also pointed out that "Wales does not get as much out of its health spending as it should". Wanless recommended a series of reforms, an emphasis on prevention rather than cure and called for individuals to take more responsibility for their own health.

## ***Private finance***

The PFI has been less of a problem for the Labour party in Wales than in England, mainly because it has been less widely used. Welsh Labour has not been as vocal on this as on other issues. There has been no confrontation with Westminster over PFI, but neither is there any enthusiasm for the new Labour flagship: rather a sullen acceptance that Westminster will allow little other option. Cabinet member Edwina Hart explained to Assembly Members that

insofar as the rest of the United Kingdom finances part of its investment in public services through PFI and therefore from outside the public expenditure block allocated to the Assembly, we must either mirror this form of investment or accept that Wales will have a lower level of investment. (14)

Even so, a Labour MP has attacked the Assembly Government for its lack of enthusiasm for PFI (15). Rhodri Morgan's government approved just 34 schemes with

only 23 operational as yet (some of these were inherited from the pre- devolution Welsh Office). Where traditional procurement is possible, it is embraced. Referring to the planned construction of two community hospitals entirely through public finance, Morgan told the Wales TUC 2002 conference that this was "not some opportunistic aberration" (16).

Also in 2002, following lobbying from trade unions, the Assembly Government extended the definition of the clinical team in NHS Wales PFI schemes to protect some support staff who, elsewhere in the UK, would be vulnerable to transfer to the private sector.

## ***Local government***

The Assembly Government works closely with Wales's 22 unitary authorities. It signed policy agreements with each local authority covering targets for improvement in education, social care, the environment and transport (17). Under the requirements of the Government of Wales Act, it has set up a Partnership Council (18) with local government (which also includes town and community councils, police and fire authorities).

Best Value has been replaced by the Wales Programme for Improvement (WPI) (19). This emphasises "whole authority analysis" and the involvement of the authority against the previous approach which was seen as overly bureaucratic, separated from the everyday approach of the council, and something that was "done to, rather than by ... authorities, with too little return for the effort involved" (20).

Under the WPI, local authorities undertake a comprehensive assessment of their own fitness to achieve improvement. Areas for improvement are prioritised through a risk assessment. An improvement plan then sets out what action the authority will take to improve its performance, as well as reporting on improvements to date. This improvement plan will be complemented by a regulatory plan summarising the work which independent auditors and inspectors will undertake (21).

It is perhaps unsurprising that this reform has proved popular with Welsh councils. Recent research from the Local and Regional Government Research Unit suggests that UK organisations like the Audit Commission and the Best Value Inspectorate may have characterised local authorities in Wales as failing not because of poor performance but "because they have been slower to 'modernise', have a departmental rather than a corporate working structure, and provide most services in-house". They call for councils "to be judged on their service achievements, not on their adoption of the latest management fads promulgated by central policy makers" (22).

The general approach, then, is to work with and through councils rather than around and over them. In January this year, a Protocol on the Wales Programme for Improvement was signed by the Welsh Assembly Government, the Welsh Local Government Association and the Audit Commission. Edwina Hart, then Welsh Local Government Minister, said:

It is also more natural for us in Wales to take a partnership approach to tackling any challenge. For us to succeed in improving public services in Wales, we need to have shared objectives, a common understanding of each other's role and continuing good communications. (23).

Rhodri Morgan has emphasised:

we work in partnership ... with local government: councillors are locally elected and close to their localities. We prefer not to bypass them, for example by giving funds straight to schools. (24)

## ***Unions***

Neither are trade unions seen as part of "the forces of conservatism" that must be neutralised in order for reform to move ahead. Speaking at the Wales TUC conference in 2001, Rhodri Morgan promised to ensure regular meetings between the government and the unions, a joint secretariat, a social partners unit and talks about the elimination of problems relating to the two-tier workforce.

All of this has taken place. The unions signed a Memorandum of Understanding with the government in February. Just before the election, discussions began on a protocol between unions and government to cover all forms of contracting out right across the public sector in Wales (a protocol in Scotland has already been signed but covers only Public Private Partnerships/PFIs).

## ***Welsh exceptionalism?***

When the UK government approved plans for devolved administrations it is unlikely that the intention was to set up laboratories of opposition to the market orthodoxies of New Labour. Difference, yes; diversity, yes; defiance, no. To square the circle, considerable effort has been put in to boost the idea of "Welsh exceptionalism" – that what is happening in Wales is the product of unique circumstances.

There is some basis for this. A number of factors have undoubtedly helped in creating an atmosphere in Wales that is receptive to retaining and improving its public services within a public provision model. These include:

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- the domination of the labour movement – both politically through the Labour Party and industrially through the influence of trade unionism;
- the sheer size of the public sector and its involvement in everyday life;
- and the fact that Wales has a deep history of collective action.

Labour has traditionally dominated Wales, more so even than Scotland where as late as 1955 the Conservatives had the most parliamentary seats and 50 per cent of the vote. The Conservatives' best post-war performance in Wales was in 1979 with 32 per cent. According to the Wales TUC, of a population of just under three million,

500,000 are union members (25). With 39 per cent of workers in unions, Wales has one of the highest union density rates in the UK (26).

The public sector also plays a larger role in people's lives than in many parts of Britain. It is the most important employer and biggest spender in Wales. While only 6 per cent of companies across Wales have a turnover greater than £5m, the smallest local authority revenue budget is £74.9m. Public expenditure in Wales is 59 per cent of GDP compared with 32-35 per cent in the South East and Eastern regions of England (and 54 per cent in the North East and 51 per cent in Scotland) (27). As a result more people work for, or rely on, public services than in other parts of the UK.

There is a long tradition of collective responses to individual problems. As Rhodri Morgan pointed out, the school meals movement began in Wales –

when the Fabian Society launched its pamphlet *And They Shall Have Flowers on the Table* in Cardiff at the turn of the last century. The title of that pamphlet made it clear that school dinners were to be a social and educational experience, as well as one which provided food for families where that was badly needed. (28)

It is perhaps no coincidence that the two politicians with greatest responsibility for the modern welfare state – Nye Bevan and Jim Griffiths – represented Welsh constituencies. Wales is also a small country and it is easier to use and set up both formal and informal structures and networks for collaborative work.

All of these factors have been pressed into service to show that the rejection of much of the Blair government's modernisation programme does not represent any significant rift between Cardiff and London. The contradiction is reconciled by packaging it as "Welsh solutions for Welsh problems". Rhodri Morgan has diplomatically suggested that the consumerist approach to choice in public services favoured by Blair may suit the circumstances of large urban settlements of a million or more, but do not fit a small country like Wales.

### ***Socialism by stealth***

This is a little hard to swallow. Admittedly, there are different strains and pressures on the public services of London or Birmingham compared to a largely rural mid Wales. But is the position really so different for users of the health service in Cardiff and Carlisle, or Swansea and Swindon? And are the educational needs and potential solutions so far apart in the rural communities of west Wales or Cornwall?

Paul Flynn, the irrepressible Labour MP for Newport West, was probably more accurate when he described the Assembly Government's reforms as "stealth socialism" and argued that "we've been far too modest with our policies in Wales" (29). The truth is that there is a fundamental difference between the market approach of Tony Blair's government and the collectivist ambitions (however limited) of Rhodri Morgan's Cabinet. Rhodri is no Robespierre and we are not witnessing a Welsh revolution. But something significant is happening in Wales.

In an important speech last December, Morgan described himself as "a socialist of the Welsh stripe" (30) and said that a key theme of the Assembly's first term was the creation of a new set of citizenship rights: free at the point of use, universal and unconditional. He made the ritual genuflection to the Blairite mantra of equality of opportunity and equality of access, but emphasised what he called "the fundamentally socialist aim of equality of outcome". This is in stark contrast to the approach of Tony Blair who told party activists in January that the true meaning of equality is specifically "not equality of outcome" (31).

Morgan speaks English, Welsh and French but a completely different language to Labour leaders in Westminster. He emphasises social solidarity and the individual as citizen rather than as consumer, and mocks the idea that a public services user is "some sort of serial shopper":

Approaches which prioritise choice over equality of outcome rest, in the end, upon a market approach to public services, in which individual economic actors pursue their own best interests with little regard for wider considerations. (32)

He objects to Foundation Hospitals because "the experiment will end, not with patients choosing hospitals, but with hospitals choosing patients." His preferred aim is for hospitals, he said this year, is to "develop specialisms through collaboration rather than competition between trusts" (33). Similarly, this is why the comprehensive school era was not coming to an end in Wales.

## ***Border tensions***

In the second term, the different path tentatively taken by the Welsh Assembly Government in its first term will almost certainly result in a widening gap between the experiences of those living in England and Wales. There are obvious tensions and potential problems for Labour in this new world of devolution and diversity – for both London and Cardiff (and Edinburgh too, come to that).

These go beyond the West Lothian question, although that has been brought into sharp focus with the sight of Welsh and Scots MPs trooping through the lobbies for Foundation Hospitals in England, and now an MP from a Scottish constituency running the English health service. But the constitutional issues are perhaps less interesting than the fact that the loyalty of most Welsh and Scots Labour MPs allows them to embrace Foundation Hospitals in England but reject them in their own countries. If Foundation Hospitals are good for England, why is that they are so unsuitable for Wales? Or if they are good for Wales, why aren't Welsh Labour MPs leading a campaign to change the Welsh party's policy?

Wales has a long and porous border with England, close to many large English cities. Already discrepancies are being noticed in services on either side of the border. A family in Hay-on-Wye can apply for an Assembly Learning Grant for a daughter or son to go to college. Just a few miles over the border in Hereford, no such option exists. The family on the Welsh side will soon not pay for prescriptions nor will their children have SATS tests at 7 years old. On the other hand, if Foundation Trusts are

established in any of the large cities near Wales – Bristol, Birmingham or Liverpool – there is a danger that vitally needed staff could be poached from Welsh hospitals.

The devolved administrations and legislatures also look over their shoulders at each other. Members of the Scottish Parliament have called for the Scottish Executive to follow the Welsh Assembly Government's pledges on free prescriptions and school breakfasts. And the Assembly Member for Wrexham in North Wales, ex-Labour man John Marek, recently hosted a conference to discuss the prospects of forming a Welsh equivalent to the Scottish Socialist Party (34).

The cross-party Richards Commission on the powers of the National Assembly will report by the end of 2003. It is widely expected to recommend a move towards parity with Scotland. The recent UK Cabinet reshuffle with the downgrading of the Welsh Secretary's position makes the logic of devolving primary law making and tax raising powers almost inescapable. This can only accentuate the trends already established in terms of public services in Wales.

In England, anyone who rejects or even questions the marketisation of public services faces a tedious repetition of the fusillade of new Labour clichés about glorifying a one-size-fits-all model, defending the status quo, venerating a monolithic 1945 settlement, and championing producer interest. In this caricature, it is as though not a single prescription can be issued unless first approved (in triplicate) by the Permanent Secretary at the Department of Health.

But New Labour's analysis of public services starts to fall apart as soon as non-market reforms can be shown to work. That is the challenge facing Welsh Labour and also the significance of the modest alternatives to the market approach they are implementing. And if the electorate are the ultimate market for politicians, then in Wales at least, the consumers have spoken.

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