

Mutualising The State

How local communities can run public services

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Introduction – Rethinking Public Services

Public service reform is top of the political agenda. Without fresh ideas, the obituary for the Welfare State will read, “*Fondly remembered – Failed to deliver*”. There will be nowhere for the public sector to go except the corrosive route of break-up, privatisation, confusion and citizens’ distrust.

There is, however a new vision for government, based not on serving citizens but on co-operating with them. The idea is simple. Citizens, on their own or coming together at a neighbourhood or some other level, play a key role in the design and delivery of public services.

We call this the Mutual State. It draws on a long history of mutual approaches that enlist people as partners rather than users. But it recreates a new form of mutuality focused on participation and social entrepreneurship rather than conventional ownership.

Mutualising The State – A Summary

The last two decades have seen a battle for the control of public services.

On the one hand was the post-war tradition of state-owned, state-run services. On the other was privatisation, the idea that monopoly public services should be subject to market forces. The battle has yet to be resolved but it is clear that without fresh inspiration or ideas, the welfare state could face death by a thousand cuts.

Mutuality can re-energise public services. It is an ancient way of getting things done, predating the modern public, private and charitable sectors in Britain by almost a thousand

years. It involves running organisations with the close co-operation or control of key stakeholders. Involving users in the delivery of public services makes them more efficient and responsive. It also offers, at a time of political disengagement, the prospect of a wide-ranging and participatory civic renewal.

There are now many examples of successful mutuality, in health, housing, education, leisure, transport, social services and environmental work. The last two decades have seen a remarkable upsurge in social businesses, from credit unions and housing co-operatives to farmers' markets, community shops, and time banks. Over the last year such businesses have grown at 9 percent, even though they focus on the most disadvantaged areas of the country. Social enterprises succeed because they build a long-term business with a clear focus on the good of their community. Their mutuality is about participation rather than the narrow model of co-operative ownership. They save money for the public-sector because they are able to generate increased income and raise private finance, including grants and social investment.

Five key elements should form part of the *mutualisation of public services*:

A Participation Audit

This would look at the lessons from community involvement and draw up guidelines for the future. New initiatives could include elections to hospital trusts, children's participation on school boards, user panels for local authority services and designating individual, named, policemen as contacts for streets or neighbourhoods. The audit would be managed by a community participation unit set up as part of the Office for Public Service Reform in the Cabinet Office. The unit's role would be to improve the quality of relationships with users in the public services.

Decentralisation

Local authorities should be recast as smaller, strategic units, overseeing the co-ordination and accountability of local services. They would use their powers to *build capacity* for public workers and citizens, enabling them to run services mutually. Public institutions such as schools and prisons should be given greater autonomy – more direct funding, greater freedom of financial management – within a framework which sets down standards on quality.

A Recognised Status for Mutuels

This would mean creating a clearer and stronger legal framework for *social enterprises*, including limits on demutualisation and new powers to raise finance such as local bonds, and a quality mark, which sets out ways of involving stakeholders and ensuring accountability. In Italy, social enterprises of this form have grown in number by 40 percent since a new status was launched.

Conversion of Public Services

Selected state services should migrate to the new mutual status through a recognised and approval process. One important ingredient of this process should be an employee ballot.

Re-imagining the State

The state would act as guarantor, funding and regulating the mutual service providers. The National Audit Office role would shift from straightforward inspection to enabling –

equipping stakeholders with the skills to *self-audit*. Tax funding for the new mutuals would be supplemented by social investment from citizens.

Making it Happen

A practical programme of mutualisation could start with public services or institutions that have clearly failed. It would focus on smaller-scale organisations such as schools or hospitals, with *populations* of 400 to 600 people. The National Health Service (NHS) could be *de-merged* into a Mutual Health Service (MHS) built on smaller, manageable units run as self-governing mutuals. The exceptional record of tenant-owned and managed housing should be recognised. Local education authorities should be reformed as *secondary mutuals*.

The priorities for mutualisation are: health, primary and secondary education, care for the elderly, childcare, employment advice, parks and libraries, leisure, recycling, housing, youth justice and regeneration partnerships.

Further Information and Contacts

This summary chapter comes from the New Economics Foundation publication: *The Mutual State – How local communities can run public services*, NEF Pocketbook No5, London 2001, (ISBN1 899 407 405).

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