CITIZENSHIP, PUBLIC SERVICE, AND THE EMPLOYMENT RELATIONSHIP

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Simon Deakin
ESRC Centre for Business Research
University of Cambridge
Austin Robinson Building
Sidgwick Avenue
Cambridge
CB3 9DE

Phone: 01223 335243
Fax: 01223 335768
E-Mail: sfd20@econ.cam.ac.uk

Mark Freedland
St. John's College
Oxford
OX1 3JP

Phone: 01865 277300
Fax: 01865 277435
E-Mail: mark.freedland@sjc.ox.ac.uk

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Abstract

This paper reports on the effects on employment relations and conceptions of citizenship of the shift from bureaucratic to market-led forms of public service provision in Britain. Two contrasting case studies are reported , one based on the public education service, the other on the utilities. Education, which remains within the public sector, has become subject to a high degree of hierarchical control through political and administrative processes which together amount to a form of 'imposed contractualism'. Excessively prescriptive performance targets are in danger of bringing about a low-trust dynamic within employment relations, which in turn threatens the viability of government-initiated reforms. By contrast, in the privatised (and re-regulated) utilities, collective bargaining has been re-emerging in the last few years on the basis of 'partnership' arrangements between labour and management. However, the regulatory framework continues to place employers under continuous pressure to cut costs and to reduce employment levels. The partnership solution is therefore in many ways a highly precarious one, which may not survive further tightening of regulatory controls.

Key words: public service employment, citizenship

JEL classifications: J53, K31.

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1. Introduction

One of the consequences of the process of privatisation in a number of European countries has been the emergence of a distinctive 'public service sector', consisting of areas of the economy which are neither within the state sector, as that has been traditionally conceived, nor wholly within the private sector (Freedland, 1998). In some areas of this new 'third' sector, the state's role has shifted from being the direct supplier of certain essential services to regulating the conditions under which these services are supplied by private sector organisations. This is the model which has been established in Britain for the utilities (water, gas, electricity and telecommunications) and parts of transport (in particular the railways). The purposes of regulation include the promotion of competition but also the protection of the universal service obligation and the promotion of quality. In other areas, such as education and health, the provision of public services formally remains the responsibility of the public sector, but under conditions of internal competition, operating through 'market analogues' of various kinds.

The emergence of the public service sector reflects a shift in the predominant notion of citizenship. The idea of constitutional citizenship, which can be thought of as implying the equal right of all individuals to participate in the democratic processes of the state, a right which is protected by public-law constraints on the arbitrary and unjustified exercise of power by the state, has been challenged by the notion of 'market citizenship'. This sees the role of the state as creating the conditions for effective consumer choice on the part of individuals, and for maintaining the flow of high-quality services to consumers. These two notions of citizenship, in turn, give rise to rival conceptions of labour law. As the public sector grew in size and significance, a form of labour law developed which stressed stability of employment and also aimed to protect workers against the particular pressures which the state

could bring to bear in its capacity as employer. This was done through the encouragement of national-level collective bargaining and the establishment of highly formalised dispute-resolution procedures. With the more recent growth of 'public service' employment, there has been a greater emphasis upon flexibility of employment and on the linking of terms and conditions of employment to the achievement of performance targets as means of meeting consumers' wants. In some cases, this has led to the decentralisation of processes for setting pay and conditions, and, in others, to a more radical 'individualisation' of employment relations.

A number of issues arise from these developments. Firstly, the distinctive combination of regulation and competition which appears to characterise the public service sector requires closer examination. What are the regulatory mechanisms by which contract or contract-like relations are constituted and maintained, and how do they differ from those which operate under private-sector conditions? Secondly, the impact of these changes on the employment relationship needs to be explored. What has been the response of employers to the new regulatory and competitive pressures under which they have had to operate, and what are the longer-term consequences for the quality and security of employment in these areas?

In this paper, these questions are addressed through two case studies. The first is concerned with the public education sector, the second with the utilities. They offer contrasting perspectives on the evolution of employment relationships, and illustrate the diverse experiences which may be found within the public services. At the same time, they also point to common tensions and problems which arise from the notion of 'market citizenship', in particular the difficulty in reconciling this model with the claims which workers themselves have, as citizens, to the protection of social rights.

2. A New Paradigm for Public Services and Employment Relationships? The Case of Education

2.1. 'Imposed contractualism' as a technique of regulation in the public sector

In the first part of this paper, we take the public provision of education, and particularly primary and secondary education, as our example or the object of our focus, because of its prominence in the current politics of public service provision, and because it seems to be the location in which the New Labour government is seeking to develop and implement its central paradigm for the management of the public service and of the employment relationships by means of which that provision takes place.

It is, of course, one of the central preoccupations of modern governments to ensure that high quality public services are provided economically, that is to say at the least reasonably achievable cost, to the communities which they govern. The pressures to perform well in this respect seem to have intensified in the last twenty years, to the point where the achievement and retention of political power are regarded as crucially dependent upon success in this sphere. Such claims and counter-claims on the part of the rival political parties and their leaders loomed very large indeed in the British general election of 1997, and the present government clearly regards its ability to make good its claims or promises as crucial to its prospects for re-election in due course - a matter which it regards as of quite paramount importance.

There is nothing new in the suggestion that, in order to realise those goals, successive governments have been making radical changes in the ways in which public service provision is managed and in which public service employment relationships are conducted. A long series of initiatives has ensued since the first public utility privatisations of the early 1980s, of which perhaps the high points have been the Next Steps programme for the creation of executive agencies from government departments, the introduction of 'local management' of schools, the

creation of the 'internal market' within the National Health Service, the Citizen's Charter programme for enhancing the rights and expectations of users of public services, and the Private Finance Initiative for bringing about greater private sector capital investment in public service provision.

A widely held and accepted understanding of these successive changes would be that they amount to a general marketisation of public service provision, and that they tend towards a de-collectivisation of public service employment relationships. According to that interpretation, the relations between public service providers and their users are being constituted, or reconstituted, as market relations which it is the task of government to maintain and supervise. On that same interpretation, public service employment relationships are being withdrawn from the governance of collective bargaining, especially from that of nation-wide or industry-wide collective bargaining, and in that sense, therefore, are being individualised. It seems generally to be thought that the present government, while wishing to avoid the more far-fetched and ideologically driven extremes of these approaches, is nevertheless continuing to move in the same general direction; its 'Third Way' still has a significantly anti-statist and anti-corporatist orientation so far as the management of the public service sector is concerned.

There are, however, reasons for starting to think that the present government has somewhat different tactics, perhaps one might even think rather different strategies, from those of its predecessors, for the management of public service provision. They continue to look for opportunities for privatisation, even taking this into spheres of activity where there used to be strong taboos against privatisation, such as that of air traffic control. They are at least as enthusiastic as their predecessors about contracting out public services to the private sector - hence the expansion of the PFI, and its replication at local government level in the form of the PPP (Public-Private Partnerships) scheme. But - and this is an important qualification - they have realised that where privatisation and contracting-out are not available options, the creation

of market analogues driven by consumer choice is unlikely to be an effective way of realising the ambition of securing high quality services at low cost, or of positively transforming employment relationships within the public services in question.

They appreciated that parents dissatisfied with the education offered to their children by the local school, or patients dissatisfied with the health care offered by their local general practitioners and hospitals, were unlikely to be placated by reminders of their rights to transfer their 'custom' elsewehere; and that this was not a strong mechanism for securing improvement to the service provision in question. They also appreciated that that the re-constituting of public service providers as distinct free-standing enterprises would not in and of itself bring about the sort of flexibilisation of employment relationships which they regarded as important.

The response to these difficulties has consisted in the increasing use of a kind of regulation which we might identify as 'imposed contractualism'. This kind of regulation is an emerging variation on the theme of 'government by contract'. It is being used at several levels: within government; between government departments and public service providers; between public service providers and public service workers; and between all of them and the users of public services. The developing approach to the regulation of the primary and secondary education system provides one of the best illustrations of imposed contractualism, and we shall use that illustration to examine the notion of imposed contractualism and to assess its significance.

It will straight away be apparent that the notion of 'imposed contractualism' is, on the face of it, a contradiction in terms. Contractualism should refer to the promotion of voluntary exchanging of obligations, and so cannot meaningfully consist of the imposition of regulation. There is, indeed, a temptation for those in power to dress the regulation which they impose, in the clothing of agreement or contract. Populist governments of various shades often claim to have made

agreements with the people, that is to say their subjects or citizenry, at large. The doyen of modern Labour Law, Otto Kahn-Freund, tirelessly reminded his audience of the propensity of legislators to present the norms which they imposed on employers and employees as agreements or as terms of contracts made between them; and that this could amount to a dangerous form of hypocrisy. Those engaged in the exposition of Public Law need to be equally alert to the dangers of extreme forms of imposed contractualism.

However, the New Labour government is seriously dedicated to the avoidance of ideological extremes, and the form of imposed contractualism which seems to be emerging from its regulatory practice should not be seen as fundamentally flawed by that defect. For it consists essentially of a kind of regulation by which norms or standards are initially imposed but then implemented and kept under revision by means of an essentially contractual process. That process may be subject to serious inequalities of bargaining power between the parties to it, but those may not be such as to deny the process a genuinely contractual character. This is, essentially, the contractualism of continuing relationships, whether between human persons or organisations, which, we increasingly recognise, is significantly different from the bargains instantly struck and instantly executed in spot markets.

It is a marked feature of imposed contractualism that it permits a high degree of specific regulation of the activity to which it relates; as a mode of governance, it is conducive to an intensity of regulation which would be attacked as overly bureaucratic if it appeared in the form of the direct exercise of unilateral power. There is good reason to think that various developments in the machinery of governance of public education in the primary and secondary sectors since the present government assumed power in 1997 do tend towards towards a high intensity of regulation in the form of imposed contractualism. This seems to be happening at a number of levels, or in a number of contexts: firstly, in relations between the inner core of government (as represented by the Treasury and to some extent the Cabinet Office), the relevant department of government

(the Department for Education and Employment) and the relevant regulatory authority (the Office for Standards in Education, OFSTED); secondly, in relations between the department, the regulatory authority and the schools themselves; and thirdly in the employment relationships between teachers, headteachers, and the hierarchy of authorities by whom they are employed. We shall consider the growth of imposed contractualism at those different levels.

2.2. Imposed contractualism between the core of government, the DfEE, and OFSTED

It is at this level that we find what is probably the most obvious, though possibly not the most interesting, manifestation of imposed contractualism. One of the authors of this paper maintained that the great transformation in the machinery of government which was wrought in the later 1980s and the early 1990s by the Next Steps programme should be understood as a form of 'government by contract' (Freedland, 1994). That is to say, the constituting of the service-providing parts of government departments as distinct executive agencies created a contract-like relationship between those agencies and their parent departments. Now, by means of an innovation which it has styled as 'Public Service Agreements', the government has replicated that contract-like set of arrangements as between the core of government (in this context represented by the Treasury rather than the Cabinet Office) and the departments of government and regulatory authorities. This on the face of it startling, and not uncontroversial assertion requires some substantiation.

It is quite evident that the present government has a dual core structure in which authority is shared, or rather divided, between the Treasury and the Cabinet Office. Both institutional parts of that core have been concerning themselves with the regulation of the way in which public services are provided; each has produced its White Paper setting out the basis for its own regulatory role. The Cabinet Office White Paper, *Modernising Government,*[1] has a considerable bearing upon the

development of public service employment relationships, and the role of performance-related pay in the management of those relationships, a matter to which we return in a later section. The Treasury White Paper, *Public Services for the Future: Modernisation, Reform, Accountability*[2] concentrates on the arrangements at the heart of government for the provision of public services, and introduces the new notion of Public Service Agreements (PSAs) to encapsulate those arrangements.

Public Service Agreements are, as we have indicated, the very embodiment of imposed contractualism. They form part of a larger set of new arrangements, known as the Comprehensive Spending Review, whereby government spending commitments to public services are to be for a longer time span - for three years instead of on an annual basis - but more closely linked than previously to specified outcomes. This requires a process of target setting, and it is the resulting sets of targets for each government department, agency and regulator which form the body of PSAs, of which those then available were published in that first PSA White Paper, which was followed by a supplementary White Paper containing a second round of PSAs in March 1999.[3] The sets of targets are thus styled 'agreements', but it is not clear between whom or by what process the agreements in question are reached. The main PSA White Paper declared that '[w]hilst PSAs are set for each department, they are agreed by the Government as a whole'.[4] In the supplementary White Paper, the Chief Secretary to the Treasury says in his foreword that:

> 'The PSAs set clear targets which public services will deliver in exchange for the extra investment they are receiving. They are a contract with the people. A promise of improvements in both the quality and the efficiency of the services the public pay for and use.'[5]

Whilst it would be useful to discuss the nature and strength of the claim which these arrangements have to be regarded as consensual or contractual in character, for our present purposes it is perhaps more important to draw attention to the very high specificity of the regulation

which they embody. The Public Service Agreements constitute the basis for a process of annual reporting by the Government to Parliament about the provision of public services, in which the reports are to be known as Output and Performance Analyses. A document issued by the Treasury identifies this process as the Government's 'measure of success in delivering its objectives for better and more efficient services'.[6] The reports will measure the performance of each government department against a complex set of standards. The set of standards will be made up of the following three formulations: (1) the department's objectives; (2) the targets for each objective; and (3) the indicators for measuring 'progress and outturn' against the objectives and targets. It is very important to realise that the making of those formulations is a major norm-making function. It is this norm-making which is taking place in the form of Public Service Agreements. The formulation of objectives, targets and indicators creates a kind of cascade of norms, the cumulative result of which is a very highly specific contract-like definition of the functions and obligations of public service providers. This is a regulatory process in which the Treasury undoubtedly has a very significant role.

Thus, taking primary and secondary education as our example, we find that the general objective of 'ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world' is further specified by a combination of targets and indicators, so that it becomes a series of requirements such as minimising the proportion of children permanently excluded from school. There is no doubt a legitimate educational debate about how much priority should be given to minimising such exclusions, and one might take the view that it was entirely appropriate for the government to formulate and implement a policy which accorded a high priority to doing so. Even if one applauds this piece of governmental action, it is nevertheless important to satisfy oneself that the process of 'imposed contractualism' by which this action is taken, is a transparent and accountable one. Within the sphere of education, we should ask similar questions about the way in which this process of formulation of objectives, targets and

performance indicators for OFSTED constrains the independence and objectivity with which that Office carries out its regulatory function. It is worth noting, for instance, that OFSTED's performance is to be judged, inter alia, by the percentage of its advice to the Sectretary of State for Education and Employment 'which is timely and meets DfEE requirements';[7] this is hardly a recipe for robust detachment on OFSTED's part.

2.3. Imposed contractualism between government departments and institutions providing public services

The 'imposed contractualism' which we have so far considered, that is to say within central government, lacks any obvious apparatus of enforcement. As between government departments and institutions providing public services, we find a growing use of a rather different form of imposed contractualism, in which there is great emphasis on enforcement and sanctions. We referred earlier to the fact that the present government has less faith than its predecessors in consumer preference as a mechanism for exacting market efficiency from the providers of certain at least of the basic public services such as health and education, or even for convincing their political constituency that they had discharged their governmental responsibility for securing efficient service provision. They have accordingly wrought a certain subtle but important change in their relations with public service providers; they see their role rather more as one of imposing standards and expectations upon public service providers, and then enforcing those standards and expectations as if they were contractual ones.

In this rather changed conception of how to achieve efficiency, performance indicators and league tables of levels of performance are as prominent as ever, but they have a different function. Previously, league tables were presented as the data upon the basis of which consumer choices might be made; parents would use them to select schools, patients or GPs on their behalf would use them to select hospitals, and

so on. Now, they serve, of course, as indicators of competitive success; but also, and very prominently, as ways of identifying failure or under-performance. Government defines its role, as custodian of the efficiency of public services, as one of locating and responding to failure as identified in these ways. The sanction for failure is in many ways conceived of in contract-like terms; failure is envisaged as a fundamental breach of contract, meriting the termination of the contract, and the transfer of the activity in question to a different and more successful contractor.

Again, arrangements for primary and secondary education provide a good illustration, this time in the form of the School Standards and Framework Act 1998, which implements a set of policies which had been set out in the White Paper of 1997, *Excellence in Schools*.[8] The White Paper and the Act seem in a certain sense to reinstate the significance of local education authorities, a matter which occasions some surprise among those who observed the New Labour government to be, in general, minded to continue the marginalisation of local authorities which their predecessors had undertaken. But the new focus upon local education authorities is of a particular kind; the LEAs are cast rather in the role of general contractors with central government, with the responsibility to secure compliance by their sub-contractors, the locally-managed schools, with the standards and targets which central government sets and maintains. A series of contact-like arrangments is imposed, and the under-performing party faces the prospect of the sanction of losing the contract in future, or at least of losing independence and autonomy in the performance of the contractual task.

Thus, section 5 of the 1998 Act imposes a new duty upon LEAs to 'promote high standards in primary and secondary education', and section 6 requires each LEA to prepare an 'education development plan' for its area. (One has the sneaking suspicion that, by 1999, the terminology of 'education development agreement' would have been preferred.) In another part of the Act (sections 110-111), we find a perfect rhetorical form of 'imposed contractualism' in the shape of a set

of requirements for the making of 'home-school agreements' between schools and the parents of their students. Section 7 gives the DfEE (the Department for Education and Employment) powers of approval, modification and review of the LEA's proposals for its education development plan; this is very much the machinery of imposition of contract-like arrangements. Section 8 gives the DfEE reserve powers to secure proper performance of the LEA's functions; that is to say, where an LEA is 'failing', it may be ordered by the DfEE to transfer the peformance of its functions to such other person as the department may direct, on such contractual terms as the department may direct. All this puts in place a hierarchy of responsibilities not unlike that created by a general contract which is to be performed by a series of sub-contracts. Thus, the Act (sections 14 - 17) also enhances the powers of LEAs to intervene in the operation of failing schools, if necessary by suspending the school's right to a delegated budget (that is to say, taking it back into direct financial management); and the DfEE may direct the LEA to require the closure of the school (section 19). Moreover, provision is made by sections 10 to 13 of the Act for the establishment of 'education action zones' - which are essentially groups of schools designated by the DfEE - and for the placing of the schools in those zones under the control of a new type of body known as an Education Action Forum, which might in turn entrust the management of its schools or any of them to a private company.

There is a particular sense in which arrangements of this kind may function in a contract-like way. They create a situation in which the purchaser or procurer of the educational services in question has at its disposal a set of sanctions which it can use to force what is in effect a re-negotiation of the current 'contract' under which the services are provided. Thus the DfEE can and does treat with LEAs in that way over problems of 'failing schools', and the LEAs in turn can and do treat with the schools themselves in that way. The LEA and the schools are required by these means to promise to achieve particular improvements in their performance, rather in the way that the contractual suppliers of goods and services and the corporate units within a corporate

conglomerate might be pressed by the overall managers into a re-working of their supply contracts, designed to exact greater cost efficiency from them.

2.4. Imposed contractualism in public service employment relationships

It is worth beginning this section with a reminder of what we mean by 'imposed contractualism'. We are using it to mean, in the context of arrangements for the provision of public services, the putting in place and operating of a highly specific normative system in a form which asserts and emphasises the consensual or contractual nature of the regulatory process in question. In that sense, the New Labour government's approach to public service employment relationships seems strongly to display a tendency to engage in imposed contractualism. It is this which underlies and explains the drive towards performance-related pay for workers engaged in the provision of public services. Much the best illustration of this is to be found in the proposals for performance-related pay for teachers which were put forward in the Green Paper about the employment and management of schoolteachers which was published late in 1998,[9] and the accompanying technical consultation document.[10] The Secretary of State for Education makes it quite clear in his Foreword to the Green Paper that he regards these proposals as quite central and crucial to the whole strategy for the reform of primary and secondary education. At the time of writing, these proposals were in the course of being implemented.

The reasons for the centrality of these proposals to the Government's education strategy, and the reasons for seeing these proposals as a strong example of imposed contractualism, are really one and the same; they are that the Government has come to think about performance related pay plans as offering a basis for reforming the conduct of public service employment relationships in a root and branch way, and thereby greatly enhancing the efficiency of the whole system of public service provision. This is a much more ambitious undertaking than a mere scheme for

awarding bonuses on the strength of last year's performance by the school or by the teacher in question; it seeks to introduce a whole new structure of 'pay and performance management' into schools. Inspired by theories of management of public education systems which have been developed and widely put into practice in the USA (see Odden and Kelley, 1996), this proposed new structure has many of the identifying characteristics of 'imposed contractualism' in a very pronounced form.

The proposal is, essentially, to extend and to elaborate the ranking or grading structure for teachers, so that there will be a number of superior ranks to which teachers may be promoted without their having to move into the managerial hierarchy; the allocation of these superior rankings, which is strongly linked to the level and range of competencies the teacher is judged to possess, is carried out by means of a stringent and searching annual appraisal process for which the headteacher of the school is centrally responsible. The ascending ranks are those of (i) qualified teacher, (ii) teacher who has successfully completed the induction stage, (iii) teacher who has crossed the main 'performance threshold', and (iv) advanced skills teacher. There is also provision for the identification of (v) 'fast track teachers' who have that rank and are thereby enabled to move up through the other ranks at a faster rate than normal. Each of these promotions brings with it an enhancement of salary and of status in return for an actual and prospective improvement in the range of skills or competencies which the teacher maintains, and the range of responsibilities which the teacher accepts.

In what sense should we see this as an instance of contractualism? It is a contractualist system in the particular sense that the process by which it is implemented is very like that of the implementation system for the management of a business relationship constructed upon a contractual framework. This becomes strongly evident when one considers the 'performance management cycle' which, it is contemplated, will take place on the basis of the annual appraisal. Within this cycle, the annual appraisal has the dual function of being the process by which new objectives are agreed for the forthcoming year and by which last year's

performance is assessed against the objectives which had been established for it. So each year a certain balance is struck for each teacher between the level of performance that the teacher is meant to reach, and the level of remuneration and status which the teacher can expect in return; the appraisal serves both to verify compliance for the previous year and to re-establish the balance for the next year. The appraisal process, and the 'performance management cycle', are thus presented as a set of essentially contractual transactions between the teacher and the school as represented by the headteacher.

Despite the rhetoric of voluntarism which surrounds these arrangements, there are nevertheless some senses in which this is an imposed system of management. Thus it is said that:

> 'Governing bodies *will be required* to ensure that every school has a new performance management policy, setting out how the school *will implement* the statutory provisions for appraisal and pay. This policy should be discussed with staff and agreed by the governing body. Heads *will be responsible* for implementing the agreed policy.'[11] (emphases added).

The 'agreement' is thus within the governing body, rather than between the governing body and the teachers; and even the governing body operates within the constraint of having to put some kind of 'new performance management policy' in place. Moreover, although teachers appear to be given the freedom to choose which rank to aim for, or what objectives to identify for their future performance, this freedom may be rendered illusory by the expectation of constant *improvement* which underlies the whole performance management system. It is, of course, hard to argue against a discourse of improvement, self-improvement, and the avoidance of failure. Nevertheless, that discourse does considerably constrain and narrow down the freedom which teachers appear to be given to make meaningful contracts about their personal career progression; there must be real risks that the appraisal process will have

a coercive aspect.

That risk is enhanced by the third feature of this kind of imposed contractualism, namely its very high prescriptiveness and specificity. This is well illustrated by the Annex to the *Technical Consultation Document*, in which are set out the draft standards for threshold assessment. This is a statement, in very exacting detail, of what teachers have to demonstrate in order to meet the 'threshold standards' upon which career progression is contingent. These standards extend to the areas of (i) pupil performance, (ii) use of subject/specialist knowledge, (iii) planning, teaching and assessment, and (iv) professional effectiveness. Under the fourth head, teachers are required to demonstrate that they possess and display a whole set of virtues of the kind that seem important to managers; despite the high level of detail, there does not seem to be any mention of the professional virtue of independence.

That last observation provides the starting point for some concluding reflections about the underlying significance of 'imposed contractualism' as an approach to the governance of public service provision, and of the employment relationships by means of which those services are organised and provided. One way to assess its significance might be by reference to Alan Fox's famous analysis of the dynamics of high trust and low trust in the management and conduct of employment relationships. In his classic work of industrial sociology, *Beyond Contract* (Fox, 1974), he depicts employment relationships as generally subject either to a positive dynamic of increasing mutual trust between employer and employed, or to a negative dynamic of decreasing mutual trust. It is the style of management which mainly determines which of those two dynamics will operate in any given case. One of the key features of low trust dynamics and therefore of low trust relationships is tight specification of mutual obligations, both implying and generating a curtailing of the elements of discretion and mutual gratuitous goodwill in continuing relationships. Imposed contractualism may be subject to that dynamic, especially in so far as it constrains the mode of operation,

of those engaged in providing public services, by reference to tight quantitative measures of performance or very precise qualitative definitions of their roles and responsibilities. The proposals for pay and performance management for teachers may be thought to display that set of features.

Another way of understanding the significance of imposed contractualism is suggested by Christopher Hood's work on public management, in particular his recent study, *The Art of the State - Culture, Rhetoric and Public Management* (Hood, 1998). Using cultural theory to identify and examine both shifts and recurrences in notions about public management, Hood identifies four main 'ways of doing public management', namely the 'hierarchist way', the 'individualist way', the 'egalitarian way', and the 'fatalist way' - though he is at pains to emphasise that these styles may not be mutually exclusive, and that actual practices of public management are much more likely to consist of combinations or hybrids of these ways than of any single one of these ways. Each of these ways locates benefit and legitimacy in different attributes or modes of management. The hierarchist way is constructed around command structures; it favours socially cohesive, rule-bound approaches to organisation. The individualist way is based upon freedom of choice; it pursues atomised approaches to organisation, stressing negotiation and bargaining. The egalitarian way is based upon peer groups; it seeks high-participation structures in which every decision is open to the group at large. The fatalist way regards random chance as paramount; it tends towards low cooperation but rule-bound approaches to organisation.

This four-part analysis perhaps helps to identify some tensions within the discourse of imposed contractualism. The measures and policies which we have identified in terms of imposed contractualism tend to be presented as coming both from an egalitarian and an individualist approach. It is stressed that they are the subject of community participation and that they are reflexive of the choices of individual citizens. However, despite that sort of presentation, we have argued that

imposed contractualism is a mode of governance which really seeks to combine the individualist way with the hierarchist way. It is that combination which, in slightly different ways, characterises on the one hand Public Service Agreements and, on the other hand, the proposed pay and performance management system for teachers. In each case, agreement and choice of individual institutions or individual persons is stressed; but in each case there is a strong element of prescription from the core of government.

There is, of course, nothing extraordinarily novel about that combination; indeed, one of Christopher Hood's main assertions is that, despite their claims to 'modernity', such approaches to governance of public service provision tend to be re-inventions of earlier formulations, stated in new forms such as one might expect cultural change to produce. From the point of view of employment relations and employment law, one important question is whether Taylorist scientific management is being replicated in the form of 'pay and performance management'. From the point of view of public administration, there seem to be quite strong echoes of Benthamite utilitarianism. This is indeed an interesting moment at which to be considering the emerging paradigms for public service provision and public service employment relationships.

3. Regulation of the Utilities: Can the Public Service Commitment Survive?

3.1. The distinctiveness of the utilities sector: combining regulation and competition

We now turn to our second case study. This focuses on developments in employment relations in the public utilities. Unlike the health and education services, which have remained within the public sector while being subjected, as we have just explained, to contractual processes of various kinds, the public utilities have been transferred to private ownership at the same time as being opened up to market competition. At first sight, their experience exemplifies the tensions which exist between more traditional notions of citizenship and public service, on

the one hand, and market-orientated, economic reforms on the other. These were sectors which, traditionally, had been characterised by highly stable and cooperative forms of labour-management relations. They had also been regarded as havens of secure employment. From the mid-1980s, this began to change as the state-owned enterprises in the gas, telecommunications, water and electricity industries were first of all privatised and then subjected to increasing competition through a variety of methods. The effects upon employment included large-scale redundancies, the ending of national level collective bargaining, and the growing individualisation of pay and conditions. As a result, there is now apparently little to distinguish employment relations in the utilities from employment in other private-sector organisations.

Closer inspection suggests that while the changes have indeed been far-reaching, the notion of public service remains relevant in the case of the utilities, and that this is reflected in a number of complex ways in employment relations in these sectors. Privatisation, far from leading to deregulation, has ushered in a detailed and extensive system of economic regulation. It is not the case that the goals of public service provision have been abandoned; rather, it is the mechanisms chosen to achieve them which have changed. In particular, the new framework aims to promote private sector competition as a mechanism for meeting certain public service goals such as security of supply and universal provision of essential services. But it also recognises that there are certain natural limits to the effectiveness of competition, and hence acknowledges the need for direct intervention in certain areas. It is this particular mix of regulation and competition which helps to account for the evolution of employment relations within the utilities, and which continues to mark them out as being distinctive in a number of ways.

As we shall see, the central question here is whether the economic goals of enhanced efficiency and transparency of costs are compatible with the public service obligations which the utilities continue to have. The more precise issue of concern from the point of view of employment relations is whether the present structure of utilities regulation, when combined

with related influences such as those of the stock market, make it possible for companies to maintain labour relations in such a way as to ensure a high and consistent quality of service.

3.2. The aims and forms of utilities regulation

It seems that at the time of the first major privatisations, of telecommunications and gas, the question of regulation was addressed almost as an afterthought. The foremost aim of the policy of privatisation was to support the public finances by shifting the responsibility for investment from the state to the private sector at the same time as raising money for the government from the sale of shares in the newly privatised companies. There also appears to have been an intention to use privatisation to weaken the power of the then-powerful public-sector trade unions. The promotion of competition was, at best, a secondary objective. This helps to explain why British Gas, for example, was initially privatised intact, as a vertically-integrated, monopoly supplier within the domestic market.

An important turning point came with the two reports by Stephen Littlechild on the privatisation of telecommunications and water, in 1984 and 1986 respectively.[12] Littlechild argued that upon privatisation, the former state-owned enterprises should as far as possible be broken up so that separate stages in the supply chain could be identified and each one then subjected to competition. An exception should only be made where a clear case for the existence of a natural monopoly could be shown (since in the case of a natural monopoly, competition, by duplicating provision, would be wasteful). On this basis, he recommended that competition should be introduced into telecommunications, but that the privatised water companies should retain their local monopolies. These recommendations were accepted in the legislation which followed.

A more complete attempt to stimulate competition followed in the legislation which effected the privatisation of the electricity industry in the early 1990s. The generation, transmission and distribution functions

of the old Central Electricity Generating Board were separated from each other. Generation and distribution were deemed appropriate areas for competition, while transmission was characterised as a natural monopoly. Non-nuclear generation capacity was divided between two new suppliers, National Power plc and Powergen plc, while at the distribution end, a number of local regional electricity companies (RECs) were established. The transmission system was taken over by a new company known as National Grid plc.

On the basis of Littlechild's analysis, a distinction emerged between *regulation for competition* and *regulation for monopoly*. In the case of the former, the task of the regulator was to promote competition by putting in place the conditions for new market entrants to compete with the incumbent firm. In the case of the latter, an incentive structure was to be put in place with the aim of simulating the effects of competition. This took the form of the *RPI minus X* pricing formula, which was written into the licenses under which the newly privatised companies were authorised to operate. Essentially, *RPI minus X* required licensees to limit the prices of services supplied to the consumer to the level of retail price inflation minus a certain amount which they were meant to recoup through efficiency savings. In this way, the formula was intended to mimic the effects of competition in terms of exposing inefficient aspects of the company's operations at the same time as protecting consumers from excessive price increases (Bishop et al., 1995; Helm, 1995b; Beesley, 1997).

It was accepted that the promotion of competition could not occur overnight, and so the *RPI minus X* pricing formula was initially applied to nearly all the former state enterprises, only to be modified and in some cases removed at a later point as direct competition was introduced. This occurred in telecommunications, electricity and gas in the mid-1990s. Under the system put in place by the various privatisation Acts, the industry regulators could use the threat of a reference to the higher-level competition authority, the Monopolies and Mergers Commission (renamed the Competition Commission in 1999), to attack the dominant

market position of the incumbents and promote market entry. By these means Littlechild himself, in his capacity as Director-General of Electricity Supply, obtained undertakings in 1994 from National Power and Powergen to sell off a certain proportion of their generation capacity to rival companies. A combination of regulatory pressure, government encouragement and legislation led to the break-up of British Gas into separate production and transmission entities at about the same time.

The Littlechild reports had assumed that the need for regulation would fade away once competition established itself. In practice, there is little sign of this happening, in part because competition has been slow to develop. The established companies continue to wield significant market power. As a result, the industry regulators have had to engage in 'managed competition', not just requiring incumbents to reduce their market share but also regulating transmission prices, overseeing industry standards and regulating access to networks (Helm, 1995a).

In a more fundamental sense, it may also be argued that there are structural reasons for the continuing relevance of regulation, namely the inability of competition on its own to meet the public service obligations of the utilities in a reliable way. This is implicit in the privatisation Acts, none of which makes the promotion of competition the principal goal of the legislation. Competition was only mentioned for the first time in the context of electricity privatisation. As Tony Prosser has suggested, 'in all four of the main utility regulation statutes there is no suggestion that the maximisation of economic efficiency is to be the overriding regulatory goal; indeed, the concept of universal service looms large in those duties' (Prosser, 1997: 19). As we have already suggested, then, the structure of regulation could most accurately be characterised as promoting competition not as a goal in its own right, but as a means of achieving a number of diverse policy objectives. These included not just efficiency and cost-effectiveness but also the provision of essential services on a universal basis, in other words, as an aspect of citizenship. The quality and consistency of supply was also a matter over which the industry regulators acquired powers of intervention, under the

Competition and Services (Utilities) Act 1992.

3.3. The impact of the regulatory framework on corporate strategies with regard to redundancy

The privatised utility companies have been placed under a set of particular pressures or constraints: they are required by the regulatory framework to maintain quality and reliability of supply, at the same time as the threat of competition and the operation of the RPI-X formula forces them to cut costs and streamline their operations. A further source of pressures comes from the way in which the regulatory framework interacts with the operation of the stock market. The former state enterprises were all privatised as public limited companies with stock exchange listings. As such they soon came under the normal pressures to meet shareholders' expectations of high rates of return on investments. These pressures were intensified when, in 1995, the government sold its residual shareholdings, the so-called 'golden shares', thereby triggering the possibility of mergers on the basis of hostile takeovers. A wave of mergers followed in the electricity and water industries, with a degree of both horizontal and vertical re-integration and the growing involvement of overseas companies (particularly from the USA and France). Although some mergers were blocked on competition grounds, several were allowed, so that the disciplinary threat of a hostile takeover remained real. Hence all companies, and not just those which were involved in merger activity, were affected by the need to maintain a high share price as the best defence against the threat of a hostile takeover. In practice, this was translated into further efforts to cut costs in order to demonstrate to the stock market that all efforts were being made to remove sources of waste and inefficiency.

Defenders of the takeover mechanism, the 'market for corporate control', argue that it serves two useful purposes from the point of view of economic efficiency (Jensen, 1998).[20] Firstly, it provides incumbent managers with powerful incentives to meet shareholders' expectations as a way of staving off the threat of a takeover bid. Secondly, it induces

restructurings which free up resources to flow to more efficient uses within the economy. Thus measures which are frequently taken by target companies to realise shareholder value in an attempt to forestall hostile bids, such as asset sales, can be seen as promoting allocative efficiency.

Whatever the wider merit of these arguments, their application to the restructuring of the water and electricity industries in the mid-1990s must be seen in the context of the particular circumstances under which these sectors had been privatised and the regulatory conditions under which companies were operating. These combined to place strong incentives upon managers to shed labour as a response to shareholder pressures to maintain dividends. Research on corporate restructuring carried out by the University of Cambridge recorded the following view of a utility manager, interviewed in 1998:

> 'Levels of dividends can be maintained and capital growth can be achieved by cutting certain costs. Most costs are going down anyway because of new technology, and the price of electricity is falling. But the big factor is the wage and salary bill that the companies can control. So labour is being shed at the same time as investments in capital are being made… the regulatory structure favours labour shedding.'

Analyses confirm that in many sectors, 'labour is often the largest component of cost and, if suppliers cannot be squeezed further, is it usually the only major controllable item'(Froud *et al.*, 1999). Even companies with a good growth record can find themselves in a position where they can only meet shareholder expectations by engaging in merger and takeover activity. This is in large part because so-called horizontal mergers, that is, mergers between companies making similar products, give rise to possibilities to cut labour costs in areas of duplication.

It is thus not surprising that the wave of merger and takeover activity in the utilities sectors in the period 1995-1998 led to substantial

redundancies, both prior to takeovers (as target companies attempted to persuade their shareholders that they could realise value for them) and after them (as merged companies dispensed with employees who were now surplus to requirements). Although this process has enabled shareholder value to be realised, it is questionable how far it is consonant with the public service goals of utility regulation. Here, the utility companies are squeezed between the need to meet the service obligations imposed on them by regulation and limit price increases to consumers, while also satisfying the demands of the stock market for a high rate of return on capital. The effect of labour shedding is that the long-term reliability of supply is under threat, as trained workers are not replaced. In the words of a utility manager interviewed for the Cambridge research project:

> 'We did not recruit after privatisation. There was implicit downsizing; contractors were employed and that was charged to the capital account. Now we have to retire people over 50 to get the necessary saving. But we have gone as far as we can go. There are no more labour savings to be made. And every company is in the same position. The fundamental problem is that the combination of market growth and productivity growth is not sufficient to maintain our stock market position … therefore cost cutting and revenue raising by increasing charges has priority? Will the customers understand if prices go up to meet shareholder demand?'

This comment suggests that there is a limit to how far labour can be safely dispensed with, but no obvious solution for companies whose employment levels have already been severely cut back. One possibility is the development of arrangements aimed at enhancing employee performance, to which we turn next.

3.4. The employment relationship: individualisation or 'partnership'?

There is evidence to suggest that privatisation and growing competition in product markets were catalysts for derecognition (that is, the withdrawal of employers from collective bargaining) in a number of sectors, including the utilities, in the early to mid-1990s. Where this occurred, various forms of individualisation of pay and conditions of employment resulted. However, countervailing tendencies have also been at work. During the same period, some utility companies followed a strategy of *strengthening* links with trade unions, even going so far as to reintroduce recognition for the purposes of collective bargaining in companies which they had taken over. This strategy was pursued in large part because of a perception that the goodwill and cooperation of the workforce were needed in order for the company to meet its public service requirements, as well as its commercial expectations. Again, we can observe a number of complex and overlapping effects of the regulatory framework on company strategies.

Companies which went down the route of derecognition did so very often out of a perception that 'the employment practices and industrial relations traditions that they had inherited were terminally uncompetitive' (Brown *et. al.*, 1998: 20). The tradition of the public sector was one of detailed arrangements for pay determination based on complex and rigid job classifications, often set by national-level collective agreements. In the case of water and electricity, privatisation, by breaking up the previously integrated structure of the industry, gave individual companies the opportunity to break away from national agreements. It was also significant that this occurred at a time of trade union weakness; thanks to a combination of legal and economic factors, unions were not in a strong position to defend national level bargaining. To that extent, events in the utilities were part of a wider pattern of decline in multi-employer bargaining in Britain at this time.

The legal framework was also favourable to complete derecognition during this period. Employers were not, then, under any statutory duty to enter into collective bargaining with trade unions, even those which could show that they were representative of the workforce or a

significant part of it. Employers also had the right to withdraw from an existing collective agreement without fearing a legal sanction, since it is a long standing principle of British labour law that collective agreements do not have legal effect between the employer and trade union concerned unless certain steps are taken to make it clear that they are regarded as legally binding. Few agreements contain the necessary provisions. While it was (and is) the case that the normative terms of collective agreements may be incorporated into individual contracts of employment, these terms can always be varied by an individual agreement between the employer and employee. Thus, under general employment law, there is always scope for 'individualisation' of terms and conditions of employment in this sense (Brown *et. al.*, 1998: ch. 6).

Evidence on the practice of derecognition is available from the Cambridge University study on individualisation which was carried out for the Department of Trade and Industry in 1997-98 (Brown *et. al.*, 1998). Around fifteen case studies were conducted in companies which had withdrawn from collective bargaining at some stage in the previous five years or so. The mechanism chosen to implement derecognition by certain utility companies (and by employers in a number of other sectors) was to offer inducements for employees to agree new contracts of employment, under which their pay and conditions would no longer be covered by the collective agreement. The type of inducements offered included one-off pay increases, provision of health care, and improvements in base pay. In return, employers obtained a compression of pay grades, and many new employment contracts incorporated references to a high degree of flexibility over job definition and function (Brown *et. al.*, 1998: ch. 6). This research also found that while, in some cases, unions put up resistance in the form of strike action, this quite often fizzled out and the vast majority of employees accepted the new terms when it became clear that the employer was no longer going to negotiate on the basis of the old collective agreement (ibid., ch. 3).
The nature of the resulting 'individualisation' was also the subject of empirical research. This found that 'procedural' individualisation, or derecognition, was much more widespread than 'substantive'

individualisation, or the differentiation of pay and conditions according to individual performance. Although 'performance appraisal', or the setting of pay by reference to an appraisal of the individual's performance, was very widespread in the aftermath of derecognition, most firms surveyed combined appraisal with generalised pay increases for all employees. Most firms had systems which set limits to how far an individual's pay could be increased on performance-related grounds, and there was considerable 'bunching' of increases in practice. In part this was done in order to avoid accusations of unfairness or inconsistent treatment; many personnel managers were acutely aware of the dangers of demotivation of employees. One commented: 'we have made pay rises a demotivator for years now' (Brown et al., 1998: 31).

There were further constraints on the extent of substantive individualisation. As pay grades were compressed following the removal of collective bargaining, non-pay terms and conditions became, if anything, more standardised than they had been before. Companies which had withdrawn from multiple agreements with trade unions representing particular groups within the workforce took the opportunity to remove what they now saw as obsolete divisions based on manual versus non-manual status, or between 'craft' workers and 'process' workers. The demands of teamworking, the need to create a 'flat' structure of basic terms and conditions in the interests of equity, and the transaction costs of administering different contract terms, also combined to increase the degree of standardisation.

Changes of this kind can be viewed as part of a process of de-collectivisation which resulted from the increasing pressure on employers to meet the demands of competition in their product markets. However, an alternative interpretation would be that many of these human resource practices were compatible with a continuing role for trade unions in the workplace, and were not specific to employers who chose to go down the route of derecognition. Evidence for this view may be found in a series of case studies of companies in which recognition rights had been retained, chosen to match the original sample of

derecognising firms. It was found that most of the firms retaining relations with trade unions had also implemented some form of performance appraisal, and that they had also achieved a compression of pay grades and greater flexibility over job definitions and tasks, as well as working time flexibility. Firms in both categories had been equally successful in linking pay to external market conditions. One significant difference, however, in the two utility companies whose practice were compared in this way, was described as follows:

> 'The [company] that derecognised unions… did so partly in order to be able to link individual pay rises to performance and competence. By contrast, [the other], which fosters its union relations and makes considerable use of individual performance appraisal, made a virtue of not linking pay to performance and of choosing instead to reward high performers with more symbolic marks of personal recognition' (Brown *et al*.,, 1998: 61).

Notwithstanding similarities between the approaches of the derecognising firms and their counterparts, the strategies which the latter were pursuing were often distinct in the limits they set to individualisation.

The retention of a collective framework for employee representation, under circumstances where it was not legally mandated, has formed part of the approach of numerous employers in Britain whose strategy has variously been described in terms of a 'partnership' or 'stakeholding' orientation. Case study research suggests that the role of the trade union in such a situation is quite different from the traditional conception of its function under collective bargaining. In part, this may be a reflection of union weakness; the degree to which even recognised unions can exercise bargaining power over pay and conditions has been reduced as a consequence of both economic and legal factors. However, this is not the whole picture, since many 'partnership' agreements also envisage an expansion of union involvement in matters such as training, and an extensive role in representing the views of employees on matters of work

organisation and health and safety.

Some of the tensions and possible contradictions of 'partnership' agreements in the utilities are illustrated by a case study taken from the Cambridge corporate restructuring project. The subject was a multi-utility which had recently carried out a successful hostile takeover of another utility company. Just prior to the takeover being completed, the target company had made several hundred of its employees redundant in a vain attempt to show that it could realise value for its shareholders in such a way as to stave off the unwelcome bid. The target did not recognise any trade union, whereas the successful bidder had close relations with trade unions along the broad lines of a 'partnership' model. Once the bid had gone through, it re-opened discussions with the local union officials. A manager in the bidder company, asked to comment on the target's defence, said:

> 'We knew that there would be a big reduction in the workforce. We knew that the top management would go… We knew that the bid would create uncertainty. It was part of [our] transition plan to deal with that. We hadn't planned for such an extreme defence. [But] to some extent it made our job easier.'

The defensive tactics of the target made it unnecessary for the bidder to consider large scale labour shedding which might otherwise have taken place; as it was, it was able to use its existing links with its trade union partner to reassure employees at the newly acquired company that their interests would be respected to the extent that it was able to make a commitment of no compulsory redundancies. In the context of another takeover, where redundancies were necessary, the company asked for volunteers and also ensured that each employee was placed with another employer in the local area.

Later, a personnel manager from the parent company of the group was interviewed. When asked about the company's attitude to independent (trade union-based) representation of employees, he said:

> ‘We create the structure for independent representation. I must say that I would have no problem creating an appropriate consultative framework for whoever wants to be there. Because I think organising in that way is better than having no trade unions at all and having a troublesome workforce. Trade unions in many ways assist me in solving my problems. They solve my problems for me before they even come to my attention.’

When asked how he reconciled a partnership approach with the company’s commitment to its shareholders, he argued that the company’s human resource (HR) strategy had been an important component in the company’s takeover strategy:

> ‘You persuade them by results you deliver. I can point to a direct benefit in the acquisition. We put our best people there. It is cheaper to develop rather than to acquire [staff] in the long run. We created a critical mass in the two years before [the acquisition]. Our HR policy made this acquisition possible. HR strategy is equally as important, not any more so, not any less so, than the financial, commercial and engineering strategy.’

3.5. Resolving the tensions in utility regulation?

On the view just expressed, the tensions which we earlier identified in the regulatory framework affecting utilities are, in the final analysis, reconcilable. Whether or not this is the case, is perhaps too early to say. What is most of interest for present purposes is the range and diversity of responses which utility companies have made to the regulatory framework which has grown up since the mid-1980s.

The growth of ‘partnership’ arrangements among utility companies, although not unique to that sector, is in many ways a reflection of the regulatory framework and, in particular, of the preservation of the public service element which, as we have seen, has not disappeared

notwithstanding the focus on the promotion of competition. The pressure to meet regulatory requirements for a high quality and reliable delivery of services which continue to be deemed 'essential' has led managers to regard as crucial the development of strong and durable forms of social partnership with trade unions. This is not a development which many could have foreseen at the time of the initial privatisations which were strongly resisted by organised labour.

At the same time, the restructuring which has taken place in the utilities sector has led in all organisations to large-scale job losses. These have been more than just a response to pressures for efficiency of the kind which proponents of greater competition would have expected. As we have seen, they have more complex origins in the interaction of the different elements in the regulatory framework, and in particular the conjunction of the *RPI minus X* formula and the gradual introduction of competition with stock market pressures. This has led some in the industry, and beyond, to ask whether it is possible for the utilities to be held as publicly listed companies, and at the same time maintain employment at the levels needed to meet their public service commitments.

4. Conclusion: The Uncertain Evolution of Public Service Employment in Britain

In this paper we have used two case studies, based on the public education service and the utilities, respectively, to explore the implications of changes in the predominant mode of delivery of public services in Britain. The state's role has shifted from one of direct provider of services (and direct employer of public sector workers), to that of a regulator whose function is to promote competition and quality of delivery. The responsibility for employment has been shifted, in some cases to entities newly created within the framework of so-called internal markets inside the public sector, in others to private sector organisations. These intermediate organisations have been subjected to a combination of governmental and competitive pressures which, although they are

formally intended to ‘mimic’ those of the private sector market, involve distinctive techniques of regulation.

In the education service, this has taken the form which we have called ‘imposed contractualism’. This involves the setting of highly specific and prescriptive performance targets at a number of levels: in relations between the central core of government, the education department, and the regulatory authority for schools; and in relations between the department, local education authorities and individual schools. The process is then reflected within schools, in plans for the implementation of performance appraisal and review for individual teachers. The result is a greater individualisation and fragmentation of pay and reward systems but, at the same time, the reinforcement of hierarchical control at all levels.

In the utilities, the sources of pressure on employers include the system of industry-level regulation which is aimed at inducing efficiency savings while reducing prices and increasing levels of quality in the delivery of services to the consumer; the efforts of regulators to encourage new market entrants; and the impact of the market for corporate control. These forces have combined to encourage corporate restructuring as a way of saving costs, leading to redundancies and, as a result, a greater intensification of work effort as more is required from those workers who retain their employment. Employers must simultaneously meet the demands of the capital markets for further ‘efficiency savings’ at the same time as complying with regulators’ requirements for high quality and reliable service to be maintained. In some cases, they initially responded by taking a stance which was aggressively opposed to collective bargaining, often derecognising trade unions formally or in all but name. However, other employers have taken an alternative position of promoting so-called ‘partnership’ arrangements with trade unions, on the basis that this is most likely to protect their long-run competitiveness.

Public service employment in Britain may therefore take one of a

number of divergent paths. There is the potential for a 'low-trust dynamic' to develop within employment relations which are shaped by over-prescriptive performance targets. This danger would appear to be particularly acute in sectors, such as education, which remain formally within the public sector and which, as a result, are prone to a high degree of hierarchical control through the political and administrative process. By contrast, in the utilities, the pressures operating on employers are more amorphous and indirect. As a result, competing strategies have emerged as ways of dealing with regulatory and competitive pressures. These include cooperative forms of labour-management relations in which an important role is played by independent employee representation. While these forms of cooperation differ, in numerous respects, from more traditional patterns of public-sector trade unionism, they nevertheless offer the tantalising prospect that collective bargaining is re-emerging in forms which are appropriate for the new public service sector.

This is not to say that we should necessarily expect cooperative, high-trust relations to prevail on the basis of their superior competitive advantage, or 'survival value'. The success and sustainability of 'partnership' arrangements is very far from guaranteed, in particular because the regulatory framework continues to place employers under continuous pressure to cut costs and to reduce employment levels. Under such conditions, employers who require high levels of loyalty and goodwill from their employees may be able to offer little in return by way of job security. The solution envisaged by the language of 'partnership' is therefore in many ways a highly precarious one, which may not survive further tightening of regulatory controls.

Notes

1. Cm 4310, March 1999.

2. Cm 4181, December 1998.

3. Cm 4315.

4. Cm 4181, 1.2, p.2.

5. Cm 4315, Foreword.

6. *The Government's Measures of Success - Output and Performance Analyses*, HM Treasury 31 March 1999.

7. *The Government's Measures of Success*, at p.8.

8. Cm 3681 (and a corresponding White Paper for Wales, *Building Excellent Schools Together* Cm 3701).

9. Green Paper, *Teachers - meeting the challenge of change,* DfEE, 1998.

10. *Teachers - meeting the challenge of change - technical consultation document on pay and peformance management,* DfEE, 1999.

11. *Technical Consultation Document* para 11.

12. *Regulation of British Telecommunications' Profitability* (1984); *Economic Regulation of Privatised Water Services* (1986).

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