

Because of the economic backdrop, Member States budget deficits are plunging, far beyond the Maastricht criteria. Across Europe, the governments' ability to fund and provide public services is much debated. Powerful trends are at work, such as an ageing population and the 'digitalisation' of many social and economic

activities: the tax base is shrinking while public services are becoming necessary and more expensive. That is where innovation comes into play as a way forward in providing better and cheaper solutions to societal challenges. Time is pressing for a careful examination of the role of private companies and the third-sector in

the delivery of public services. A whole public service industry is developing, with new players and new partnerships between public and private service providers; public sector's organisations are transforming into innovative procurers and proactive vehicles of the public interests and needs.

For the three drivers identified through the semantic analysis of the world press on innovation in public services, we suggest possible policy responses.

### Key drivers

#### PUBLIC SERVICES DELIVERED BY PRIVATE COMPANIES : 'WHERE THE PUBLIC SERVICES AND THE MARKET MEET'

- EC contributes to framing public sector organisations' practices in supporting the strengthening of their commissioning function, enhancing both the effectiveness of the initial innovative procurement process and the monitoring of the subsequent service delivery
- EC continues to develop innovative public-private initiatives whereby service providers are encouraged to develop new ways of working with their public sector customers and to share risk on an equitable basis

### Matching policy shifts and reforms

by Pierre Bitard and Aldin Quévieux, June 2009

#### THE MARKET OF PUBLIC SERVICE DESIGN: TOWARDS USER-DRIVEN SERVICES

- Public services' innovation occur through an improved integration of users' needs into service provision: a whole new design industry is developing, i.e. "public service design"
  - In line with current EC consultation on 'Design as a driver of user-centred innovation', urgent need for innovation and market intelligence on measuring efficiency gains resulting from the use of the various design skills and disciplines, including branding, for public services
  - EC launches pilot projects that favour innovative integration of design in public services, such as in healthcare, education and workplace
  - EC launches a yearly European Award for Best Innovative Public Service
- EC communicates on its own initiatives that promote innovative procurement and innovative public sector's practices: innovation is way to overcome traditional antagonisms through:
  - Transparency and shared information e.g. on hospital performance, personal budgets for health and online social care
  - Open-sourced innovative policies rather than solicited only from civil servants

#### BEYOND THE FRONTIER OF POLITICS, POST-BUREAUCRATIC PUBLIC SERVICES?

## IDEAS FOR CHANGING EUROPE

### A RESEARCHER'S THINKING

Our statistical results show that variations in public service performance are unrelated to hierarchy of authority and the degree of participation in decision making when these variables are examined in isolation, but the effect of structure on performance is mediated by organizational strategy, even when controlling for past performance, service expenditure, and external constraints.

As a result, high performance appears to be more likely for public organizations that match their decision-making structure with their strategic stance.

Andrew RHYS et al. (2009), Centralization, organizational strategy and public service performance, Journal of Public Administration Research and Theory, January

### A BUSINESSMAN'S INTEREST

We felt there had to be a role for design in public services that seemed to have been designed without any consideration for the people who'd use them. Health care was an obvious candidate, so much was going wrong.

One challenge is acclimatising people to working in our way, rather than the way they'd normally work. We had quite a run-in with one doctor in Ealing who came to a meeting saying: 'This is what we're going to do.' We had to explain that we were there to go through a process of suspending thinking that we knew the solution.

Ben REASON, co-founder of livework, with Chris Downs and Lavrans Lovlie

### GRIPS Intelligence Corner

#### Public service: from 'functions of government' to an industry

• The public services, as functions of governments, are : General public services, Defence, Economic affairs, Environmental protection, Housing and community amenities, Health, Recreation, culture and religion, Education, and Social protection. (from United Nations COFOG, Classification of the Functions of Government).

• Largest public service industries, as a percentage of GDP: Sweden: 6.1%; Australia: 6.1%; UK: 5.7%; USA: 5.5%; France: 2.9%; Spain: 2.8%.

• Public service industries as a share of total public spending: Sweden: 29%; Australia: 40%; UK: 33%; USA: 34%; France: 18%; Spain: 22%.

• Upcoming: With the 'industrialisation' of public services, the issue of bid costs becomes crucial for SMEs and third sector providers. Specific efforts to maintain these costs at low levels will be necessary to favour an increased participation of small innovative private and third sector providers.

## POLICY SUPPORT ON THE MOVE

Public Service Digital Content, 'Digital Britain'

(mid - June 2009)

### Adjusting to a digital world

The digital revolution is transforming many parts of our lives. On current definitions, nearly £1 in every £10 that the whole British economy produces comes from the digital sectors. The communications sector underpins most economic and social activities to an extent that was hardly conceivable twenty years ago.

### Digitalisation of public service content

PUBLIC SERVICE CONTENT now comes from a much wider range of sources than in the analogue age. In the public sector, our universities, schools and libraries increasingly rely on electronic content and the richness of the Internet. UK's National Health Service has one of the largest data and communications systems in Europe.

PUBLIC CULTURAL INSTITUTIONS like Tate, the Royal Opera House, the RSC, the Film Council and many other museums, libraries, archives and galleries around the country now reach a wider public online.

### A renewed approach to policy: 'industrial activism'

Industrial activism is about the considered application of Government resources and policy-making across the areas where public policy and the market meet. There are many activities within the sector where public policy and the market do not impinge on one another: the market is working well and without any wider social policy consequences. Many are, nonetheless, significant creators of added value and consumer satisfaction. The simple position is that these sectors are working well and do not need commentary, intervention or unnecessary interference.

### Content consumption pattern changes: from passive and linear to active search and on-demand

Broadcasting is the major issue addressed under the heading of PUBLIC SERVICE CONTENT in the report. Mass transmission and mass reach still predominate, but pace of change is extremely rapid. Confronting this change implies profound modifications of public service broadcasting, i.e. at BBC, Channels 3, 4 and Five. The licence fee is to remain the best way to secure BBC public purposes, but BBC's roles must evolve from being first among equals in a limited number of analogous channels to being a PUBLIC SERVICE CONTENT PARTNER with multiple media organisations. Hence the creation and the actions of the BBC Trust: any new BBC service shall be submitted to the Public Value Test whereby the Trust makes sure that it does not negatively impact the market ability to monetise services.