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Productivity in UK public services – what went wrong? What could go right?

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Comments

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Executive Summary

Almost one year on from the cut-backs announced in the 2010 Spending Review, the difficulty in reducing public spending when unemployment and social tensions are high is all too clear. Much rests on the ability of public services to achieve good results in the coming years with far fewer resources.

Many are sceptical that outcomes can be maintained, and there are obvious risks to be faced. Yet reductions in spending do not always mean worse outcomes. Analysis of productivity trends in two key public sectors - schools and health – shows that, across a range of developed countries, the big gains in performance in recent years did not go to those that raised their spending most. Surprisingly, if anything, better performance in these two sectors was associated with reductions in spending – catching up to those levels would mean improvements in productivity of the order of £8 billion for schools and £11 billion for health.

Meeting the productivity challenge well will require an approach that can look carefully at what has gone right and wrong in the past, and what other countries have to teach us.

Much effort has gone on making savings on back office spend on functions such as IT, HR and finance in recent years. However, these account for a relatively low proportion of spend, and changes can have counterproductive knock-on effect on service. Much effort also has been paid to smarter procurement, though progress on collaboration and analysis has often been slower than hoped for.

By contrast, low cost changes to ways of working of front-line professionals have received far less attention. Yet giving them more freedom and scope for initiative over what they do can make a much bigger difference than efforts to make them do more – from action to combat gang culture in Glasgow[1], to stronger efforts to ensure that assessments for children at risk do see through to the core issues.

Better incentives for staff to work together across organisational boundaries such as the council / NHS interface can have a major effect. The crucial task is putting in place a 'system' that supports those who want to work in a joined-up way, and taps into citizens' and communities' commitment. Yet such incentives are hard to get right, since they involve a complex mix of cultural norms and motivation. Progress is being made, but it is far from systematic.

Given the massive increase in resources that education and health have received (compared to ten years ago), and the increase in demand from an ageing population and an increasing birth rate, the taut budgets now in place are bound to feel painful.

Changing the working practices of skilled and often long serving public servants can be hard. Yet tough economic conditions paradoxically increase the pressure for reform, and practical examples show what can be done if ideas and enthusiasm can be successfully nurtured. A recent Young Foundation paper[1] highlights a range of possible actions to achieve savings. Our analysis focusses on three particular themes - empowering staff and tapping into wider resources; adapting financial and organisational structures; and taking evidence and analysis on 'what works' more seriously.

[1] Bacon, N. (2010) *Innovation and value: new tools for local government in tough times,* Young Foundation

Empowering staff and tapping into wider resources

- A good balance between empowerment and accountability is vital for front-line professionals. Much inspirational teaching and much empathetic clinical practice has been stifled by targets and bureaucracy; at the same time, much poor performance remains. Outstanding schools such as Cramlington Learning Village strongly encourage teachers' steps to build up skills and try out new approaches in a supportive environment.
- The renowned approach in Reggio Emilia to pre-school and primary education shows that, although it is far from straight-forward to achieve, there is much to be gained from tapping into volunteer enthusiasm and the efforts of pupils and their families. Survey results indicate many British citizens' willingness to do more in both health and schools.

Adapting organisational and financial structures

- Despite much progress, joined-up working is still hard to achieve, with budget cuts often leading to a retreat to 'core activity'. One way to counteract such pressures is for finance and performance management to recognise those who make a particular effort to prevent worse problems happening for other parts of the public sector. DWP's innovation fund actively seeks to reward those that achieve outcomes which reduce the level of future unemployment.
- Structural changes sometimes support and sometimes hinder the ability to promote new ways of working. The NHS, for example, has sometimes been slow to change - it is crucial that local leaders of future commissioning arrangements agree to work to win round support for new service arrangements that save money while achieving similar or better health.

Taking evidence and analysis more seriously

- Public services have sometimes been slow at gathering feedback from clients (whether pupils or patients), and working through the analysis on what is most effective. By contrast, New York's i-Zone takes a highly systematic approach that has achieved impressive results. Promising new ideas are trialled with a robust approach to impact and evaluation, and a route to dissemination is designed in, rather than an afterthought.

Introduction

The future success or lack of it, in raising UK public service productivity will have many consequences. Fundamental public outcomes are at stake because, as an outgoing Chief Secretary to the Treasury, Liam Byrne, put it in a letter to his successor - "*I'm afraid there is no money*."

The financial crisis played a major role in the UK reaching this position, as have political choices on deficit management. Since 1999/00, public expenditure has jumped from 36.3 per cent of GDP to 47.6 per cent in 2009/10[2]. Of the two crucial areas of education and health, education's share of GDP sharply expanded from 4.5 to 6.3 per cent, and spending on health soared from 5.2 to 8.4 per cent of GDP.

With budget allocations for 2011/12 in the process of being implemented, the effects of the financial plans outlined in the 2010 Comprehensive Spending Review are increasingly tangible. There is no doubt about the ambitions of the Coalition Government to reduce public spend and reduce the rate of increase of Government debt; the challenge is to make those £81 billion of cuts in a manner that has manageable consequences for both the short and long term.

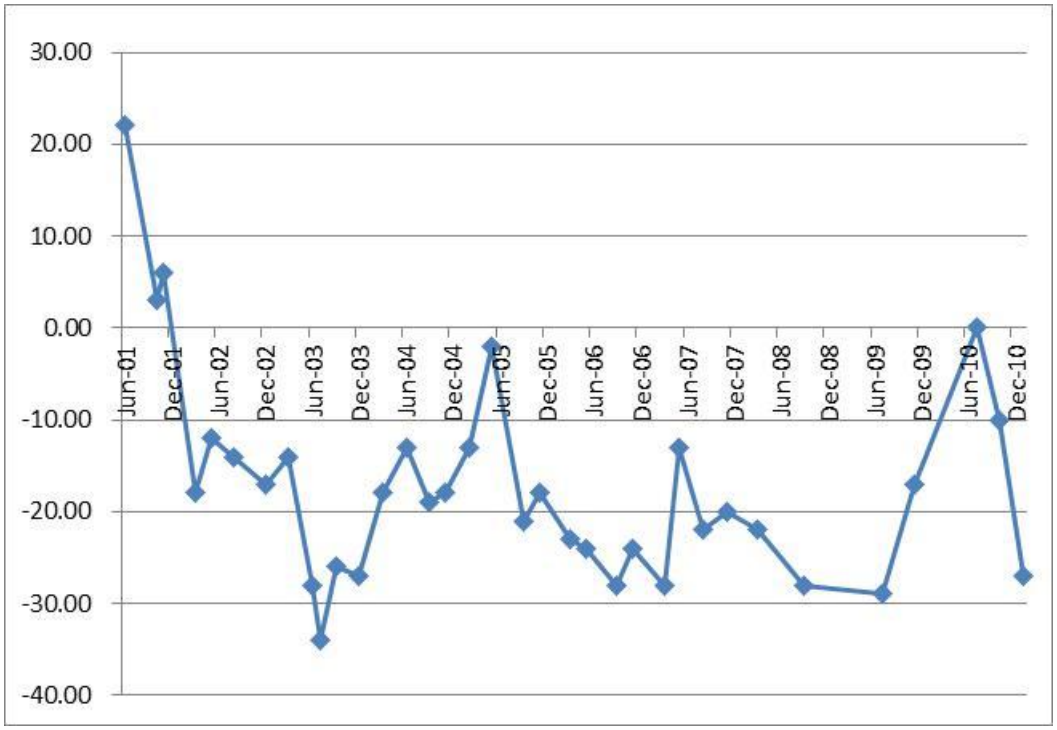
Without major advances in public service productivity to achieve much more with much less, the strain on tax and debt will be huge, casting doubt on the ability to deliver competence on basic services, right the way through from early years support to care for the elderly.

Meeting that challenge well requires an approach that can look carefully at what has gone right and wrong in the past, as well as the damaging consequences that some cuts are having in the present.
In doing so, it will be important to take a balanced perspective - for general gloom on the state of UK public services is not new. As Figure 1 shows overleaf, the majority view since 2002 has been that Government policies were unlikely to improve the state of British public services.

There has long been discontent among front-line staff over the amount of paperwork and the distorting effect of targets (such as incentives for schools to promote vocational qualifications to students, to the detriment of core academic study[3]). There are also long-standing concerns over barriers to staff acting on their own initiative - even though these can make very substantial differences. Many have argued for restorative justice approaches for low level offenders to promote a better chance of a genuine improvement in behaviour, rather than a series of arrests and downwards spiral to prison.[4]

Changing services – through improvement or innovation - is far less of a head-line grabber for politicians than new buildings, new equipment, new gadgets, or new re-organisations. But its results can be quietly effective. One advocate is Nigel Crisp, a former chief executive of the NHS. His recent book *"Turning the World Upside Down: the search for global health in the 21st Century"* [5] looks at developing countries and shows what can be achieved against heavy odds. It shows that the introduction of new ways of working goes hand in hand with promoting and tapping into an empowered culture for service users and frontline professionals – through an approach of mutual learning between staff and patients, and flexibility to do what works at low cost, even if this means abandoning 'gold standard' perspectives gained in very different medical and cultural environments.

Figure 1 Net percentage of the population agreeing with the statement that "in the long term, the Government will improve the state of Britain's public services"



Source: IPSOS Mori – *Government Delivery Index – Improving Public Services*

Similarly, when more flexibility is allowed on how services are delivered in the UK, a huge array of ideas that achieve good results for less money are possible - from 'pop-up' shops that use empty spaces[6], through to Social Impact Bonds that fund preventative actions which pay off in the medium term (for example by acting to resolve problems of disengagement with school earlier rather than waiting for young people to become unemployed).[7]

The Young Foundation paper *Innovation and value: new tools for local government in tough times* (Bacon 2010) highlights a range of actions that can be taken. In this paper, we have focussed on three particular themes that emerge from these examples - making better use of evidence and analysis; empowering staff and tapping into wider resources; and organisational and financial structuring.

Key questions are: are these agendas widely applicable across public services? And can they be sufficient to meet the productivity challenge? These questions are considered in the context of two high spend areas of public services with many lessons for other sectors – schools and health. Their agendas are reviewed in sections two and three, with an assessment of trends in productivity followed by an outline of ways to improve productivity.

Schools

Trends in productivity

The term 'productivity' describes the effectiveness by which resources (such as staff or raw materials) are translated into useful goods or services. Productivity improves when the same amount of goods or services can be obtained from fewer resources; it also improves when more goods and services can be obtained from the same amount of resources.

A standard way to determine trends in productivity is by developing an index of the level of goods and services produced, and an index of the amount of resources used, and then dividing one by the other. However, although the theory is straight-forward, technical measures for schools productivity have proven hard to develop, especially to the level of robustness required by the National Accounts.[8]

While assessments do exist, as outlined below, they are simplifications of the true pattern of outputs of schools and their associated networks. This problem occurs because there are various valuable but hard to measure aspects – not least the support of character development; the inculcation of a passion for knowledge; the promotion of a problem-solving, can-do approach; support for parents in *their* reading and writing where that has beneficial effects for their children; and so on. So analyses should be treated with caution – but such data as does exist suggests slow or no improvement in productivity.

ONS estimate of productivity growth

Some progress on measurement has been made since Woodhall and Blaug's 1968 paper *Productivity trends in British secondary education 1950 to 1963*.[9] The current ONS methodology is described in Wild et al (2009) *Public service output, input and productivity: education*.[10] The basic measures used to assess outputs are the number of pupils and their level of attendances. These in turn are adjusted for 'quality', because if pupils are becoming better educated for the same resource, this represents an improvement in productivity. For secondary schools, this level of 'quality' is assessed by changes in average GCSE point scores.

With no adjustment made for quality, the level of outputs grew by 4.6 per cent over the period 1996 to 2008. When effects for quality are added in, the level of outputs is estimated to have grown by 33.4 per cent, an annual rate of 2.4 per cent. This broadly equals the ONS estimates of changes in inputs over the same period, and since productivity is measured as the ratio of outputs to inputs, the net effect is that overall productivity growth was flat. In other words, progress on outcomes was due to more resources rather than better ways of working.

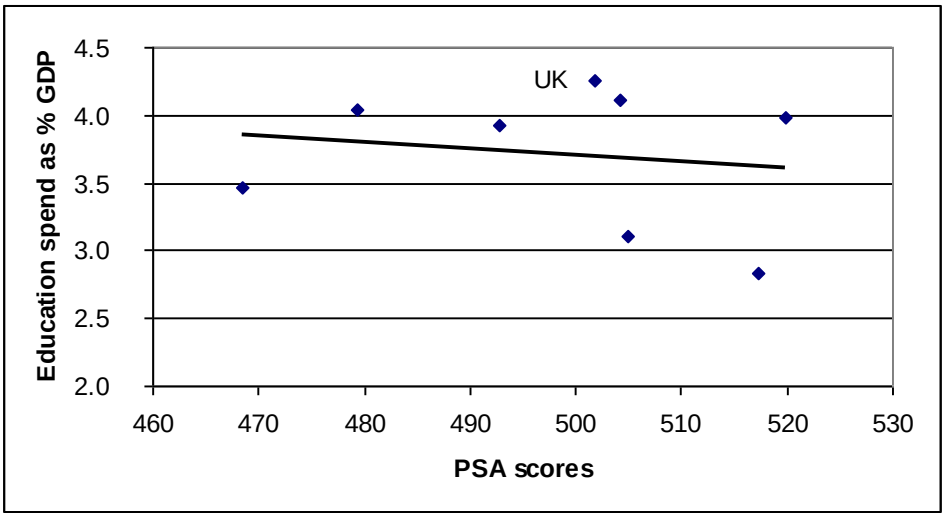
What do international comparisons of spend and school outcomes tell us?

An important indication on education outputs is pupil performance in international studies highlighting progress in literacy, mathematics and science. Performance data on these subjects is available from the Programme for International Student Assessment (PISA) for 2000, 2003 (excluding the UK), 2006 and 2009. Each subject has a scale designed to show the general competencies tested by PISA (level 1 questions need only the most basic skills to complete, and the difficulty increases with each level). The score for each participating country is the average of all student scores in that country. The better the score, the better the performance.

The average score among OECD countries is 500 points and the standard deviation is 100 points (so that around two-thirds of students across OECD countries score between 400 and 600 points).

Figure 2 below shows the average PISA scores in 2006 among these three categories (for the eight countries of Australia, France, Germany, Italy, Japan, Sweden, UK and USA), versus education spend (on up to secondary education) as a proportion of GDP. It shows that higher PISA scores are not aligned to greater education spend – if anything, there is a slight inverse relationship between the two.

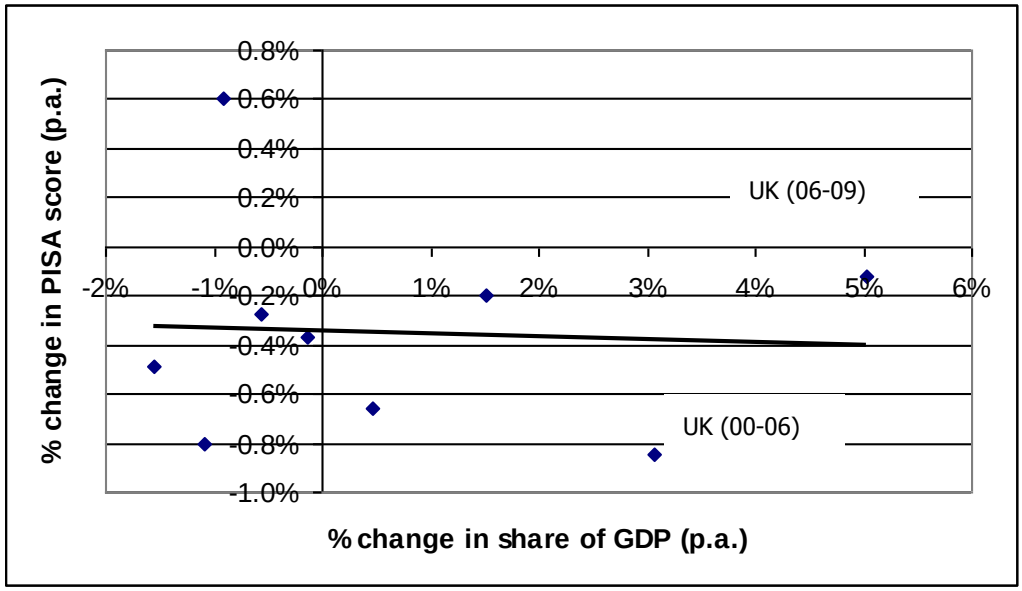
Figure 2 PISA scores versus education spend as percentage of GDP (2006)



Source: PISA and OECD Education at a Glance

Figure 3 looks at the percentage annual change in the average PISA score (taking the average of reading, mathematics and science scores) between 2000 and 2006 for the above range of countries[11], and compares that with the percentage annual change in school education spend as a proportion of GDP. It also adds in the data point showing UK performance over the period 2006 to 2009.

Figure 3 % change in PISA scores (p.a.) vs % change in education share of GDP (p.a)



Source: PISA, OECD and Young Foundation analysis

Figure 3 indicates that growth rates in PISA scores are not aligned to greater education spend. While educational performance is subject to time-lags (good teaching does not lead to more knowledgeable pupils overnight), the data does not support the hypothesis of a strong positive relationship between higher spend and better performance.

Improving productivity in schools

If the UK moves to a position where the percentage change in share of GDP is zero, while still maintaining results, this would produce a productivity gain of the order of £8 billion over 4 years[12]. The data above suggest this is feasible theoretically – in that better performance appears to be influenced by factors other than additional resources.

Improvements to 'back office' and 'procurement' are obvious ways to achieve such gains, and these featured prominently in thinking on the Gershon Review[13], 2007 Comprehensive Spending Review[14] and Operational Efficiency Programme[15]. However, back office functions (Human Resources, Finance and IT) account for a relatively low proportion of spend (8 per cent or less), and changes can have a counterproductive knock-on effect on service. Much effort also has been paid to smarter procurement - though progress on collaboration and analysis to boost purchasing power and handle relations with suppliers more effectively has often been slower than hoped for[16].

To achieve savings of the order required, some changes to ways of working in 'front-line' delivery are inevitable. Below, we consider ways in which this might be achieved, while seeking to maintain outcomes, by taking evidence and analysis on 'what works' more seriously; empowering staff and tapping into wider resources; and adapting financial and organisational structures.

Better use of evidence and analysis

One response to budget pressures has been to reduce the availability of subjects[17]. However, approaches taken by other sectors suggest more acceptable alternatives – from making better use of pupil time through to sharing resources more effectively.

There is increasing recognition that a traditional 'chalk and talk' approach has limitations for many 4students. Instead, an interactive approach that focuses on personal development as well as academic standards can make a major difference in terms of raising student performance without raising costs.

Grit: The skills for success and how they are grown (Roberts 2009)[18] argues that Britain's schools need to prioritise grit and self-discipline. Drawing on evidence from around the world it shows that these contribute as much to success at work and in life as IQ and academic qualifications.

Doug Lemov's book *How to Teach Like a Champion*[19] is one road-map to such techniques. Its recommendations include such agendas as setting high academic and behavioural expectations; engaging students in lessons; creating a strong classroom culture; building character and trust; and improving the pace of the classroom. Similarly, John Hattie's book *Visible learning: a synthesis of over 800 meta-analyses relating to achievement*[20] cites a focus on the development of the pupil on a personal level, clarity on what success means, high ambitions, plus strenuous attention to appreciating what the students understand and how they can develop strategies to learn more effectively.

Unfortunately, schools in England have a mixed record at identifying and implementing 'what works' in order to get the most out of given resources. In 2000/01, OFSTED estimated that the proportion of secondary schools that were good or better in overall effectiveness was 68 per cent, with a corresponding figure of 65 per cent of primary schools. By 2009/10 these figures had dropped to 49 per cent and 53 per cent respectively.[21]

The Cambridge Review of Primary Schools highlights what counts as good practice, stressing the importance of listening to children's views and helping them become more empowered, which in turn leads to them becoming better and happier learners.[22] Unfortunately, the norm is that "*pupils compete for the attention of teachers who ask 'closed' questions. Answers are brief, usually only proving a child can recall what they have just been told, and feedback is minimal. Cognitive challenge is low and talk remains a vehicle for the transmission of facts rather than the stimulation of thought*." The Review found that the primary education system in England "faces problems similar to those being tackled by poorer countries across the world: centralization; teacher expertise and morale; community engagement; over-schooling and the abridgement of children's time for other activities; emphasis on formal testing at the expense of formative assessment."

An OFSTED analysis of re-engaging disaffected pupils in secondary schools found similar issues to overcome[23], including a commitment from all staff to meeting the students' needs and modifying the curriculum. Action to resolve such problems does not necessarily require major boosts in resources (though of course these can help, and in the medium to long term, greater pay feeds through to a better calibre of teacher in-take[24]). More constructive feedback and challenge to teachers[25] could be put in place without substantial new funds and make a substantial difference.

Examples such as New York's i-Zone show what can be done. Under initiatives such as the 'School of One', teachers receive daily assessments of progress made by their pupils, and assessments of the approaches which allow them to learn most effectively[26]. More generally, promising new ideas are trialled with a robust approach to impact and evaluation, and a route to dissemination is designed in, rather than an afterthought[27].

A further key step is reviewing which forms of teacher activity have the most positive effects for the children that they teach. Value-added mapping is an accepted methodology that has been applied in public sectors such as children's services, as well as many private sector industries. Such approaches have revealed when professionals time is spent on low value added activity (such as form filling), and when there is essential two-way engagement between the teacher and the pupil. Mapping can also show, where appropriate, when activities can be standardised, or devolved to assistants.

Such evidence has been used frequently to bring about an approach that works better for staff and those that they serve – and there is a case for exploring if alternatives (for example, empowering assistants to undertake a greater range of tasks such as marking some homework) are better than completely accepting traditional ways of working.

There is also much scope for greater collaboration with other schools to provide a greater range of teaching and facilities. Autonomy is often prized highly; yet there can be an unwillingness to share resources on infrastructure facilities (such as lab equipment), or specialist expertise (such as in music or languages) running the risk of high costs and hindering pupils opportunities. Scottish Universities have shown what can be achieved on a large scale (with the Scottish Universities Physics Alliance which has a shared approach to research facilities); the challenge is whether communal sharing of smaller prizes can be achieved on a much broader scale in schools.

Unfortunately, the attention of many leaders is on structural reforms than the slower grind of implementation and building up capabilities in management and the front line. The result could be a missed opportunity for improvement.

Tapping into wider resources

The previously cited OFSTED analysis of disaffected pupils also found that the more that family and community support can be harnessed, the more likely that good education results can be achieved within tight financial resources. While scepticism has been expressed as to whether such a step-change can be achieved (and indeed there is often a gap between stated willingness to volunteer and actual accomplishment) data indicate much room for improvement.

The IPPR/PWC review *Capable Communities: towards citizen-powered public services* (2010) found high willingness among parents to help local schools – 20% would like to mentor a child at risk; 17% would help organise after-school clubs; 16% would volunteer as a classroom assistant. Yet the review also found a number of barriers – "*many parents are simply not aware of the ways in which they could be more involved in their setting …*"; "*bureaucracy also got in the way: the cost and paperwork involved in signing somebody up as a volunteer in many cases made it unworkable*".

There is also much scope for improvement in the role that families (including carers, grand-parents and the wider extended family) play in supporting children, with a recent NASUWT survey finding a lack of back-up from many parents in their efforts to promote better behaviour in children[28].

More important still is attitudes of pupils to their education. Data from the international Health Behaviour in School-aged Children study[29] shows a major tailing off in the proportion of children 'liking school a lot', from 54% of 11 year olds to 25% of 15 year olds. Claxton (2008) *What's the point of school?* [30] emphasises that much of school practice does not enable young people to develop the capacities they need to thrive – the confidence to talk to strangers, to try things out, to handle tricky situations, to think for themselves, and so on.

Organisational and financial structures

Action to reduce the number of bored and angry children in classes would improve attainment and reduce costs - relieving teacher stress, requiring less use of Pupil Referral Units, increasing the proportion of time spent constructively teaching, and potentially also greatly assisting social workers and police in their agendas.

How to tackle these problems is the focus of much attention in the education profession. A huge amount of effort goes on trying to tackle such cases, with teachers often facing social problems that are far beyond their control.

Part of the answer has to lie in a better system of support for poorly behaved children earlier rather than later. Research by a Nobel Laureate, James Heckman, has identified far stronger social rates of return to investment involving targeted interventions at early stages rather than later. Programmes such as the Perry pre-school programme (that gave high-quality education to children of low-income families), highlight an improvement in self-control and reduced aggression that is sustained for many years later - achieving the kind of results that make a huge difference to anti-social behaviour later on. [31]

If the opportunities for early years improvement are missed, then case studies highlight a number of alternative approaches to ameliorate such problems – from acclimatisation schemes for those about to move from primary to secondary schools[32]; to better joined-up working between schools, children's services and police.

One useful step to encourage such schemes would be to support initiatives (such as prizes or encouragement in performance appraisals) for those that make particular efforts to achieve better results for the education system as a whole. A further agenda is highlighted by DWP's Innovation Fund[33], which is piloting an approach rewarding successful action with young people to boost attainment and so directly reduce the likelihood of unemployment later on in life.

Health

The health care system appears far simpler in its objectives than education but the maintenance of health requires the management of what can be sometimes complex and potentially harmful interventions. This section considers trends in productivity (reporting ONS statistics and international comparisons of value for money in health care), and then turns to ways in which productivity can be improved.

Trends in productivity

Two important ways to analyse productivity are to compare activity with costs over time; and to compare outcomes and spend across a range of comparable countries.

Statistical evidence set out below suggests that the NHS has become more expensive in achieving results, with falling productivity, while international comparisons of value for money suggest that spend and outcomes are not directly linked – if anything, more money spent on healthcare is associated with worse outcomes.

Index of productivity

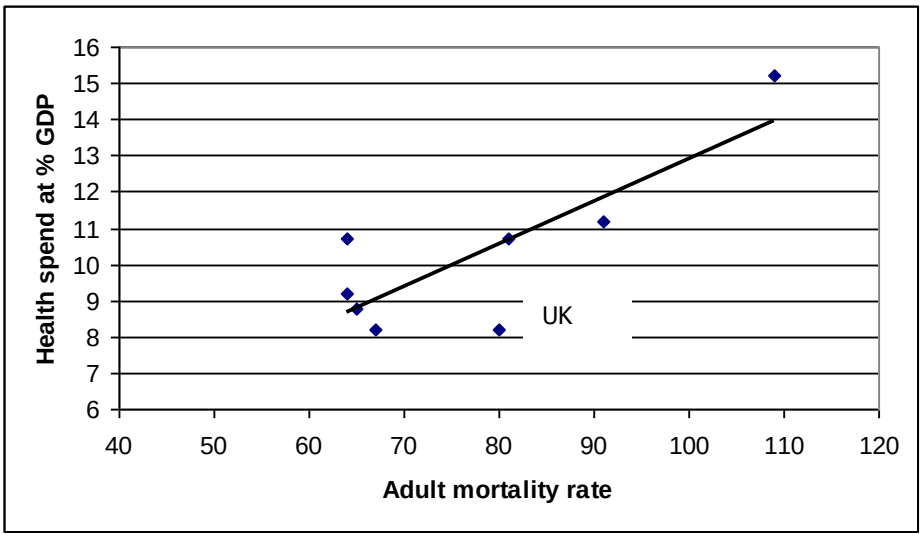
The ONS approach is set out in Penaloza et al (2010) *Public service output, inputs and productivity: healthcare*. Progress has been made in assessing outputs, so that measures do not just count numbers of treatments or admissions to hospitals, but also the extent to which desired outcomes have been achieved, and the way that services are delivered (evaluated in terms of responsiveness to users' needs). Overall, some 16,000 types of healthcare activity are assessed, representing around four-fifths of spend in the sector in England. Around 69 per cent of the output index relates to hospital and community health services, with family health services accounting for 14 per cent, and GP prescribed drugs around 17 per cent.

Using the above analysis, the 'quantity' of health care grew by some 3.8 per cent per cent on average per year over the period 1995 to 2008, with 'quality' improvements (mainly reflecting survival rates, health gains and waiting times) adding another 0.3 per cent per cent per year to make the total increase in outputs some 4.1 per cent per cent per year.

An evaluation of productivity then requires an assessment of costs. The ONS assessed labour costs growth at some 4.6 per cent per annum, with a rise in capital inputs of some 4.8 per cent per annum. These data imply that inputs to healthcare grew at an average of 4.4 per cent each year. The comparison of growth in outputs (4.1 per cent) to costs (4.4 per cent) means that output was falling short of the increase in spend - with the net effect that productivity *reduced* by 0.3 per cent per year on average.

Figure 4 below shows adult mortality rates (the average number dying per 1,000 population for those aged between 15 and 64) for the same eight countries as previously (Australia, France, Germany, Italy, Japan, Sweden, UK and USA), compared to health spend as a proportion of GDP. As of 2006, the UK had a middling performance on holding down adult mortality, while spending much less on health.

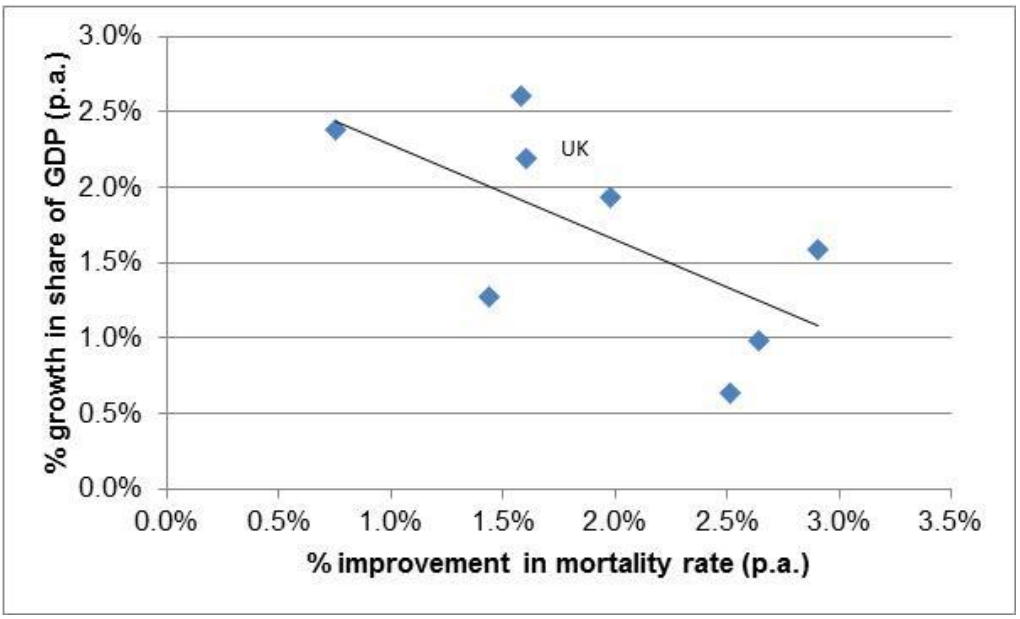
Figure 4 Health spend as % GDP versus adult mortality rate (2006)



Source: OECD Health Data 2010

Figure 5 shows improvements in adult mortality rates (for ages 15 and 64) over the period 2000 to 2006, compared to changes in the share of health as a proportion of GDP for those countries.

Figure 5 Change in health spend share of GDP versus % improvement in adult mortality rate



Source: OECD Health Data 2010 and Young Foundation analysis

The UK improved its mortality rate by 1.6 per cent per annum over the six year period, while increasing health share of GDP by around 2.2 per cent per year. Yet, other countries improved still further – while holding back the growth of expenditure to a far greater extent – and similar results apply to different measures of health outcome (see Annex 1). So, in theory at least, productivity gains of the order of £11 billion are possible if the share of GDP is kept at current levels, while maintaining or improving health outcomes[34]. Such a sum is very substantial – but when set against a £20 billion challenge it shows that the NHS is in for a very considerable challenge.

Improving productivity in health

In a June 2009 briefing paper, the NHS Confederation warned that growing waiting lists, dilution of service quality and structural change should be avoided – and instead called for 'courageous decisions' to 'reshape services and help us prepare for the most significant management challenge the NHS is ever likely to face'.[35] Two years on, those issues are as relevant as ever.

While the data suggest that much greater productivity growth can be achieved, the key question is: how? As with education, improvements to 'back office' and 'procurement' are obvious ways to achieve such gains, and these featured prominently in thinking on the Gershon Review, 2007 Comprehensive Spending Review and Operational Efficiency Programme.

But with such a challenge to face, by themselves these agendas are not enough. Below, we review potential ways forward, using the previous framework in terms of taking evidence and analysis on 'what works' more seriously; empowering staff and tapping into wider resources; and adapting financial and organisational structures.

Better use of evidence and analysis

McKinsey / LSE research[36] suggests a strong link between effective approaches to management (such as identifying and developing top performers), better health outcomes and lower costs. In the UK, for example, the top quartile organizations had heart attack mortality rates that were some one-sixth lower than organizations in the lowest quartile. The work also highlighted a role for 'competition' - those hospitals perceived as facing many rivals appeared to be significantly better managed than those facing little or no competition.

Studies on specific agendas show large unexplained variations in value for money. For example, the 2010 NAO report *Delivering the Cancer Reform Strategy* found that only around half of Primary Care Trusts (PCTs) had identified where expenditure which does not benefit patients could be eliminated, only 26 per cent of PCTs had carried out a cost benefit analysis comparing different ways of delivering cancer services, and only 20 per cent had achieved quantified efficiency gains as a result of implementing the Strategy. The report found a wide variation between PCTs in the extent of emergency admissions and poor understanding of the reasons for them.

Good management skills and effective accountability for the use of resources will be essential if large savings are to be achieved. Vital too is the requirement to bring about a systematic approach to data and metrics. The 2010 NAO report on the Cancer Reform Strategy was unable to assess progress on follow-up care, because only three per cent of outpatient data was coded for a disease diagnosis. Improvement is greatly hampered when evidence is so scarce.

Instead, social media approaches point the way to more effective approaches, with examples such as Bristol heart rhythm, which aims to provide a comprehensive easily-accessible online resource for patients, carers and healthcare professionals to improve knowledge of heart rhythm disorders, treatment options, referral processes and support networks.[37]

A related theme is better two-way communications between practitioners and patients. Following identification of a problem in responses to diabetes in a significant proportion of Muslim patients, Maslaha[2] was commissioned to produce a resource to engage with this group on the issue. By placing emphasis on a two-way dialogue, Maslaha was able to increase clinicians' understanding of Islam's effect on behaviour, and patients' understanding of prevention, and so led to better management of the condition within the context of their beliefs.[38]

Empowering staff, tapping into wider resources

A willingness to take responsibility for one's own health is crucial for costs and outcomes, but hard to change. For instance a Foresight focus group session on obesity[39] found that although 13 year olds were well informed on what they should be doing, they wanted solutions enabling them to continue to do exactly what they wanted to do while remaining healthy - a literal instance of having their cake and eating it. However, some pointers as to how improvements can be made come from the agenda of the support of others' health, a key (if rather neglected) solution. One recent meta-analysis (Holt-Lunstad et al 2010)[40] showed that stronger social bonds increase a person's survival odds by 50 per cent - roughly equal to the detriment of smoking 15 cigarettes a day or being an alcoholic.

Tackling such problems requires a move away from a 'clinical' perspective to solving health problems. Both outcomes and efficiency could be enhanced by a move to a more collaborative approach, that puts patients in the context of a network of family and friends, as well as recognising and adapting to the subjective factors behind peoples' decisions.

International examples show that much could be done. In Japan, 120 healthcare co-operatives have emerged with three million members, operating with small groups of 10 to 20 people supporting each other on issues of health and wellbeing, with a focus on preventing medical problems and costs.[41] A further agenda is community networks. The Emotional First Aid training course for young people[42] teaches those who work with young people (such as teachers or youth workers) to recognise early signs of emotional distress/mental illness, learn how to provide support and encouragement and how to seek help, so reducing the risk of more severe disorders.

Flexibility on staff tasks is also an issue for consideration. OECD analysis suggests GP pay scales are far greater than international counterparts[43]. This points to a need to consider carefully the ability to devolve more tasks down to less-qualified staff where this can still achieve good results for healthcare (such as the nurse-led in-patient service for people with dementia which has been pioneered in Hampshire)[44]; as well as better analysis to promote a tighter link between value to patients on the one hand, and wages on the other.

Organisational and financial structures

NHS organisations face the challenge not just of providing services more effectively to their current group of clients, but also recognising that their choices very much affect other parts of the health and local authority social care systems. For example, if preventative care can be enhanced, the need to spend so much on hospital care would be reduced.

[2] A web-based social enterprise which aims to increase understanding of Islam culture among both Muslims and non-Muslims.

The ambition to develop such integrated care has been clear for at least a decade. The most prominent attempt by the Department of Health entailed the launch of 12 pilots in 2009 aiming for seamless working between health and social care. In Sutton, for example, a six-month pilot based on three medical conditions reduced PCT admissions by 29 patients with long-term, high risk problems and saved approximately £322,000.[45]

There is also a strong case for examining the results of pilots that aim to strengthen the incentives for organisations to work more effectively together. One such pilot, Ministry of Justice's Financial Incentive Scheme in Greater Manchester and some London boroughs, will provide 'top-up payments' for criminal justice and local authorities from the Ministry of Justice, providing that crime is successfully reduced in the area. A similar scheme could be applied to the field of healthcare, in which organisations receive 'incentive payments' from the Department of Health or suitable commissioners for successfully promoting better health in the local area.

A key strength of payment by outcomes schemes is that they encourage the use of evidence and research geared toward identifying and disseminating 'better ways of working' as well as new technology and pharmacology. Such analyses are urgently needed for such issues as the effective use of volunteers in supporting patients when they are undergoing treatment and beyond; or ways to better join up information between home and physician; or how to reorganise processes within hospitals so that valuable staff time and equipment is used more effectively.

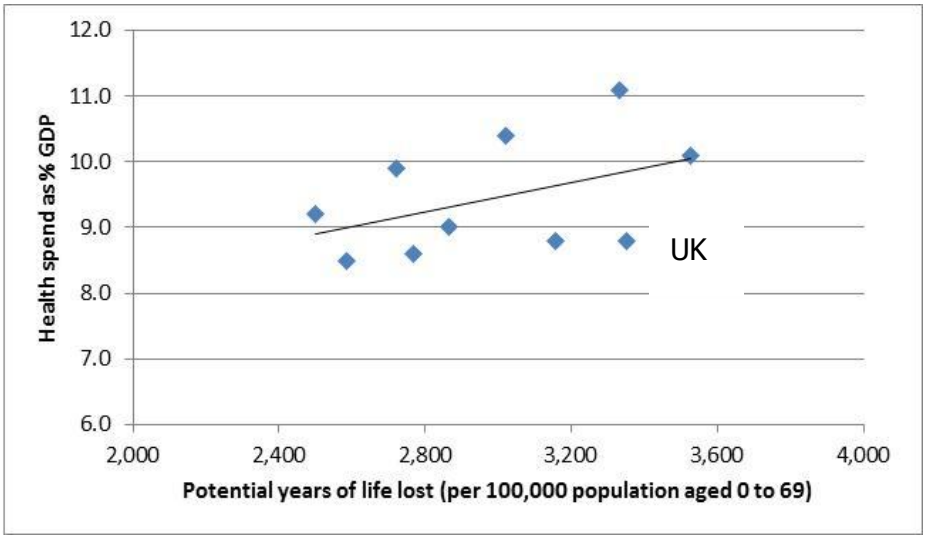
Whatever form of commissioning is adopted, it will be vital to have in place an approach that has at least some flexibility to cater for changing needs at a reasonable price. The NHS is relatively ineffectual at shifting resources towards the most promising approaches rather than what has been tried and tested in the past. As one researcher on choice and competition in the NHS (Zack Cooper) has put it: "While most are doing a great job, there are providers in England who are doing a very bad job who should close. I think the NHS has to be much more open about discussing hospital closures."[46]

Yet there are a number of barriers to achieving more flexibility, not least the strong aversion of the public to losing any health service (unless it is part of a package that has improvements elsewhere), and the presence of PFI deals that have caused deep financial problems for a number of hospitals. It remains to be seen whether the new reforms to commissioning will assist this process – by showcasing and supporting local leaders who can take and justify hard decisions to local residents, and bring in new providers or services that can achieve better results for the same or lower costs.

Annex 1 Trends with alternative measure of health outcome

OECD Health Data 2011 provides data on health spend as a percentage of GDP and on potential years of life lost (per 100,000 population) for a range of countries. Figure 6 below shows performance among Austria, France, Ireland, Japan, the Netherlands, Norway, Portugal, Spain, Sweden and the UK.

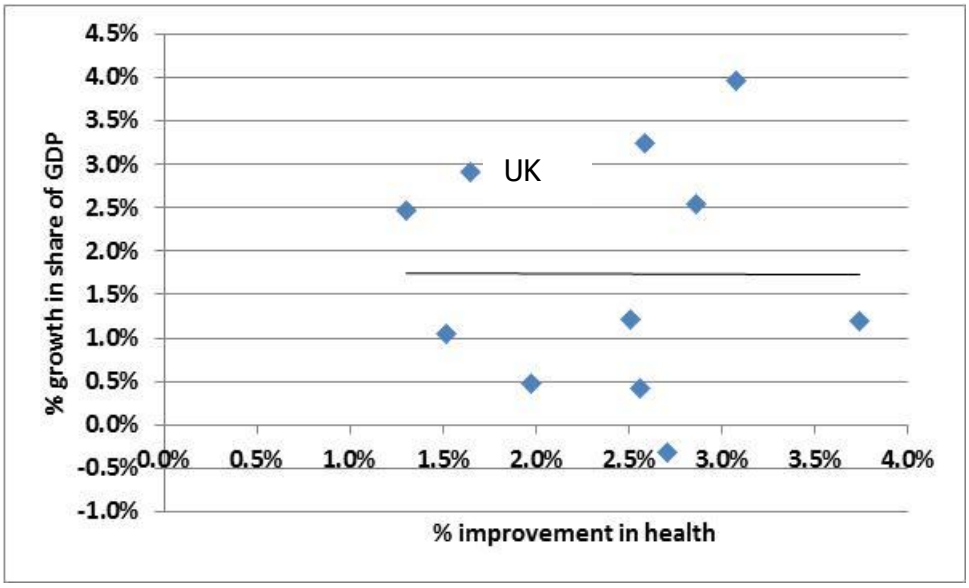
Figure 6 Health spend as a percentage of GDP (2008) versus potential years of life lost (2008)



Source: OECD Health Data 2011

As of 2008, the UK had relatively poor performance on potential years of life lost, from a spend on a par with many international competitors. We are able to use the database to assess changes over time since 2001. Taking annual growth rates in health spend as a percentage of GDP, and of *reductions* in potential years of life lost, over the period 2001 to 2008, we obtain figure 7 below.

Figure 7 Annual growth in health spend as a percentage of GDP versus potential years of life lost



Source: OECD Health Data 2011 and Young Foundation analysis

While health spend increased rapidly in the UK, the improvements in health were significantly less than those achieved by many of its competitors.

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[1] http://www.guardian.co.uk/society/2011/jul/04/glasgow-gang-project-cuts-violence

[2] See table 4.1 of *Public Expenditure Statistical Analysis* (PESA), HM Treasury (2011)

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[6] www.nesta.org.uk/home1/assets/features/compendium_for_the_civic_economy

[7] http://www.youngfoundation.org/blog/policy/preventing-youth-unemployment

[8] For example, the 2005 *Atkinson Review on Measurement of Government Output and Productivity for the National Accounts* called for output measures of education to take into account the use of Key Stage test results. But 2009 research conducted by ONS concluded that this approach had too many practical limitations to implement.

[9] Woodhall, M. & Blaug, M. (1968) Productivity trends in British secondary education 1950 to 1963, *Sociology of Education*, 41(1).

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[11] figures for the UK adjusted to take into account an unintended upwards bias in the 2000 PISA scores, using results from the 1999 TIMSS study. This study estimated that UK ratings in maths and science were some 99% of ratings for Australia, Italy, Japan and the United States. This 99% ratio was applied to the average of scores for those counties in the 2000 PISA study.

[12] Calculated as: proportional decrease in share of GDP per year of 3.1% * 4 years * 4.3% share of GDP * £1.4 trillion GDP level = £7.8 billion

[13] http://webarchive.nationalarchives.gov.uk/+/www.hm-treasury.gov.uk/spending_sr04_efficiency.htm

[14] http://www.communities.gov.uk/documents/localgovernment/pdf/value.pdf

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[24] See for example the 28/1/11 Financial Times article by Chris Cook on how pay could be used to enhance teacher quality in schools in deprived areas

[25] issues covered by such initiatives as the Middle Leadership Development Programme of the National College for Leadership of Schools and Children's Services

[26] http://schoolofone.org/resources/so1_final_report_2010.pdf

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[33] http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/innovation-fund/

[34] Calculated as: proportional decrease in share of GDP per year of 2.2% * 4 years * 8.3% share of GDP * £1.4 trillion GDP level = £10.6 billion

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