

# Research impact: making a difference

## Creating incentives to improve public services

Innovative policy ideas from LSE researchers inspired radical government reforms that introduced choice and competition to improve key public services

### What was the problem?

Many schools, hospitals and social services departments were providing sub-standard services because there was little to motivate them to improve. Parents, patients and children in care were forced to put up with poor provision because they had no choice.

### What did we do?

LSE Professor Julian Le Grand and his team developed a theory of incentives to generate improvements in public sector services. These ideas were adapted after examining the evidence for their effectiveness.

Research focused on three areas: raising the educational achievements of children from disadvantaged backgrounds; hospital competition and patient choice; and the introduction of social work practices, resembling General Practitioner (GP) practices.

#### **Education: the pupil premium**

Introducing more parental choice in education as an incentive for school improvement resulted in a risk of schools discriminating against children from low-income backgrounds who were less likely to perform well in national examinations. To counteract this, Le Grand proposed an extra payment, the pupil premium, to incentivise schools to accept such children and to provide extra resources to help them. He later developed this to include children with special needs and looked-after children (children in care).

#### **Health: patient choice and hospital competition**

Le Grand's research backing the introduction of patient choice and competition between hospitals heavily influenced NHS reforms in England in the mid-2000s.

LSE researchers, including Dr Zack Cooper, subsequently examined the impact of these and other reforms, demonstrating in a 2009 British Medical Journal article that, from 1997 to 2007, waiting times for elective surgery fell more for the less well-off than for the better-off, with the result that for some treatments the better-off were actually waiting longer than the more disadvantaged: a complete reversal of the situation in 1997.

# Research impact: making a difference

Another article in the Economic Journal in 2011 demonstrated that, following the introduction of patient choice and hospital competition, hospital quality indicators improved faster in more competitive areas. Both of these results suggested that patient choice and hospital competition could improve quality without damaging equity.

## **Social Work Practices**

Le Grand argued that social workers in children's services could be motivated by having more responsibility and more authority to make decisions. He proposed that practices or partnerships should be set up along the lines of General Practitioners (GPs). Employee-owned enterprises comprising social workers and community workers would provide services under contract from local government and control a commissioning budget. The caseload of each worker would be small enough to allow sufficient time to develop a relationship of trust and confidence with the child.

"The pupil premiums proposed by the Liberal Democrats and the Conservative Party are largely inspired by Le Grand's system and have similar aims."

- Institute for Fiscal Studies, 2010

## What happened?

### **Education: the pupil premium**

The pupil premium is now a major plank of government education policy. Both parties that formed the 2010 Coalition Government adopted Le Grand's idea in their manifestos. This premium is now attached to children from low-income backgrounds and looked-after children.

### **Health: patient choice and hospital competition**

This research was directly instrumental in Le Grand's appointment as senior policy adviser to Prime Minister Tony Blair at No 10 Downing Street from 2003 to 2005, where a number of his policy ideas were put into practice under the Labour Government.

The Coalition Government developed some of these reforms culminating in the Health and Social Care Act of 2012. As the legislation was progressing through Parliament, research by Le Grand and Dr Zack Cooper was used in the debate as evidence, leading to significant changes to government proposals, most notably the dropping of price competition.

Many foreign governments and agencies have also requested advice from Le Grand on public services reform. The Regional Government of Lombardy (Milan), which has introduced elements

# Research impact: making a difference

of competition in health care and education, awarded Le Grand the Eupolis Prize for Public Policy.

## Social Work Practices

Le Grand's ideas about setting up social work practices led to the then Department for Education and Skills inviting Le Grand to chair the Working Group on Social Work Practices. Its 2007 recommendations were accepted in their entirety by the Labour Government, and pilot Social Work Practices were established in 2008 for children's services.

The subsequent Coalition Government expanded the Social Work Practices programme into adult social care and increased the number of children's Social Work Practices. Le Grand was invited to chair the Cabinet Office's Mutuals Taskforce to extend some of the ideas into other areas of the public sector. In their first year, Social Work Practices reduced placement change rates for children, and carers were more likely than those looking after local authority children to feel better supported.

A change to legislation allowed local authorities who were already using external providers to continue to do so, and gave all local authorities greater flexibility around how to look after children in their care. The success of the Social Worker Practices was highlighted in the 2011 report by LSE Professor Eileen Munro, which led to a radical overhaul in child protection services in England.

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**Julian Le Grand** has been the Richard Titmuss Professor of Social Policy at the London School of Economics since 1993. From 2003 to 2005 he was seconded to No 10 Downing Street as Senior Policy Adviser to the Prime Minister. He is a Founding Academician of the Academy of Social Sciences, an Honorary Fellow of the Faculty of Public Health Medicine, and a Trustee of the Kings Fund. He is currently Chairman of Health England: the National Reference Group for Health and Well Being for the UK Department of Health. He is also a member of the Group of Societal Policy Analysts advising the President of the European Commission. In 2007 he was Chairman of the Social Work Practices Working Group for the UK Department for Children, Families and Schools. As well as these positions, he has acted as an adviser to the European Commission, the World Bank, the World Health Organisation, the OECD, HM Treasury, the UK Department of Work and Pensions and the BBC. He writes regularly for the national and international press. He also appears frequently on television and radio, including the *Today Programme*, *The World at One*, *The World Tonight* and *The Politics Show*. He has been several times a member of Radio 4's *Any Questions* panel and has presented editions of Radio 4's *Analysis* and BBC 2's *The Big Idea*.

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