



Innovating out of Recession in the Public Sector:

1. How we pay out social security benefits
2. Stemming the decline in local library services

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Innovating out of recession in the public sector

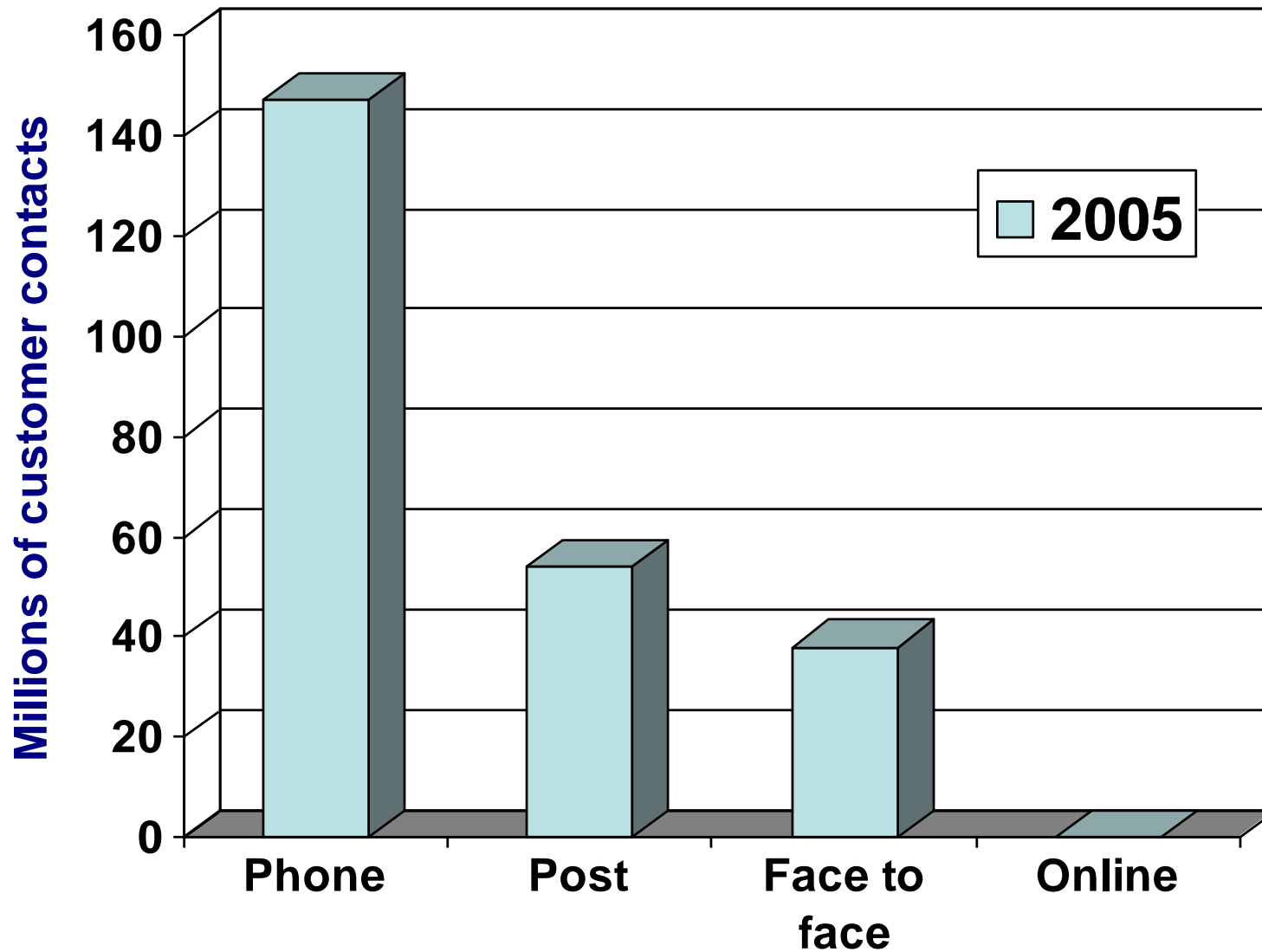
- The immediate fiscal future is bleak for 6-7 years, and somewhere in the region of 15-20% cuts may be needed in non-protected public services
- Traditional retrenching cuts hit capital budgets and service innovations hard, producing a grinding down of services in a static format
- But the current fiscal prospects are so bleak, and the changes in how society operates in other areas are so great, that funding cuts cannot be achieved only through retrenchment
- Instead we need to innovate out of recession in the public services, seizing technological and business process opportunities that have been neglected up to now

Part 1: A 'thought experiment' about how we pay social security benefits

Digital Era Governance as a Paradigm for Innovation

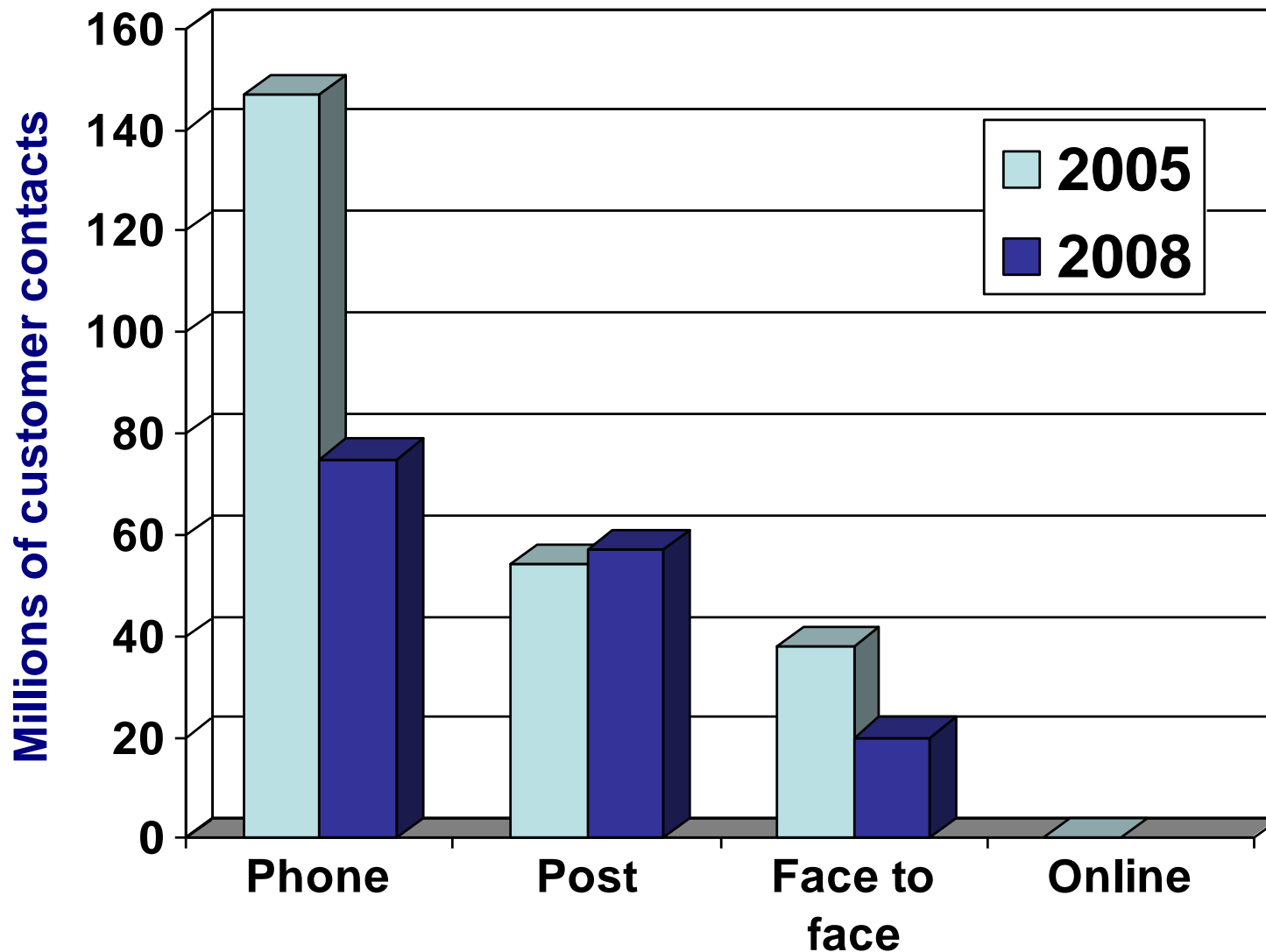
- **Reintegration** – reversing the fragmentation of NPM, joining up/ de-siloing, partnership working, re-governmentalization, new central processes, squeezing process costs, shared services, simplification
- - **Needs-based Holism** – client-focused structures, end-to-end redesign, one-stop processes, agile (not fragile) government
- - **Digitalization** – electronic delivery, centralized procurement, new automation, disintermediation, making citizens do more, isocratic administration, open-book governance
- - **Information leverage** - central management use of information, information structures and knowledge hierarchies, information democratization, information-led empowerment

Customer Contacts in DWP 2005



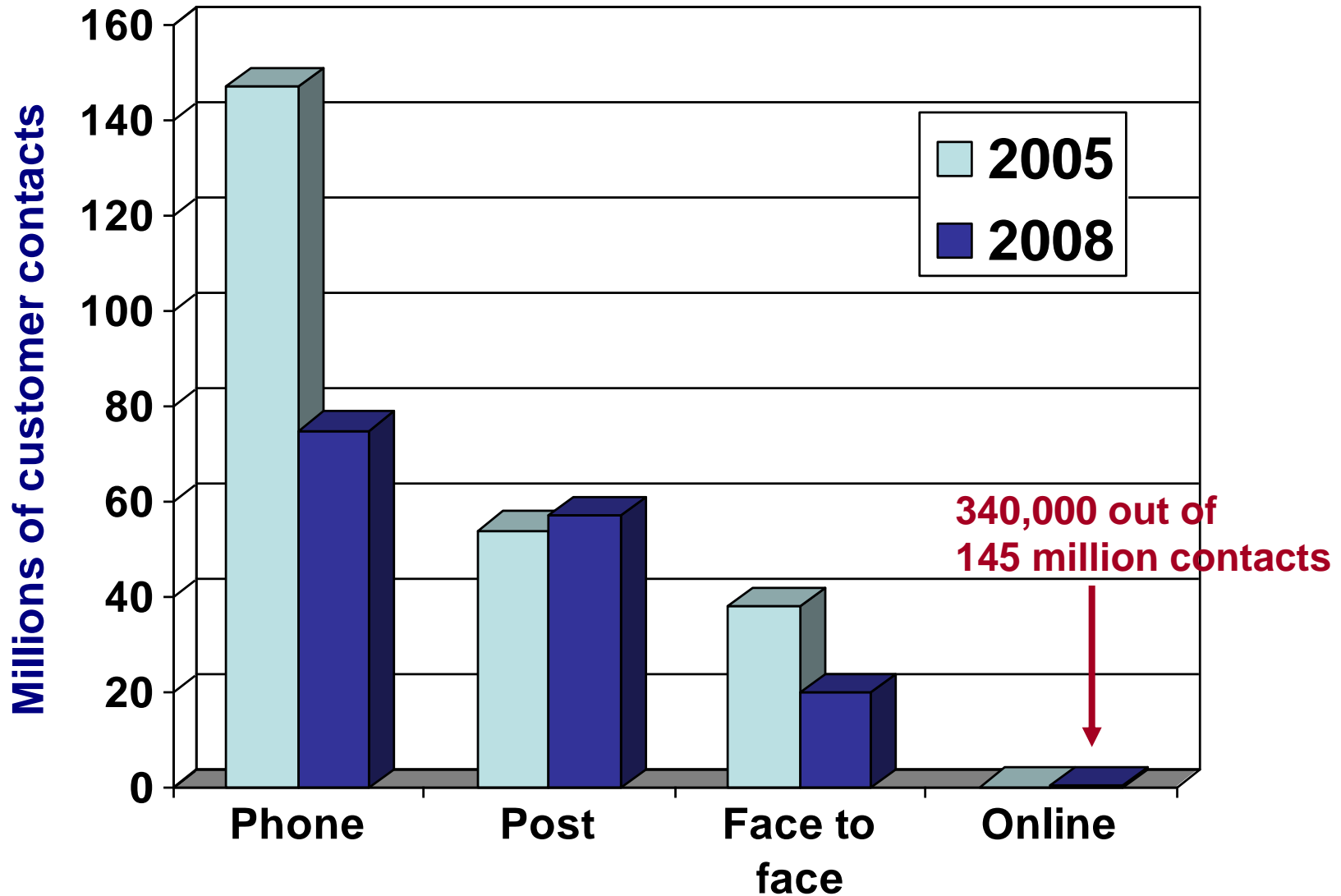
Source: NAO, *Communicating with Customers in DWP*, May 2009

Customer Contacts in DWP 2005 to 2008



Source: NAO, *Communicating with Customers in DWP*, May 2009

Customer Contacts *Online* are Minimal



The Services Mix in the DWP, 2005-9

- From 2005 onwards DWP sought to cut back on unproductive contacts, and by 2008 reduced them drastically to 150 million customer contacts. The phone/paper/face to face mix moved heavily back towards paper & mail
- In 2008 online communications amounted to less than 1% of customer contacts – a highly contentious but dramatic way of putting this is that at this time it took each DWP civil servant four months to send one email to a customer
- 51% of DWP customers were online with broadband access by mid 2008, because of lowered prices and diffusion of innovations – confounding initial strategy assumptions
- The onset of recession in late 2008 triggered a rapid switch to moving Job Seekers' Allowance applications off phones and towards online – in summer 2009 full JSA applications online opened for business
- *Without* being able to make a detailed business case for change, and ignoring transactions costs, we can nonetheless sketch the possible scope of implementing DEG ideas more fully within JCP

Current (NPM) Process	DEG way	Estimated Potential Savings
30 Minute Phone Call Application + 5 Minute Admin	Moving Towards Predominately Online Applications. additional access available in JCP local offices. With telephone contact only where necessary	40% online = £13m (JCP target for 2011) 80% online = £27m
JCP Local Office : 20 Minute document check, 40 minute basic work advice,	15 Minute Document Check. 20 Minute to Process Decision, 30 Minute Customer Induction to in-house Internet café for job-seeking 15 Minute Discussion about Skills.	+ £22m at this stage to process claims decisions on the spot in local office
45 Minute Back Office Benefits Decision Centres collate and check information gathered at other stages + make decision	This stage could be removed – by moving more qualified BDC staff into JCP local offices and training other JCP staff to be able to make decision on the spot	Saving approximately £50m (in direct costs)
5 minutes every Two weeks, Signing on face-to-face, enforce conditionality and job-seeking discipline	Online sign on for low risk customers, takes 50% of customers out of Jobcentres: and same network copes with 1.5 million new customers by 2010	Saving approximately £28m (in staff costs)

Conclusions

- Online Application
- One stop process
- Job –seeking for the digital age
- Intelligent conditionality

Total annual saving of **£83m** might be achievable on JSA alone = 37% of current expenditure

Since most other working age benefits operate using the same model as JSA we might estimate a potential saving of 20% across JCP as whole, potentially equalling **£430m** per annum.

As a result of investing in ICTs and new processes like this, the US Social Security Administration has seen productivity gain of 15.5% since 2001 and achieved a claimed annual saving of **\$980 m.**

Part 2: A case study of a service under threat – local libraries

TRENDS IN SALES

	2007-8	1998-9	% change
Product A	91m	109m	-17
Product B	72m	114m	-36
Product C	144m	235m	-38
Sales per capita in the target market	5	7.8	-36

TRENDS IN UK PUBLIC LIBRARY USEAGE

	2007-8	1998-9	% change
Children's books	91m	109m	-17
Adult non-fiction	72m	114m	-36
Adult fiction	144m	235m	-38
Book issues per capita	5	7.8	-36

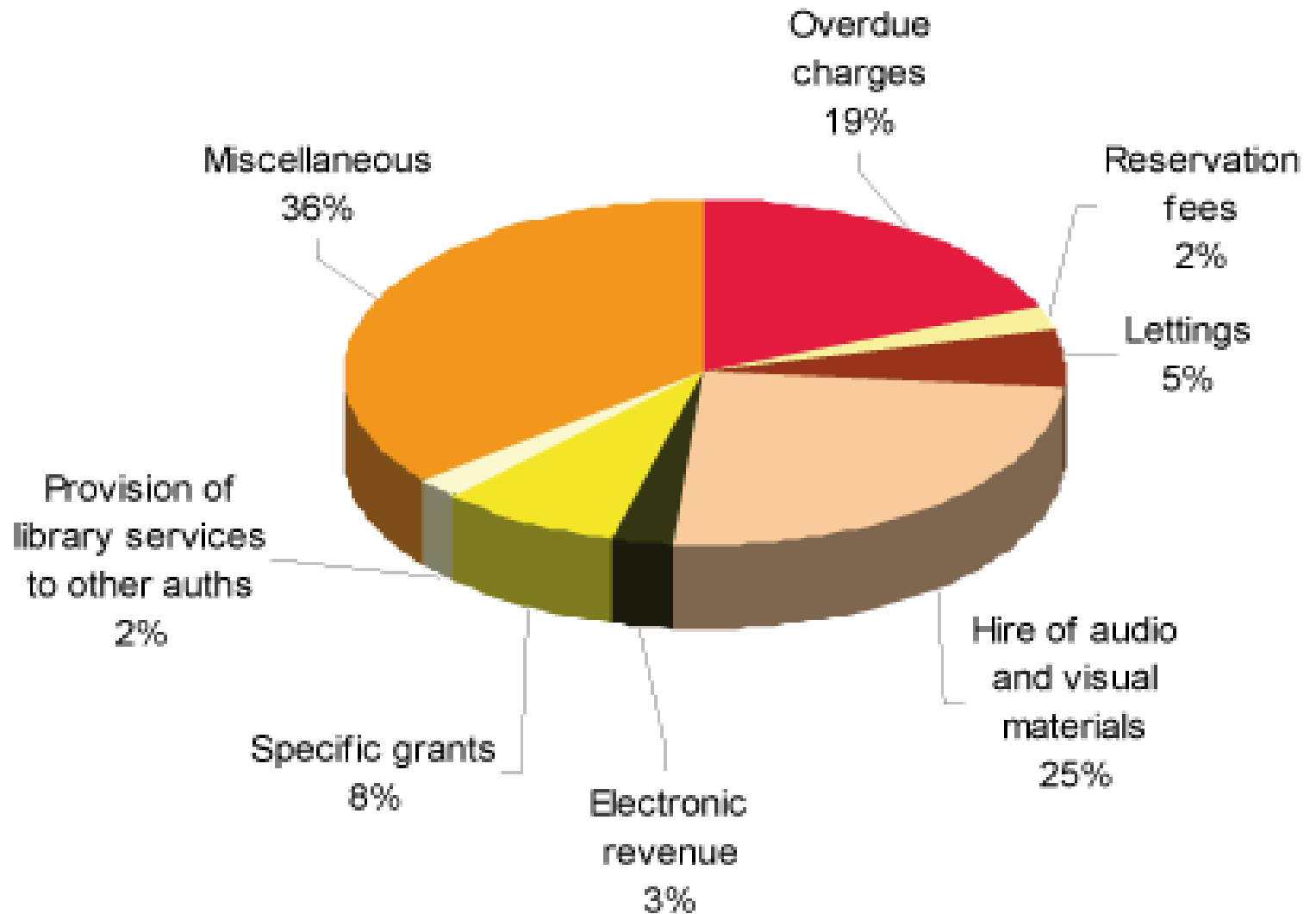
TRENDS IN UK LIBRARY USAGE

	2007-8	1998-9	% change
All public libraries	308m	460m	-33
Book issues per capita	5	7.8	-36
Academic libraries	97	78	+25
Books issues/student	56.4	51	+11

TRENDS IN UK LIBRARY USAGE

	2007-8	1998-9	% change
Library visits	328m	344m	-4
All public libraries	308m	460m	-33
Book issues per capita	5	7.8	-36

Breakdown of public library income 2006-07 per 1,000 population figures) *Source: CIPFAc*



TRENDS IN UK LIBRARY INCOMES

	2006-7 £m	2001-2 £m	% change
All public library income	100	87	+16
Estimated hire fees	25	21	+16
Estimated fines income	19	12	+57
All academic libraries income	72	69	+5

In Sussex CC 2008, fines raised £560,000
set against total new acquisitions spend of £1.2 million,
i.e. 47% of the total.

In 2008-9 Cambridge University library fines paid fell by 25%
when users got 2 days notice of book return dates via email

THE DEBATE ABOUT LIBRARY FINES

- "It's all so negative, unprofessional and unbusinesslike; like any business, libraries need not to alienate their customers."
- *Frances Hendrix, Library consultant*
- "They're past their sell-by date because they do sustain a very old-fashioned image of libraries which is out of sync with today's modern library environment and the image libraries are trying to project - tolerant, responsive, flexible, stimulating."
- *Liz Dubber, director of programmes at reading charity The Reading Agency*
- "Clearly it is in the interests of all library users that books are returned on time. MLA best practice advice would to recommend that authorities politely alert customers before they go overdue and to avoid the word 'fine' in preference for 'charge'".

COMMITTED LIBRARY USERS ARE NOT DETERRED BY LIBRARY FINES

- “I get email reminders when a book becomes due and then I can renew it online, so I never have any fines anymore! Love love love the advances in library technology in the past few years.”
- I love my local library - it saves me a fortune and stops the house filling up with junk.
- I often browse in Borders at lunchtime, see what I fancy reading, order it online from the library, and then I get an email to say when it's arrived (usually takes 3-4 days)

All quotes from Mumsnet discussion forum

BUT ADVERSE USER REACTIONS TO FINES ARE VERY COMMON TOO

- “I used to take my kids to the library years ago, but in the end I had to ban them from going there as we kept losing the books and getting huge fines. Cheaper just to buy them the books!”
- “I dread to think exactly how much we've paid in fines over the years.”
- “[My daughter] invariably chooses 10 books at a time and I invariably fail to return them by the due date, so the fines we pay not only keep our local library afloat but have also financed the war in Iraq.”
- “We go to the library sometimes to use the computers and read the books in there but I hardly ever let the kids take them home, having racked up massive fines in the past.”

All from Mumsnet discussion forum

USERS' REACTIONS TO FINES

- “Ours is always very busy, and we go regularly but I do pay a small fortune in library fines.”
- “I don't use mine simply because I always forget to return the books and end up paying more in fines than they would have cost anyway.”
- “I don't go because it's cheaper for me to buy the book as I always forget to return them on time!”
- “I owe £38 in outstanding fines”
- *Musmnet discussion forum*

Stemming the decline – key steps

- Rebuild customer relations and good will
- Stop ‘farming’ the customers for fines – move them onto emails/text messages before books are overdue and online services, and show you’ve strained every nerve not to push people into debt
- find savings to fund acquisitions from cutting ‘hidden call centres’ in libraries, and better managing staff
- Think radical innovation everywhere – eg national library card scheme to borrow books when out of area will work better with changes above

Renewing the library service offer – key steps

- Start preparing now for a major e-book wave and new tech waves
- eg national co-ordination of free ebook releases to citizens on out of copyright materials – a new charging for ebooks market – ie help customers cut the costs of ebooks generally
- Prepare for mergers, cross-management by good services of multiple areas, and national and regional shared services, to accommodate 17% cuts over first 4 years 2010-14 – we need a competitive market in library services management

Overall conclusion

Innovating out of recession in the public sector

- The barriers to responding to change may come down when drastic action is the only way to protect the service
- Traditional constraints can also be eroded by strong changes elsewhere in society, which make the 'stand-pat' option no longer tenable
- Both examples suggest that large gains are potentially achievable once we can gain consensus that sticking to past models is not going to be sustainable
- Of course, major problems always remain
 - in defining a business case for change
 - in showing that new investments and transaction costs can be implemented in ways that keep projects on a continuously viable reform pathway
- But reenvisioning what is possible is a key first step