

The economics of localism

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Local services are human, receptive, engaging and productive. Counterintuitively, they are also high quality and low cost. So if the idea of local services goes against the grain – as it does – it is the grain we have to change.

Take, for example, housing benefits. For Sir Peter Gershon, housing benefits are an obvious choice for shared services, and they were one of the first local-authority services to be force-fitted by DWP into a rigid front-office / back-office design. Yet the evidence shows that this is a ‘no brainer’ in the most literal sense. It is dumb. The smart way to design housing benefits is to provide the expertise required to solve people’s problems at the place where they meet the service provider: face to face, at the front end.

Using this principle, East Devon and Stroud councils process claimants’ benefits in less than half the official ‘target time’. In a period when the number of claimants is increasing, East Devon has serviced 33% more demand and Stroud 50% more, both with less resource. Blaenau Gwent has leapt from the bottom of the Welsh league table to the top; better service has cut the number of ‘benefits’ calls to its service centre by 50% and face-to-face visits by 57%. These are improvements that put official targets in the shade; and by treating claimants ‘in the round’ – helping them to solve wider or associated problems rather than just processing benefits claims – they make knock-on savings elsewhere in the system too: in headline speak, local services double efficiency savings!

Housing benefits was the first in what has become a tsunami of service industrialisation – a wave of public-sector call centres and back-offices built in the belief that bigger is better and that economy lies in scale. But factory management is only good for mass production (and even then...). Removing work from front-end service providers to call centres just creates ‘failure demand’ (Seddon 2003 and 2008¹) – demand that goes away, freeing up capacity (see Blaenau Gwent above) when service is designed locally. De-coupling customers from front-end agents – the rationale for the ‘back-office’ factory – does likewise. By contrast, *re-coupling*– understanding what citizens want from services and equipping employees to deliver it at the point of transaction, cuts costs as service improves, as so many examples show².

These are counterintuitive ideas. Current thinking would have it that local must be more costly. But as the leaders of these councils (and many others) know, the real issue is actually the way we think about method and measures. For example, managers assume that

¹ Seddon, J. “Freedom from Command and Control”, Vanguard Press, 2003. Seddon, J. “Systems Thinking in the Public Sector: the failure of the reform regime and a manifesto for a better way”, Triarchy Press, 2008.

² Middleton, P (ed.) 2010 ‘Delivering Public Services that Work (Volume 1): Systems Thinking in the Public Sector Case Studies’ Triarchy Press: Axminster

http://triarchypress.com/pages/Systems_Thinking_Case_Studies.htm

standardising work cuts costs, yet when they study their services they find that standardised processes prevent the system from absorbing variety – in simple terms, it makes it hard for customers to get what they want, and the organisation consumes more resources as a consequence. It is a hard lesson. The reality that standardisation drives costs up will be resisted, rationalised and angrily denied. But studying the work obliges managers to confront the evidence of their own eyes: while specialisation and standardisation of work lower transaction costs, overall costs of service go up because the factory design creates more handovers, fragmentation, duplication and errors and hence re-work, and generates massive failure demand. Studying the work, they understand a paradox: managing costs creates costs.

Local services engage directly with citizen needs. Instead of being codified, categorised and processed (if you are lucky) by demoralised and disengaged workers in remote computer-controlled organisations, citizen needs are understood and acted on by happy, helpful people who get a kick out of providing a service that matters.

Economy comes from flow, not scale. Scale thinking has driven massive costs into the public sector – with no underlying productivity improvement, arbitrary targets can only be met, if then, by huge increases in spending (trebled in the case of health-care, doubled for local authorities) which is absorbed by the rising costs of the infrastructure of failure.

As people become obsessed with costs, more of the wrong thinking dominates action. Total Place initiatives that count the cost of activities but say nothing about value will cause people to leap to the wrong conclusion: that economy will follow from scale. By contrast, studying value – the nature of demand from the citizens' point of view – rather than cost quickly shows how and where resources are wasted, duplicated, or being spent on things that are of little value to the service user³.

Managing value entails understanding demands from citizens in their terms and the flow of activity that ensues whenever the demands occur. Studying these things reveals to managers that the targets and specifications with which they are struggling to comply actually make performance worse. They understand that, even if it goes against the grain, scale does not lead to economy; and that to make lasting improvement, we have to change the grain.

³ Total Place: it needs a better method: <http://www.systemsthinking.co.uk/9-total.asp>