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# *The UK alternative*

By Eudoxe Denis  
In collaboration with Laetitia Strauch

Preface by Jean-Marc Daniel

**#1** David Cameron's  
Big Society  
and what France  
could learn  
*abstract*



INSTITUT DE  
L'ENTREPRISE

# **The UK alternative**

**David Cameron's Big Society  
and what France could learn**

By Eudoxe Denis  
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# Preamble

This note is part of a research project undertaken by the *Institut de l'entreprise* in late 2012.

It is largely based on a working document produced in the first quarter of 2013 by Frédéric Gloriant, which was a factual study of the intellectual and historical origins of the Big Society and a description of its different operational variations since the Cameron government came to power in 2010\*. A summary of this research resulted in a publication in the quarterly publication *Sociétal*, “La Big Society contre le Big Government : réformer l’Etat après Thatcher et Blair” (“Big Society against Big Government: reforming the state after Thatcher and Blair), *Sociétal* No. 79, 1st quarter 2013).

This project has three components:

- The first is a review of *Big Society* as such, its ideological origins, its variations in terms of public policy, and the conclusions that may be drawn at the end of 2013\*\*. **This document is a summary of the report focusing on this first part of the analysis.**
- The second part focuses on the viewpoints of stakeholders in – and observers of – Big Society in Britain, through interviews conducted by the *Institut de l'entreprise* in London in the spring of 2013.
- The final section focuses on the analysis of fiscal consolidation led by the Cameron government and its relationship with Big Society: beyond the objective of reducing the public deficit, how have the frontiers of the state changed?

The author is peculiarly grateful to Attico Loudière, Lauriane Contamin and Elise Schobel, for their contribution to the research, as well as Charles de Froment and Guillaume Malochet, for their thoughtful proofreading and relevant advice.

\* The political conclusions that we have drawn from this experience, as well as the recommendations and lessons for France are the sole work of the head of research of the *Institut de l'entreprise*.

\*\* This report does not cover all reforms carried out by the coalition government, only those that are related to Big Society. As such, welfare reforms, for example, are not all included herein.



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# Preface

The *Institut de l'entreprise* recently published two papers on the situation in Mario Monti's Italy and in Angela Merkel's Germany on the eve of their elections<sup>1</sup>. Following on from this work, it now seems appropriate to turn our attention to the UK.

As we have known since Voltaire wrote his *“Lettres anglaises”*, and as difficult to admit as it may be for us in France, the ideas of the world are thought up on the other side of the Channel – and we would do well to take note. The developments currently underway in Britain merit our attention all the more since the British economy has experienced a spectacular return to growth. According to the IMF, growth in 2014 will be 2.4% and the country will enjoy practically full employment.

## **The British “Renaissance”**

The easy answer when making comparisons with the eurozone and its 1% growth rate would be to conclude that the euro is simply overvalued. This nostalgic discourse on inflation and devaluation has the merit of being simple, and thus the drawback of being inexact, particularly since the pound has remained steady at €1.2 on average in recent years and the easy answer of inflation does not apply to the UK. Moreover, to avoid the temptation of ridding itself of public debt – which is as high as France's – through inflation, the British Treasury has issued a great deal of indexed loans (25% of the total debt).

One could play down British success by pointing out that the UK economy remains highly dependent on the United States. As such, the American economic cycle traditionally enters its phase of expansion before the European cycle, meaning that growth in the U.S. will be 2.8% in 2014. It could be argued that growth in the US leads to growth in the UK, and all that London need do is wait.

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<sup>1</sup> Institut de l'entreprise, *L'Italie de Mario Monti : la réforme au nom de l'Europe*, Alain Fabre, February 2013 and *Allemagne : miracle de l'emploi ou désastre social?*, Alain Fabre, September 2013.

Eudoxe Denis' paper shows that, although these cyclical explanations have merit up to a point, they ignore the crux of the matter. The Cameron government has engaged in a reform and reorganisation of British society of a similar magnitude to that led by Clement Attlee's Labour government at the end of the Second World War or by Margaret Thatcher's Conservatives at the end of the 1970s / beginning of the 1980s. Profound change is underway, without recourse to revolution, in a British parliamentary system that remains a model in this respect.

### ***The spirit of the Vikings and Tory principles***

Since we have already published reports on Italy and Germany, we take the liberty – in order to understand what's happening in the UK – of turning to Oswald Spengler's famous but excessively clear-cut 1920s assessment of European nations. The author who would go on to write *The Decline of the West* published a book entitled *Prussianism and Socialism*, in which he denounced the revolutionary movements that shook Germany following its defeat. In this text, he also lays out his view that each country has a historical temperament which remains throughout its history, lending the work a timeless quality.

As such, according to Spengler, England is not a product of the Angles and the Saxons, Germanic peoples with a tradition of submission to State authority, but rather of successive waves of Viking invasion, first from Denmark and then from French Normandy. The English soul is heir to a Viking spirit which combines a quest for wealth without geographical limits, with an unwavering commitment to the small longship community which is its vector. Over time, this spirit evolved into a basis for individual initiative and – more generally – economic freedom. In contrast with the individualistic liberalism in the very DNA of the British nation, Spengler identifies two powerful models and two counter-models: the model of Spain, where the Visigoth spirit of sacrifice is reincarnated in the *perinde ac cadaver* of the Jesuits, and the model of Berlin and Vienna, where the State rationally reallocates the fruits of work without revolt, but without resignation. In contrast, France and Italy provide counter-models. A Latin heritage has inspired an ideology of resourcefulness and parochialism, symbolised by the Italian Guelphs and the naïve anarchism of the French socialists, an example of whom is Joseph Proudhon. In Florence, a weak State appears dedicated to squandering the country's wealth, while in Paris, an impotent caste of senior civil servants and intellectuals reigns, whose purpose is neither to serve the nation nor even themselves, but merely to exist.

While we have seen through the brilliance of Spengler's assessment that Berlin and Florence are in the process or reverting to historical type in previous papers, Eudoxe Denis' paper argues that the United Kingdom is moving towards a society built on economic liberalism and the belief that public services should be provided by decentralised organisations. It describes a United Kingdom that has a very open and international outlook, even though some forms of xenophobia have begun to emerge, and euroscepticism and a shift towards the emergence of stronger local powers have become a part of the prevailing political discourse. "Big Society", which became the slogan of the Conservative government, is clearly based on a call to Norman values of private initiative, rather than "Prussian" continental statism.

Furthermore, by calling themselves Red Tories, proponents of Big Society aim to demonstrate that they form part of a wider cultural heritage. They consider themselves to be the descendants of the Tory party of the eighteenth century, that saw the future of their country in an alliance between the King, the nobility of the Plantagenet period and the people against an elite Whig mixture of a bourgeoisie – which presented itself as liberal but which was committed to the protectionism of the Navigation Acts – and the newly emerged nobility, born of the horrors of seventeenth century civil wars. Red Tories seek a return to the spirit of Benjamin Disraeli in the 1830s, who inspired the Young England movement and William Pitt, who fought against Napoleonic authoritarianism and who was inspired by the writings of Adam Smith. The current changes taking place in London are inspired by this return to Tory fundamentalism. The United Kingdom appears to be rebuilding in dialectical relation to its history, hoping that by modernising the messages from its periods of greatness, it can wipe away its period of decline.

### ***In search of Gladstone or Disraeli***

The first changes were carried out by Margaret Thatcher, whose legacy was then continued rather than amended by the New Labour government. Conservative Thatcherite monetarists and New Labour social liberals aimed to turn the page on the Keynesianism of Clement Attlee's Labour Party.

The latter was based on two principles: first, an increase in public spending to finance the establishment of the welfare state and to guarantee a certain level of social welfare, along with an acceptance or even promotion of inflation as a means of dealing with debt and of "killing off" inherited wealth. This was an underhanded

means of redistributing income at the expense of savings and allowing full employment via Phillips' trade-off – the ultimate benefit of inflation.

From 1945 to 1976, both Labour and Harold Macmillan's Conservatives were entirely submissive to the "Treasury view", which had become Keynesian following the departure of Ralph Hawtrey in 1947, and pursued the soft option of inflation. The downside of this was a steady increase in prices that squeezed exports and increased external deficit. British Keynesianism resulted in a succession of boom and bust, of increasing demand followed by higher taxes to contain it and restrict imports, in the name of a "stop and go" policy. This policy came to a dramatic end with IMF intervention in 1976.

There is therefore no other choice but to return to the practices that led to the strength of England during its *Belle Epoque*. Margaret Thatcher rid the country of inflation and dreamed of building a society that, in reality, was closer to that of the Liberal Gladstone than to the Conservative Disraeli.

Gladstone's career was marked by frequent visits to the Exchequer, where he imposed a two-pronged approach. In monetary terms, he supported the iron discipline of the Gold Standard; this discipline was backed by the Banking Act of 1844. Thatcher and New Labour both agreed on this point, without ever expressly admitting as such. The second pillar of his policy was a minimal state. He set this out in 1852, during his first term as Chancellor of the Exchequer. For him, an increase in public spending would result in an attendant decrease in private spending, which in turn would lead to increased taxation. To this, four considerations may be added. The first is that public spending, even in a democratic society, is the result of a long and uncertain decision-making process, whereas private spending is the action of a free citizen and so is more respectful of freedom. The second is that beyond a certain threshold, the population perceives taxation as confiscatory. The third is that, in determining the acceptable level of tax burden, we must bear in mind that those taxpayers who protest the most are not necessarily those who are most affected by the tax. The Gladstonian example of reducing tariffs and creating an income tax meant that the British government acted justly and improved living standards of the poor through greater efficiency and through the increased specialisation of the British economy. However, this ran into opposition from the property-owning classes, who claimed that international competition would ruin the country. The fourth is that the minimal state

is an efficient state, not a non-existent state. Underpaying the army only serves to transform it into a band of mercenaries that threatens public order.

Thatcher embodies the return to this economic line. It is no coincidence that one of the first instigators of New Labour was Roy Jenkins, Labour Minister in the 1960s and 1970s, and well-known for his biography of Gladstone.

What the Red Tories have learned from the changes brought about by Labour and by the economic liberalism of Thatcher is that the thinking on the minimal State was not sufficiently thorough, and therefore it was necessary to revisit the works of Gladstone's sworn enemy, Disraeli, who dreamed of rebuilding social harmony through the management of everyday issues by citizens, acting at a local level to solve specific problems.

### **Free schools**

Whether it draws upon Spengler's ancient roots of England, Gladstone's minimal state or Disraelian "Young England" communities, the policy of Big Society is one of improving public efficiency through increased public support for private communities. As such, this paper analyses the implementation of "free schools" and the overhaul of the National Health Service. Contemporary Britain is like all modern countries: it must face up to questions about the effectiveness of its school system, which is increasingly expensive but remains vital to the development of human capital and thus to future growth. It must also deal with its aging population and the rise in health spending. By decentralising, introducing competition and empowering people, Big Society aims to create a society in which public / private partnerships become the norm. The British school system is now as much the responsibility of parents as of the state. The goal of this is not to placate the functionaries of the education system, as during the Atlee era, nor to meet a multitude of targets set by consultants, as was the case under New Labour, but rather to meet the needs of students.

The model has its limitations: economic recovery is still built on a large current account deficit, which is a testimony to the country's flagrant lack of savings. In addition, the axing of 600 000 civil service jobs, whose work has partly been transferred to private agents, has not meant a return to a balanced budget.

However, we must put this into perspective. Attlee built a new society that was defeated by inflation, Thatcher conquered inflation but failed on growth, while Blair cleverly exploited growth but did not succeed in building a Gladstonian minimal state. Those who inspired Cameron sought inspiration in the work of Disraeli. Our own politicians have at times claimed to be Labourite, Thatcherite and sometimes both. Today, all eyes are on the Rhine, and our leaders claim to be Social Democrats. However, it is worth taking a look across the Channel, or reading this document, which could also be entitled the “*Nouvelles lettres anglaises*”.

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# Summary

In its position at the heart of David Cameron's political strategy during the 2010 election campaign, the Big Society emerged as the overarching vision guiding the actions of the new coalition government when it came to power.

This vision is in contrast to the legacy of New Labour, which saw public service only in the context of ever-increasing public spending. Acknowledging the fact that the "welfare society" existed prior to the state bearing the same name, the Big Society aims to radically transform the way the public sphere functions, by building on the potential of civil society, while reducing the dependence of individuals on the welfare state.

Three principles are at the heart of Big Society reforms: the principle of decentralisation and subsidiarity, the principle of participation and the principle of openness and partnership. These cover the entire scope of government action, as shown in the following areas of application: the opening up of public services to private initiative, reforms to the education and healthcare systems, the policy of decentralisation and promoting "localism", support to the third sector, civic action and volunteering, and finally, welfare reform and welfare-to-work policies.

Three and a half years in, the coalition's main successes can be noticed in the areas of education reform and social innovation. Civic action and volunteering are on the increase, although they are not at historical levels, and are unevenly distributed across the country. Opening up public services to the private and the voluntary sectors, and decentralisation policies have had mixed results, while the introduction of Universal Credit - which should have seen the most significant change to the welfare state since Beveridge - has faced a number of obstacles. Despite these difficulties, welfare-to-work incentives appear to be working.

*Big Society* has been rolled out during an unprecedented period of austerity in the post-war period. While the need to redress public budgets is not in question, the terms of austerity have given rise to debate and go some way to explaining the mixed reception that *Big Society* has had in public opinion. This scepticism explains why the

government itself has abandoned the concept. Nevertheless, abandoning the term does not mean that the ideas that the concept covers have been abandoned, nor indeed the reforms that it has inspired. Put into perspective, the coalition government elected in 2010 has a highly impressive record, both in terms of its efforts at fiscal consolidation, as well as in its attempt at public services reform. Education, health, welfare services and providing support to jobseekers: no area of government has fallen by the wayside, while Margaret Thatcher had ruled out healthcare reform in her first term, and then went on to stumble on education reform.

At a time when economic recovery is once again putting the spotlight on the United Kingdom, all observers are wondering just how our British neighbours have managed this return to growth. The danger would be not to go beyond this and to miss the less visible, structural revolution that has taken place.

The generalisation of “payment by results” schemes in the provision of public services, the gradual transformation of all state schools into independent institutions, trials of new co-provision of public services at the most local level are all signs of quiet yet major changes underway.

Despite the obvious cultural differences (first and foremost, the symbolic weight of the state and the historical weakness of civil society in French political culture which would make any attempt to directly transpose policy problematic), France would be wrong to ignore the transformations taking place across the Channel.

In particular, these include: opening the provision of public services to a variety of providers, which enables less centralised management of services that is tailored to individual needs; the role played by the user in controlling and even co-providing his own services; the acknowledgement that solidarity networks and mechanisms exist beyond the state; and innovations in social finance. All this requires careful examination, especially in the context of significant budgetary constraints, which require the relationship between the state, society and the private sector to be reconsidered.

# What is Big Society?

The concept of Big Society was key to David Cameron's political strategy during the 2010 election campaign and remained at the heart of the coalition government's programme when it came to power. Under Big Society, the British Prime Minister intended to radically transform the relationship between the state and civil society, drawing on the resources of the latter to reform public services and a battered welfare state.

The phrase 'Big Society' makes reference to Margaret Thatcher's famous and often truncated quote that *"there is no such thing as society, there are only individuals."*

For the new Conservative Prime Minister, on the contrary, *"there is such a thing as society, it's just not the same thing as the state."* It is all those institutions, both formal and informal, chosen or handed down through tradition, that allow the natural sociability of the individual to flourish and enable exchanges, both economic and otherwise, to thrive. This civil society predates the state, and its vitality is key to the proper functioning of markets, since it is from here that the bonds of trust necessary for the growth of trade arise. Yet it is precisely the confusion between this and the state that has weakened civil society. The state has become hegemonic in the face of a fragmented and "broken" society. The symptoms are familiar: persistent social inequality, child poverty, high rates of drug and alcohol abuse among young people, high teenage pregnancy rates and "benefits culture".

Big Society is innovative in that it seeks a remedy to the ills that emanate from society itself, rather than through state intervention or through increased public spending. Acknowledging the historical precedence of a "welfare society" in the development of the state of the same name, the aim is to mobilise various initiatives that arise from formal institutions (the "third sector") – NGOs, mutuals, cooperatives, social enterprises, non-profit organisations – as well as informal institutions (neighbourhood networks, local assistance initiatives and anything that the English-speaking world refers to as "communities") to begin to rebuild society. All in all, the idea is to place Big Society in opposition to Big Government.

Big Society is far more complex than the mere withdrawal of the state. Indeed, the partial breakdown of intermediary institutions is proof that advocating a Big Society does not mean advocating a state-defined “negatively” as minimal. Paradoxically, the state has a key role to play in rebuilding civil society, as a catalyst for social initiatives.

Big Society figures in the British Prime Minister’s speeches, and in the writings of those who inspire him, as a vision that guides government action, rather than a specific programme to be implemented.

Three overarching principles can be discerned that apply to all aspects of government:

- The principle of decentralisation and subsidiarity: power must be exercised at the appropriate level, as closely as possible to the citizen or the public service user; central government must be limited in its ambition and modest in the exercise of its authority;
- The principle of participation: people should exercise a greater involvement in decision making. Public service users will have more choice and better quality services if they exercise control over the manner in which services are provided;
- The principle of openness and partnership: third sector players must be empowered to access public contracts and to provide public services that are currently provided by state monopolies. Flexible partnerships between the third and private sectors or between the third and public sectors should also be promoted.

## *Radical ideas in time of crisis*

The strategy of Big Society naturally took into account a number of electoral considerations. The reorientation of the Conservative Party's rhetoric was aimed in particular at tackling the dual challenge posed by the Blairite shift of the Labour party towards the centre, and the need to change perceptions of the Conservative Party, known since the Thatcher era as the "nasty party".

The intellectual dimension of the notion of Big Society nevertheless remains real, as is evidenced by the vitality of think tanks close to the Conservative Party. These have made various contributions to the Big Society programme, from the Centre for Social Justice, established by the former Conservative Party leader Iain Duncan Smith, where the Tories' renewed interest in social issues was expressed, to Policy Exchange, to which MP and author of *The Big Society* Jesse Norman contributed, as well as ResPublica, founded by theology professor and "Red Tory" Phillip Blond.

Unsurprisingly, the development of Big Society is in no small part a reaction to the legacy of New Labour. Its proponents pointed to: i) a continuous increase in government spending during Tony Blair's second term and under the Brown government, in particular on health and education, which did not result in higher levels of user satisfaction; ii) growing dependence of individuals on welfare, without convincing results on reduced inequality and poverty; iii) incessant reform of the state, which, paradoxically, did not result in higher productivity in the public sphere.

As such, despite the reforms undertaken by New Labour, services provided by the state have become more complex and bureaucratic and less flexible. Furthermore, under Labour's watch, public services were excessively standardised, resulting in a new form of authoritarianism, due to the ever more restrictive quantitative performance "targets" imposed top-down. In some cases, these targets actually lowered the quality of service by increasing the pressure to get results, which were only evaluated quantitatively, while the scope for flexibility and initiative available to employees on the ground who were in contact with users was greatly reduced.

New Labour's approach to public service reform was found to be counter-productive, demoralising and authoritarian. It failed, according to the proponents of Big Society, because it was unable to take on board – beyond the simplistic opposition of state and market that New Labour was at pains to reconcile – the “third sector”, outside the realm of state and private enterprise, usually referred to in French as “*société civile*”, despite Labour's claim to support it.

This promotion of civil society also explains why the Conservatives distanced themselves - partially - from their Thatcherite legacy and its radical individualism, which was also said to be responsible for the weakening of intermediary institutions. This occurred, in particular, through the centralising and authoritarian tendencies of Thatcherism, which did not hesitate to resort to brutal state authority, destroy intermediary institutions that hampered the talents of the individual and maintain order in an increasingly fragmented society.

This relationship with Thatcherism divides Big Society thinkers into two distinct camps and explains some of the tensions inherent to the concept itself. Blond and Norman, who offer the most comprehensive explanation of the concept, differ in their relationship to liberalism. While both attack failures of the market and a particular form of capitalism, Blond argues that the role of Big Society is to provide a remedy to the excesses of liberalism, whereas Norman seeks to reconcile liberalism with conservatism. This difference of approach mirrors the divergence present in British Conservatism since its very beginnings: Norman is the heir of the Whig vision of British history, focusing on the ‘Glorious Revolution’ and the works of Edmund Burke; Blond draws on conservative thinkers of the nineteenth century, who were radically critical of industrial and capitalist modernity, and refers explicitly to the tradition of social conservatism of Disraeli – “*One Nation Toryism*”.

In his book published in 2010, *Red Tory*, Phillip Blond concludes that Left and Right have both failed. He argues that economic liberalism was unable to keep its dual promise of popular capitalism and prosperity for all, while the Left, despite a considerable increase in public spending under New Labour governments, did not succeed in lifting the most underprivileged out of poverty. In fact, despite being apparent opposites, economic liberals and progressives share a common background: the economic liberalism of the former came together with the social liberalism of the latter to bring down the pillars holding up society, leaving individuals helpless and fragmented against the state. Leaving behind both “neoliberalism” and the “neo-statism”

advocated by the Left is a moral and economic necessity for Blond. This means recognising the primary link individuals have to their community – their families, local area, church, voluntary organisations, etc. The sum of these various communities makes up civil society.

Phillip Blond's ideas provided inspiration for David Cameron's flagship speech at the Hugo Young Lecture in 2009, in which the Conservative Party leader used the term "Big Society" for the first time. Phillip Blond concludes that public services no longer function properly because they provide uniform, standardised solutions to needs that have become individualised. Integrated local provision is needed to meet the demand for customised services. These services need not necessarily be provided by the public sphere, if only because the latter is unable to drive innovation top-down. The role of the state should instead change to become a platform that facilitates the provision of services delivered by other entities, such as large companies, SMEs, social enterprises, mutuals and charities. The latter, to withstand competition with larger companies, should receive special support.

More broadly, Blond argues in favour of restructuring conservatism around three pillars: a "civic state", at the service of civil society, that no longer promotes the interests of the individual above those of intermediary institutions; a "moral market", which places the virtues of reciprocity and trust at the heart of trade; and an "associative society", which recognises the innate sociability of individuals and the fact that there are forms of solidarity beyond the public sphere. Additionally, for Blond, state reform and market reform go hand in hand: people will be far more willing to accept an overhaul of the welfare state if they are convinced that the market can also act as an instrument of social justice.

Phillip Blond is difficult to classify, particularly from a French perspective: while his criticism of the monopolistic market and the excesses of neo-liberalism point to a left-leaning perspective, his social conservatism and his distrust of the welfare state point to the right.

In contrast, Jesse Norman attempts to establish a form of conservatism that is reconciled with free markets and which has a human face. The reference to the British conservative thinker Michael Oakeshott is central in that it allows him to establish a truly pluralistic and free society which is not dominated by the central authority of the state. Norman refers in particular to Oakeshott's distinction between two types of

society, the “enterprise association” (*universitas*) and “civil association” (*societas*). The enterprise society is entirely organised according to a collective goal – be its nature religious, political or economic – to which its members must contribute. Conversely, “civil society” defines certain frameworks and certain procedures to regulate the areas of life that its members share, without defining collective goals set once and for all.

This vision of Big Society in no way looks toward the restoration of a hypothetical lost moral order. It aims to facilitate fulfilment for a diverse number of groups and associations, which are inevitably diverse both in nature and in values. Norman’s thinking is therefore an attempt to develop a modern form of conservatism reconciled with free markets, based on the importance of institutions of all kinds. The pluralistic element applies both in respect to the state, where the Thatcher-style policy of sovereignty and state moralism are banished, and to its approach to the market, where Norman highlights the negative effects of standardisation driven by the overwhelming triumph of a certain type of financial and monopolistic capitalism (“crony capitalism”).

It should, however, be noted that during the 2010 elections, proponents of Big Society within the Conservative Party were forced to reformulate it in terms likely to be accepted by their new partners, in order to form a coalition government. In this context, the “Jesse Norman” version of Big Society emerged as being most compatible with the Liberal Democrats’ shift towards economic liberalism since their 2004 aggiornamento, and so this version has prevailed. This version, then, misses its more controversial components, in particular those related to economic matters. More generally, the new government’s conception of Big Society will depend greatly upon the inclinations of the two ruling parties, with an emphasis placed on the more consensual themes, such as decentralisation, subsidiarity and a focus on community and empowerment.

## *A wide range of applications*

**T**here is not, as such, a Minister for Big Society in the coalition government, because all government action is implicated, as is apparent in the following areas of application: the liberalisation of public services, including education and health care reform, the policy of decentralisation and the promotion of “localism”, support for the third sector and for volunteer action, and the reform of the welfare system and incentives to return to work.

The stated objective of public service reform is to move from a model where the state itself is the main or sole provider of public services to a system where the state delegates the task of providing the service to a range of different types of providers. The role of the state is thus limited to the task of selecting and regulating public service providers. In order to encourage innovation and improve the quality and diversity of services provided, the state is also responsible for guaranteeing fair access to public contracts, which are open to any service provider, whether they are from the public, private or third sector. “Public Service Mutuals” may also be added to this list: the government is encouraging public sector workers to reorganise their departments into independent entities, which continue to provide public services, despite having left the bosom of the state or of local authorities.

In the field of education, these principles have led the Cameron government to introduce “free schools”. Based on the Swedish model, groups of parents, teachers or charitable or religious organisations have the right to open a school. Free schools receive public funding and enjoy a high degree of independence to decide how they operate, both in the recruitment of teaching staff and in their choice of teaching methods. In addition to free schools, the Conservatives have also encouraged the “academies” model, introduced by the previous government. The two models have the same prerogatives, with academies differing from free schools only in that they are the result of “conversions” of existing schools. In both cases, the objective is to eliminate unnecessary bureaucracy while giving the highest possible level of independence to the headteacher, allowing him or her to adapt the way the school ope-

rates to local circumstances. Academies can secure the support of sponsors from the private or voluntary sector, who are represented on their boards of governors.

In the area of healthcare, the White Paper presented in 2010 by Minister Andrew Lansley aims at a major restructuring of the National Health Service (NHS). The reform envisaged by the government contains three important provisions: at a local level, doctors will have more direct responsibility for managing and spending funds allocated to them. 60% of the national health system's budget will become directly managed, thus enabling practitioners to redefine the services provided by the NHS, while at the same time reducing bureaucracy. At national level, the creation of NHS England, an independent government agency, will enable the NHS to develop a long-term strategy, co-produced with the public and not based on cost reductions, but rather on how to deliver care differently. Reforms are also intended to introduce more competition to some services provided by the NHS and to increase the role of the private sector.

The decentralisation advocated by the government is not merely institutional. The main objective of the Localism Act, which came into force in late 2011, is “community empowerment”: to enable a community - i.e. the residents of a neighbourhood or a small town - to take control of certain local services, to administer or to actively participate in decision-making at local level. For this “devolution” of power to citizens to be effective, it must be accompanied by greater transparency. For this reason, the Cameron government has made open data a priority, in order to provide users and citizens with the information intended to enable them to better monitor the performance of public authorities or service providers. This approach also aims to promote citizen and user participation, and is part of the effort to transfer power from the state to society itself.

Support for the third sector involves innovative financing and various institutional arrangements, to enable the most successful and innovative civil society organisations to expand and develop. In April 2012, the Government set up Big Society Capital, which specialises in providing finance to civil society organisations. Through this, it is also encouraging the launch of Social Impact Bonds (SIB). These enable third sector organisations to raise private funds to finance and implement social projects. Their key innovation is to transfer financial risk from the public to the private sector, while at the same time maintaining a public service mission (cf. the Peterborough example, page 29). To support involvement in civic projects and to structure third

sector organisations, the government has also launched a number of initiatives, such as the establishment of the National Citizen Service and the provision of training to Community Organisers.

Lastly, on the basis that the current benefits system – especially because there are presently about fifty different allowances - penalises work, locks its recipients into a “benefits culture”, unemployment and poverty, and at the same time has high operating costs, the United Kingdom government plans to roll out a single benefit called Universal Credit, which will replace the various existing working age benefits. The implementation of this far-reaching reform, which is expected to take around ten years, was scheduled to begin in 2013 but has been delayed. Although there are cost implications in the short term, the reform aims to generate savings in the medium term by reducing unemployment, and by significantly simplifying the benefit system.

## Implementation and initial outcomes

The coalition's key Big Society successes can be found in education reform, social innovation – particularly in terms of third sector financing – and in the welfare-to-work policies, even if the key element of the latter is not yet fully implemented.

A revolution is taking place today in the United Kingdom in the field of education. Three and a half years after the launch of reforms to give schools more independence, the education system has been transformed. At the beginning of the academic year in 2013, 174 free schools opened, with a further 105 due to follow suit in 2014. More than half of secondary schools and over one primary school in ten have been transformed into academies: nearly 3 500 schools in total. The free schools revolution currently affects more than two million children. While it is too early to fully assess the long-term impact of this reform, two initial indicators are encouraging. The first official inspections highlight the higher than average performance of academies and the first wave of free schools, which opened in 2011, compared to state schools as a whole. Furthermore, recent academic research carried out in Sweden<sup>2</sup> – which introduced a similar reform in the early 1990s – supports the idea that the introduction of independent schools is positive for all students, with competition between institutions driving overall improvement in the quality of teaching and student performance. The spread of academies and free schools – which remain free of charge for students – represents a significant crack in the wall separating the public system (state schools) and private schools (public schools) and thereby contributes to the democratisation of the educational excellence that characterises the latter. In time, this could lead to greater social mobility, of which the United Kingdom is currently considered to have one of the lowest levels in the OECD.

The United Kingdom is now a leader in the field of social investment. The country is pioneering Social Impact Bonds (SIB), with 14 projects currently underway. Positive feedback from these early SIBs has led to international interest. More broadly, the

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<sup>2</sup> *Independant schools and long run educational outcome : evidence from Sweden large scale voucher reform*, Anders Bohlmark (Stockholm University) et Mikael Lindahl (Uppsala University), June 2012, CESifo Working Paper Series No. 3866.

market for social investment, which amounted to £165 million in 2010-11, grew by 21% in 2011-12 and is expected to top £1 billion in 2016. However, the benefits of social investment will take time to materialise, and should not be considered a panacea to the challenges facing social assistance, even if it creates significant opportunities for the third sector. In addition to financing for the social sector, Britain is taking an experimental approach to social innovation, which permeates all public policy and is accompanied by a sophisticated evaluation process. One of the most visible expressions of this approach remains the implementation of the Behavioural Insight Team within the Cabinet Office, along with the setting up of the What Works assessment centres. Better known as the “Nudge Unit”, the Behavioural Insight Team consists of fifteen people whose role is to apply the findings of academic research in behavioural economics and psychology to policy and public services, with the aim of helping the state save money. The model’s success has led to it being implemented in the US and Australia. The second is an evidence-based policy initiative, which evaluates various government actions through a rigorous and objective econometric methodology: randomised controlled trial (RCT).

The latest available figures on volunteering date from 2012. They indicate an increase in the number of people who gave their time at least once a year since 2010, while the increase in the number of those volunteering on a regular basis is greater still. Nevertheless, there has not been any significant increase in formal or informal civic volunteering rates in the medium term. Volunteering has in fact declined slightly since 2005, and it is still too early to tell if the increase recorded since 2010 will continue. Volunteering, the presence of charities and the vitality of civic action are unevenly distributed across the country, in particular between the North and the South, although the government plans to remedy this by providing training to Community Organisers. In addition, when details of the work carried out are analysed, it appears that only 3% of those surveyed actually contribute to running a service. It should be noted however that in an area that has impacted public opinion, namely public libraries, results seem encouraging for the government. In 2010, the prospect of the closure of public libraries was brandished by the media and the opposition as an argument against cuts to local authority budgets, yet the number of volunteers increased by 44% in 2013 to compensate for the decline in the number of public workers in this sector. Numerous examples appear to illustrate increasing civic participation at the local level, with young people being a particular source of optimism, as their opinions and attitudes seem particularly consistent with the Big Society

project. The National Citizen Service has mobilised more than 70 000 young people in the three years since it was launched.

Results have been more mixed regarding public service reform. The opening up of public services to private initiative, combined with budget cuts, does not seem to have had a negative impact on their performance, at least according to polls on the quality of these services carried out among the public. Some local authorities have even reported higher satisfaction levels, which is all the more impressive given that their budgets will have been reduced by more than a quarter in real terms by the end of 2014. The new welfare-to-work scheme (Work Programme), which is emblematic of the opening up of public services, got off to a slow start, with provider performance below target over the first two years. Above all, this programme demonstrates the ambiguity associated with the concept of the “openness” of public services. The programme was intended to promote the diversity of providers, be they social enterprises, charities or private companies. As the case of the Work Programme illustrates, it appears that most contracts entered into by the state as part of this programme were with private providers, at the expense of the third sector, due to overly bureaucratic outsourcing and purchasing procedures. Since then, the government has taken steps to try to remedy the situation, in particular by passing the Public Services Social Value Act in January 2013. The Act requires public authorities to take into account not only factors related to cost, but also the added social and environmental value offered by the various service providers. Finally, Public Service Mutuals have expanded. In January 2014, there were more than 85 of these across England, with a combined turnover of more than £1 billion, employing almost 50 000 people. While the government’s stated objective is to transfer a fifth of public sector jobs to these new organisations by the end of its term in office, it seems unlikely this target will be reached, although initial assessments point to the merits of these new structures.

Following more than fourteen months of heated debate, the coalition government succeeded in pushing through a reform of the NHS in 2012, which is considered by some to be of key importance, although it is controversial. This reform was not included in the coalition’s programme, which had pledged on the contrary to put an end to the top-down restructuring of the health service. For this reason, the Prime Minister himself had to invest a great deal of political capital in the reform. In addition, in a country where the NHS is famously referred to as the equivalent of a national reli-

gion<sup>3</sup>, increasing the role and the amount of money paid to external service providers and opening up the health service to competition has been perceived by some as a sign of creeping privatisation, despite the fact that these reforms are in continuity with past ones. Consequently, several of the initial measures have been watered down. The new Minister for Health, Jeremy Hunt, has given new guidance on NHS reform, drawing inspiration from education reform. Following two scandals that shocked public opinion<sup>4</sup>, the Minister for Health has chosen to appear as patients' advocate, by giving more power to health professionals, while at the same time affirming his commitment to making the NHS the most transparent system in the world. Patients will now be informed, via the Internet, of average waiting times per hospital, mortality rates for each surgeon, and of GPs' pay, while audits were carried out in doctors' surgeries for the first time in 65 years, and will be made public. The government has also introduced "personal healthcare budgets". These are due to be rolled out on a wider scale in April 2014. Through these personal healthcare budgets, people with long-term illness are allocated a sum of money annually, which they can then spend on the service provider of their choice.

Outcomes in terms of *localism* and, more widely, on the policy of *empowering* individuals and communities are more mixed. From an institutional point of view, the powers ceded to local authorities are weak and local authorities do not have sufficient financial independence to exercise these powers. The decision to introduce directly elected mayors in twelve major cities was met with scepticism from voters, while turnout for regional police commissioner elections was low.

The picture is more encouraging with regard to powers transferred to communities: the "community right to bid" on property or premises that are deemed useful to the well-being and social life of the community resulted in over 3 500 applications in 2013. A slightly higher number of people said that they felt they had a say in local decisions in 2009; however, this does not reflect a clear break with the past. From this point of view, the unprecedented effort to publish government data has disappointed the somewhat naïve expectations that were placed in it. While the promise of radical redistribution of power from central government to citizens and communities has yet to materialise across the country, some experiments are encouraging - for

<sup>3</sup> According to a famous word by Nigel Lawson, Chancellor of the Exchequer 1983 - 1989.

<sup>4</sup> At the University Hospital of Morecambe Bay Foundation Trust, where several mothers and their children died, and the Mid Staffordshire Foundation Trust, where a study showed that hundreds of patients died, probably due to the negligence of staff providing care.

example those supported by the government, such as the Our Place Programme, or those that have come about due to local initiatives, such as the transformation of Lambeth Council<sup>5</sup>. The Our Place Programme was the result of a pilot project launched in 2011 in twelve local areas. The project brought together local people and charities, and was subsequently extended, making innovation in the provision of local public services possible, while at the same time reducing costs and ensuring that services were adapted to meet the needs of local people. Lambeth was the first local authority to declare itself a “Cooperative Council” in 2010. This means that decisions are taken in consultation with the local residents, who have a direct say in the amount of money allocated to certain services, while initiatives such as the Young Lambeth Co-operative allow residents to organise activities provided for children.

Finally, the employment policy (“welfare-to-work” or “workfare”) also appears to be bearing fruit, as evidenced by the significant improvement in the unemployment rate, and in particular the increase in the total activity rate. The number of people in work has increased by nearly 1.2 million since May 2010, while the number of working-age people with no paid employment fell by 425 000. The role played by new incentives is undeniable here, with many adults forced to find a job to continue receiving their benefits.

The government appears to be winning in the fight against the “benefits culture”: the number of “workless households” (those in which no adult works) fell by 426 000 between May 2010 and May 2013. The number of children living in these households decreased by 273 000 over the same period and now is at its lowest level since the first comparable statistics were published in 1996. Yet this analysis needs to be qualified on two fronts. Firstly, there is a trend towards “casualisation” among those returning to work, although it is too soon to tell if this will continue in the long term, given the lack of recent statistics on the subject. Secondly, it is difficult to distinguish the radically new character of the coalition government’s policy in the field of workfare, as key elements of the reform have been pushed back due to obstacles encountered in late 2013. The introduction of Universal Credit has experienced numerous setbacks, in particular due to IT problems. The question of whether the government will be able to migrate 2.9 million welfare recipients to the new system still remains unanswered.

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<sup>5</sup> The latter has been impulsed by Labour, and cannot be for that reason attributed to the government. However some of its objectives are common with the Big Society agenda.

# *Three initiatives under scrutiny*

## **1. Social Impact Bonds, or how to radically transform social sector financing: the example of Peterborough prison**

Social Impact Bonds (SIB, also called Pay for Success Bonds or Social Benefits Bonds in the United States) are programmes which aim to raise private funds to finance social projects. They demonstrate the creativity of new partnership opportunities that could emerge between the state, the private sector and third sector organisations.

SIBs work in the same way as the Payment by Results mechanisms (PbR), introduced by the coalition government and extended to private sector or third sector contracts across the public sphere. PbRs enable external providers, usually from the third sector, to deliver a public service. Constraints upon the activities carried out are kept to a minimum, in line with the “black box” model, whereby authorities do not determine “outputs”. In return, the service provider receives the bulk of its payment at the end of the contract, and only if the intended outcome has been obtained. The results to be achieved and the way in which these will be measured are usually set out in advance. The principle innovation of SIBs is the fact that the financial risk is transferred entirely from the public sector to the private sector, while the provider of capital is distinct from the organisation in charge of the service.

When funded projects reach a certain level of maturity, an independent assessor is responsible for determining whether the project’s stated objectives have been achieved. When this is the case, the government repays the investors’ capital, plus a return on investment commensurate with the savings made by the government. As such, the state makes a net gain, even after the payment of return on investment. However, if the outcomes do not meet the initial objectives, the government is not required to reimburse investors.

The Social Impact Bond pilot scheme, launched in September 2010 by Social Finance and the Ministry of Justice, involving Peterborough Prison, is emblematic of this approach. 17 investors raised £5 million to fund the work of four non-profit organisations: Ormiston Children, St Giles Trust, Sova and the YMCA, grouped within a programme called The One\* Service. The service focuses on offenders sentenced to short terms of imprisonment (maximum 12 months), who are given support before and after their release from prison. 3000 prisoners in total were provided with help over six years (each cohort of 1000 prisoners being supported for two years on average). Offenders are provided with a tailored service, taking into account all of their key needs, both before and after they have served their sentence. These needs may involve housing, health, family support, employment and training or financial advice. The quality of service offered by The One\* Service is due in particular to the information collected by the organisation, as all parties involved (the prison and other bodies) pool data, which is not usually the case.

Should the programme reduce reoffending by 7.5% or more, the state undertakes to pay investors a share of long-term savings made as a result, up to 13% of their initial investment over eight years. To avoid “skimming”, results are measured across all prisoners, rather than on a case-by-case basis. This incentivises service providers to also deal with those prisoners who are at a higher risk of reoffending. Definitive results from the Peterborough SIB will not be available until April 2014. However, some initial results are available now: according to the latest figures released by the Ministry of Justice, reoffending has fallen by 12% since 2008 in Peterborough, while the national rate has risen by 11%.

This demonstrates the potential associated with the widespread use of such schemes, since the annual cost of reoffending in the United Kingdom is estimated at between £9.5 and £13 billion. This system is particularly suited to situations where the cost of taking action is far lower than the projected savings for the public purse: for example initiatives to tackle school dropout rates and drug abuse, to reduce homelessness, to provide care for elderly people in their own homes, and to reduce the number of children dependent on welfare.

Nevertheless, a degree of caution is required. In this pilot project, the Social Impact Bond was only awarded to charitable foundations and groups specialised in social investment. However, one of the architects of the project, Sir Ronald Cohen, who has gone on to chair Big Society Capital, believes that other types of private investors

should not be prevented from taking part in such schemes. These investors would have to be prepared, however, to wait several years before receiving any return.

Furthermore, the number of such initiatives remains small: only 14 Social Impact Bonds have been launched to date in the United Kingdom, all of which are still in their early stages. The success or otherwise of these initiatives will only become measurable in the medium to long term.

## **2. *Free schools and academies, spearheading the educational revolution: the example of the West London Free School***

One of the most emblematic, and also the most controversial aspects of the coalition government's education policy is the introduction of free schools. Groups of parents or teachers, charitable or religious organisations - but not the for-profit sector, unlike in Sweden - have the right to apply to the Department for Education to set up a secondary (the equivalent of the French *collège* and *lycée*) or primary school. Once the application is accepted, the school receives state funding, at the same level as public institutions, on the basis of a per-pupil rate. In accordance with the newly introduced Pupil Premium, which aims to reduce the gap between the attention received by students from underprivileged backgrounds and other students, state funding is adjusted in line with the socioeconomic background of students. Unlike traditional state schools, free schools remain outside the control of Local Education Authorities (in England, local authorities are in charge of education) and are directly supervised by the Department for Education.

What sets free schools apart is the considerable degree of freedom they have in deciding how they operate in terms of curriculum, teaching methods, staff recruitment and organisation of school timetables. In return, their admissions procedures should be as open and transparent as that of any state school, and they may not charge students tuition fees, or carry out selection based on academic performance.

In England, state schools' admission procedures are set out in the School Admissions Code, published by the Department for Education. In theory, parents were given a degree of choice by the Education Act of 1988, as amended by the Schools Standard and Framework Act of 1998. They may express a preference for one among at least three schools to their local authority, even if they live outside the catchment area of

these schools. However, in practice, this freedom of choice is limited, as in the case of oversubscription, where the admissions criteria of the school apply. These admissions criteria must be transparent. Generally, schools offer places to students who live within their catchment area, in a similar way to the French *carte scolaire* (“school map”) system.

The introduction of free schools aims to address the main criticism of this system: that freedom of choice in fact only benefits wealthy families. This is because only the wealthy can afford to move into the catchment areas of the best schools, or are able to simply place their children in the private system, which is not subject to the same enrollment criteria. The average annual tuition fees in the private system come to £11 500, which places private education out of reach for middle class families. The private education sector in the United Kingdom is relatively large. In January 2013, there were 2 413 “independent schools” (also known as “public schools”, not to be confused with “state schools”) with a total of 580 000 students, or 7% of students in the country. Importantly, these same institutions were responsible for around half of all admissions to Oxford and Cambridge, and a third of admissions to Russell Group universities, often considered the British equivalent of the Ivy League.

Rather than questioning the principle of freedom to choose schools, proponents of free schools aim instead to extend this, so that it benefits all. In principle, free schools work in the same way as a voucher scheme, except that vouchers do not actually pass through the hands of families. The idea is also to inspire and to spread the educational excellence of independent schools, both academic and extracurricular, which results in far superior exam results than those achieved by state schools.

The West London Free School is emblematic of this ambition. Its founder, Toby Young, believes in a “classical liberal education”, which involves a demanding and rigorous academic approach focused on the sciences and humanities. On the school’s website, the leadership team explains that a knowledge-based education including classical works is more important than mere preparation for future employment. School uniform is compulsory, as is Latin until the age of 14. The school offers small class sizes and also focuses on music and after-school activities, which are mandatory four days per week. Discipline is strict and mobile phones are banned.

The school, which was part of the first wave of free schools opened in September 2011, currently has 360 students and is expected to expand with a cohort of 120

additional students annually. Secondary schools in the United Kingdom have seven year groups, which will mean that in time, the West London Free School should comprise 840 students. In terms of enrolment rates, the school is already highly successful, with ten applications per available place. The school is the most requested in the London Borough of Hammersmith and Fulham. This success led the founders of the school to open a primary school in the same area in September 2013. Another is expected to open in the Earl's Court area next year. The background of the children enrolled at the school puts paid to criticism often leveled against free schools, whereby these would be mainly used by the upper middle classes. At the West London Free School for example, 30% of students who enrolled in Year 7 are eligible for free school meals<sup>6</sup>: almost double the national average in England.

Concerns about the quality of the education provided by these schools would also appear to be unfounded. Like all free schools, the West London Free School has been audited by the official inspection body, Ofsted. Ofsted's report, which is available online on the school's website, judged the school to be "good". By comparison, 18 of the first 25 free schools evaluated by Ofsted received "good" or "outstanding" evaluations, with only two deemed "inadequate". In this sample, the proportion of schools considered good or outstanding (72%) is higher than that of state schools (65%). The Ofsted report points in particular to progress made within the West London Free School by students from underprivileged backgrounds and those whose parents do not speak English. The exemplary behavior of students and the "exceptional" spiritual, social and moral values communicated to pupils are also praised. This forms one of the arguments put forward by some advocates of free schools and academies, as along with private schools: those schools share what the British call an "ethos", a particular atmosphere, a total system in which students become members of a community with clear but open values, whereas the state education system struggles to transmit or even to formulate any core values, except those of "political correctness".

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<sup>6</sup> In England and Wales, meals for students whose parents are eligible for certain benefits are paid for by the State.

### **3. The implementation of the Work Programme and the difficulties of “*commissioning*”**

The Work Programme was launched in June 2011. It is a key part of the partnership approach that lies at the heart of Big Society. The Department of Work and Pensions has decided to open up the market for services helping people back into work to independent private sector providers and to the third sector. Those targeted are the long-term unemployed and people who have low employability. Other job seekers will continue to be supported by public employment agencies (Job Centres). These independent contractors are paid by results: when a job seeker is referred to them by a state-run Job Centre, the agency receives a modest sum of money (around £400-500). It only receives an additional payment (of several thousand pounds up to a maximum of £13 800) when the person has found a stable job. Payments made by the state to providers are higher for the most “difficult” candidates (very long-term unemployed or disabled people, for example), which is intended to encourage providers to prioritise such cases. There are two types of providers: the 18 “prime contractors” (or “prime providers”) who are spread throughout the country, with two or three located in each chosen region (thus enabling the number of job seekers sent to each agency to be modified, in line with performance) and who have a direct link to the administration (40 contracts signed in total); and their subcontractors, who usually specialise in a particular task or skill.

The Work Programme was established extremely quickly (in just twelve months, whereas previous initiatives to help people back into work were rolled out over a period of four years). The scheme aims to make helping people back into work more flexible and efficient, thanks to the high level of independence and diversity of contractors. The Work Programme was designed to incorporate Payment by Results (PbR, as described above) and so to transfer the risk of failure from the state to the service provider, as these providers are only paid if they succeed in finding employment for the people referred to them. Through this, the government hopes to make significant savings (£1.95 for every pound spent) and achieve better results in terms of getting people back into work.

Results obtained by the Work Programme have been mixed, both in terms of performance and in terms of opening public services to third-sector providers.

The support provided by the Work Programme has been criticised due to the modest results achieved to date. On 30 September 2013, just 208 000 job seekers out of 1.4 million (less than one in six) had found “long-term” employment, as defined by the scheme’s stated objectives. However, it is of note that those people concerned are long-term unemployed, and so have the most difficulty in accessing jobs. Furthermore, following a slow start, the programme appears to have improved in 2013, according to the latest figures released by the ERSA, the body which represents the “welfare-to-work” industry. If the number of people helped is extended beyond those who have held their post for over six months, the figure rises to 444 000 people who, thanks to the scheme, are now in work.

The scheme’s initial mixed results in terms of providing support to jobseekers could also be explained by planning errors made by the Department for Work and Pensions itself. In May 2012, the Department halved the number of unemployed people it had planned to refer to the 18 providers by 2016, which led to significant organisational difficulties for providers, who had planned their own recruitment based on the number of cases they expected to manage. More generally, the initial difficulties experienced by the Work Programme are also linked to the deterioration in the British economy and the continual increase in unemployment in the United Kingdom over 2011 – and so is not solely the fault of providers. The National Audit Office acknowledges that the initial goals set were overly optimistic. The government originally forecast that 36% of those supported by the programme would find sustainable employment. This calculation was based on a high non-intervention hypothesis - the proportion of job seekers who would have found a job without support, which is by definition sensitive to the economic climate.

This illustrates the complexity of commissioning: the awarding of public service contracts by public authorities. The estimates made by authorities with respect to performance are key to setting the terms of contracts made with providers, and to providing the right incentives. If these estimates are too low, there is a risk that providers will make excessive profits. If estimates are too high, providers risk not being able to achieve their minimum requirements and may encounter financial difficulties. Where this is the case, they may also only address “easier to deal with” cases.

Another pitfall of the Work Programme, which also serves to illustrate the difficulties of commissioning, lies between the stated intentions and the reality of opening up public services. As part of Big Society, this opening up was intended to encourage the

diversity of providers, be they social enterprises, charities or private companies. However, in many cases, it appears that most of the contracts which have been entered into by the state in this framework have been with private providers, at the expense of the third sector. In the case of the Work Programme, only two of the eighteen “prime contractors” were third sector organisations, accounting for just five of the forty contracts awarded in total. In all, including subcontracting, only around 20% of the total value of contracts has been awarded to the third sector, in contrast with an initial objective of 35-40%. The major beneficiaries of the Work Programme have been large companies such as A4e and Ingeus Deloitte. A4e has been the subject of several investigations, while its head Emma Harrison, who is close to David Cameron, was forced to resign. This served to highlight some bad practices in certain private sector companies who are responsible for job seekers.

The fact that the share of the Work Programme awarded to third sector organisations was smaller than anticipated can also be explained by some of the contractual mechanisms used. The scheme was designed to ensure that people keep their jobs for as long as possible, and so providers would therefore only receive a small initial payment. The long duration of contracts meant that providers required a strong financial base and solid cashflow, which worked in favour of private companies and explains why so few organisations from the charity sector were able to obtain main provider status.

To remedy this situation, the government passed the Public Services Social Value Act in January 2013. This is of utmost importance for third sector organisations, and could profoundly transform the way in which commissioning takes place. The Act requires public authorities to take into account not only factors related to “cost”, but also the added social and environmental value each particular service provider can provide. In early 2003, the government set up a Commissioning Academy to share best practice and introduce new concepts such as “outcome-based commissioning” and the concept of social investment. Lessons have been learned from the experience of the Work Programme; for new contracts, as part of reform to the probation service (monitoring those on parole), the government has sought to define the optimal size of services to be contracted out to providers by improving the structure of contracts and by making the risks transferred to the subcontractor far more transparent.

## *Beyond austerity: redefining the scope of the State?*

**B**ig Society has been implemented during a time of austerity which has been unprecedented in the post-war period. In total, fiscal consolidation is expected to amount to 11.1 percentage points of GDP between 2009-2010 and 2018-2019. This programme of austerity will rely for up to 80% (8.8 percentage points of GDP) on long-term spending cuts, with public spending declining from 47.1% of GDP in 2009 to 38.2% of GDP in 2019. At the end of 2013, 40% of these cuts had been implemented.

While the need to redress the public accounts is not in question, the terms of this policy have provoked debate. The coalition government has decided to protect the budgets of some Departments (Education, Health, Pensions and International Development Aid). This has resulted in cuts falling mainly in certain areas, and in particular on local authority budgets, even though these represent an important source of revenue for the third sector<sup>7</sup>. The number of public sector workers and government spending is also unevenly distributed across the country, and so austerity is accused of worsening regional inequalities.

This explains the mixed reception Big Society has had in public opinion, and from some third-sector organisations. For many British people, 'Big Society' is still a slogan that is used to hide spending cuts. Whilst it is difficult to dispel this notion entirely, such a conclusion is peculiarly reductive.

Indeed, Big Society describes, in a positive way, how a society could work with a smaller state. At a time when many governments are struggling to articulate a positive argument for austerity, it is this that makes the idea of Big Society interesting. However, this is also what makes the idea's ambitions more difficult to achieve: rather than merely reducing public spending, Big Society aims to reduce the "need" for

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<sup>7</sup> Charities' loss of revenue due to budget cuts has been a recurring criticism since 2010. However, this deserves to be qualified to the extent that three quarters of charities are not dependent on public funding.

the state. The time frame over which it will be implemented is by definition different from that of mere budgetary balancing.

Analysis of public spending forecasts points to more complex choices than mere refocusing on essential state functions (*missions régaliennes*). Two once major areas of public spending have all but disappeared, namely spending on housing and on supporting the economy. In addition, the state has largely withdrawn from funding higher education, while defence, security and justice budgets have been squeezed in order to ensure public spending priorities are in line with the rapidly growing social needs of an aging population. Until now, this compression of spending in essential state functions has had little impact. Crime rate fell by 8% in 2013, whereas the number of police officers has decreased by 30 000 since 2010.

By choosing to ring-fence pension, health and education budgets, the coalition government is accepting an inevitable increase in social spending, in particular on health and pensions. The only cuts have been to working age benefits, and in this respect the government is in line with public opinion, which has hardened towards those on welfare payments.

However, refocusing the welfare state towards health and pensions also has its limits. In the future, it is not certain that there will be the leeway to ensure the availability of surpluses needed to finance these. The risk is that the quality of basic public services will decline, or that overall, spending will rise once again as a proportion of national income.

## Overall assessment

**B**ig Society is riddled with internal tensions. Though they do not render the approach invalid, they do make it complex to implement. The first issue is how to reconcile the acclaimed “bottom-up” approach with the fact that the origin of the initiatives is “top-down”, from the state, with the risk of excessive re-centralisation, or a failure to recreate institutions that have been irretrievably lost. The second derives from the desire to bring the state and the third sector together, with the risk of confusing these two spheres and politicising institutions. The last, and most challenging, is the difficulty the state may have in withdrawing from a particular area when its presence is considered not only legitimate, but also “an entitlement” in the eyes of public opinion and civil society institutions themselves. This is evidenced by the growth of food banks, which cannot be claimed as a Big Society achievement, even though it amounts to a paradoxical illustration of the approach.

Beyond these tensions, the very concept of Big Society, which was forged during the 2010 elections, has been received with scepticism from the outset, particularly from the media. Politically, the term appears to have been abandoned, having become “toxic”. However, the fact that the term has been discredited does not mean that the ideas which it encompasses have themselves been discredited, nor the reforms which they have inspired. While it is true that they have not all been equally successful, we must avoid basing the evaluation of their full extent on mere conjecture, only three years after the launch of Big Society.

The government’s record deserves to be put into perspective: at the beginning of her second term in office, Margaret Thatcher could boast cuts to the tax burden, the privatisation of one of the country’s leading energy companies and enabling a million council tenants to buy their homes. However, spending on welfare continued to grow, and the state was far from having its boundaries pushed back, with public spending three percentage points of GDP higher than under her predecessors.

Since its election, fewer than four years ago, the coalition government has begun an ambitious attempt at consolidation, which in time should bring public spending as a proportion of GDP back to levels last seen in 1948. It has set about reforming all

public services – education, health, social services and welfare-to-work – whereas Margaret Thatcher ruled out NHS reform during her first term in office, and then subsequently stumbled on education reform<sup>8</sup>. Once implemented, the introduction of Universal Credit could be the most far-reaching reform of the welfare state since Beveridge. The Iron Lady was re-elected mainly thanks to foreign policy, with victory in the Falklands giving the British people a sense of pride which had been lacking for too long. Nevertheless, the groundwork for what would be the “Conservative Revolution” had been laid.

The economic recovery has turned attention towards the United Kingdom and has observers wondering just how our British neighbours have managed this return to growth. The danger would be not to go beyond this and recognise the less visible, structural revolution that has taken place. The spread of Payment by Results in the provision of public services, the gradual transformation of all state schools into independent institutions and the trials of new co-provision of public services at the most local level are all signs of quiet yet major changes underway.

In this context, could the United Kingdom's Big Society provide a source of inspiration for other struggling European countries? We believe that the question of whether the United Kingdom can be considered a “model” at present has little meaning. The British government is still finding its feet in the radically different post-recession world, but in doing so, it is one step ahead, which is what counts.

The British example serves as an experiment in gradually moving away from the current public administration and welfare state model. If, as some claim, “austerity is the new normal”, this move will be inevitable, and we will have much to learn from the successes and failures of our neighbours across the Channel.

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<sup>8</sup> Accused of wanting to privatise the NHS, Margaret Thatcher said in 1983: “The National Health Service is safe in our hands”. It was only during her third term in office that structural reforms in this area were made, with the introduction of internal markets in the health system. She only addressed educational reform in her second term: the Education Reform Act 1988 introduced City Technology Colleges (CTCs) and grant-maintained schools, which were beyond the supervision of Local Education Authorities and enjoyed a considerable degree of independence. These two types of institutions, which are similar to the academies promoted by Michael Gove, struggled nevertheless. In 1998, when the first were abolished, 3% of primary schools and 19% of secondary schools had adopted grant-maintained status, and there were only 15 CTCs.

## Some lessons for France

**W**hat lessons can France draw from the British experience? Without overlooking the obvious cultural differences, first and foremost the historical weakness of civil society in French political culture, it would be a mistake to ignore the changes taking place across the Channel.

Considering how Big Society could work in France means first tackling two objections:

– The first rejects the idea of Big Society, since as an idea from the Anglo-Saxon world, it would be alien to French republican culture. British political culture is imbued with the idea that civil society is a place where the individual can find fulfillment, while the state, irreducible to this, is ultimately perceived as an institution of second order. Conversely, French political culture sees the state as the instrument by which the individual is emancipated, relegating civil society to a marginal role. While up to a point this argument has merit, closer inspection of the French republican model reveals that it is not as rigid or stereotypical as some of its advocates – and critics – would have us believe. On the one hand, the French republican model was for a long time concomitant with a state whose weight was more of a symbol than reality. On the other hand the unitary state is not necessarily a uniform state; historically, the French Republic has not always been deaf to the particularities nor to the expectations of civil society.

– Conversely, the second objection would argue that copying the British model is unnecessary, since France has already produced its own model, though the development of the “*économie sociale et solidaire*” (the equivalent of the British third sector, which could be translated as “social economy”). Although this is undeniably an asset, this argument ignores three structural features of the French “third sector”. Firstly, it is largely under the umbrella of, or is “drip-fed” by, the state; secondly, it has a propensity towards providing multiple platforms for debate (which could translate as playing politics by other means, civil society *à la française* not being in fact particularly “civil”); and thirdly, it has an ideological distrust of the market.

In reality, the cultural reasons for objecting to the adoption of an approach similar to David Cameron’s Big Society are weaker than we think. From Constant or Tocque-

ville's liberalism to Proudhon's utopian socialism, a diversity of intellectual tradition from our own culture could be mobilised to develop the intellectual foundations of a French Big Society. But a true balancing between the state and civil society would only be possible through a renewed vision of the third sector. While this vision could be based on the dynamic structures that are already in place in France, it also implies a break with the prevailing conception of the "social economy", which is still designed in a deliberately non-market, anti-business manner (even though it only indirectly competes with the private sector) or – through subsidised contracts – as a mere "safety valve" for an ailing welfare and administrative state.

Big Society reforms are a rich source of information, provided that rather than seeking to "transplant" particular policies, which always depend on their contexts, we instead accept their logic, which is as follows:

- Excessive growth of statism and individualism go hand in hand, as illustrated by the "optimisation" of public services by individuals or the "consumerist" use of social rights;
- The enlargement of the public sphere renders it impotent, and stifles the innovations of society;
- The "broken society" denounced by the champions of Big Society in the United Kingdom echoes the "*société de défiance*" ("society of distrust") in France. In both instances, according to that approach, the state cannot be the cure for the ills of society; it is rather the cause of them.

If one focuses on the solutions given in the context of Big Society, we could choose the following proposals:

**1) The modernisation of public services arises through transparency and choice offered to public services users, rather than through an authoritarian system requiring new top-down constraints;**

In many ways, the modernisation of public services undertaken in France through the "General review of public policies" (*Révision générale des politiques publiques*, RGPP) and the "Modernisation of public action" (*Modernisation de l'action publique*, MAP) is in line with the New Public Management criticised by those who support Big Society. If the introduction of these approaches has at one time constituted progress

in the French context, it is clear that results have been disappointing, both in terms of the savings generated and of the degree by which public services have been transformed.

The significance of the British example is that it breaks with the culture of “reporting up” while public services have been decentralised in a revolutionary manner to make them accountable to people. The principles on which this is based could be applied to the French case:

- reduce the bureaucratic burden and excessive controls to enable agents to devote themselves fully to public service;
- ensure greater transparency, with results published online, so that these agents report directly to users;
- extend the notion of choice: the user should have a choice between different public services, depending on their results, while public service authorities should be able to decide which type of service provider they require.

In addition, the decentralisation and opening up of public services also aims to make these more personalised. This is not only something which people expect, but could also act to strengthen social cohesion, as studies carried out by Credoc for the *Direction Générale de la Cohésion Sociale* (DGCS) in 2013 found.

**2) The resources required to remedy the ills of society come from within society itself. The potential of civil society – the groups or people of which it is composed – is currently under-used, especially if we consider that the real civil society is broader than its self-proclaimed representatives;**

The proposal here is to transform public administration into a platform for the initiatives of individual citizens. People could also become involved in the co-production of public services.

Far from being a utopian vision, this idea of “participatory public service” can already count on a pool of people who donate their time to others. Although the number of people who volunteer in France is slightly lower than in the United Kingdom, the number of people involved remains considerable: up to 40% of the population. The British example shows that mobilising volunteers is not easy; however, new technology-

based approaches could be considered<sup>9</sup>. The issue of the availability of volunteers is key. Paradoxically, France's 35-hour working week and its high proportion of (young) retired people are a key asset. While mistrust with regard to taking part in political activities is at an all time high, this new type of "participation" has every chance of success, as it involves making a commitment to specific projects, which are related to everyday life.

Furthermore, a society that becomes more "horizontal" also re-examines its idea of power. This could breathe new life into institutional decentralisation, which is running out of steam. The Cameron government's localism is not the same as the decentralisation of institutions. On the contrary: one of the aims of Big Society is partly to divest local authorities of their power, and to encourage various communities to assert themselves in place of these. The levers available to achieve this are open data and community empowerment. This could provide inspiration for the third phase of decentralisation in France, which is struggling to take shape. Indeed, it is – as always – based on the French model of traditional "notables", which today is at the point of exhaustion.

Getting people more involved in producing public services, particularly at the community level, would also have a positive impact on people's sense of belonging to society.

**3) Uniformity of public services does not guarantee equality; the introduction of choice between services available and their providers is a response to the inequalities that are generated by a system that is intended to avoid them;**

Schools provide a useful illustration here. One of the starting points of British educational reforms – whether the introduction of free schools by the coalition government or that of academies by the Blair government in 2002 – was to take the challenges faced by schools and use these as clues to find solutions.

Thus, the diversity of students should be reflected by the diversity of institutions, to ensure greater personalisation, and in particular the diversity of methods and concepts of talent or excellence that these institutions promote. Interference from parents who wish to have their say in the education of their children should be seen

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<sup>9</sup> Some possibilities are explored in the paper by Elisabeth Lulin for the *Institut de l'entreprise: Service Public 2.0* (July 2013).

as an opportunity and even encouraged as part of school management. Finally, the increasing complexity of the system is making planning impossible and will itself act as an incentive to decentralise – and increase choice in education.

This may raise objections regarding the risks for quality and potential inequalities. Although these risks exist, it cannot be denied that disparities already exist under the pseudo-uniformity of the public system. In France, as in the United Kingdom, the claim that the education system is fair and equal fools nobody; it is widely understood that quality depends upon where you live (in Britain this is known as “the post-code lottery”). Rather than aggravating this situation, school choice could correct this. The challenge is to build on the potential for experimentation offered by independent institutions which are able to adapt to the needs of their students. Promoting a diversity of approaches, not just of individuals, therefore aims to prevent failure and encourage creativity. It should be obvious that the failure of some pupils is due in part to the imposition of homogenous models on a now hugely varied student population.

**4) An entrepreneurial approach is both possible and desirable in the field of social policy, based on the following principles: the opening up of services and the diversity of service providers, experimentation, evaluation and transparency;**

The excessive centralisation of French public services is a barrier to innovation. In a centralised system, incentives to take action are weak, not rewarded or even discouraged, due to the potential consequences at the top – if an initiative coming from the bottom is unsuccessful, it results in a penalty at the top. The same fear of failure and its political consequences discourages leaders in central government from taking action. At the beginning and at the end of the decision-making chain, the “precautionary principle” is strongest in public administration.

Improving efficiency in the public sphere will involve “trial and error”, but this will only be possible if there is a right to experiment and a range of service providers. A rigorous system of evaluation also needs to be in place, along with real transparency to ensure that those experiments that do not work can be brought to a close.

Encouraging experimentation in social policy involves the development of a third sector that relies more on entrepreneurial initiative. It would be of benefit to France to have a different vision of the third sector, one that is less ideological, less de-

pendent on the state and more attentive to measuring its social impact. In the United Kingdom, social entrepreneurship is characterised by a state of mind rather than a set model. It is based primarily on the desire to provide an innovative solution to a social problem. Outcomes (the “social impact”) matter far more than the legal structure adopted. This contrasts with the French definition of “social economy”, which historically has placed emphasis on the non-profit aspect of the activity, through specific legal structures. The sector, which has traditionally been wary of competition, would also need to recognise its value.

**5) Lastly, today, the efficiency of the French “welfare state” could be usefully compared to the one of the “welfare society” which predates it. If today this “welfare society” seems a possible means of bringing the continual expansion of the welfare state to a halt, it is because within the welfare society, there are the foundations of moral responsibility without which political solidarity would not be viable.**

The celebration of the “French social model” is based on the political myth that the welfare state was created from scratch by France’s National Council of the Resistance after World War II. But far from being the birth of an institution that created *sui generis* new social protection, social history describes that institutions that traditionally bore risks – such as the family, the community, corporations, companies, trade unions and churches – have been progressively and contentiously nationalised since the end of the 19th century. This evolution was positive in the sense that it helped replace incomplete mechanisms, which were unequally covering the population and much riskier.

Nevertheless, one is today entitled to wonder if the system has not reach its limits and if the cost-benefit ratio of this nationalisation is positive, given that the latter is accompanied, paradoxically, as shown by François Ewald, “by greater individualisation and far-reaching privatisation, as rights became measured in money rather than in services”<sup>10</sup>. Whereas the face-to-face relationships that went hand in hand with the solidarity that existed beforehand resulted in a sense of reciprocity, which itself generated a sense of duty, this disappears as soon as welfare payments enable social rights to be “bought”, in the manner of consumer goods. And that mechanism can turn out to be damaging on two sides, socially and economically. A mechanical-

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<sup>10</sup> « Société assurantielle et solidarité », interview with François Ewald, *Esprit*, October 2002.

conceived financial solidarity is likely to undermine the foundation of the other forms of solidarity, the latter being partly free of charge, and to exacerbate the need of state at the expense of public finance and social ties.

An example illustrating this change can be found in the historical relationship working class people have with social security and welfare. Although the development of friendly societies was never as great in France as in the United Kingdom (where they had over six million members on the eve of World War I), they nevertheless saw significant growth at the turn of the twentieth century. On the eve of the Great War, the French Interior Ministry counted 4.5 million members of mutuals. This number grew to 8 million before World War II. At the time, the positive perception of mutual assistance, especially among the poor and the working class, contrasted with the stigma attached to accepting public assistance or private charity. Mutual assistance escaped this stigma because it was based on reciprocity; the recipients of today were the potential donors of tomorrow, and vice versa. The history of mutual assistance societies reminds us of the power of human cooperation in a free society, which is in many respects more efficient than public action, from an economic or a social point of view. Solidarity does not necessarily require intervention from the state. Today, as the disintegration of traditional social ties hits the poorest hardest, not only is accepting public assistance no longer stigmatised, it has become an entitlement and is even considered an imperative duty by the state, which takes action to reduce “non-recourse” to welfare<sup>11</sup>.

Today, this form of redistribution, as fair as it may be, will never be able to replace social ties. This is one of the merits of David Cameron’s brand of “compassionate conservatism”, which emphasises this. In contrast to bureaucratic, expensive “solidarity”, local solidarity is more efficient and friendly, operating through networks of family, friends, local community and the workplace. Whether market-based or otherwise, these provide greater flexibility and adaptability, due to the fact that they are based on shared values, which are more effective than formal regulations. They also promote interpersonal relationships, which makes them ideally suited to dealing with even the most complex social problems, such as addiction. All that remains is for us to design these new institutions that will organise this civil solidarity.

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**11** It is evident from the surprising conclusion stated by Marisol Touraine, the French minister for social affairs and health, following the national conference against poverty of 2012: “*The problem of poor people, it is not fraud [on benefits], it is the fact that they don’t ask for their entitlements.*”

The civil solidarity won't emerge if the public authorities, traditionally suspicious of forms of sociability which they do not control, don't rethink their role radically. In the name of "social cohesion", they see their mission in conflict resolution rather than on creating incentives and capability: according to a particular understanding of French republicanism, civil society is only capable of generating conflicts. It is time to imagine a new deal that would place the public sphere entirely at the service of civil society, in order that the latter may finally have its needs recognised and its independence respected.

# List of interviewees

As part of its study on Big Society, the *Institut de l'entreprise* conducted around thirty interviews in the United Kingdom in the spring of 2013.

Some of these interviews, conducted by Eudoxe Denis and Laetitia Strauch, are transcribed in the third volume that accompanies this paper («*Regards sur la Big Society*»).

Other interviews were also conducted in Paris.

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**Ben Hall**, World News Editor, *Financial Times* and former correspondent in Paris

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The opinions expressed in this report are not those of the individuals named, or the institutions they represent.



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# The UK alternative

## David Cameron's Big Society and what France could learn

Britain has often been depicted as a «laboratory» of political innovation. In 1979, the coming to power of Margaret Thatcher marked the beginning of what has been called the “Conservative Revolution”. Almost twenty years later, Tony Blair experimented with the «Third Way», a synthesis of the market and solidarity. In 2010, a Tory-Lib Dem coalition led by David Cameron proposed to foster a “Big Society”, and undertook a radical reform programme in parallel with its efforts to redress public finances. It aimed to achieve profound change in the way that the public sphere operates, by unleashing the potential of civil society and by reducing the dependence of individuals on the welfare state.

Almost four years on, we are now able to attempt a first assessment. There are multiple examples of large-scale transformation: the expansion of the mechanisms that pay for the provision of public services based on the outcomes obtained; the gradual conversion of all public schools into independent institutions; experimentation at the most local level with new models of co-provision for public services and innovations in how the third sector is funded. Is the United Kingdom once again about to provide a new economic and political model for the world, and if so, what lessons can France learn from this?



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