

# The 'Mutualisation' of Public Services in Britain: A Critical Commentary

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This article provides a critical commentary on the 'new mutualism', an intellectual current in the recent debate about public services in Britain that argues for the 'mutualisation' of service delivery agencies. First, it defines a mutual, and identifies important ways in which the new mutuals diverge from this definition. It traces the genesis of the idea in the 'old mutualism' of pre-welfare state Britain, explaining how mutuals were rejected in the setting up of the post-war welfare state. It describes how foundation hospitals and other recent developments have been influenced by a new appreciation of the idea of mutuality that has been used to help shape New Labour's modernisation of public services. It shows how mutuals fit with other new forms such as the public interest company and social enterprise, and with a broader 'script' provided by communitarianism and the 'third way'. It considers potential weaknesses in the argument, and then reviews criticisms concerning inequality and lack of participation. Finally, it asks whether the concept will remain as influential in the future, and whether it will deliver the improvements in public services that its advocates have promised.

## Introduction

The 'new mutualism' is the term given to an intellectual current in the recent debate about public services in Britain whose advocates have argued for the 'mutualisation' of service delivery agencies. It has had some impact on the New Labour government's policies, particularly in the reshaping of hospitals into 'foundation trusts' that offer membership status to the public, patients, and staff, and could possibly be seen as a new form of multi-stakeholder mutual. The same process of recasting of public service agencies as membership organisations can be seen in other parts of the 'welfare state' such as social rented housing, social care services, probation services, leisure services, and now 'foundation' schools. However, it raises the important question of whether these really are mutuals in the accepted sense of member-owned and controlled businesses, or whether they are just a variant of a more general process of encouraging public sector organisations to become more independent and to diversify their governance structures.

This article provides a critical commentary on the new mutualism. First, it defines what is commonly meant by a mutual, and identifies important ways in which the new mutuals diverge from this definition. It traces the genesis of the idea in the 'old mutualism' of pre-welfare state Britain and explains how the idea of mutuality was explicitly rejected in the setting up of the post-war welfare state. It identifies minor currents in post-war social policy that kept alive the idea of membership during the 1960s and 1970s, and then notes two trends of the late 1980s and beyond that helped bring it back on the agenda: the devolution of public services and the demutualisation of building societies. It identifies the intellectual origins of the 'new mutualism' in pamphlets published by think tanks in the late 1990s, and describes the quite tentative and contradictory response of the first New Labour government. Then it shows how, from 2001 onwards the idea really became influential, culminating in the setting up of the foundation health trusts. Then it relates mutuality to similar organisational developments, and suggests that the idea has proved attractive because it is compatible with a broader 'script' for public services that draws on communitarianism and the politics of the 'third way'.

Then it considers three potential weaknesses in the argument. First, there are competing themes demanding attention from policy-makers, which are more individualistic and may be easier to put into operation. A second weakness in the mutualisation script is its promise to restore some of the benefits of mutual forms of welfare lost when the welfare state was founded;

a closer examination of the strengths and weaknesses of the friendly societies at the time they were superseded in the 1940s provides a more mixed picture. A third weakness is that the reforms of public services hailed as a form of mutuality are not all that mutual; foundation trusts, for instance, may be considered public benefit societies rather than mutuals. Some criticisms are then raised, based on concerns about inequality and lack of participation. Finally, the article asks whether the concept will remain as influential in the future, and whether it will deliver the improvements in public services that its advocates have promised.

## How to Define a Mutual

Mutuals are part of a class of organisations (also including co-operatives and associations) that have one common feature — they are membership-based. While public agencies exist to serve the public in general (or some part of the public that citizens in general wish to serve), and private, investor-owned businesses exist to increase the profits of their investors, mutuals exist for the benefit of their members. Benefit implies ownership and ultimate control, which is why mutuals do not have outside shareholders; they put people before capital, and so usually work on the principle of one person one vote. In this, they can be called ‘people-centred’ organisations (Parnell, 1995). Of course, the larger and more complex they become, the more they rely on professional management, and so they are as vulnerable as other organisations to being diverted from their original aims by the self-interest of managers. They are also subject to the isomorphic pressures of market forces, and so can sometimes become almost indistinguishable in their business practices from their investor-owned competitors. However, no matter how far they detach from their membership base, ultimately the members are the owners; in a proposed demutualisation member-owners have to vote to allow it to go ahead, and sometimes vote down the proposal.

There are strong and weak sets of principles associated with being a mutual. The strongest are found in the co-operative tradition, which stresses the ‘Rochdale Principles’ that include: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education and training; co-operation among co-operatives; and concern for community (see Birchall, 1997, chapter 7). Organisations wishing to be known as co-operatives have to sign up to these principles, which in many countries are enshrined in co-operative business laws. However, not all co-operatives practise them and, in the USA, agricultural co-operatives have signed up only to three basic principles: member ownership, control, and benefit (Birchall, 2005b). Many mutuals, notably in insurance and banking, do not even adhere to these, and have minimal contact with their members; drastic failures in governance have sometimes resulted, notably in Equitable Life (Birchall, 2001). In this sense they could be said to be mutual in name only, though they still have an ownership structure that does not include an external group of shareholders.

There are three issues that are particularly important to the new mutualism. The first is whether the members have the right to dissolve the society and split the proceeds. In some countries, mutual or co-operative law states that the distribution of assets on winding up the society should be transferred to another society or to a charity. This is in recognition of the principle that the society does not belong entirely to its existing members, but that it has moral obligations to previous generations of members (who may have foregone benefits to build up the business) and future generations (who have a reasonable expectation of entering into membership). When it comes to conversion of existing public sector organisations to mutuals, the new mutualism requires an even stronger principle: a lock on assets that prevents a public service mutual from ever being broken up for the benefit of members.

A second issue concerns the distribution of economic surpluses. In conventional co-operatives, this is entirely at the discretion of the members. They can allocate funds to reserves or distribute them to members in proportion to the use they have made of the business; the well-known consumer co-operative ‘dividend’ is a good example. However, a public benefit mutual has wider

purposes, and so the new mutualism tends to adopt a 'non-surplus distributing' principle. A third issue concerns who can become a member. In the conventional private-sector co-operative or mutual usually there is one category of member, the consumer of the product or service (or, in the case of a worker co-operative, the employee). The new mutualism tends to adopt a multi-stakeholding principle, accepting that more than one category of person benefits from the mutual. In foundation hospitals, for instance, there are three categories of member, each with their own elected representatives: patients, the public, and employees. We will return to these questions of definition when considering possible weaknesses in the new mutualism.

## **The Rise and Fall of the Old Mutualism**

The institutional origins of the British welfare state can be traced to three types of organisation: philanthropic societies, local government, and mutuals. By far the most important type of mutual were the friendly societies, which provided sickness benefits to their members, appointed doctors to provide general practitioner services, and ran medical institutes, which we would now call health centres. They also provided support to enable members to travel in search of work, acted as social and benevolent clubs, and provided death grants and support for widows and orphans (Green, 1993). Their funding came from compulsory health insurance levied on workers and employers and with contributions from the state, supplemented by voluntary payments by members for extra benefits. By the end of the Second World War, there were over 18,000 friendly societies, with 6.5 million members. Also, there were hospital contributory schemes that provided their members with insurance against the cost of hospital care; in 1943, there were 114 schemes with a membership of almost 10 million (Gorsky et al., 2005). This mutual welfare system was part of a larger mutual and co-operative sector, that included over 2,000 working men's clubs with nearly a million members, over 1,000 consumer co-operative societies with nine million members, nearly 900 building societies with over two million members, 400 trade unions with 6.5 million members, and 87 trustee savings banks with nearly 4.5 million members (Beveridge, 1948). In the founding of the welfare state in the period immediately after the Second World War, the emphasis shifted to the provision of welfare services by central government and earlier forms became marginalised. The role of philanthropy became to add to basic state services and to provide a cutting edge of innovation in service development that, once a need was recognised, the state would eventually take over. Local government lost many of its former services such as health care and unemployment benefit, and, in return for receiving a support grant, became mainly a provider of welfare services required by central government legislation. Friendly societies had already lost their autonomy in provision of health care and sickness and death benefits. From the 1911 National Insurance Act onwards, they had been "subject to a process of creeping nationalisation", becoming agents for the state's compulsory social insurance schemes (Mabbett, 2001, p. 118). The 'architect' of the welfare state, William Beveridge, had envisaged a comprehensive social security system, but was against its being delivered by a government agency. He was concerned that the social solidarity generated by the friendly societies would be lost, and doubted whether the state could "combine soundness with sympathy" as they did (Beveridge, 1948, p. 84). He recommended they deliver basic state social security, supplemented by voluntary insurance (the option chosen by most governments in Western Europe when they set up their welfare states). The government chose, instead, to nationalise social security, thus marginalising the friendly societies and, in consequence, the whole idea of mutual welfare. The idea of mutuality did not get back on to the political agenda until the 1990s, in relation to two new trends: the devolution of public services and the demutualisation of much of the building society and mutual insurance sectors.

## **The Devolution of Public Services and the Demutualisation of Building Societies**

While, for several decades, the term 'mutual' was lost, the idea of membership-based welfare delivery agencies continued to surface occasionally, for instance in social rented housing, where

from the 1970s onwards housing co-operatives and community-based housing associations began to show that there were other ways of delivering urban renewal than through public 'council housing' (Birchall, 1988; Birchall & Simmons, 2004). Another exception was the voluntary sector, where many community-based groups offered their clients membership, understanding intuitively the differences between a membership-based and philanthropic form of governance. In the health sector, throughout the period self-help groups (perhaps more accurately labelled 'mutual aid groups') experienced a steady growth.

It was the beginning of a trend towards transfer of services to devolved public service delivery agencies in the late 1980s that first opened up the intellectual debate. Back on the agenda was the question of what sort of organisation should deliver public services, and who should be involved in the governance of such organisations (Pollitt et al., 1998).

Housing was the first sector to experience the change. In the late 1980s, council estates in Glasgow were transferred to housing co-operatives and community-based housing associations that were, in organisational form, single and multi-stakeholder mutuals respectively. Schools were gaining more autonomy from local authorities, and the combination of bringing parents into governance and devolving budgets was gradually transforming them into a kind of multi-stakeholder mutual. Council housing began to be transferred wholesale to housing associations that offered places on the board to tenants (Birchall, 2004). In contrast, health service providers were converted into trusts whose boards were all appointed by the Secretary of State, raising awkward questions about governance. Local authority leisure services began to be transferred to leisure trusts that offered a variety of arrangements for 'membership' of staff and service users. The question of who owns and who controls public services was firmly back on the agenda.

At around the same time, from the late 1980s onwards, there began a debate among the media about the advantages and disadvantages of mutuals, prompted by the demutualisation of the building society sector and the ethical issues this raised. Gradually, political commentators became more sympathetic to a sector that was clearly being attacked not because it was outdated but because managers and 'carpet-bagger' members were enriching themselves by privatising the assets mutuals had built up over several generations (Drake & Llewellyn, 2001). Then the successful defence of their market share by remaining building societies led to a reappraisal of the advantages of mutuality that made it easier for a discussion to begin on the mutualisation of public services. To a lesser extent, the proponents of the new mutualism benefited from an improvement in the reputation of the traditional consumer co-operative sector; the Co-operative Wholesale Society (later to become Co-operative Group) that fought off a hostile attempt at demutualisation and became recognised as a leader in ethical trading, while its Co-operative Bank gained international awards for its ethical and environmental policies (Birchall, 2000, 2005a).

## **The Idea of New Mutualism and the First New Labour Government**

How did the idea of a 'new mutualism' come about? Credit should be given to Nigel Crisp who, as Chief Executive of the Oxford Radcliffe Trust (later to become CEO of the National Health Service) worked up an idea for mutualisation of health services (Crisp & Linnett, 1995). However, the term 'new mutualism' was first used by the journalist, Peter Kellner, in a pamphlet he wrote for the Co-operative Party in 1998. Kellner was concerned with finding a 'big idea' for New Labour that would replace the old idea of socialism, and he suggested mutuality. Although the pamphlet was full of case studies of leading co-operative and mutual businesses, and of companies with ethical and environmental strategies, Kellner's argument was set at a higher level of abstraction; he argued that a mutualist public policy would favour the dispersal of power, and would take a pragmatic view of the question of ownership, espousing neither the free market nor state ownership but co-operation and high-trust relationships. In his view, there would be a variety of forms of ownership, and the encouragement of "mutualist behaviour in all sections of the economy" (Kellner, 1998, p. 27).

A second Co-operative Party pamphlet, written by another well-known journalist, Ian Hargreaves, began more explicitly from mutual organisations, arguing that the co-operative movement had a significant contribution to make to combating social exclusion, and that its 'spirit and experience' need to be applied more widely. In his view, the 'third way' meant backing a 'third sector' that included consumer co-operatives, social enterprises, credit unions, and other forms of association (Hargreaves, 1999). There followed a series of pamphlets concerned with subjects as diverse as housing co-operatives and social exclusion, football supporters' trusts, co-operatives in international development, 'mutual' local government, and employee ownership. All had forewords by government ministers that gave their arguments political clout; mutuality was certainly on the political agenda.

At the same time, some important think tanks were picking up on the idea. Demos published a report that focused on mutuals as a distinct type of organisation. They identified as mutuals a wide variety of membership associations, such as farmer co-operatives, consumer co-operatives, pre-school learning groups, development trusts, the Workers' Educational Association, building societies, mutual insurers, friendly societies, employee-owned businesses, neighbourhood watch, trade unions, development trusts, credit unions, and so on. With such a broad definition, they could claim that mutuals in Britain had more than 30 million people in membership, a turnover of at least £25 billion, and employed at least 25,000 people (Leadbeater & Christie, 1999). They found evidence that not only were the traditional mutuals becoming more competitive, but there was "evidence of renewal among an army of smaller, often community-based organisations that are embracing the mutual form" (Leadbeater & Christie, 1999, p. 95). They concluded that the most exciting prospects were for mutuals that combine commercial and social purposes, and saw a much bigger role for them in the future, particularly if the state were to embark on a mutualisation programme in the public sector.

At first, the actions of the first New Labour Government (1997-2001) were not at all sympathetic to existing mutual businesses. When building societies were being demutualised, the government at first rejected pleas to defend them; Treasury officials were particularly unsympathetic, seeing mutuality as an outdated concept and being content to let the market decide whether or not they survived. Eventually, the government did raise the threshold needed by building society members to force a vote. More positively, the Government gave financial support to football supporters' trusts, and through its Department for International Development entered into a partnership with the consumer co-operative movement to raise the profile of co-operatives in development. It supported the expansion of credit unions, and employee ownership schemes. However, it failed to find time for a new bill promoted by the co-operative sector that would have modernised co-operative law and provided much clearer criteria for what constituted a co-operative. Writing in 2001, Birchall commented that there was "a gap between the rhetoric of government sympathy for mutuality and concrete policies and practices" (Birchall, 2001, p. 245). He was unsure whether the 'new mutualism' would turn out to be an exercise in political 'spin', a carelessly missed opportunity, rather than, as its advocates argued, the beginning of a new type of relationship between government and citizens.

## **Development of the Idea and the Second New Labour Government**

In 2001, the influential New Economics Foundation published a pamphlet that explored further this idea of the mutualisation of public services (Mayo & Moore, 2001). It set mutuality in the context not only of the reform of public services, but of the wider questions of the renewal of the democratic state and the social contract over the welfare state. While it began by citing the medieval guilds, the nineteenth century co-operative movement, and the modern development of social enterprises as antecedents, it defined mutuality not just in organisational terms, but as the wider imperative of the involvement of people in the delivery of services. It called on government to develop a systematic policy framework to remove the barriers to the involvement of service users, and in particular to reconstitute public services as self-governing social enterprises. It pointed to tenant-controlled housing, self-governing hospitals and schools as possible models for the future. A year later, one of the authors, Ed Mayo, with Ruth Lea of the

Institute of Directors, published a detailed proposal for the mutualisation of the NHS through foundation trusts that proved beyond doubt the seriousness of the case for mutualisation of public services (Lea & Mayo, 2002).

This was reinforced by a publication from the Co-operative Party's think tank, Mutuo, *Making Healthcare Mutual*, that included a substantial contribution by the then Health Minister, Hazel Blears (Hogan, 2002). The National Secretary of the Co-operative Party, Peter Hunt, claimed, with some justification, that this publication was "a significant turning point in the debate about the reform of public services" (p. 4).

It marked a shift in the discussion about the National Health Service (NHS) away from questions of funding levels to questions concerning its governance. Blears' argument was that, while the values of the NHS were still valid, its structure needed to be changed to ensure "genuine popular ownership" (2002, p. 9). Crucially, she saw "the tradition of mutualism and co-operation" not as privatisation but as another form of public ownership. She argued not just for foundation hospitals but for primary care trusts (PCTs) and GP practices to become mutual. She suggested the new system of patient forums that was currently being established in the PCTs might lead towards patients being elected to their boards, and pointed out that many general practitioners (known colloquially as 'GPs') were involved in out of hours co-operatives and some had modelled their health centres on a mutual model. She suggested that foundation hospitals be set up, with a new structure defined as a public benefit organisation, and with a membership community who would elect a board of governors or stakeholder council.

From 2001 onwards, government ministers began to pay attention. For instance, Patricia Hewitt (then Secretary of State for Trade and Industry) looked forward to "a wave of new mutualisation in the public sector" over the next ten years (2001, Foreword). In 2003, the British parliament passed a Health and Social Care Act that offered existing hospital trusts in England the chance to gain more autonomy by applying for 'foundation' status. The legislation describes the foundation trusts as being "modelled on co-operative societies and mutual organisations" (Milburn, 2003, para 63). It required the trusts to offer membership to local patients, the public and employees, and to set up a board of governors who are (mainly) elected by these members, and who then appoint, and call to account, a board of management (Department of Health, 2003). Previously, trusts had only one board, whose non-executive directors were appointed by an Appointments Commission acting on behalf of the Secretary of State for Health. Clearly, a fundamental change in the governance of health provider organisations was being attempted here; a switch from top-down control by national government to control by 'local communities' (Milburn, 2003).

## Related Concepts

The 'new mutualism' idea was helped by its confluence with the broader stream of public sector reform. At the same time as the Co-operative Party was publicising the idea of a public service mutual, the Public Management Foundation (PMF) was working on a model for a public interest company. Taking the US public benefit corporation as a model, it came up with a form whose features are almost identical to a mutual, and whose influence can also be seen in the form that the foundation trusts have taken (Brecher, 2002). Its advantages are that it allows the company to borrow on the private market, while remaining publicly accountable.

Another related current has been a rethinking of the role and character of the 'third sector'. Before 1997, this was seen traditionally as a voluntary sector, whose aims and governance structure were essentially philanthropic or 'community-based'; the idea of mutuality or a membership-based voluntarism was not widely recognised. New Labour policies have had a sharper focus. A recent Government report says:

The third sector — from voluntary and community organisations, through to social enterprises, mutuals and co-operatives — has much to contribute to the Government's goals for public services, communities and the economy (Cabinet Office, 2006, p. 3).

This recognition of mutuals and co-operatives as part of the third sector gives them access to some government support; a Charity and Third Sector Finance Unit of the Treasury has been set up to oversee financial issues relating to the sector, while an Active Communities Unit in the Cabinet Office has recently become an Office of the Third Sector, with its own minister. Within the third sector, they are then seen as part of a sub-sector labelled social enterprise; a recent Department of Trade and Industry (DTI) report says:

Social enterprises are diverse. They include local community enterprises, social firms, mutual organisations such as co-operatives, and large-scale organisations operating nationally or internationally (DTI, 2002, p. 7).

The advantages of being classified in this way are that mutuals get a comprehensive package of help from government, but only if they are seen as part of a larger social enterprise sector.

## **New Mutualism and Broader Currents: Communitarianism and the Third Way**

How much justification for the new mutualism is there in New Labour's thinking? To find out, we have to examine those intellectual currents that have been most influential: Etzioni's (1996, 2000) communitarianism and Giddens' (1998, 2000) attempts to define a 'third way'.

Amitai Etzioni's communitarianism begins with a critique of contemporary society that identifies its problem as being too much liberty, not enough social order. He blames liberal toleration for creating an ethical vacuum and sees the need for a 'thicker' social order based on shared values. In a highly individualised society, there needs to be some processes that mobilise citizens for some common purposes, and a need for recognition that people have responsibilities as well as rights. The good society is one in which there is an equilibrium between order and autonomy, and in which 'we-identities' and communal attachments are recognised. We might expect that associations might be part of his solution to this problem, but Etzioni values communities rather than voluntary organisations; he says the bonding power of association is too meagre (1996, p. 27). In a book written for the British think tank, Demos, he makes it clear that he wants to nourish I-Thou relations between whole persons as members of a community, and contrasts bonding with family, friends, and community members with bonding for a utilitarian purpose (2000; see also Atkinson 1994).

Mutuals, that offer membership to people who can make use of their services, are perhaps too commercial in outlook for Etzioni. He sees the problem in terms of finding a balance between the three elements of market, state and community, rather than, as mutualists do, between market, state, and associations. In his book, *The new golden rule*, he mentions credit co-operatives, and mutual aid in communities, and says schools and hospitals should be run by "community boards, subject to public guidelines and accountability" (1996, p. 149), but the main building blocks for him are the family, peer marriage, schooling, and the community. However, in the Demos book he begins to show a real appreciation of the new mutualism, saying:

A good society relies even more on mutuality than on voluntarism. Mutuality is a form of community relationship in which people help each other rather than merely helping those in need (2000, p. 19).

He goes on to value consumer and producer co-operatives, food buying groups, mutual savings associations such as credit unions, and tenant management organisations, declaring:

Mutuality-based associations have always existed and have been on the rise in recent years. Still, they need to be greatly expanded, encouraged and furbished with the needed resources in order to carry more of the social burdens in the years to come (2000, p. 20).

However, in this later thinking he is still set against a more commercial interpretation of mutuality, arguing that this undermines the open-ended moral commitment and generalised expectation that gives mutuality its advantage. He is looking for "forms of economic organisation that parallel and hence enforce communal bonds" (2000, p. 23) and, while he still values

geographical community highly (advocating the reorganisation of core social policy programmes around smaller neighbourhoods), he also recognises that communities need not be residential — they can form around institutions such as hospitals, and in cyberspace. He suggests the BBC should become a mutual, owned by its licence-payers, and suggests that water utilities, and public services such as the London Underground should take a mutual form.

In his search for a 'third way', Anthony Giddens parts company with Etzioni in this valuation of community, saying:

The term 'community' does too much work in communitarian theory' (2000, p. 63)

and

Communities can be exclusive and intolerant, and "it is to civil society more generally ... that we should turn as an essential element of third way politics" (2000, p. 64).

He is concerned to develop a policy framework for the new global order that recognises the bankruptcy of both the economic theory of socialism, which failed to see the need for markets, and neo-liberalism, which neglects the social basis of markets. He wants to find a third way that will provide a framework of thinking and policy-making that seeks to adapt social democracy to a new world order. He is looking for a new relationship between the individual and community that deals with big issues such as risk, individuality and autonomy, in a context in which tradition has lost its hold and social trust has worn thin.

His reform programme is aimed more at the state, and includes "a process of deepening and widening democracy" (1998, p. 69), in which government enters into partnership with agencies in civil society to foster community renewal and development. This includes a new mixed economy, thorough modernisation of existing welfare institutions, and decentralisation. However, he rejects the idea of markets or quasi-markets for public service delivery, in favour of reform through deliberative processes and the introduction of private sector managerial practices to create flatter hierarchies. He uses the term mutuality, saying for instance that emancipatory politics is a politics of "choice, identity and mutuality" (1998, p. 44), and advocates that "Where third sector agencies are not already represented, they should play a greater part in providing welfare services" (1998, p. 117). Their advantages are that they "can offer choice and responsiveness in the delivery of public services" (2000, p. 81), as well as in the more general task of civic renewal.

In his later thinking, Giddens puts more emphasis on reform of the state through collaboration with other agencies such as non-profits, business, and third sector groups (2002). While his focus is mainly on public private partnerships, he suggests that "a variety of non-state agencies, including mutuals, social enterprises, not for profit trusts and public benefit corporations, can and should be brought into the delivery of public services" (2002, p. 65). There is plenty of support, then, for the new mutualism as part of the third way. However, critics say that the third way debate has so far been a failure. It has shallow roots, has weak connections between its three missions of creating a social philosophy, an approach to political leadership, and a set of specific policies (Bentley, 2000, pp. 7-8). It has pragmatism at its heart and is not based on a clear ideology or big idea — "the big idea is that there is no big idea" (Powell, 2000, p. 53). Above all, for critics on the left it dodges the question of how to limit economic inequality. Giddens (2002) counters that it is coherent and its features can be easily stated, but that it is challenged to develop its ideological thinking further, and set out its project more clearly. On the other hand, this fuzziness at the edges (as Etzioni characterises it) of the third way philosophy may be a benefit for advocates of mutualism. Stuart White (1998) notes that within the broad framework significant differences are possible, and that "receptivity to forms of mutualism" characteristics is one of its (White, 2001, p. 19).

There are good reasons, then, for expecting that the new mutualism will be given a sympathetic reception by communitarians and third way thinkers. However, this guarantees only that mutualism is one strand in the new political agenda, and some serious opposition has emerged, particularly to the idea of the foundation health trusts.

## Some Weaknesses in the New Mutualism Argument

There are three possible weaknesses in the 'script' that has been written by New Labour politicians and their supporters in support of the new mutualism. First, it is not the only concept being used to suggest major changes in the way public services are organised and governed. The competing themes demanding attention are summed up in three key words: choice, voice, and personalisation. In a speech given in 2004, Tony Blair said:

... it is only by transferring power to the public through choice, through personalising services, through enhanced accountability, that we can create the drivers for continuous improvement in all our services (2004, p. 2)

Blair talks of redesigning public services around the individual pupil and patient, and says the best drivers of improvement are "service users with high expectations and the power to choose and to be heard" (2004, p. 5). Improvements are driven in a kind of pincer movement between top-down target setting and regulation and bottom-up demands from service users. However, in the same speech he goes on to emphasise more mutual forms of organising, such as school governing bodies, foundation trust boards and tenant forums, and explains how initiatives such as Sure Start (a support service for young children) and the New Deal for Communities (a neighbourhood regeneration programme) have user engagement built in from the start.

Here, Blair is advocating a mix of individual and collective voice. However, a report from the influential think tank, Demos, takes a much more individualistic approach, advocating the empowering of individual consumers as co-producers who take personal responsibility for navigating their way through the public services that are on offer (Leadbeater, 2004). Because money follows the user, as in a market individual choices cumulatively shape the service. This means they have an immediate effect, not just a voice in governance. The report's author, Charles Leadbeater, says that treating people as citizens who can reshape services through formal political debate is worthy but abstract. Far better to let effective collective solutions built up through millions of personal decisions. He declares "Users want better services not more meetings" (2004, p. 55). Choice unlocks voice, and funding follows the choice. A Cabinet Office paper also prefers individual choice, seeing collective choice as best deployed only when individual choice is not feasible, as in community safety schemes (Cabinet Office, 2006).

However, there are good reasons for thinking that in the 'script' for public services the collective power of service users will still be important. Providers are often found to resist user participation (Birchall & Simmons, 2004), and can be expected to resist even more the 'deep' individual participation that Leadbeater has in mind. Without collective voice, individual users may have little power to change producer cultures. Also, some public goods such as safe neighbourhoods and good housing can only be produced collectively. Personalisation has its limits. It also requires difficult behavioural changes of service users, such as the attempt to give up smoking, and mutual support networks will be needed to provide people with emotional sympathy and the experience of others in similar situations. As a central government Strategy Unit discussion paper makes clear:

Personal responsibility should not be seen as being in tension with collective responsibility. An individual parent, patient or citizen can often achieve considerably more when they act in concert with those around them (Halpern et al., 2004, p. 66).

The paper goes on to say that in schools, strengthening the collective power of parents may lead to better outcomes; mechanisms that strengthen collective responsibility will still be an important part of the wider agenda.

Another argument for collective choice and voice is that it limits the inequalities built up through individual choices. A report from a Policy Commission on Public Services (2004) distinguishes three levels at which voice should be heard: the individual, the stakeholder group, and the wider public interest. User involvement in governance needs to be matched by a mature understanding of risk sharing if individuals are to take responsibility for decisions that affect

others. The report recommends that: “Stakeholder engagement and consultation processes should be improved and extended across the service delivery chain” and that commissioners and providers should open up governance structures and actively pursue consumer and other stakeholder representation on governance bodies (Hopkins, 2004, pp. 11-12).

There is no reason, then, to see the choice, voice and personalisation agenda as competing with the new mutualism, but there is obviously a tension between the individual and the collective that leads some policy-makers deliberately to play down the mutual approach. A second weakness in the mutualisation script is its promise to restore some of the benefits of mutual forms of welfare lost when the welfare state was founded. The new mutualism is meant to restore something ‘old’, but a closer examination of the strengths and weaknesses of the friendly societies at 1945 provides a mixed picture. Then, mutual organisations proved to be unsatisfactory because of their lack of complete coverage of the population, the high cost of their administration, and the inequality in the benefits they provided. They also suffered from lack of member participation, and were not particularly democratic. A Mass Observation study in 1945 found ignorance and apathy among members of friendly societies (Beveridge & Wells, 1949). There was confusion over the difference between real societies and insurance collecting businesses which were not really societies but were permitted to call themselves such. Two out of five people asked had no knowledge of the term, particularly among the under forties (though of those who did know of it two thirds had a positive attitude). There had been a real decline in numbers over time, with negative and resistant attitudes to attending meetings, more pronounced among young people. A case study showed they had lost a lot of members during the war, and that group feeling had deteriorated. Historians of the hospital contributory schemes find a similar picture of low participation; a 1947 study found less than three per cent attended meetings (Gorsky et al., 2005).

However, it has been argued that this was not entirely the mutuals’ fault. One historian, Noel Whiteside, comments that, while participation had never been strong, the decline was due to central regulation of the societies that had “throttled the possibility of popular participation” (1999, p. 33). Members had made a rational decision that when they were overruled by government on society policy there was no point in attending meetings. However, there is a distinction between participation in governance and participation in the social affairs of the society. Whiteside says “the traditions of conviviality and community activity were sustained, even extended, by the involvement of ... friendly societies under the National Health Insurance scheme” (Whiteside, 1999, p. 41). The fraternal spirit that so impressed Beveridge was still alive.

While the evidence for the effectiveness of the mutuals is mixed, the process of recovering and re-examining their history has enabled policy analysts to question the direction that social policy took (see, for example, Field, 1996; Green, 1993). Comparative analysis of health care systems in France and Germany can be used to show what might have happened if Beveridge had had his way and given the mutuals a place in the delivery of welfare (Green & Irvine, 2001).

There is a third weakness in the mutualisation script. It can be argued that the new types of public services delivery agency are not really mutuals at all. The foundation trusts, for instance, are hedged about with safeguards that make them more public benefit societies than true member-owned mutuals. There is a lock on their assets, they are not able to distribute surpluses to members, and patients can choose whether or not to become members. In fact, some critics argue that the trusts are a hybrid form that has just some of the attributes of a mutual business but not others. In reply, advocates of the new mutualism would argue that the idea is not just confined to fully mutual, membership-based organisations, and that we may have to stop thinking of mutuality in all or nothing terms — full ownership and control by one stakeholder interest — and begin to see it as a set of principles and practices that can be moulded to fit many different situations. Leadbeater and Christie say “The prospects for mutuality ... will turn less on the creation of fully-fledged ownership mutuals and more on existing kinds of organisation acquiring a mutual ethos” (1999, p. 96).

## Direct Criticisms of the New Mutualism

In addition to these weaknesses in the mutualism argument, there are at least three major criticisms of its application in public services. First, it is argued that service users are not fit to decide on their own needs. The welfare state was set up to cater for the basic needs of citizens, guaranteeing a certain minimum that ensures basic capabilities. Since taxation is still the dominant method of payment for this, governments still have to make collective decisions about what to provide. Also, left to themselves people may not make the right choices, and “would suffer for their mistakes” (Stears, 1999, p. 577). We can see the point of this in the record of the old mutuals, which failed to cover everyone because some people preferred to remain uninsured. There are several counter-arguments. First, most mutualists would not argue that individuals should have an unfettered choice, but would accept that collective decisions over needs have to be made and budgets allocated. Second, the needs-preferences distinction crumbles, because in a changing society there are always policy options. There are a variety of ways needs might be met, these give rise to options, and options to preferences (Hirst, 1999). Third, the argument is in danger of patronising poorer people, and of over-estimating the reliability of the state; its decisions are also often short-termist and it also makes mistakes. Fourth, as the Policy Commission on Public Services argues, we live in a world of increased pluralism, individualism and diversity of needs, and so “We can no longer presume to know the needs of individuals” (Hopkins, 2004, p. 34). It concludes that “what is required above all is the active involvement of individuals in the determination of their own needs”. The new mutualism would facilitate this process, through involving individuals in groups that represent them as stakeholders and as citizens.

The second major criticism is that inequalities of provision would result from differences in quality. Mohan (2003) makes this argument against foundation hospitals, that they will use their independence and favoured status to move ahead of the rest, becoming an elite and possible destabilising smaller general hospitals and disadvantaging those trusts who are “at the back of the queue” (p. 15). Stears (1999) argues that some mutuals will have more money through top ups from members and volunteering, and he sees a “radically inegalitarian distribution of resources” resulting (p. 585). We can see the strength of this in relation to the old mutuals; friendly societies did provide varying levels of extra help to their members above the amount guaranteed by government, using surpluses to advantage some people over others, while voluntary hospitals were accused of using the municipal hospitals as ‘dumping grounds’ for the chronically sick (Mohan, 2003). However, Hirst (1999) points out that this argument contrasts an ideal state system with a flawed associationalist one; inequalities in provision exist even after 60 years of statist provision, with a postcode lottery in health and education. He advocates a strategy of equalisation by empowerment, not redistribution by passive receipt of state services. Or, to put it another way, he puts faith in a levelling up process rather than a levelling down.

The third major criticism is that people will not want to participate in the governance of mutuals, and so those who do will be unrepresentative. The old mutuals illustrate this point quite well, as member participation rates were very low. However, as Green (1993) argues, this was due in part to the demoralising effects of government interference over the period from 1911 onwards. The lodge-type societies, with their three-tier system of governance, had been a model of participatory democracy even after 1911. Recent evidence from the first elections held for foundation hospitals can be interpreted in both directions. Klein (2004) finds that his predictions of low turnouts and unrepresentativeness have come true, while Birchall finds cause for optimism, saying the trusts have made a good start (Birchall, 2005c). One problem with the new mutuals is that, unlike the old, they are not fully mutual, that is, not all users of the service are members. The friendly societies were providing insurance and so all those paying into the system were automatically members, whereas the new mutuals are simply providing a service that is paid for by government. This means service users have less incentive to become members, and their interest in participating may be low. However, ‘mutual incentives theory’, a theoretical model of what motivates people to participate (developed so far in housing, social care and a large consumer co-operative), predicts that enough members will participate to make

the organisation reasonably democratic, providing it has a realistic participation strategy and is committed to making it work (Birchall & Simmons, 2004; 2005).

## Conclusion

This article has traced the evolution of a 'new mutualism' that has had some impact on New Labour social policy, particularly in the modernisation of public services. It has defined mutuality quite narrowly as a class of membership-based organisation, and noted its confluence with other current policy streams such as stakeholding and social enterprise. It has found some sympathy in the pool of ideas from which New Labour draws its inspiration: communitarianism and the third way. Two serious questions arise out of the article: will the new mutuals increase inequality and will members participate? These are partly empirical questions, and so should be the subject of substantial research efforts in the near future, particularly to evaluate the progress of the foundation hospitals. Will the concept remain as influential in the future? The extension of the foundation trust idea to schools shows that government ministers are still keen on the idea. However, among think tanks and some government departments the competing script for personalisation is gaining ground and the idea of mutuality may begin to become less fashionable. In Scotland and Wales, the devolved governments have both rejected the idea of foundation trusts in favour of a monolithic health board which is both purchaser and provider of services. Here, the pattern of user participation has remained more traditional and the idea of membership has not been endorsed. Also, in England a competing organisational form — the public benefit company — is also gaining ground. The foundation hospitals are for 'public benefit', and so are a hybrid of both ideas. However, unlike fully mutual forms, the public benefit company does not need directly elected governing bodies, but can operate with a much more diluted form of governance that may be more attractive to politicians (see Simmons et al., 2007).

Will mutuality deliver the improvements in public services that its advocates have promised? Much depends on the outcome of a current evaluation study of foundation hospital trusts. However, the link between governance and performance is a long and complex one, and it may be difficult to argue that the 'members' of the trusts will make a significant difference. Also, since the trusts contain only some aspects of mutuality (hedged about by concerns for the public interest), it could be argued that they are not really a test of whether mutual forms work best. A radical view of mutuality might suggest that only when the issue of funding is allowed on to the agenda will the core value of mutuality be recognised, not in the delivery of services but in the provision of mutual insurance. This would be a 'Europeanisation' of the British welfare state, that is at the moment being kept off the political agenda.

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