

All their own work?

Few politicians publicly admit that consultants have their uses. But whenever governments of any complexion want to create significant change within Whitehall, they always call in outside experts, says **Antonio Weiss**

In June 2009 the shadow Secretary of State for Culture, Media and Sport, Jeremy Hunt, described the New Labour era as “government of the management consultants, for the management consultants”. Indeed, several people have condemned public sector spending on consultants recently – many of them suggesting that consultants’ use in the public sector is a relatively new phenomenon, and one mostly confined to the current government.

In fact, whilst it’s true that public sector spend on consultants has grown fastest in the 2000s (see graph), a look back at the historical development of the usage of consultants in UK public services show it to be neither a new phenomenon, nor one limited to any particular political party. Since the 1960s both Labour and the Conservatives have demonstrated a willingness to use external consultants, often for the same reason: their concerns about the readiness of public services to carry out their desired political reforms.

It was during the Second World War that the UK public sector began to realise the potential value of consultants. British firms such as PA Consulting trained the workers producing bomber planes, whilst American consulting firms arrived as part of the Marshall Plan to aid corporate executives in the reconstruction of Europe. In 1959 the American consulting firm McKinsey & Co opened its London office, and by the end of the ‘60s the firm had sold its ‘decentralisation’ corporate structural model to 22 of Britain’s 100 largest companies.

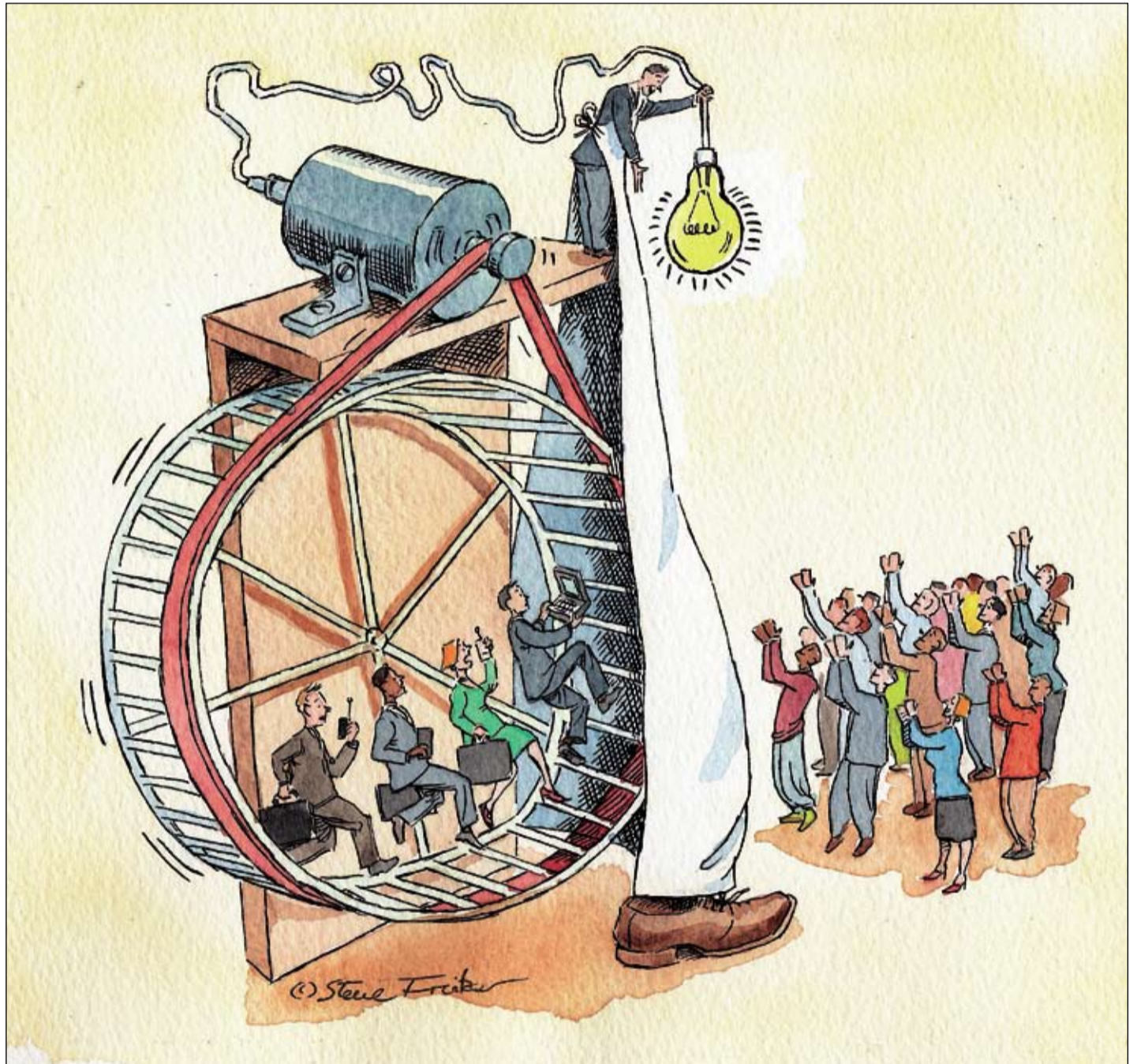
However, it was not until the 1960s and the era of ‘technocratic revolution’ – symbolised by Harold Wilson’s ‘white heat’ rhetoric – that consultants were first used prominently by central government. Fearing that the civil service and Treasury would resist Labour plans for centralised national planning, in 1964 Wilson invited the educator Lord Fulton to chair a Committee on the Civil Service, with a brief to consider modernisation.

Fulton’s analysis was that the civil service lacked management skills; his finding was – in his own words – “influenced by what we have seen in foreign countries... e.g. the contributions of in-and-outers [management consultants] in the United States”.

One clear influence on the Fulton report was a piece of research that it had commissioned into the civil service: an external report produced by the Management Consultancy Group and written by consultants from a British firm – Associated Industrial Consultants – with a Treasury official. This use of consultants represented not only the first piece of external research into the workings and capabilities of the civil service, but also the beginnings of a change in public sector attitudes towards the use of consultants.

During the 1970s and ‘80s, the changes of government between Labour and Conservatives did not halt the general move towards greater acceptance of external consultants in the public sector. Apparently sharing Wilson’s concern that the civil service would prove reluctant to implement their policies, both Ted Heath and Margaret Thatcher set up small units staffed by senior civil servants and external consultants – Heath’s Businessmen Team and Thatcher’s Efficiency Unit – and gave them direct access to the prime minister. During the 1980s, amidst accusations that Thatcher was cosying-up to consultants, the prime minister oversaw a rise in public sector spending on consultants from £6m in 1980 to £246m in 1990. Indeed, by 1990, revenues from the public sector as a proportion of total UK consulting revenues were higher than at any point during the period of new Labour government.

A backlash against consultant usage in the early 1990s led to John Major’s government publishing a 1994 report that heavily criticised public sector spend



on consultants, which had risen steeply since 1990. The report had a notable impact: revenues from public sector consulting dropped from £812m in 1994 to £645m in 1996. However, the arrival of Tony Blair and New Labour’s modernising agenda at the end of the 1990s saw consulting revenues from the public sector – not least the NHS – rise again. This time, according to the National Audit Office’s 2006 report into consultant usage, the rise was due to several factors: the modernisation drive; a perceived lack of in-house skills; greater acceptance of private sector involvement in public services; and growth in public spending.

In summary, the history of UK public sector consulting shows that use of external consultants has become increasingly common since the 1960s. And this growth does not have any obvious relationship to economic prosperity; instead, it is most clearly linked to periods when the incumbent government has had a reformist agenda.

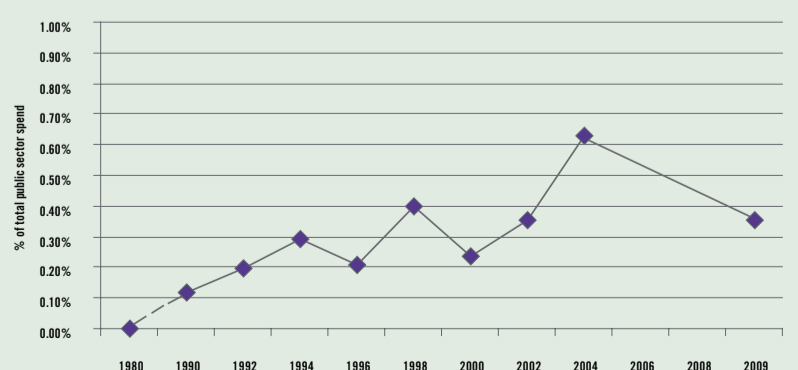
Under Wilson’s drive for reform of the civil service, the Management Consultancy Group of 1966 was instigated; Thatcher’s privatisation plans resulted in public sector consulting spend increasing some 40-fold during her time in office; and Blair’s modernisation drive in the NHS coincided with the highest ever gross levels of spending on external consultants during the mid-2000s. In the case of the first two examples, these were hardly times free from economic hardship: financial problems in the 1960s saw the pound

devalued against the dollar and, of course, during the 1980s the UK economy experienced recession. The lesson of history would seem to suggest that whenever governments have attempted to create significant change within the civil service then, whatever the economic conditions, management consultants have not been far from the scene. ■

Politicians may not like to admit it, but both Tory and Labour governments have used consultants to create change in the public sector

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Spend on public sector consulting



Source: Total public spending figures from ukpublicspending.co.uk; consulting spend figures from Management Consultancies Association figures; figures for 2009 from Institute of Directors, ‘How to save £50bn’