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John Harris Memorial Lecture

The Implications of the Economic Downturn for Policing
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Public services in the United Kingdom face a period of crisis. The reason is that the country is living beyond its means.

On the Treasury's own forecasts, the public sector deficit this year will touch a point that has only been matched before in wartime. The budget is not expected to get back into balance before 2017-18. That implies two whole parliaments of fiscal austerity, and of relentless downward pressure on public spending.

The country faces a choice.

It can decide to get out the salami slicer, and keep it whirling through our public services for eight hard years to come.

Or it can determine to make necessity the mother of innovation. To look at radically different ways of delivering services to citizens of the quality and breadth that they have a right to expect.

The second course of action will in some ways be more challenging than the first. But if the job is done properly, the outcomes will surely be much better for everyone involved.

And if not now, when?

I am going to argue tonight that the police service is likely to be positioned right at the centre of this drama.

The responsibilities and powers of the police have widened significantly in recent decades, and so have expectations of police performance. As the authority exercised by teachers, parents, priests and others has eroded, so the police have been expected to step in to fill the gap. At the same time, our society has become much more diverse - and much less deferential.

Citizens demand a lot more of their police than in the past – and carry video cameras to capture any shortcomings.

The recession could well increase the demands on the police service in the next few years. There is some evidence of a link between economic trends and property related crime. There are also concerns that a sharp rise in unemployment could threaten social cohesion, and even lead to civil disturbances around the country.

But at the same time, it is clear that a period of rapid increases in public investment in policing has come to an end. The climate is likely to get much more chilly in the next few years.

One way or another, there will be growing pressure on the police to do more with less.

My task this evening is to give an outsider's views on the challenges ahead. I will discuss the possible impact of the recession on law and order. I will give a business perspective on the scope for productivity gains in the service – which is another way of describing doing more for less.

And I will conclude by suggesting ways in which the police and business could collaborate to their mutual advantage.

But first, a strong health warning.

It's a fair bet that I have a lot less experience of the details of the police service than anyone else in this room.

And I am well aware of what can happen to business people who seek to tell the police how to go about their duties. Back in 1993, one distinguished business leader, Sir Patrick Sheehy, was shot down in flames when he recommended business-like reforms in such areas as performance-related pay and rank structures.

I remember how the very successful campaign against his ideas culminated in a mass rally of 21,000 police officers in Wembley Stadium.

That's not where I want to find myself at all.

But I'm guessing you wouldn't have asked me to come tonight if you didn't want a discussion about these sensitive areas.

Besides, public services of all kinds are today at what you might call a burning deck moment. We can resist change, and risk going down with the ship.

Or we can use the opportunity of a crisis to think about ideas that might have seemed impossible in calmer times. Ideas about doing more for less.

So here goes.

Let me start with the possible impact of recession on police activities.

It is, of course, not easy to draw firm conclusions about the relationship between trends in economic activity and in crime. You could not identify periods of recession in the past just by studying long-term trends in reported crime. Non-economic factors have also to be taken into consideration, such as demographics and the number of young men in the community, as well as the impact of policy changes - an increase in police numbers being an obvious example.

All the same, there does seem to be some evidence that a good proportion of the fall in so-called volume crimes – burglary, theft, and non-serious violent crime – over the past decade and more has been due to the UK's buoyant economy and high employment rate. History suggests that property related crime is likely to rise in an economic downturn, albeit with unpredictable time lags, as unemployment goes up and hardship starts to bite.

It would also seem sensible to expect higher levels of fraud to be uncovered after a financial bubble and crash on the scale that we have experienced. As that great investor Warren Buffet once observed: "It's only when the tide goes out that you can see who hasn't been wearing a bathing costume."

Looking across the picture as a whole, early evidence - supported by the occasional Home Office leak - suggests that the long decline in property related crime might be coming at least temporarily to an end. The Police Federation has suggested that it could rise by nearly a quarter in the next two years.

Big recessions can also coincide with periods of civil disorder, as happened in 1981. There were complex explanations for the riots that took place that year in places like Toxteth and Brixton, including race and poor policing. But the

Scarman report that followed these outbreaks also recognised that poverty and deprivation had contributed to the troubles, and we need to be alert to the threats to social cohesion that are evident in our country today.

Contrary to the idea that the main victims of *this* recession are stockbrokers in the Home Counties, the fastest increase in unemployment in recent months has been among unskilled workers in lower income groups, with young people the worst affected. These groups are among the least well equipped to cope with hard times, since their job opportunities are limited and they have few – if any – savings to fall back on.

Moreover, conventional measures of income inequality have widened significantly over the past two decades. And a recent analysis by the Institute for Fiscal Studies shows that the social safety nets that are available to support some of these groups of citizens have fallen considerably over the past twenty years. During the early 1990s, single people over 25 were entitled to out-of-work benefits equal to about 70 per cent of the poverty line: this figure is now around 50 per cent. There have been equally large falls for single people under the age of 25.

So there are risks ahead. And it's up to everyone – politicians, police and, for reasons I will explain later, businesses – to do everything they can to support vulnerable communities through what are likely to be difficult times over the next year or two.

One way or another, then, the workload on the police seems likely to increase. What's the best way to respond?

The Police Federation is in no doubt. It calculates that the number of police officers per head of the population has edged down a shade since 2006, and that an extra 2,000 officers will be needed over the next three years to cope with the expected rise in crime and the extra strain of the London Olympics.

To be blunt, this strikes me as the wrong response, at least as a first reaction, Question One should surely be about the scope for raising productivity and working smarter. Only when that has been answered satisfactorily should the argument for extra resources be considered.

And the fact is that police resources have been massively increased.

In the ten years to 2008, central spending on the service rose by nearly £5bn, or very nearly two-fifths after allowing for inflation. This extra funding resulted in a 25 per cent growth in the overall police workforce and a 10 per cent

increase in the number of police officers, which stand today at around 140,000.

It would be surprising if such a large increase in resources had been accompanied by an increase in productivity – if you can solve your problems by throwing money at them, why would you change your processes? And such evidence as there is suggests that it has not.

Detection rates fell between 1998 and 2002, and are only now approaching the level of ten years ago. The conclusion of a recent study by the Institute for Public Policy Research was that “despite headline falls in crime levels, key measures of police performance have not improved over the last decade.”

In his wise and thoughtful review of policing published last year, Sir Ronnie Flanagan judged that “there is significant scope for improving productivity.” And a little later on in the document, he added: “Given the emerging evidence of the workplace reform pilots, I am persuaded that we would not be making the most effective use of the resources dedicated to the police if police officer numbers were sustained at their current level.”

As a country, we have made major investments in our public services over recent years. Now is the time to concentrate on getting maximum value from that increased capacity.

So what are the barriers to productivity gains in the police service today? My background reading suggests that they come under several different headings. None of them are easy to address, and none of them are quick fixes. But if you accept my burning deck simile, you might conclude that this is a time for action.

The first major barrier has to be politics.

What’s striking to a newcomer to this story is the extent to which politicians of every colour tend to focus on inputs when discussing policing policy, rather than outputs. In particular, changes in police officer numbers are often presented as the prime purpose of policymaking, rather than as a contribution – albeit a very important one – to protecting the interests of citizens.

Of course there are reasons for this. Politicians want to be seen to be tough on crime, and the numbers of boots on the ground are an obvious measure of their determination. They also want to support an institution which, despite what you might read from time to time, remains one of which our country is rightly proud.

But this focus on headline numbers must blunt the drive for the improved use of existing resources.

Politicians' wish to be seen to be doing something about crime also leads on to a pattern that we in business know all about – which is political initiative - itis. But even the most hardened business leader would blanch at the number of initiatives that the police services have to cope with.

In a recent document “Cutting Crime... an update to the 2008-11 Crime Strategy”, the Home Secretary listed as a matter of pride the number of action plans and strategies published under or alongside this theme in the past two years: I counted 11.

According to the Conservatives, the Government has put through over 40 criminal justice bills since 1997, while the Lib Dems claim that 3,600 new criminal offences have been created over the same period.

Of course there's no knowing what they would do if they got the chance.

Sometimes the shifting initiatives seem almost laughable – at least to those of us who are fortunate enough not to be affected by them. For example, I was intrigued to read about the way in which the PPAF prototype was published in 2004, only to be replaced two years later by APACS. Behind those meaningless acronyms lies what appears to be a complete switch round in the vitally important business of performance assessment.

And it's no surprise to read that APACS itself has subsequently been modified.

There's another problem, which is that politicians seem not to understand the difference between efficiencies and value for money. The great emphasis in the political discourse is on the need for efficiency savings – doing the same job for less. Sometimes that brings tangible benefits. Sometimes, though, the main benefit goes to consultants who are expert at classifying almost anything under the heading of an efficiency saving.

But this top-down approach is not the same as asking whether the job was worth doing in the first place. Measuring the cost of inputs, and assessing the benefits in terms of outputs. Setting priorities for investments in terms of what they can be expected to deliver for the citizen.

What is needed here is a more mature debate about the role of the police force in a modern society, and a greater emphasis on the importance of value for money.

That in turn will require us to think seriously about an issue which was central to Sir Ronnie's conclusions: the need for a better understanding of public risk. He argued that the police service is designed to deliver a Rolls-Royce service, which it then struggles to deliver on a day-to-day basis.

He said there were two explanations for this approach. One is the just-in-case mentality within the police service, which leads to every process being designed to cope with the worst-case scenario without regard to how it will be handled by thousands of officers on a day-to-day basis.

The other is the increasing unwillingness of the public, the media and ultimately of politicians to accept error, or even risk, in public life. A ghastly incident occurs: the newspaper commentators announce that it must never be allowed to happen again – and processes are designed to ensure that it will not – whatever the cost, and however unlikely it may be that the risk will recur.

This approach is the absolute antithesis of value for money. The last 1 per cent of risk avoidance is always by far the most expensive. So we need a much more rigorous process for thinking about the trade-offs that are involved here.

It seems to me that the political approach to policing in the UK poses two further barriers to productivity growth. Both are closely related.

Business people constantly complain about the burden of bureaucracy and red tape that they have to carry. They should take a look at the police service: they don't know they are born.

One measure of this is the constant stream of initiatives to reduce red tape in the service. You've had O'Dowd, Normington and Flanagan: now you have the delightfully entitled Independent Reducing Bureaucracy Advocate, who has recently published her interim report on further cuts in red tape.

More to come, I expect.

It seems that the more you cut off at one end of the conveyor belt, the more is loaded on at the other.

The other, related, problem is the confusing number of organisations with different but sometimes overlapping responsibilities within the police service. This world is an alphabet soup of acronyms, and it's difficult to gauge its overall effectiveness.

For example, how good is the National Police Improvement Agency in its job of spreading good practice among forces, and would it benefit from being given a few more teeth? And how exactly does it relate to Her Majesty's Inspectorate of Constabulary, with its strengthened responsibilities for managing the performance of the police services?

As an outsider, my answer is: I haven't a clue.

So much for some of the external barriers to productivity growth. What about the internal constraints?

I'd like to suggest they come under two broad headings: organisation, and motivation.

Again, I repeat my health warning. I do understand that the police service is not a business. It has many different stakeholders, and of necessity therefore a complex web of accountability. It has a monopoly position in the delivery of very important public services. It has a set of challenging and sometimes dangerous responsibilities that are quite unlike anything experienced in the business world.

And its success depends in part on a very strong internal culture which has been built up over generations.

I'm simply going to identify a number of features of the service which look unusual to a business observer. It's for you to decide whether or not my comments are relevant.

Organisation first.

The current structure of 43 separate forces in England and Wales, each led by a chief officer team and police authority, has been in place since 1974. Economies of scale in the police service may well be outweighed by the benefits of local engagement and accountability, and there are civil liberty arguments to be taken into consideration as well.

Still, it's hard to think of any other organisation where a structure that seemed appropriate so long ago is still absolutely fit for purpose today.

The scale of - and the demands posed on - these different forces vary enormously, and their structure appears to have been determined more by history than by current need. This impression is reinforced by what to a business person looks like a bizarre approach to funding – a complex mixture

of government grant and council tax precept, constrained by the application of apparently arbitrary floors and ceilings.

Just how this meets the appropriate balance between resource allocation and the actual need for funding is very hard to tell. And does it sufficiently take into account changing demographic profiles?

For what it might be worth, a recent report from the Reform think tank argued that among its other faults this model of funding inhibited police forces from investing money where it might be most useful, and eroded the incentives to spend effectively and efficiently.

Then there is the question of accountability. This is a big and increasingly political story, and not one I want to focus on tonight. All I will suggest is that the present structure of fragmented governance seems from a business perspective unlikely to be the most effective driver of productivity growth. I quote from a report published last year by the Institute for Public Policy research:

“Efforts to increase force accountability to the Home Office through central targets have not raised performance in key areas and have skewed local policing priorities. An even greater accountability deficit exists at the local level where police authorities are weak and remote from the public, and where there is no effective role for local government in setting local policing strategy. As a result there are insufficient pressures to drive change through the system.”

The Home Office has now scrapped all its top-down targets except for one – a measure of public confidence. That sounds sensible to me, provided it's being given enough space and time to work: you will tell me.

Perhaps the biggest barrier to productivity growth imposed by the existence of 43 separate forces has, at least in the past, been evident in areas like procurement, IT and communications, and shared services. A good example of this is radio communications and the introduction of Airwave, the secure digital radio network. Airwave replaced the old analogue systems, which were not compatible across the different forces and which could not be shared with other emergency services.

It offered a step change in quality and service, but was met initially with considerable resistance. The lack of ability to compel police forces across the country to adopt this new technology meant it took almost ten years to implement a project which is now demonstrating real benefits across the country.

An anecdote told to me by one supplier of equipment illustrates the problem. His company devised a particular piece of kit and sold it to a regional force at an attractive rate, the hope being that this would be a demonstrator to attract other police forces. The kit worked fine. But, he claimed, the fact that one force already had bought it was enough for its neighbours to look elsewhere.

Sour grapes, maybe – and there does now seem to be increasing evidence of collaboration among forces in procurement and shared services. But there is still a very long way to go. In the meantime an enormous amount of time is being wasted rekeying data and doubling up in other areas. And lots of money is being wasted by purchasing different software and different systems which may seem the best solution for the particular circumstances of an individual force, but miss the opportunities and cost savings that arise from developing process that are effective service wide.

Business people understand through bitter experience about how incompatibilities between IT systems can create huge additional workloads. They've also learnt expensive lessons about the difficulties of managing very large IT projects.

A group of business leaders recently published a study for the Treasury on Operational Efficiency in the Public Services. They concluded there was a significant cost penalty from the lack of standardisation, simplification and sharing of back office operations and IT across the public sector.

They observed that what is not measured well will not be managed well. And they added: "Devolution of delivery can provide greater responsiveness in the provision of services, but unchecked proliferation of separate (systems) can and does lead to significantly increased costs."

This trade-off will surely merit greater attention during the coming period of austerity. And far better that such an increased focus should come from the police forces themselves, rather than be imposed on them from on high. One obvious course of action would be to become much more systematic about identifying best practice and rolling it out across the system.

A completely different feature about the organisation of the police service which looks unusual to an outsider is its hierarchical structures. Over the past twenty years, businesses around the world have become much flatter in shape - with only a few lines on the management chart between the chief executive and the shop floor worker. Among other things, that has been made possible by the IT revolution, which has allowed information and power to be

dispersed much more broadly across the organisation than used to be possible.

The same does not seem to have happened in the police service, and for understandable reasons. You must need a more command and control approach to management if you are policing a major sporting event than you would if you were organising the new baked bean production line.

All the same, it is striking to read that there are eleven different ranks in the Metropolitan Police, to take one example. It's hard for an outsider to get a handle on the different roles and responsibilities of, say, the Chief Inspector, Chief Superintendent and Assistant and Deputy Chief Constable. And it is interesting to note that there is roughly one Inspector for every three Sergeants across the service as a whole. In other ranks, and in the business sector, you might expect that one manager would be responsible for at least twice that number of colleagues.

The IPPR study noted that Leicestershire is a high performing police force, and that Constables make up a high ratio of its officers. It suggested that if all police forces were able to manage their Constables with a similar proportion of senior officers, the resulting savings would release resources equivalent to at least 6,000 frontline officers.

Maybe this is too simplistic, or perhaps there is something special about Leicestershire. Still, these are the kind of challenges that will need to be thought about in the lean years ahead.

So much for the organisation of the police service, which the Flanagan report described as one of the largest barriers to sustaining reduced levels of bureaucracy over time.

I turn now to an even more delicate subject, which is motivation.

The 2007-08 annual report of the Metropolitan Police Authority is instructive in this respect. At the back, it lists more than 70 performance indicators, usually in the form of targets and achieved outcomes. Some of them are very detailed – such as no intrusion into the Royal residence (red or purple zones). Just one of the measures relates to the delivery of what are described as cashable and non-cashable efficiency targets. None deals with what I think a business person would describe as value for money.

There is a simple rule for success in working life, no matter where you find yourself employed. It's expressed in the phrase: "What interests my boss interests me greatly."

The prime interest of politicians, police authorities and police officers themselves is very properly focussed on protecting the interests of the public.

But the policing world also represents a massive investment of public funds, and a huge management task, with something over 230,000 police personnel on the books and an annual investment in ICT of around £1bn, split between the national and local levels.

The question is whether the necessary finance and resource management skills for running at this scale are valued sufficiently highly in an organisation which has to concentrate so much of its attention on its operational responsibilities.

It's not clear that they are, or even that they can be. The route of entrance is as a probationary officer, which is perhaps not likely to attract people who want to develop a career in, say, human resource management. The police service provides extensive training programmes for its people, but appears to be heavily reliant on developing its skills internally, rather than seeking to recruit fresh blood or specialist talent externally.

From my own experience, I know that bringing in newcomers at a senior level can rejuvenate an organisation, no matter how successful it may be. "You don't mean you are *still* doing it that way?" the new recruit asks chirpily, and you sheepishly have to acknowledge that there might indeed be a better way.

Does that happen often enough in the police service?

And the pay structure, at least to an outsider, appears to put weight on length of service in a way that may also make it difficult to bring in specialist talent in areas like IT or finance. Of course, experience must be of enormous importance to the workings of the police. But does this come at the expense of the specialist talent that is required to run such a large and complex institution?

Then there's the police pension system.

The first thing that strikes an outsider is that this would be absolutely unsustainable in the private sector. It currently absorbs roughly a sixth of total force expenditure, and I've seen estimates that it will increase to an astonishing two-fifths of the total officer salary bill by 2020.

Sooner or later, politicians are going to have to grapple with what's obviously going to be a very painful issue: the need either to reform public sector

pensions, or to see their costs rising to a point where they squeeze out badly needed public services and build enormous liabilities for taxpayers in future generations.

The private sector has already been down this road. It's hard to see how the public sector will be able to resist it forever.

In the meantime, the present arrangements must impose strong financial disincentives for police officers to move on to a different walk of life after a reasonable period of time in the service. As Sir Ronnie observed, this can have a negative impact on staff morale, since there is a danger that officers may feel trapped in a role they no longer enjoy. It must also make it difficult for officers to move out of the policing world for a while in order to gain relevant experience elsewhere.

Looking back on what I've said so far, I worry that I might have painted too bleak a picture. It's clear that significant advances have been made in the organisation of police services over the past couple of decades, and that collaboration among police forces at all levels is increasing in a constructive and helpful way.

One recent example is the way in which the 43 forces in England and Wales have in relatively short order deployed 26,000 mobile PDAs to officers around the country. The devices should improve the efficiency of officers, and cut the number of trips back to base to file paperwork.

But what I'm trying to suggest is first, that a lot more will have to be done if the police service is to fulfil its mission in a period when public financing is going to be much more tightly constrained. And second, that there may be important areas where further workplace reform could yield significant benefits both for police personnel and citizens in general.

So I would like to conclude by suggesting ways in which the police service and business could work together to their mutual benefit.

One recurring thought during my researches is that the two have a number of complementary skills, and a lot to learn from each other.

The police have much to teach business about the importance of strong leadership, and the fostering of a "can do" culture. They are strong on risk assessment, and on training. And despite the occasional disastrous episode like the G20 protests, they have become extremely sophisticated in developing their relationships with citizens at every level of society. All these qualities, and more, would be of value to business.

The main thing that business has to offer, for its part, is what seems to me to be a much better understanding of the management of workplace processes. Measuring inputs, and setting appropriate benchmarks. Squeezing out inefficiencies and maximising the return on investment. The sometimes dull but vital tasks that are essential for survival in a competitive market place, but which can be too easily ignored in a public service monopoly.

Is there something worth exploring here? Maybe businesses and police forces around the land are already swapping ideas and experience. If they are not, maybe they should be.

Of course, businesses and police forces are already working closely together in a number of very practical ways.

One example is how the mobile phone industry came together with the Government and police to help reduce mobile phone crime. More generally, a recent study by the Serco Institute listed a large number of new and innovative ways in which the private sector is now working together with, and alongside, the police. Examples included the outsourcing of support services, collaboration on information and communications technology (Airwave was one such example, in the form of a long-term PFI agreement) along with the provision of transport and other specialist services.

These collaborations are improving operational efficiency and, more important, freeing up time for large numbers of front line police officers.

The police and business have something else in common. They both have a strong interest in the well-being of the communities in which they operate.

After the Toxteth riots 28 years ago, Michael Heseltine took a busload of financiers and business leaders around the troubled district. "It is just not possible for the trustees of the nation's savings... to ignore these problems," he said at the time.

And from that and other similar initiatives, a lot of other things followed – including the development of Business in the Community, an organisation dedicated to giving companies the opportunity to make a positive and responsible contribution to a wide group of community stakeholders.

Of course company profits are under great pressure today, and every line of expenditure has to be justified. But providing corporate funds to support local communities should not be regarded as an act of philanthropy, an optional extra in difficult times.

On the contrary. For the best companies, corporate responsibility is part of the business plan – motivating employees, delighting customers, and by helping to sustain communities through difficult times, giving business itself a licence to operate within them.

All these motives are especially relevant at a time when business reputation is under a cloud. The excesses of a handful of financiers have turned out to be contagious: they have generated public hostility to business leaders who had nothing to do with what has gone on in the global financial markets. This should provide an extra spur to businesses to support the wider community on which it depends.

So now is the time to walk the talk. I fervently hope that companies of all kinds and sizes will step up to the plate in what may be difficult times ahead, and despite their cash flow pressures do everything they can to help out in their different communities.

So that's my message. The police are going to have to work out ways to do more with less. The business community has a real interest in the outcome of their work, and should do all it can to support it.

The United Kingdom is fortunate to have a police force of such high quality and integrity, and has invested heavily in new resources over the past decade.

Now is the time to maximise the return on that investment.

Thank you.