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The Efficiency/Trust Dilemma in Public Policy Reform

Peter Taylor-Gooby



Contact

Authors: Peter Taylor-Gooby

Address: SSPSSR, Cornwallis Building NE, University of Kent,
Canterbury, CT2 7NF

EMail: P.F.Taylor-Gooby@kent.ac.uk

Tel: 0044 (0)1227 82 7514

ESRC priority network ‘Social Contexts and Responses to Risk’ (SCARR)

School of Social Policy, Sociology and Social Research (SSPSSR)

Cornwallis Building NE

University of Kent at Canterbury

Canterbury,

Kent CT2 7NF, UK

<http://www.kent.ac.uk/scarr/>

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Abstract

Government is spending more on key social services and performance is (arguably) improving, yet there is widespread concern about declining trust in the state sector. This is important because new developments throw increased emphasis on the role of organisational trust in enabling co-ordination of increasingly complex and decentralised organisations and on public trust in the acceptance of controversial and far-reaching reform programmes as legitimate.

New research in psychology and sociology provides an explanation, with strong implications for future public sector reform: trust includes both deliberative and affective dimensions. Recent reforms are based on an organisation theory derived exclusively from a rational actor model. The new public policy operates through careful management of the framework of incentives presented to service providers and users, so that their deliberations will produce the behaviour desired by policy makers. It fails to engage the affective component in trust and may actually undermine it. The argument is illustrated through analysis of British Social Attitudes survey data to demonstrate the importance of the affective component in public trust. Current reforms may generate improved services, at the same time as they undermine the pattern of relationships that sustains affective trust. The result will be better welfare at the price of an increasingly unstable welfare state settlement. Nothing is easy.

The Paradox of Public Trust

State sector institutions are currently undergoing far-reaching reforms. One interesting issue is the widespread concern about public trust, just at a time when more resources are available and when the objective performance of and the quantity of information conveniently available about institutions is expanding. Since competence and transparency are often seen as important bases of trust, the prominence of this concern is puzzling. This paper focuses on the NHS as a paradigm case of rapid reform, extra resources, more information and declining institutional trust. It argues that the reforms are shaped by a particular model of behaviour, based in economics and economic psychology, which stresses deliberative reason. Much recent social science also emphasizes the contribution of non-rational factors, such as emotion, affect and perceptions of care and respect for the public interest, to institutional trust. The reform process may support rational trust but does not enhance and may even damage the non-rational bases of trust. The arguments developed in relation to the paradigm case of the NHS also apply to other welfare state services, and more broadly across the public sector and in relation to private sector projects that impinge on mass publics.

The paper falls into four sections. The first discusses the paradox of more spending, greater transparency and higher output, but concern about declining trust in the NHS and in reformed public services more generally. The second then examines the conception of institutional trust and the organisational, cultural and practical policy changes that have impacted on it. The third considers recent work on the cognitive-rational and affective non-rational bases of trust across a number of social science disciplines. The fourth discusses available evidence on patterns of trust in the public sector and draws conclusions about the implications for current directions of reform.

I Trends in Trust in Public Services

There is an obvious concern about a decline in public sector trust. A number of writers refer to falling levels of trust in public institutions (O'Neil, 2002; MORI, 2003; Neuberger, 2005). The Cabinet Office Strategy Unit report on Risk, notes that 'a very wide range of UK institutions have suffered from a significant drop in trust over the past

two decades' (COSU, 2002, 3.26). It quotes evidence from Henley Centre Surveys of attitudes to parliament and civil servants, the findings of the World Values Survey and the work of Inglehart (1999, pp 88-120) and links the issue to 'parallel trends to declining deference' (3.27). The OECD argues that 'several driving forces have led OECD countries to focus attention on strengthening their relations with citizens, including the steady erosion of voter turnout in elections, falling membership in political parties and surveys showing declining confidence in key public institutions' (OECD, 2001).

Recent work in political science indicates that trust concerns tend to focus on particular institutions and instances, rather than the core themes of democracy, public sector planning and the welfare state, which still command confidence. Norris's authoritative study of public trust from a political science perspective analyzes data from a wide range of sources, including ISSP, WVS and national election studies. She argues: 'in established democracies during the last decades of the 20th century, growing numbers of citizens have become increasingly critical of the major institutions of representative government...[but]... support for the community and for democratic principles remains overwhelming' (1999, 27; see also Kaase and Newton 1996).

Research on the NHS shows a tendency to increasing concern about the service and trendless variation in satisfaction, but that trust in individual health service professionals remains strong (Calnan and Sanford, 2004; Alaszewski, 2003). MORI's time series data, which focuses on particular groups (doctors, scientists, civil servants, journalists and so on), shows minor variations with no overall pattern (MORI, 2003b). Responses to questions included in the 2001 British Social Attitudes survey point to low trust in a range of public and private services, with trust in the state sector consistently lower than that in the private sector (Taylor-Gooby and Hastie 2003).

Influential commentators and policy-makers believe that there is a problem of declining institutional trust in public services. The evidence on patterns of public trust, however, is more equivocal, indicating that the public make more specific judgements in placing or withholding trust. Trust in the NHS is not high, although most people trust individual doctors.

The point that the public is discriminating sounds like good news for government, because it indicates that it may be possible to build trust by reforms which improve the service. Resources for the major public services (particularly the most highly valued areas of health care and education) are increasing in real terms and at a rate faster than anything achieved for at least three decades (Treasury, 2005, ch 3 Table 3.4). NHS spending has risen from 4.7 to 7.0 per cent of GDP between 1997-8 and 2004-5, and education spending from 5.8 to 7.1 per cent, a rate of increase thrown into relief by the overall reduction in state spending as a proportion of GDP. In fact NHS spending is on course to match average EU levels of spending for the first time. Arguably, the output of the NHS has improved. The Kings Fund, often a critic of government, concludes in a recent review: 'Nevertheless, increased funding has bought more staff and equipment, and together with tough targets in England, this has helped reduce waiting times to an historic low' (2005).

The number waiting more than 13 weeks for an outpatient appointment or six months for inpatient treatment have fallen by about two-thirds in the four years since September 2001, and death rates for cancer and heart disease continue to fall, although rather more slowly (Treasury, 2005b, performance review website). Shorter waits within the target periods are falling more slowly and the target of 18 weeks from GP visit to treatment by 2008 is unlikely to be met (Timmins, 2006). An ONS report suggests that productivity may actually be falling as substantial parts of the cash injections are absorbed in improvements in pay and conditions (Lee, 2004, 38). However this does not nullify the real achievements.

Transparency has also improved. Information is made widely available to the mass public through such mechanisms as star-ratings for hospitals. Further details are published in relation to the large number (147 for 2005-8) of targets set by the Public Spending Review and similar systems for the various public services and of achievement in relation to them on the Public Sector Performance webpages.

The overall pattern is one of concern about a lack of public trust in the working of major institutions despite the efforts of government in directions which might plausibly be expected to improve trust.

II Institutional Trust and Social Change.

The Concept of Institutional Trust

Trust is extensively analysed across a large social science literature. Das and Teng identify 28 definitions in a substantial review (2004, 96). The OED dictionary definition is 'firm belief that a person or thing may be relied upon'. In discussion across sociology, psychology and economics, *uncertainty* is at the core. If it is known that the person or thing will act in the way expected, questions of trust do not arise: 'Trust is particularly relevant in conditions of ignorance or uncertainty with respect to unknown or unknowable actions of others' (Gambetta 1988, 218). Trust is typically relevant to managing circumstances when something is at stake. 'Trust is only involved when the trusting expectation makes a difference to a decision' (Luhmann, 1979, 24). This may be personal vulnerability (does one trust the surgeon?) or a more general institutional interest (trust that the police will maintain law and order).

These ideas emerge in a wide range of psychological definitions of trust, for example: 'a psychological state comprising the intention to accept vulnerability based upon positive expectations of the behaviour of another' (Rousseau et al, 1998, 395; compare Crasswell, 1993, 104). As Sztompka, summarising sociological literature puts it: 'trust is a bet on the future contingent actions of others' (1999, p 25). Dasgupta, from an economic perspective, writes: 'trust is the correct expectations about the actions of other people that have a bearing on one's own choice of action when that action must be chosen before one can monitor the actions of others' (1988, 51).

Trust is often seen as a way of managing the perennial problem of uncertainty in social life. As Joan Robinson points out: 'human action draws upon a past that cannot be undone and faces a future which cannot be known' (Robinson: 1964: 73-4; 'to show trust...is to behave as though the future were certain', Luhmann, 1979, p.10). This issue can in principle be managed through rational or non-rational strategies. The post-Enlightenment shift away from traditionalism to modernity eroded reliance on such non-rational strategies as luck, fate, the favour of the gods, commitment guaranteed by oath, attunement with cycles of nature, and faith in a transcendental or temporal authority, and directed attention to prediction through a range of techniques (probability theory, actuarial science, epidemiology, demography, induction from previous applications of a technology, micro-simulation, process modelling, and so on) coupled with the regulatory and legal approaches available to a

modern interventionist state. More recently, there has been increasing scepticism about the capacity of these approaches to provide complete answers to some of the most pressing problems of uncertainty that we currently face (Beck, 1992).

Declining Trust and Social Change

A number of commentators claim that trust in government and in government experts is currently in decline. Across a range of disciplines, academics have identified a transition from the kind of acceptance of leadership that Almond and Verba regarded as essential to successful democracy in their seminal work in the 1950s (1963, ch 1) to the ‘critical citizenship’ discussed earlier by Norris (1999). Others talk of a more ‘sceptical’ public (Poortinga and Pidgeon 2003); ‘active trust’ and ‘dialogic democracy’ (Giddens 1998) or ‘querulous citizens’ (Taylor-Gooby, Hastie and Bromley, 2003).

Three themes are of particular importance in explanations of this shift:

- At the level of *institutional structure*, greater complexity;
- At the *cultural level*, shifts from traditional, through modern to a developed or post-modern form of modern society; and,
- At the more *practical level*, an attempt to manage greater flexibility and uncertainty through process of audit and accountability that become ever more penetrating.

At the *institutional level*, political sociologists stress the decline in the kind of ‘organic solidarity’ which Durkheim saw as essential to resolve the problems stemming from the continuing division of labour (Dahrendorf 1990; Seligman, 2000, ch 1). An analogous development is the increased attention paid by political scientists and organisation theorists to the shifts within public and private sector organisations away from bureaucratic and hierarchical management to more decentralised systems. The driving force here has been the introduction of markets or quasi-markets to promote greater efficiency and responsiveness to service users, typically within a framework in which an authority sets budgets and maintains quality control (Le Grand and Bartlett, 1993; Scharpf 1999). The various agencies must establish new competitive and co-operative relationships in a non-hierarchical structure. This is set in the context of broader shifts. For sociologists, globalisation introduces further fluidity and flexibility through increased contact with other

cultures and the declining authority of national traditions. For political scientists, the twin processes of globalisation and of ‘hollowing-out’ of the state (Rhodes 1997; Jessop 2002) further limit the predictability of systems and restrict the authority of the nation state.

Cultural sociologists analyse transitions from a (vaguely situated) more deferential past, towards a risk society or to a high modernity, in which individuals must take greater responsibility for the course of their lives in a more uncertain, flexible and fluid world (Beck 1992; Beck, Giddens and Lash 1994; Bauman 2000). Greater economic independence, higher education standards, the apparent weakening of religion, stable employment and marriage, and the dominant policy theme of individual responsibility reinforce this (Giddens 1994).

Others deny the grand claims about shifts towards the new social form of ‘risk society’, but stress that individuals are increasingly aware of the validity of lay as against accredited expert knowledge, and that the claims of government or experts to know best are increasingly treated with misgiving (Wynne 1996). Social psychologists analyse the growth of scepticism in this field using different methods. These involve national survey and the scaling of carefully defined attitude clusters among different population groups (Slovic, 2000; Eiser et al 2002). They point in the same direction – towards the basing of trust more on a quizzical scepticism and the testing of claims about particular policies, than on deference to an acknowledged and certificated authority. ‘A high degree of general trust can co-exist with a relatively high level of scepticism. This situation is best described as “critical trust”’ (Poortinga and Pidgeon, 2003, 961-76.)

More *practical* interest initially emerged in work in the 1960s charting the increasing tendency of citizens to challenge the pronouncements of experts in relation to nuclear power or major construction projects (see Williams et al 1999, Petts et al 2001). Other work emphasizes the expansion of audit and risk management as a technique for checking the effectiveness of governance in relation to the uncertainties which face business, and more recently the expansion of these processes into the public sector. ‘This phenomenal expansion of the risk industry reflects a number of different but convergent pressures for change in organisational practices for dealing with uncertainty. Risk has entered private and public sector management thinking ... as never before. ...In both the public and private sectors, risk management is part of a new style of

organisational discipline and accountability' (Power, 2004, 13). Rothstein and colleagues chart out the process by which systems set up to regulate societal risks generate risks of failure for regulatory bodies which leads to a feedback spiral of ever more intrusive regulation (Rothstein et al, 2006, 91).

O'Neill links this trend to the decline of respect for professionalism and for accredited expertise: 'Perhaps the culture of accountability that we are relentlessly building for ourselves actually damages trust rather than supporting it' (O'Neill 2002). Rayner argues on the basis of work in the ESRC *Science and Society* programme that public confidence tends to have shifted away from accredited experts to more demonstrably independent if less well informed and often informal sources (Rayner, 2004).

The outcome of these developments is a paradox: on the one hand, a range of social processes demand a higher level of public trust; on the other, related social processes render trust more equivocal.

III Dual Conceptions of Trust

Social science literatures understand uncertainty and approaches to managing it from two different perspectives, that may broadly be understood as based on reason or on factors outside reason. Important currents in Western thought, dominant since the Enlightenment, stress the importance of reason. Recent social changes are bringing home the limitations of rational approaches in this area. The particular value of trust is that it enables analysis to bridge both these domains. The relevance to policy is that the intellectual frameworks most influential in current reforms stress rational/cognitive approaches, and this limits their capacity to engage with the non-rational aspects of public trust and mistrust.

Rational Approaches to Trust

Rational approaches have at their core the place of trust in contexts where there is uncertainty and where the best course of action is to be decided on the basis of calculation of the balance of likely costs and benefits. Key themes, both in the economic modelling of interactions through game theory and in the broader analysis of market transactions in the real world, concern the advantages to be gained from appropriate trust, and

the difficulties of ensuring that trust is well-placed. An important literature seeks to establish the relative advantages and incentives associated with different courses of action in contexts that can be analyzed as games, drawing on the core paradigm of the Prisoner's Dilemma. The advantage of this game perspective is that decision processes can be played out under controlled conditions and rigorously analysed. In the Prisoner's Dilemma an individual is accused (with a partner, which whom communication is impossible) of a serious crime, and the police do not have the evidence to secure conviction of either, but can probably succeed with a lesser charge (Colman 1995, 155). The dilemma is that assertion of innocence will produce a light or no sentence if the partner also asserts innocence, but a very heavy sentence if the partner turns state's evidence and confesses. If both confess, both get moderate sentences. Trust that the partner will co-operate is essential to achieve the best outcome, but either partner may choose to confess to get a lighter sentence than that they face if the other confesses and they don't.

A range of games develop this basic context to explore factors affecting the interaction of trust and self-interest. The findings of these games are complex. Two points are established across a large number of experiments: trust appears to be strengthened by experience of trust, but weakened dramatically by defection. This point emerged in Axelrod's own experiments which examined different strategies in the basic prisoner's dilemma game and showed that the most successful was to repay support with mutual support and defection with defection, which soon converged on mutual trust (Axelrod, 1984). The second point is that opportunities for communication before the game generate a greater likelihood of mutually supporting play (Loomes, 2006, Hargreaves-Heap et al, 1986, p. 143). Trust is easy to destroy, as many other analysts working from different disciplinary standpoints have shown (Putnam, 2002; Fukuyama, 1996; Gambetta, 1998; Le Grand, 2003, p. 29; Coleman, 1995; Axelrod, 1981). Social interaction reinforces trust, and enables it to be established at a higher and more beneficial level than could be justified by a strictly rational appraisal of the options.

In relation to the world outside the decision theorist's laboratory, a substantial body of work in sociology, which examines the role of rational behaviour in relation to the development of trust makes similar points (Gambetta, 1998; Coleman 1986). This is associated with the analysis of economic interactions in practical contexts where the point that trust acts as a 'lubricant' (as Dasgupta 2002, terms it), facilitating interactions that could in principle be justified and achieved on rational

grounds with a great deal more difficulty, and thus promoting economic progress (Fukuyama 1996). Some writers have sought to distinguish the success of Western countries (and in particular those countries which developed systems of morality reinforcing a particular conception of virtue as integrity) in achieving the explosion of growth associated with market capitalism in terms of the nature of social networks which facilitated the production of public trust in this way (Putnam 1993).

Devices for promoting and reinforcing trust stem from the rationalist conception which sees it as a mechanism to promote mutually advantageous interactions. As O'Malley shows, the development of legal frameworks which rewarded appropriate trust and punished those who attempted to take advantage of others' willingness to invest (2000), led to the expansion of a regulated system of insurance (Ewald 1986) and the associated development of social insurance (Dean 1999). This was reinforced by systems of indemnity and accreditation by trader's associations and others, and an emphasis on greater transparency, for example, Ebay's posting of transaction feedback (Ticoll and Tapscott, 2003).

Transparency issues have played a central role in concerns about public trust in science and technology, where risk communication has been a key theme (Pidgeon et al 1992, Royal Society 1997). This has led to increasingly sophisticated analysis of distortions and confusions in public understanding of what experts are saying, culminating in the widely-discussed *Social Amplification of Risk* framework (Pidgeon et al 2003). One practical outcome has been greater emphasis on the involvement of the public, through exercises such as citizen's juries, the 'People's Panel' polling system (established by new Labour via MORI in 1998), the series of road-shows on major policy issues and such set-pieces as the 2002-3 *GM Nation?* debate or the national debate on nuclear power presaged by Blair at the time of the 2005 Election (Sourcewatch 2006) and the elaborate and appropriate Citizens' Advisory Panel exercise which led to the 2006 White paper on Community Care (DH, 2006, Annex 1).

The publication of achievement in relation to targets discussed in Section I contributes to the process of reconstituting public service users as consumers, exercising informed choice (Baldock 2003). The logic of transparency has been powerfully reinforced by a separate intellectual tradition, which draws directly on rational models of behaviour. This may be summed up as a particular answer to the 'principal-agent'

problem in organisation theory. The problem is that, in general, the agents who actually provide services or deliver contracts know more about the immediate issues than the principals who make policy, so that it is possible for them to exploit their informational advantage (Pratt and Zeckhauser, 1985). The solution is to align the motives of the agents as closely as possible with those of the principals through careful management of the incentives which they face (Le Grand, 2003, 59-61). This approach underlies much recent public sector reform, where the agencies providing services (schools, colleges, clinics, doctors, hospitals and so on) face a set of financial incentives that encourage them to achieve such goals as the attraction of as many service users as possible, and the provision of service to them within strict budgetary constraints.

Non-Rational Approaches to Trust

A separate stream of work, less influential in recent reforms, emphasizes the importance of non-rational factors in trust. This work does not deny the significance of rational deliberation, but argues that other factors operate alongside it, and are of equal significance. Of most importance is work carried out by psychologists. This bridges the individualist methodology of economists and the more socially-oriented focus of sociology by combining experimental and survey methodologies and using conceptual frameworks that acknowledge the significance of both individual cognitive and more socially-based affective elements.

Psychological work has emphasized the multi-dimensionality of trust. Hovland's initial studies distinguished two dimensions: competence and care, or trustworthiness (see, for example, Hovland et al, 1953). This has been refined by other researchers, typically using principal components analysis techniques on responses to batteries of items in questionnaires. For example, Renn and Levine (1991) identify five aspects of trust: perceived competence, objectivity, fairness, consistency, faith (in the goodwill of the subject). The inter-relations and correspondences of these items are debated, and more recent scholars such as Metlay (who reduces trust to two affective beliefs: trustworthiness and perceptions of competence – 1999) produce accounts close to Hovland's original distinction (Frewer et al, 1996; Poortinga and Pidgeon, 2003). Deliberation on track record may be a reasonable guide to competence, but trustworthiness – confidence that someone takes the trustor's interests

to heart - requires the extra-rational leap of faith that affective or cultural factors can supply.

Consideration of the circumstances of everyday life decisions also focuses attention on the affective dimension of trust. Cvetovich and Earle (1997) argue that most people find complex risk issues too difficult and wearisome to analyze and resort to a general sense of sympathy with the institution (or otherwise) rather than cognition to guide them. A recent literature review by Schwartz discusses a considerable body of work by psychologists that indicates that emotion plays an important role in decision-making, particularly under uncertainty and when there is pressure to generate a decision swiftly (2000). Influential research by Todd and Gigerenzer, drawing on the economist Simon's conception of 'bounded rationality', argues that, in understanding how people actually make everyday life choices, 'cultural and emotional processes [are] one of the most important areas to be mapped out' (2003, p. 162).

Slovic has applied this approach in relation to risk and trust. He combines affective and cognitive heuristics in a tentative account of risk perception and response that sees both as operating in concert, leading to a further layer of complexity in risk judgements. For example, the effectiveness of cigarette advertising even on groups who are aware of the deleterious health effects may be partly attributed to the success of commercial interests in associating cigarettes with positive affect, which over-rides the concomitant cognitively-based choice to quit (Slovic, 2001). This approach rests on an evolutionary account of how rapid affective responses to some uncertainties (when you see a tiger, don't think – run!) are valuable, and how such responses might plausibly be selected alongside slower deliberative planning (Epstein 1994).

The central argument is that, in practical contexts, both cognition and affect contribute to trust and mistrust. This approach can be paralleled elsewhere in social science. Barbalet argues from a sociological perspective that emotional factors play an important (he would say, leading) role in many aspects of social behaviour (1998, 2002, 2004). His central point is that, although, rational procedures can help us evaluate risks, they do not apply to the circumstance in which trust is most important since these typically concern areas of uncertainty where the capacity of reason to resolve the issue is limited. Most members of the public are simply not in a position to know whether information given about a particular chemical accident, the risks and opportunities under a

pension plan or the long-term implications of GM agriculture is accurate, until long after they have made their evacuation, investment commitment or shopping choices.

Under these circumstances, emotion makes an essential contribution to trust. He refers to Keynes' oft-quoted passage about the drive to entrepreneurship under uncertainty: 'most ... of our decisions to do something positive ... can only be taken as a result of animal spirits – of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities' (1936: 161).

Keynes is dealing with any future-oriented action. Trust refers to actions involving reliance on another, a sub-group of the above, but the point applies. More recent analysis of economic decision-making draws attention to a similar role for emotions: 'trust and distrust are social emotions constituted within and between powerful organisations for rationally coping with the unknown in decision processes, later 'felt' as emotions by individuals or groups of them. Futures cannot even be imagined without drawing on these neurologically-based emotions' (Damasio 1996).

Jocelyn Pixley demonstrates on the basis of detailed interviews with chief executives and directors of large corporations and financial institutions that emotional considerations play a significant role in major financial decisions, and this is typically defended on the grounds of the uncertainty involved in moving in new directions: 'trust and distrust are the only way to project financial futures as certain' (p.17). Other sociologists have also placed considerable weight on the importance of emotional factors and social relationships. Thus, Calnan and Rowe write: 'Trust has been characterised as a multi-layered concept primarily consisting of a cognitive element (grounded on rational and instrumental judgments) and an affective dimension (grounded on relationships and affective bonds generated through interaction, empathy and identification with others)' (Calnan and Rowe, 2005, 1).

The affective and cognitive bases of trust has been examined in political science, which often distinguishes between the understanding of social programmes and responses to particular politicians and other actors in its account of social actions, the former being interpreted in terms of appeal to self-interest, while the latter often turn of the perceived honesty or transparency of the politician or the extent to which the politician is in

touch with and sympathetic to the interests of the voter (see, for example, Pattie and Johnston, 1998, Curtice and Seyd, 2003, 95; Marcus, 2002; Glaser and Salovey, 1999).

The Dual Basis of Public Trust

This discussion draws attention on the duality of the bases of trust in public provision. A traditional model of government understood the state sector as managed through a combination of authority that was bureaucratic (in areas where discretion was limited) and professional (where judgements were involved), and dealt with a citizenry which largely accepted the effectiveness of these systems. Reason plays a major role in the legitimacy of these systems, indeed the inhumanity of rational control has been a major theme from Weber's 'Iron Cage' to Orwell's 1984. However, the dominant assumption has been that both professionals and bureaucrats operated in the public interest and could be trusted to do so. New developments in organisational theory from the 1970s onwards, inspired by economic models through public choice theory (Mueller, 1979, Riker 1986), pointed out that the behaviour of public sector bureaucrats and professionals might be as much influenced by a self-regarding rationality as by an ideal of public service (Niskanen, 1971, Barr, 1998, 92). Interest in these theories in the UK context was driven by concerns to achieve greater cost-efficiency in the face of continuing pressures on the welfare state (Glennerster 1997), by the dominance of anti-collectivist political ideologies (Bonoli and Powell 2003) and the attractiveness of incentive-based solutions to the problem of directing ever more complex decentralised provider agencies (Dixit, 2002). The new public policy was based on the rationality-driven solution to the principal-agent problem discussed above.

The shifts in public sector management include two components, variously combined in different fields: greater use of markets (to enhance efficiency and consumer responsiveness) and greater recourse to more transparent audit (to ensure goals are achieved and to direct information to the public). Reforms based on these principles have been rolled out across the public sector. Important debates concern current rounds of health care and education reform, which further decentralise the agencies of provision and sharpen competitive incentives. The logic behind these changes derives from the principal agent analysis discussed earlier. The point about quasi-markets is that competitive pressures present clear incentives to public sector managers and professionals (the agents) to

direct their activities to provision which meets the demands of informed consumers.

Explaining the Decline in Trust

The modern dilemma of greater service activity but no gain in public confidence may be understood in terms of the dual cognitive and affective nature of trust. The reforms draw on a particular tradition in economics and economic psychology, transmitted through organisational theory, that stresses the role of cognitive factors. The central focus is on service providers and service consumers as market actors, behaving in response to their interests as they understand them. This is a world in which action is essentially driven by rational deliberative processes, both for the provider in seeking greater efficiency and for the consumer in deciding where to place trust, and in which the non-rational aspects of trust are discounted. Crucially, the stress on a competitive and consumerist logic may undermine a core component of trust, since the motivation of providers is declared to be self interest, in response to market signals, rather than public interest.

IV. Trust in the Reformed Public Sector

While the evidence necessary to chart the relation between cognitive and affective components of trust in the NHS at the institutional level and over time is not currently available, secondary analysis of the 2001 British Social Attitude survey provides some important insights into the components of trust. This study took place before the impact of the recent injection of extra resources into the NHS, although levels of satisfaction with the service have not changed markedly since (Appleby and Alvarez-Rosete, 2005, Table 5.7).

The British Social Attitudes survey is an annual attitude survey conducted since 1983 by the National Centre for Social Research with a large national stratified random sample and high professional standards. The 2001 survey generated a sample of 3287 with a response rate of 70 per cent. Further details are given in the technical report (Park et al, 2002, pp 231-46). The analysis discussed here refers to 1515 respondents, since it uses material from sections of the questionnaire directed to a random sub-sample of respondents.

The survey included a battery of questions on trust in state and non-state services. The question asked in the case of the NHS was: 'Please tick a box to show how much you trust NHS hospitals to spend their money wisely for the benefit of their patients?' The phrasing was chosen after piloting because it includes both aspects of trust: cognitive in relation to the wisdom of spending decisions and the more affective concern with the interests of the trustor in the phrase 'for the benefit of patients'. The responses were: 12.1 per cent a great deal, 46.6; quite a bit; 35.1, not much; and 6.1 not at all. While the balance of trust over mistrust was positive at 18 per cent, it was substantially lower than in the case of private hospitals (40 per cent), a pattern repeated in relation to state and non-state pensions and schools. This corresponds to the concerns expressed earlier about relatively low levels of trust in the state sector.

Evidence on perceptions of standards is available from a series of questions on whether standards overall and in relation to waiting times for a range of key procedures have improved during the past five years. Perceptions of the extent to which the NHS respects its users is available from questions on the extent to which patients are kept informed and how far they feel able to complain, and on the responsiveness of hospital staff to their views on how their health care should be managed. The first area corresponds, broadly speaking, to the cognitive components of trust – it is rational to trust the service more if you believe it provides an improving quality of provision. The second area corresponds to the affective non-rational side of trust, and concerns the extent to which the service respects patients as people.

Scales to represent perceptions of standards and respect were constructed using factor analysis. Column 2 of Table 1 shows that, in 2001, the majority believed that standards had deteriorated, particularly in hospital waiting times, during the previous five years. The responses formed one factor from which a variable was created by weighting the contribution of each measure of standards according to the coefficients in the table. Table 2 shows a slightly more positive picture in relation to perceptions of how far the NHS respects patients. Apart from treatment in outpatients and waiting times for an operation, the balance of responses is positive. Two factors were generated in the analysis, the first explaining much more of the variance than the second, which mainly concerned outpatient treatment. Variables were generated from these factors as above.

The relationship between the more cognitive and affective components and overall trust in the NHS was then examined in a logistic regression equation, which also included the other main factors which might also contribute. These are the socio-demographic factors of income and social class, gender and age, which plausibly relate to NHS usage and interests in relation to the service, and the more ideological issues relating to political party and the proxy of newspaper readership, which affect attitudes to a politically salient public service. Details of the variables are given in Table 4.

The model used a forward conditional method which builds the equation by entering variables in order of their significance level. Only the final stage with independent variables which were significant at the five per cent level or below is shown in Table 3. The model has an r-squared of .15 and explains 59 per cent of the observations on the dependent variable, whereas one would expect to explain half by chance. Its explanatory power is moderate, presumably because individual and situational factors also contribute to trust in complex ways. For our purposes, it is the highly significant relations in the model that are of interest. An odds ratio greater than one indicates a positive effect and less than one a negative effect. The ratios are in most cases in expected directions, although the fact that trust is higher among younger than older people (who are typically seen as more deferential, especially in relation to professionals such as doctors) is striking. For our purposes the most interesting feature of the model is the high coefficients for the respect and standards measures, larger than for any of the other coefficients. Both components of trust are of great importance in relation to the NHS, and respect in relation to inpatient services appears to be the most important single factor. Reforms that focus on the cognitive dimensions of standards and throughput are unlikely to engage this aspect of trust. It is not surprising that it is the issues captured by the respect variable that are salient in current debates.

Conclusion

Trust is significant in relation to public services. Social changes have placed a particular burden on trust. They have also increased upward pressure on welfare state services and downward pressure on government finances. The resulting reform programmes have arguably improved throughput and efficiency. However, overall trust appears to be in decline. One explanation is that, while they appeal to cognitive

deliberative components in trust, the reforms fail to advance and may actually undermine affective trust. Unless the remit of public sector reform is broadened to include approaches which stress motivations and orientations extending beyond incentives that rely at bottom on self-regarding motivation, the trade-off between efficiency and trust may be something with which we have to learn to live. One outcome may be increasing instability in the welfare state settlement.

**Table 1: Improvement in Standards Index:
Varimax Rotation, listwise deletion of missing cases**

Change in standards during the last 5 years in:	(Much better + better) – (worse + much worse) %	Weightings
Standard of NHS health care?	-18	.748
Waiting time for operations?	-44	.813
Waiting time to get an outpatients' appointment?	-33	.823
Waiting time at outpatients' clinics/	-31	.766
Waiting time at GP's surgery?	-1	.424
Eigenvalue		2.67
% variance explained		53.31

**Table 2: Respect for Patients Indices:
Varimax Rotation, listwise deletion of missing cases**

Perceptions of respect for patients	(Definitely + probably would) – (definitely + probably would not) %	Weightings	
		Respect 1	Respect 2
Doctors will tell you all you feel need to know?	42	.726	.084
Doctors take seriously any views you may have?	26	.748	.129
Operation happens when booked for?	-8	.458	.389
Allowed home only when really well enough?	2	.555	.345
Nurses take seriously any complaint?	66	.707	.147
Doctors take seriously any complaint?	50	.780	.199
Special nurse to deal with any problems?	13	.491	.215
Appointment within 3 months for a back problem	-24	.120	.752
Wait to be seen in out-patients less than 1-2 hr ?	-33	.099	.802
Can complain about outpatients treatment without fuss?	10	.355	.578
Eigenvalue		3.92	1.13
% variance explained		39.2	11.3

Table 3: Standards, respect, demographic and ideological factors and trust in the NHS: Logistic regression

	Coefficient	Standard error	Significance	Odds ratio
<36	.280	.143	.050	1.324
>54	-.305	.136	.025	.737
Salariat	-.342	.122	.005	.710
Labour	.423	.123	.001	1.526
Liberal	.448	.185	.016	1.564
Tabloid reader	-.257	.121	.033	.773
Respect 1	.953	.116	.000	2.593
Standards	.457	.119	.000	1.580
Respect 2	.617	.118	.000	1.853
Constant	-.628	.151	.000	.534
Nagelkerke R-squared				.152
% Correct predictions				59%
Chi-squared	172.551; 9 degrees of freedom; significance: .000			

Table 4: Variables used in the regression (recoded for use in the dichotomous logistic model)

Trust in the NHS (a great deal or quite a bit)	58.7%
Standards index (above the mean)	49.0%
Respect 1 (above the mean)	53.3%
Respect 2 (above the mean)	49.2%
Age: >54	33.1%
Age: <36	26.3%
Salariat: Professional/managerial	33.1%
Routine: Semi/unskilled working class*	31.6%
Household income top quartile*	19.8%
Household income bottom quartile*	24.9%
Gender: woman*	54.2%
Tabloid reader	37.7%
Broadsheet reader*	11.9%
Education to degree level*	15.7%
No educational qualifications*	25.3%
Conservative voter*	23.0%

Labour voter	44.7%
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Liberal voter	12.9%
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* Variables which did not meet the 5% significance threshold for the final model reported in Table 3.

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