Bureaucrats, Politicians and Reform in Whitehall: Analysing the Bureau-Shaping Model

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Dunleavy's bureau-shaping model has breathed new life into existing debates about the behaviour of senior bureaucrats. This article assesses the utility of this model as an explanation of the development of Next Step agencies in the last decade in Britain, using data drawn from a series of extensive interviews with senior civil servants. Our conclusion is that, although the bureau-shaping model represents a significant advance on previous models of bureaucratic behaviour that stress budget maximization, it is flawed. In particular, we argue that: it pays insufficient attention to the broader political context within which civil servants operate; mis-specifies bureaucrats' preferences; and oversimplifies the distinction between managerial and policy advice work. More specifically, we suggest that any explanation of the development of Next Steps agencies needs to recognize that: politicians rather that civil servants played the major role in their creation; the strategic calculations of bureaucrats were significantly more sophisticated than the model assumes; and the consequence of the reforms has been that senior civil servants have played a greater, rather than a more limited, management role.

In the last twenty years there have been massive changes in the machinery of British government, perhaps most notable amongst them the creation since 1988 of Next Step agencies. Patrick Dunleavy's work on bureau shaping[1] has quite rightly received a great deal of attention both at a theoretical level and as an explanation of recent changes in the public sector in Britain and elsewhere. It has been used by many authors and criticized by some.[2] In this context, this article has two aims. First, it is a critical contribution to the literature on the

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[1] P. Dunleavy, *Democracy and Public Choice* (Hemel Hempstead: Harvester Wheatsheaf, 1991).

[2] C. Campbell and D. Naulls, 'The Limits of the Budget-Maximising Theory: Some Evidence from Officials' Views of their Roles and Careers', in A. Blais and S. Dion, eds, *The Budget Maximizing Bureacrat: Appraisals and Evidence* (Pittsburg: University of Pittsburg, 1991); K. Dowding, *The Civil Service* (London: Routledge, 1995); S. Hoopes, *Oil Privatisation, Public Choice and International Constraints* (Basingstoke, Hants: Macmillan, 1997); O. James, 'Explaining the Bureaucracy Next Steps in the Department of Social Security: The Bureau-Shaping Model of Central State Organisation', *Political Studies*, 43 (1995), 614–29; P. John, *Analysing Public Policy* (London: Pinter, 1998), pp. 129–36; V. Lowndes, 'Varieties of New Institutionalism: A Critical Appraisal', *Public Administration*, 74 (1996), 181–97; L. E. Lynn, 'The Budget-Maximizing Bureaucrat: Is There a Case?' in Blais and Dion, eds, *The Budget Maximizing Bureaucrat*; R. Maidment and G. Thompson, eds, *Managing the United Kingdom: An Introduction to Its Political Economy and Public Policy* (London: Sage, 1993), pp. 236–57; A. Massey, *Managing the Public Sector* (Aldershot, Surrey: Edward Elgar, 1993), pp. 40–76, G. Peters, 'The European Bureaucrat:

bureau-shaping model. Secondly, we examine the model's utility as an explanation of the changes that have occurred in British central government in the past decade. This piece is thus divided into two substantive sections. The first section briefly outlines the Dunleavy model. The second, and much longer, section then assesses its utility as an explanation of bureaucratic reform in Britain. We focus upon the development of the Next Step agencies, utilizing data from a series of extensive interviews with senior civil servants.

THE BUREAU-SHAPING MODEL

Traditional, US-based, often New Right, public-choice accounts of government organizations portray bureaux as hierarchical, Weberian, line agencies which are run by rationally self-interested agents. In this approach the main interest of senior bureaucrats is in maximizing the budgets of their bureau because a larger budget will mean greater status and higher salaries for the bureaucrats.[3]

In contrast, the bureau-shaping model takes issue with this emphasis on budget maximization, arguing that senior bureaucrats are most interested in maximizing the status and quality of their work. In particular, Dunleavy contends that senior civil servants are most interested in their policy advisory functions: when high-ranking officials are faced with institution-wide cuts, they reshape their bureaux into small staff agencies in order both to protect themselves and their agencies, and to allow themselves to concentrate on the policy-advisory role which they prefer.

In Dunleavy's view, bureaucrats will pursue their objectives primarily: 'at the individual level, searching for career or promotion paths which lead them into an appropriate rank in a suitable sort of agency'.[4] However, they also have an interest in changing the nature of the agency in which they work in order to maximize their utility. This utility maximization is best pursued through bureau-shaping rather than budget maximization.[5] Dunleavy argues that there are five key ways in which senior officials can pursue bureau-shaping strategies at the collective, agency, level. First, they can initiate or encourage major internal reorganizations. Secondly, they can transform internal work practices. Thirdly, they can redefine relationships with external partners. Fourthly, they

(F'note continued)

The Applicability of Bureaucracy and Representative Government to Non-American Settings', in Blais and Dion, eds, *The Budget Maximising Bureacrat*.

[3] See W. Niskanen, *Bureaucracy and Representative Government* (New York: Aldine Atherton, 1971); 'Competition among Government Bureaus', in J. M. Buchanan, ed, *The Economics of Politics* (London: Institute for Economic Affairs, 1978); A. Breton and R. Wintrobe, *The Logic of Bureaucratic Control: An Economic Analysis of Competition, Exchange and Efficiency in Private and Public Organisations* (Cambridge: Cambridge University Press, 1974); J. Migue and G. Berlanger, 'Towards a General Theory of Managerial Discretion', *Public Choice*, 17 (1974), 27–43; R. G. Noll and M. P. Fiorina, 'Voters, Bureaucrats and Legislators: A Rational Perspective on the Growth of Bureaucracy', *Journal of Public Economics*, 9 (1979), 239–54.

[4] Dunleavy, *Democracy, Bureaucracy and Public Choice*, p. 202.

[5] Dunleavy, *Democracy, Bureaucracy and Public Choice*, pp. 203–5.

may encourage competition with other bureaux. Fifthly, they can hive off or contract out low-level troublesome work. The first, third and fifth of these strategies are of particular concern to us here because these have most relevance for discussions about the role of Next Steps agencies. In Dunleavy's view, bureaucrats will attempt to change the structures of their agencies in order to increase the degree to which they concentrate upon policy-making functions. This is likely to involve hiving-off routine administrative functions to subordinate agencies, while increasing discretionary involvement in policy-relevant issues.

On the basis of these assumptions, Dunleavy explains why rational bureaucrats are prepared to accept cuts in budgets and the hiving-off and privatization of much of their departments. By reshaping bureaux through hiving-off troublesome and routine managerial work, high-ranking officials can maximize their utility at the same time as cutting their programme budgets. Dunleavy claims that in Britain:

senior policy-level officials have generally agreed on the need to separate out their existing under-managed and under-prioritised executive roles, so as to allow them to concentrate on their key priorities of providing policy advice to ministers, managing relations with Parliament, organising legislation and regulations, and moving money around …[6]

Through the creation of Next Steps agencies, civil servants can 'maximize work-related utilities', whilst co-operating with the desire of New Right ministers to cut programme budgets.

Dunleavy claims that the bureau-shaping model provides a fuller explanation of the changes in the British civil service in the 1980s. He argues:

The bureau-shaping model offers a developed account of why senior officials generally accept or promote … de-institutionalisation … The general argument is that there are strong internal pressures for facilitating changes which are popularly interpreted as externally imposed.[7]

Unfortunately, Dunleavy does not deal directly or at length with these changes and indeed he makes no specific reference to the creation of Next Step agencies. Nevertheless, his basic analysis is clear. According to Dunleavy, faced with the prospect of losing valued policy-making time, high-ranking officials became keen advocates of separating out policy from management functions in order to allow them to maintain, or even increase, the proportion of time they spend on policy-related work. The bureau-shaping model thus generates three propositions: first, senior civil servants have less interest in the management of the department and more interest in their role as policy advisers; secondly, the development of these agencies was encouraged by senior civil servants; and thirdly the outcome of the changes has been to take managerial responsibilities

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[6] Dunleavy, *Democracy, Bureaucracy and Public Choice*, p. 226.
[7] Dunleavy, *Democracy, Bureaucracy and Public Choice*, p. 226.

away from senior civil servants and allow them to concentrate on policy advice. We shall examine each of these propositions in turn.

EXPLAINING REFORM IN THE BRITISH CIVIL SERVICE: TESTING THE BUREAU-SHAPING MODEL

Our analysis uses a series of interviews conducted between 1996 and 1998 with retired and serving senior civil servants. These interviews were part of an ESRC-funded project examining change since 1974 in four government departments: the Home Office; the Department of Trade and Industry (DTI); the Department of Social Security (DSS); and the, now defunct, Department of Energy. We asked each person interviewed about his or her job and the jobs of other grades and how they had changed over time. More particularly, we questioned those civil servants who were in Whitehall both before and after 1988 about their experience of the Next Step reforms; 65 per cent of our respondents were in that category. Table 1 identifies the various categories of officials, both serving and retired, whom we interviewed.

TABLE 1   *Civil Servants Interviewed, by Grade*

	Retired	Serving
Grade 1/1a	20	5
Grade 2	27	13
Grade 3	4	8
Total	51	26

Note: For reasons of comparability and simplicity, we have used the grading structure employed by Whitehall in the pre-Senior Management Review days.

Our sample of officials is not representative of the British senior civil service for two main reasons. First, it over-represents the top grades. However, our interviewees are drawn from among those senior officials who Dunleavy claims are in the strongest position to reshape their bureaux to suit their own interests. Therefore, the views of this group of officials are particularly relevant. Secondly, because we did not choose our sample merely to test the bureau-shaping model, our interviewees are drawn from only four departments, although, as we shall see, some had experience of working at a senior level in other departments and we shall refer to that experience when appropriate.

However, before we present our data, there is another important methodological, indeed epistemological, issue. To most rational choice theorists, the world is not socially constructed; rather there is a 'real' world which is external to, and exists independently of, agents. As such, it is possible for social scientists to

establish causal relationships between social phenomena. Research involves the generation of hypotheses from assumptions; these hypotheses are then falsifiable. Dunleavy operates from within this position and this has strong methodological implications. Dunleavy relies almost exclusively on quantitative data about departmental budgets. He does not interview bureaucrats or politicians about their preferences or strategic judgements. The implication is that such data are 'soft' because they may reflect a bureaucrat's *post hoc* reconstruction of decisions; interviewees may be mistaken or lying about their preferences and reasons for taking a particular action.

There is a debate in the rational choice literature about the utility of the type of data we report here. Certainly, some authors would argue that asking actors to explain their actions is misguided. As Shackleton commented, on research which used interviews with senior company executives to help explain changes in the membership of a major British employers' interest group, the Confederation of British Industry: 'Milton Friedman once wrote that asking businessmen to explain their economic decisions in this way has about as much validity as asking octogenarians to account for their longevity'.[8] We have a lot of problems with such an argument since it implies that we should not ask senior civil servants how they reacted to Next Step changes, nor why they did so in a particular way. Rather, we should concentrate on aggregate data about the levels of expenditure on different budgets and in different types of agency. Obviously, such data are relevant, but so are interview data, which allow us to examine: the actual preferences of individual civil servants; how individuals construct, deconstruct and reconstruct the decision-making context in which they are operating; and how they assess the likelihood of various outcomes. In taking this view, we are also reflecting more recent developments in rational choice theory which acknowledge the importance of the subjective judgements of actors in explaining outcomes.[9]

We now turn to our evidence and examine each of the three propositions derived from the bureau-shaping model outlined above.

The Preferences of British Senior Civil Servants

Our interview data reported below suggest two clear conclusions. First, it is not easy for senior bureaucrats to maximize the policy function for two reasons. The simple distinction between the policy advice function and the management function on which much of the model is based is problematic in practice. At the same time, the job of senior officials, in particular the permanent secretaries, inevitably involves major managerial responsibilities. Secondly, not all senior

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[8] L. Shackleton, 'Dr Marsh on Olson: A Comment', *British Journal of Political Science*, 8 (1978), 375–80, p. 376.

[9] See H. Ward, 'Rational Choice Theory', in D. Marsh and G. Stoker, eds, *Theory and Methods in Political Science* (Basingstoke, Hants: Macmillan, 1995), pp. 76–93.

civil servants attach such a high value to policy work and such a low value to management as the bureau-shaping model assumes.

(i) Management versus policy advice or management and policy advice. Obviously, most senior civil servants, in both agencies and core departments, are involved in policy and management. This point is evident if we consider the job remit of permanent secretaries. There are three broad elements to their work: managing the policy process; administering the department; and devising and implementing specific policies. The first is exclusively managerial and the second combines management and policy, although perhaps with the main emphasis on management; only the third involves a focus on policy.

The first element of a permanent secretary's job remit involves the efficient administration of the department; a function which is also crucial to the job of an agency chief executive. It also involves managing senior staff and resources in the department, being the department's representative/spokesperson inside and outside the Westminster/Whitehall community and acting as department accounting officer.

Managing the policy process encompasses at least four tasks. First, the permanent secretary (PS) ensures that long-term policy strategy is being effectively managed within the department and that emerging major policy issues are properly identified and addressed. Secondly, the PS chooses those departmental officials within a particular branch or division who are the most suitable for dealing with a specific policy issue or area. Thirdly, s/he ensures that the policy issue is progressing within an acceptable time-scale. Fourthly, s/he attempts to prevent political problems resulting from 'failures' in the policy process. A corollary of this final point is that the permanent secretary is accountable to the minister for the overall policy process. The key to this part of the job is the ability of the permanent secretary to delegate effectively. As such, it rarely involves the senior official in the actual detail of policy work.

The third and final component of the PS's job is actual involvement in policy work. A PS may find himself or herself directly involved with specific policy work in three types of circumstances: first, if policy is highly sensitive politically; secondly, if a policy is of particular interest to her or him and, as such, s/he wishes to have a direct input into the policy work being undertaken; and thirdly, if a political blunder has occurred at some stage in the policy process and the senior official intervenes in an attempt to, at best, resolve the issue or, at worst, control the degree of fallout.

Two points are crucial here. First, permanent secretaries have always had a crucial management role and, as we shall see later, since the Next Step changes they appear more, rather than less, involved in management than was previously the case. Secondly, and again we shall return to this point later, those most involved in policy work are not permanent secretaries or even deputy secretaries, but much lower level civil servants, those located at what, in the pre-Senior Management Review days, was Grade 5. Indeed, the further up the

Whitehall hierarchy a civil servant progresses, the less policy-orientated s/he becomes; this is an issue to which we shall return in the next section. As such, it seems to us that it is by no means as easy as the bureau-shaping model suggests for senior civil servants to maximize their policy advisory functions and hive-off their management functions. At the same time, the bureau-shaping model implicitly assumes that senior officials all share a preference for policy making. The evidence from our interviews was certainly less than conclusive on this point.

Of course, Dunleavy might respond by saying that all these tasks are of high status involving innovative work and close contact with the centres of power. As such, they are not the type of management functions he had in mind and the model could easily be re-specified to take account of this point. However, it is a problem that the bureau-shaping model assumes a more clear-cut distinction between management and policy making than in fact exists, or, perhaps more important, than senior civil servants see as existing. So, as one very senior civil servant argued:

This assumes that there is a distinction to be made between management and policy. I totally disagree … My position is very simple. In terms of the management responsibility of the permanent secretary, the most difficult management task is the management of policy formulation. Now if you put it that way round you see the argument that I am putting forward. I agree that the permanent secretary is the manager for the Secretary of State but only on the basis that the management responsibilities include pre-eminently the management of the formulation of policy which is a more difficult task.

The bureau-shaping model needs to acknowledge this point.

(ii) A preference for the policy advice function? Dunleavy presents his own checklist of the preferences of bureaucrats, specified in terms of positive and negative values, but presents no justification of this list.[10] Lowndes makes this point strongly, although, of course, Dunleavy might reject it on epistemological grounds:

We are asked by Dunleavy to accept his list of … values which influence bureau-shaping on the grounds that they are commonly cited in administrative sociology (remarkably, references are not provided to the relevant literature). There is no attempt to show that senior bureaucrats actually hold these values or are motivated by them. If one is not prepared to accept this list at face value, any testing of the bureau-shaping approach needs to be preceded by an investigation into the values of the bureaucrats.[11]

Certainly, the assumption that high-ranking officials have a strong preference for policy work over management functions lies at the centre of the

[10] Dunleavy, *Democracy, Bureaucracy and Public Choice*, p. 202.
[11] Lowndes, 'Varieties of New Institutionalism', p. 189.

bureau-shaping model.[12] However, it is not supported by evidence and our interviews suggest it is questionable. It is clear that some senior civil servants enjoy management, if not as the most important strand of their work, then as one of their core functions. As a member of the original Efficiency Unit argued about civil servants in the 1980s and 1990s:

Some of them were interested in management and couldn't get to do it, others just weren't interested at all, but I think what was happening by the mid-80s was the financial structures were improving, the FMI was producing management information. People were beginning to have regular annual reviews of management … So, even then, there were people who were interested in all aspects of management.

To the extent that a simple dichotomy between the policy advice and the management function is possible, some civil servants certainly appear to prefer policy work, others management work and others a balance between the two. It is also apparent that preferences can change over time. One PS commented that the establishment of agencies in his department transformed his working day:

Prior to Next Steps, I was still doing, or would have been doing, a lot of policy; probably 50 per cent or so. I would have done about 20 per cent on management, about 20 per cent with the accounting officer and 10 per cent on senior personnel. From 1988 on, I was spending less than 30 per cent of my time on policy, 30 per cent on management, 20 per cent with the accounting officer, 10 per cent senior personnel and 10 per cent visiting agency offices. This made the running of the department more efficient and was something I welcomed.

Similarly, another PS argued that the reforms had led to a marked reduction in his day-to-day involvement in policy:

After the introduction of Next Steps, I spent about a third of my time on policy. However, most of my time was spent on long-term strategy with my board discussing where we were going to be in five years time. I was not sorting out today's policy problem, unless it was a really catastrophic one and they wanted my help. My junior officials prided themselves on being able to sort out most problems. They like to come to me and tell me they've found a problem and they've solved it and I needn't worry. So, I would only be bothered by policy which was either pretty insoluble or needed some outside help, the help of other departments where ministers needed to be talked to, or where I could actually use my experience and ability.

James acknowledges that bureaucrats are not identical, but notes that modelling heterogeneous preferences would be problematic, complex and unnecessary if a simpler model suffices.[13] We would suggest that the bureau-shaping model over-simplifies a bureaucrat's utility function and that

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[12] P. Self, *Government by the Market? The Politics of Public Choice* (Basingstoke, Hants: Macmillan, 1993), p. 165.

[13] James, 'Explaining the Next Steps', p. 342.

any analysis using utility theory must be able to cope with divergent preferences. The problem for the bureau-shaping model lies in the centrality of the assumption of homogeneity to the claims being made. If the model is to 'explain' the recent reforms, it is a necessary condition that top civil servants share a preference for policy making. Our evidence indicates that not all share this preference, or at least not to the same extent, and this in turn limits the utility of the model.

The Origins of the Next Step Agencies. What role did senior civil servants play in the origins of Next Steps and how did they react to the proposals? Our interviews suggest three clear conclusions. First, the impetus for these changes was political; it did not come from civil servants. Secondly, many senior civil servants possessed far from perfect information about the changes; they underestimated the political will that was behind them and their potential impact. Thirdly, although many senior civil servants opposed the changes, there was little, if any, organized opposition. This was in large part because the culture of civil servants, the public sector ethos, means that, whatever their own views, senior civil servants accept change imposed on them by politicians, if those politicians have the political will to carry them through.

(a) Political pressure and political will. While Dunleavy recognizes that politicians can manipulate the preferences of voters[14] he does not discuss how they constrain bureaucrats. However, as Tullock maintains, bureaucrats do not exist in a self-controlled environment, insulated from the outside world:

Both we Americans and Professor Dunleavy tend to assume the bureaux are more powerful than they are. They are in fact powerful, but they don't control the world totally. The outside environment can impose on them a shrinkage or restriction … It can also terminate Dunleavy's 'bureau-shaping' activity as readily as it can Niskanen's expansionist theories.[15]

As Tullock suggests, the bureau-shaping model seems to assume that senior civil servants are relatively unconstrained; that they have significant autonomy. In contrast, in our view they are constrained by the political and cultural context in which they operate and, in particular, by the wishes of ministers, by the broader civil service culture and by their construction of each of these two things. Rational choice theories place high value on parsimony and, therefore, on stripped-down assumptions. However, even in positivist terms the key aim

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[14] Dunleavy, *Democracy, Bureaucracy and Public Choice*, chap. 4.
[15] G. Tullock, 'Review of Democracy, Bureaucracy and Public Choice', *Public Choice,* 75 (1993), 181.

is to balance parsimony and explanatory power. The problem here is that, without understanding this broader context and its affect on bureaucrats, the explanatory power of the model is significantly reduced.

The role of politicians was definitely crucial in the evolution and development of Next Steps. Of course, agencies and the notion of separating provision from production or 'hiving-off' are by no means new concepts in British administrative circles. Indeed, a proposal to create executive agencies was a significant element in the Report of the Fulton Committee in 1968:

The principles of accountable management should be applied to the organization of the work of the departments. This means the clear allocation of responsibility and authority to accountable units with defined objectives.[16]

As a result, during the Heath administration the Property Services Agency and the Defence Procurement Executive were created. However, in common with the majority of the Fulton recommendations, the degree of 'hiving-off' was constrained by 'the omnipotent, dynamic conservatism of civil servants' and by the lack of political will shown by the government in pushing reform through.[17] So, twenty-five years ago at least, senior mandarins did not appear to regard it as in their interests to establish administrative units outside their departments.

In contrast, in the late 1980s the extent and the speed of the reform was a result of political pressure. This pressure had enormous influence because it emanated from the Prime Minister. A former Grade 2 official in the Home Office argued:

If the Prime Minister said she was going to do something it was going to be a brave minister who stood up to her. The reforms just went through. This was the power which Peter Kemp commanded and it stemmed from the full backing of the Prime Minister.

This suggests that bureau-shaping may often be driven by ministers not senior bureaucrats. In this case, it is well-documented that the impetus for change came from Peter Kemp, Second Permanent Secretary at the Cabinet Office between 1988 and 1992 and Project Manager for the Next Steps programme, who had strong support from the Prime Minister. More broadly, it is widely accepted that the reforms which the public service underwent during the last Conservative administration were driven by politicians and not bureaucrats. The most senior ex-Conservative ministers' memoirs do indeed pay clear testimony to this fact.[18] Similarly, the key academic texts addressing the issue of public sector reform

[16] J. S. Fulton, *The Civil Service, Volume 1 Report* (London: HMSO, Cmnd. 3638, 1965).

[17] D. Richards, *The Civil Service under the Conservatives 1979–97: Whitehall's Political Poodles?* (Brighton: Sussex Academic Press, 1997).

[18] M. Hesletine, *Where There's a Will* (London: Hutchinson, 1987); M. Thatcher, *Margaret Thatcher: The Downing Street Years* (London: Harper Collins, 1993); N. Lawson, *The View from Number 11* (London: Bantam, 1992).

substantiate this view.[19] The weight of evidence does not support any suggestion that the reform process was bureaucratically driven. Rather, it suggests that, even if they wanted to, senior officials were not in a position to forward their own preferences at the expense of those of their political masters. The political context was absolutely crucial and we did not find *any* senior official who felt the initiative had come from the civil service, although all acknowledged the crucial role of Peter Kemp in the process.

(b) The responses of senior civil servants. Many civil servants underestimated the likely impact of these reforms and perhaps also the political will behind them. Of those who reacted, some were enthusiastic, some were agnostic and some were opposed. Our interviews certainly suggest many senior civil servants were unconcerned about the changes when they were introduced in 1988. Indeed, Peter Kemp emphasized that Whitehall received the Next Steps report: 'with what I can only describe as a dull thud. It wasn't really interesting to them.' Perhaps more interestingly, the initial reaction within particular departments appeared driven at the political not the bureaucratic level. Thus, for example, a senior Home Office official observed that:

Douglas Hurd (Home Secretary between 1985 and 1989) was simply not interested in transferring the Prison Service to agency status. However, after Waddington (Home Secretary 1989–90) got his fingers burned with Strangeways, Kenneth Baker saw agencification as a political opportunity to distance himself from this monstrous organization which had the potential to ruin his political career.

In a similar, but broader, vein, a senior official at the DTI argued: 'Initially we didn't react to the Next Steps report. However, David Young (then Secretary of State) was very keen on setting up agencies and this ensured our department was at the forefront of the process.' The department responded to the will of the minister. A DSS official also noted the sluggish manner in which his department reacted to Next Steps and again emphasized that the department made a calculation about the political will behind the reform:

At the outset, we adopted the usual Whitehall reaction which was to ask the question: 'Do we respond to this in token fashion to get both the centre and the minister off our back or do we react with something big?' Expediency suggested the latter option.

It appears that departments were initially slow to react, believing that the project would be marginalized in similar fashion to previous attempts at bureaucratic reform. Nevertheless, there was some opposition. Indeed,

[19] C. Campbell and G. Wilson, *The End of Whitehall: Death of a Paradigm* (Oxford: Blackwell, 1995)*;* D. Foster and F. Plowden, *The State under Stress* (Buckingham: Open University Press, 1996); R. A. W. Rhodes, *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability* (Buckingham: Open University Press, 1997).

Dunleavy himself notes the opposition which emanated from the Treasury: 'Opposition has come mainly from the public expenditure sections of the Treasury, the powerful central ministry controlling all departmental spending and most personnel policies'.[20] However, he suggests this was predictable because: 'They are directly threatened by proposals to allow deconcentrated agencies the freedom to transfer moneys between budget heads.'[21] He offers no more enlightenment about this explanation, merely continuing to assert: 'most senior civil servants have endorsed the government's strategy, many enthusiastically.' His source for this claim is an article in the *Guardian*. Two points need to made here. First, this evidence relies upon the journalist David Henck's interviews with civil servants; so Dunleavy must believe such evidence can be useful. Secondly, our interviews suggest that such a sweeping assertion of civil service support is misguided; the picture needs to be disaggregated.

As an example, a number of our interviewees argued that officials in the Home Office were opposed to the Prison Service becoming an agency. In this vein, a senior employee in the Prison Agency maintained that senior officials in the Home Office did not see agency status for the Prison Service as being in their interests:

To the career civil servants, the Prison Service is absolutely core and the idea that they won't be able to rotate through here, that they won't have jobs here and they are not in a position to know better than anybody else what should happen in the agency they find really worrying … They have a strong set of beliefs about how the Prison Service and Home Office ought to be run.

One former Grade 2 in the Home Office confirmed this unease: 'My argument at the time [of the first agencies] was that ministers and Parliament did not recognize the implications, whilst there was some serious questioning around Whitehall.' Indeed, the changes were not universally embraced by Whitehall, contrary to what Dunleavy's model would lead us to expect.

(c) Cultural constraints: the role of the public sector ethos. If rational choice theorists rarely acknowledge the importance of structural constraints on action, they have even more problems dealing with the way in which culture shapes preferences. Dunleavy's model assumes that actors are self-interested utility maximizers, or, in more realistic versions, utility satisficers. There is no consideration of collective values which may be underpinned by a dominant culture. Yet, in our view, despite all the cultural and structural changes that Whitehall has undergone in the 1980s and 1990s, senior officials still share a common culture which affects their strategic decisions. The literature on the British civil service often refers to this common culture in terms of a 'public service ethos'.

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[20] Dunleavy, *Democracy, Bureaucracy and Public Choice*, p. 226.
[21] Dunleavy, *Democracy, Bureaucracy and Public Choice*, p. 226.

There are various, competing definitions of what constitutes a 'public service ethos'.[22] However, Barberis's approach is fairly typical. He argues that British senior civil servants have an explicit sense of duty to the general public, rather than being motivated purely by self-interest:

> Most would accept that it has something to do with *a sense of duty, for its own sake, to a broader public rather than for personal gratification*; a sense of corporate endeavour; a concern for values of fairness, justice and the rule of law; and a recognition that the civil service in particular possess[es] certain characteristics which set it apart from other (non-public) institutions.[23]

Certainly, the interviews we conducted with senior civil servants suggest that many senior civil servants regard themselves as working within a culture which emphasizes the value of public service. At the same time, many argued that their preferences and actions were affected by this public sector ethos. As a recently retired senior official put it: 'It is a very intangible thing, but a public service ethos has always been at the core of what conditions the way we act.' Similarly, a contemporary serving permanent secretary emphasized that the values are still held even after the changes in the 1980s and 1990s and suggests that 'notions of a public service ethos are obviously constant and continue to determine our actions'.

However one defines the 'public service ethos', it is clear that it is a notion which does not fit comfortably with the emphasis on self-interest in Dunleavy's check-list. At no point does the bureau-shaping model acknowledge that a common culture may lead individuals to express preferences which do not reflect simple self-interest. Of course, it could be argued, in the immortal words of Mandy Rice-Davis, that 'they would say that, wouldn't they'; that although civil servants claimed to hold such collective preferences this does not affect their decisions. However, in our view culture does shape preferences and, in order to establish this influence, we need to tease out the meaning of both the cultural and the structural constraints on those affected by them. Civil servants claim to be influenced by the cultural context in which they find themselves and to ignore that fact and the way in which that constraint works is to provide a partial explanation of the outcomes. Opposition to the Next Steps reforms was limited partly, as Dunleavy implies, because some civil servants were happy with changes from which they benefited. However, even those civil servants who opposed the changes believed that, in the end, if government pressed these changes, they should accept them. This reflected their commitment to the idea

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[22] B. J. O'Toole, 'T. H. Green and the Ethics of Senior Officials in British Central Government', *Public Administration*, 68 (1990), 43–61; G. Drewry and T. Butcher, *The Civil Service Today* (Oxford: Blackwell, 1991); G. Chipperfield, 'The Civil Servant's Duty', *Essex Papers in Politics and Government*, No. 95 (Colchester: University of Essex, 1994); Foster and F. Plowden, *The State under Stress*; D. Richards and M. J. Smith, 'The Gatekeepers of the "Common Good" – Power and the Public Service Ethos' (paper presented at the Public Annual Conference of EGPA, Leuven, 1997).

[23] P. Barberis, 'Permanent Secretaries and Policy Making the the 1980s', *Public Policy and Administration*, 9 (1994), 35–48, emphasis added.

that their ultimate responsibility is to the wishes of the democratically elected government.

The Consequences of the Creation of Next Step Agencies

As indicated, the bureau-shaping model would predict that after the Next Step reforms the balance between the management and the policy advisory functions of senior civil servants changed, with senior bureaucrats able to concentrate more upon policy work while the new agencies would deal with the more mundane administrative tasks. In this section, we shall initially focus upon the changes which occurred as a result of the Next Steps reforms. Subsequently, we examine the impact of the Senior Management Review (SMR) between 1994 and 1996.

Less management for senior civil servants? Our interviewees made three separate, but related, points about the impact of Next Steps agencies. First, the PS's job is significantly more managerial than in the past. Secondly, the extent of this managerial role is dependent upon both the nature of the department and political circumstances. Thirdly, a key role in policy making is now taken by much lower level civil servants. Here, we shall concentrate on the first point, which is the most relevant, but also deal with the second one. We shall return to the last point in the next section because this change owes something to the SMR.

New Public Management ideas became firmly ingrained in the discourse and the operating procedures of the machinery of government throughout the 1980s and 1990s. In this context, a sizeable shift occurred in the time PSs and other senior officials allocated to each of the three roles identified above. In fact, it appears that the reforms of recent years have meant that the work of most, if not all, senior civil servants has become more, rather than less, managerial. Indeed, *none* of our interviewees, whether retired or serving, thought that the policy role of PSs had increased since the Next Steps reforms, while over 80 per cent thought that the management role had increased.[24]

One PS, who retired in the 1980s, claimed that:

During the 1950s, 60s and 70s, policy was generated from within the machine at a high-level, whereas nowadays ministers appear to be the generators in the policy process. Now ministers, more and more, come to look on their top civil servants as managers running a department, rather than as policy advisers.

Similarly, one serving PS argued:

I would guess that in the 1970s, the management of a department was a small part of a permanent secretary's job, significantly behind policy work or departmental

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[24] See also Barberis, 'Permanent Secretaries and Policy Making in the 1980s'; and Richards, *The Civil Service under the Conservatives.*

representation. When I became a deputy secretary in 1984, I would have said the balance between the various functions of a senior official were of about equal proportions. But from then on, management, including personnel management, but also systematic management, was to become the real thing.

Another serving senior official made a similar point:

There are fewer policy advisers, fewer independent thinkers and more operators of the machine with political goals very clearly laid down. Present-day senior officials have become operators of the machine, as opposed to, going back to the 1950s, policy advisers.

Perhaps the best witness is a PS who came in at that level in the 1980s. He argued:

As a permanent secretary, I'm surprised at the amount of time which needs to be spent on management given that many permanent secretaries over the years have not given the impression that it was a key part of the role. It's very difficult to avoid pure management responsibilities; I mean I wouldn't want to avoid them anyway, but I was surprised at how often they just hit my desk.

Another current PS went into more detail:

The balance has been shifting away from policy quite steadily, partly because the hierarchy of the department has shrunk … so the need for the permanent secretary to be involved is far less … Most of the time I go out and find out what is going on. There is much more emphasis on management and accountability. I spend much more of my time in front of the Public Accounts Committee than some of my predecessors did. Certainly, the whole way in which the management of the department has developed nowadays is a lot more complex …

Actually, he went on to claim that the move to agencies had, in some senses, given him more managerial responsibilities:

One of my big jobs is actually to see that the agencies all work together because they are part of the department, not units simply left on the periphery. The agency chief executives all sit on my departmental board. A lot of my time is taken up by making sure we all agree about how things are going and how we are going to approach the corporate issues needing to be dealt with.

Nowhere in our interviews did we come across evidence from the senior officials suggesting that the reforms of the last eighteen years have increased their own policy function. Thus, the irony of the reforms, from a bureau-shaping perspective at least, is that there has been an increase in the efficient management of the machinery of Whitehall, at the expense of the policy process. Indeed, Peter Kemp believes this is a major cause for concern: 'It is a paradox that as executive delivery has improved so policy advice has deteriorated … The Permanent

Secretary is a prime example of the sort of ambiguous position which leads to poor policy advice'.[25]

The bureau-shaping model might also lead us to expect that the benefits of the reforms would have accrued to the departments, rather than to the agencies. Here, the evidence is somewhat mixed. Certainly, the creation of formal agencies has enhanced the position of a number of chief executives, relative to the comparable positions held by public servants in the pre-Next Steps era. In a number of departments, policy and management boards have been created which bring PS and chief executives together. The DSS is clearly a case in point. As the PS responsible for overseeing the DSS's transition to an agency-dominated department observed:

I reconstituted my departmental board to consist of my top managers at HQ and my chief executives, regardless of their grade … Each board member served in a personal capacity not as a representative of the business unit which they head and as a team we set up the strategic management of the department … We had a wide-ranging but better focused look at genuinely strategic issues, such as customer service, value for money, information strategy and flows, simplification, future personnel policies, equity and natural justice. We all had a much clearer idea of what we planned to do and where we were going.[26]

Similarly, the Prison Service was allocated policy responsibility within the service by the Home Office.[27] In some cases, it is possible that the move to agencies has increased the policy role of agency officials involved in implementation, whilst reducing the role of the senior civil servants to managing relations between agencies and departments. Indeed, more generally, this argument could be extended to postulate that agencies, by being located in 'the field', are able to command a greater degree of policy expertise than their more geographically isolated parent departments. We would, however, temper this comment by the need to acknowledge the diversity and range of agencies and, hence, the disparity in the degree of input different agencies have in the policy process.

Of course, many of these points are not entirely inconsistent with the bureau-shaping model. Certainly, James recognizes the policy function which is performed by the agencies, although he emphasizes the management function. It is also clear that rational officials would prefer to work in the department rather than the agency and that senior officials may not object to spending some time in the agency: 'in the expectation of achieving policy work positions later in their

[25] P. Kemp, *Beyond Next Steps: A Civil Service for the 21ˢᵗ Century* (London: The Social Market Foundation, 1993), p. 26.

[26] M. Partridge, 'DSS Management Reforms 1960–1995', in *Select Committee on the Public Service: Special Report* (London: HMSO, 1997), p. 52.

[27] D. Lewis, *Hidden Agents: Politics, Law and Disorder* (London: Hamish Hamilton, 1997).

careers'[28]. All this assumes that officials are prepared to make a trade-off between policy and management functions. However, as we saw earlier, that is not easy and Dunleavy and his followers need to address a key question: have the reforms created an environment in which such trade-offs are possible?

We recognize that PSs have always had management roles, but we would argue, both that they were not as prominent in the past and that, perhaps, they were not taken as seriously. This interpretation was endorsed by one very senior civil servant: 'I think [the PS's] role was always managerial and I think it ought to have been, but I don't think they took much interest in it.'

At the same time, a number of our respondents developed this point and argued that during the 1980s there was a shift in the type of individual found at the higher levels in Whitehall. One put it very forcefully:

There was a change in culture going on in Whitehall. Frankly, in the 1970s, senior officials were able and encouraged to express their own point of view as part of the policy formation stage. Under the Thatcher administration, it was very much: 'This is what we have decided to do, now you must do it.' She wanted people who she thought were effective at implementation in the top posts and, as a result, policy formation, the contribution of senior officials to policy, got weaker and, in my judgement, has become much weaker over the last eighteen years than when I was there.

A number of our interviewees, particularly those with experience of more than one department, did point out that the level of management responsibilities involved in the PS's job varied considerably between departments. So one very senior bureaucrat argued:

[in] a small department, like the Department of Energy, the management problem was a relatively straightforward one, but in a larger department it was important that the Permanent Secretary should not just be at the apex of the public service policy formulation process, but also an efficient manager in the sense of organizing the department to deliver the policies the government had taken on.

Similarly, a PS who served in the Northern Ireland Office and the Home Office claimed:

[in] the Northern Ireland Office … you have great freedom to choose how you spend your time and where you give your attention. The management change is there but it is not such as to preoccupy your whole attention or the larger part of it. And you have … major areas of policy to which you can devote much of your time. That isn't true somewhere like the Home Office where the unavoidables take up 80 per cent of your time minimum, so your amount of free time, attention and steerable activity is much less.

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[28] O. James, 'The Agency "Revolution" in Whitehall: A Bureau-shaping Analysis', in J. Lovenduski and J. Stanger, eds, *Contemporary Political Studies* (Belfast: PSA, 1995), pp. 445–60.

At the same time, a PS may also have more space to influence policy at certain stages of the political cycle; in particular if there is a new government or a new minister. In this vein, one PS argued:

It does depend what stage you are at in the process; if you are in a big review and you are just starting a lot of new policy, then you are much more likely to have to be there than you are if … there is a very well set direction. The Secretary of State has been here for four years now and knows precisely what he is doing, knows precisely what he wants to do; he doesn't need me there most of the time. Most of the time I go and find out what is going on. When you have a new government of whatever colour, then I would expect to have to give a lot more of my time to policy because I would need to be seeing what direction they were going in and what help they needed.

The SMR: restructuring in the interests of senior officials? There have been other changes in the British senior civil service since the Next Steps reforms which are relevant here because the have affected the roles of senior bureaucrats. Two White Papers, *Continuity and Change*[29] and *Taking Forward Continuity and Change*,[30] proposed broad changes in the way in which the Civil Service should be structured, organized and managed. Every department was required to carry out a review of its senior management structure and, although individual departments conducted their own reviews, the process was centrally co-ordinated by the Office of Public Service (OPS), which had strong Cabinet backing. As was the case with Next Steps, this political support was vital in ensuring that the dynamism of reform was not to be dissipated by insider resistance. The reports, completed by April 1996, shared key features. All recommended a leaner, flatter management structure, with fewer layers of management (delayering). They also suggested that senior staff should be paid for the jobs they do rather than the grades they occupy and that team work should be given greater prominence, which would lead to increased policy delegation.

The SMR has led to a fundamental upheaval in the highest echelons of Whitehall. The old system of personnel grading, so long a central element of the Whitehall system of hierarchy, has been removed and replaced by European-style job labelling. Hence, a Grade 2 Deputy Secretary in the Home Office is now referred to as the Director of Criminal Policy. Furthermore, delayering has meant that a whole tier of the bureaucratic pyramid has been removed with a consequent loss of senior jobs. Thus, for example, in the Department of Trade and Industry there were fifty-nine fewer senior officials in January 1996 than in January 1994; this represents a cut of 27 per cent in the Senior Open Structure. Similarly, in the Department of Social Security during the same period there was a cut from sixty-four to fifty-seven. The aim was to reduce hierarchy and rigidity in the policy process. The change replaced a

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[29] *The Civil Service: Continuity and Change* (London: HMSO, Cm. 2627, 1994).
[30] *Taking Forward Continuity and Change* (London: HMSO, Cm. 2784, 1995).

line-management system, in which information and briefings worked their way up through the grades and PS or Deputy Secretaries generally briefed the relevant minister, with one in which those officials with expertise in a particular policy area became the key actors in the policy process.

Our interviews suggest that this change was happening even before the SMR, but it has speeded up since. The old Grade 5s and even Grade 7s have become the key policy actors. A Grade 5 in the DSS emphasized: 'I'm a policy manager and we are responsible for advising ministers on our policy area. We all get face-to-face meetings with ministers, although the policy director might be there. So, we do not feed our advice through the tiers above.' Similarly, a senior civil servant in the Home Office (HO) argued:

a principal [Grade 7] is a very important person in the HO. There are so many subjects that the lead person is normally a principal. He's the person who knows all about it; everybody above him is just adding their experience ... It will be a Grade 7 who writes the speech for the Home Secretary if there is a bomb.

Conversely, the old Grade 1s and 2s, have become increasingly marginal to the policy process being ever more concerned with managerial responsibilities. Thus, as one contemporary senior official from the Department of Social Security observed:

The main difference for people like Ann Bowtell [the Permanent Secretary] is how they spend their day. The majority of her time is taken up with management and delivery issues. The people at my level [Grade 2] would be much more involved in being the personal adviser to ministers and we would be asking, typically, the old Grade 5s to really take up ownership and responsibility for policy. So, we have become a much more delegated and delayered organization.

The SMR certainly had an effect. As a contemporary PS commented:

We concentrated most of our efforts on the headquarters of the department. In particular, upon how we ran the policy part of the department. We have quite fundamentally altered the roles the Grade 5s play in policy making. We widened the approach Grade 5s took in responsibility for policy. They have become the new policy manager level ... Indeed, at present the majority of the detail of the day-to-day work will go all the way down to HCOs, SCOs and Grade 7s ... In relation to who would brief the minister, if the submission went up from the SCO, if it was a really big issue, then it would probably be the Grade 5. You very rarely have someone above a Grade 5.

The SMR exercise, like the Next Steps reform process, does not immediately offer support for the bureau-shaping model. Certainly, the SMR was an exercise imposed on departments by the centre (OPS) at the behest of their political masters. It is also clear that the restructuring which has gone on, in particular the emphasis on delayering and increased delegation, has not protected the policy advisory function of the most senior officials.

Overall, our interviews suggest that the reforms of the 1980s and 1990s actually reduced both the time and numbers of senior mandarins involved in

policy work; they are much more involved in the management function. The number of senior personnel has fallen, with many top level posts disappearing. Indeed, if the momentum of reform continues, then the job remit of the most senior grades may narrow to such a degree that their sole *raison d'être* becomes managing the administration of their departments. This is a far cry from the predictions of the bureau-shaping model.

CONCLUSION

In our view, the bureau-shaping model represents a significant advance on previous models of bureaucratic behaviour which stressed budget maximization. However, it is flawed. In particular, Dunleavy pays insufficient attention to the broader political context within which civil servants operate. We have argued that this is one of the ways in which the model is mis-specified. The broader political context constrains the options available to the civil servants and significantly constrains their ability independently to determine the shape of their bureaux.

On a broader level, we have also identified other problems. Dunleavy's list of bureaucratic values or preferences seems to us to ignore the value British civil servants attach to a 'public service ethos'. In addition, Dunleavy's approach suggests that the distinction between managerial and policy advice work is much clearer than it appears in practice. In our view, borne out by our interviews, PSs manage in two senses. They administer the department and they manage the policy-making process. At the same time, they can be involved in policy making itself. However, our interviews indicate both that this is the category of work which occupies least of a PS's time and that it has occupied even less of their time since the reforms of the last Conservative administration.

To what extent does our analysis help us explain the origins and development of the Next Steps agencies? Three points appear clear. First, the major impetus for change came not from the senior civil servants but from the politicians. The process was driven by Margaret Thatcher and informed by a commitment to market forces associated with New Right ideology. There had been previous attempts to reform the civil service, which, although not as radical, had been vigorously opposed by senior bureaucrats. The Next Steps reform was less strongly opposed and, as suggested by Dunleavy, this could, in part, have reflected the strategic calculations of senior civil servants. However, the 'success' of these reforms, when compared with previous attempts, had most to do with the political context and the political will behind them.

Secondly, the strategic calculations of senior civil servants were crucially shaped by their assessment of the political will behind the reform, their commitment to a 'public service ethos' as well as to their individual self-interest and their knowledge of the actual parameters of their job and the likely parameters after reform. The last point is worth particularly emphasizing because it is perhaps the most interesting finding to emerge from our interviews.

Senior civil servants spend relatively little of their time on policy making. Their main functions are as policy process managers and departmental administrators. Of course, if Dunleavy is right, faced with that knowledge, senior civil servants might have calculated that the creation of agencies would allow them to concentrate more on policy making. Our view is that they did not make that strategic judgement, partly because they thought the changes would not increase their involvement in policy making, but also because they do not see involvement in policy making as the only attraction of their job.

Thirdly, the consequence of the reforms has not been to increase the involvement of senior civil servants in policy making. At present, they are primarily managers. Indeed, if anything, their managerial role has increased since the creation of Next Step agencies and this was a common theme in our interviews. Of course, senior civil servants may have expected a greater policy role after the reforms, but if they did so it was a strategic miscalculation. In fact, our interviews suggest that many suspected the impact that the reforms would have and that we need to look elsewhere for key elements in an explanation.

In our view, many of the weaknesses of Dunleavy's model reflect the broader weaknesses of rational choice theory. The emphasis is on intentional explanation and preferences are assumed not explained. No role is given to structure or culture in explaining outcomes. Indeed, what is assumed, or ignored, is much of the legitimate subject matter of political science and sociology. In essence, the key problem is that rational choice theory cannot explain the dynamics of change. To do so requires a dialectical approach to the relationship between structure and agency and a recognition that the meaning individuals ascribe to structure, cultures and actions affects their behaviour.[31] Of course, it would be possible to re-specify the bureau-shaping model to take account of many of our criticisms; but that throws up another key problem of the rational choice approach. As Sen puts it:

It is possible to define a person's interests in such a way that no matter what he does he can be seen to be furthering his interest in every isolated act of choice … no matter whether you are a single-minded egotist or a raving altruist or a class conscious militant, you will appear to be maximizing your own utility in the enchanted world of definitions.[32]

Even Barry, the person mainly responsible for introducing this approach into Britain, acknowledged this point: 'The constant danger of "economic" theories is that they can come to explain everything by re-describing it'.[33] Overall, we

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[31] See C. Hay, 'Structure and Agency', in D. Marsh and G. Stoker, eds, 'Theory and Methods in Political Science' (Basingstoke, Hants: Macmillan, 1995), pp. 189–208.

[32] A. K. Sen, 'Rational Fools: A Critique of the Behaviouralist Foundations of Economic Theory', *Philosophy and Public Affairs,* 6 (1977), pp. 317–44.

[33] B. Barry, *Sociologists, Economists, and Democracy* (Chicago: University of Chicago Press, 1978), p. 33.

are significantly more sceptical of the utility of rational choice models than Dunleavy. We would concur with Ward that:

rational choice theory is a useful set of research methods and heuristics for the tool-kit of all political scientists. Its status is more akin to those of statistical techniques that are appropriate for certain types of data; it is not a stand-alone paradigm for understanding the whole of the political sphere.[34]

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[34] Ward, 'Rational Choice Theory', p. 93.