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New Public Management – An Introduction from the UK Perspective

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Introduction

The term “new public management” has developed as “*summary description of a way of reorganising public sector bodies to bring their management, reporting, and accounting approaches closer to (a particular perception of) business methods*”.¹ As a doctrine, the new public management refers to the failures and inadequacies of public sector performance over time, and locates the problem as lying in the nature and processes of public sector activity and public administration. Centralised bureaucracies, waste and inefficiency in resource use and inadequate mechanisms of accountability are all problems which the new public management sought to tackle. This paper outlines the shift from traditional public administration to new public management and considers the theoretical background, as well as the principal reform agenda under the new public management in the UK. Finally, the paper reflects on the UK experience and on the possible adaptation of the UK reforms on an international basis.

1. From Traditional Public Administration to New Public Management

The study of the public sector since the early 1980s has been concerned predominantly with the so-called “paradigm shift” from principles of public administration (Weberian model of public administration) to those of public management; that is, “*the apparent move away from what is now seen as a traditional, progressive-era set of doctrines of good administration, emphasising orderly hierarchies, depoliticized bureaucracies, and the elimination of duplication or overlap, and toward what has...been described as the “new public management”*”².

In its application, the term ‘new public management’ has come to identify a series of methods and programmes aimed at reforming the organisation and processes of the public sector in order to make it more competitive and efficient in resource use and service delivery. In that sense, the new public management is concerned with the commercialisation, as far as is possible, of the state’s role in providing services to its citizens, and of the state’s relationship with its citizens. The central ‘doctrines’ of the new public management, together with brief statements of their meaning and argumentation, are set out in Table 1 below.

<i>DOCTRINE</i>	<i>MEANING</i>	<i>JUSTIFICATION</i>
Hands-on professional management.	Visible managers at the top of the organisation, free to manage by use of discretionary power.	Accountability requires clear assignment of responsibility, not diffusion of power.
Explicit standards and performance measures.	Goals and defined targets which are specific, measurable, achievable, relevant and timed.	Accountability means clearly stated aims; efficiency requires a ‘hard look’ at objectives.
Emphasis on output controls.	Resource allocation and rewards are linked to performance.	Need to stress results rather than inputs and procedures.

¹ Dunleavy and Hood, 1994, p. 9

² Hood, 1996, p. 268

Shift to disaggregation of units in the public sector.	Disaggregate public sector into corporatised units of activity, organised by products, with devolved budgets. Units dealing at arm's length with each other.	Make units manageable; split provision and production, use contracts or franchises inside as well as outside the public sector.
Shift to greater competition by the introduction of market disciplines in the public sector.	Move to term contracts and public tendering procedures.	Rivalry via competition as the key to lower costs, better standards and more innovation in product design.
Stress on private-sector styles of management practice.	Move away from traditional public service ethic to more flexible pay, hiring, rules, etc.	Need to apply 'proven' private sector management tools in the public sector.
Stress on greater discipline and economy in resource use.	Cutting direct costs, raising labour productivity, limiting compliance costs to business.	Need to check resource demands of the public sector, and do "more with less".

Table 1: Doctrinal Components of the New Public Management
Source: adapted from Hood, 1991, p.4f.

Underlying this new public management is the central belief that public service provision is improved by the introduction of those changes listed in Table 1, which serve to transform both the organisational structure of public organisations and the processes by which public services are delivered. A summary of these central characteristics is provided in the following paragraphs.

1.1 Hands-On Professional Management

People involved with public service delivery should be proactive managers rather than reactive administrators. The modern public manager should have discretion in decision making within his or her area of responsibility. Unlike the traditional public administrator, who operated in accordance with established rules and regulations, and who implemented the policies of government with little or no discretion and with no direct responsibility, the public manager is a much more active individual, with decision-making authority over, and responsibility for, the public service he or she delivers. Under the new public management, management lies at the core of public sector activity, and professional managers are viewed as the key to improved public sector performance.

1.2 Explicit Standards of Performance

New public management brings rigorous measures of performance to public sector organisations. This means that these organisations must pay closer attention to the aims and objectives they are following when delivering their services. Subjecting public managers to performance evaluation introduces disciplinary mechanisms which compel public sector bodies to focus on their specific responsibilities and carry out those tasks efficiently and effectively. As the public management school of thought argues, performance measurement also enables public sector bodies to be held directly to account for their activities (as will be discussed below). Under the regime of performance measurement, public sector organisations should be committed to an ethos of continuous improvement in levels and standards of service delivery.

1.3 Greater Emphasis on Output Controls

Linked to performance measurement is the need for a focus on results rather than processes. In the past, public sector organisations often failed to concern themselves with their outputs. Rather, the focus was on inputs, given that political debates on public sector matters usually revolved around the question of resources. Under the new public management, the focus is shifted to results. The important question for the proactive public manager is what he or she actually achieves with the resources available.

1.4 Disaggregation of Public Sector Units

In order to facilitate much of the above, the new public management calls for disaggregation and decentralisation in public sector organisations. Given that public management embodies a strong criticism of the bureaucratic form of organisation, it is not surprising that it advocates a disaggregation of bureaucratic units in order to form a more efficient, accountable public service. Smaller units are more efficient because they are better able to establish objectives and work towards them more quickly and directly. They are more accountable, because the “faceless bureaucrat” is replaced with visible, responsible managers who are directly accountable to the public.

1.5 Greater Competition in Public Service Provision

Two central arguments within the public choice approach are that:

- the market, not government, is the best allocator of resources;
- individuals are the best judges of their own welfare.

As such, market disciplines are introduced to the public sector, in the belief that the threat of competition and rivalry between providers fosters efficiency in service provision and choice for the customer. This has important implications for both public service providers and users. On the provider side, public service delivery agencies, through market mechanisms (e.g. competition with providers from the private sector), will supposedly be forced to improve the quality of service. On the customer side, the public is put into the role of consumers with rights in the newly evolving public sector marketplace.

1.6 Private Sector Styles of Management

An important theme within public management is that the public sector should seek to behave in a more business-like manner (i.e. more like the private sector). The idea behind is that the efficiency of public service provision is enhanced where a public sector agency conducts its affairs in accordance with business principles. Therefore, public service agencies should adopt reward structures for their employees, much like those in the private sector, encompassing such mechanisms as performance-related pay and more flexible working practices.

1.7 Greater Discipline and Economy in Resource Use

Underpinning these different recommendations is the important requirement that public service agencies must pay much greater attention to the way in which they use the financial and human resources at their disposal. The emphasis in the new public management is very much on cutting the cost of public service provision, while, at the same time, increasing its quality (i.e. doing more with less).

The fundamental nature of the shift from public administration to new public management is illustrated in Figure 1 below.

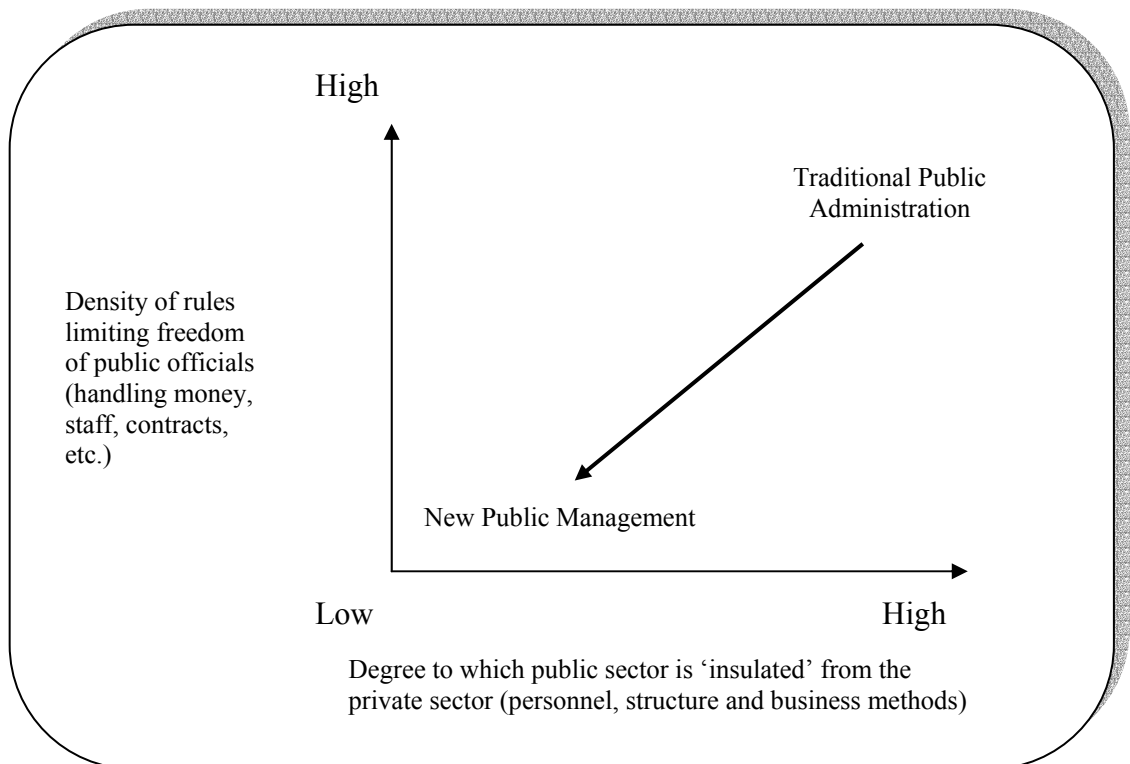


Figure 1: From traditional public administration to New Public Management
Source: P. Dunleavy and C.C. Hood, 1994, p.10.

As Figure 1 indicates, the shift from public administration to new public management involves a move in the basic design co-ordinates of public sector organisation.³ On the one hand, the public sector becomes less distinctive from the private sector, while on the other, the degree of discretionary power (particularly over staff, contracts and money) of public managers is increased, as the procedural rules are relaxed. More specifically, this shift consists of:

- Budgets being transparent in accounting terms, with costs attributed to outputs not inputs, and outputs being measured by performance indicators.

³ Dunleavy and Hood, 1994, p. 9

- Viewing organisations as a chain of low-trust principal/agent relationships and a network of contracts linking incentives to performance (rather than long term relational commitments or trustee-beneficiary ones).
- Disaggregating separable functions into quasi-contractual or quasi-market forms, particularly by introducing purchaser/provider distinctions.
- Opening up provider roles to competition between agencies or between public agencies, firms and not-for-profit bodies.
- Deconcentrating provider roles to the minimum-feasible sized agency, allowing users more scope for “exit” from one provider to another, rather than relying on “voice” options to influence how public service provision affects them.⁴

2. Theoretical Origins of the New Public Management

New Public Management can be seen as a “marriage of two different streams of ideas”⁵. One part is the “new institutional economics”, which embraces public choice (institutions in the political/public sector)⁶, transaction cost theory and principal-agent theory (institutions in the markets)⁷. Niskanen’s (1971) theory of bureaucracy is the most influential landmark in this development.⁸ The new institutional economics movement helped to generate a set of administrative reform doctrines built on ideas of contestability, user choice, transparency and close concentration on incentive structures. Such doctrines are very different from traditional ideas of administration with their emphasis on orderly hierarchies and elimination of duplication or overlap.⁹

The other part is a set of successive waves of business-type “managerialism” in public sector, in the tradition of the international scientific management movement. This strand helped to generate a set of reform doctrines based on the ideas of “professional management” expertise, requiring high discretionary power to achieve results (“free to manage”) and enforcing better organizational performance through the development of appropriate cultures and the active measurement of organizational outputs.

These two different backgrounds also provoke two competing approaches to new public management: giving managers more flexibility, as the administrative system is seen as the obstacle for good management of the public sector (“letting the managers manage”, managerialism), while holding the bureaucrats accountable for results, as they are seen as utility maximizers who need incentives to do a proper job (“making the managers manage”, public choice).¹⁰

⁴ Dunleavy and Hood, 1994, p. 9

⁵ Hood, 1991, p. 5

⁶ classification according to Erlei, Leschke and Sauerland, 1999, p. 44

⁷ ibid

⁸ Hood, 1991, p. 5

⁹ ibid

¹⁰ Kettl, 2000, p. 9, p. 31

2.1 Managerialism

The managerialism in public management has been driven by the same forces experienced in private-sector management, namely a greater focus on economy and efficiency (in terms of the relationship between revenues and expenditure – doing more with less) on the one hand and an increased concern with the quality of products and services, on the other hand.¹¹ Managerialism is therefore about the implementation of private-sector management practices into the public sector.

The following characteristic components of managerialism can be identified:¹²

- *Budgeting and accounting:* Output-driven accrual accounting systems provide the foundation for reforms in many countries. Accrual accounting has been an important tool in making government more transparent. Reforms have tried to force government officials to confront the full cost of their decisions as they make them, rather than to rely on short-term accounting devices to sift the costs of present decisions to future years. Managers' flexibility in deciding how to meet the targets within broad resource allocations is being increased (e.g. through "portfolio budgeting" which lays down goals and targets but leaves the allocation of resources to meet the targets up to managers' discrete decisions).
- *Customer service:* Officials have implemented broad initiatives to improve the responsiveness of public programs to citizens' needs. To improve the citizens' trust and confidence in and support for government, officials have worked to make services friendly, convenient and seamless. Public services today should accommodate themselves to the citizens (e.g. office hours, schedules and in the way of doing business). Many governments have developed "one-stop shops", interactive technology or case management strategies to make service delivery more seamless for citizens.
- *Performance management and output measurement:* Reforms have linked the performance assessment process with the management of government's goals and objectives. New Zealand's agency-based contracts, which tie together the government's goals, the agency's budget and program outputs, are the prototype of reforms on this topic, but have been followed by the US and the UK with similar approaches. In some systems the assessment of performance has been extended to performance pay for managers and senior officials.
- *Information technology:* In many ways technology is the ultimate boundary-spanning technique, as it has the ability to traverse organisational boundaries and allows quick and easy connections between citizens and government, regardless of which agencies are in charge of providing which services. Information technology not only provides a boundary-spanning approach to public sector reform, it is indeed a change agent itself by its ability to bring about innovative ways of service delivery. On the other side, the spread of information technology raises questions about privacy issues as well (e.g. which information is being collected? Who will have access to the collected

¹¹ Aucoin, 1995, p. 9

¹² Kettl, 2000, p. 14; pp. 36-47

information? How can the information be kept out of the hands of those who are not concerned with it?)

- *Privatisation and Contracting:* Besides the ideological and economic arguments of bureaucracy theory of the superiority of the private sector, governments' activities in the field of market mechanisms stem from a managerialist corner as well. Governments have privatised operations and service delivery to the private sector where possible and have developed new service delivery partnerships with private and non-profit organisations (e.g. public-private partnerships). These activities can be seen as a way to shrink the size of the state, get innovative private-sector approaches into the public domain and provide governments with more flexibility for tackling difficult management issues. To manage contracting arrangements effectively, governments must have the capacity to write and manage contracts, to specify what they want to buy, run fair and competitive markets and carefully assess the quality of what they buy. The need for effective contract management has led to the development of new management tools.

2.2 Public Choice

The theories stemming from the new institutional economics have sharp implications for the restructuring of the public sector.¹³ Much of the criticism about traditional public administration and many successive reforms to modernise the public sector derive from assumptions and arguments of Niskanen's (1971) public choice theory. The theory assumes that bureaucrats are motivated primarily by self-interest. Moreover, this problem is exacerbated by the absence of appropriate organisational structures and processes in the public sector (i.e. absence of effective market forces). Three specific characteristics of public bureaucracies are believed to lead to a lack of efficiency and effectiveness: the monopolistic structure of public service markets, the absence of valid indicators of organizational performance, and the large size of many government agencies.¹⁴

2.2.1 Public Service Monopolies

Public choice arguments on the cost of monopoly draw directly on neo-classical economics. The theory suggests that if appropriate market structures are created in the public sector, then the behaviour of bureaucrats will be steered towards the general welfare of society rather than their own interests.

Public choice theorists assume that public agencies have been unduly protected from the pressure of competition. Public agencies have traditionally had a large share of the national UK market in services such as health, education and the provision of rented housing. In addition, most of the public had no option but to use the services offered by monopolistic public suppliers. The small private sectors in health and education provided an "exit" option for dissatisfied wealthy customers. The bulk of the population, however, were forced to exercise "voice" if services were unsatisfactory.

¹³ Ferlie *et al.*, 1996, p. 10

¹⁴ Boyne, 1998, pp. 43f

Public monopoly is assumed to lead to poor performance because officials have little incentive to keep their costs down or to find innovative methods of service delivery. Whereas in the private sector the rewards of managers and the survival of firms are linked to profitability, such pressures are absent in the traditional public organization. Furthermore, financial resources are not provided by customers, but by a “political sponsor” who allocates funds to public agencies. Therefore, to the extent that bureaucrats are responsive to external pressures, they are more likely to pay attention to the desires of politicians than the needs of the public. However, according to public choice theory, politicians are also motivated by self-interest (votes, power) rather than public welfare.

2.2.2 Information on Organizational Performance

Even if public agencies are monopolists, bureaucratic behaviour doesn't necessarily need to have negative consequences if it can be monitored and controlled. Close scrutiny and effective management could, in principle, lead to organizational activities that promote the public interest. The problem, according to public choice theory, is that there are no unambiguous indicators of performance in the public sector, so it is difficult to evaluate or influence the behaviour of agencies or individuals. Niskanen (1971) notes that bureaucrats and their political sponsors who allocate public funds are in a position of bilateral monopoly, which would appear to allocate equal power on each side. However, officials are more powerful than politicians because of the difficulty of measuring service outputs and costs. Niskanen (1971) argues that only the bureaucrats know the true cost of delivering the level of output desired by their political sponsor. It is, therefore, easy for officials to persuade politicians to allocate more money than is really required for service provision. By contrast, bureaucrats are able to make an accurate guess about the maximum funds that politicians are prepared to provide for a given level of service activities.

Taken together, the selfishness and monopoly power of public officials result in a number of negative effects on the production of public services. Over time, the interests of the bureaucrats themselves become more and more important in justifying the organization. Although all organizations have inherent tendencies towards expansion, this phenomenon is especially pronounced in the public sector where the ability to obtain income in a market cannot serve as an objective guide to the desirability of extending, maintaining or contracting the level of expenditures it undertakes. The inability of bureaus to rely on markets as objective indicators of output value affects their operation.

2.2.3 Organizational Size

Public choice theories argue that the adverse effects of monopolistic market structures and intransparent standards of performance are reinforced by the large size of many public organizations. The problems of co-ordination and control grow disproportionately with organizational size, and the increase in scale eventually reduces performance, which is associated with declining “marginal efficiency”. This suggests that the attainment of organizational objectives is maximized at some point,

but then begins to decline. At the extreme, performance will fall to zero at very large scales of operation. Large public bureaucracies do not respond to new circumstances and are slow to deliver services. The speed and flexibility of its operation steadily diminish.

Agencies that operate at a small scale are more likely to recognize new service needs and produce services quickly. Niskanen (1971) also argues that the greater the scale of operations, the greater the degree of monopoly power. He claims that big bureaucracies are especially able to extract revenue from their political sponsors, provide poor quality services at high cost, and evade attempts to monitor their performance.

2.2.4 Public Choice Prescriptions

Public choice remedies for the problem of bureaucracy follow directly from the diagnoses outlined above. First, the structure of public service markets should be more competitive. This implies rivalry between public organizations, and between public and private providers. The latter form of competition is advocated by Niskanen who argues that *“the type of goods and services now provided by bureaus could be financed through government...but the provision of these services would be contracted to private, profit-seeking economic institutions. The bureaucracy, as such, would disappear, except for the review and contracting agencies”*¹⁵. A second public choice prescription is to force public agencies to produce more information on their performance. This would shift the balance of power from bureaucrats to politicians, pressure groups and the public at large. However, there remains the threat that the creation of special monitoring agencies may generate a new bureaucracy and eventually become counter-productive. At the limit, the benefit of the additional performance measures may be less than the cost of generating the data. Nevertheless, the public choice view of the traditional public sector bureaucracy is that this point is far from being reached. The final reform which is recommended by public choice theorists is to break large agencies into smaller units. This implies separating multi-function departments into single function organizations, so that performance becomes more visible; and disaggregating big bureaucracies into smaller, free standing “firms” which can then compete with each other for a share of the public sector market.

3. UK Dimensions of the New Public Management

In the UK, the new public management has found expression in the economic policies and related public sector reforms of Conservative governments since 1979. The new Labour Government has left the vast majority of Conservative reforms untouched. Indeed, since taking office in April 1997, the Labour Party has vigorously pursued policies which it had strongly opposed in the past. Essentially, the new public management has revolved around a central goal of making public sector organisations more economically efficient and more accountable for performance to the public they serve. A key to the achievement of this objective has been a major decentralisation exercise, through which large public bureaucracies have been disaggregated into

¹⁵ Niskanen, 1968, p. 305

smaller units of operation that are more visible and, thus, more accountable. Along with this decentralisation effort came the policy of ‘marketisation’. In this way, the public sector would operate in a competitive market environment in which members of the public could make demands of the public sector, holding public service providers accountable for performance in the same way as they do in the private sector. It is not possible, here, to provide a comprehensive review of the UK public management reform track. However, a short summary of the central reforms in Britain is given:

- the “Next Steps” initiative and the establishment of executive agencies;
- decentralisation;
- the “new contractualism” in public administration;
- accountability for performance;
- the establishment of markets or quasi-markets
- the separation of policy making from policy implementation;
- the Citizen’s Charter initiative;
- the Comprehensive Spending Review;
- Best Value initiative in local government.

3.1 The “Next Steps” Initiative and the Establishment of Executive Agencies

One of the most important and earliest developments in public service reform in the UK has been the establishment of executive agencies, designed to carry out the service delivery activities of central government departments. Following its 1987 general election victory, the Conservative Government published a report, *Improving Management in Government: the Next Steps*, which advocated far-reaching reforms in the organisation of the British civil service. Under these reforms, the civil service would be disaggregated into a series of single function agencies. These agencies (first referred to as Next Steps agencies, but now described as executive agencies) would be responsible to the respective ministries of government. Currently, there are over 100 executive agencies, ranging from the very large Benefits Agency (around 66,000 staff) to the Wilton Park Conference Centre (30 staff). Some two-thirds of the civil service are now employed in executive agencies.

3.2 Decentralisation

The principal rationale for the Next Steps programme was the then Government’s desire for decentralisation, a policy which has been at the heart of public management reform in the UK. During the 1980s and 1990 significant decentralisation has occurred throughout the British governmental system:

- through a vigorous and wide-ranging programme of privatisation, under which the public industries and many public service organisations were removed from the public sector and subjected to the disciplines of the private market;

- through the increased use of the voluntary sector in the provision of public services (“mixed economy”), most notably in the area of social care and residential care of the elderly;
- through a dramatic increase in the number of appointed bodies responsible for the delivery of important public services, such as higher and further education, and the management of hospitals;
- through a devolution of responsibility within local government by way of the introduction of market disciplines in local service provision.

3.3 The “Contract State”

As an important element in the desire of the Thatcher Government in the early 1980s to reduce the level of public expenditure, the decision was taken to encourage public sector bodies to open many of their services to competitive tendering.¹⁶ This was the advent of “contractualism” in the public sector, which has taken the form of “market testing” in central government and compulsory competitive tendering (CCT) in local government. Under market testing and CCT, private companies can compete with public agencies for the contract to deliver public services. There can be either contracting-out (where the service contract is won by a private company), or contracting-in (where the contract is won by the public agency’s own direct service organisation). As an essential precondition for the establishment of market relationships in the public sector, a separation between the role of deciding what to provide and the role of actually providing it was instituted. This purchaser-provider distinction has promoted a movement toward contracts as the basis for public service delivery. Through contracts, public sector managers or local authorities act as agents for the client, namely the public.

Compulsory Competitive Tendering

The scope of CCT in local government was significantly enhanced through the Local Government Act of 1992. Under the terms of this legislation, the Audit Commission was empowered to publish performance indicators for local authorities and to monitor performance in regard to these indicators. As such, local authorities were required for the first time to publish information on their performance. This requirement was specified by the Audit Commission in December 1992 as part of its role under the Act and as part of the Citizen’s Charter initiative.¹⁷ In local government, the introduction of compulsory competition had a number of important implications for service provision. First, competition provided an impetus for service review, in the sense that local authorities were now more concerned with monitoring the management of services. Second, competition facilitated an improvement in the level of knowledge within local authorities of the cost of service provision¹⁸. Third, local authorities now have clearer statements of performance targets to be achieved. These targets serve as a justification and a rationale for action within local authorities¹⁹. Finally, the introduction of competition highlights the issue of accountability, both to elected members and the public. The increasing shift to contractualism sharpens the process of accountability. The basis of the relationship

¹⁶ Moreover, the introduction of contracts in public service delivery was consistent with a second objective of the Conservative Government, namely to separate the process of service provision from politics; Walsh, 1995, p. 112

¹⁷ Audit Commission, 1994

¹⁸ Lawton and Rose, 1991, pp. 145-6; Walsh and Davis, 1993, p. 165

¹⁹ Walsh and Davis, 1993, p. 165

between the two sets of actors, which is the public sector body putting the contract out to tender, on the one hand, and the contractor who physically provides the service, on the other hand, is the contract. The public sector agency which draws up the contract specifies the standard of performance required in service delivery and thus becomes aware of the true cost of service provision. The increased concern with performance standards embodied within contracts makes public sector agencies and local authorities more concerned with efficiency in resource use and quality of service. Moreover, the contractor is responsible for delivering the service as specified in the contract and will be judged on that basis by the client (i.e. the public sector organization).

3.4 Accountability for Performance

Underlying the public sector reforms in the UK has been an attempt to enhance the accountability of public sector institutions to the people they serve through a greater concern with performance measurement. Through the shift towards contractualism, public service providers are forced to engage directly with the question of standards and quality in service provision. This links directly to a central issue which lies at the heart of the consumerist ethos and the Citizen's Charter, namely the establishment of performance indicators and performance targets in the public sector.

Since the early 1980s concern with the improvement of public services has focused on the pursuit of greater efficiency and effectiveness. However, while it is not so problematic to subject private sector enterprises to performance measurement, a similar exercise in the public sector is more difficult. There are a number of reasons for this difficulty. First, many public sector organisations are monopoly suppliers of services (e.g. there is only one Department of Social Security). Consequently, a member of the public being dissatisfied with the quality of service received at his or her local benefits office cannot go elsewhere. In a competitive environment, the producer has a clear incentive to maintain a high level of performance in relation to the service provided to the customer. Monopolists lack that incentive. In order to counter this situation, as will be discussed, the Citizen's Charter embodies strong complaints mechanisms whereby the public sector consumer can claim redress should he or she be unhappy with the standard of service provided. Second, the public sector does not always provide a clearly identifiable product. What, for example, does a university produce? What is the 'product' rendered by the prison service? Such ambiguities make performance measurement more difficult in the public sector. Third, the public sector often lacks a clearly identifiable customer. In the private sector, the customer is the individual to whom the provider wishes to sell his or her goods. In the public sector, however, the situation is not so straightforward. For example, a civil servant working in an executive agency established under the Next Steps programme could view several people as customers: the member of the public with whom he or she is dealing; the minister with responsibility for the service; Parliament which is elected by, and accountable to, the electorate and which approves the level of funding for agencies; or the taxpayer who might not use the service in question but who contributes through taxation.

Due to these problems the pursuit of efficiency and effectiveness in the public sector is more difficult. Nevertheless, a great deal of effort has gone into subjecting the public sector to strict performance measurement. Indeed, this lies at the core of the Citizen's Charter and the Best Value Initiative which have enshrined within their pages a clear

commitment to service quality on the part of the public sector; clear and agreed criteria of assessment for public service providers; increased visibility of people working in the public sector to provide a more tangible and accountable posture for the customers; a strong commitment to the public sector and to continued improvement in service provision; and a requirement that those delivering services be directly answerable to the public. Indeed, through the establishment of performance targets within the Citizen's Charter and with Best Value, public sector managers are supposed to be responsible for, and accountable to, the public for their organisation's use of resources.

3.5 Markets or Quasi-Markets in the Public Sector

*“Traditionally, the public services have been monolithic organisations with overall management, finance control and budgetary control all held in the centre”.*²⁰ A key element of reform has been the replacement of this centralist organisational structure with smaller, decentralised, market-oriented organisations which are subjected to competitive forces. In this way, attempts were made to create multiple service providers in as many individual public services as possible, for example, through CCT. Furthermore, as Stewart and Walsh assert, *“in the government's proposals on community care, local authorities are to be encouraged to use many alternative sources of provision. In health and education, the emphasis is placed on the independence of the separate institutions through opting out, or on greater control over their own management by the institutions through devolved control. The “monolithic” institution of the health service and of the education service is being broken down into its component parts”.*²¹

As such, the possibility for competition between alternative providers in the different sectors of public service arises. Of course, not all these markets which have been established are consumer-led. For example, in the National Health Service, markets are still largely dominated by health care providers, with health authorities, clinicians or general practitioners making choices on behalf of their patients. Even where the consumer does have a degree of choice, as in education where parents have some discretion over the choice of school for their children, a fully market-oriented environment hasn't developed yet. As Stewart and Walsh state, *“because there is no question of direct payment and because of the limitation on the number of places available, what are being created are quasi-markets rather than markets. There is limited freedom on the demand side, with very little change as yet on the supply side”.*²²

A further element in the effort to subject the public sector to market forces has been the increased use of fees and charges for public services.²³ Across a wide range of public services, including health care, education and a wide range of local authority services, charges are used in different ways.²⁴ All these charges serve the purpose of signalling to service providers how much consumers are willing to pay for a service. Charging is thus deemed to be fair in the sense that an individual who makes use of a particular service is

²⁰ Major, 1989, p. 4

²¹ Stewart and Walsh, 1992, p. 506

²² Stewart and Walsh, 1992, p. 507

²³ Bailey, Falconer and McChlery, 1993; Walsh, 1995, pp. 83-109

²⁴ e.g. Charges for prescriptions, dental and ophthalmic treatment in health care, for school meals, school trips and music lessons in schools, and for admittance to museums, recreational facilities and care for the elderly in local authorities;

paying directly for the benefit he or she receives.²⁵ As such, charges serve not only as a way of introducing market mechanisms into the delivery of public services, but also as a means of reducing public expenditure since people are paying for a service which otherwise would require public funding.²⁶

3.6 Separation of Policy Making and Policy Implementation

Traditionally, public service delivery was subject to political control exercised through departments of state, their ministers and thereby the government of the day and the elected legislature (The House of Commons). An important element of reform has been the attempt to separate the process of policy making from the operational management of the public services. For example, in the National Health Service, responsibility at the national level is exercised through both a Policy Board and a Management Executive. Basically, the role of government lies in setting the broad policy goals for the service, funding the service, and being accountable to Parliament for these policy decisions. Operationally, however, government has removed itself from the day-to-day management of the service, responsibility for which lies with the Management Executive.

This change has clear implications for the nature of accountability in the public sector, as the traditional forms of political accountability are being replaced with a more direct form of managerial accountability which seems to build up a linear relationship between public service providers and the “consumers” of these services. However, this attempted shift from political to managerial accountability has not been accompanied by an appropriate alteration in the constitutional convention governing the relationship between elected politicians and the citizenry.²⁷ Consequently, while government ministers might wish to “transfer responsibility” to public sector managers for the delivery and quality of public services, these same ministers cannot escape the fact that they are still constitutionally accountable for public services as elected representatives of the people. Public service deliverers may indeed be directly responsible in managerial terms to the public as consumers, but ministers remain equally accountable politically for that service to the public.

3.7 The Citizen’s Charter

The Citizen’s Charter emerged in 1991 as the centrepiece of John Major’s “commitment to quality” public sector reform agenda. In its application, the Citizen’s Charter initiative represents “*a systematic attempt to focus on four main themes across the public services: quality, choice, standards and value*”.²⁸ According to the original Charter document²⁹, these would be pursued through a range of reforms by which the public sector would operate more in line with its private sector counterpart: privatisation, competition and

²⁵ On the other hand, charges for regulation services are perhaps the most hurting ones, as they are an additional imposition on those who have to pay to be registered or inspected. Byrne, 2000, p. 341; Therefore it is crucial to note that fees and charges are only signals for the willingness to pay for those services which in principle are marketable.

²⁶ Bailey, Falconer and McChery, 1993, p. 29

²⁷ See Pyper, 1996

²⁸ Wilson, 1995, p. 94

²⁹ Major, 1991, pp. 4-5

contracting-out, performance measurement, clear complaints procedures and better forms of redress for citizens.

Overall, the principal focus of the Citizen's Charter is on improved public service for the individual citizen. However, while appealing to the interests and values of the "citizen", it is the *consumer* whose interests and values the Charter addresses. The nature of the relationship between the government and its citizens was to be determined by way of changes in the management of service delivery, with the emphasis placed firmly on the concept of customer satisfaction. The Citizen's Charter was characterised by an optimistic view of the role of the public sector and a predominant concern with "raising the standard" of service delivery across the range of public sector activities.³⁰ This improvement in the standard of public service provision was viewed as deriving primarily from the development of a direct relationship between the service provider and the customer. In 1998, there were already around 200 national Charters³¹ and more than 100,000 local charters in operation across the UK, each of which set out minimum service standards for public service provision.

Under these Charters, as Wilson states³², "*the citizen is now recognised as a consumer entitled to a given standard and variety of service. The traditional model for public service delivery, whereby bureaucrats sought to ensure equitable treatment for taxpayers through the provision of uniform services, has been jettisoned. Competition, responsiveness and choice prevent the standardisation of services in the private sector and should do so in the public sector*".

As such, Charterism, the establishment of various Charter documents, has been aimed at enshrining the principle of consumer sovereignty in public service provision. Indeed, underlying all the various charters is a rigorous complaints procedure which provides the dissatisfied customer with direct avenues of redress. After all, for a consumerist ethos in the public sector, it is essential that the service user is able to register his or her displeasure if that service fails to meet expectations. As stated in the original Citizen's Charter, "it is fundamental that all public services, including local authorities, should have clear and well-publicised complaints procedures".³³ These mechanisms, according to the Charter, should:

- be open and accessible, and supported by clearly displayed standards at the point of service;
- provide readily available information about how to complain, and a clearly identified point of contact for doing so;
- provide a code of practice for the handling of complaints. This should include specific targets for dealing with complaints and clear information as to what the customer can do if he or she is dissatisfied with the response of a public sector agency to a complaint.

Within the National Health Service, for example, every hospital and other unit engaged in the provision of health care must publicise the name, address and telephone number of a senior official responsible for dealing with patient complaints. This officer is required

³⁰ Prior, 1995

³¹ Promberger/Niederkofler/Bernhart, 2001, p. 54

³² Wilson, 1995, p. 94

³³ Major, 1991, p. 42

to fully investigate the complaint and report the findings of the inquiry to the complainant. In cases where complainants are still not satisfied, they may refer the matter to the Health Service Commissioner (Ombudsman), who is empowered to investigate all complaints of a non-clinical nature and reports directly to Parliament.

In placing the responsibility for service delivery squarely in the hands of public sector managers, the Citizen's Charter is crucial to the new public management in the UK, with its continuing attempt to establish direct relationships between the providers of public services and their customers. Though not stated explicitly, the Charter initiative is aimed at reinforcing existing mechanisms of accountability through the development of managerial accountability which makes the providers of public services directly accountable to their customers through the mechanisms of quality assurance and redress enshrined within the Charters. Charters brought public statements of what standards of service the public had a right to expect. For example, before the publication of the Passenger's Charter, British Rail (now privatised) did not make public its punctuality and reliability targets. The very fact that it is now taken for granted that there should be published targets is perhaps an indication that the Charter concept is beginning to take hold within the public sector.

3.8 The Comprehensive Spending Review

The Comprehensive Spending Review³⁴, announced in June 1997, has taken a look at how the money in the public sector is spent to ensure that departments meet the Government's priorities. It sets out a rigorous fiscal framework and firm overall spending limits for the following three years. Departmental Ministers have undertaken thirty reviews of their Department's objectives, policies and spending plans to determine how best their programmes can contribute to the achievements of the Government's objectives, including in particular its aims of enhancing opportunity and fairness, promoting employment and investment for sustained economic growth and increasing efficiency. Six of the reviews, including those on the criminal justice system and young children, have been carried out on a cross-departmental basis to ensure that policies and services are designed to meet the full range of public concerns in an integrated and co-ordinated way.³⁵ The firm three year plans will enable departments to plan ahead and to provide a more stable foundation for managing public services. Departments will be able to reinvest the savings they made as spending can be moved to later years. Separate capital and current budgets will ensure that essential capital investment is not squeezed out by short-term pressures. It will also pave the way for the introduction of resource accounting and budgeting (RAB), which will improve the planning and controlling of spending and increase the incentives to manage assets effectively.

As part of the CSR, there will be new innovations to improve service delivery and efficiency including:

- the review of the functions carried out by departments, agencies and non-departmental public bodies on a five yearly cycle to establish whether the government needs to continue to perform them. Competition and

³⁴ <http://www.archive.official-documents.co.uk/document/cm40/4011/csr-sum.htm>

³⁵ <http://www.archive.official-documents.co.uk/document/cm40/4011/401102.htm>

outsourcing will be used where the private or voluntary sector can carry out a function.

- measures to enable different parts of government to work better together, including cross-departmental budgets;
- an Invest to Save budget to encourage different parts of the public sector to work together to improve service delivery as dividing up responsibility for overlapping policy areas between several departments can make government intervention less effective; and
- more external inspections of public services (including a new Housing Inspectorate set up under Best Value.)

Public Service Agreements

The public service agreements³⁶ between each department and the Treasury include the departmental objectives, which were defined during the Comprehensive Spending Review and measurable efficiency and effectiveness targets. Progress will be monitored by a continuous process of scrutiny and audit overseen by a Cabinet Committee. Challenging targets have been set for key public services, for example:³⁷

- The NHS: a target of value for money improvements of some 3 per cent per year;
- Personal Social Services: efficiency targets of 2 – 3 per cent per year will be set over the next three years, supported by new performance measures and benchmarking between authorities;
- Police: an efficiency target of 2 per cent per year and annual efficiency plans introduced for the first time.

Elements of Public Service Agreements include:³⁸

- An introduction, setting out the minister(s) accountable for delivering the commitments, together with the coverage of the PSA, as some cover other departments and agencies for which the relevant secretary of state is accountable;
- The aims and objectives of the department or cross-cutting area (e.g. Department for Education and Employment – aim: *“To give everyone the chance, through education, training and work, to release their full potential, and thus build an inclusive and fair society and a competitive economy.”*³⁹);
- The resources which have been allocated to it in the CSR;
- Key performance targets for the delivery of its services, together with, in some cases, a list of key policy initiatives to be delivered (e.g.: *the number of pupils aged 5, 6 or 7 in infant classes of over 30 to fall from 477,000 to zero by September 2001 at the latest; an increase in the proportion of those aged 11 meeting the standard of literacy for that age from 63% to 80% by 2002;*⁴⁰);
- A statement about how the department will increase the productivity of its operations.

³⁶ <http://www.archive.official-documents.co.uk/document/cm41/4181.htm>

³⁷ <http://www.archive.official-documents.co.uk/document/cm40/4011/401105.htm>

³⁸ <http://www.archive.official-documents.co.uk/document/cm41/4181/psa-02.htm>

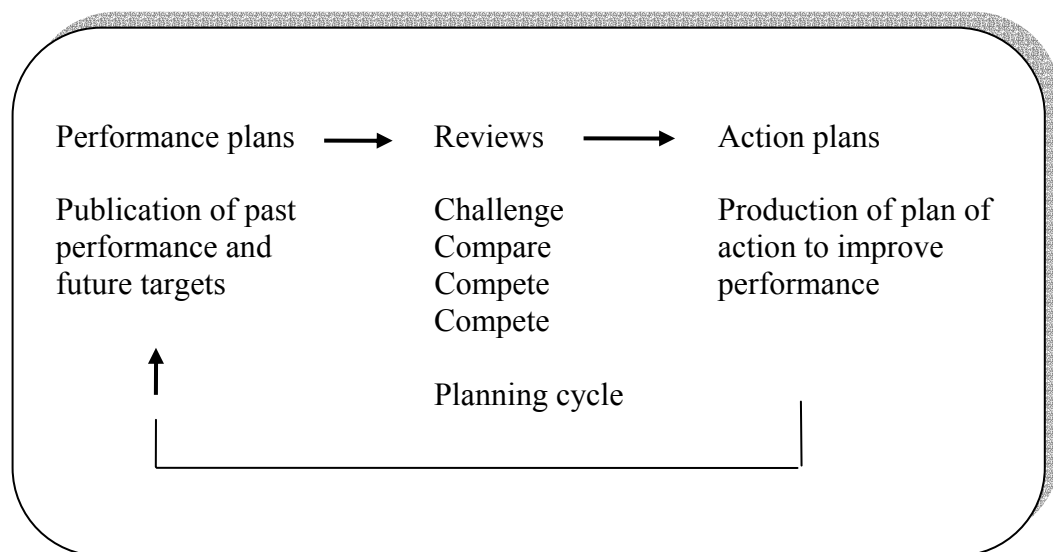
³⁹ <http://www.archive.official-documents.co.uk/document/cm41/4181/psa-03.htm>

⁴⁰ <http://www.archive.official-documents.co.uk/document/cm41/4181/psa-03.htm>

3.9 The Best Value Initiative

The Best Value regime emphasises continuous improvement, the analysis of performance and “management by fact” for local authorities. Best Value charges local authorities to make arrangements to secure continuous improvement in the way they exercise their functions, having regards to a combination of economy, efficiency and effectiveness. Authorities have to ensure that their performance becomes consistent with the performance of the top 25% of all authorities at the time targets are set, and with an overall objective of 2% p.a. efficiency improvement.⁴¹

These continuous improvement outcomes are to be achieved through prescribed intra-organizational processes. A programme of Best Value reviews covering all local authority functions has to be undertaken over a five-year period. These reviews require the purpose of services to be challenged and the most effective means of delivering them to be identified. The Best Value review also has to take into account consultation with local taxpayers, service users and a wide range of other actors. Comparisons between providers have to be undertaken, and then competitiveness of the service tested. The Best Value review therefore aims to set in place a programme of continuous improvement, seeking to achieve ongoing incremental innovations in the delivery of public services. The outcome of the review is an action plan that sets targets to improved performance. Targets and methods for improvement are to be published in the performance plan, along with past performance and comparison with other providers. These intra-organizational processes are set within a corporate strategy.



Best Value Processes
 Source: Boyne et al., 2002, p. 12

Performance measurement under Best Value

Since 1992, all local authorities have been required by statute to collect and publish a set of performance indicators specified annually by the Audit Commission, which is an independent body responsible for ensuring that public money is used economically,

⁴¹ Boyne et al., 2002, p. 11

efficiently and effectively.⁴² Under the BV legislation, these indicators are partly superseded by a new set of Performance Indicators specified by central government. Some of these are carried forward from the original Audit Commission's set. The Best Value Performance Indicators now comprise 18 "corporate health" indicators and 104 "service delivery indicators". When authorities publish data against these performance indicators, local people will be able to compare the performance of their authority with other authorities and to see how their own authority's performance is improving over time. The purpose of the corporate health BVPIs is to provide an overview of how well the authority is performing overall. The indicators cover:⁴³

- Planning and measuring performance (in relation to sustainability and racial equality).
- Customers and the community (for example percentage of complaints satisfied with the handling of complaints; electoral turnout).
- Management of resources (for example proportion of council tax collected).
- Staff development (for example proportion of working days lost to sickness absence).
- Partnership working, as indicated by the percentage of partnerships following good practice guidelines.

The "service delivery" BVPIs are divided into five "dimensions" of performance:⁴⁴

- Strategic objectives: why the service exists and what it seeks to achieve.
- Cost-efficiency: the resources committed to a service, the efficiency with which they are turned into outputs.
- Service delivery outcomes: how well the service is being operated in order to achieve the strategic objectives.
- Quality: these indicators will explicitly reflect users' experience of services.
- Fair access: ease and equality of access to services.

External auditors assess whether local performance plans conform with statutory guidance. Auditors are required to submit a report on the performance plan to the authority, the Audit Commission, and, if the plan does not meet the statutory requirements, the Secretary of State. If there are found severe failures of process, a recommendation may be given that a special Best Value inspection of the whole authority or a particular service be carried out.

4. The New Public Management: Reflecting on the UK Experience

For our purposes, reflecting on the experience of the new public management is a practical exercise. It is concerned with making policy prescriptions which can be implemented with a fair expectation of success. In the words of Richard Rose, *"Lessons [...] are tools for action. Politicians know what they would like to achieve, but the existence of a political majority for a goal is no assurance that politicians will*

⁴² Boyne, 2000, p. 7

⁴³ Boyne, 2000, p.8

⁴⁴ *ibid*

*know how to design a program that achieves this goal. Borrowing a program that is effective elsewhere is no guarantee of success”.*⁴⁵

It is essential, when considering whether to follow policy approaches used elsewhere, to understand under what circumstances and to what extent these approaches will work effectively here. Alain Enthoven, writing about health policy in 1990, could easily have been referring to the new public management when he stated that “*the really interesting questions are how to identify and design politically feasible incremental changes in each country that have a reasonably good chance of making things better. Each country can get useful ideas from others about how to do this*”.⁴⁶

Given the international nature of the new public management, it is unavoidable that policymakers in one country will seek to follow reform programmes that appear to be successful elsewhere. In this respect, the UK might well be viewed as a laboratory for the new public management experiment, as might the United States, Australia, New Zealand and other countries that have followed the path of public management reform. However, an important point is that any attempt to adapt programmes from others must take full account of the historical, cultural, social, economic and political environment pertaining to both the country seeking new ideas and the countries whose experience is being examined. For example, in the Central European nations, there has been a significant shift toward privatisation, something that has also taken place to a significant degree in the UK. However, there are dangers in making comparisons as the UK experience is not easily transferable. The privatisation programme pursued in Britain since 1979 was geared toward reducing public expenditure and increasing economic efficiency through the expansion of market forces in a mixed economy. In Central Europe, privatisation has been aimed at moving countries away from socialist systems of government with large involvement in national industries toward the development of new market-based structures and arrangements. As such, there are limits in the comparability of the British track of privatisation with central European countries. With this caveat in mind, what implications can be drawn from the UK experience?

There is little doubt that the new public management has made significant inroads in the UK, giving rise to wide-ranging reforms of the public sector’s organisation and procedures. The disaggregation of the civil service into smaller executive agencies, for example, marks a major transformation in the structure of the British governmental system. Yet, the policies implemented by successive British governments to reform the nature of public service provision have not been without weaknesses. When we seek to evaluate the three main planks of public sector reform in the UK - decentralisation, enhanced accountability and the ‘marketisation’ of public service delivery - we find that their implementation has been problematic.

Centralised Decentralisation

First, a clear picture that emerges from the UK experience is that there is a distinction between decentralising units of operation and decentralising authority. The disaggregated public sector in Britain still operates ‘within a field or arena in which the hand of central government remains strong. “[...] (O)ne of the paradoxes of

⁴⁵ Rose, 1993, ix;

⁴⁶ Enthoven, 1990, p 58

contemporary management is that it both liberates and enslaves⁴⁷. In the National Health Service, for example, the National Health Service and Community Care Act of 1990 promoted the development of self-managed units in the health service. As a consequence, hospitals established themselves as autonomous, self-managing trusts. However, in terms of authority, what this meant was that hospitals were now no longer under the auspices of local government. Rather, they were ultimately answerable to the Department of Health (i.e. central government). In a similar way, schools were encouraged to take responsibility for the administration of their own budgets under the 1988 Education Act (and by doing so ruling out the responsibilities and controls of the Local Education Authorities). Those schools which chose to opt out of local authority control now also found themselves ultimately responsible to central government. Operational managers might have discretionary authority over the use of resources, but central government retains control over the allocation of resources and the setting of performance standards. As Hoggett states, “*operational decentralisation has proceeded against the background of governmental centralisation and has, if anything, served to reinforce centralisation processes*”.⁴⁸

Consumers being citizens

Second, on the question of accountability, citizens have not been empowered through public management reform. Public sector organisations and local authorities are now subjected to performance standards and are required to meet ever-increasing performance targets. However, these standards and targets are set by service providers. Members of the public have little, if any, influence over the standards of service provision. The Citizen’s Charter, by which the users of public services were supposed to be empowered, has failed to provide meaningful consumer powers to citizens.⁴⁹ Indeed, contrary to the principle of consumer sovereignty, there is managerial dominance in relation to service quality in the public sector. In their relationship with public service providers, service users have weak powers of voice, and little, if any, power of exit from the ‘public sector marketplace’. As Hunt states, empowerment requires a transfer of power. Public service users can only be empowered when “*the government or an agency acting on its behalf, chooses to relinquish some of its powers; to adjust, as it were, the power relationship between government and the governed. The problem with the Citizen’s Charter is that it implies both that the government is in some way divorced from the delivery of services and therefore not responsible for them and also that the power of the citizen in relation to these services can be increased without this affecting the existing powers of the government. However, ultimate responsibility for the delivery of public services does lie with government (central or local) and changes that ignore this are likely to achieve very little. The Charter thus runs the risk of being a limited exercise which possibly affects the rights of individual citizens at the margin but makes no real difference to the way in which services are delivered or received*”.⁵⁰

A further criticism levelled at Charterism is that the concept of ‘citizen’ is given insufficient attention. Indeed, we can gather no general notion of the citizen from any of the charters currently in force. There are various references to users, customers or consumers, jobseekers, patients, passengers and parents. However, these are not citizens. The role of consumer entails a particular position within a network of market

⁴⁷ Hoggett, 1996, p. 18

⁴⁸ Hoggett, 1996, p. 19

⁴⁹ Promberger/Niederkofler/Bernhart, 2001, pp. 72f

⁵⁰ Hunt, 1996, p. 59

relationships. To be a citizen is to be a member of a political community. This embraces a wider role, comprising a range of political relationships which link the individual with government and the state. Elcock expresses the concern that the Citizen's Charter is concerned with enhancing "*the protective rights, privileges and immunities accorded to customers*", and not with strengthening "*the essentially participative role of the citizen in influencing the policies and management of the public services they pay for and use*".⁵¹ For Elcock, "*the implications of doing the latter are much more fundamental for the management of public services than are those of the former. However, they are not addressed in the Citizen's Charter*".⁵²

Markets without choice

Third, on the matter of 'marketisation', the simple point is that, with the absence of any meaningful opportunity to exercise choice in relation to public services, the proper operation of a market in public service delivery is seriously undermined. Across the range of public services, citizens are denied any real access to alternative modes of provision. As such, the powers of 'exit' and 'voice' which inform the provider-customer relationship in private enterprise are largely absent in the public sector.

Nevertheless, despite these weaknesses, the fact remains that the new public management has had a profound impact on the British public sector. The introduction of management principles and disciplines across the public sector has facilitated a radical transformation in the way in which the public domain is administered. Indeed, in the UK, the notion of public and private sectors as distinct and separate domains has been largely negated, with public organisations operating increasingly in a business-like manner, and with public and private enterprises working increasingly in partnership in the delivery of public services. With the new Labour Government in office, the central tenets of the new public management remain firmly established in the UK.

⁵¹ Elcock, 1996, p. 37

⁵² *ibid*

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