

Understanding of public sector reform and management politics essay



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New Public Management, what is it? We have heard the term throughout the first semester and have endeavoured to understand its historical and present relevance as well as its various facets that are supposedly favourable in reforming inefficient public sector enterprises, making them leaner and more efficient. But is New Public Management, all that it is made up to be, is it up-to the tasks it is set, is it the new paradigm for public sector reform in developing countries? These are the question's we'll be tackling in this paper.

The Wikipedia defines ' New public management (NPM) as a management philosophy used by governments since the 1980s to modernise the public sector. It is a broad and very complex term used to describe the wave of public sector reforms throughout the world since the 1980s. The main hypothesis in the NPM-reform wave is that more market orientation in the public sector will lead to greater cost-efficiency for governments, without having negative side effects on other objectives and considerations.'[i]

The World Bank group thinks that NPM ' is used to describe a management culture that emphasizes the centrality of the citizen or customer, as well as accountability for results. It also suggests structural or organizational choices that promote decentralized control through a wide variety of alternative service delivery mechanisms, including quasi-markets with public and private service providers competing for resources from policymakers and donors. NPM does not claim that government should stop performing certain tasks. Although the New Public Management often is associated with this policy perspective, NPM is not about whether tasks should be undertaken or not. It is about getting things done better.'[ii]

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It is supposed to have evolved as a consequence of the emergence of globalisation and as a response to policies of structural adjustment. ' NPM was conceived as a means to improve efficiency and responsiveness to political principals. Its origins were in Parliamentary democracies with curiously strong executive powers, centralized governments, and little administrative law. In this archetypal setting, NPM seems to embody the idea of a cascading chain of contracts leading to a single (usually Ministerial) principal who is interested in getting better results within a sector portfolio over which he or she has significant and relatively unchallenged authority.'[iii]

NPM, is a much more outcome oriented and efficient theory than earlier public management theories because it entails a more judicious disbursement of the public budget. It is supposed to be achieved by applying some attributes of the private sector into the public sector, such as competition etc. it can be said to be a policy to run the public sector as though it was the private sector but keeping public sector considerations in mind at the same time.

' The basis of NPM lay in reversing the two cardinal doctrines of progressive public administration (PPA); that is, lessening or removing differences between the public and the private sector and shifting the emphasis from process account-ability towards a greater element of account-ability in terms of results.'[iv]

It endeavours to better the public sector by restructuring, using tactics such as deregulation, decentralisation, promotion of autonomous agencies, output

based evaluation, contracting, introduction of competition between agencies and enterprises etc.

‘ From the end of the 1970s to the 1990s governments around the world were engaged in

widespread and sustained reforms of their public administration. These reforms started in the USA and the United Kingdom, where the Republican and Conservative governments that came to power championed the New Right campaigns for reforms. In New Zealand, however, where the most acclaimed reforms took place, the political force behind them was a Labour government, i. e. a leftist power. The reforms immediately aroused academic interest and research was carried out and theories developed. Perhaps to facilitate academic discourse, the reforms collectively came to be called the new public management (NPM).’[v]

‘ The major driving force behind the reforms was economic stagnation in many countries. The

New Right blamed this economic stagnation – seen in huge national debts, balance of payment Sowaribi Tolofari problems, high rates of unemployment, underperforming industries, etc. – on the excessive scope of governments’ engagement in business, mediocrity in administrative performance and the lack of accountability, among other things. In addition, there was also new intellectual thinking developing on how public services should be organised and delivered. This was probably because the populace in various countries were now better educated and more sophisticated in their thinking, tastes and demands.’[vi]

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New Public Management has been a worldwide phenomenon in some form or other. “ Democratic regimes in New Zealand, Australia, and the United Kingdom have all implemented some range of reforms consistent with NPM. Malta and Austria have also implemented NPM elements. Each of these initiatives has had some combination of elements including cost cutting, creating of separate agencies or “ business enterprises” to eliminate traditional bureaucracies, separating the purchaser of goods from the provider of those goods, introducing market mechanisms, decentralizing management authority, introducing performance-management systems, moving away from tenure-like civil service systems to contractual and pay-for-performance personnel systems, and increasing use of customer-focused quality improvement systems. Credit for the impetus of these reforms is given to American ideas, “ particularly the ideas of American public choice economists”[vii]

The philosophy seems to be based in the greatness of private management over public management and therefore suggests that the only logical thing to do is to transfer control to the private sector. Since all government activities cannot be transferred into private hands the theory suggests the next best thing, the application of business management into government. However, ‘ public management is different from public administration: the former is derived from commercial operations and is meant to bring about a new mind-set, a new vocabulary and a proliferation of management techniques. It is also meant to “ debureaucratize” government operations and to reduce red tape substantially.’[viii]

If only one element is to be pointed out as characterising the reforms, it would be marketisation. The administration of public services was now benchmarked against private

business – power should be exercised by those who give the service; the consumer should have choice; the reason to exist should be determined by how well the organisation performs; there should be measures of performance and public accountability. These characteristics were based on certain theories: mainly public choice, transaction cost economics and principal-agent theory.[ix]

The reforms have majorly been driven by a combination of socio-economic, political and technological factors. One of the similarities between countries going down the NPM route has been the experience of some sort of economic or fiscal crisis, which speeded up these country's will to streamline their enterprises and cut back costs wherever possible, basically to stabilize their economy any-which way possible. With crisis looming overhead the tenacity of the welfare state came under fire and with it the institutionalised form of state run enterprises. One can say that these reforms are not purely the work of political will, other more sinister external factors were in play. ' In the case of most developing countries, reforms in public administration and management have been driven more by external pressures and have taken place in the context of structural adjustment programmes. Other drivers of NPM-type reforms include the ascendancy of neoliberal ideas from the late 1970s, the development of information technology, and the growth and use of international management consultants as advisors on reforms. Additional

factors, in the case of developing countries, include lending conditionality's and the increasing emphasis on good governance.'[x]

' The literature provides evidence that in many, if not the majority of, developing countries, economic crisis has been by far the most important factor driving the introduction of ambitious reforms in the public sector since the early 1980s. In sub-Saharan Africa (SSA) economic and fiscal crises preceded economic reforms, which also triggered public sector management reforms. Many African and Latin American countries suffered from unsustainable external and domestic debts, deteriorating real terms of trade, increasing real interest rates on international financial markets, high inflation, low levels of savings and investment, and shortages of basic consumer goods. More recently, the economic and fiscal crises in the Asian tiger economies have promoted major reforms in the public sectors of countries such as Indonesia, Malaysia and South Korea. Most countries, especially in Africa, had debilitating underlying problems ó severe institutional weaknesses, fiscal indiscipline and weak external competitiveness.'[xi]

' Larbi describes the economic and fiscal situation that was the harbinger of NPM reforms in Africa and Latin America. He records that many African and Latin American countries suffered ' unsustainable rates on international financial markets, high inflation, low levels of savings and investments, and shortages of basic consumer goods'. It should be noted, however, that in these cases external pressures from so-called donors and lenders initiated the reforms. Kiiza accounts for the effect of this difference by saying that available comparative evidence shows both a ' handsome' and an ' ugly' <https://assignbuster.com/understanding-of-public-sector-reform-and-management-politics-essay/>

face of the reforms: The handsome face of managerialism appears in the developed countries where the review of Weberian public administration has been done deliberately in search of excellence. The ugly face appears in the developing countries, particularly in sub-Saharan Africa, where Managerialism has been religiously spread by the IMF/World Bank fraternity.’[xii]

Internally, in these countries, policy deficiencies, bad and excessive management of the economy, large-scale institutionalized corruption, weak and demoralized public services, low productivity and political instability, all contributed to a worsening of the crises. Loss-making SOEs contributed significantly to budget deficits and thus to the fiscal crisis.[xiii]

Going first to the IMF and then to the World Bank meant accepting stabilization and structural adjustment packages with their accompanying conditionality’s in order to obtain credits and debt rescheduling from creditor banks and multilateral lending institutions. Policy-based lending by multilateral institutions was used as an instrument to encourage crisis states to embark on reforms that were pro-market and pro-private sector.[xiv]

Thus it can be said that in a way NPM was stuffed down these nation’s throats. But the most primary mistake committed was that the policies and the structures utilized in implementing the NPM in these countries were the same that were proven successful in their more developed counterparts. What was not realized or was ignored was that the manner of functioning of the country’s beuracricies their market, the level of development of their

private sectors was markedly different from the developed countries and the same ideas were not liable to work here.

Despite all its advantages, one of the premier drawbacks of NPM most of the time was its very little contribution to actual policymaking. Instead, seeing as its main emphasis is private sector managerial techniques, it emphasizes the need for fewer thinkers and more doers.

‘ However, if one defines success as substantive involvement of citizens in shaping the direction of policy that affects their lives, there is little indication of such involvement beyond what existed before NPM implementation began. As Pollitt (1993) notes, citizenship is an awkward concept for those promoting managerialism, where the term “ customer” is more common. He argues that the collectivist view of citizenship is “ alien to an individualist model

where the market is the chief focus of transactions and values” (125-6).

Armstrong (1998) notes in his assessment of Australian implementation of NPM that the concept of meeting customer needs “ ignores the ability of customers to articulate their needs or make choices, either because they are uninformed or do not have the resources to do so” . Rhodes further argues that in Australia, “ there is no evidence to show that (NPM) has provided customers

with any means whatever of holding the government to account” (1996, 106-10). Those claiming success for NPM have focused on short-term effects and on issues of efficiency. While it may be too early to assess the long-term

impact of NPM in countries such as New Zealand and Australia, the evidence <https://assignbuster.com/understanding-of-public-sector-reform-and-management-politics-essay/>

supporting democratic accountability and citizen engagement is not encouraging. This concept of management has little to do with democracy and democratic values, shedding the reality or the facade of democracy found in earlier public-sector reforms. What is left is a core of market orientation to economic efficiency in the public sector. As Borgmann (1992) argues, when citizens are recast as consumers, they operate within an attenuated form of democracy: “ But to extol the consumer is to deny the citizen. When consumers begin to act, the fundamental decisions have already been made. Consumers are in a politically and morally weak position. They are politically weak because the signals that they can send to the authorities about the common order are for the most part ambiguous. Does the purchase of an article signal approval, thoughtlessness, or lack of a better alternative?”[xv]

‘ Dunleavy and Hood (1994) note concerns among traditional bureaucrats or hierarchists about the potential destabilizing effects of NPM if the processes of change should get out of control, become unmanageable and do irreversible damage to the provision of public services. For developing countries, but not for the World Bank and donor agencies, the price to be paid for such policy mistakes may be great in terms of threats to political stability and loss of economic wellbeing. In the United Kingdom, one of the leading exemplars in NPM applications the internal market in the NHS has been criticized as concentrating too many

The New Public Management Approach and Crisis States resources on management and paperwork rather than on front-line service provision. This

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is illustrated by the almost fourfold increase in the number of managers in the NHS between 1991 and 1994, with administration absorbing 10.5 per cent of all NHS costs in 1994, compared to 6 per cent before the reforms. Overall, public sector managers are seen as a gaining group in the managerial emphasis in reforms.’[xvi]

But at the same time NPM will also be causing problems of morale in the public services because of the basic premise of NPM being the superiority of private sector over the public sector.

‘ Moreover, because it also suggests that whenever possible its activities should be transferred to the private sector, the implication is that public service has no intrinsic value. It also belittles the noble side of the public-service profession: public servants became public servants because they wanted to serve their country. If they had wanted to become entrepreneurs, they would have joined the private sector or started their own businesses.’[xvii]

Critics of the NPM, lamenting the collapse of the welfare state, have referred to the increasing inequality that market-type mechanisms produce market niche-seeking behaviour by public service providers. Whereby, conditions of social exclusion may be created given the organizational and cultural changes in social provision, expressed in the concepts of markets and individualism. Thus, those who need state provision and welfare safety-nets most viz a viz the poor and the vulnerable will be harmed by such reforms.

Accountability and monitoring becomes tougher with fragmentation.

Furthermore, since governments and other purchasers struggle to monitor <https://assignbuster.com/understanding-of-public-sector-reform-and-management-politics-essay/>

contracts in various provider organisations, there is a risk of incurring huge transaction costs.

According to Le Grand and Barlett (1993) quality in service provision may decline since minimalist, economizing standards are replacing aspirational professional standards. The pursuit of efficiency in flawed policies with short-term gains will be encouraged by NPM, undermining state's capability to take a continuing standpoint on education, technology, health and the environment, given the heavy emphasis on cost reduction. One needs to consider these issues before seeking to transfer NPM to crisis states.[xviii]

When assessing NPM critically, it is noted that there might be a promotion of corruption and self-interest by the senior bureaucrats and policy makers, who will opt for contracting out and for privatization in lieu of opportunities for rent-seeking and other forms of misdemeanour. Furthermore, greed, favouritism and conflicting interests in NPM has also piloted in a decline in ethical standards of public life. In case of developing countries, adopting the NPM will lead to more arbitrary use of judgment since the accountability mechanisms are weak and patronage systems more prevalent.

The NPM method may work better in some frameworks than others. Like the public service which covers various activities, some of which are person-centred like, education, while some are not. Some are competitive, others are hard to mould into the competitive format, some high technological content (telecommunications), and others low. Thus, these factors should be kept in mind, as they affect the chances of NPM being a good fit in crisis states.

Clarke and Newman have also argued that NPM is often portrayed as a global phenomenon or a core element in the process of convergence between states, overriding distinct political and cultural characteristics. Given the different and difficult circumstances of reforms in adjusting economies and the potential risks mentioned above, it is doubtful whether a universalistic and 'evangelical' approach to NPM is a tenable option. Even in developed countries such as the United Kingdom, experience suggests that change toward NPM has not been smooth and linear, but uneven and contested and that social actors are

not shaped unambiguously by large-scale trends or forces for change.[xix]

NPM-related reforms generally might undermine political control, meaning that administrative leaders in the central departments and agencies, such as leaders in public commercial enterprises, are gaining influence, but also private commercial actors and consumers more generally. The reforms have created more skepticism towards collective

solutions, a depolitization of the public sector and increasing conflicts over what is public.[xx]

While there is relatively little NPM to be found in developing countries when compared to the early predictions, there is even less evaluation of NPM's impact. The most comprehensive overview of NPM type reforms is offered by Batley (1999). Summarizing the conclusions from a 5-year review of "the changing role of government in adjusting economies" in South Asia, Sub-Saharan Africa and South America, Batley finds that the effect of NPM

reforms has been mixed, at best, with some improvements in efficiency and <https://assignbuster.com/understanding-of-public-sector-reform-and-management-politics-essay/>

mixed effects on equity. On the downside, he notes that the transaction costs of radical reforms to autonomize service delivery agencies tend to outweigh the efficiency gains of unbundling, and that reforms that seek to separate purchasers from providers sometimes reduce accountability.[xxi]

Refocusing on the effective state is given prominence in the 1997 World Development Report, *The State in a Changing World*, which marks a significant shift in thinking about the state and its role in development: the need to factor the state back into development. There is now some recognition by the Bank that reforming the public sector the NPM way does not lend itself to clear, unambiguous solutions.

NPM is not a panacea for all problems in the developing economies.

conclusion

The above-mentioned criticisms of NPM and concerns about social solidity, parity and steadiness have rejuvenated interest in the dynamic role of the state again. The debate has changed. It is how do we re-empower the state so that it is able to do it's job effectively.

While the new public management method may not be a answer for the problems of public sector management in developing states, a cautious and selective variation of some features to selected areas may be advantageous and their employment needs to be subtle to operative reality.

The enthusiasm for neoliberal policies and NPM practices that characterized most of the 1980s and early 1990s is now tempered with caution and, in some cases, rejection of the more extreme forms of the NPM approach.

There is recognition that imposing one template of reform on all, irrespective of context, is unwise and unimplementable, and may even breed conflict and undermine stability. The way forward is to make the state work better, not to dismantle it. The Bank suggests two strategies. The first is to match the states role to its capability; the earlier mistake was that the state tried to do too much with few resources and limited capacity. The second approach is to strengthen the capability of the state by reinvigorating public administration institutions to enable them to perform their enabling,

regulating, monitoring and co-ordinating roles. This will entail creating effective

rules and restraints, encouraging greater competition in service provision, applying

measures to monitor performance gains, and achieving a more responsive mix of

central and local governance by steering policies in the direction of greater decentralization.[xxii]

NPM-type reforms in developing states seem to be based on a common framework with

those in developed countries and seem to follow a blueprint rather than a process

or contingent approach. Yet these countries differ widely in terms of their institutional

conditions and their capacity to implement public sector management reforms based on NPM principles and practices.[xxiii]

There is a need to give consideration to problems of how to implement rather than just what to implement. For some time now, too much attention has focused on the plan content of reforms without suitable attention to suitable preparations for application, partly due to the domination of outside organizations in the design of reform bundles and the resultant dearth of resident ownership and promise to reform.