

## New Management of Public Services: The United Kingdom Experience

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*This article considers changes in public management within the context of the political environment within which it is practised. Taking the United Kingdom as an example, the article considers the alleged deficiencies of traditional public administration and the nature and implications of New Public Management. It is shown, that application of the New Public Management continues and the merits of competition and customer-focus, with concomitant emphases on restructuring, measuring performance, etc., are stressed as key characteristics of the new public service environment.*

Raktažodžiai: *viešoji tarnyba, naujoji viešoji vadyba.*  
Keywords: *public service, new public management.*

### Introduction

The management of public services has undergone considerable change over the last 30 years, not least in the United Kingdom (UK) but also internationally. The change has led to, and is illustrated by, the expression 'new public management' (NPM), suggesting the replacement of traditional public administration by managerial techniques and practices common in the private sector but which were new to the public sector.

The emergence of NPM reflects the changed political agenda. The scale and nature of public sector activity were key subjects of political and economic debate, internationally and domestically, throughout the twentieth century and remain so today. However, the essence of the debate, particularly since the mid-1970s, has changed as a 'New Right' consensus (see below) has emerged, accompanied by irreversible changes in global politics with the break-up of the former Soviet Union and the emergence of new democracies and transitional economies.

Support for expansion of public sector activity was replaced by policies intended to ensure contraction relative to the private sector. In addition, there has been an emphasis on exposing public services to competition and importing private sector management techniques in the delivery of public services,

consistent with the criticisms of public choice theorists (see below). The pursuit and impact of such policies has varied across countries, as also has the response of public sector managers [1; 2] but the under-lying political, economic and managerial beliefs which led to the emergence of a new consensus remain extremely influential today.

This dynamic political context and sustained influence of the New Right continue to have significant implications for the management of public services. This article considers changes in public management within the context of the political environment within which it is practised. Taking the UK as an example, the article considers the alleged deficiencies of traditional public administration and the nature and implications of NPM.

### Public Services: A Consensual Shift

The period since the mid-1970s has witnessed the evolution, internationally, of a New Right, neo-liberal, consensus which represented, in key respects, a recrudescence of the beliefs that had prevailed prior to the emergence of the social democratic consensus which was forged during, and emerged after, the Second World War and which lasted until the mid-1970s.

The social democratic consensus had profound implications for the scale and nature of public service activity as it involved a commitment to the creation of the welfare state and Keynesian economics, with the latter involving a rejection of classical economic orthodoxy with its emphasis on market forces ('*laissez-faire*') and minimal state activity. It advocated

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state intervention, primarily by means of fiscal policy, to achieve specific macroeconomic objectives, namely 'full employment'. In the UK, this involved significant expansion of public expenditure as key policies were implemented (see *Box 1*).

<b>Box 1. Foundations of Post Second World War Consensus: Key Events</b>	
1942	Publication of Sir William Beveridge's review of social security designed to eliminate 'Want, Disease, Ignorance, Squalor and Idleness'.
1944	Publication of <i>Employment Policy</i> White Paper heavily influenced by work of John Maynard Keynes. Committed the Government to achieving a 'high and stable' level of employment ( <i>i.e.</i> full employment). Education Act – education to be free and available to all.
1946	National Insurance Act – provided flat rate benefits, in respect of unemployment, sickness, retirement and widowhood, for those who were insured.
1947	National Assistance Act – provided cover for those who did not have a full contributions record.
1948	National Health Service created.
1947-51	Key industries nationalised: coal (1947); railways, gas and electricity (1948); steel (1951).

By the end of the 1960s, however, the efficacy of Keynesianism and the benefits of public sector expansion, particularly the creation of the welfare state, were being increasingly questioned. Managing the economy by manipulating the aggregate level of demand (through raising or lowering levels of public expenditure and taxation) clearly assumed, first, that aggregate demand was the most important variable for economic management purposes and, second, that despite problems of economic forecasting and time lags, the economy would respond in the desired way to such adjustments. In addition, reflecting the economy in times of an actual or forecast recession (low inflation, high unemployment) and deflating it in times of an actual or forecast boom (low unemployment, high inflation) assumed that there was a trade-off between unemployment and inflation.

Keynesianism, however, appeared to have no answer to the stagflation (high unemployment *and* high inflation) of the 1960s. Critics, notably monetarists [3] argued that, by focusing on the aggregate level of demand, governments were in fact creating inflation and simultaneously failing to address the real causes of unemployment, *i.e.* rigidities in the labour market which obstructed the natural functioning of the laws of supply and demand. Such rigidities included union power, physical and occupational

immobility of labour, excessive state benefits and levels of taxation which discouraged enterprise and effort, governmental intervention artificially to stimulate demand, industrial subsidies, *etc.* These led to a 'natural rate of unemployment' in any economy. In pursuing the goal of 'full employment' and in creating the welfare state, governments, it was said, would preside over increased levels of public and private expenditure and would push unemployment below its 'natural rate', leading to excessive growth in the money supply and increased inflation as the demand generated would be unmatched by increases in output. Irresponsible behaviour from the labour force, some believed, would also be encouraged, particularly the large proportion represented by powerful trades unions who could be confident of protection from the risk of unemployment even though pay awards were often gained which could not be justified on the basis of increased productivity.

In short, for some, the post-War consensus – Keynesianism, the expansion of public sector activity and the creation of the welfare state - represented an inflationary and economically damaging soft option. It encouraged industrial militancy and also economic and political expediency as politicians, particularly as elections approached, sought to benefit from an engineered, short-term and inflationary economic upturn. This was exacerbated by the creation of a 'dependency culture', that had its origins in the welfare state, which was both personally reprehensible and economically harmful. It discouraged enterprise, demotivated those in work whose remuneration was not much greater or possibly less than it would be if they were unemployed and discouraged those who were unemployed from seeking employment. It also added to the sustained growth in public expenditure and which needed to be financed by those in work but ultimately could only be financed by taxation of the wealth-creating private sector. The greater the levels of public expenditure and public sector activity, the greater would be the burden on the private sector. Public expenditure, public expectations, public sector activity, trades union power, inflation, inflationary expectations, political ambition and the true, underlying rate of unemployment (the rate which would prevail in the short-term if the economy were to be competitive rather than characterised by over manning and poor productivity) were collectively self-generating and self-reinforcing and spiralled upwards. For many, by the mid-1970s, Keynesianism and post-war socio-economic policies were discredited.

### **Public Services: The New Right**

The theoretical lacuna resulting from the rejection of Keynesianism was most importantly, but temporarily, filled by monetarism and a rediscovery in the

merits of *laissez-faire*. The intellectual attack on Keynesianism was largely rooted in the work of Hayek [4; 5], Friedman [6] and public choice theorists. In essence, public choice theory postulates that politicians, bureaucrats, interest groups and individuals are motivated by self-interest and act accordingly. To a certain extent the self-interest may be reconciled in that, for instance, politicians may continue to be elected by incurring expenditure on projects that are electorally popular. In the same way, bureaucrats may seek to enlarge their own empire, and, in so doing, enjoy greater prestige and power, by persuading politicians to devote more resources to their own particular departments on the grounds that the electorate demands it. However, although interests may, to a degree, be reconciled, everyone's utility cannot be maximised. By definition, resources are finite and the opportunity cost of devoting resources to one bureaucrat, interest group or public expenditure project is the utility foregone by those associated with an alternative allocation. Nonetheless, although utility cannot be universally maximised, because of resource constraints, the central relevant point made by public choice theorists is that certain individuals and groups have a vested interest in the growth of public expenditure and, because of that, unless countervailing policies are adopted 'The whole system of public spending and public services is geared to expansion' [7, p.12] leading to the over-production of public services and an economically-damaging allocation of resources. Also influential in the mid-1970s was the work of Bacon and Eltis [8; 9] They put forward a 'crowding out' hypothesis whereby public sector expansion, requiring ever-greater allocations of finite resources, crowded out private sector investment which meant that, in essence, the unproductive sector grew at the expense of the productive one, with obvious economic harm. The situation, it was said, was exacerbated by the apparent irreversibility of the expansion and the propensity for service providers – e.g. civil servants, local government professionals, teachers, doctors, etc. - to become detached from service recipients.

The trends can be illustrated by the following. Year 1963-1975: public expenditure as % of Gross Domestic Product [10] - 38.9-49.9. Year 1961-1981: public sector employment (millions) [11] - 5.8-7.2.

Public choice arguments are hardly conclusive. The assumptions upon which the case is based are suspect [12] particularly perhaps those concerning rational behaviour generally and the behaviour of bureaucrats in particular. However, the literature [13-17] became increasingly influential in the late 1970s and throughout the 1980s and, combined with the work, in particular, of Hayek and Friedman, provided a powerful intellectual legitimisation for reducing the

scale of the public sector. Collectively, it constituted what has become known as a New Right agenda, a neo-liberal critique of both Keynesian social democracy and traditional paternalistic conservatism [18].

The New Right attack, therefore, contributed to the breakdown of the post-war consensus and this breakdown provides the backcloth to the changed public sector environment. The pace of change gathered momentum, with particular impetus in the UK where the Conservatives were in power from 1979 to 1997, under the leadership of Margaret Thatcher until 1990, and America, with the election of Ronald Reagan in 1980. Thatcher was ideologically committed to reducing the scope of public sector activity and increasing that of the private sector; the latter was seen to be intrinsically superior to the former, it contained an internal dynamic in the form of competition which guaranteed efficiency and innovation, unlike the public sector which, it was believed, had to be energised and coerced into efficiency. Similarly, the supply-side of the economy had to be improved by encouraging entrepreneurialism and increasing individual incentives to work, including policies to reduce union power, reduce taxation and increase the differential between paid employment and social security (little different to the views of the classical economists). A threefold, strategic objective evolved for public services, *i.e.* reduce their scale, increase their exposure to market forces and effect cultural change such that delivery is modelled on the private sector. The need for cultural change reflected a belief that public services were 'producer-driven' and the traditional public administration model needed to be replaced by a private sector 'mindset' with an emphasis on the customer.

### **Public Administration: A Critique**

Public sector structure and practices were, particularly from the late 1970s onwards, seen as impediments to economic efficiency and militated against the development of a customer awareness culture. The traditional bureaucratic model was too rigid and mechanistic. The virtues by which it was characterised included machine-like efficiency achieved through stability, predictability, continuity, adherence to rules and regulations and, particularly in the case of the civil service, a system of recruitment, selection and training which ensured the values were inculcated and perpetuated. These virtues, combined with the factors that contribute to the uniqueness of the public sector, collectively constitute the traditional public administration model, but, equally, they were seen as handicaps in the modern era:

In attempting to control virtually everything, we became so obsessed with dictating *how* things should be

done - regulating the process, controlling the inputs - that we ignored the outcomes, the *results*. The product was government with a distinct ethos: slow, inefficient, impersonal. (*Osborne and Gaebler* [19, p.14]. Emphasis in original.).

The criticisms of traditional public administration led to the emergence of an alternative paradigm which emphasised management rather than administration and which was much more able to cope with the dynamic, as opposed to a steady-state, environment with which it was confronted. Osborne and Gaebler though writing of American private as well as public bureaucracies, describe the nature of the changing world which, they believed, was particularly affecting the public sector in all advanced economies:

... the bureaucratic model developed in conditions very different from those we experience today. It developed in a slower-paced society ... in an age of hierarchy, when only those at the top of the pyramid had enough information to make informed decisions. It developed in a society of people who worked with their hands, not their minds. It developed in times of mass markets, when most Americans had similar wants and needs. And it developed when we had strong geographic communities. ... Today all that has been swept away. ... We live in a global market place, which puts enormous competitive pressures on our economic institutions. We live in an information society, in which people get access to information almost as fast as their leaders do. We live in a knowledge-based economy, in which educated workers bridle at commands and demand autonomy. We live in an age of niche markets, in which customers have become accustomed to high quality and extensive choice. In this environment, bureaucratic institutions developed during the industrial era - public *and* private increasingly fail us. Today's environment demands institutions that are extremely flexible and adaptable. ... [and which] deliver high-quality goods and services. ... It demands institutions that are responsive to their customers, offering choices of nonstandardised services; that lead by persuasion and incentives rather than commands; that give their employees a sense of meaning and control, even ownership. It demands institutions that *empower* citizens rather than simply *servicing* them. (*Osborne and Gaebler* [19, p.15]. Emphasis in original.).

They proceed to identify ten 'threads' [19, p.19-20) which entrepreneurial public organisations have in common, *i.e.* they:

- promote competition between service providers,
- empower citizens by pushing control out of the bureaucracy,
- focus on outcomes not inputs,
- are driven by goals and not by rules and regulations,
- redefine clients as customers and offer them choices,

- prevent problems before they emerge rather than simply offering services afterward,
- earn money not spend it,
- decentralise authority, embrace participatory management,
- prefer market mechanisms to bureaucratic mechanisms,
- catalyze public, private and voluntary agencies to solve community problems.

These threads are, for Osborne and Gaebler, the principles on which all public organisations should be based and, although their work can be criticised for being long on description and short on analysis [30] it nonetheless exerted influence, not least in the UK, given its timing. Butler [21, p.64] says that 'every set of ideas has to have a seedbed in which they can germinate and grow' and identifies three pressures which made the environment much more favourable for Osborne and Gaebler's ideas to grow, *i.e.* the growing demand for public services; the growing potential scope and range but also cost of those services which advancing technology brought about, not least in defence and health; the stage of resistance reached in developing countries to paying higher taxes.

Faced with these irresistible developments, reflected in and reinforced by the changes in the politico-economic environment, the acceptance of the obsolescence of the traditional public administration model was assured. Increasingly, the private sector was seen to be the model to emulate, both structurally and culturally. More precisely, the attributes associated with excellence in the modern world were identified by Peters and Waterman [22]. On the basis of their research and available empirical evidence, they suggested a number of features exhibited by organisations to indicate corporate excellence, including (first column) and involving (second column):

a bias for action	ting things done
closeness to the customer	being customer-focused
autonomy and entrepreneurship	encouragement of individual initiatives and not slavish adherence to the 'rulebook'
productivity through people hands-on, value drive	emphasis on service quality through innovations rather than cost reductions
stick to the knitting	sharing of values and commitment to organisational goals, all focused on the customer
simple form and lean staff	concentrating on at what the organisation is good at; for the public sector, this could mean retaining core activities but contracting out others
simultaneous tight- loose	minimum required staff and hierarchical tiers

properties a balance between central direction and local discretion

Similarly, in a later work, Peters [23, p.27] says that:

Take all the evidence together, and a clear picture of the successful firm in the 1990s and beyond emerges. It will be:

- flatter (have fewer layers of organisation structure)
- populated by more autonomous units (have fewer central-staff second guessers, more local authority to introduce and price products)
- oriented towards differentiation, producing high value-added goods and services, creating niche markets
- quality-conscious
- service conscious
- more responsive
- much faster at innovation
- a user of highly-trained, flexible people as the principal means of adding value

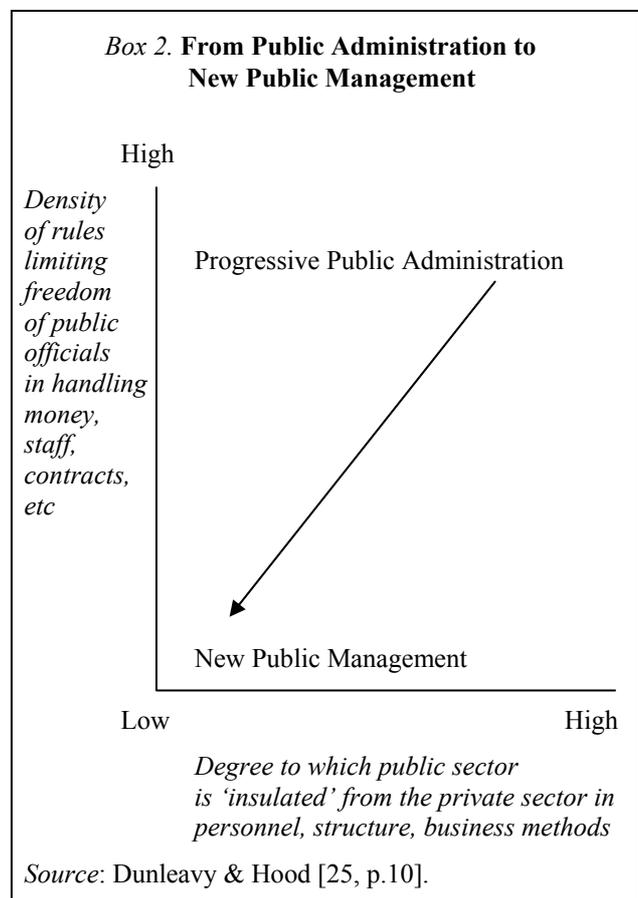
Despite the questions which may be asked about certain features and the usefulness of the above analysis, it can nonetheless be seen that traditional public sector organisations did not approximate to the ‘excellence’ model. They were characterised, for instance, as being rigid rather than flexible, focused on inputs rather than outputs, officer-driven rather than customer-focused, hierarchical rather than flat, overstaffed rather than streamlined.

Taking an overview of the work of Osborne and Gaebler, Peters and Waterman and Peters, the following key themes can be identified for private and public sector organisations: competition, including ‘outsourcing’, i.e. enabling the private sector to deliver services traditionally provided in-house; decentralisation (involving ‘freedom to manage’); customer-focus; performance measurement (‘more for less’). These themes define the emphasis which has been placed on public service management over the last two decades. Within the context of the hegemony of the New Right, domestically and internationally, and the shift in economic and organisational paradigms, a new model emerged, with its emphasis on the above themes, which is generally referred to as new public management (NPM).

### New Public Management and the UK

The NPM model was a function of a wider paradigmatic shift, the nature of which was essentially anti-public sector. Jackson [24] identifies two distinct tendencies which gave rise to NPM. The first was the libertarian ideology of the New Right; second, he identifies a contribution from the Left in that they, combined with the general public, demanded that

professional monopoly suppliers of public services be held more accountable. According to Dunleavy and Hood [25, p.9], the shift from public administration to NPM has generally involved a shift in the two basic design coordinates of public sector organization, moving it ‘down-grid’ and ‘down-group’ in social science jargon [26]. Going ‘down-group’ means making the public sector less distinctive as a unit from the private sector (in personnel, reward structure, methods of doing business). Going ‘down-grid’ means reducing the extent to which discretionary power (particularly over staff, contracts and money) is limited by uniform and general rules of procedure. By contrast, traditional public administration of the ‘progressive era’ was built on the idea of a highly distinct public sector ‘group’ and a dense ‘grid’ of general procedural rules governing the conduct of business. This can be shown diagrammatically, as given in *Box 2* [25, p.10].



The direction of change has been as indicated (*Box 2*), though Dunleavy and Hood, drawing on the work of Polsby [27], also distinguish between two modes in which a movement such as NPM can be influential. First there is ‘incubated’ mode, ‘in which reform does not come into full effect until long after their original introduction, when they establish a new long-term orthodoxy’ [25, p.9]. The second, alterna-

tive, mode is that where there is an ‘acute’ innovation pattern, ‘in which reform programmes peak early and then break up quickly’.[25, pp.9-10]. They state that ‘NPM seems to have elements of both styles’. They proceed to discuss the nature and main critiques of NPM (see *Box 3*) and offer some alternative futures for public management (see *Box 4*).

The models, as given in *Box 4*, apply across the public services. The top right quadrant (‘public bureaucracy state’) equates, in effect, to traditional

those outcomes against the strengths and weaknesses of the Public Bureaucracy State model. Much of the current debate ignores these intermediate possibilities.

In addition, they highlight the dangers of excessive outsourcing, which may, in the private sector, lead to firms ‘hollowing out’ [28] and, in fact, divorce them from their ultimate customers which, in the public sector, may have profound political and constitutional effects. However, although NPM may have a provided cover for a political agenda, this does

<b>Box 3. Critiques of New Public Management</b>	
<p><b>Fatalist critique</b> NPM cannot alter basic dilemmas of public administration or provide a free lunch.</p> <p><b>Remedy</b> None: but over-sell of management systems will be vulnerable to fatalist attack.</p>	<p><b>Hierarchist critique</b> NPM risks eroding system-wide cohesion, and putting the public sector out of control.</p> <p><b>Remedy</b> Strengthened central steering capacity, more obligations to consult, OCR [Obligational contract relationships] not ACR [Arms-length contract relationships] contracts.</p>
<p><b>Individualist critique</b> NPM risks becoming a poor substitute for fully individualized contract rights.</p> <p><b>Remedy</b> More ‘real’ contracts rather than quasi-contracts, more privatization rather than corporatization.</p>	<p><b>Egalitarian critique</b> NPM risks encouraging corruption, may suit personal interests of top officials, weaken accountability.</p> <p><b>Remedy</b> More citizen empowerment, more anti-corruption machinery, extension of model employer role, stricter contract blacklists.</p>

Source: Dunleavy & Hood [25, p.11].

public administration; the bottom left quadrant (‘minimal purchasing state’), the ‘officially favoured’ [25, p.14] model, equates, in effect, to NPM. However, the remaining two quadrants, *i.e.* ‘headless chicken’ and ‘gridlock’ have a significance because the conventional approach to analysing public management, in terms of markets and hierarchies, is insufficient and it is necessary ‘to consider also the less-examined intermediate cases’ [25, p.15]:

Like all roads paved with good intentions, the route to market-style public management reform may end in unexpected and distressing places. We suggest that it may commonly lead in practice either to the Headless Chicken model or to the Gridlock model, or – more likely – first to the one and then to the other. If so, we ought to be comparing the strengths and weaknesses of

<b>Box 4. Alternative futures for public management</b>			
<b>Degree of generalized rules</b>	<b>High</b>	<p><b>Gridlock Model</b> Private providers, ‘iron rule book’ (juridification), no political mediation.</p> <p><b>Example:</b> 1980s US health care</p>	<p><b>Public Bureaucracy State</b> Extended public provision by distinctive public sector organization</p> <p><b>Example:</b> Traditional German public sector style</p>
	<b>Low</b>	<p><b>Minimal Purchasing State</b> Maximal corporate presence, state as an ‘intelligent consumer’</p> <p><b>Example:</b> Los Angeles government</p>	<p><b>Headless Chicken Model</b> Distinctive but turbulent public sector: ‘no-one in charge’ management</p> <p><b>Example:</b> UK higher education</p>
		<b>Low</b>	<b>High</b>
<b>Degree of separation of public and private sectors</b>			

Source: Dunleavy & Hood [25, p.14].

not in itself negate the managerial validity of some of its prescriptions. Hood [29, p.p.4-5] states there are seven main ‘doctrinal components’ to NPM, *i.e.*:

- hands-on professional management
- explicit standards and measures of performance (involving greater managerial accountability)
- greater emphasis on output controls (the need to stress results rather than procedures)
- disaggregation of units
- greater competition (involving the move to term contracts and public tendering procedures) designed to reduce costs and improve standards

- adoption of private sector styles of management
- greater discipline and ‘parsimony’ in resource use (involving cutting costs, reducing demands for more resources and the need to do more with less).

Clark [30] summarises what he considers to be the three main components of new public management (see *Box 5*; see also Hughes [31], Farnham & Horton [32]). NPM can be seen to be consistent in many respects with the analyses of Peters and Waterman and Osborne and Gaebler. This is unsurprising given that a fundamental objective, as stated above, was to import private sector culture and practices into the public sector.

#### **Box 5. New Public Management**

##### **Marketisation**

Introducing market competition into public services production:

- Separating out purchaser/regulatory and provider roles
- Creating quasi-markets among public agencies, firms and not for profit organisations in health care, education, the personal social services and social housing.
- Compulsory competitive tendering and market testing

##### **Disaggregation**

Strengthening central strategic capacity by decoupling policy and executive functions:

- Tighter central control over the definition of policy and resource frameworks
- Decentralising responsibility for discrete blocks of executive activity to devolved service units
- A shift from process to output in control and accountability mechanisms

##### **Incentivization**

Linking incentives to performance in order to foster greater entrepreneurialism and closer attention to cost cutting and organisational efficiency:

- Increased differentiation in pay at an individual level, and revenue-maximising incentives at an organisational level
- Quantitative methods of performance and efficiency measurement
- Human resource management strategies
- The deprivileging of professionals and public sector workers

Source: Clark [30, p.24].

The three components of marketisation, disaggregation and incentivization can be illustrated by reference to the UK and the measures pursued by the Conservative Governments 1979-97.

Although the Conservatives, in 1979, were committed to ‘rolling back the frontiers of the state’, public expenditure as a % of GDP actually increased from 43.3% to 46.2% between 1979-80 and 1982-83, reflecting the impact of recession, in part caused by the macroeconomic policies (monetarism) being pursued. The ratio fell to 38.8% in 1988-89 but rose again to 41.9% by 1992-93. Overall, public expenditure grew by 16.5% in real terms during the period 1978-79 to 1990-91 [33]. However, this increase was in part driven by increased social security expenditure, primarily the result of unemployment, and disguises significant variations in different spending programmes, with some (e.g. health, law and order, defence) receiving favourable treatment and others (viz housing) receiving unfavourable treatment, although considerable care needs to be exercised when interpreting these statistics [34]. It also needs to be borne in mind that the ratio of public expenditure to GDP is low in the UK, particularly by European standards [35]. The Conservatives also failed to reduce the overall tax burden, with revenues as a % of GDP being 38.75% in 1978-79 and 38% in 1996-97, having risen to 43.75% in 1992-93. However, they did effect a shift in the burden of taxation from direct to indirect, thereby disproportionately penalising the lower income groups. They also reduced significantly the numbers directly employed in the public sector, reduced from 7.449 million in 1979 to 4.954 million in 1997 [36].

The ‘fiscal frontiers’ may not have shifted much under the Conservatives, though there were significant changes within the frontiers – between spending programmes and in terms of the burden of taxation – ‘but the radical changes have been in the methods used to manage the institutions’ [37, p.35], reflecting the 4 key themes given above, *i.e.* competition, decentralisation, customer focus and performance measurement and the threefold categorisation of Clark, *i.e.* marketisation, disaggregation and incentivization.

A key feature of ‘marketisation’ was the policy of privatisation, *i.e.* denationalisation and liberalisation. Denationalisation entails a total or partial transfer of ownership from the public to the private sector and included gas, electricity, water, telecoms, airways, aerospace and others. This programme had a significant impact, with the nationalised industries’ share of GDP falling from just under 9% in 1979 to just over 3% in 1990. Over the same period the numbers employed halved to 660,000 and more than 920,000 jobs had been transferred to the private sector. Liberalisation essentially involved deregulation and competitive tendering. By deregulation is meant the dismantling of legal and operational barriers to more competitive, efficient and effective service provision;

by competitive tendering is meant the introduction of competition into the provision of publicly-provided goods and services in an attempt to improve efficiency and value for money. The policy of *Compulsory Competitive Tendering* (CCT) introduced by the Conservatives was applied to local government and the NHS (the equivalent, known as 'market testing', was applied to central government) and was intended to lead to greater efficiency and a more businesslike mindset amongst public sector personnel. Although the policy has been replaced by Labour, the objectives it was intended to achieve have, in large part, been accepted by Labour who believe strongly in the benefits of competition.

The range of policies under the heading 'privatisation' represented a fundamental challenge to traditional public service managers, as also did the measures pursued under the heading 'disaggregation'. Overall, Conservative policy was to decentralise and, in so doing, devolve managerial and financial responsibility and, where possible, to rationalise procedures and levels of employment. Examples of financial devolution include the granting of budgets and recruitment decisions to individual schools and hospitals and the hiving-off of civil servants from Whitehall into *quasi*-autonomous agencies under the Next Steps initiative.

This decentralisation was accompanied by an increased emphasis on incentives, leading to a fragmentation of procedures for pay determination, increased use of performance-related pay and flexible working practices.

The citizen is now recognised as a consumer entitled to a given standard and variety of service. The traditional model for public service delivery, allegedly producer-dominated with professionals 'knowing best' and where 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. The need to apply to public service delivery the economic principle of consumer sovereignty is accepted by the Conservative Party and, now, the Labour Government. Adonis [38] correctly observed: 'Choice, standards and quality are the catchwords; flexibility, performance and local management the tools; the private sector the model'. Thirteen years on, this observation remains true. In short, traditional public service management and delivery mechanisms were to be transformed.

It is important, however, not to exaggerate the extent of the transformation. There has clearly been significant change across the public sector and this has affected structure, service delivery, power relationships and culture. However, the transition from

'administration' to 'management' is easy to overstate. The principle of consumer sovereignty, for instance, as a key feature of the changed public sector environment, is more stated than observed. Even if the consumer was 'sovereign', the freedom of managers to respond is considerably constrained by: statutory requirements to provide particular services to a specific level; political pressures, locally and nationally (for example, the police, in reality, must prioritise in favour of nationally- and politically-determined performance targets which may or may not correspond to local priorities); ongoing commitments, reflecting decisions previously made and which have a recurrent impact on resources; finally, they may be constrained by an overall lack of resources. There are also examples where, rather than allocating additional resources, the withdrawal of a particular service is justified, operationally and financially, such as the entire or partial closure of a hospital, but is impossible to implement because of local 'consumer' resistance and, resulting from this, a lack of political support.

It is legitimate, therefore, to question the extent to which 'freedom to manage' has actually been enhanced. The actual discretion public managers have over their budgets remains very limited, particularly in local government, not least because they have little influence over its size, growth or allocation. The majority of expenditure from one year to the next is committed on the basis of previous years' decisions and the proportion of the budget on which discretion can be exercised is, in practice, small [39].

However, it is also true to say that constraints act as an incentive to managers to be resourceful in their response to pressures, including the increased emphasis on performance measurement, not least through performance indicators.

The use of indicators is designed to help measure and improve economy, efficiency and effectiveness but they are not new; they have not been introduced as a direct result of new public management. Similarly, the public sector has always been concerned to demonstrate that finite resources have been allocated and utilised efficiently, through the use of unit costing and investment appraisal techniques, including cost benefit analysis. However, they are now increasingly emphasised. In addition, increasingly within the public services, private sector measures of performance are being adopted. Though they are not new to the public sector they are becoming more widespread as competition increases and 'profit' is measured. This, in itself, poses problems in that private sector techniques and measures are not necessarily appropriate for the public sector. Measuring 'returns' in the context of a school, hospital or motorway is just as problematic now as it was when,

for instance, cost benefit analysis was fashionable. This is not to argue against attempts to measure public service performance - on the contrary, measurement is to be encouraged - but the problems of so doing need to be borne in mind before conclusions are drawn.

The complexities of performance measurement illustrate the difficulties of seeking universally to apply private sector techniques to public service management:

The danger for the development of public service management is that it is based on the private sector model, because most management thinking in this country has developed in or for the private sector. Public services can learn from the private sector *as the private sector can learn from the public services*. Specific techniques are and should be transferable. What is not transferable is the private sector model of the role and nature of management, because that assumes the purposes, conditions and tasks of the private sector not those of the public domain. There is a tendency for thinking on public service management to take as its starting point private sector management. ... If the private sector model is taken as the basis for management in the public domain it can mean neglect of key issues. ... There can be arguments for or against the present scale of the public services, *but services are placed in or retained in the public sector because the private sector does not provide an adequate means for delivery of that service* (Stewart [40, pp.12-13]. Emphases added.).

The public service context is different and needs to be managed differently. Though the uniqueness of the public sector may be seldom recognised, there is even less recognition that it has anything to teach the private sector, despite the point made by Stewart above.

Similarly, the view of Stewart that services are placed or remain in the public sector because the private sector does not provide an adequate means of delivery was being questioned then and, fifteen years on, is perhaps even more open to question today. The Conservatives were convinced of the 'supremacy' of the private sector and the need for the public sector to import private sector techniques, and in many ways these are beliefs which have been accepted by Labour. Nonetheless, the dangers of applying such beliefs remain, as highlighted by Stewart and Walsh [41, p.512]:

One of the dangers of emerging patterns of public management is that approaches that have value in particular situations are assumed to have universal application. Public organizations carry out a wide range of activities subject to very different conditions. If in the past there were dangers in the universal assumption of direct provision of services in organizations structured by hierarchical control, there

may, equally, be danger in the new assumptions that are replacing it, if universally applied.

However, perhaps a more fundamental point can be made concerning private and public sector models. Although it is perfectly legitimate and sensible to question the applicability and relevance of the private sector model to the public sector, it is also legitimate to question the validity of the private sector model *per se*, though this is not often evident in the literature. Some commentators, *e.g.* Hutton [41], point to fundamental weaknesses in the political, economic and financial institutions of the UK as contributors to relative economic decline. For Hutton, endemic short-termism and propensity for damaging take-overs characterise the UK and show no sign of changing. Short-termism is exacerbated by, for instance, inadequate investment, inadequate training, lack of competitiveness and all in turn worsened by financial scandals, *e.g.* Enron, and personal greed. Hutton's work has its critics *e.g.* Wolf [43] but his analysis is one which appears to have considerable support. It at least forces questions to be asked about the private sector model and reinforces the reservations concerning its public sector manifestation, *i.e.* the new public management.

Nonetheless, its application continues and the merits of competition and customer-focus, with concomitant emphases on restructuring, measuring performance, *etc.*, are stressed as key characteristics of the new public service environment.

## Conclusion

The management of public services has undergone significant change, particularly since the mid-1970s. Private sector values and techniques have been imported as change has been imposed. Bureaucratic and monopolistic provision of services, and the alleged concomitant indifference to the consumer, have been replaced by a sharper focus on customer care and efficiency, delivered largely by means of restructuring, market forces and an emphasis on performance measurement. This managerial revolution, though perhaps overstated, had its origins in the political and economic ascendancy of the New Right and has had fundamental implications, not least for those who work in the public sector.

These implications may be expected to be problematic for public sector managers, pursuing policies only for these to be reversed as political power changes. Policy reversals, however, are likely to occur within the lifetime of a party in power and not necessarily because of changes in political control. It may be argued that a feature of public management over the last twenty five years, reflecting the broad, international ideological hegemony of the New Right,

has been not so much that of policy reversals driven by party political change but, rather, that of policy modification and development, reflecting a certain continuity in central governments' strategic priorities for public expenditure and public services, *i.e.* reduce their scale, increase their exposure to market forces and effect cultural change such that delivery is modelled on the private sector. This continuity in turn reflects the acceptance by the Left of key features of the New Right agenda.

It is perhaps ironic that efforts intended to challenge the New Right consensus appear only to confirm it. In July 2003, for instance, a 'progressive governance' conference was held in London, led by UK Prime Minister Tony Blair. Over 500 policy advisers and 13 heads of government attended. The purpose of the conference ([www.progressive-governance.net](http://www.progressive-governance.net)) was, *inter alia*, to formulate a 'Centre Left' policy agenda in the context of prevalent and anticipated political and economic trends, including the renewed ascendancy of the New Right, as evidenced by a Republican president in the United States (US) and the dominance of the Right in Europe. This followed a period of Centre Left ascendancy, in the US, under former President Bill Clinton, and in Europe, not least the UK with Labour coming to power in 1997 following 18 years of Conservative rule. Blair's [44] wish is to 'shift [the centre of gravity] back to the centre left' and, though he was referring to British politics, it is an aspiration that would have been shared by the progressive governance conference participants. The fact that the centre of gravity has shifted from the centre left reflects, in particular, the changed political environment of the last quarter of the twentieth century. The irony, however, is that policies intended to be 'radical', reflecting a determination and commitment to 'modernise' often reflect the New Right agenda rather than demonstrate a Centre Left response to it. Using the UK as an example, although there are examples of 'interventionist' policies introduced by Labour that would not have been implemented by the Conservatives (including, for instance, the introduction of a national minimum wage), Labour is also pursuing 'market' policies to an extent greater than would have been expected under a Conservative government (including the intention to introduce 'market forces' to higher education). Whether this continues to be the case, or whether a genuine social democratic consensus will again emerge in the UK and internationally, has yet to be seen but, for now, the management of public services will continue to reflect the emphasis on the merits of market forces and private sector managerial techniques.

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### **Viešųjų paslaugų naujoji viešoji vadyba: Jungtinės Karalystės patirtis**

#### Reziumė

Politinės aplinkos kontekste straipsnyje nagrinėjami pastaraisiais dešimtmečiais vykstantys viešosios vadybos pokyčiai. Remiantis Jungtinės Karalystės pavyzdžiu, parodoma tradicinio viešojo administravimo ir naujosios viešosios vadybos prigimtis, privalumai ir trūkumai. Akcentuojama, kad, nepaisant kai kurių naujosios viešosios vadybos keliamų pavojų, Jungtinėje Karalystėje naujoji viešoji vadyba sėkmingai taikoma, manant, kad ir ateityje viešoji vadyba turėtų remtis kompetentinga veikla, siekiant kuo geriau tenkinti klientų poreikius, ir kad tai turėtų būti siejama su viešųjų paslaugų teikimo įstaigų restruktūrizavimu, veiklos indikatorių sistemos tobulinimu ir pan.