

New Public Management: An Assessment of Impact and the Influence on Public Administration

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Abstract

The argument of this paper is that the traditional model of public administration has undergone major changes and effectively replaced by a new model of public management. This change represents a paradigm shift characterized by a shift from administration to management, and from bureaucracy to market. This transformation was a result of the economic pressure which resulted from the ongoing financial crises which was associated with the rise of conservative political parties within Western democracies. Conservative Political Parties were exceedingly critical of the public sector bureaucracy. Politicians were highly motivated towards reducing the public sector growth as part of political commitment to retrenchment policies. Both the economic crisis and the political intentions were also associated with the third factor, that of the emergence of new conservative economists whose theories brought new perspective to public sector bureaucracy.

Keywords: Public Administration, New Public Management, Bureaucracy, Welfare State

Introduction

In the last three decades, public administration has undergone major changes. These changes were in response to the fundamental societal and economic evolution resulting from the development of a global economy, the end of the Cold War, and the spread of information technology. In one simple and straightforward form of analysis, this change in public administration theory and practice was mainly a movement of reform wherein which the theory of bureaucracy was replaced by economic theory and the historic mode of the machinery government was replaced by private management practices and referred to as New Public Management –NPM (Pyper, 2015). The traditional model of public administration was based on Woodrow Wilson's politics/administration dichotomy, Max Weber's bureaucracy, and some adaptation to Taylor's scientific management (Koht, & Reinholde, 2015). The practice of traditional model of public administration was based on specialization, centralization and rigid control. This traditional model of administration is obsolete and has been effectively replaced by a new model of public management. This change represents shift from administration to management, from bureaucracy to markets and a more realistic view of the relationship between the political and administrative leadership. By the beginning of the 1990s, a new model of public sector management had emerged in most western democracies. For instance, In the United Kingdom there were reforms in the 1980s, such as the widespread privatization of public enterprises and cuts to other parts of the public sector during the Thatcher government. In the United States, Bill Clinton reform agenda was targeting the culture of American federal through four key principles: (i) cutting red tape 'shifting from systems in which people are accountable for following rules to systems in which they are accountable for achieving results'; (ii) putting customers first; (iii) empowering employees to get results; and (iv) cutting back to basics and 'producing better government for less' (Gore, 1993, pp. 6–7). These reforms have developed in response to many social, political and historical factors. The first factor is the economic pressure which resulted from the financial crisis in the late 1970s, an economic crisis which was associated with the second factor - the rise of conservative political parties within Western democracies; parties that were exceedingly critical of the public sector bureaucracy (Lindberg, Czarniawska, & Solli, 2015). Politicians were highly motivated towards reducing the public sector growth as part of political commitment to retrenchment policies. Both the economic crisis and the political intentions were also associated with the third factor, that of the emergence of new conservative economists whose theories brought new perspective to traditional public administration (Pollitt & Dan, 2011).

With regard to cost-effectiveness, labour planning always opts for the minimum amount of workers needed to deal with the daily operations, as well as the probable rate of disturbance (Lim *et al.* 2008). The workforce disturbance is often ascribed to absenteeism and turnover, which may result in considerable loss of productivity for any labour-intensive division (Easton & Goodale 2002). Buffering with redundant skilled workers (Molleman & Slomp 1999) or relief workers (Redding 2004) might be a direct solution to absenteeism; however, the rising labour cost must be justifiable due to the fact that underutilisation of labour during low demand seasons is considered a waste of resources. Absenteeism is the measure of unplanned absences from workplace due to some reasons like personal emergency, accident, illness, etc. Turnover occurs when an active worker resigns from the company of his own accord, thus leaving a vacant post until a replacement is found. If such disturbance has caused a large number of tasks become unattended and overdue, the company is then vulnerable to overtime cost, shrunk capacity and productivity, extra queuing time, lost business income, etc. In order to prevent these deteriorative effects, optimising the number of workers can be helpful. As a fundamental

branch of knowledge in manufacturing business, workforce management will never fall behind the times. Therefore, it is worth an attempt to incorporate a novel methodology, such as HMS, into the state of the art of workforce sizing.

Traditional Public Administration

The nineteenth century was witness to the beginning of traditional public administration taking from Woodrow Wilson's argument in 1886 on the separation between politics from administration, and Weber's theory of bureaucracy (McCandless & Guy, 2013). These two were arguably the most important theoretical principles of traditional public administration. Traditional model of public administration was also adapted to Fredrick Taylor's scientific management. The first pillar of early public administration was highly influenced by Woodrow Wilson's argument on the necessity of the strict separation between politics and administration (Hughes, 2012). Essentially, the idea is that public administrators are to carry out an implementation role without participating in the political aspect of the policy implementation (De Vries & Nemeč, 2013). The second pillar of traditional public administration was Weber's theory of bureaucracy, which was the most important theoretical principle of traditional public administration. According to the Weberian bureaucracy, the organizational principles for public administration were ideal type principles based on rational-legal authority, and primarily focusing on "equity and fairness" trying to provide "uniform provision of service through centralized control, utilizing standardized employment practices and legitimated through democratic accountability." (Greener, 2009, p.51). Dunsire summarized these principles in his work "Then and Now Public Administration, 1953-1999" using Stewart and Walsh (1992):

- Public provision of a function is more equitable, reliable and democratic than provision by a commercial or voluntary body;
- Where a ministry or other public authority is responsible for a function, it normally carries out that function itself with its own staff;
- Where a public body provides a service, it is provided uniformly to everyone within its jurisdiction;
- Operations are controlled from the headquarters of the public body through a hierarchy of unbroken supervision;
- Employment practices are standardized throughout each of the public;
- Accountability of public servants to the public is via elected representative bodies. (Dunsire 1999, p. 361).

The bureaucratic form of organization was considered the only form of organization capable of dealing with the size and the complexity of public organization, while sustaining accountability (Fry & Raadschelders, 2013). This model was also reliant on some adaptation of management theory from the scientific management movement originated in the work of Fredrick Taylor (1911), whose theory of scientific management focused on standardizing work based on finding the best way of working (Shafritz, Edward & Borick, 2015). These ideas were carried over into public administration and were later introduced by Gulick and Urwick's (1937) 'POSDCORB' set of management functions: planning, organizing, staffing, directing, coordinating, reporting, and budgeting. In this context, public administrators were mainly tasked with the responsibility of implementing these seven functions of management under a strict hierarchal administrative system (Hughes, 2012).

The Impetus for Change

The agreement among scholar is there are various explanations concerning the adoption of NPM practices. These are mainly summarized as (i) the inadequacies in the traditional form of public administration. (ii) the economic pressures which resulted from the welfare financial crisis and (iii) the influence of the theoretical arguments of conservative market economists (Brinkerhoff, & Brinkerhoff, 2015; Haque, ,2007)

Problems with the Traditional Model of Public Administration

There was a great deal of inadequacies in the traditional model of public administration (Hughes, 2012). The bureaucratic hierarchal structures with excessive regulations exemplified technical weaknesses and inefficient organizational forms (Frederickson, Smith, Larimer, & Licari, 2015). Particularly in the late 1970's, there was an expanding bureaucracy in the welfare state, which promoted uncontrolled growth and expansion of governmental functions and the state accounted for most consumers' spending (Pollitt & Dan, 2011). The public sector witnessed an enormous staff expansion and public organizations' bureaucracy became a very expensive tool for controlling the public sector rather than supplying public goods. Therefore, traditional bureaucracy became synonymous with both weaknesses and a poorly performing organization and became a contributing factor to diseconomy (Fukuyama, 2013; Hood, 1974). Additionally, the standardized form of management practice limited innovation and creativity within public sector despite the increasing role of the state. Scientific management introduced by the 'POSDCORB' set of management functions: planning, organizing, staffing, directing, coordinating, reporting, and budgeting, was not able to meet the challenges of the social and economic changes within societies. Wilsonian politics administration dichotomy was also unrealistic and did not address

the complexity of the relationship between political leadership and bureaucrats (Hughes, 2012).

The Keynesian Welfare State Financial Crisis

From the policy side, governments pursued the Keynesian form of social and economic reproduction policy to secure full employment within the national economy (Jessop, 1999). In the 1970s, the economic crisis arose due to both the changes in the social, economic and political conditions, as well as to the state's increased spending. As a result, a new ideology in the political economy began criticizing the current form of government (Starke, Kaasch, & Van Hooren, 2013; Strake, 2006). This was associated with the rise of right wing parties and resulted in attempts to implement cutback programs and change the foundation of the welfare regimes; however, there remained no political consensus on a radical reform system for the social and economic policies as politicians were not willing to accept the high political costs of such change (Hemerijck, 2012; Peter and Pierre, 2006; Myles and Paul, 1997). Therefore, governments in Western democracies began reconsidering current public administration practices and shifting towards building a system of government that worked more efficiently and effectively (Aldred, 2012).

The Conservative Market Economists' Critique

The rise of the theoretical arguments of the conservative market economists' in the 1960s and 1970s also had major influence on the reform of public administration. It remains that the conservative market economists were mainly responsible for the rise of New Institutional Economics (NIE) theory such as public choice theory and principal-agent theory. There was a notion of reducing the size of government based on the theoretical arguments of public choice theorists. The theory of public choice was the application of the economic theory into the political and social arenas (Hughes, 2012). At the heart of the public choice argument rested the model of "rational actor" which argued how bureaucracy misunderstood as well as misrepresented bureaucrats as the idealists in economic terms (Niskanen, 1971). Public choice theorists argued that traditional bureaucratic structure failed to provide the same incentives and rewards one finds in the market; therefore, to consider bureaucrats as the rational actors would only – through the use of bureaucracy - maximize their own utility functions, increase their prestige, power and income, rather than advance organizational goals (Dunleavy, 2014; Hughes, 2012). For instance, Niskanen (1971) emphasized how the legislators and bureaucrats behave in monopoly market settings, and how this then leads to the low supply and inefficiency of the state provision of public goods. This public choice critique of the traditional form of public administration – and particularly the bureaucratic organization - lead to the conclusion that markets and State are opposing forms of production and that markets are in fact more efficient and more effective (Hughes, 2012).

The Nature of Change

Given the convergence of the multiple strong triggers for change in Western systems, comprehensive public sector reform was inevitable. This change was mainly intended to improve public service, measure and improve performance, reduce red tape and cost with more public participation (De Vries, & Nemec, 2013). The NPM movement can be mainly referred to what Hood (1991) titled the "marriage" between the theories of new institutional economics and "business-type managerialism" (Hood, 1991, p.6). Furthermore, Gray and Jenkins (1995) argued that NPM is based on public choice economics and corporate professional management with high discretionary powers, and results orientation (Gray and Jenkins, 1995, p. 3). Christopher Hood (1991) introduced the seven doctrinal components of NPM in his seminal article "Public Management for All Seasons":

- Hands-on professional management in the public sector
- Explicit standards and measures of performance
- Greater emphasis on output controls
- Shift to disaggregation of units in the public sector
- Shift to greater competition in public sector
- Stress on private-sector styled of management practice
- Stress in greater discipline and parsimony in resource use (p.7)

These main components reveal the influence of NIE theory on the development of NPM. The NIE ideas focused on user choice, transparency and other ideas that emphasized the incentives structure and doctrines that are different from traditional bureaucratic administration (Hood, 1991). In this context, organizations are viewed as a chain of low-trust principal/agent relationships with contractual relationships that link incentives to performance (Hood, & Dixon, 2015). Therefore, NPM aimed at adopting performance contracting and was also used as an instrument to reform existing government departments into government corporations or state-owned enterprises to eliminate the rent seeking opportunistic behavior and principal/agents relationship that dominated the traditional model of public administration (Alonso, Clifton, & Díaz-Fuentes, 2015). Public managers were granted operational flexibility and more significant roles than before, while held accountable for the performance of the enterprises through a system of rewards and sanctions aimed at limiting the presumed principal/agent relationship (Williams, Rayner, & Allinson, 2012; Labri, 1999). The new transition took different dimensions

and focused on improving the management of public sector agencies based on developing systems in which emphasis was placed on results rather than hierarchy (Politt, 1993). The relationship between public managers and politicians was altered and became more synergetic than before (Hughes, 2012). Public managers are becoming more involved in policy matters but with greater stewardship on behalf of the public. This new focus revealed the transfer of managerialism from private-sector corporations to welfare-state services (Politt, 2015). Public sector organizational performance became directly linked to the organization's managerial ability, and the adoption of managerialist private sector practices such as performance management and accrual accounting (Laegreid, & Christensen, 2013). In this context, budgets are reworked within accounting terminology with costs attributed to the outputs and outcomes rather than inputs. The new character of the public organization embraces convenience, ease of change and management, and organizational mission commitments (Dixon, Kouzmin & Korac-Kakabadse, 1998). Managerialism also reshaped the character of public managers and public servants. Public managers became entrepreneurs of a new, leaner, and privatized government focusing on collaboration and network management, serving and empowering citizens rather than controlling bureaucracies and delivering services (Denhardt and Denhardt, 2000). Public servants adopted the business management practices to become more performance oriented, implement organizational change when it is needed, adopting strategic planning on the micro-level, considering quality service and value for money through lower cost, while on the macro-level, considering vertically flatter organizational structures with less formalization and more closeness to clients (Hood, & Dixon, 2015).

Conclusion

New Public Management sought to use the management techniques of the private sector to introduce a system of government administration that “proactively” creates economically efficient governments and brings strategic management with rational leadership to the public sector (Haynes, 2003, p. 11). The introduction of NPM's new mechanisms to public management resulted in major changes to procedures, processes, chains and network relations between the organizations and within nested governmental bodies. For instance, privatization included changing relations between government, private and non-profit organizations to cooperate and interact. New agencies emerged and new systems and subsystems within government were introduced. Contractual procedures dominated new organizational forms and new operating procedures. NPM reinvented public administration and brought to the public sector more creative delivery systems through restructuring and private sector involvement. Government was able to secure more efficient service delivery systems to replace the dysfunctional bureaucracy (Hood, & Dixon, 2015; Caiden 1991, Ford and Zussman, 1997). Additionally, NPM reform introduced new approaches to make public sector more client focused. These new approaches, such as public opinion polls and market research instruments, allowed public administration as a discipline to respond to the different intellectual movement that emerged in the last few years.

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