A Review of the Criticisms and the Future of New Public Management

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Abstract

New Public Management (NPM) reforms are being implemented in developed and developing countries in response to economic pressures and the changing demands of society. As NPM ideas are now more than a decade old and their impacts on societies are becoming clearer, there are considerable criticisms emerging about the NPM movement. The purpose of this paper is to examine the criticisms of NPM on the issues of internationalization of NPM, the philosophical base or the body of knowledge generated by NPM and the results achieved from its application. Among the conclusions are that, while there are a growing number of criticisms about the NPM movement, the practical experience of the NPM movement and the changes that are likely to appear in public service administration in both developed and developing countries suggest that NPM is likely to continue well into the future.
A review of the criticisms and the future of New Public Management

Introduction

Public management reform has become an important subject of research in the last two decades in many developed and developing countries. It has become important because it is related to improving the effectiveness of the government in response to the changing demands of the society. Peters & Savoie (1998,p.4) noted

Histories may well look back fifty years from now and declare that the 1980s and early 1990s constituted a watershed in public sector reforms, at least in several countries. It seems that governments introduced every conceivable measure possible to fix their operations.

The deteriorating financial situations of the governments coupled with increased demand for better services were indeed the major contributors for the search for a new reform model in many countries. Now, it is claimed that the way governments operate has changed. Taking the case of Australia, Considine and Painter (1997,p.1) argued that

In the past fifteen years the organization of the Australian public sector has undergone a revolutionary transformation. Federal, state and local government, and their varied dependencies, have felt the full force of internal structural change and a major shift in external expectations. Everything from conditions of employment to methods of budgeting have been altered and reordered according to new principles and ideologies. Relationships between organizations have also changed, with central agencies, in particular the finance ministries, taking a tight grip of the new throughput-and output-based performance systems. These transformations have taken place at the same time as significant levels of deregulation and privatization of public services have occurred. Policy makers have also moved to reduce public spending, restrain public investment and limit taxation.

This wave of changes in Australia and many other OECD member countries was called a movement of 'New Public Management' (NPM).

Many developing countries started reform programs in an organized way in the 1980s under the Structural Adjustment Program (SAF) led by The World Bank and the
International Monetary Fund. These countries first concentrated on macro-economic stabilization, which was termed as ‘first generation reform’ and then moved on to ensuring good governance known as ‘second generation reform’ (World Bank, 1997). Management gurus and consultants hired by the donor agencies and attached to the aid package to each recipient country, helped in transferring the NPM knowledge of developed countries to developing countries (Common, 1998b; Dolowitz & Marsh, 1998). The reform principles and practices applied by developed countries have now become a subject of great interest to many developing countries, including Nepal, as these principles have appeared in governments’ reports. Consequently, many developing countries are now experimenting with the concepts of NPM in shaping their governments (Larbi, 1998; Lienert & Modi, 1997; Tindigarukayo & Chadwick, 1999; Devas et al, 2001).

For many countries, the theories and philosophies of NPM were new a decade ago, and although untested, were received with great interest and enthusiasm. These theories and philosophies are now more than a decade old. Countries that applied the NPM philosophies, partly or fully, have started realizing its impacts on societies in general. Researchers and academicians have played an indispensable role by producing literature on the strengths and weaknesses of NPM doctrines based on the realities they observed from their points of view. As Savoie (1998, p.394) noted “we have witnessed a great deal of change in the public sector during the last fifteen years” and argued that whether those changes were successful or not, they are subject to multiple and often conflicting explanations. It could be a success story for some, or failure for others depending upon the perceptions and contexts in which one analyses the reforms.

There are considerable arguments generated in the academic literature on issues such as globalization or internationalization of NPM (Hughes, 1998; Common, 1998a; Hood, 1995; Cheung, 1997; Aucoin, 1990); the philosophical base and body of knowledge (Common, 1998a; Maor, 1999; Minogue, 2000; Alford, 1997; Lynn, 1998) and the results achieved so far from the application of NPM philosophies (Considine, 1997; Lindquist, 1997). The aim of this article is to analyse the arguments put forward against or in favor of NPM in the academic literature and draw some conclusions about the continuity of NPM in the future.

What is New Public Management (NPM)?

Before we move on to discussing the emerging paradox of NPM, it may be appropriate to present in brief the concepts and philosophies of NPM. Hood (1991), who probably coined the term ‘new public management’, noted seven important inter-related components. They are: hands-on professional management; explicit standards and measures of performance; greater emphasis on output controls; a shift to disaggregation of units in the public sector; a shift to greater competition; a stress on private sector styles of management practice; and a stress on greater discipline and parsimony in resource use. Hood proposed NPM, as an administrative philosophy for governments, to be results-oriented and productive.

Pollitt (1995) also summarized NPM in terms of eight inter-related components. They were: cost cutting, capping budgets and seeking greater transparency in resource
allocation; disaggregating traditional bureaucratic organizations into separate agencies; decentralization of the management authority within public agencies; separating the function of providing public services from that of purchasing them; introducing market and quasi-market type mechanisms (MTMs); requiring staff to work to performance targets, indicators and output objectives (performance management); shifting the basis of public employment from permanency and standard national pay and conditions towards team contracts, management related pay (PRP) and local determination to pay and conditions; and increasing emphasis on service 'quality', standard setting and 'customer responsiveness'.

Many other authors have viewed NPM in different ways. Much has been said and written about NPM (refer Hughes, 1998; OECD, 1995; Gore, 1992; Osborne & Gaebler, 1992; Gruening, 1998; Atreya 2000; Armstrong, 1998). The conclusion that can be drawn is that there is no complete agreement as to the make-up of NPM although there are many more similarities than dissimilarities in the academic literature. However, one common point agreeable to all concerned was that the aim and objective of NPM reform was to make governments effective and responsive to citizen demand.

The philosophies and concepts of NPM were derived from two main sources. One was from the managerial practices of the private sector, popularly known as 'managerialism' and the second was from the field of economics, notably public choice theory, agency theory and transactional costs theory, among others (Hughes, 1998; Boston et al, 1996). The ideology of managerialism was that better management offers societies the best chance of material success. It was believed that private sector management principles and practices are equally applicable to public agencies. Boston et al (1996) suggested that the essence of managerialism lies in the assumption that management is a generic, purely instrumental activity, embodying a set of principles that can be applied to public and private businesses. The rational view that came from economics was that "all human behavior is dominated by self-interest and would like to maximize benefits" (Boston et al, 1996, p.17). Therefore individuals should have more choices for individual satisfaction and efficiency reasons. This was the logic of public choice theory. Agency theory put forward the argument that principals should be distinguished from agents so that the principal could control and make the agent accountable for the results. Institutional economics theory, which is also called transaction-cost theory, argued that since all individuals act in their self-interest and would likely prefer to maximize benefits for their own satisfaction, it is important that the transaction costs of each service be examined. Based on these theories, a wide range of activities (reducing the role of government, downsizing, cost cutting, introduction of agencies model of structure, separation of purchaser and provider, introducing market mechanisms (privatization, contracting, commercialization, market testing, etc.), decentralization of management authority, performance management, and greater concerns on quality and customer responsiveness) are being undertaken by many developed countries to make government effective and responsive to citizen demand.

**Emerging paradoxes of New Public Management (NPM)**

Having reviewed in brief the concepts and philosophies of NPM and its theoretical origins, let us examine the paradoxes of NPM. The discussion is grouped into three
main issues, i.e., the internationalization of NPM, philosophical base and the body of knowledge and the results of NPM reforms.

**Internationalization of NPM**

First of all, there is a considerable debate as to whether NPM is an international phenomenon or a phenomenon at all. Is it a new paradigm? Though OECD (1995), Osborne and Gaebler (1992), Hughes, (1998), and Aucoin (1990) have argued for the internationalization of the public management; there are others to argue against this international phenomenon. For example, Cheung (1997) questioned the 'globalist' interpretation of public sector reforms on the ground that there is no ‘one best practice’ to public sector reform and a ready-made solution applicable to all countries, and countries have taken different reform initiatives at different times for different reasons. While there may appear to be some kind of convergence in terms of reform rhetoric and the generalized ends of reform, Cheung (1997) argued that the means employed to pursue the ends are of considerable variety in both locus and focus depending on the history, politics and institutional features of the countries involved. Cheung (1996) also argued that public management reforms in Hong Kong in the 1990s had little to do with globalization pressures but was more a political one. Its generalization to developing countries was also questioned.

Hood (1995, p.104) advanced three objections against the claim of an emerging new global paradigm of public management. He argued that

Contemporary reforms ideas, particularly those advanced by Osborne and Gaebler are culturally plural rather than homogeneous; there are substantial biases toward exaggerating international similarity in public management reforms, but that the similarity weakens when we go beyond semantic packaging to examine the specific content of reform initiatives; and there are also built-in biases for overstressing the continuity of contemporary public management reforms, but that in fact there are major obstacles to the emergence of a stable new paradigm in public management. One is the underlying mutual repulsion of the multiple reform paradigms today, and the other is the frequency of self-disequilibrating processes in public management reform associated with the production of unintended side-effects and reverse effects.

Looking at 15 years of change in Finland, New Zealand, Sweden, and the UK, Pollitt and Summa (1997) also argued that a uniform 'one-track' picture of public management reforms sweeping over these countries is not at all true, and reached the conclusion that in the 'Westminster system' countries, the aim appears to have been to minimize the extent and distinctiveness of the state sector, whereas in the Nordic countries much
greater emphasis has been placed on modernizing the state apparatus so that it can deal better with a changing environment.

Gruening (1998, p.25-26) quoting Kuhn's (1976, 194ff) work 'The Structure of Scientific Revolutions' defined the term 'paradigm' as "concrete examples for the solution of scientific problems" and, adding more, it "is the disciplinary system of a science and consists of laws, definitions, metaphysical orientation hypotheses, values and concrete examples" and reached a conclusion that "the new public management is not a new paradigm for the political administrative sciences. The scientists of the political administrative sciences are far away from agreement about a disciplinary system".

Common (1998a) argued that the new global paradigm of NPM remains largely unsubstantiated and noted that possibly in the name of policy transfer, which is in progress across countries in a piece-meal fashion, we opt for claiming the internationalization of NPM. Common concluded by declaring globalization of NPM a misnomer for the scattering of management techniques around the world.

Reform experience in Central and Eastern Europe also did not confirm the notion of a global convergence of the NPM reforms. According to Hesse (1997, p.143)

looking at public sector reforms in comparative perspective ‘global convergence’ is indeed not a characteristic to be detected within the environments of Western and Eastern Europe. What has become more than clear over the last decade is that state traditions, administrative cultures and specific historic legacies (that embrace in the case of Central and Eastern Europe much more than the communist period) have to be taken account, and that the fashionable way of introducing public management formulae into the routines of handling public affairs carries only limited and much too timely weight.

While some authors contested the internationalization of NPM, there are many actors that have contributed support for its globalization. Governments have made contributions to the globalization of this subject by producing official documents and reports. International organizations such as the International Monetary Fund (IMF) and the World Bank have played a greater role in the process of NPM policy transfer to its member countries through its aids package (Dolowitz and Marsh, 1998; Common, 1998b). The Organization for Economic Co-operation and Development (OECD) has been actively involved in evaluating the progress of public management development in the OECD member countries. Guthrie (1997, p. 3) commented that “the subject clearly would not be as popular if it had been labeled simply as “public management” – the promise of something “new” is attractive, especially to those labeled inadequate and old-fashioned”. Academic and professional journals in fields as diverse as medicine, education, social science, politics, management, administration, finance, and government regularly contain articles on the NPM (Guthrie, 1997). Reports and notes
from management consultants and professional managers have also aided its popularization.

Boston (1994) in his work "Origins and Destinations: New Zealand's Model of Public Management and the International Transfer of Ideas" summarized some of the key mechanisms for the transfer of ideas. Some of the mechanisms responsible for the internationalization of NPM ideas were: international organizations such as OECD, World Bank, Commonwealth Secretariat, international consultancy firms with expertise in public management; international conferences on the subject, intergovernmental contacts, i.e., multilateral and bi-lateral consultations, meetings, departmental secondments, exchanges and delegations; educational and research programs, i.e., university based education, training and management development programs, and academic literature, and other publications, i.e., journals specializing in public administration, governmental reports, and conference proceedings.

The foregoing comments from various authors suggested the need for further research on what exactly a 'new paradigm' means? What is meant by the international phenomenon? In simple terms, if it meant the transfer of ideology (such as the concepts of transparency, accountability, downsizing, decentralization, privatization and so on) to other countries, though in piece-meal fashion, these concepts have been embodied in all reform programs in developed and developing countries. The 'first generation' and 'second generation' reforms underway in many developing countries, including Nepal, are trying to streamline the government machinery through using the elements incorporated in the NPM (ARC, 1992). But, if the term is to be used in more specific ways, such as Gruening (1998) has noted or as Common (1998a, p.441) has used 'globalization to mean the universal application of public policy', in that sense researchers are possibly right in arguing that there is no reform formula that fits all countries.

Philosophical base and body of knowledge

Secondly, there is quite a sizable number of researchers who questioned the theoretical basis of NPM and the extent to which NPM has produced a body of knowledge. Common (1998b, p.60) asked "Does the new management orthodoxy amount to little more than a collection of techniques applied here and there"? He argued that NPM lacked a precise definition of its own.

Hood (1991, p.8-10) noted four main counter-claims of NPM: first, "NPM is like the Emperor's New Clothes in the well-known Hans Anderson story-all hype and no substance, and in that sense a true product of the style-conscious 1980s"; secondly, "NPM has damaged the public service while being ineffective in its ability to deliver on its central claim to lower costs per (constant) unit of service; thirdly, "in spite of its professed claims to promote the 'public goods' (of cheaper and better public services for all), is actually a vehicle for particularistic advantage"; and fourthly, is about the "NPM's claim of universality".

Another paradox has been put forward by Maor (1999) about the ideology of managerialism. On the basis of a comparative analysis of changes in senior officials'
tenure security and protection from external competition in Australia, New Zealand, Canada, the United Kingdom, Austria and Malta between 1980 and 1996, Maor (1999) claimed that political executives have lost their control over the implementation of their policies following managerial reforms put in place under NPM and argued that this makes them hunger for more control over the bureaucracy. As a result, the public service has become more, not less, politicized following the managerial reforms, and the senior servants find their positions becoming more insecure due to the political executives' desire for more control.

The NPM philosophies are mostly based on public choice theory. However, the basic philosophy of public choice theory was also questioned. For example, Boston et al (1996) noted that, the assumption adopted by public choice theorists, that all human behavior is dominated by self-interest, is questionable. The same argument neither applies for politicians or bureaucrats in that they are not always governed by personal interest nor do they try to gain benefits in all contextual situations.

As to managerialism, (Boston et al, 1996, p. 36) argued, "NPM has been challenged on the grounds that it enjoys neither a secure philosophical base nor a solid empirical foundation". A similar view was also put forward by Painter (1997). It was also argued that the principles of private sector (managerialism) may not be equally applicable to the public sector, nor are they superior to, to serve as a benchmark for those in the public sector. For example, Boston et al (1996, p.39) argued that private sector management practices are not equally applicable in all public organizations. Nor should it be assumed a priori that private sector organizations are better managed than public sector ones. Against this, it is equally wrong to assume that private sector practices should have no role in the public sector or that managerialist doctrines have no relevance to public sector organization.

It was argued that the public sector is different from the private sector. For example, Painter (1997, p. 42) argued that "most areas of public service and administration have distinct political, ethical, constitutional and social dimensions" that render it different from the private sector. Alford (1997) arguing on the issue of difference between the public and private sector noted that public sector managers produce non-market values in addition to market ones; the market for which these values are produced is different from that of the private sector managers; the public sector managers use more diverse resources than just the economic resources in the private sector and utilize a more sophisticated range of productive capabilities than in the private sector. Thus the notion that the public and private sector operates in more or less the same way is questionable.

Lynn (1998) has been more critical about the NPM. He argued that NPM will fade away and researchers could write the post-mortem of NPM soon. For the reasons he argued that

the initial shape of the Westminster reforms that inspired
the term will eventually be disfigured in the course of
political succession, and partisans and scholars alike will
see new opportunity in proclaiming the metamorphosis or
death of the NPM; as comparative work across countries and sectors accumulates, fundamental differences among reforms will begin to eclipse superficial similarities; the term 'new' will be viewed as an inconvenient adjective for emerging themes or objects of inquiry; and political debate will require a fresh theme to attract attention to and support for the next wave of ideas for administrative reform (Lynn, 1998, p.232).

The above discussions showed that NPM has been criticized for not having a precise definition of its own, nor having a sound philosophical base. The body of knowledge, which was mostly imported from the private sector, known as managerialism, was contested on the solid principle that the public and private sectors are not the same, and therefore theories of the private sector are not relevant in public sector. A fundamental difference is in their objectives - the private sector is profit oriented whereas the public sector has to be service-oriented to ensure societal equity. Moreover, the public sector has the power of 'regulation' to control, restrict and punish when things go wrong in the market economy.

While the debate about the relevance of managerialism will continue in the future, the practical experience in some developed countries, such as in Australia showed that government agencies are transformed to business-like management. Employees work on a contractual basis as in the private sector. Many of the government functions are performed using market mechanisms. Contracting out has become an important tool for performing non-core government functions (Armstrong, 1998). Examples of an agency model of structure are found in the United Kingdom, New Zealand and Australia. This means that managerialism has been put into practice in a number of countries. Are these concepts successful in generating the desired results? Indeed it is a difficult question to answer. However the following section sheds some light on this issue.

**Results of NPM reforms**

OECD (2000) noted that the purpose of reform is to make government more responsive to society's need. Were NPM reforms successful in making government more responsive to society's need? Indeed this is a complex issue and a positive response is hard to justify. A detailed analysis of the results of the reforms is constrained because of the lack of comparable data and the complication of the methodological requirements that Pollitt (1995) and Boston (2000) identified. However, more than a decade of reform experiences has generated some learning and lessons. Many authors (Considine, 1997; Common, 1998b; Halligan, 1997; Lindquist, 1997) have argued that the results of the NPM movement showed the weaknesses inherent in it.

Taking the case of Australian reform, Considine (1997) argued that the managerial revolution in reality has produced small achievements; the costs for the achievements have been high; and the means employed have been controversial. The reform strategy of the Australian government failed in two important respects: one, the reform
techniques were expensive and have actually increased costs in the short term; and two, an attempt to save costs in reality has damaged the organizational capacity to maintain quality services and innovation. The reforms focused on the short-term benefits and missed the main reform needed. The corporate management framework does not deliver lasting improvement to solve the turbulent situation created by persistent economic crisis, ideological attacks on the public sector and the new demand created by an emerging post-industrial society. He reached the conclusion that corporate management has failed in its attempt to deal with this turbulence problem because it is essentially a framework designed to 'circle the wagons' and ration supplies. Its overwhelming concern is to spend effort on systems to limit goals, focus effort on programs, cut slack and tie all activities to narrowly prescribe outputs. This produces increased central control and greater homogeneity” (Considine 1997, p.109).

Evaluating the reforms in Australia and New Zealand, Halligan (1997) argued the unintended outcomes, such as high social costs, high unemployment, economic inequality, growing distrust towards political responsibility and integrity, and the changes in income security, quality of life, the natural environment and inter-personal and inter-generational distributions. Referring to the Australian case, Halligan (1997, p.43) concluded "approaching 15 years of reform have not produced relief from change, but merely laid the foundation for more". This indicates that 15 years of reforms have not produced good results for the society.

With respect to the Canadian reforms of the last fifteen years, Lindquist (1997) argued that the reform impacts on civil society and on the quality of public discourse about governance are not satisfactory on the grounds that social disparity has increased; governments have not been able to show a vision for change; civil service employees are providing services to the ministers and citizens at the same level of services with limited resources, but the incidence of burnout and low morale are legion, and many are leaving the public service to join the private sector.

Minogue (2000), in 'Should Flawed Models of Public Management be Exported? Issues and Practices' questioned the appropriateness of NPM even in originating countries based on the results achieved so far in those countries. Minogue (2000) went on to argue that the literature on privatization and market-based mechanisms, such as contracting makes it clear that there is no hard evidence of real efficiency gains; the literature on civil service reform and executive agency restructuring suggests that the only clear result so far, other than a substantial reduction in numbers employed in the public sector, has been a serious loss of public accountability; and the literature on the application of NPM reforms to local government has been fiercely critical of increased ‘democratic deficit’, and the emasculation of local authority autonomy. It is virtually impossible to find rigorous evidence or evaluation of the impact (for better or worse) on public services, despite this being a major emphasis of the reform model.

It is quite early to reach to a conclusion that NPM reform models are flawed and not working to make governments more effective. So far, the subject lacks detailed
evaluation. Two major reports on the subject in Australia and New Zealand (Schick's report on the New Zealand Reform in 1996 and the Task Force on Management Improvement in Australia in 1992) have presented the strengths and weaknesses of the reforms. For example Schick (1996, p.1) argued that

the organizational cocoon of the old State sector has been broken open and structures reshaped through the application of the reforms' overriding principles. The State sector is more efficient, productive and responsive, and there generally has been significant improvement in the quality of services provided to New Zealanders. However, as with any leading edge technology, it may now be time to "debug" elements which have not worked as well as anticipated.

Similarly, the report of Task Force on Management Improvement (1992) concluded that the direction of the reforms has been correct and they have been well accepted and have had many positive effects.

Though some arguments have prevailed against NPM and its applicability, the trend seemed to be moving ahead with it rather than reversing back. For example, Schick (2000, p.148) noted that

in a leap of vision, one can foresee government of the future organized along very different lines than it is currently. A futuristic public service would work out of homes or out of communications hubs; it would consist of workers hired by business firms under contract with government; citizens would have broad choices in the public services they purchase; government departments would shrink to core political-polity functions; governments would adopt variable budgets, in which the volume of resources were linked to the volume of outputs and other measures of performance.

The future model of public service created by Schick (2000) endorsed the continuity of NPM in the future.

Similarly, Goodsell (2001, p.4) anticipating what public administration would look like in 2026 argued that

With respect to the organizational aspect, consciously-coordinated achievement of public missions seems to be giving away to decentralized performance of public functions by a wide variety of scattered institutions linked together by networks. By 2026 many although not all of our collective aims in society will be attained by entities associated with the civil society more than the government, such as autonomous
authorities, nonprofit organizations, community organizations, churches, and hybrid NGOs.

This suggested that the NPM movement would continue in the future to develop and build new governance structures that will complement and enhance the integration of government and society for the well being of all.

Conclusions

The aim of this article was to analyse the emerging paradox of NPM and draw a conclusion about the continuity of NPM in the future. The above discussions suggested that there is a continuing debate among the academic practitioners about the usefulness of NPM. The changes that have appeared or are likely to appear in many developed and developing countries through reform initiatives make us draw the conclusion that the NPM movement will continue in the future. It seems that there will be no reverting back to the old public administration. There are winners and losers in any reform, and for the winners, reforms could be a grand success and vise versa for losers. As NPM is a combination of techniques based on a complex ideology they have worked well in some countries while, in others, have faltered in the absence of some prerequisites that must be met. Maybe some could be flawed as well. A change has taken place in the ways governments are dealing with the societies’ needs, but at what 'cost' is subject to one's interpretation. The subject demands further research and evaluation.

References


