Concepts of New Public Management

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Concepts of Public Management

• **Introduction**

• Late 1980s and early 1990s: a drastic change/ transformation in the public sector.

• Traditional public administration (rigid, hierarchical and bureaucratic) changed to flexible and market based.

  A. A paradigmatic change/shift from the notion of public administration to public management.

  B. Bringing together **public administration, and business management**.

  C. A draconian change in the (1) role of government in the society and (2) the relationship of government with its citizenry.
This new paradigmatic change is understood differently:

- New/Managerialism (Politt, 1990) /Neo-Taylorism.
- New Public Management (Hood, 1991)
- Entrepreneurial Government (Osborne and Gaebler, 1993)
- Market based public administration (Public Administration Review, 1992)
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Challenges to traditional concept of Public Administration

• Administration is all in all.

• Hierarchical and bureaucratic principles most clearly enunciated by Max Weber as one best way of operating organization.

• Government is the sole and direct provider of goods/services. No alternative to it.

• Political and administrative matters could be separated.
  1. Administration: an instrument to carry out instructions
  2. Policy and strategy: domain of political leadership.

• Public administration: special form of administration, employed for life with an ability to serve any political masters equally.
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- These principles are challenged, rewritten and understood as following:

  ✓ Management is superior to administration.
    ✓ Management in private sector better than public sector.
    ✓ Good management: efficacious solution to economic and social problems.
    ✓ This discrete body of knowledge: portable, and universally acceptable.

  ✓ Delivery by bureaucracy is not the only way to provide goods and services. There are alternatives to government.

  ✓ Flexible management practice of private sector can be adopted by governments.

  ✓ No existence of politics-administration dichotomy.
    ✓ Political and administrative matters are intertwined.
    ✓ Commitment to people than party is the professional ethics of the government.
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What of new public management?

**British: new/managerialism**

- Focus on management not on policy
- Performance appraisal and efficiency
- Disaggregation and delineation of public bureaucracies into agencies in terms of functions, roles and units.
- Cost cutting mechanism
- Emphasis on output/targets/monetary incentives
- Freedom to management
  - For example: Bulk budgeting /Framework budgeting focusing on o/p with greater flexibility.
- Contracting out for enhancing competition.
Osborne and Gaebler (USA) 1992:

- Government needs to be reinvented.
- According to them, government can do much better than markets,
- But bureaucracy is neither necessary nor efficient

Their ten point programs go like this:
- Promote competition between service providers
- Empowering citizens by pushing control out of bureaucracy into the community
- Focus on outcomes, as measure of performance, not on inputs
- Be driven by goals and missions, not by rules and regulations
- Redefine clients as customers and offer them choices.
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- Prevent problems before they emerge/appear.
- Put energy on earnings than spending.
- Decentralize authority i.e. enhancing participatory management.
- Market mechanisms than bureaucratic mechanism as market is efficient.

Catalyzing all sectors:- public, private and voluntary to solve community problems

- Acc. to them: the 10 principles are fundamental principles of this entrepreneurial government.
- Together they form a coherent whole.
- They are not panacea, but if applied they will solve most of the problems.
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- New Public Management (Hood 1991), Kickert et.al. 1997)

1. Strengthening steering functions at the centre
2. Devolving authority, providing flexibility
3. Ensuring performance, control, accountability
4. Improving the management of human resources
5. Optimizing information technology
6. Developing competition and choice
7. Improving the quality of regulations, and
8. Providing responsive services
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This paradigmatic change happened because of many inter-related events like:

1. The attack on public sector:
   1. During 1980s and 1990s: Attack on the size, scope and methods of the government/bureaucracy,
   2. But at the same time more services were demanded from it.
   3. Also anti-governmental parties and leaders were at the head of the government.
      - For example: 1980: Ronald Reagan, USA
                    1979: Margaret Thatcher, UK
The whole concept of the role of public sector came under challenge. There are three aspects of it:

1. Scale of Government:

- Government simply is too large consuming too much of scarce resources.

- The concept and practice of welfare state of 1960s and 1970s with big size began to decline.

- Cuts to government spending are done. The champions: Spain, Italy, Germany and Sweden.
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2. Scope of the Government:

- Government involved in too many activities and alternative means of provision existed.

- Many governmental activities returned to private sector in United Kingdom.

- Privatization was the general phenomenon:
  - with also selling of assets in UK, western and Eastern Europe, even in the east and south East Asia in the beginning of 1990s.

- Other form of privatization: contracting out as less controversial method.
3. Methods of Government:

- Bureaucracy, especially, becoming highly unpopular form of social organization.

- It is tagged as mediocrity and inefficiency.

- If activities are to stay in government; it clearly indicated that other means of organization than bureaucracy needed to be found.
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2. Economic Theory:
- Government is the economic problem limiting economic growth and freedom.
- Limited government will improve welfare by improving economic efficiency.
- Markets are superior to bureaucracy in every respect.

2.1 Public choice theory:
- The most important economic theory applied to bureaucracy and politics with key assumptions as:
  - a) Political and administrative behaviour can be explained and predicted.
  - b) Politicians and bureaucrats are utility maximisers who seek to maximize/promote their own self-interest.

1. The best outcome will involve a maximum role of market forces and a minimal role of government. There is substantial body of evidence which reveals that private markets are better than government markets. If the role of government in supplying goods and services could be reduced, the economy will benefit.

2. Markets are also taken as having better mechanisms for accountability as opposed to a bureaucracy accountable to nobody.
2.2 Principal / Agent Theory

- Takes care of accountability aspect.
- Especially developed for private sector, this theory considers managers as agents and shareholders as principals.
- A principal (Or group of principals) seeks to establish incentives for an agent (Or group of agents), who takes decisions that affects the principal objectives.
- Shareholders wish maximum profit. Managers, the shareholder’s agents wish to have long term growth and their higher salaries.
- Thus, attempts to find incentive schemes for agents to act in the interests of principals. In addition to ensure their behaviour complies with the wishes of the principals, agents should have contracts that specify their obligations and rights.
3. Globalisation and competitiveness

Introduction

✔ Change in public sector also a product of rapid change in the pvt. sector.

✔ The management and efficiency of the public sector affect the pvt. economy and national competitiveness.

✔ Improving public management needed for better economic performance as public and private sectors being interdependent.

✔ Thus, the private sector depends on the efficient operations of the public sector so that administrative requirements necessary for the functioning of a modern economy be met with minimum cost and delay.
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There are several aspects of this:

A) Private sector change:

- Private sector in many countries has faced and introduced many changes impacting public sector.

- It would be defying for public sector if it did not change in the direction of private sector. As Osborne and Gaebler argues, transformation took throughout American society through: decentralising authority, flattening hierarchies, focusing on quality, getting closure to customers. These all are the efforts to remain competitive in global market.

- Partnership between business and education, between for profits and non-profits (not for profit), between public sector and private sector emerged
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B) Globalization

✓ The spread of ideas and the impact of technology making national barriers increasingly artificial.

✓ Likewise, the role of national government also important in creating national competitive advantage (In a world of economic competition).
C) Competence

- The traditional model of public administration does not provide competence required for challenging times.
- The model of public administration needed to be changed towards more flexible structures.
- In response to this, many countries are undergoing policy/administrative reform.
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✓ The public sector has to play a crucial role in determining real life standards of people as for most people it depends on govt. services like:

- schools
- hospitals
- community care
- the environment
- public transport
- law and order
- town planning and welfare services
- and maintains at least-the quality of consumers goods and services.
The role of the govt. now seems more important than before. If pvt. sector is to succeed particularly in global market, it needs highest quality inputs. The inputs may vary from:

- the most knowledgeable workers
- the most valued research
- the cheapest capital
- the best infrastructure.

Now based on this, it can be said that government’s roles are as:

- educator
- trainer
- research funder
- regulator
- rule setter
- infra-structure operator
- assistor
- promoter

It is the govt. which help find those inputs through above mentioned roles.
The administration, or bureaucracy, for common people, is the reality of government.

This obviously mean to indicate that although markets are undoubtedly powerful, yet govt. intervention is needed when there is market failure.
A more pragmatic and satisfactory set of roles of govt. with respect to following seven functions are put forward by Anderson (1989):

**Providing economic infrastructure**

Govt. provides basic institutions, rules and arrangements necessary for operation of modern economic system: These include:

- definition and protection of property rights
- enforcement of contracts
- provision of standard currency
- weight and measures
- corporate charter
- bankruptcy
- patents
- Copyright
- the maintenance of law and order
- traffic system maintenance.
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- Provision of various goods and services

- Non excludable and indivisible, valuable for the whole society and difficult to pay for individuals acc. to amount used.

- Once provided for one, available for all. eg: national defense, roads and bridges, aids to navigation, flood control, sewage disposal, traffic control system and environmental goods and services.

- Merit wants goods and services
The resolution and adjustment of group conflicts

- Resolve the conflict in society. Protect weaker section by introducing child labour laws, minimum wage system, workers compensation program etc. Govt. must establish justice and equity in society.

The maintenance of competition

✓ Competition does not always maintain in pvt. sector.
✓ Government must ensure that business do compete in a healthy manner.
✓ Without governmental monitoring, the benefits of free enterprise could not be realized.
✓ Unlimited competition results destruction of competition or competitors may cease to compete through merger or collusion.
✓ Govt. should protect and enhance healthy competition through antitrust laws, laws against monopoly, consumer protection laws etc.
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- **Protection of natural resources:**
  - Another function of govt. as environment must be preserved for future generation.
  - Competition may deteriorate envt. and mostly it is the govt. which can alleviate external effects by introducing pollution standards, ban on use of certain chemicals, introducing PPP, inspection of pollution emitting vehicles and agencies etc.

- **Provision of minimum access by individuals to the goods and services of the economy.**
  - The operation of market may produce poverty, unemployment and malnutrition. Other cases could be illness, oldage, illiteracy may exist outside market. It is the govt. which introduces welfare activities and re-distribution policies to address these problems.

- **Stabilisation of economy:**
  - Through regulatory and protection measures it is done.
New Public Services

"New Public Service" serves as a forceful critique of, and alternative to, New Public Management (NPM). Public servants must draw their inspiration from theories of democratic governance rather than private-sector management theory (Denhardt and Denhardt, 2003: 32-35). New Public Service focuses on some issues which are not addressed by the NPM in the public administration, are as follow:

- Serve citizens, not customers;
- Seek the public interests;
- Value citizenship and public service above entrepreneurship;
- Think strategically, act democratically;
- Recognize that accountability isn't simple;
- Serve, rather than steer; and
- Value people, not just productivity.
- Customers are not commodities
• The New Public Management has championed a vision of public managers as the entrepreneurs of a new, leaner, and increasingly privatized government, emulating not only the practices but also the values of business.

• Proponents of the New Public Management have developed their arguments largely through contrasts with the old public administration. In this comparison, the New Public Management will, of course, always win.

• The better contrast is with what is called as the “New Public Service,” a movement built on work in democratic citizenship, community and civil society, and organizational humanism and discourse theory.
Use of NPM

Varied emphasis on NPM by countries

Japan: a very little

China: partial return to progressivism

In both cases, strong culture-specific structures eg. more hierarchy based relationship: official and personal

Australia: agencification not good as it separates policy from execution

Distinctions among politics, policy making and service delivery often get blurred in practice
NPM in Nepal

1. High level administrative reform commission report
2. Contracting out
3. Down sizing with VERS
4. Abolition of posts
5. Freezing of vacancies
6. Private sector involvement
7. Cost cutting mechanism: 101 point
NPM in Nepal

8. PIS system

9. Decentralization of pension administration

10. Introduction of PIF (Performance Incentive/improvement fund) system

11. Edeavour for performance based system with Unified Civil Service

12. Empowering of citizens
NPM in Nepal

13. Privatization of SOEs

14. Creation of semi-autonomous body like NTB, NASC, CAAN and so forth as delegated mode of governance

15. Globalization and liberalization at the central stage: Health, Transport, Education, Communication etc privatized
Thanks
and
Good Luck