

The New Public Management

Three Decades of Failure

by Hugh Pemberton

Has the New Public Management made the state of the United Kingdom more efficient and less costly? Christopher Hood and Ruth Dixon answer negatively on both counts. As such, difficult but necessary comparisons must be drawn to further the scope of these devastating conclusions.

Reviewed: Christopher Hood, and Ruth Dixon, *A Government That Worked Better and Cost Less? Evaluating Three Decades of Reform and Change in UK Central Government*, Oxford: Oxford University Press, 2015.

Since the early-1980s countries around the world have attempted to reform their systems of government in an attempt to create “a government that works better and costs less”, as Al Gore, then US Vice-President to Bill Clinton, once put it.¹ Not surprisingly, the precise methods adopted to achieve this differed between countries but there were some common threads: a focus on better management and more effective financial control through the application of management techniques drawn from the private sector rather than traditional bureaucratic public administration; establishing an institutional distinction between strategic management at the centre and day-to-day management of service delivery at the front-end (“steering not rowing”); use of new technology to “join-up” government functions and improve the quality of the services it delivered; improved public accountability of government officials and their ministerial masters; and better communication by government with citizens.²

¹ Al Gore, *From Red Tape to Results: Creating a Government That Works Better & Costs Less. Report of the National Performance Review*, Washington (D.C.), U.S. Government Printing Office, 1993.

² For such an influential programme the contours of NPM are surprisingly protean, with various early-analysts setting out subtly different lists of its attributes. See, for example, Christopher Hood, “Public Administration

The Rise of New Public Management

Accompanying this revolution in public administration came a new academic growth industry, the so-called “New Public Management” (NPM), which emerged in the 1980s. This sought to explain, critique, and often advocate a new approach to government which emphasised management rather than administration. Its subsequent output has been enormous (Hood and Dixon cite over 84,000 hits for a “new public management” search in Google Scholar – though when I tried it I got 200,000 results).³ Within that total, particular works have been held up as notably influential on government, the most significant probably being Osborne and Gaebler’s *Reinventing Government*, in which they popularised the NPM thesis, famously making a pithy recommendation that central government should learn to “steer, rather than row” as the principal means by which it might become more effective.⁴

Yet, as Hood and Dixon rightly point out in this seminal analysis, despite the emergence of the NPM orthodoxy, and despite the critiques of those dissenting from it and/or questioning its general applicability,⁵ there has been remarkable little systematic attempt to assess its achievements over the three decades during which it has now held sway. A key reason for that is the difficulty of conducting such an analysis in the absence of consistent time-series data at either the national or the international level. In this book, Hood and Dixon attempt to fill that gap via a detailed study of one country, and do so with considerable success.

Hood and Dixon’s focus is on the United Kingdom, a country that was in the vanguard of the NPM revolution. Starting in the 1980s, under prime minister Margaret Thatcher, the UK pushed through a series of landmark reforms that continued under her successors John Major and Tony Blair. For example, in the space of just ten years from 1989, the UK completely restructured its central state as part of the “Next Steps” initiative, moving more than three-quarters of its officials (so-called “civil servants”) into new “executive agencies” operating semi-autonomously within a strategic framework defined by ministers overseeing a much smaller “core” of government.⁶ That was an extraordinary change, and one that was accomplished with remarkably little fanfare, not least because its Conservative political

and Public Policy: Intellectual Challenges for the 1990s”, *Australian Journal of Public Administration*, vol. 48, no. 4 (1989), 346-58; Christopher Pollitt, *Managerialism and the Public Services: Cuts or Cultural Change in the 1990s?*, Oxford, Blackwell Business, 1993; Ewan Ferlie, *The New Public Management in Action*, Oxford, Oxford University Press, 1996.

³Christopher Hood and Ruth Dixon, *A Government That Worked Better and Cost Less?: Evaluating Three Decades of Reform and Change in UK Central Government*, Oxford, Oxford University Press, 2015, p. 3.

⁴ D. Osborne and T. Gaebler, *Reinventing Government*, Reading, Addison-Wesley, 1992.

⁵ See, for example, Hans Ulrich Derlien, “Observations on the State of Comparative Administration Research in Europe—Rather Comparable Than Comparative”, *Governance*, vol. 5, no. 3 (1992), 279-311; Walter Kickert, “Public management in the United States and Europe”, in Walter Kickert (dir.) *Public Management and Administrative Reform in Western Europe*, Cheltenham, Edward Elgar, 2001, pp. 15-38.

⁶ Patricia Greer, *Transforming Central Government: The Next Steps Initiative*, Buckingham, Open University Press, 1994; Patrick Dunleavy and Christopher Hood, “From Old Public Administration to New Public Management”, *Public Money & Management*, vol. 14, no. 3 (1994), 9-16; Oliver James, *The Executive Agency Revolution in Whitehall: Public Interest Versus Bureau-Shaping Perspectives*, Basingstoke, Palgrave Macmillan, 2004.

architects managed to secure cross-party support that ensured it was not opposed by the opposition Labour Party. It was accompanied by another radical change: the transfer to the private sector of services hitherto delivered by government to private companies operating under contract. That had less support from Labour but, as with Next Steps, was embraced by the party as a governing strategy after it gained power in 1997. Labour also enthusiastically embraced other aspects of NPM, for example its attempt to use IT to “wire-up” central government, break down its functional divisions, and improve the quality and reduce the costs of administration and service delivery. One might also cite the use of publicly stated performance targets against which service delivery and its costs were assessed, and the “new Labour” government’s overhauling of its media communications strategy and institutions.

A disappointing outcome?

Assessing the achievements of three decades of almost continuous change in UK government is far from easy. On the issue of costs, that might seem paradoxical given the focus on financial control that underlay much of the NPM revolution. Yet, as Hood and Dixon observe, “it was hard even for the civil servants themselves (let alone ministers, Parliament, public interest bodies, or academics) to figure out at a glance from the published numbers whether those costs were increasing, decreasing, or staying about the same because of the frequency with which the categories of expenditure defined as running or administration costs changes from one year to another.”⁷ Nevertheless, Hood and Dixon have managed to stitch together different data series in a persuasive analysis which reaches equivocal conclusions. They find that government running costs actually rose in absolute (and real) terms across the three decades, though some of this was plainly a function of an expanding transfer state from the mid-1990s. In relative terms the picture looks more optimistic, for example as the number of civil servants was cut so staff costs fell as a percentage of government’s total expenditure. Yet the authors are surely right to point out that this was balanced by rising “non-staff” costs arising from contracting-out to the private sector, not to mention the growing need to employ consultants to fill gaps in central government expertise. Consequently, it is hard to disagree with Hood and Dixon’s conclusion that the promised financial benefits of NPM are hard to see in the data. They are also, I think, right to note that the very lack of consistent time series data on financial costs surely tells us something about the difference between theory and practice in the implementation of NPM in the UK.

What, then, of the rise in quality that was promised by NPM advocates? Again, Hood and Dixon find the evidence to be mixed. At the front-end of government, claims by critics of NPM that it led to a deterioration in the quality of drafting of new legislation turn out to be unsubstantiated. Likewise, within the process of government their analysis of ministerial “churn” (measured by appointments, sackings and moves, and widely assumed radically to have increased

⁷ Hood and Dixon, p. 53.

across the period) reveals little change over time. Surprisingly, this seems also to be true of institutional churn within the system (measured by units being created or abolished) though, as the authors acknowledge, an analysis that was able probe within such units might reach different conclusions. It is certainly clear that staff churn did become a very serious problem in the senior civil service. Hood and Dixon find that 28 per cent of such civil servants changed post between 2005 and 2012 (I'm surprised that figure wasn't higher). That had clear implications for the practise of government in terms of a loss of expertise, continuity, and institutional memory – all of which must surely have had knock-on consequences in terms of quality.⁸ Moreover, at the back-end of service delivery there is clear evidence of a deterioration in quality in the growing number of complaints from service users and, to an extent, in the growing number of legal challenges to government decisions.

In sum, Hood and Dixon conclude that three decades of NPM in the UK achieved relatively little: after thirty years UK government “cost a bit more and worked a bit worse”.⁹ Given the claims made by proponents of NPM, that its implementation would both radically cut the cost of government and raise its quality, that is a devastating conclusion. It will be interesting to see whether other one-country assessments in different polities confirm it. My sense is that they will.

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⁸ Hood and Dixon, p. 170.

⁹ Hood and Dixon, p. 183.