Impact of New Public Management Theory on NSOs: An International Case Study

Derek Bond[1] and Elaine Ramsey
University of Ulster, Coleraine, UK
[1]Corresponding author Derek Bond, e-mail d.bond@ulster.ac.uk

Abstract

In this paper the resilience of New Public Management in the public sector is investigated by considering its impact on three National Statistics Offices (NSOs). The issues are explored in detail using published sources, personal experience and detailed interviews with senior professionals of the NSOs. In all cases, it was found that the emphasis of NPM on efficiency planning, quality management and customer focus has enhanced NSO performance. In particular, ICT developments have helped NSOs address some of the challenges that adopting an NPM approach throws up and has helped them achieve more joined up collaborative government.

Keywords: New Public Management, National Statistics Offices

1 Introduction

There is a growing body of literature arguing that New Public Management (NPM) theory (that came to the fore in the 1980s and 1990s) has failed to provide a satisfactory paradigm on which to base public sector management models. The general argument is that NPM has failed because of the fragmentation it has caused in service delivery and hinders the ability to address the e-government opportunities brought about by developments in Information and Communication Technology (ICT).

In this paper the role of NPM in three NSOs: the United Kingdom (UK), the Republic of Ireland and Finland is considered. This is done by interviewing senior personnel that were involved with their respective NSOs before, during and after the emergence of NPM. Using NSOs to explore the relevance of NPM is interesting as they satisfied many of the core requirements for NPM executive agencies while at the same time providing an interesting challenge in their need for cooperative work with other Government Departments, agencies and international organisations.

2 Background

NPM represents a model of public sector management principally motivated by the individually oriented and output-driven transaction costs theory (Williamson 1999), as well as representing elements of principal-agent theory (see (Hood 1998, Christensen and Laegreid 2002)). This is in contrast to the traditional post war (1945) progress public administration approach(PPA). In essence, NPM epitomises a departure from PPA to an approach based on decentralisation, unitisation, marketisation and private sector business and management techniques (Hood 1998). Peters (1998) described it as customer-driven approach, where public interest is best represented using a bottom-up approach, and by giving public sector agencies and the public more control over their respective roles.

As a model based on economic and private sector management principles, NPM has been criticised as a governance model that is at odds with public sector body purposes, structures, tasks and culture (Hood 1991). Some of the most radical NPM countries included the UK, New Zealand, and Australia (Perry 2005). Dunleavy, Margetts, Bastow, and Tinkler (2006) highlighted that adoption of NPM in New Zealand led to the formation of over 100 separate agencies and Government institutions, with the public left confused as to where to go.

From an institutional perspective, Moe (1984) suggested that the principles behind NPM did not take into consideration the significant variations that exist between most government and private sector remits. In addition NPM disregards the constitutional foundations of most democratic governments, which are based on rules of the state as opposed to market driven mechanisms. Hood (1991) has suggested that the NPM approach to governance has been ineffective in its ability to deliver on its central premise to lower costs per constant unit of service. With the growth in ICT enabling e-governance, the late 90's saw the post NPM rise of 'joined up government' (JUG) initiatives (Goldfinch and Wallis 2010) . One of the problems in achieving effective JUG related to the complex legacy systems that dominated many public sector organisations (Pollitt 2003). More recent advances have helped to overcome some of the legacy issues (Lodge and Gill 2011). However a fundamental question is whether ICTs can be utilised effectively to increase the efficiencies, transparency, level of control and trust in public services that, it is claimed, NPM has failed to achieve? (Christensen and Laegreid 2011).

Whether NPM can provide an environment in which the public has confidence in the services provided appears is still unclear. Official Statistics form a crucial part of Government decision-making (c.f. (Holt 2008) esp. p.4). For example, whilst most of the population of Finland has confidence in the output of Statistics Finland, in the UK less than a third of the population has confidence in the statistics produced by ONS (Bailey, Rofique, and Humphrey 2010). Whether this is due to the impact of NPM in both countries is unclear.

3 The structure and development of the NSOs

To understand the impact of both NPM and ICT developments on the delivery of national statistical services in the three countries, an overview of the history and development of the NSOs is required. NSOs can be classified using a simple three pronged typology based on the form of governance: Centralised, Decentralised or Devolved. All three NSOs can be classified as being a mixture of centralised and decentralised systems. The UK GSS is probably the most complex having both a centralised element in the ONS, a decentralised element in the various Government Departments and a devolved element in the separate GSS bodies serving the devolved Governments in Northern Ireland Scotland and Wales. The Finnish official statistics system is rather centralised. Statistics Finland with three other Governmental Agencies is responsible for production of official statistics and data collection for statistical purposes. Nine other agencies, mainly research institutes, produce official statistics as a by-product of their main activity. The Irish CSO is basically a centralised system and the only official statistics collected outside of the CSO are Educational Statistics.

The organisational arrangement for producing official statistics varies from country to country and usually reflects the country's structure of public administration

rather than a deliberate choice of the statistical system itself. The Finnish system is based on the Scandinavian approach. Statistics Finland was established in 1865, while Finland was part of the Russian empire and was based on the work of Swedish Tabellverket (Tables Office), set up a century earlier while the country was part of the in Swedish empire. When Finland obtained independence in 1917 the work of the statistics office continued uninterrupted. The mandate of Statistics Finland as an independent statistical agency is based on the administrative law (Statistics Finland Act), the most recent being from 1992 with the decree on Statistics Finland (covering the detailed rules for its management) from the same year. The general Statistics Act from year 1994 (latest, slightly revised version is from 2007) gives the general principles and guidelines for data collection, obligation to provide data, data processing and compilation of statistics and data secrecy and release. Perhaps, importantly, Finland was the second country in the word to move over to fully register-based census in 1990. (NB: The use of administrative data in statistics production in Finland has a long tradition and currently, the use of administrative files as data source is an essential part of statistics production. The Statistics Act 1994 confirms their right to get access to any administrative data available in public sector).) The Irish CSO has it roots in the pre-treaty Department of Agriculture and Technical Instruction for Irelands Statistic Branch and the post treaty Statistic Branch of the Department of Industry and Commerce. The CSO was established as an independent branch of the Department of the Taoiseach in 1949. It gained statutory status in 1994 when the role of the CSO, the National Statistics Board and the Director General were defined by law. Perhaps strangely the UK did not have a distinct national statistical office until the 1990s. The Government Statistical Service was one of the last areas of Government to be involved in the Next Step agenda. The ONS and NISRA were established as executive agencies on the 1st April 1996. The role of the UK Statistics Authority is to oversee the work of ONS and has statutory authority over official statistics.

From the above it can be seen that all three NSOs underwent major changes of status and operating environments during the period that NPM was in vogue. The issue addressed in this paper is the role of NPM in these changes, and whether it has been seen as a help or hindrance.

4 The role of NPM in profitability/efficiency planning

In Finland it is often thought that NPM had little impact (Hood 1991). However there is evidence that NPM did lead to changes in the way the Finnish public sector worked. It can be argued that the 1992 Statistics Law was a result of adopting NPM. Whether it went as far as trying to make Statistics Finland profitable is, however, debatable. Jeskanen-Sundstrm, Hyrkk, and Vihavainen (2007), stated that in the early 1990s Statistics Finland introduced a fairly decentralised model of internal management with annual internal performance contracts between the DG and the directors of departments. The model was meant to support management by results and applied to both financial and personnel administration. The whole Government sector moved to a new two-year rolling budget and performance management. This meant that the head of organisations could run them in a more businesslike manner and for Statistics Finland the annual office level budget is decided by the Parliament.

In the RoI the concept of NPM was taken seriously. There was considerable investment in senior civil servants professional development in the area. Many of

them undertook management education courses. Such courses included fact finding field-trips to both New Zealand and Australia. Feedback from the field-trips was that the New Zealand model was too radical. The Australian model, which was less dominated by commercialism, was thought to be more workable and provided a reference point for changes in Ireland. The basic philosophy of NPM was dominant at the time that the CSO received its statutory status in 1994. In the Republic of Ireland there were never any plans to try and recover the costs of data through internal markets.

The situation in the UK is more difficult to analyse given both the complexity of the structures and lack of any statutory status for official statistics until 2006. In the early 1990s the doctrine that information should be collected primarily because government needs it for its own business derived from the Rayner review of official statistics in the early 1980s, was still prevalent in many areas. The complexity of the structures and the resultant ownership of the data meant that the issue of commercialisation was complex and did not evolve.

All the NSO budgets are tightly controlled by their respective Treasuries. Income or revenue generation is not seen as being a major issue in their financial planning. This is a major difference from many NPM based organisations that have more freedom in their financial affairs and revenue raising abilities. This tight control has meant that the NSOs have been able to continue to use public sector accountancy procedures and have not had to address issues such as how to account for revenue streams.

All three NSOs acknowledged the benefits of the accountability that NPM has brought about in as helping them address efficiency issues. The issue of being able to outsource non-core services was given as a major advantage. In the UK and Ireland the cost savings associated with the Population Census was highlighted. In Finland it was argued that the concept of efficiency had helped them avoid the trend to spatial decentralisation of services.

5 Quality Management Issues

In both the UK and Irish cases it was accepted that NPM helped them realise and address the issue of quality. However, both highlight that perhaps the main influence on quality was the publishing in 1992 by the Conference of European Statisticians and the UNs Economic Conference for Europe of the Fundamental Principles of Official Statistics. The issue of quality was central to the Finnish Statistics Law of 1994. As with many other public sector organisations quality was initially addressed by Statistics Finland in 1996 through Total Quality Management (TQM) activities using the EFQM framework. This inspired Statistics Finland at the end of the 1990s to develop strategic management and move to the use of the Balanced Score Cards (BSCs) approach, however not all the governmental agencies in Finland used these management tools. The use of the BSCs in the ROI and UK NSOs was also highlighted as providing a good strategic framework for reporting activities.

Again the adoptions of NPM principles were seen to be of use. For example, in Ireland through the adoption of operations management techniques the quality issues surrounding outsourcing and ICT supplies could easily be addressed. In the UK similar experience with ICT outsourcing was noted with one of the key impacts of NPM being the commercialisation of public sector IT provision.

6 Customer Focus

In discussion with senior statisticians in the UK and Ireland it became clear that the customer focus was a two way thing. The establishment of Next Step agencies in the UK in 1996 finally started to give a clearer image to customers, both internal and external, of who the providers of official statistics were. For some statisticians in both countries the visibility of Official Statistics brought about by adopting NPM helped in engendering confidence in their quality and independence.

In Finland, senior statisticians made it clear that they saw part their role as being to facilitate an environment for co-operationwe want to contribute to a rich environment for research and education, development and innovation in terms of access to data and statistics. They see this being achieved by effective use of ICT and like the UK have an open data initiative. None of the statisticians talked to saw the issue of open data as invalidating many of the positives aspects of NPM.

7 E-Government and NPM

All the NSOs examined saw the growth of ICT and e-Government as being a major factor in the strategic, tactical and operational development of their offices. For example, Statistics Finland saw ICT as a solution to the challenge of consistency brought about by their move to a decentralised administrative system. They argue (Statistics Finland, 2007, p.6) that by using their intranet a consistency in administrative practices has been achieved. At a more general level all NSOs saw ICT as both supporting their organisational structures and creating opportunities for them to optimize their operations.

The issues of how ICT developments address the challenges of operational silos were mentioned by all discussants. All discussants thought it was obvious that the growth in web based applications made the idea of generating large revenue streams from providing data to outside users redundant. However, in the UK the possibility of a providing a more successful cost recovery and more efficient method of access to non-publicly owned data such as official registrar general data, is seen as possible with recent developments. The issue of who should market the data, in value added form, is seen as complex and as yet no generally agreed approach has been established

8 Discussion

Most previous research has to a large degree found that NPM had mainly failed to help address the opportunities and challenges faced by public sector bodies. However, the feedback from senior statisticians in the three NSOs highlighted many positive aspects of NPM. The issue of commercialisation was generally seen as unimportant as the statutory nature of the service defined the parameters under which they operated. In addition, the issue of performance incentives was not seen as relevant as in all three cases pay scales where the relevant national ones. This is a major difference from the professional services looked at byKirkpatrick, Ackroyd, and Walker (2004), who considered professional services where pecuniary-based performance incentives were the norm.

9 Conclusions

In this paper the role of NPM in developing the activities of NSOs has been considered. Whilst most academic research has thrown doubt on the effectiveness of NPM in the public sector, this paper has reported that at least using evidence obtained from senior civil servants, that NPM has greatly assisted NSOs to provide a service

that is trusted by the public. Whilst previous studies have been more generic in addressing NPM in the public sector and have primarily focused on the UK, this paper has concentrated on one sector in an international context. This has highlighted the importance of context and due to the heterogeneity of the public sector one size does not fit all with regards to NPM. Indeed a recent paper by statisticians in the UK National Statistics Authority put forward arguments suggesting that the GSS would benefit by adopting stronger NPM type solutions (Laux and Alldritt 2011). This apparent resilience of NPM demonstrates that more research is needed.

References

Bailey, R., J. Rofique, and A. Humphrey (2010): "Public Confidence in Official Statistics 2009 Report, Report prepared forthe National Statistical Authority," Discussion paper, National Centre of Social research, London.

Christensen, T., and P. Laegreid (2002): "New Public Management. Puzzles of democracy and the influence of citizens," *Journal of Political Philosophy*, 10(3), 267–296.

Christensen, T., and P. Laegreid (2011): "Democracy and administrative policy: contrasting elements of New Public Management (NPM) and post-NPM," *European Political Science Review*, 3, 125–146.

Dunleavy, P. nd Margetts, H. B. S., H. Margetts, S. Bastow, and J. Tinkler (2006): "New Public Management is Dead: Long Live Digital Era Governance," *Journal of Public Administration, Research and Theory*, 16, 467–494.

Goldfinch, S., and J. Wallis (2010): "Two Myths of Convergence in Public Management Reform," *Public Administration*, 88(4), 1099–1115.

Holt, D. (2008): "Official statistics, public policy and public trust," *Journal Of The Royal Statistical Society Series A*, 171(2), 323–346.

Hood, C. (1991): "A Public Management for all Seasons?," *Public Administration*, 69(1), 3–19.

——— (1998): "Individualized Contracts for Top Public Servants: Copying Business, Path-DependentPolitical Re-Engineering - or Trobriand Cricket?," *Governance*, 11(4), 443–462.

Jeskanen-Sundstrm, H., J. Hyrkk, and H. Vihavainen (2007): "Improvement of productivity: a continuous and strategic target of Statistics Finland," in *Conference of European Statisticians, Economic Commission for Europe*.

Kirkpatrick, I., S. Ackroyd, and R. Walker (2004): *The New Managerialism and Public Sector Professions*. Basingstoke, UK, Palgrave.

Laux, R., and R. Alldritt (2011): "The UK Statistical Service in 20 years time," in *58th World Congress of the International Statistical Institute*.

Lodge, M., and D. Gill (2011): "Toward a New Era of Administrative Reform? The Myth of Post-NPM in New Zealand," *Governance*, 24, 141–166.

Moe, T. (1984): "The New Economics of Organisation," *American Journal of Political Science*, 28, 739–777.

Perry, G. (2005): *Joined-Up Government. British Academy Occasional papers 5*chap. Joined-Up Government in the West beyond Britain: A provisional Assessment, pp. 43–106. Oxford, OUP.

Peters, B. (1998): "Managing horizontal government: the politics of coordination," *Public Administration*, 76(2), 295–311.

Pollitt, C. (2003): "Join-Up Government: a Survey," *Political Studies Review*, 2, 34–49.

Williamson, O. (1999): "Public and Private Bureaucracies: A Transaction Cost Economics Perspective," *The Journal of Law, Economics and Organisation*, 15(1), 306–342.