

## THE TRENDS IN THE MANAGEMENT OF PUBLIC SERVICES

**Dr. Sefa ÇETİN**  
Kütahya Vali Yardımcısı  
sefacetin@hotmail.com

### ÖZET

Bu çalışmada, özellikle son 20 yılda İngiltere, Yeni Zelanda, Kanada ve Avustralya gibi gelişmiş ülkelerde, kamu hizmetlerinin yönetim biçimlerindeki değişimler incelenmiştir. Kamudaki reformlar, ikinci dünya savaşından sonra, OECD ülkelerindeki kamu sektörü bürokrasisinin gereğinden fazla genişlemesi sürecine tepki olarak, ilk önceleri gelişmiş kapitalist batı ülkelerinde başladı. Kamu sektöründe oldukça yaygınlaşan bürokrasinin, kaynakları hızla tüketirken kamu hizmetlerinin sunumunda önemli iyileştirmeler yapamadığı bir süreç yaşanmıştır. Özellikle sözkonusu ülkelerde, bazı özel sektör yönetim yaklaşımlarının benimsenerek kamu örgütlerine aktarılması yeni kamu yönetimi anlayışının bir sonucu olmuştur. Özelleştirme, kurumsal yönetim, yerelleşme ve hesap verebilirlik gibi yönetim tekniklerinin kamu hizmeti sunumunda kullanılmaları gittikçe yaygınlaşmaktadır.

**Anahtar Kelimeler:** Yeni kamu yönetimi, özelleştirme, kurumsal yönetim, yerelleşme, hesap verebilirlik

### ABSTRACT

In this study, for the last 20 years, the trends in the management of public services have been discussed in the developed countries such as UK, New Zeland, Canada and Australia. The reforms were initiated in the advanced capitalist democracies as a response to the public sector expansion process that had been such a dominant feature of the OECD countries after the Second World War. Governments had grown too large with sprawling bureaucracies consuming ever more resources but failing to make significant improvements in service delivery. Some private sector management techniques have been transferred to public sector management; such as privatization, corporate management, accountability and marketisation.

**Key Words:** New public management, privatisation, corporate management, decentralisation, accountability.

### Introduction

Over the past two decades, criticisms about government performance have surfaced across the world from all points of the political spectrum. Critics have alleged that governments are inefficient, ineffective, too large, too costly, overly bureaucratic, overburdened by unnecessary rules, unresponsive to public wants and needs, secretive, undemocratic, invasive into the private rights of citizens, self-serving, and failing in the provision of either the quantity or quality of services deserved for the taxpaying public.

Fiscal stress has also plagued many governments and increased the cry for less costly or less expansive government, for greater efficiency, and for increased responsiveness. High profile members of the business community, financial institutions, the media, management consultants, academic scholars and the general public all have pressured politicians and public managers to reform. So too have many supranational organizations, including OECD, the World Bank, the European Commission. Accompanying the demand and many of the recommendations for change has been support for the application of market-based logic and private sector management methods to government (Jones and Kettl, 2004:453). Application of market driven solutions and business techniques to the public sector has been encouraged by the growing ranks of public sector managers and analysts educated in business schools and public management programs.

In some specific countries such as the UK, New Zealand, Canada and Australia we have witnessed dramatic transformation right across the public sector. The reforms were initiated in the advanced capitalist democracies as a response to the public sector expansion process that had been such a dominant feature of the OECD countries after the Second World War. In the early 1980s there was a realisation that the public sector had a profound problem in relation to how well its various programmes were operating. Government had grown too large with sprawling bureaucracies consuming ever more resources but failing to make significant improvements in service delivery. Given the fact that the public sector had grown from below 25% to over 45% of GDP in a couple of decades as an OECD average (Lane, 1997). The state needed to be 'rolled back'. The need to rein in budget expenditure coupled with rhetoric about efficiency led to pressure to 'downsize' government.

The purpose of this paper is to discuss briefly the way in which public sector management has led to restructuring public services since the 1980s. It will be paid particular attention to the following issues: Decentralisation, privatisation, marketisation, corporate management and accountability.

### **Decentralisation**

Decentralisation with its various types has been implemented in many countries, and the terms have been widely. However, the same word is used to describe different things. Interpretations vary, and have led to different conceptual frameworks, programs, implementation and implications (Yuliani, 2007).

Decentralization is usually referred to as the transfer of powers from central government to lower levels in a political-administrative and territorial hierarchy (Crook and Manor 1998, Agrawal and Ribot 1999). It encompasses both deconcentration and devolution. Deconcentration, also known as administrative decentralisation, refers to the redistribution of administrative responsibilities in central government. This is a transfer to lower-level central government authorities, or to other local authorities who are upwardly accountable to the central government. Devolution refers to the exercise of political authority by lay, elected institutions within areas defined by community

characteristics. In the UK, for example, managerial authority has been given to agencies since 1980s. France, traditionally the most highly decentralized country in Europe, began a programme of decentralization in 1982; in Germany the principle of subsidiarity guarantees more power at sub-central levels; and a similar situation prevails in the Netherlands despite recent government attempts to bring a greater degree of integration into the health and welfare system. Decentralization to more local units has also been a major theme in Denmark, Italy, Norway, Sweden, the USA (Johnson, 1994).

Decentralisation of decision-making and control to units and subunits is generally seen as an important way of improving the performance of the civil service. The focus is on increasing managerial autonomy in decision-making about resource use together with increased accountability for and transparency of activities and results (Flynn and Strehl, 1996).

A most important question is: what needs to be controlled centrally in order to guarantee uniformity? As Flynn and Strehl (1996) pointed out that “if all the processes of service delivery are to be predetermined and controlled by a set of rules and procedures, there is little scope for managerial discretion. If managers are to be given a high degree of discretion, there needs to be a way of measuring and ensuring equity of treatment and uniformity of results. Hence, while aspects of management are devolved to delivery units, the basic services are centrally designed and controlled.”

The degree to which performance can be measured and demonstrated is thus an important variable in deciding the degree of decentralization. Central government will only devolve authority if the units to which authority is devolved can demonstrate their performance. Such a system requires adequate information flows to enable the ‘centre’ to be confident in the performance of the devolved units. But all these decentralisation initiatives make considerable assumptions on efficiency gain sometimes ignoring the problems which may arise. The critical question would be what control measures are in place to ensure that decentralised authority is not abused

One of the dangers of decentralization is that the institutions delivering services become focused on their own services and there is no one in a position to take a broad view of a community’s needs. The ‘new steering model’, in which strategy is directed towards problem solving rather than fragmented service delivery, offers a solution to fragmentation.

Decentralization is not a one-way process of simply giving out power and authority from the centre, it involves a reorientation of the centre to perform a modified set of roles. The centre becomes less involved in routine administration and responsibility for the delivery of services and more concerned with overall policy and with assisting lower-level territories or managers to define and achieve their objectives. The centre does not relinquish all its responsibilities. A suspicious centre with monitoring functions may well be necessary for ensuring good performance at lower levels.

## **Privatisation**

The urge to privatize public services encompassed the developing world as well as the industrialized world. The driving force was the belief that privatization and the application of private sector management practices would raise performance. These beliefs proved ill founded. Cook and Kirkpatrick catalogued the damaging effects of privatization in Pakistan and in Thailand (Doherty and Home, 2002:11).

Privatisation refers to the sale of public assets to the private sector. It is a reduction in the role of the state and the transfer of some of its functions to private institutions. The private institutions may be commercial undertakings, voluntary associations or informal networks of families, friends and neighbours (Johnson, 1999). The privatizations were linked to the espoused virtues of a free market. Various reasons were given: reducing the public sector borrowing requirement, creating wider share ownership, increasing efficiency and improving value for money in public services (Doherty and Home, 2002:11). The state moves from being a providing state and becomes an enabling or a contracting state. The main idea behind this change was the introduction of competition for contracts among providers and the enlargement of choice for service users. The system introduces market principles into the public sector: such structures are frequently referred to as quasi-markets (Barlett et al., 1994).

Privatisation is one of the most important ways in which smaller government is achieved. The basic economic argument in favour of privatisation is that it leads to more cost-efficient service for consumers, relieves government of expenditure burdens and reduces corruption. However, the process of privatisation creates new possibilities for corruption in the determination of the price paid for the enterprise, the terms of the privatisation agreement and the nature of the bidding arrangements. The possibility exists that favoured individuals and companies may acquire valuable assets at below-market prices. The winners would be the public officials who organised the deals.

Other criticisms were that the utilities had been sold too cheaply; the social costs have been high; major increases in unemployment, poverty, crime and social conflict have been experienced. Especially less skilled workers have been left unemployed as a result of reorganisation and privatisation of many parts of the public sector services.

Often state monopolies became private monopolies. 'Customers' for water services, for example, cannot move easily from one water company to another. Some governments tried to set up regulatory bodies to monitor the new private owners of the old public services. Contractual agreements were made, specifying the standards of public service expected. This reflected a rise in consumerist expectations on the part of people using public services. It also provoked the rise in expectations. People using public services had started to behave more like customers. They had become more sophisticated, more discriminating, more assertive and less subservient to public officials. They expected more services and they expected those services to be of better quality (Doherty and Home, 2002:11).

### **Marketisation**

Marketisation refers to introducing incentive structures into public service provision through contracting-out, quasi-markets, and customer choice' (Rhodes, 2000). The idea of introducing commercial practices into public sector management has been a milestone of the New Public Management. The adoption of market principles has been seen as the way to a more efficient and effective public sector management. Notions such as 'user pays' and 'contracting out' have made public sector management more like private sector practice. While such strategies are supposed to encourage greater efficiency in the use of resources and lead to quality improvements there are new openings to corrupt practices. For instance, the determination of contract requirements could be undertaken to favour a particular bidder. This is not to say that such behaviours are inevitable, but that they may become possible (Clarke and Newman, 1997).

With marketisation and privatisation comes the probability that the state, while withdrawing from the direct provision of certain services and products, should develop a far more extensive regulatory role. In order to ensure that contracts are adhered to and that private providers are giving value and quality, and are not polluting the environment or endangering lives, the state will need to determine and enforce regulation of the activities. While the state has always been involved in regulatory functions its role in this area will necessarily increase as the private sector is relied upon for the provision of more services. Opportunities for corruption may increase as officials are engaged in more monitoring and evaluation exercises, checking that conditions are being met and giving authorisation for continuing activities.

The question of the suitability and value of marketing for public service organisations can be considered at two levels. The first is to ask whether marketing orientation can be achieved by an organisation whose circumstances differ so sharply from those of a commercial organisation, while the second is to ask whether the ideas and techniques of marketing can have value in their own right, by helping a public services organisation to achieve its objectives. Therefore public sector managers should be cautious in introducing commercial marketing into their organisations (Christy and Brown, 1999).

### **Corporate Management**

Corporate management refers to introducing private sector management methods to the public through performance measures, managing by results, value for money, and closeness to the customer', while 'marketisation refers to introducing incentive structures into public service provision through contracting-out, quasi-markets, and customer choice' (Rhodes, 2000: 56).

The private sector has been seen as a major source of management innovations leading to performance improvement. The private sector is seen to be subject to the 'discipline' of the market. If the private sector techniques, which have arisen in response to market demands techniques can be transported to the public sector, then we should expect to see public sector performance improve substantially (Walsh, 1995). Thus, innovations

such as performance indicators, benchmarking and total quality management have been applied to public sector situations. However, such initiatives have not always provided the desired or promised outcomes. The institutions into which they are introduced may be unreceptive, staff may be ill-qualified to implement new techniques, and inadequate attention can be given to political realities.

### **Accountability**

Accountability stands for impartiality and the equal protection of all with regard to human rights. In a democratic state with a market economy, impartiality is a highly relevant concern (Lane, 1997). This is the other side of public sector reform movement. There is a strong demand for more accountability of public officials, and strong voices are raised for the protection of minority rights by means of public sector programmes. Legality is emphasized by groups who seek to protect collective rights by means of public policy. In some countries the fight against corruption is given more attention. The notion of human rights is given a prominent place in both policy and the legal order.

Public sector organizations are in principle accountable to the public for three things: that money has been spent as agreed and in accordance with procedures; that resources have been used efficiently; that resources have been used to achieve the intended result. At the same time politicians are supposed to be accountable for the policy decisions they make while holding the management of the organizations to account for their actions. Government has been increasingly willing to make explicit, measurable promises (Flynn, 2007).

Accountabilities require ways of measuring performance. Accounting for how money has been spent in relatively simple despite the mysterious of accountancy. This measure, how much was spent and on what, is still an important part of managers' lives, however sophisticated the other types of accountability become.

Whether resources have been used efficiently is a question which requires some measure of the output or value of services provided, which can then be compared with the cost of provision. As stated Flynn (2007), here the problems of measurements begin: how to measure outputs of schools, hospitals, prisons and so on?

The idea of accountability in the administrative and the political system is an ongoing debate (Walsh and Stewart, 1997). The issue is who is responsible to whom, for what and when. The separation of policy making from service delivery makes it essential to distinguish between the accountability for the success or failure of policy and the success or failure of management. If service delivery is delegated to an agency but policy is retained at ministry level, whom should the citizen blame for poor service?

Accountability to the public can only be achieved in a limited ways through the contracting process. As John Stewart (1993) has argued, governing is more than the provision of a series of services on a well-defined pattern. Government is the means of

collective action in society, responding to and guiding change that is beyond the capacity of private action. It involves both learning of change, adapting to change and promoting change. The nature of government does not include the use of contracts, but places limits on the extent to which the governing process can be reduced to contracts'.

The dimension of ethical accountability reflecting the general principles of right and wrong behaviour according to societal norms is important for the accountability discussion. The dimension goes beyond the legal requirements of right and wrong behaviour and reflects the overall culture of a public service. Managers are confronted with pressure of ethical issues and the question to whom they are accountable when and for what.

### **Conclusion**

The debate on the managerial reform in the public sector has been an ongoing issue for the last two decades. The change can be considered in terms of the relationship between the public and private realm, and between the market of the state. Managing public services is different from managing private one. The objective of the public is to create a good service to the customers and to persuade them to buy it. In the public sector, in many cases the users are forced to cooperate and have no choices.

In this context, consumerism, accountability, performance management, quasi-markets have all contributions to the provision of good public services for citizens. But at the same time it should always be considered that the values of public domain are very important. The requirements of the new managerialism in the public realm may result in better governance.

As Horton and Farnham stated (1999), changes in public service cultures have been engineered in a number of ways. First, they have been led from the top. Governments have used all the instruments at their disposal to bring about organisational and managerial change including legislation, administrative direction, financial controls and external inspectorates. Second, rewards have been structured to act as incentives for those conforming to the new business culture incorporated within the public services, especially those in top positions. Third, training and development programmes have been major vehicles for transmitting this new business-oriented culture within public organizations, as well as developing the skills required to manage reformed public organizations.

As a result, countries are competing internationally not only in the market place but on the quality of their public sectors. The pursuit of best practice is a survival technique. Moreover, the changes have to meet citizen expectations. Governments explore that what services should be provided and by whom. In the global world, citizen expectations are increasing. The task of governments is to response to these expectations as democratic countries.

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