

**ASSESSING THE IMPACT OF THE NEW PUBLIC  
MANAGEMENT ON PUBLIC ORGANISATIONS:  
COMPULSORY COMPETITIVE TENDERING IN  
LOCAL GOVERNMENTS IN THE UNITED KINGDOM**

**Şennur SEZGİN**

*(Instructor, Pamukkale University, Department of Public Administration,  
e-mail: sezgins@pamukkale.edu.tr)*

**Selami SEZGİN**

*(Assist. Prof., Afyon Kocatepe University, Department of Public Finance,  
e-mail: ssezgin@pamukkale.edu.tr)*

**Abstract:**

The New Public Management (NPM) may be seen as a set of managerial techniques used by administration for the prevention of fragmentation during the adoption of new public service delivery system. NPM attempts to change the structure, system, staff and culture of a public organisation. Therefore, when NPM is introduced, it should be examined from the context of these four aspects of public organisation. This discussion of NPM will be illuminated through a case study of the introduction of compulsory competitive tendering (CCT) in local governments in the United Kingdom. It concludes that CCT has had a profound impact on local government in attempting to replace the traditional model of local authority. It has brought a number of substantial changes to local governments.

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**Keywords:** New Public Management, compulsory competitive tendering, local government, the UK.

**Anahtar Sözcükler:** Yeni Kamu Yönetimi, zorunlu rekabetçi sunum, yerel yönetim, Birleşik Krallık.

**Özet:****Yeni Kamu Yönetiminin Kamu Kurumlarına Etkilerinin Değerlendirilmesi: Birleşik Krallık Yerel Yönetimlerinde Zorunlu Rekabetçi Sunum**

Yeni Kamu Yönetimi (YKM) bir yönetim teknikleri seti olarak görülebilir. Yeni kamu hizmetleri dağıtım sistemi, idare tarafından uygulamadaki parçalanmanın önlenmesi için kullanılmıştır. YKM bir kamu örgütünün yapısını, sistemini, personelini ve kültürünü değiştirmeye çalışmaktadır. Bundan dolayı, YKM uygulamaya sokulurken aynı zamanda bir kamu örgütü yukarıdaki dört konu açısından incelenmelidir. Bu çalışmada YKM tartışması, Birleşik Krallık yerel yönetimleri tarafından uygulanmaya başlayan zorunlu rekabetçi hizmet sunumu ile aydınlatılmaya çalışılmıştır. Bu çalışma ortaya koymaktadır ki, zorunlu rekabetçi hizmet sunumu, yerel yönetimler üzerinde geleneksel yerel yönetim otoritesi yerine yenisinin geçmesi esnasında derin etkiler bırakmıştır ve yerel yönetimlerde çok karmaşık değişiklikleri beraberinde getirmiştir.

**1. INTRODUCTION**

The 1980s and early 1990s witnessed the rise of the new public management (NPM). This is identified by Hood (1991) as one of the most striking international trends in public administration. However, the rise of NPM is connected with other administrative “megatrends”. These developments are:

- an attempt to slow down government growth, in other words, cut public spending and staffing,
- movement in the direction of privatisation and quasi-privatisation,
- the improvement of automation, especially the development of information technology,
- a more international agenda, focused on general issues of public management, policy design, decision styles and inter-governmental co-operation (Hood, 1991: 3).

NPM is a fashionable set of ideas which has provided the impetus for administrative reform in many OECD countries. It addresses insufficiencies of the traditional model of administration. It is a way of reorganising the public sector by moving public organisations' management, reporting and accounting closer to business methods. NPM shifts the public organisations in two basic directions, being called as "down-grid" and "down-group". Movement "down-grid" means restriction of uniform and general rules of procedure, especially over staff and money. Movement "down-group" means that the public sector becomes less different from the private sector (Dunleavy&Hood, 1994: 9).

The aim of this paper is to assess the impact of NPM on public organisations. NPM changes the structures, systems, staffing and super ordinate culture of public organisations. Therefore, when NPM is introduced into new areas, assessing the impact of NPM on public organisations becomes an important issue. We must examine how public organisation structures, systems, staffing and culture are affected by NPM. While this paper assesses the impact of NPM on public organisations, it is particularly interested in the impact of the introduction of compulsory competition tendering (CCT) in local governments in the United Kingdom (UK). Therefore, this paper examines also whether local government organisations are affected by the CCT.

This paper is divided into two main parts. First part of the paper proceeds as follows. NPM and its key features will be identified in section 2. The emergence of NPM is discussed in section 3. In the section 4, the theoretical basis of NPM is reviewed. Section 5 explains the impact of NPM on public organisations. Section 6 deals with criticisms of NPM. The second part of this paper is devoted to the introduction of competition in local government, using the case of the UK. In this context section 7.1 defines competition in local government and section 7.2. explains the CCT. The impact of CCT on local government is discussed in three sub-sections. Finally, section 8 assesses the impact of CCT on local government, and draws some conclusions.

## **2. WHAT IS THE NEW PUBLIC MANAGEMENT?**

In spite of the fact that NPM is important, it is ill-defined. It is a loose term like most administrative labels. It can bring to mind more than one thing. Furthermore, there is still a debate on whether there is a single "New Public Management", or NPM is best viewed as a "flu virus" (Hood & Jackson, 1991: 178). However, some commentators, such as Hood summarises NPM as follows;

- “1. A focus on management, not policy, and on performance appraisal and efficiency;*  
*2. The disaggregation of public bureaucracies into agencies which deal with each other on a user pay basis;*  
*3. The use of quasi-markets and contracting-out to foster competition;*  
*4. Cost-cutting;*  
*5. A style of management, which emphasises inter alia output targets, limited-term contracts, monetary incentives and freedom to manage;” (1991: 5)*

NPM has an eclectic intellectual base. Walsh (1995a: XV) adds the Citizen’s Charter to this framework, which Lawton & Rose (1991: 150) identify an emphasis on the “3 Es” (Economy, Efficiency and Effectiveness). The present themes of NPM are summarised by Isaac-Henry, Painter and Barnes as follows;

*“decentralisation, disaggregation, competition and markets, efficiency strategies, reduction in size of units, emphasis on proper (private) management practises, consumer orientation and performance (output) measurements”.* (1993: 1)

Broadly, NPM comprises a range of similar administrative processes and its provenance is different from one author to another (Chandler, 1996). While different commentators describe different phases in the development of NPM, it is necessary to identify the common ground in these descriptions of NPM. Hood (1991) indicates seven aspects of NPM, but all these seven aspects of the doctrine cannot be seen equally in each case. The UK, Australia, Canada, New Zealand and many other OECD countries have shown most aspects of the doctrines. The doctrinal components of NPM are: “Hands-on professional management in the public sector; 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 in public sectors; stress on private-sector styles of management practice; stress on greater discipline and parsimony in resource use” (Hood, 1991: 4-5; 1995: 95-96).

### **3. WHY DID NPM EMERGE?**

There are various interpretations of why NPM emerged. Hood (1991: 6-8) mentions four possible explanations. First, the emergence of NPM is seen as a “whim of fashion”. The second explanation views it as a “cargo cult”-the endless rebirth, despite failure of the idea that, the practice of a particular kind

of (managerial) ritual can gain substantive success. A third approach interprets NPM as a “synthesis of opposites”. This explanation is influenced by Hegelian ideas. All these explanations are sceptical, but there is another explanation which is a more promising and acceptable. NPM responds to a number of special social conditions and environmental forces, which governments have had to face everywhere in the last fifteen years. These conditions and forces can be explained as follows:

- During earlier periods of strong economic growth, public sectors became large and expensive, but over the time the international economic system, environment and national political systems changed. National economies went into recession, global economic competition occurred and unrelenting demand started for government services and regulation. Under these conditions the attempt to maintain large and expensive public sectors has led to massive public debt loads. Therefore, government has created pressure to cut programs and increase efficiency in order to solve the fiscal problem (Borins, 1995: 123; Aucoin, 1990: 235).
- Changes in income and distribution (Hood, 1991: 7).
- The public sector obtained an opportunity to increase efficiency in the light of developing information technology (Borins, 1995 : 123).
- The development of information networks, such as the Internet, demolished the traditional “economies of scale” which led to a rational concentration of production (Borins, 1995: 23).
- A giving party strategists’ more influence shifts towards “new machine politics” (Hood, 1991: 7; Hood, 1990a: 206).
- A shift to more white-collar population, who are less tolerant of statist and uniform approaches in public policy (Hood, 1991: 7).
- People wanted better quality goods and services from the public and private sectors, and became more aware than before about the performance of all organisations (Borins, 1995: 123)
- Employees, particularly skilled workers looked for more from their job, not just a pay cheque. They wanted opportunities for personal growth and fulfilment (Borins, 1995: 123)

- The traditional model of administration did not work in the new environment (Hughes, 1994: 66)

#### **4. THE THEORETICAL BASES OF NEW PUBLIC MANAGEMENT**

There are two main theoretical bases for NPM. The first one was called the “new institutional economics” and was built on public choice theory. Public choice theory brought a set of administrative reform doctrines, which were based on the ideas of contestability, user choice, transparency and incentive structures. It gave theoretical support to the attack on bureaucracy and a methodology for designing market-based public policies. As a consequence, economic thought, in theory and in practice, has developed in government and bureaucracy (Hughes, 1994: 75; Hood, 1991: 5).

The second basis was the development of business-type “managerialism” in the public sector, emerging from the traditional scientific management school (Hood, 1991: 6 ; Evans, 1996: 103). It is identified by Pollit as follows;

*“This movement helped to generate a set of administrative reform doctrines based on the ideas of ‘professional management’ expertise as portable paramount over technical expertise, requiring high discretionary power to achieving results (free to manage) and central and indispensable to better organisational performance, through the development of appropriate cultures and the active measurement and adjustment of organisational outputs” (1990: 128).*

According to Hughes (1994) the theoretical bases of NPM are not really a matter of controversy. Hood (1991), however, argues that the two can conflict: “free to manage” is different from “free to choose.” The relative dominance of the two influences are not the same in different countries. It varies even within the “Westminster model” tradition. This can be clearly seen in the following examples! In New Zealand reform derived from public choice, transaction cost theory; it was an analytically applied NPM. In the UK and Australia, however, business type managerialism was popular and reform was more pragmatic. It was a less intellectual application of NPM.

#### **5. THE IMPACT OF THE NEW PUBLIC MANAGEMENT ON PUBLIC ORGANISATIONS**

There are three key areas, which are at the core of NPM: competition/market, disaggregation and incentivisation. The introduction of

competition/market comprises the producer/provider split, quasi markets, consumer tagged markets, vouchers, user control, market testing, technological change, sectoral polarisation, government to government and intra-government contracting. The disaggregation of public organisations contains corporatisation, independent institutions, privatised industries, competition by comparison and performance measurement. Incentivisation includes privatisation, performance related pay, respecification of property rights, deprivileging and “light touch” regulation (Evans; 1996: 3; 104).

NPM has had a considerable impact on the structures, systems, staffing and super ordinate culture in public organisations (being altogether called the “4s” model of NPM). Public organisations have changed by means of the separation of producer and provider, and the gaining of more functional autonomy for service delivery units such as schools and hospitals. Public organisations are moving away from the traditional Weberian model, and are taking new decentralised forms. A new method of organisation needs to replace authority and planning. There was a shift to market-based organisation, strategic management and coordination by means of market processes and adjustment. Power moved from professionals to managers and the assumption of the welfare state were challenged (Walsh, 1995a: xix; Evans, 1996).

The shift in the public organisation from hierarchical authority to contracts and markets is related to developments in the industrial sector, where there is an increasing use of contracts and competition. This change did not occur suddenly. It was dependent on the development of an appropriate culture and series of values (Walsh, 1995a: xix). These changes are summarised as follows (Table 1).

**Table 1. “4s” Model of NPM**

	<b>Traditional Management</b>	<b>New Management</b>
<b>1. Structures</b>	Bureaucratic, hierarchial, centralised	Small core, broad, flat periphery, decentralised
<b>2. Systems</b>	Central ‘hands-on’ control, detailed oversight exercised through multiple tiers	Performance targets, cost centres, talks and teams, internal markets/trading ‘hands-off’ control
<b>3. Staffing</b>	Large staff corps, fixed, permanent, centralised bargaining	Small core, flexible, large periphery, localised bargaining
<b>4. Super ordinate culture</b>	Sound administration, legal and financial probity, professional, quantity in service delivery	Flexible management, measuring output, managerial, customer oriented, quality in service delivery

**Sources:** Adopted from Evans (1996: 105)

## 6. CRITICISMS OF NPM

There are many critics of NPM as well as many supportive ideas. The first criticism is that NPM is not something new, it is old wine in a new bottle. Hood (1991) argues that NPM is all hype, it has no “substance.” Therefore, nothing really changed except the language that senior public “managers” speak in public. Underneath, the same old problems and weaknesses still remain. For these reasons, NPM has harmed the public service while being ineffective in its ability to deliver on its claim to lower costs. Furthermore, NPM was a tool for “particularistic advantage”, to promote the career interests of an elite group of “new managerialist.” It did not serve the mass of public service customers or low-level staff (Hood, 1991: 8-9).

The second criticism is of the “new institutional economics” basis of NPM. This can be explained under two subtitles. The first is that economics is a flawed concept, so its application to government is similarly flawed. The other is that economics has some validity as the basis for the economic system making processes more opaque (Hood, 1990b: 212).

If the public servant becomes managerially accountable, this means the reduction of responsibility from politicians. So, how can the citizen hold a public servant to account? Accountability could be a real problem (Hughes, 1994: 83).

Fourthly, the problem is how the “new institutional economics” and “public sector management” wings of NPM are reconciled. Public choice promotes centralisation, coordination and control, whereas public sector management promotes decentralisation, deregulation and delegation. It is difficult for these two horses to run on the same team. Therefore, freedom to manage can easily drive out freedom to choose (Hood, 1990: 212; Aucoin, 1990: 129).

The fifth criticism is about the basis of NPM in a private business model. The public sector may have a distinctive purpose and specific conditions. Therefore, the private sector model might not be applicable to the public sector. The primary difference between public and private sectors is in measuring results (Hughes, 1994: 79). It is difficult to measure the results in the public sector.

*“The control techniques drawn from the management of large private corporations are notorious for the bizarre and unwanted results which they produce when introduced into public bureaus. This happens*



*because of the observer paradox, the inherent difficulty of transferring private sector control techniques” (Hood, 1990b: 114).*

The sixth criticism is about market solutions. There are two main ways of introducing markets to the public sector. The first is the sale of public enterprises directly to the private sector via privatisation. There are some problems with how public enterprises have been handled and how to establish an appropriate regulatory environment after sale. The second market solution concludes in the contracting-out of public activities. This is different from privatisation. The good or service is still a public service, just some provision is private. This can also have some problems. Contracting-out might be a good idea in theory, but it does not work very well under all prevailing conditions (Hughes, 1994: 265).

A final criticism is the unclear specification of NPM. Although there are lists of the reforms which make up NPM, there is no real definition. NPM has not brought a clear series of principles to shape the public sector. It does not state under what circumstances principle A should be preferred to principle C or D. Consequently, NPM cannot replace the traditional model of public administration (Hughes, 1994: 84; Hood, 1990b: 113).

## **7. A CASE: THE INTRODUCTION OF COMPETITION IN LOCAL GOVERNMENT IN THE UNITED KINGDOM**

### **7.1. Defining Competition in Local Government**

Competition has become a major theme of the Conservative Government since 1979, especially in the provision of local government services in the UK. There were also other pressures for the introduction of competition in local government. This pressure came from the various think-tanks of the New Right such as the Adam Smith Institute, the Centre for Policy Studies, from the private sector and the academic world and from local government itself (Walsh, 1995b: 29). The Introduction of competition brings market disciplines with two main benefits. First, learning from the market will stimulate an increase in efficiency because of the emphasis on “value for money”. Second, the market will develop direct accountability to “consumer”. This shifts local government responsibilities from the citizen to the consumer (Cochrane, 1993: 221). The introduction of market mechanisms into the management of the public sector cannot be explained just through the development of the managerialist approach. It also bases on the growth of a new institutional approach to the

market principle. On this basis, this movement differed from the mid 1960s' managerialism (Walsh, 1995a: 27).

The introduction of competition in the UK local government is different from those of many countries because of its central feature of compulsion. Competition has been introduced using a number of different mechanisms. With CCT, the public and private sectors become rivals. Another mechanism is the introduction of quasi-market conditions (Kane, 1996: 52). A quasi-market is different from a conventional market within both of the supply and demand sides. On the supply side, there is competition between service suppliers or productive enterprises. They are all independent institutions, (such as schools, universities, hospitals) competing for customers but all these organisations are not necessarily privately owned and out to maximise their profits. On the demand side, consumer purchasing power is not expressed in money terms in a quasi market (Grand, Barlett, 1993: 10). As a result, competition can be introduced in different forms within a local government context. Nevertheless, this essay is primarily interested in CCT and its impact on local government within a NPM framework.

## **7.2. The Context of Compulsory Competitive Tendering**

The Conservative Government introduced CCT in local government as an element of its privatisation or contracting-out strategy. CCT means that a range of services previously provided automatically by local authorities become provided either by private companies or by local authorities, whichever successfully wins tenders in competition. The role of local authorities as the major provider of public services in a local community has been whittled away (Wilson, Game, 1994: 324-325). It is, however, emphasised that:

*“the revolution of CCT has seen the emergence of stringent contract specification, contract management and monitoring procedures which are invariably transforming the traditional management and work culture. Considered alongside the emergence of a strict client contractor split, CCT has thus led to a paradigm shift in the management of public goods in Britain”* (Shaw, Fenwick, Foreman, 1995: 64).

There are three pieces of legislation which have been associated with different stages in the introduction of CCT (Kane, 1996; Wilson, Game, 1994).

The first stage could be characterised as voluntaristic with limited compulsion. The Government encouraged local authorities to voluntarily contract out local government services. Nevertheless, at the same time,

government passed The Local Government Planning and Land Act 1980, which included limited compulsion. With this act, CCT was introduced for construction, building maintenance and highways. Although this first voluntary movement has been accepted as a policy failure by Kane (1996), 223 local authorities moved towards voluntary competition.

The second stage was the expansion of compulsory competition within the Local Government Act 1988, which introduced CCT for building cleaning, ground maintenance, vehicle maintenance, school meals, other catering, refuse collection, street cleaning, plus sports and leisure management. As a result, competition became compulsory for most of the manual services of local authorities.

The third stage was the introduction of compulsory competition into white-collar professions and services such as housing management. The legislative framework was broadened via the Local Government Act 1992.

### **7.3. The Impact of CCT on the UK Local Government**

#### ***The Impact of CCT on the Structures and System of Local Government:***

CCT changes the structures and system of local government. The change to a contractual relationship divides the organisation into four functions. First, the “policy” function includes all decisions on policy and resource allocation. Second, the “buyer” function involves writing appropriate contracts for the policies. Third, the contractor function ensures the achievement of the work. Fourth, the organisation provides some central support for people and mechanisms. This new arrangement brings a different set of relationships within an organisation. This model is different from the traditional model as Flynn pointed out:

*“There need not be a direct connection between the people making overall policy and the contractors, which may either be within the organisation or separately owned. Since the contractors are operating in competitions, the control over their expenditure is carried out through the bidding mechanism and payment for work done at the previously agreed price. Corporate policy is not relevant to the contractors. If they fail in competition, jobs cannot be preserved. Nor need the contractor be involved in corporate decision about budgets” (1990: 35).*

The implementation of CCT brings the separation of client and contractor responsibilities within the authority. These can be done in two ways: a hard split or a twin-hatted arrangement (Kane, 1996: 57). In the twin-hatted approach, there is a separation between the function of client and contractor, but the same people carry out both buyer and seller roles. The hard split approach, however, requires a strict separation of the client and contractor roles. Six months after the introduction of CCT in local government of 1980, 42% of shire districts, 60% of metropolitan districts and 16% of county councils had made some revision of their organisation. Most of them separated the clients from contractors (Flynn, 1990: 35).

One aim of the introduction of CCT was the reduction of costs, but there was difficulty in establishing what existing costs were. Although all departments had budgets, they showed only general expenditure items. It was difficult to find out the cost of particular activities. Therefore, financial management systems were developed. Another method of reducing costs involved the introduction of new technology. Competition can encourage people to use new equipment and different methods at work (Flynn, Strehl, 1996: 58-59).

Local authorities have had some difficulties. One difficulty is the tightly regulated framework for competition. A second difficulty is that the separation of the client and contractor roles has not been developed in a neutral environment. Consequently, fragmentation has become a danger with the establishment of the client/contractor split in local government. Thus, some authorities introduced a twin-hatted arrangement, because it requires a cooperative relationship (Kane, 1996: 58). Another difficulty for local authorities is to determine who is responsible for pay and conditions. In the traditional model, local government operated nationally agreed rates and conditions with personnel and finance departments monitoring grading and pay. In the new management model, managers have more discretion for competition with outside firms. So, elements of the "centre" have correspondingly less influence over these matters. Another difference between the traditional and new models is that those elements of the "centre" concerned with "hands-on" control in the traditional model, such as the accounting and finance function, are now more concerned with developing support systems, such as management accounts and management information systems. So, the new management system brings "hands-off" control to internal markets (Flynn, 1990:36).

***The Impact of CCT on the Staff of Local Government:***

The major impact of CCT has been on the staff, which are reduced in number and whose working hours have been changed. The most important change in the pay and conditions of staff occurred with the introduction of competition. The introduction of competition forced local authorities to analyse their staff management system and to change pay and conditions (Walsh & Davis, 1993: 155-163). Parker (1990) calculated that skilled worker wages probably increased, while unskilled wages were likely to decrease. Furthermore, some local government officials have been on management courses with special skills in contract design and examination.

The introduction of competition has damaged equity in working conditions and equal opportunities. Women and minority groups are more affected than others by these changes, and more likely to lose their jobs and to take cuts in pay and conditions. The changes of pay and conditions occurred without big conflict. Therefore, the introduction of competition destroyed the traditional approaches to industrial relation. According to Walsh, Davis (1993) bargaining and industrial relations changed. They argued that:

*“The pressure for local and devolved bargaining as a result of competition is strong. DSO (Direct Service Organisation) were increasingly doing their own bargaining and moving away from national conditions... Even where central bargaining systems were retained formally, they were often limited in practice... Up to the time of writing, the extent of change has been limited with the traditional system persisting, but as a formal shell rather than a reality. The spread of competition and devolved budgeting will increase this trend, and the traditional pattern of central bargaining in local authorities is likely to decline” (1993: 156).*

Another impact of developing competition is a reduction of the trade unions' role and an increase in managers' power. It also brought the performance related pay system, although its application has been limited. It has only been applied to some levels of staff. Competition also requires better communication. Managers need more direct contact and this is an important part of the industrial relations strategy (Walsh, Davis, 1993: 155-163).

***The Impact of CCT on the Super Ordinate Culture of Local Government:***

A major change with CCT occurred in the “culture” of local government. It replaced the old bureaucratic and rule-bound administration with a more

commercial and market-oriented approach to the management of local government (Parker, 1990; 663). Systemic and structural change has caused managerial change as well, since structural change needs a clear definition of client or contractor responsibilities and roles (or both where there is a two-hatted arrangement). This clarification is usually associated with two managerial impacts: the clarification of the cost of services and improved information gathering and dissemination within local authorities (Kane, 1996: 59).

The old style administrator was not suited to the new competitive environment. Competition needs flexible management, and the old organisations did not have managers. When competition was expanded, new functions were adopted. Therefore, there was a need for new managers, and they were engaged from outside the public sector. But even this was not easy. The job was not particularly attractive to private sector managers, unless they had limited employment opportunities in their own area. New managers, however, have found it easy to introduce radical change and their own new management teams (Flynn, 1990: 37).

Market analysis is important in the new competitive environment. If success is doubtful in certain areas of work, that is if cheaper labour and much lower overheads are provided by competing contractors, local authorities should withdraw from these areas (Flynn, 1990: 37). Strong financial control is an important issue for the new type of manager. Traditional management systems kept expenditure within an agreed budget area. However, expenditure must be controlled not just against expenditure budgets but also against the revenue being generated by new managers. Therefore, new financial control mechanisms have had to be developed. In the meantime, organisations have had to apply emergency measures until new control mechanisms have been established (Flynn, 1990: 30).

Citizens' rights to bring complaints about local government activities and to gain compensation have been developed. Therefore, the rise of customer "awareness" has become a central theme of NPM. It has become a "buzz-word" which has swept through local government (Shaw, Fenwick, Foreman, 1994: 213), and more recently the Citizen's Charter has been developed. As Elcock states:

*"These developments have been concerned chiefly with recognition of the complainant as a customer who ought to be able to improve service standards. Local authorities have focused on quality and have established formal quality assurance systems. It is pretty difficult to*

*obtain clear results about the impact of CCT on the quality of service. It can be seen as a failure, but at the same time, there is no significant evidence about the breakdown of public service standards” (1994: 54).*

## **8. CONCLUSIONS**

NPM has provided the impetus for administrative reform. Its aim is revolution on public organisations. Thus, NPM has required changes in structures, systems, staffing and super ordinate culture in the public organisations. There are three key areas that have been mainly focused on by NPM: they are competition/market, disaggregation and incentivisation. While this essay analyses the impact of NPM, its primarily concern is the introduction of competition. Introduction of competition has been introduced using a number of different mechanisms. One of these mechanisms is CCT.

The introduction of CCT in local government has had a wide impact on structures, system, staffing and super ordinate cultural changes. The traditional model of local authority management has been replaced by through CCT. However, the direction of change is uncertain.

As the client and contractor splits become ever more distinct, and as they refer to an ever-greater range of service, the future of corporate management may depend significantly on the political direction of a particular local authority. Eventually, corporate and strategic management may wither, generally as local government fragments. Managing local government may come to mean, largely, managing the client function.

The changes are more complex. CCT brings cultural change, with a shift towards the private sector model of management. Contract management has become a major theme. Relationships in local government have been redesigned within this framework. There has been: a reduction of (wage and other) costs; a more commercial management style; a competitive culture; a change in service quality; and a closer monitoring of what is provided or occurred in local government. Another change has been that local government officers became managers rather than being simple administrators. The changes in the structures, system, staff and culture of local government, which occurred as a result of CCT, have also led to a redistribution of power within the local authority. While there has been a reaction to the commercialisation of management, the new management model has become popular and has taken the place of the traditional management model. Therefore, these elements of NPM have become the norm, where CCT has been introduced in local government. Furthermore, as Fenwick, Shaw and Foreman indicated, CCT has

created its own managerial styles and methods, that emerged directly from the range of roles and obligations of local authorities, such as service specification, service provision, monitoring, resource co-ordination and so on (1994: 13).

As this essay argued, CCT has had a profound effect on public organisations and delivery of local authority services, but there is still a debate about whether CCT is strengthening or undermining local government. The jury is still out on this issue, but it is certain that the UK local government organisation has changed dramatically under CCT.

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