Public Sector Accountability and New Public Management Reforms

The public sector reform movement

From the mid-1980s, public service bureaucracies in almost all countries underwent processes of substantial restructuring as part of an international movement for public sector reform, a movement that has had a significant impact on public sector accountability. The reform programmes were variously named, sometimes as ‘managerialism’, more commonly now as ‘the new public management’, terms which mark a new emphasis on the role of management and managers in government. The reformers followed somewhat different paths in different countries, according to their particular constitutional traditions and ideological leanings. None the less, the reforms shared sufficient common themes and common remedies to be counted as a single movement and not just a haphazard collection of isolated changes.

The broader context for reform was provided by the worldwide ideological shift away from a more extensive role for the state in the economy and society and towards a greater role for markets and private sector organisations. Examples of this change can be found in a range of policies almost universally adopted, for instance financial deregulation, trade liberalisation, privatisation of publicly owned enterprises, outsourcing of government services, reductions in welfare entitlements, greater reliance on the private sector in health and education, more private sponsorship of sports and the arts and so on. A common assumption underlying all such changes is that governments tend to be less efficient than competitive markets in stimulating economic activity and providing social goods. Governments and laws may be necessary for law, order
and national security, and for a minimum of other public goods that markets will not provide. But levels of taxation and government expenditure should not be so high as to discourage individual initiative and crowd out entrepreneurial investment.

The general antagonism towards governments encouraged criticism of the traditional public service bureaucracies through which governments have performed their tasks. These bureaucracies have shared certain characteristics, classically analysed by the German sociologist Max Weber, such as strict hierarchy, the impartial application of laws and rules, merit appointment, professionalism and security of tenure. The Weberian bureaucracies were radical innovations when first established in Europe in the nineteenth century, providing a welcome antidote to government unreliability, jobbery and corruption. But they now appeared inefficient and ill-adapted to a rapidly changing environment. Hierarchical control, it was argued, has fostered over-centralisation, with time-consuming referral of decisions to more senior levels, reluctance to take risks and insensitivity to local conditions. The emphasis on rules and precedents has further encouraged inflexibility and red tape. Bureaucrats have been obsessed with following due processes and correct procedures to the neglect of achieving the outcomes desired by the community. Their security of tenure has made them a law unto themselves, concerned more for their own privileges than for the public interest and able to capture and dominate their supposed political masters.

By contrast, private sector companies were seen as much more focused on achieving bottom-line results for their owners. They accorded their managers at all levels of greater autonomy in deciding how results should be achieved, including the right to hire and fire staff as needed. Some large-scale commercial enterprises, such as banks and major manufacturing companies, also acquired bureaucratic tendencies, becoming over-centralised, inflexible and inefficient. But market competition forced them to adopt flatter managerial structures and to devolve decision-making in the interests of efficiency and survival. Similar pressures needed be brought to bear on public bureaucracies to make them less inefficient (New Zealand Treasury, 1987; Osborne and Gaebler, 1992; OECD, 1995a).

The overarching theme of the new public management was therefore to reform the public sector along modern, private sector lines. The earlier assumption that management of the public sector (usually described as ‘public administration’) is fundamentally different from business management has been discredited. Instead, management is seen as a set