Public Management and Governance

FOURTH EDITION

Edited by Tony Bovaird and Elke Loeffler

ROUTLEDGE

Public Management and Governance

Public Management and Governance is the leading text in international public management and governance and an ideal introduction to all aspects of this field. It combines rigorous insight from pre-eminent scholars around the world with a clear structure and supportive, thoughtful, and intuitive pedagogy. This revised and updated fourth edition responds to the significant changes in the external environment, as well as the field itself. It includes six new chapters covering aspects of increasing importance:

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Foreword

This book has been written with the aim of giving readers a clear picture of the current state of play and the most important emerging issues in public management and governance. We intend that it will help students of public issues to be better informed and help policymakers and managers who work in public services (whether in public, voluntary or private sectors) to be more effective.

The book is also written to help readers to understand what it means to become better citizens and, as such, to help to change the current practice of public management and governance. In this way, we hope that the ideas in the book will help readers to make a greater contribution to their neighbourhoods, their local authorities, their regions and the countries in which they live – and perhaps even to the quality of life of citizens elsewhere in the world.

In this fourth edition, the importance of government shines out even more clearly than before, as the world during the past few years has looked to its political leaders and public service managers for help through a savage economic recession, citizen revolts against governments perceived as ineffective and unresponsive, major threats to world security and the global environment, and a devastating health pandemic. However, the weaknesses of government in the face of these challenges have also come through strongly. We hope the book will play a part in helping the next generation of leaders and managers to cope with such threats and ensure that public management and governance become a byword for success and wellbeing, not simply the name of a textbook.

Finally, it is with sadness that we record the death of some previous authors (Chris Bellamy, Andrew Erridge, Peter Jackson, Christopher Pollitt), who contributed so wholeheartedly to the success of previous editions. And we welcome our host of new authors who have taken on the mantle of making the study of public management and governance not only worthy but exciting.

Structure of the book

The book comprises three main parts:

1. *From Public Management to Governance*, setting out the role of the public sector, public management and public governance, and how these have evolved in recent years in different contexts.
2. *Public Management*, exploring the main managerial functions which contribute to the running of public services.

3 *Public Governance*, exploring the ways in which organizations in the public domain work together with their partners, stakeholders, citizens and networks to influence the outcomes of public policies.
4 … *and finally*, looking to what the future may hold for public management and governance.

Logical though we believe this to be, we know from our own reading habits, as well as the even more inexplicable habits of our colleagues and past students, that many readers will find their own wholly idiosyncratic pathway through this book. To help make this process just a little more systematic, we have provided multiple cross-references to other chapters throughout.

Some thanks

We have had enormous help, as always, from our fellow authors in this book, to whom we are hugely grateful for their patient and imaginative responses to our demands. However, there are others who stand behind them to whom we are also greatly indebted – particularly, the reviewers who fed back how the book works on their courses, and the many students who have told us how they have used previous editions.

Part I

From public management to governance

Part I forms an introduction to the key themes of the book and locates the public sector in its political, social and economic context.

Chapter 1 examines what is "public" about the public sector and about public services. It distinguishes public management from the wider issues of public governance.

Chapter 2 explores recent changes in the context of public policy, identifies the major paradigm shifts in public policy making in recent decades and examines the changing role of politics in public governance.

Chapter 3 examines the size and scope of the public sector. It compares trends in the size and composition of public expenditure across OECD countries and looks at some of the forces that shape these trends. It then considers the implications of these trends for public sector management.

Chapter 4 examines the objectives and results of that generation of public sector reforms which has occurred since the 1980s, the different reform trajectories across OECD countries, and some of the risks and unintended consequences of public sector reform.

Chapter 5 looks beyond OECD countries and examines public management and governance developments in other parts of the world.

Chapter 6 discusses one of the major methodological innovations of recent years, exploring behavioural approaches to public management and governance.

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1 Understanding public management and governance

Tony Bovaird and Elke Loeffler

Why study public management and governance?

Welcome to this fourth edition of *Public Management and Governance*. We aim to provide you with up-to-date state-of-the-art knowledge on what the public sector is doing, why it is doing it and how it might do it better. We hope also to challenge you to think for yourself how your society should be governed – one of the questions that has fascinated people for thousands of years – and how your governors should be managed – a question that is much more recent. Along the way we hope that you will have fun as well. Above all, we will be introducing you to the ideas of some of the leading analysts of the public sector and public services around the world, so that you can weigh up their arguments and develop your own.

So what's in store? A book full of analysis of worthy but boring public sector activities? Actually, issues of public management and public governance are often very interesting (see Box 1.1). That's why they attract some highly talented and dedicated people, who might otherwise earn a great deal more money in other jobs. However, we also want to warn readers of this book that it can no longer be taken for granted that the activities of public management and governance are always 'worthy' – sometimes they are conducted by "sharks" rather than by "suits" (see Box 1.2).

Consequently, nowadays public managers have to earn our respect and gratitude, rather than simply assume it. And the players in the public policy arena have to earn the trust of those for whom they claim to be working, rather than claiming legitimacy simply on the grounds that they were elected or that they are part of a prestigious profession. So this fourth edition of *Public Management and Governance* suggests some tough questions for you to ask to see if that trust has indeed been earned – and gives you some ammunition for the debate.

Learning objectives

The key learning objectives in this chapter are:

- To be aware of the different meanings of "public"
- To understand the main differences between public management and public governance
- To understand the motives for studying public management and public governance

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Box 1.1 Public management and governance issues are interesting…

Public policy on global warming

The more I think about it, the more fatalistic I become … I suspect the newspapers echo public opinion on this subject. Just about all national papers now accept global warming, but they still object to anything required to deal with it. Low-energy light bulbs will cause old folk to fall down stairs. Higher petrol duties or road charges will be unfair to the poor (although most poor people don't own cars). Restrictions on cheap air travel breach the time-honoured British right to celebrate summer by vomiting over waiters in Faliraki. Wind turbines are ugly. And so on. Does anyone really think that, barring technological miracles, we have the slightest chance of averting calamity?

Source: Peter Wilby, Eat canapé, avoid catastrophe, *New Statesman*, 14 September 2009, p. 10.

Box 1.2 …But not necessarily "worthy"

The Great Chicago Sell-Off

When Chicago needed some extra income to support its public services in 2008 and sold 36,000 parking spaces for 75 years to an investment conglomerate (including a megabank, an international venture capital firm and a Middle Eastern investment authority) they did more than just outsource a current public service. Parking meter prices immediately went through the roof (quadrupling or more in the first year), and already by 2019 the investors, who paid the city $1.15b, had made a profit of $500m and looked forward to 64 more profitable years. Estimates suggested the city was underpaid by at least a factor of ten times. However, even worse, the city has now lost control over what it can do with and on its streets. If a meter is removed or cannot be used (e.g. due to road construction or repair, a fair, a street parade, etc.), the city has to pay the lost income. For 75 years, any plans to manage or change parking spaces in Chicago, e.g. by allowing bars, cafes and restaurants to replace parking spaces by outdoor tables, have effectively been ruled infeasible. And the city has had to fork out $20m annually due to street closures.

Source: Mike Kampf-Lassin (2022), "The Great Chicago Sell-Off", *Jacobin*, 45: 147–148.

What do we mean by "public"?

Box 1.3 The public domain

The essential task of the public domain can be interpreted as enabling authoritative public choice about collective activity and purpose. In short, it is about clarifying, constituting and achieving a public purpose. It has the ultimate responsibility for constituting a society as a political community which has the capacity to make public choices. Producing a "public" which is able to enter into dialogue and decide about the needs of the community … is the uniquely demanding challenge facing the public domain.

Source: Ranson and Stewart (1994, pp. 59–60).

Before we go further, we should explore what we mean by "public". We start with a clear statement from Ranson and Stewart (Box 1.3) as to what constitutes the public domain. (They wrote in the context of local government, but their analysis applies quite generally.)

This short passage explains how the public domain is the arena in which public choice is exercised in order to achieve a collective purpose. This is the arena which this book explores.

Ranson and Stewart also introduce another meaning of the word "public" – the group (or groups) of people who inhabit the public domain. They clearly identify the political concept of "a public which is able to enter into dialogue and decide about the needs of the community", which we might contrast with the marketing concept of different "publics", each of whom expects to be treated differently by public services and public managers.

Another common usage of "public" is to distinguish between the "public sector" and the "private sector", which essentially revolves around differences of ownership (collective ownership, in the name of all citizens, versus individual ownership) and motive (social purpose versus profit). This meaning is particularly relevant when public managers claim that the public sector is different from the private sector and that therefore private sector management methods would not work in their agency – see Allison (1994) on the concept that public and private management are alike in all unimportant respects! However, there are other, wider meanings of "public". For example, "public services" are sometimes delivered by private or third sector contractors, rather than public agencies. Here, the concept of "public" generally means that the providers have to observe and satisfy some form of "public service obligation". Again, "public issues" are those which cannot simply be left to the decision-making of private individuals – they typically necessitate mobilising the resources of public and voluntary sector organisations or regulating the behaviour of private firms or individuals or groups in civil society.

We shall examine each of these dimensions of "public" in this book. Consequently, we shall take the word "public" to be part of the problematic, i.e. the set of concepts to be explored in this text, rather than defining it unambiguously here at the outset.

Public management and governance: Some key issues

So, what is public management? And what is public governance? While most people will immediately assume they have a general grasp of what public management entails, fewer will have a feel for what is meant by public governance. Moreover, we want to argue that both concepts actually cover quite a complex set of ideas.

We shall take *public management* to be a set of approaches and tools to optimise the use of resources in and by public service organisations in order to coordinate organisational efforts, so that organisational objectives can be accomplished and public needs are satisfied (adapted from Noordegraaf 2015, p. 20). It therefore covers the set of activities undertaken by managers in two very different contexts:

- in public *sector* organisations
- in public *service* organisations, whether in public, voluntary or private sectors

This raises a number of issues that we will consider later:

- What distinguishes "public management" from "public administration"?
- What is "public" about public services?
- Are "public services" always in the "public sector"?
- Is public management only about public services?

We take *public governance* to mean "how an organisation works with its partners, stakeholders and networks to influence the outcomes of public policies". (You will find other approaches to defining "governance" in Chapter 15.) The concept of *public governance* raises a different set of questions, such as:

- Who has the right to make and influence decisions in the public domain?
- What principles should be followed in making decisions in the public domain?
- How can we ensure that collective activities in the public domain result in improved welfare for those stakeholders to whom we accord the highest priority?

This chapter addresses these issues and sets the stage for the rest of the book.

Is "public management" different from public administration?

In the middle of the twentieth century, the study of the work of civil servants and other public officials (including their interface with politicians who passed legislation and set public policy) was usually labelled "public administration". As such, there is no doubt that "public administration" conjured up an image of bureaucracy, life-long secure employment, 'muddling through' and lack of enterprise – dark suits, grey faces and dull day jobs.

From the 1980s onwards, however, a new phrase began to be heard and even achieved dominance in some circles – "public management". This was interpreted to mean different things by different authors, but it almost always was characterised by a different set of symbols from those associated with public administration – it was thought to be about budget management not just budget holding (see Chapter 9), a contract culture (including contracts with private sector providers of services (see Chapter 8) and employment contracts for staff, which were for fixed periods and might well not be renewed (see Chapter 10), entrepreneurship and risk taking and accountability for performance (see Chapter 12).

These differences can be (and often were) exaggerated. However, it appears that the expectations of many stakeholders in the public domain did alter – they began to expect behaviour more in keeping with the image of the public manager and less with that of the public administrator.

What is "public" about public services?

In everyday discussion, we often refer to "public services" as though they were "what the public sector does". However, a moment's reflection shows that this tidy approach doesn't make much sense any longer, at least in most countries (see Chapters 4 and 5).

After all, we have for a long time become used to seeing private firms mending holes in our roads and repairing the council's housing stock. More recently it has become commonplace in many areas to see private firms collecting our bins and running our leisure centres. Moreover, whatever country we live in, there are very few services that are never run by the private sector – in the UK it has long been possible to find some places that have private provision of hospitals, schools, child protection, home helps for the elderly and disabled, housing benefit payments and a local council's Director of Finance. (Indeed, in the UK we even had, for a while, provision of the post of Director-General of the BBC by a private company.)

Furthermore, there are some things that are done by the public sector that might cause raised eyebrows if described as "public services" – such as running a telephone company (as the city of Hull did for many decades) or a city centre restaurant (as Coventry did up to the 1980s).

So what *is* public about public services? There is no single answer to this prize question – but neither is there a lack of contenders to win the prize (see Box 1.4). The answer you come up with is very likely to relate to the discipline in which you were trained and to your ideological position.

For welfare economists, the answer is quite subtle but nevertheless quite precise – public services are those which merit public intervention because of market failure (see Chapter 3). In other words, any good or service that would result in suboptimal social welfare if it were provided in a free market should be regulated in some way by the public sector and in this way qualifies as a "public service".

This definition of "public services" is attractively rigorous but unfortunately very wide-ranging. Almost all services, under this definition, exhibit some degree of "publicness", since the provision of most goods and services in the real world is subject to market failure for one or more of the common reasons – chronic disequilibrium, imperfect competition, asymmetric information in supply or in consumption, externalities, discrimination based on criteria other than cost or technical ability to satisfy user requirements, uncertainty, non-rivalry in consumption, non-excludability in supply or users' ignorance of their own best interest. Consequently, this yields a definition of "public services" that is only occasionally useful – for example, it suggests that all theatres and cinemas are worthy of public intervention (since they are at least partly non-rival in consumption), whereas anyone who has sat through a performance of most Broadway or West End musicals knows that there are real limits to the justifiable level of public subsidy to many theatrical events.

Box 1.4 Characteristics of public services

- focus on democratic accountability, fairness and public interest
- restricted by regulation/legal frameworks
- need to respond to socio-political demands, political pressure and public discourse
- exposure to (expert and non-expert!) public/political/media scrutiny
- need for rationing, not maximising 'sales'
- monopolistic, not responding to customers
- 'non-excludable' (i.e. automatically available to everyone)
- successes and failures have 'externalities' (knock-on benefits or costs)
- performance not defined by simple bottom line or shareholder value
- multiple, complex, long-term outcomes, affected by external factors

An alternative approach to defining the scope of "public services" comes from politics. It suggests that "public services" are those which are so important for the re-election of politicians or, more realistically, of political parties, that they are given a public subsidy. Under this perspective, where a service is so important in political decision-making that politicians are prepared to spend some of their budget on it, then its "publicness" must be respected. However, the attractive simplicity of this stance has again been bought at the expense of mind-numbing expansion of the definition of what is potentially a "public service". There are very few goods or services that are never important electorally. However invisible is the widget in the sprocket in the camshaft in the car that is bought by international customers who have no interest in the producer or its location, when it is proposed that a local widget factory should be closed and the widgets should be produced elsewhere (especially if it is "abroad"), so that local politicians are goaded into proposing public subsidies to keep the production going in its present location, then that widget becomes a "public good" under this definition.

A third approach, which similarly sounds like common sense, focuses on all those goods where providers are placed under a "public service obligation" when they are given the right to supply the service. This approach defines as a public service all those services in which Parliament has decreed a need for regulation. However, this approach probably results in a definition of "public service" that is too narrow. For example, there is a legal public service obligation imposed on the providers of all electricity, gas and water utilities and on broadcasters but not on the provision of leisure centres – yet the latter services may form a major part of the quality of life of certain groups, particularly young people and families with young children, and as such may be widely supported by politicians as important services to be provided in the public sector or through public subsidy.

What is public governance?

Trying to define public governance seems to open Pandora's box. Although there is a general acknowledgement that public governance is different from public management, the academic literature on governance (which each year increases exponentially) offers a myriad of definitions. Indeed, even the authors of different chapters in this volume offer different ideas of what is "public governance".

The definition of governance is not, in itself, of critical importance, particularly because many practitioners are widely familiar with governance in practice, although they may find it difficult to recognise it in the forms discussed by academics (see Chapter 15). Nevertheless, we have given a definition above, because we believe it helps to focus discussion.

Whereas in public management a lot of attention is usually paid to the measurement of results (both individual and organisational) in terms of outputs, public governance pays a lot of attention to how different organisations interact in order to achieve a higher level of desired results – the quality-of-life outcomes for citizens and stakeholders. Moreover, in public governance, the ways in which decisions are reached – the processes by which different stakeholders interact – are also seen to have major importance in themselves, whatever the outputs or outcomes achieved. In other words, the current public governance debate places a new emphasis on the old truths that "what matters is not what we do, but how people feel about what we do" and that "processes matter" or, put differently, "the ends do not justify the means". These contrasting emphases – on ends AND means - make "good public governance" exceptionally difficult but may well represent non-negotiable demands by the public in modern society.

The difference between a managerial and a governance approach is illustrated in Case Example 1.1.

Case Example 1.1 Differences between managerial and governance approaches

Whereas public-management-oriented change agents tend to focus their efforts on improving street cleaning and refuse collection services, a local governance approach emphasises the role of citizens in respecting the communal desire that no-one should throw litter or allow dog-fouling on the streets in the first place and that materials should be recycled, not simply thrown away. This involves education (not only in the schools, since "litter-bugs" come in all sizes and ages), advertising campaigns, encouragement of people to show their disgust when dirty behaviour occurs and the provision of proper waste facilities (including those for dog waste) which will help to prevent litter and dog-fouling problems occurring in the first place.

Box 1.5 Corporate governance and sustainability

Governance involves ensuring that Boards are focused on the long-term sustainability of their business. They should be confident that their business models will deliver this – with appropriate risk mitigations as necessary – and that performance indicators and incentives reinforce the desired behaviours.

Source: CIMA (2010, p. 1).

Whereas the governance discussion in the public sector is relatively recent (see Chapter 4), there has been a debate in the private sector for some time on one aspect of governance – *corporate governance*, which refers to issues of control and decision-making powers within organisations (not just private companies) – see Box 1.5.

Subsequently, international organisations have issued guidelines as to how to improve corporate governance (OECD Watch 2017). Although many reforms were implemented in OECD countries, the fallout around the collapse of Enron in the United States in 2001 showed that corporate governance is not only a matter of drafting a stricter legal framework but also of respecting societal values – in the words of Solomon (2007, p. 5), "corporate governance checks and balances serve only to detect, not cure, unethical activity".

Another longstanding governance debate surrounds the issue of *global governance* from the field of international relations, focusing on how to cope with problems that transcend the borders of nation states (such as climate change migration, sex tourism and trafficking or the exploitation of child workers), given the lack of a world government. Some commentators have remained optimistic about the possibilities – e.g. senior UN staff have argued that globalisation needs to be "managed" and have proposed to "govern" globalisation and "make it work for the poor" or simply to achieve "globalisation for all".

However, pessimists suggest that globalisation means that governments everywhere have become powerless and that managing globalisation is an oxymoron, since globalisation is shaped by markets in a "race to the bottom", not by governments. Some have suggested that this powerlessness is reinforced by the coming of the Internet age – that there is no governance against the "electronic herd" (Friedmann, 2000).

Moreover, the events following 9/11, 2001, in New York City have cast a further, more troubled, light on the idea that global activities (such as terrorism) can be "fought" through collective international action. A recent international research project (Papaconstantinou and Pisani-Ferry, 2022, p. 325) has concluded that "Global interdependence is undergoing a fundamental transformation. What was once regarded as a unified system is fast morphing into a multi-polar regime characterised by the coexistence of alternative policy preferences".

Recently, Irwin (2020) has argued that the COVID-19 pandemic has added further momentum to the deglobalisation trend, which is evident in declines in world trade, export bans on "critical" goods such as medical equipment, personal protective equipment and pharmaceuticals and protectionism to avoid "trade dependence", and suggests that the absence of a coordinated and cooperative international response could accelerate destructive "beggar-thy-neighbour" policies not seen since the 1930s.

Whereas governance is a positivistic concept, analysing "what is", *good governance* is obviously a normative concept, analysing "what ought to be". Even though particular international organisations like the United Nations and the Council of Europe have excelled in providing rather abstract definitions of the characteristics of "good governance", we believe that this concept is highly context-dependent. This means that instead of using a simple operational blueprint or definition, the meaning of "good governance" must be negotiated and agreed upon by the various stakeholders in a geographical area or in a policy network.

"Good governance" raises issues such as:

- stakeholder engagement
- the equalities agenda (gender, ethnic groups, age, religion, etc.)
- due process and fair treatment
- ethical and honest behaviour
- transparency
- accountability
- sustainability

Importantly, the implementation of all of the governance principles agreed upon between stakeholders has to be evaluated – ideally, by those same stakeholders.

However, there is as yet no theoretical reason to suppose that all of the principles which we would wish to espouse under the label "good governance" are actually achievable simultaneously. This "good governance impossibility theorem" (mirroring the "general equilibrium impossibility theory", which shows that it is impossible for markets to deliver all of the welfare characteristics which economists have traditionally held dear) is troubling – if valid, it means that politicians need to trade off some principles of good governance against others to which they give a lower priority. This is not a debate that has yet surfaced explicitly in many countries – and it is one that we must suspect politicians will be keen to avoid.

The final section of the book, from Chapter 15 onwards, goes into these public governance issues in greater depth.

What is the role of public management within public governance?

The concepts of public management and public governance are not mutually incompatible. Nevertheless, not all practices of public management are part of public governance, and not all aspects of public governance are part of public management.

For example, some practices of public management revolve around the best way to provide computer support and training to staff of a public agency. There are few public governance dimensions to this decision, which is a common concern for most organisations in all sectors. On the other side, there are issues of co-production of public service between family members and social care staff paid by the local authority, who come together to look after the welfare of a young person with special educational needs and disabilities – the division of roles within the family in liaising with and helping shape decisions by the formal care system is a public governance issue but need not (and usually will not) involve intervention from any public manager.

Consequently, we suggest in this book that the realms of public management and public governance are separate but interconnected. One is not a precursor to the other, nor superior to the other – they do and should co-exist and should work together, through appropriate mechanisms, in order to raise the quality of life of people in the polity.

Of course, not all aspects of public management and public governance can co-exist. When taken to extremes, or interpreted from very contrasting standpoints, contradictions between public management and public governance can indeed be detected. For example, Rod Rhodes (1997, p. 55), writing from a governance perspective, characterises the "New Public Management" (NPM) (one branch of public management) as having four weaknesses: Its intra-organisational focus, its obsession with objectives, its focus on results and the contradiction between competition and "steering" (which often requires collaboration) at its heart. While each of these elements of NPM, if treated in a suitably wide framework, can be reconciled with a governance perspective, an extreme NPM proponent who insists that her/his view of the world is the only way to understand reform of the public sector is bound to antagonise a proponent of the governance perspective (*and vice versa*).

So why should you study public management and governance?

Finally, we want to make a claim for this book that we hope will encourage you to read it with more enthusiasm – and to read more of it than you otherwise might. We want to claim that the study of public management and governance will not only make you a more informed student and a more effective manager (whatever sector you work in), but that it will also make you a more engaged citizen. You should be able to make a greater contribution to the neighbourhood, the local authority, the region and the country in which you live. You may even be able to make a contribution to the quality of life of many citizens elsewhere in the world. And if you decide you do NOT want to know more about public management and governance – just remember that you will be making it more difficult for all those people who will therefore have to work harder to substitute for the contribution you might have made.

So our greatest hope is that, however you use this book, it will help you to find out more about and care more about what it means to be an active citizen, influencing the decisions made in the public domain.

Structure of the book

The book has four main parts:

- an *introductory* part, setting out the role of the public sector, public management and public governance and how these have evolved in recent years in different contexts
- a second part on *public management for public service organisations*, exploring the main managerial functions that contribute to running public services
- a section on *governance* as an emerging theme in the public domain
- and a final part which explores what the future might hold for public management and governance

Questions for review and discussion

1. How would you define public services? Show how this question would be answered by authors from different schools of thought, and try to come up with your own definition.
2. In many cities across the world, food poverty has become a serious problem. Think of a public management and a public governance solution to this problem. Why are they different?

Reader exercises

1. How do you think the image of the public sector has changed in the last five years? Have you personally experienced significant changes to public services, especially since the start of the COVID-19 pandemic? If yes, have these changes shown that the public sector is able to deal effectively with problem issues? If not, why do you think this was so?
2. Does ownership matter – i.e. does the efficiency or effectiveness of a service depend on whether it is in the public or private sector? Why? How would you collect evidence to support your view – and to try to refute it?
3. Find someone in your organisation who read the first, second or third edition of this book (from 2003, 2009 and 2015, respectively). Explore with them how its key themes have changed since they read it – e.g. by comparing chapter headings or summaries in particular chapters.

Class exercises

1 In groups, identify the main differences between "public management" and "private management" and between "public governance" and "corporate governance". Thinking about the news over the past month, identify instances where these concepts might help in deciding who has been responsible for things that have been going wrong in your area or your country. (Now try answering the question in terms of things that have been going right in your area or your country. If you find this difficult, what light does this throw on how the media shape debates on public management and public governance?)

2 In groups, identify some public services in your area that are provided by private sector firms. Each group should identify ways in which these services are less "public" than those that are provided by the public sector. Then compare your answers in a plenary session.

Further reading

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2 The changing context of public policy

Tony Bovaird and Elke Loeffler

Introduction

Public expenditure in most parts of the world increased rapidly after 1945, as the "welfare state" in its various forms became widespread. However, by the early 1980s, budget deficits provided a major motive for public sector reforms in many parts of the world – reforms that covered both the content of public policy and the way in which public policy was made. In the following 25 years, many governments, at least in the OECD countries, achieved more favourable budget positions (see Chapter 3). However, from 2008, the most severe economic recession in the world economy since the 1930s ushered in a period of financial austerity in public sectors which has persisted in many countries to the time of writing (mid-2023).

Meanwhile, other challenges have emerged since the 1980s to drive reforms in public policy. These new pressures on governments consist of a mixture of external factors (such as the COVID-19 pandemic, global climate change, the ageing society, the information society and the "tabloid society") and internal factors (including the consequences, both planned and unplanned, arising from the "first generation" of public sector reforms, as outlined in Chapter 4). These new pressures have emphasised the quality of life implications of public policies and the governance aspects of public sector organisations. They have typically pushed the public sector in a different direction to the managerial reforms of the 1980s and 1990s. In particular, they have re-emphasised the role of politicians in making tough policy decisions (e.g. on lockdown during COVID), the role of populist politicians in spreading "fake news" and increasing social divisiveness and the importance of an engaged civic society for effective public policies.

Learning objectives

The key learning objectives in this chapter are:

- To identify recent changes in the context of public policy
- To identify the major paradigm shifts in public policy-making in recent decades
- To identify the changing role of politics in public policy

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Recent changes in the context of public policy

Most policies have spending implications. If money becomes scarce, policy-makers have less space to manoeuvre. However, financial crises also have an upside – they put pressure on public organisations to become more efficient. In particular, the fiscal crises in most OECD countries in the 1980s (lasting in some until the 1990s) were a key trigger for public sector reforms (see Chapter 4). As these crises receded in many OECD countries before and after the millennium, the financial imperative for public sector reforms remained, but in weaker form, only to reappear in savage form after the global financial crash of 2008.

As well as economic and financial factors, other pressures on governments have remained important, consisting of a mixture of external factors and internal factors. We can map the external factors against the so-called 'PESTEL' headings – political, economic/financial, social, technological, environmental and legal/legislative (see Box 2.1). Many of these external factors have operated for decades, while others have become significantly more important recently, particularly the global health pandemic. The first factor to make a major impact was the global environmental crisis, particularly since the Rio Summit in 1992 (in spite of the growth of "climate change denial" in many governments in the last decades, sometimes driven by desperate attempts to cope with the short-term effects of financial austerity, while shutting their eyes to the long-term potential disasters facing them). The "costs of an ageing society", including the increase in pension costs, have also become a major public policy issue around the world, reinforcing the concern with public sector spending deficits. However, increasingly interest has grown in many countries in the quality of health (not just health care), the quality of life of children, particularly the prevalence of child poverty (not just the quality of public services for children), and the quality of life of the elderly (not just the quality of their social care).

Box 2.1 External factors driving public policy reforms

Political

- new political and social movements in many countries – and internationally – which contest the neo-liberal world view, especially in relation to world trade, the global environment, gender and racial discrimination and attitudes to civil liberties
- rise of populist leaders, advocating radical nationalist and anti-establishment agendas
- loss of popular legitimacy by some long-established public leadership elites, such as political party leaders, local politicians, etc.
- changing expectations, fuelled by globalisation (particularly through tourism and the mass media), about the quality of services that governments should be able to deliver, given what is currently available in other countries
- changing expectations that there will be widespread and intensive engagement with all relevant stakeholders, but particularly citizens, during policy-making and policy implementation processes

- changing expectations about the extent to which public services should be "personalised" to the needs of individual citizens
- increased insistence by key stakeholders (and particularly the media) that new levels of public accountability are necessary, with associated transparency of decision-making and openness of information systems

Economic/financial

- decreasing proportions of the population within the "economically active" category as conventionally defined, with knock-on effects on household income levels and government tax revenues
- economic recession from 2008 in most OECD countries, and many other parts of the world, generally producing falling tax revenues, increasing welfare payments and rising budget deficits for governments, followed since 2020 by COVID-19 lockdown/slowdown and, since February 2022, the energy and cost-of-living crises, sparked partly by the Russian invasion of Ukraine
- increasing (or continuing) resistance by citizens to paying higher rates of tax
- weakening roles of trade unions as labour markets become more flexible (although their resistance to cost of living crises may reverse this)

Social

- traditional institutions such as the family and social class have changed their forms and their meanings in significant ways, so that old assumptions about family behaviour and class attitudes can no longer be taken for granted in policy-making
- traditional sources of social authority and control – police, clergy, teachers etc. – are no longer as respected or influential as formerly
- changing expectations about the core values in society – just as the 1980s saw traditional values such as public duty and individual responsibility being replaced by values of individual self-realisation and rights, so in the 1990s there was a slow return to the understanding that caring and compassion are vital characteristics of a "good society" and that "social capital" is vital to a successful public sector. In the current era of fiscal austerity there is some evidence of growing selfishness, e.g. hostility to welfare benefit recipients, asylum seekers, and economic migrants
- the ageing society, which means that much higher proportions of the population are in high need of health and social care
- changing perceptions about the minimum quality of life for certain vulnerable groups that is acceptable in a well-ordered society – especially in relation to child poverty, minimum wages for the low paid and the quality of life of elderly people (especially those living alone)
- a revolt against conceptions of "difference", whether of gender, race, physical or mental (dis)abilities, as "given" rather than socially constructed, so that disadvantaged groups with increased expectations are seeking new political settlements
- changing perceptions about which behaviours towards vulnerable people are socially acceptable in a well-ordered society – particularly in relation to child abuse, child poverty, domestic violence and levels of anti-social behaviour

- the growing realisation that public services not only alter the material conditions experienced by users and other citizens but also affect the emotional lives of users, citizens and staff, affecting their ability to form fulfilling social relationships within a more cohesive society
- the growing desire by many citizens to realign the balance between paid work, domestic work and leisure time, particularly to tackle some of the gendered inequalities embedded within the current (im)balance of these activities
- the new level of scrutiny that the "tabloid society" provides to the decisions made by politicians and by public officials (and also scrutiny of their private lives), often concentrating more on the "people story" side of these decisions rather than the logic of the arguments

Technological

- technological changes, particularly in ICT, which have meant that public policies can now take advantage of major innovations in ways of delivering services (e.g. through artificial intelligence) and also that the policy-making process itself can be much more interactive than before
- the information society, in which a much higher proportion of the population can make use of new ICT technologies
- increased concern about the efficacy and reliability of "hi-tech" solutions
- renewed interest in "alternative health care" and in "alternative technologies"
- increased risks of hacking and cyber-crime and concern about privacy, data security, growth in the "surveillance society" and misuse of 'big data'
- Misuse of artificial intelligence (AI) and 'decision-making by algorithm'

Environmental

- increasing concerns with global warming and the impact of climate change, e.g. through flooding, hurricanes, "deep freezes"
- willingness to take some serious steps to reduce the usage of non-renewable energy sources and to recycle waste materials, e.g. through a "Green New Deal"
- increasing pressure for governments (and increasingly private firms and third sector organisations, too) to demonstrate the environmental impact of all new legislation, policies and major projects

Legal /legislative

- increasing influence of supra-national bodies – e.g. UN, World Bank, IMF, WTO, EU – in driving legislative or policy change at national level
- growing public discontent in some countries about influence of supra-national or foreign governments on domestic policy (e.g. concern in developing countries with IMF-imposed reforms and in Greece about EU-imposed fiscal austerity and in the UK about "EU-imposed laws")
- increasing legal challenge in the courts to decisions made by government, by citizens, by businesses and by other levels of government

Many of these external factors have tended to push most governments in rather similar directions – e.g. the concern with climate change means most governments have had to prepare "net zero by 20XX" plans, the longstanding slowdown in economic growth has generated austerity programmes, child poverty has driven many governments towards "workfare" programmes (encouraging parents to accept work, even if low-paid, either through incentives such as tax breaks or sanctions such as threatening withdrawal of benefits), the ageing society means that the pensions policies of most OECD countries are now under threat, the information society means that e-government is a major theme everywhere, and the "tabloid society" has driven governments in most countries to take public relations (now generally known as "spin") much more seriously than (even) before.

However, the internal factors that are driving changes in public policy tend to be more context-specific. For example, in many countries governments are contracting out a high proportion of public services and also looking to the private sector for advice and consultancy on many policy-relevant issues. This is sometimes because of the superior access to capital finance enjoyed by the private sector, and sometimes because of the perception that the private sector has greater expertise in certain functions. This has had a number of important policy implications: for example, a new generation of public sector employees no longer expects to enjoy a "job for life", which increases the flexibility of policy-making (but probably also means higher salaries have to be paid and, where greater mobility occurs, may lead to a loss of "institutional memory").

Moreover, in some countries where governments have gone far down the road of contracting out public services to the private sector (see Chapter 8), there have emerged new and serious concerns about fraud and corruption in privately run public services (see Chapter 27). In other countries such as Germany the reverse trend can be observed: Many local authorities have reduced the outsourcing of public services. Here, the inflexible accounting system in the public sector had been a major reason for contracting out public services to private sector companies. However, this often meant that the local council lost influence over how public services were provided, budgets were less transparent and "creative accounting" became more common. Also, most German local authorities by 2009 had introduced resource accounting, which reduces the emphasis on balancing current year cash budgets, so that the benefit-cost ratio of outsourcing appeared less attractive.

Again, the concerns about fragmented and disjointed public policies and governmental structures (often the consequence of "managing at arm's length" or "agencification" – see Chapter 17) have encouraged governments to find more mechanisms for coordination and integration, but in different ways in different countries. While it is widely agreed that today's "wicked" problems can no longer be solved by a single policy or by a single actor, governmental responses have differed significantly, from the emphasis on "joined up government" in the UK and "whole of government" approaches in Australia, to the "seamless services" agenda in the USA and the "one stop shop" initiatives for citizens and investors now seen in many countries.

Public policy at a time of austerity

Since the onset of widespread economic recession in 2008, and subsequent fiscal austerity, two economic issues have appeared to have exercised particularly strong influence over public opinion and public policy – government spending deficits and the national debt (or, more precisely, growth in or the rate of decline in the national debt).

The arguments in this debate, though often crude and ill-informed, have often seemed to revolve around some widely shared assumptions. Indeed, a casual observer might assume that some of the old and long-since discredited "golden rules" of economic policy ("maintain a balanced budget", "keep your currency linked to gold") had been replaced by new golden rules. Yet this is not the case. Let us consider some of the common assumptions behind this policy debate and notice how ill-founded they are.

New golden rule – proposal no. 1: Don't run a budget deficit – and, if you have a deficit, you must get it down. Sounds reasonable? Yet the USA Federal Reserve spent more than $4 trillion in its three rounds of bond buying from 2008 to 2014 (known as "quantitative easing" or QE), contributing a large element of the USA government deficit, and as a result almost certainly prevented a more dire economic situation. Indeed, the growth in US net private worth has been greater than this, halting a precipitate decline occasioned by the housing market collapse of 2007 and the stock market collapse of 2008 (see http://online.wsj.com/articles/SB10001424052702303824204579423183397213204). Moreover, subsequently economic growth was significantly faster in the US than in the Eurozone, which insisted on tight austerity measures and budget deficit reduction plans in all of its members. Was this policy ill-advised? Admittedly, QE does have some complicated consequences (see https://www.bbc.co.uk/news/business-15198789) – it makes subsequent government borrowing more expensive, makes pension schemes more expensive and raises the value of shares and property relative to cash savings, which redistributes wealth towards more wealthy people. We have seen further rounds of major QE since the COVID-19 pandemic and the Russian invasion of Ukraine, which appear, once again, to have staved off severe economic downtowns in most countries – but the final balance of these interventions has still to be seen.

New golden rule – proposal no. 2: Don't allow national debt to rise above a certain level – although, confusingly, the level specified tends to vary between rule proposers. The argument is that this could make a country vulnerable to people wanting to cash in that debt. Logical? Well, not in theory, if most of the national debt is held by local people, so it actually represents their assets! Nor does it make sense if the debt has been accumulated in order to invest in valuable assets – for example, as we discussed above, "quantitative easing" refloated the US economy after 2009 and drove up asset values in housing and industry, so that it increased US economic net worth and could be argued to have actually paid for itself. In any case the US and Denmark have had similar rates of economic growth (2.0% p.a. from 2013 to 2021, IMF data, see https://en.wikipedia.org/wiki/List_of_countries_by_real_GDP_growth_rate#List_(2013–2021)), but the ratio of national debt in the US was 107% in 2021 and only 33% in Denmark. So how reliable a rule is that? Actually, this suggests an alternative golden rule – anyone who talks about "debt" without mentioning in the same sentence the value of corresponding assets should be wholly ignored until they get the point!

What does this add up to? Well, it is essentially a warning that most of the conventional wisdom on economic policy is misinformed. There is likely to be only one golden rule in economic policy – the appropriate spending and tax balance in your country, and in your local authority, depends on your circumstances, NOT on any rules.

Changing paradigms of public policy

In the 1980s, the drivers of change, particularly the financial pressures, pushed most Western countries towards a focus on making the public sector "lean and more competitive while, at the same time, trying to make public administration more responsive to citizens' needs by offering value for money, choice flexibility, and transparency" (OECD, 1993: 9). This was later known as "new public management" (Hood, 1991) (see Box 2.2).

Box 2.2 Elements of New Public Management (or NPM)

- emphasis on performance management
- more flexible and devolved financial management
- more devolved personnel management with increasing use of performance-related pay and personalised contracts
- more responsiveness to users and other customers in public services
- greater decentralisation of authority and responsibility from central to lower levels of government
- greater recourse to the use of market-type mechanisms, such as internal markets, user charges, vouchers, franchising and contracting out
- privatisation of market-oriented public enterprises

Source: OECD (1993: 13).

Whereas some scholars considered this reform movement as a global paradigm change (e.g. Osborne and Gaebler, 1992: 325 and 328), others were more sceptical of the transferability of Westminster-type managerialism to Western Europe and other countries. Certainly, the credence given to the NPM paradigm by public sector practitioners in a major country such as Germany has remained rather low throughout the past three decades.

In NPM, managers were given a much greater role in policy-making than previously in the "old public administration" (PA), essentially at the expense of politicians and service professionals. While this clearly helped to redress the traditional balance in the many countries where management had been rather undervalued in the public sector, it quickly led many commentators to question whether this rebalancing had gone too far. In particular, it led to a vision of the public sector that often seemed peculiarly empty of political values and political debate.

As Chapters 4 and 5 show, different countries responded to the challenges in different ways, depending on a variety of factors. However, one factor in most of these responses was a concern with the governance dimension of public policy and the governance of public sector organisations (see Chapter 15). This governance-oriented response tended to emphasise:

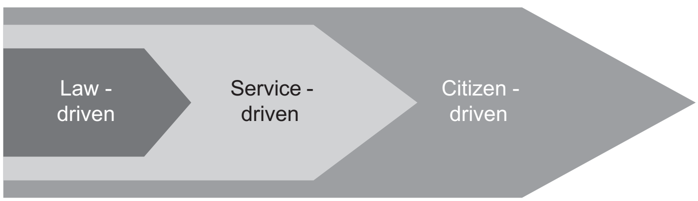
- the importance of "wicked problems" that cut across neat service lines, so that "quality of life" improvements are more important than "quality of service" improvements
- the need for these "wicked problems" to be tackled cooperatively, because they cannot be solved by only one agency – thus the need for multi-stakeholder networking; for example, evidence indicates that clinical care may account for only 20% of health outcomes, while socioeconomic, behavioral, and environmental factors determine the rest (PCIC, 2023)
- the need for agreed "rules of the game" that stakeholders will stick to in their interactions with one another, so that they can trust each other in building new joint approaches to the problems they are tackling – extending "corporate governance" principles into the sphere of "public governance"

- the critical importance of certain principles that should be embedded in all interactions which stakeholders have with each other, including transparency, integrity, honesty, fairness and respect for diversity

Of course, the set of responses described above have developed gradually rather than overnight. Indeed, many of today's wicked problems are the emerging and unresolved problems from yesterday. Also, in many cases, fiscal pressures have deepened and have become mixed with the new demands on governments. Which pressures are dominant and which are less relevant depend essentially on the setting (see Chapters 4 and 5). As public policy contexts become more differentiated in the future, the variety of governance reforms is likely to be much greater than in the NPM era.

Pollitt and Bouckaert (2017: 19) also use the concept of the "Neo-Weberian State" (NWS) to describe a public sector model characteristic of stable and prosperous Western European democracies such as Germany, France and the Nordic group. NWS consists of key "Weberian" characteristics such as the central role of the state and the preservation of a public service with a distinct status, to which they add principles such as citizen-orientation and performance management. While Pollitt and Bouckaert argue that NWS is a hybrid concept which consists of rather contradictory Weberian and neo-characteristics, Byrkjeflot et al. (2018) consider that it is more useful to distinguish between "degrees of Weberianism". After all, the Weberian state was originally conceived as an ideal-type, not a depiction of reality.

These challenges put public agencies under pressure to adapt. Whereas some agencies respond to the new environment quickly or even proactively, others change more slowly or not at all. As a result, old and new structures and management approaches are often found side by side (Hood, 1991). This messy situation is multiplied by the many different kinds of reform going on – some of which are described in Parts II and III in this book. Figure 2.1



Goal:	legal	competitiveness	community quality of life
Perspective:	conformity	public/private service providers	civil society
Coordination mechanism:	state hierarchy	market	networks
Logic	legal	managerial	political
Model	PA	NPM	Governance

Figure 2.1 Types of public agencies.

Source: Translated and adapted from Gerhard Banner (2002).