

What is the Cameron-Clegg governance strategy? Zombie ‘new public management’ cannot work in the face of massive public expenditure cutbacks

*Ministers can never achieve public service reform by acting on their own. Every reforming government needs dependable allies **inside** the government sector that it can rely upon for help in implementing its programme. Yet with the close of the party conference season **Patrick Dunleavy** finds the coalition government strangely bereft of anything approaching a statecraft that might see them through hard times. So far their approach to governance seems to naively blend ‘new public management’ (NPM) themes from the mid 1990s that were intellectually bust years ago with an austerity drive that directly negates and undermines all the key NPM ideas.*



Nice guys (or seemingly nice guys at a personal level) can go a long way in political life, as Ronald Reagan, George Bush and Tony Blair all demonstrated in their different ways. But once they get into government, and especially if they want to make changes and reforms in public services, or cope with a crisis of governing, they had better also have some inner steel. This means possessing a coherent and well-worked out governance strategy for getting things done even when the governing climate turns nasty, and an overall statecraft or *realpolitik* for turning the flanks of or overwhelming opposition groupings.

Of course, having external allies (in the media and business especially) can be very helpful here. But governing is primarily about running the public sector, and what you really need are *internal* allies – significant groupings inside the public sector who want what you want. You need thousands of people who have strong incentives to work their socks off on your behalf, to go the extra mile, to incur the extra costs of advocating change, to spread your message of change and to convert those around them to working with new policies and directions.

In his book *Unleashing Change*, the Harvard political scientist Steven Kelman estimates that you need at least 25 to 30 per cent of the staff in any organization to positively want to make changes-from-the-top work *for their own reasons*. This group can then in turn usually swing another more passive (‘wait and see’) group (maybe another 40 per cent) inside the organization to fall in behind change. And these enthusiasts can also struggle on your behalf with the anti-change or never-going-to-change groupings, who will rarely form less than 20 to 25 per cent of the organization.

Apply this approach to analyse the Thatcher and Blair governments, for instance. They had numerous cohorts of internal public sector allies, especially

- top service managers, accountants and technocrats paid newly higher salaries to put through radical organizational change, and whose numbers were also greatly increased (essentially by sacking frontline workers);
- thousands of ambitious junior managers who could see in the Thatcher ‘new public management’ reforms and the Labour expansion of public services a route to their own advancement;
- consultants across the private sector, from bankers pushing privatization schemes, to the big four accounting firms on the gravy train of helping implement ‘Next Steps’ agencies across Whitehall and quasi-markets in the NHS
- contractors in IT services, handed [the most generous and laxest contracts](#) for government IT ever dished out by any OECD government, along with all the ‘business process outsourcing’ companies who took over



chunks of routine administration to massage civil service and local government staff numbers down;

- by now massive parts of the UK private sector that are involved in private finance initiative (PFI) schemes and public private partnerships (PPPs), mostly on exceptionally generous terms, imposing substantial extra long-run costs on government;
- the Blair and Brown administrations also had the public sector trade unions mainly onside for the increases in government spending and the Warwick Agreement concessions made to the trade union leaderships in 2005;
- both Thatcher and Blair assiduously kept the police strongly onside, boosting their pay and numbers and using them extensively to suppress opposition (with a private carte blanche tolerating police illegalities in the public order sphere).

So now that the Conservative party has closed the party conference season, and the new political year has kicked off, where does the coalition government stand in terms of their governance strategy? David Cameron and Nick Clegg have done the nice guy bit creditably enough, but what is their statecraft apparently based on? Where are they going to turn when the chips are down? Granted that they have many advantages in having majority support from voters at the last general election, [a secure Parliamentary situation](#) and an initial stock of political capital with substantial media backers and so on, none the less inside government how they get things done?

Political elites who have been out of power for a long time often come back into government with 'zombie' versions of what they did when last in office, that actually are no longer appropriate to current conditions.

And so it seems to have proved with Tories. When they were last making changes in the government sector the absolutely dominant ideas were '[new public management](#)' (NPM) ones stressing

- *disaggregation*, splitting up public bureaucracies and hierarchies into smaller, leaner, ones – e.g. via agencification in the civil service, locally managed schools and quasi-markets in the NHS
- *competition*, making public service providers compete with each other and with outsourced work to contractors
- *incentivization*, getting rid of reliance on obscure 'public service ethics' and professionalism, and replacing them with a reliance on targeting and budgeting by results, performance pay and strong top salaries for public managers, assigning assets to those who can manage them best (via PFIs and PPPs).

The trouble is that this whole approach to public management hit the rocks pretty convincingly and in many different dimensions from 2002 to 2008 and it has been [pronounced intellectually dead by some commentators by the mid 2000s](#) and by [the OECD more recently](#). Yet the incoming ministerial team has relied on zombie NPM measures risen from the dead for their only large-scale ideas so far on how to secure public service change. Thus:

- Andrew Lansley has revived the whole quasi-markets experiment for the NHS, although it has failed convincingly twice before, in the UK and in Italy. His plans to abolish 154 Primary Care Trusts in England and replace them with perhaps 630 GP commissioning units are a classic combination of NPM disaggregation, competition and incentivization themes. They have [some academic support from 'choice' enthusiasts](#), but will cost [at least £1.7 billion \(on government numbers\)](#) and [more likely £3.5 billion \(as estimated by outside experts\)](#). What's worse, all the evidence from private business is that commissioning and contracting work great when they are done by big expert units (think Tesco beats corner shop here). So how will 630 corner shop GP commissioners do any good, let alone save a penny? [Equally, evolutionary change is far better than another radical reorganization](#).
- Lansley will also make all (instead of only some) acute hospital trusts into 'foundation' trusts; and Michael Gove in Education will make all (already locally managed) schools into 'academies' instead of this status only being reserved for only some. But these changes will just mean that central control is strengthened, and that all these units will now be in the same boat when anything goes wrong (as something surely will over time).



Image Credit: conservativeparty

Ministerial power has increased here, not devolved in the slightest.

- Minister have promised to devolve many capacities to local councils, but we expect to see [their enthusiasm for devolving power seep quickly away](#) as Labour triumphs in the May 2011 local elections and Labour councils blame the centre for every last retrenchment in public services.
- Meanwhile Francis Maude at the Cabinet Office has embarked on a strategy (aided and abetted by the media) of persecuting any senior manager in the public services paid anything more than or close to the Prime Minister's salary. And the austerity cutbacks will cull thousands of senior positions and increase workloads dramatically for all those top managers left. The whole 'incentivization' theme that worked so well for Thatcher and Blair has gone completely now. No one ambitious or career-minded can see a high income or prosperous future in the public services.
- Finally 'incentivization' has been killed off far more widely by the two year public sector pay freeze. Essentially this means that everyone in the public services loses income every year at the inflation rate that a highly unperforming Bank of England allows to happen – probably 3 per cent this year and next. Add in the VAT rise of 2.5 per cent in January 2011 and if anyone in the government service is not 10 per cent worse off in mid 2012 than they are now I will be very surprised. The loss of upper income tax payers' child benefits in 2013 will also hit many public sector professionals, especially women.
- Ministers will face acute public sector industrial unrest by spring 2012. And meanwhile the overall efficiency of government will hollow out in a 'Swiss cheese' manner as good people leave key posts for the private sector or other careers. They will not be replaced with other good people, but only by reluctant draftees from elsewhere in their organizations with less talent, experience and commitment. Like every prices and incomes policy before it, the government's strategy will be threatened from 2012 onwards by a huge wave of catch-up pay claims, which there will be many structural pressures to concede.
- All of the above applies with extra force to the police service, who have already warned in graphic public terms that with many fewer numbers they won't be enthusiastic about coping with a public order backlash against the government.

Finally, what of contractors in government IT, business process outsourcers and consultants? Well the government has been putting the squeeze on its suppliers and has implemented stringent short-term policies such as demanding ministerial sign off for any new IT contract over £1 million (chicken feed by NPM standards) or any consultancy over £20,000. The consultants who bankrolled the Tory campaign with hundreds of thousands of pounds, and the outsourcers who anticipated acres of new business, are likely to be thwarted by the huge scale and unrealistic timetable for achieving public spending cutbacks.

Some commentators([like Jerry Fishenden on this blog](#)) see a potential for a new IT strategy to come out of this investment pause, but others see the public sector pay freeze and austerity climate as capable of tipping already fragile government IT operations into near-death spirals. The digital modernity of government services is [already moving backwards](#) for every day that the current 'investment pause' continues. The implosions of service quality at HMRC (where recent staff surveys have shown fewer than one in five staff having confidence in senior management and where [more than two in five phone calls are never picked up](#)) are ominous signs here.

So when the going gets tough, who are Cameron and Clegg going to call? Zombie new public management is not going to work in the face of massive public expenditure cutbacks. And you can't do public sector changes from outside or for the short term. You need internal allies and you need a long-term statecraft, and so far I don't see either in prospect.

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