

# **Review of Public Administration**

## **Briefing Paper**

### **Public Service Reform**

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The views in this report are those of the author and are not to be attributed to the Review of Public Administration team or the Office of the First Minister/Deputy First Minister.

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## **Executive Summary: Public Service Reform**

1. The aims of this briefing paper are fourfold. First, it will set out a framework for analysing public service reform in an attempt to stimulate ideas about the task ahead for the Review of Public Administration team. Second, it will outline comparative experiences of public service reform both within and beyond the EU. Third, it will summarise the general lessons emerging from these countries. Finally, it will attempt to relate these global lessons to local circumstances of public service reform in Northern Ireland.
2. A generic framework for public service reform comprises three core elements: pressures driving the need for reforms (deriving from the socio-economic and political context); what reforms can feasibly be achieved (as opposed to what might be desirable); and the extent to which the reforms can be implemented. In applying this reform model to the Review of Public Administration in Northern Ireland, the importance of local context will play an important part in the trade-offs which have to be made by the reviewers. International experience suggests there is no single template for public service reform which can be superimposed on Northern Ireland's existing political and administrative systems.
3. Public service reforms in a comparative context can be captured by the term New Public Management. At the heart of this reforming ideology is the notion that public service provision tends to be inefficient and of poor quality. This has prompted criticism of the bankruptcy of bureaucracy and the need to learn from the private sector – in short, more entrepreneurial government. Typically this includes a greater emphasis on performance measurement, the promotion of competition, improvements in financial management, a focus on service outputs, and private style management practices which empower public sector consumers.
4. Comparative experiences of implementing New Public Management can be located within a spectrum of reformers ranging from comprehensive reformers (United Kingdom, New Zealand and Australia), through incremental reformers (Netherlands, France, Scandinavia [except Norway], Ireland and North America), to limited reformers (Germany, Norway and Sweden). The comprehensive reformers have engaged in extensive marketisation via privatisation and contracting out, restructuring their public sectors through downsizing and decentralisation, and establishing a customer orientation in service provision. The incremental reformers have tended to be more selective in the implementation of components of New Public Management.
5. As part of the United Kingdom, Northern Ireland has adopted many of the reforms consistent with the radical or comprehensive modernisers described. Devolution now offers the Northern Ireland Executive the opportunity to make changes in public administration and, as a consequence, the way in which services are delivered to more adequately reflect local needs than existed under Direct Rule. This must be done within a public expenditure budget whose derivation lies largely outside the control of the Executive. Hence the reforms' focus on 'getting more for less' must address how existing services

are better structured, managed and held to account within a locally elected Assembly.

6. What therefore are the main problems that have to be addressed in improving public services and where should the concentration of the reforming agenda be? In no order of importance this might include:

- An over-administered system of public services that has evolved for political reasons but must now be structurally reformed.
- A level of political accountability consistent with a population of 1.6 million people which demands hard choices about the future role of local government and non-departmental public bodies.
- A need to ‘free-up’ resources within the restrictive Westminster controlled Northern Ireland block of public expenditure and redirect towards local, needs assessed, public service priorities.
- An adherence to the principles of equality and human rights central to the Belfast Agreement and operationalised in public service planning and delivery.
- The continuing commitment to the adoption of what is best in the modernising agenda of New Public Management, typically:
  - a commitment to achieving ‘best value’;
  - provider responsiveness to customers;
  - more market awareness;
  - more entrepreneurial management with political accountability upwards;
  - structural delayering and downsizing; and
  - a desire to shift power back from appointed to elected bodies.

7. The lessons from comparative reform programmes are insightful at the beginning of Northern Ireland’s Review of Public Administration. They offer a window into the way in which other countries have tackled administrative reform within the framework of New Public Management. It must be noted however, that such reforms were motivated by country-specific circumstances, in some cases ‘to save money, sometimes to fight the loss of legitimacy of public administration and, on other occasions, to deal with the dissatisfaction of their public managers and politicians or the opacity of the bureaucracy’.<sup>2</sup> The key lessons emerging therefore are the importance of local context and what factors are driving the reform agenda – this is pivotal to both the direction and substance of improving public services in Northern Ireland.

*Many of the costs of change (in the public sector) can be thought of as being associated with the dismantling of existing political and administrative systems in order to 'make room' for the new. In every country, much history and many political bargains – and therefore some wisdom – are built into existing systems. Such systems are archaeological maps of past struggles and settlements.<sup>3</sup>*

## **1. Introduction**

- 1.1 The Review of Public Administration, heralded in the Programme for Government, is seen as one of the major tasks facing the Northern Ireland Executive under devolution. Its importance was highlighted by the First Minister during an Assembly debate when he said, 'This is the opportunity of a generation to put in place a modern, accountable, effective system of public administration that can deliver a high quality set of public services to citizens'.<sup>4</sup>
- 1.2 At the launch of the Review in June 2002 the Deputy First Minister referred to the interests expressed by Members of the Legislative Assembly (MLAs) in the scope of the Review and possible structures emerging from it. This, he suggested, was a provider-driven perspective and should not distract from a focus on the citizen whose interests are in the provision of accessible, responsive and high quality services. Mr. Durkan did not want Assembly Members 'to channel their energies into turf wars rather than better services'. The Deputy First Minister argued: 'fundamental changes to the administration of public services are now in our grasp. It is to be hoped that the changes will improve the quality of life for many people who need, and rely on, the services. This Review is the means to that end'.<sup>5</sup>
- 1.3 In short, the starting assumption is that citizens have little or no interest in which bodies actually provide public services. Indeed many are understandably confused by the plethora of organisations which constitute the public sector in Northern Ireland. Rather, they demand quality services which meet their needs. Structural reorganisation of public bodies as an outcome of any review process should therefore be seen as part of a public service reform package whose objectives are much more broadly conceived. The ultimate test of the Review's effectiveness is whether public services improve as a result.
- 1.4 Bearing in mind the specific consumer focus of the Review, this briefing paper will address three key issues. First, it will set out a framework for analysing public service reform in an attempt to stimulate ideas about the task ahead for the Review Team. Second, it will outline comparative experiences of public service reform both within and beyond the EU. Third, it will summarise the general lessons emerging from these countries. Integral to these cross-country comparisons of public service reform will be considerations of the principles of accountability, equity, social need, efficiency and effectiveness as required in the terms of reference for the briefing paper. The information that informs this paper is distilled from a number of academic and practitioner sources. It does not involve primary research work on the part of the author. The

adaptation, relevance and interpretation of this material for the Northern Ireland context are, however, the responsibility of the writer.

## 2. Public Service Reform – A Framework for Analysis

2.1 The framework for reform that is offered here is an adaptation of a generic model derived from the experiences of public service reform in a number of countries.<sup>6</sup>

Applying this framework locally might suggest public service reform comprises three core elements:

- pressures for a reform agenda which arise both from the socio-economic environment and the political system in which public services are delivered in Northern Ireland;
- the process of change arising from the reforms advocated as part of the Review of Public Administration; and
- implementing changes emerging from the review process.

Each of these elements is considered.

### PRESSURES FOR REFORM

2.2 *Socio-economic forces:* The devolved Assembly is operating within an evolving socio-economic environment which has exerted specific pressures for change. Typically this includes increasing demands on public expenditure from a finite public expenditure resource base (public spending by the Northern Ireland departments in 2001-02 was £5.7b). Without the benefits of tax raising powers there is a clear imperative to ‘do more with less’. Devolution has also brought increased expectations of improved public services – witness the current pressures on Northern Ireland ministers for improvements *inter alia* in health, education and transportation. The economic profile of Northern Ireland as an economy which is heavily public sector dependent has also created an impetus for change towards greater entrepreneurialism and the need to develop private sector capacity. The terms of reference of the Review, for example, make reference to ‘the scope of the public sector’ and encourage consideration of ‘the appropriateness of services being delivered from the public purse’. External socio-economic influences include the withdrawal of the generous European funding package which Northern Ireland has benefited from and will cease beyond 2006. Socio-demographic variables have also created pressures for reform. Recent evidence of a more polarised society in Northern Ireland, significant pockets of social deprivation and long-term unemployment, and low social capital (particularly in Protestant areas), all create pressure for high quality targeted public service intervention.

2.3 *The Political System:* The power sharing Executive and the application of the principle of proportionality (through d’Hondt) has created a shift towards consensual politics in Northern Ireland. Hence, there is broad agreement on the need for public sector reform and the main political parties are supportive of the Review of Public Administration. Indeed politicians have been frustrated by what they perceived as procrastination in getting it under way. The scope of the reform has been a source of political contention in that some parties see the exclusion of the 11 departments and the North/South Bodies as

too restrictive. The Deputy First Minister rebutted this when he stated ‘the Review is not a means by which to renegotiate the Agreement by the back door’.<sup>7</sup> This consensus on the need for reform presupposes the long-term stability of the Assembly as a working political institution. Its fragility has been exposed over the weapons issue, breaches of paramilitaries cease-fires and ongoing interface street violence. One reason for the delay in launching the Review was the on-off status of the Assembly and continuing efforts to embed the democratic process in the face of constant pressure within the Ulster Unionist Party to reconsider its involvement.

- 2.4 The thrust of this support for administrative reform is grounded in MLAs’ prior (mainly negative) experiences as local councillors in dealing with Direct Rule institutions. This has created *a priori* expectations of the need for a significant pruning of ‘the bureaucracy’. Non-departmental public bodies or quangos, in particular, have been singled out as prime candidates for reform, viewed by many as bodies which afforded Direct Rule Ministers the opportunity to dispense political patronage amongst compliant selectees. The fact that 55% (n = 60) of MLAs are also serving councillors in itself creates a context in which the future role of local government as part of the Review will have significant vested interests. Recent media attention to both salary levels and expenses paid to MLAs and criticism of what the Assembly has achieved as a legislative forum, have also created pressures to demonstrate its efficacy. The fact there are no constitutional impediments to undertaking reforms of the various tiers of governance, given the brief of the Northern Ireland Assembly, provides a context which is conducive to the Review of Public Administration. Additional legal considerations of equality and human rights proofing in public service reform do however require greater attention to the potential impact of Review proposals than would be the case in any other part of the United Kingdom or Republic of Ireland.

## **THE CHANGE PROCESS**

- 2.5 The second aspect of the framework is the *change process* which distinguishes between a desirable set of reforms and what is actually achievable. This is simply a recognition of the political and administrative realities within which reforms take place and an acknowledgement that to gain acceptance there may well have to be a dilution of a desirable reform package. Observers of the comprehensive public service reform process in New Zealand, for example, noted that as it evolved a host of practical considerations significantly affected the final outcomes and the purity of the principles which underpinned it.<sup>8</sup> In other words, the final outcomes of a reforming agenda may have only a loose relationship to its original objectives or ‘reform schemes are frequently vulnerable to cognitive limitations, cross-cutting actions, politico-administrative roadblocks and unforeseen developments of a wide variety of kinds’.<sup>9</sup>

## IMPLEMENTATION OF REFORMS

*Most democracies undertake comprehensive reforms of administration from time to time. They create special commissions or parliamentary initiatives to overhaul the administrative machinery of government. Those efforts regularly have their beginnings hailed, their aspirations praised, and their recommendations ignored.<sup>10</sup>*

- 2.6 The third and final aspect of the framework is *implementing changes* advocated by the Review Team. This has the potential to be the most neglected aspect of undertaking public service reform. International experience suggests that much energy is invested in announcing the review, its *modus operandi*, work-in-progress and the reform recommendations emerging from its work. Less attention is paid to the follow-up work and the extent to which this delivers both the spirit and letter of the recommended reforms.
- 2.7 In part this has to do with a failure to recognise potential obstacles in the implementation process. The Review Team disbands following the launch of their report and ownership of the recommendations becomes dispersed. This is compounded by the networked nature of public sector organisations involved in service delivery, where no individual body is a single implementor. The potential for problems at the implementation stage could also be exacerbated by the outcomes of other parallel sectoral reviews (in, for example, education and health) and how these will dovetail into the Review of Public Administration. The Deputy First Minister was keen to dispel any possible implementation gaps when he pointed out: ‘work on related reviews and other developments will be carried forward by the relevant departments, and they will obviously have to be drawn together at key decision-making points. The Executive will have a gatekeeping role in relation to many of these decisions and will want to ensure that decisions are taken in a co-ordinated way’.<sup>11</sup>
- 2.8 Public service reform programmes have an obvious impact on the careers of officials. Their potential to frustrate the implementation process in areas that are detrimental to their job security and prospects should not be underestimated (witness the attempts to abolish the Western Education and Library Board). Organisational protectionism is a natural response when faced with challenges to their *raison d’être*. This makes the final outcomes of any reform package extremely difficult to predict, even when recommendations emerging from a review have been clearly articulated, are the product of public consultations and inputs, and have secured political consensus.

## LOCAL CONTEXT

- 2.9 The value of this generic framework developed from the experience of public service reforms in several countries is to contextualise the upcoming Review of Public Administration in Northern Ireland (see Figure 1). The local context will have a significant bearing on the review process and where specifically the emphasis is placed on its ongoing work. For example, it may well be the

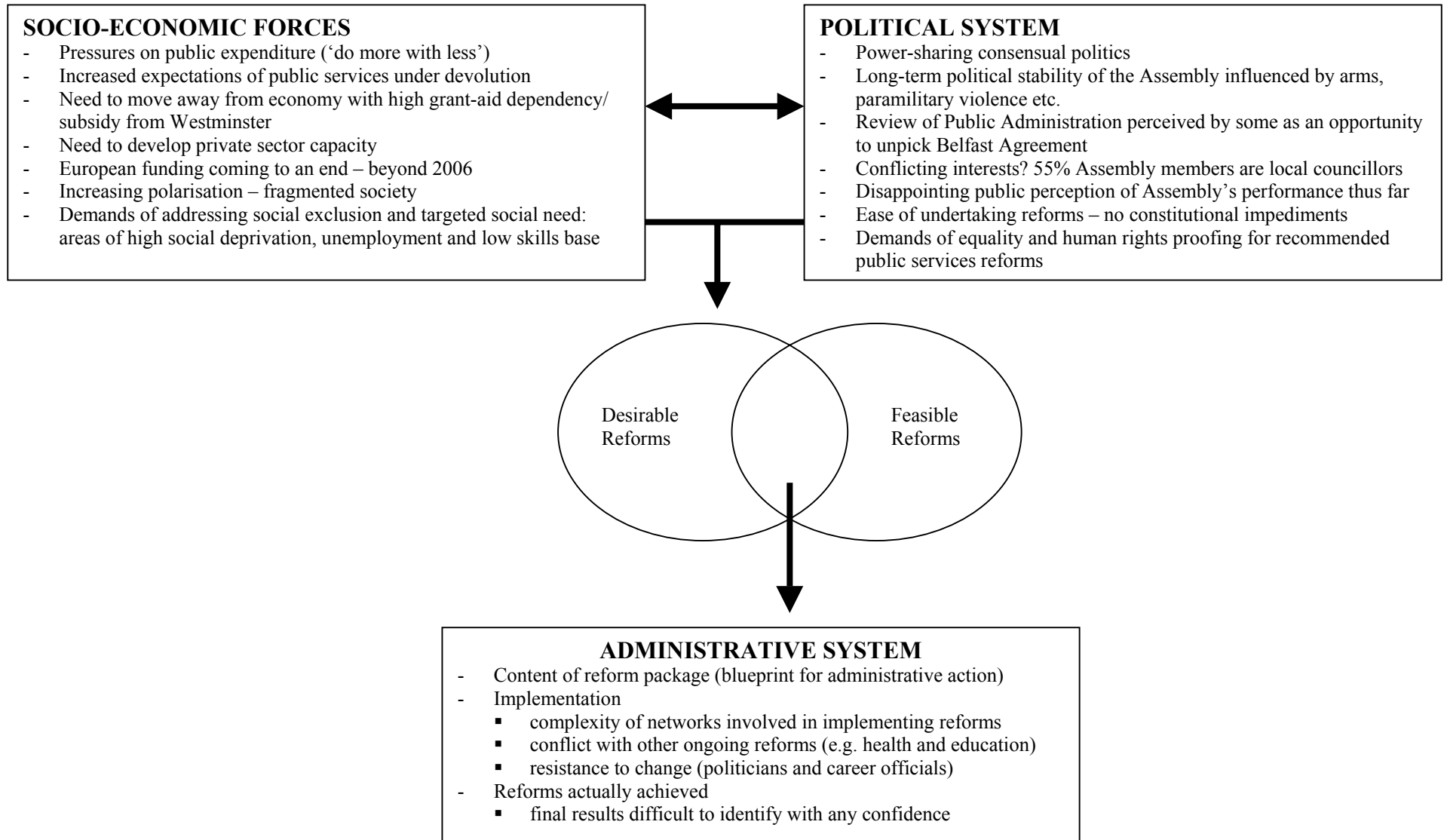
case that increasing budgetary pressures on the Assembly are such that the Review's key priority becomes the creation of a system of public administration capable of delivering the most efficient and effective services, one of several 'characteristics' it is tasked to fulfil. Hence, the value-for-money criterion drives the Review. Alternatively, the strong local government lobby within the Assembly may emphasise community responsiveness and subsidiarity as the more important influences on any proposals coming forward. Accepting that the reform characteristics outlined in the Review's terms of reference are not mutually exclusive, local context will play an important part in the trade-offs which will inevitably have to be made by the reviewers.

2.10 The influence of local context is highlighted in the experience of public service reforms from other countries and described thus:

Public service reforms in any particular country will almost certainly be shaped by the local preoccupations and priorities of the politicians and private actors most concerned. These local frames of reference are likely to vary a good deal. The successful application of a single template across the globe (or even across the liberal democracies of Western Europe, North America and Australia) is therefore inherently improbable.<sup>12</sup>

Although no 'single template' for public service reform exists which can be applied to Northern Ireland, it is useful to chart the experiences of other countries and attempt to outline the lessons emerging from their involvement in a reforms process. We now consider this in some detail.

**Figure 1: Public Service Reform in Northern Ireland**



### 3. Public Service Reform – a comparative analysis

*Why are Anglo-American countries the centre of the reform universe? How do the reforms fare when they are taken from that context and placed into different political and administrative environments?*<sup>13</sup>

- 3.1 Public service reforms in the international arena have been captured by the term **New Public Management**. The term originated in New Zealand and is used to describe a comprehensive public service reform programme which started there in the 1980s. New Public Management is now a generic term understood as a reforming ideology with international import. At the heart of this ideology is the notion that public service provision tends to be inefficient and poor quality. Public service providers, it is argued, have a limited understanding of whether their services actually produce effective outcomes. In the Northern Ireland context, for example, the topical debate over the Burns proposals in education is grappling with the question of whether preparing children to sit the 11+ examination is the most effective way of producing a better educated society of young people capable of contributing to the economy. The inevitable consequence of poor public sector performance is spiralling public expenditure, declining standards of public services and a dissatisfied electorate who feel disempowered to make changes and hence become apathetic. This is evidenced in the declining turnouts at elections, particularly in Great Britain.
- 3.2 The response to these problems is to turn to the private sector. Their core business is the provision of goods/services and ultimate survival depends on meeting consumers' demands. Advice should be sought on how private sector management might inform the public sector. Crudely the emphasis is to emulate the best of private sector practice which demands a complete change in mindset for public service providers. Hence, erstwhile social security 'claimants' have become 'customers' or 'consumers'.
- 3.3 Large state-controlled service providers in countries such as New Zealand, Australia, the UK and Sweden embraced these changes mainly through the construction of market mechanisms. Contracts were used as the basis for public service provision rather than a reliance on old-style monopolistic bureaucracies. This movement also gained considerable momentum in the USA where two prominent writers (Osborne and Gaebler<sup>14</sup>) described the bankruptcy of bureaucracy and the need for entrepreneurial government. They advocated an American *perestroika* in which government was reinvented to secure 'better for less'.
- 3.4 In summary form therefore New Public Management sought to tackle four key weaknesses in public service provision:
- Traditionally organised and managed public services do not effectively control costs, and hence the need for competition between service providers through quasi-market arrangements. Providers that are more expensive or unable to control costs will secure fewer contracts and efficient service providers will increasingly emerge.

- Traditionally organised and managed public services do not effectively improve quality. Competition will similarly lead to providers who innovate to secure better practices and in so doing, win more service provision contracts.
- Traditionally organised and managed public services do not effectively meet the standards of service expected by ordinary citizens. One way of addressing this is to give service users a charter of rights to standards of service which they can legitimately expect. Those organisations which meet the needs of users, defined through their citizen's charters, will earn public and political support for their service by comparison to those which fail in this regard. This becomes important, for example, when public investment is needed in services.
- Traditionally organised and managed public services have given too much power and influence to special interest groups representing nationally organised workforces, on whom service provision depends. This demands a reduction in the power of public sector trade unions and professional associations such as doctors and teachers. Legislative restrictions on industrial action, an appeal to ethical codes of practice and the threat of privatisation have the potential to change working practices for the better.<sup>15</sup>

3.5 The response to these weaknesses has been 'a kind of shopping basket for those who wish to modernise the public sectors of Western industrial societies'<sup>16</sup> comprising: hands-on professional management; explicit standards and measures of performance; greater emphasis on output controls; a shift to disaggregation of units in the public sector; greater competition; a stress on private sector management styles of management practice; and greater discipline and parsimony in resource use.<sup>17</sup> This is shown in Table 1.

3.6 The general lessons emerging from a comparative study of New Public Management are that reforms were initiated in response to political challenges, particularly ever-increasing demands on public expenditure and poor economic performance. The particular mix in the 'shopping basket' of reforms depended on the political circumstances which each country faced. 'Sometimes New Public Management was introduced to save money, sometimes to fight the loss of legitimacy of public administration and, on other occasions, to deal with the dissatisfaction of their public managers and politicians or the opacity of the bureaucracy'.<sup>18</sup> We now consider reform programmes in a number of countries.

**Table 1: New Public Management - Key Components<sup>19</sup>**

<b>Category</b>	<b>Characteristics/objectives</b>	<b>Examples</b>
Budgetary reforms	Cost Cutting. Capping budgets. Greater transparency in resource allocation.	Development of accrual accounting. Programme reviews. Financial, compliance and performance auditing.
Organisational restructuring: intra-public service decentralisation and intergovernmental devolution	Disaggregation of traditional bureaucratic organisations into separate agencies. Decentralisation of management authority within public agencies. Intergovernmental decentralisation.	‘Next Steps’ Agencies – separation of policy advice and service provision. Managers with greater organisational autonomy over finance, personnel and working practices. Subsidiarity and devolution to sub-national government.
Marketisation and privatisation	Clear separation of purchaser and provider roles. Introduction of market and quasi-market mechanisms.	Contracting out. Public-private partnerships. Incorporation. Outsourcing.
Efficiency and effectiveness	Introduction of performance targets, performance objectives and output objectives. Increased flexibility of pay and conditions, and growth of performance related pay linked to improvements in service outcomes.	Value-for-money approach. Introduction of Best Value initiative. Benchmarking Performance or service level agreements. Policy evaluations.
Customer orientation Quality Management	Increased emphasis on the quality of services. Setting standards for quality and responding to customers’ priorities.	One-stop shops. E-Government. Re-engineering. Total Quality Management. Business Excellence Model. Citizen’s Charter.
Participation	Involvement of the citizen in decision making.	E-democracy. Citizens’ panels. Focus groups. Referendums.

## 4. Public Service Reform – A Country Analysis

- 4.1 A useful classification in considering comparative public service reform is a scale ranging from countries which have engaged in limited change, through incremental reformers, to those that have undertaken comprehensive or extensive reform (Table 2). The classification distinguished between gradations of incremental reformers (active, mixed and partial reformers)

**Table 2: Comparative Classification of Public Service Reform<sup>20</sup>**

<b>Public service reform</b>	<b>Countries</b>
Comprehensive reform programmes	United Kingdom, Australia and New Zealand.
Incremental reform programmes	Active reformers: Finland, Netherlands, Sweden and Ireland. Mixed reformers: Canada and the USA. Partial reformers: Denmark and France.
Limited reform programmes	Germany, Norway and Switzerland.

A brief review of each country engaged in comprehensive and incremental reformers is described (limited reformers are excluded in this briefing paper). Space does not permit comprehensive treatment and hence only key aspects of public service reform are noted. What follows therefore are short summaries of work undertaken by various country experts.<sup>21</sup>

### ***Comprehensive Reformers***

- 4.2 Comprehensive public sector reform programmes began in the **United Kingdom** in the early 1980s and soon afterwards in Australia and New Zealand. The United Kingdom represents perhaps the most comprehensive approach to reform, prompted by poor long-term economic and fiscal performance at that time. Margaret Thatcher's call to 'roll back the boundaries of the state' best captured an ideology which asserted that the size of the welfare state and public intervention constrained the market economy. There was, in her view, a need for limited government. This translated into a three-phase strategy. The first phase centred on achieving economic savings and the elimination of waste through a reduction in the size of the civil service and various financial reforms (the Financial Management Initiative). Decentralised management and budgeting were encouraged, alongside the use of performance targets aimed at strengthening accountability. The second phase involved an extensive privatisation programme of national industries (British Gas, British Steel), transportation (British Airways) and communications (British Telecom). Finally, the government engaged in fundamental restructuring to create quasi-market conditions (purchaser-provider split) for those services remaining in the public sector. Although the reform agenda started with the Conservatives, there has been little change under the Labour administrations from 1997. Observers note:

There has been no counter-revolution to the institutionalisation of New Public Management...There is an acceptance...of previously contentious policies, such as private funding of public institutions and services, an entrepreneurial spirit in the public sector, performance measures across public services and strong central intervention for 'failing' institutions. There has been no large-scale opposition to the idea that improving the management of public services, as New Public Management seeks to, is the highest priority of government.<sup>22</sup>

4.3 New Zealand and Australia have also experienced comprehensive reform programmes. In **New Zealand** the reforms have been at least as comprehensive as those undertaken in the United Kingdom with a major emphasis in two areas. The first involved large-scale deregulation/corporatisation and privatisation reforms. Corporatisation demands that state-owned enterprises operate like a business and can demonstrate private sector efficiencies and profitability. This became the first step towards privatisation. The second area of reform was a radical restructuring of the public sector within a results-oriented framework in which managerial autonomy is enhanced. Ministers decide on policy outcomes and hold chief executives accountable for departmental results. This is seen as the most radical aspect of the reform agenda.

4.4 **Australia's** reforms were equally comprehensive and included the introduction of corporatisation to various government organisations as a process of creating more business-like practices; a commitment to pragmatic partnerships of business, public and voluntary/community sectors which compete and co-operate to provide public sector services; and large scale privatisation and contracting out. The size of the public sector reduced from 30% to 22% of all employees between 1987-1997, as did the number of government departments (from 28 portfolio departments to 18). Reviewing the reforms in both countries one commentator stated:

Australia and New Zealand stand in the highest ranks of successful public sector reformers. New Zealand, in particular, has attracted universal admiration and interest for its handling of the economy and the radical nature and coherence of the reform programme. What is apparent, however, is that this admiration does not necessarily extend to emulation of the model as a whole, although specific reforms have been influential in many systems. Few countries are willing to be as bold as New Zealand, some preferring to learn from the Australian approach as a good compromise.<sup>23</sup>

### ***Incremental Reformers***

4.5 In Scandinavian countries (with the exception of Norway) reform policies have been incremental and even cautious. Reforms have been much more selective and less radical than in the United Kingdom, New Zealand and Australia. In **Denmark** the public sector reform policy (*Modernisation Programme*) involved a step-by-step approach towards market deregulation policy, corporatisation of some of the major public enterprises (gas, air travel,

steel and shipping), introduction of market-type mechanisms, decentralised authority to local government levels and modernisation of its administrative and budgetary systems.

4.6 In **Finland** three initiatives have been central to public reform: corporatisation, management by results and the reform of relations between the state and municipalities which reduced detailed central intervention in local decision making. Other administrative reforms have included central government restructuring (the abolition of central agencies), service improvement projects and the development of personnel management practices.

4.7 The **Swedish** reform approach has centred around finding new means and techniques of financing public activities (budget reform), increased competition (deregulation, privatisation, corporatisation and market-type mechanisms), reduction of administration, decentralisation of authority and increased scope for citizen choice. Initial opposition to the principle of privatisation has been abandoned and a number of government agencies became private companies. One writer summarised the position thus:

Nordic countries have adopted a moderate line with attention to modernisation and maintenance of the state, while countries incorporated into the 'Westminster model' have adopted a more radical course of administrative reform aimed at minimising the role of the public sector.<sup>24</sup>

4.8 The **United States** has been described as a 'puzzling case' of administrative reform given the shared Thatcher/Reagan commitment to decreasing the scope of state intervention and the welfare state.<sup>25</sup> Notwithstanding its status as a pioneer of public management ideas and techniques, it appears to have made limited progress in public sector reform. Up until 1992 the focus of reforms was at the level of the state and local government. The theme of *Reinventing Government* (Osborne and Gaebler's best seller) was picked up by Clinton's campaign and, on taking office, Vice President Gore produced a blue print for administrative reform (*Creating a Government which Works Better and Costs Less*). Two initiatives were significant. In 1993 Congress passed the Government Performance and Results Act requiring all departments to establish performance indicators and measure their progress in achieving them. Second, the National Performance Review included proposals for savings on public expenditure, downsizing and citizen empowerment measures aimed at 'reinvention'. One observer comments:

Reinvention in the United States has not involved root-and-branch organisational reform. Rather, it has focused on improving service, measuring and improving performance, reducing red tape and cost, and introducing information technology.<sup>26</sup>

4.9 In **Canada**, governmental reform was not a central priority of the federal and provincial governments during the 1980s. More recent management reforms in Canadian federal administration have been described as 'a bewildering series

of over-lapping and only loosely co-ordinated initiatives, many of which seem to fade away or lose momentum after a relatively short time'.<sup>27</sup> Two broad trends are evident. The Mulroney administrations of 1984-93, although ostensibly anti-bureaucratic, did not see public sector reform as a key priority. A *Public Service 2000* exercise (launched in 1989) set up task forces to improve the management of the financial and human resources of federal public services and introduce service quality standards. The recommendations emerging met with substantial opposition and were overtaken by political events surrounding Quebec. The reform attempts were viewed by one commentator 'as little more than administrative plumbing and best left to senior public servants to oversee'.<sup>28</sup> If lethargy was the first response, the 1990s saw several provincial governments engage in restructuring municipal governance. There have also been moves towards 'alternative service delivery' or partnership governance whereby individuals, community groups and other government bodies share the responsibility for service provision. In summary, one observer noted 'if we were to liken New Public Management to a buffet, we would conclude that the Canadian Government has sampled everything, but not made a meal of any dish'.<sup>29</sup>

- 4.10 **Ireland** has made three broad attempts at public service reform. In 1969, as government departments struggled to cope with the increasing demands of public sector business, a *Public Services Organisation Review Group* was set up to report on the organisation and distribution of functions. Its report (the *Devlin Report*) identified two underlying weaknesses in Irish public administration – inadequate emphasis on policy making and difficulties of co-ordination within the public sector. The report's recommendations lacked commitment among both politicians and civil servants and failed to be implemented (in the main). The second attempt came in 1985 as economic circumstances worsened and a White Paper *Serving the Country Better* was published on civil service reform. The reform proposals amounted to a management improvement programme aimed at introducing management systems based on corporate planning, and emphasising responsibility for results, costs and service in all government departments. The acute nature of the economic crisis however overshadowed civil service reform and led to the mothballing of the White Paper. The most recent reform agenda started in 1994 when government departments were encouraged to investigate their own organisational structures and procedures, and put in place a process of strategic management. This bottom-up approach was known as the *Strategic Management Initiative* out of which a programme for change in the form of *Delivering Better Government* emerged. Reforms included the introduction of the *Quality Service Initiative* with an emphasis on client orientation, and the delegation of human resource functions and financial management to departments aimed at performance and accountability improvements. A number of commercial state-sponsored (public enterprises) have been privatised and public-private partnerships have emerged as a growing form of public administration. Reaction to the reforms so far is that 'many of the initiatives...are at the early implementation stages and information on the outcomes of the civil service reform programme to date is largely anecdotal'.<sup>30</sup> More generally however, reforms in Ireland are seen as incremental:

Ireland is an exception among English-speaking countries with regard to administrative reform. Whereas in countries such as New Zealand, Australia and the United Kingdom, a radical redefinition of the role of the state in the economy has taken place, accompanied by an overhaul of the local and central administration, the record of Ireland in administrative reform is far from impressive.<sup>31</sup>

- 4.11 Reforms in **France** have been described as ‘a series of separate initiatives by different governments (rather than a single package of reform) which could, at best be said to group around three broad themes – decentralisation (of authority to the regional level), deconcentration (of responsibilities to the operational level of administration), and modernisation’.<sup>32</sup> A *Public Service Renewal Initiative* from 1989 onwards concentrated on the modernisation and rationalisation of administrative processes, and on improving the delivery of public services. Significant territorial decentralisation has also taken place. Executive powers were devolved from the prefects to the elected leaders of municipal, departmental and regional councils. Local government as an institution has been strengthened with the transfer of functions and finance. These reforms have been accompanied by periods of privatisation and corporatisation (1986-88 and 1993-95) depending on the political party in government. Reviewing developments in France, one commentator noted:

Quite contrary to most other central European countries, administrative reform in France has been active, although the reform process remains still quite undeveloped compared to Anglo-Saxon or Nordic countries.<sup>33</sup>

- 4.12 Reforms in the **Netherlands** were most radical in the early 1980s through privatisation, although the potential for so doing was more limited than the UK or New Zealand because pre-existing state ownership was more modest. Alongside privatisation there was a series of ‘big operations’ comprising cuts to central government spending, decentralisation of activities to lower levels of government and the simplification of legal and bureaucratic procedures. Thereafter *autonomisation*, a process similar to the creation of UK Next Steps agencies which had greater managerial autonomy became the key reforming trend. Dutch local governments are also considered to have taken a major lead in public service reforms with clear demarcations between political and managerial roles, allowing for a contract management system to be introduced (referred to as the Tilburg model). The major reforms of the 1990s, which were more comprehensive and shifted their emphasis to internal administrative systems, included the professionalisation of the civil service, the strengthening of the client orientation and improving productivity of public organisations.

The key features of the reforms in each of the above countries are summarised in Table 3 – Appendix 1.

## 5. From the Global to the Local: lessons emerging

- 5.1 What can be said from the evidence gathered in other reforming countries and how does, or should, this apply to the local circumstances of Northern Ireland? First, it is clear that country-specific socio-economic and political forces drive the nature and extent of the reform agenda. There is no global reform model which can be superimposed on Northern Ireland's existing political and administrative system. Second, the 'shopping basket' of reforms (Table 1) identified as components of a modernising approach, will contain a different mix of 'goods' depending on the starting point of the country involved. In the case of Northern Ireland, as part of the UK government system, many of the reforms under New Public Management have been 'read across' from Great Britain. Hence, when viewed in a comparative context, local public service reform is well advanced. For example, Northern Ireland can demonstrate evidence of disaggregation of functions into separate agencies, budgetary reforms linked to *Programme for Government* priorities and actions, the use of performance indicators set out in public service agreements, and attention to quality improvements through business excellence models and customer charters. Third, it is important to understand what specifically is driving the reform process so that there is maximum concentration on those potentially conflicting elements of the overall approach to improving public services (e.g. enhance service quality and at the same time lower costs).
- 5.2 What appears primarily to be driving the reform process in Northern Ireland is a demand for more and better public services exemplified by current pressures on Ministers. The problem for the Northern Ireland Executive however, is that it must provide these services in an unusual public expenditure environment. To a large extent the devolved government is concerned with making decisions about how a 'fixed' budget is allocated between competing policy priorities. Its funding comes from two sources – a block grant and proceeds from the regional rate. As the former is essentially population-based, calculated through the Barnett formula and allocated by Westminster, the Executive has only limited flexibility through the regional rate to reflect local spending priorities.<sup>34</sup> Since the regional rate accounts for less than 4% of total regional receipts, there is little room for manoeuvre.
- 5.3 The following might be suggested as the priorities for the reform process. This may well be a contested prioritisation but one aim of the briefing paper presented here is to promote discussion.
- To make savings: a key priority must be to make savings in public expenditure without associated reductions in service provision and quality, or shifting the costs elsewhere in the public sector. The most obvious source of savings is a reduction in the number of public sector employees. This clearly prompts considerations of structural reform – reducing the layers of bureaucracy. A further consideration is to improve the procurement policy of the government which spends about £1.2b each year.
  - To improve efficiency: to produce the same level of services for reduced resource inputs or to increase the level of services for the same resources.

This is not particularly new in the context of Northern Ireland departments and the 'best value' approach accommodates a range of efficiency techniques.

- Accountability: there are various forms of accountability (e.g. managerial, financial, legal) and space does not permit a full exposition of their detail. In the local context, however, political accountability must be a key consideration in any reform programme. Under devolution, political representation (18 Westminster MPs, 108 members of the legislative assembly, 582 local councillors and 3 MEPs) has moved Northern Ireland from a position of democratic deficit to surfeit mode. Questions such as, what is the appropriate level of representation and whether there is a need for existing tiers of governance, link to other considerations on the size of the public sector and the level of expenditure.
- To improve effectiveness: the aim is to ensure that services produced by the public sector (outputs) lead to improvements in society (outcomes) such as a healthier, better educated population. Although laudable as an aim of the reform process, demonstrating effectiveness has proved problematic, not least because of the lack of explicit linkages between outputs and outcomes. The Executive has already embarked on needs and effectiveness evaluations of programmes in health, education, housing, training and financial assistance to industry. These 5 areas account for some 70% of planned public spending in Northern Ireland.<sup>35</sup>
- To improve quality: like effectiveness, quality of public services is a rather nebulous concept not least because there is a need to find some consensus amongst service users as to what, for them, constitutes quality. Commentators have argued 'there are many public services where spending on quality improvements is unlikely to increase either the volume of customers catered for or the budget appropriation. The incentives for quality improvements are accordingly diminished'.<sup>36</sup> Hence, improving the surrounds in a Social Security Office will not alter the supply of customers or the benefits they receive, although undoubtedly it will improve their experience of the service.
- Equality and Human Rights: all of the above must be set within a context of statutory duties on public authorities 'to have due regard to the need to promote equality of opportunity' and 'have regard to the desirability of promoting good relations' (Section 75, Northern Ireland Act 1998). It also requires a commitment to the concept of human rights enshrined in the Human Rights Act 2000 and the emerging Bill of Rights for Northern Ireland. Any reform proposals must therefore ensure equality and human rights compliance.

What is important here is the prioritisation of the above list because some consensus will be required to focus the Review. It will also provide a framework within which trade-offs in reform proposals can be negotiated.

## 6. Conclusions

- 6.1 Comparisons of public service reform in the international context are clearly useful in locating Northern Ireland within a continuum of modernisers. As part of the United Kingdom, many of the New Public Management reforms have been adopted locally. With devolution there is clearly an opportunity to move from ‘read across’ mode to adaptation and innovation in policy thinking. The recent case of the ‘Best Value’ legislation is a good example of this, where the circumstances in Northern Ireland were deemed such that its content is now quite different from that pertaining in the rest of the United Kingdom (Local Government (Best Value) Act Northern Ireland 2002).
- 6.2 What therefore are the main problems that have to be addressed in improving public services and where should the concentration of the reforming agenda be? In no order of importance this might include:
- An over-administered system of public services that has evolved for political reasons but must now be structurally reformed.
  - A level of political accountability consistent with a population of 1.6 million people which demands hard choices about the future role of local government and non-departmental public bodies.
  - A need to ‘free-up’ resources within the restrictive Westminster controlled Northern Ireland block of public expenditure and redirect towards local, needs assessed, public service priorities.
  - An adherence to the principles of equality and human rights central to the Belfast Agreement and operationalised in public service planning and delivery.
  - The continuing commitment to the adoption of what is best in the modernising agenda of New Public Management – typically:
    - a commitment to achieving ‘best value’;
    - provider responsiveness to customers;
    - more market awareness;
    - more entrepreneurial management with political accountability upwards;
    - structural delayering and downsizing; and
    - a desire to shift power back from appointed to elected bodies.<sup>37</sup>
- 6.3 All of this should not convey a message of poor quality public services in Northern Ireland. On the contrary, public sector housing is but one example of the high quality of service provision. The challenge however, is for the devolved government to respond to the opportunity for service provision which more adequately reflects local needs than existed under Direct Rule. This must be done within a public expenditure budget whose derivation lies largely outside the control of the Northern Ireland Executive. Hence the reforms’ focus on ‘getting more for less’ must address how existing services are better structured, managed and held to account within a locally elected Assembly.

## **APPENDIX 1**

### **Comprehensive and Incremental Reformers**

#### **A Summary**

**Table 3: Comprehensive Reformers<sup>38</sup>**

<b>COUNTRY</b>	<b>REFORM POLICY</b>	<b>REFORM CHARACTERISTICS</b>
United Kingdom (1979)	Comprehensive and sustained overall reform policy since 1979. Forefront of public sector reform. 'Roll back the welfare state' approach. Marketisation and administrative reform.	Reduction in the size of the civil service. Decentralisation (managerial and financial) – Financial Management Initiative Extensive privatisation. Introduction of market mechanisms to public sector: <ul style="list-style-type: none"> <li>- Purchaser provider split</li> <li>- Next Steps Agencies</li> <li>- Competing for Quality.</li> </ul>
New Zealand (1984)	Comprehensive and sustained overall reform policy especially from 1987. Marketisation and (then) administrative reform.	Corporatisation and privatisation. Restructuring of the public sector: <ul style="list-style-type: none"> <li>- Results-oriented framework</li> <li>- Contracting out to private and voluntary sector providers</li> <li>- Separation of policy formulation from service delivery</li> <li>- Relationship between ministers and departmental chief executives redefined</li> <li>- Reduction in the number of local authorities.</li> </ul>
Australia (1983)	Comprehensive and sustained reform policy. Administrative reform and marketisation.	Corporatisation and privatisation. Public/private partnership for provision of services. Significant reduction in public sector employment. Downsizing of departmental structures. Financial management reforms. Policy advice to ministers not the exclusive domain of civil servants (think tanks and lobby groups involved).

## Incremental Reformers

COUNTRY	REFORM POLICY	REFORM CHARACTERISTICS
Denmark (1983)	Incremental, continuous and pragmatic reform policy. Consensual, selective and technical reform approach. Modernisation programme in the 1980s. Administrative reform and marketisation.	Market deregulation. Corporatisation of public enterprises. Introduction of market-type mechanisms. Decentralisation to local government. Modernisation of administrative and budgetary systems.
Finland (1987)	Incremental and pragmatic reform policy. Targeted, technical and cautious reform approach. Administrative reform and marketisation.	Corporatisation. Management by results. Reformed relations between state and municipalities (decentralisation). Central government restructuring (abolition of agencies). Customer orientation through service charters. Government resolution 'High Quality Services, Good Governance and a Responsible Civic Society'.
Sweden (1985)	Comprehensive administrative reform policy. Continuous, evaluative and experimental reform approach. Strong commitment to the welfare state. Administrative reform and marketisation.	Financial management reforms (output budgeting and accruals accounting). Increased competition – deregulation, privatisation, corporatisation and market type mechanisms. Decentralisation to the municipalities.
United States (1981)	'To roll back the welfare state' approach. Large number of reform initiatives – few successes. Moderate administrative reform.	Bottom-up innovation at state and local government levels. Influence of 'Reinventing Government' at federal level. Government Performance and Results Act 1993 – application of performance indicators to all departments. National Performance Review 1993 – proposals for savings, downsizing and citizen empowerment. Service improvement, performance measurement, reducing red tape and the introduction of IT.

## Incremental Reformers

COUNTRY	REFORM POLICY	REFORM CHARACTERISTICS
Canada (1984)	Comprehensive reform policy since 1989. Administrative reform and marketisation.	Public Service 2000 – set up to improve management of financial and human resources and introduction of quality standards. Municipal restructuring. Alternative delivery partnerships – partnership governance. Significant lack of top-down public administration reform agenda.
Ireland (1985)	Targeted reform policy since 1985. Cautious marketisation policy. Administrative reform.	Devlin Report – ‘Serving the Government Better’. Strategic Management Initiative: ‘Delivering Better Government’: Initiatives aimed at service to the citizen Initiatives aimed at changing management practice.
France (1989)	Incremental reorientation approach to public sector reform. Several market-oriented reforms. Administrative modernisation reform.	Public Service Renewal Initiative. Deconcentration and decentralisation. Modernisation and rationalisation of administrative processes. Improving service delivery – publication of public service charter. Periodic privatisation and corporatisation. Enhanced role for local government.
Netherlands (1982)	Active, sustained and comprehensive reform policy. Administrative reform and marketisation.	Privatisation. ‘Big Operations’ <ul style="list-style-type: none"> <li>- Cuts to central government spending</li> <li>- Decentralisation</li> <li>- Simplification of legal and bureaucratic procedures.</li> </ul> Autonomisation. Professionalisation of civil service. Strengthening of client orientation. Productivity of public organisations.

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- <sup>1</sup> The author wishes to acknowledge helpful comments on this paper from Dr. Paul Carmichael, Dr. Caitlin Donnelly and Steve Harvey.
- <sup>2</sup> Schedler, A and Proeller I (2002) 'The New Public Management: A perspective from mainland Europe' in K. McLaughlin, S. Osborne and E. Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*. London: Routledge - p 165.
- <sup>3</sup> March, J and Olsen, J. (1995) *Democratic Governance*. New York: Free Press - p 205.
- <sup>4</sup> Northern Ireland Assembly Debate: Hansard 25<sup>th</sup> February 2002 *Review of Public Administration*.
- <sup>5</sup> Northern Ireland Assembly Debate: Hansard 24<sup>th</sup> June 2002 *Review of Public Administration*.
- <sup>6</sup> This framework is adapted from a generic model developed by Pollitt, C. and Bouckaert, G. (2000) *Public Management Reform: A Comparative Analysis*. Oxford: Oxford University Press.
- <sup>7</sup> Durkan, M. Review of Public Administration *Hansard* 24<sup>th</sup> June 2002.
- <sup>8</sup> Boston, J., Martin, J., Pallot, J. and Walsh, P. (1996) *Public Management: The New Zealand Model*. Oxford: Oxford University Press.
- <sup>9</sup> Pollitt, C. and Bouckaert, G. (2000) *Public Management Reform: A Comparative Analysis*. Oxford: Oxford University Press – p27.
- <sup>10</sup> March, J. and Olsen, J. (1995) *Democratic Governance*. New York: Free Press – p 205.
- <sup>11</sup> Durkan, M. Review of Public Administration *Hansard* 24<sup>th</sup> June 2002.
- <sup>12</sup> Pollitt, C. and Bouckaert, G. (2000) *Public Management Reform: A Comparative Analysis*. Oxford: Oxford University Press – p18.
- <sup>13</sup> Peters, G. (1996) 'Theory and Methodology' in H. Bekke, J. Perry and T. Toonen (eds) *Civil Service Systems in Comparative Perspective*. Bloomington and Indiana, Indiana University Press – p115.
- <sup>14</sup> Osborne, D. and Gaebler, T. (1992) *Reinventing Government: how the entrepreneurial spirit is transforming the public sector*. Reading, MA: Addison Wesley.
- <sup>15</sup> Dawson, S. and Dargie, C. (2002) 'New Public Management' in K. McLaughlin, S. Osborne and E. Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*. London: Routledge.
- <sup>16</sup> Pollitt, C. (1993) *Managerialism and the Public Services*. Oxford: Basil Blackwell.
- <sup>17</sup> Hood, C. (1991) 'A Public Management for All Seasons?' *Public Administration* Vol 69 (1): 3-19.
- <sup>18</sup> Schedler, A and Proeller I (2002) 'The New Public Management: A perspective from mainland Europe' in K. McLaughlin, S. Osborne and E. Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*. London: Routledge - p 165.
- <sup>19</sup> Adapted from Schedler, A and Proeller I (2002) 'The New Public Management: A perspective from mainland Europe' in K. McLaughlin, S. Osborne and E. Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*. London: Routledge.
- <sup>20</sup> Adapted from Halligan, J. (2001) 'Comparing Public Sector Reform in the OECD' in B. Nolan (ed.) *Public Sector Reform: An International Perspective*. Basingstoke: Palgrave.
- <sup>21</sup> Country summaries presented here draw extensively on the authors cited in this paper. Additionally, they include reference to the work of:
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- <sup>22</sup> Dawson, S and Dargie, C. (2002) 'New Public Management' in K. McLaughlin, S. Osborne and E. Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*. London: Routledge - p 37.
- <sup>23</sup> Halligan, J. (1997) 'New Public Sector Models: reform in Australia and New Zealand in J-E. Lane (ed.) *Public Sector Reform: Rationale, Trends and Problems*. London: Sage - p.43.

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- <sup>24</sup> Løegreid, P (2001) 'Administrative Reforms in Scandinavia – Testing the Co-operative Model' in B. Nolan (ed.) *Public Sector Reform: An International Perspective*. Basingstoke: Palgrave. - p 71.
- <sup>25</sup> Harrinvirta, M.O. (2000) *Strategies of Public Sector Reform in the OECD Countries: A Comparison*. Helsinki: Finnish Society of Sciences and Letters - p 97.
- <sup>26</sup> Borins, S. (2002) 'New Public Management: North American Style' in K. McLaughlin, S. Osborne and E. Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*. London: Routledge - p 187.
- <sup>27</sup> Pollitt, C. and Bouckaert, G. (2000) *Public Management Reform: A Comparative Analysis*. Oxford: Oxford University Press – p 211.
- <sup>28</sup> Lindquist, A. (1997) 'The Bewildering Pace of Public Sector Reform in Canada' in J-E. Lane (ed.) *Public Sector Reform: Rationale, Trends and Problems*. London: Sage – p 51.
- <sup>29</sup> Borins, S. (2002) 'New Public Management: North American Style' in K. McLaughlin, S. Osborne and E. Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*. London: Routledge - p 189.
- <sup>30</sup> Boyle, R. (2001) 'A Partnership Approach to Change: The Civil Service Reform Programme in the Republic of Ireland' in B. Nolan (ed.) *Public Sector Reform: An International Perspective*. Basingstoke: Palgrave – p 62.
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- <sup>32</sup> Pollitt, C. and Bouckaert, G. (2000) *Public Management Reform: A Comparative Analysis*. Oxford: Oxford University Press – p 229.
- <sup>33</sup> Harrinvirta, M.O. (2000) *Strategies of Public Sector Reform in the OECD Countries: A Comparison*. Helsinki: Finnish Society of Sciences and Letters – p 114.
- <sup>34</sup> Barnett, R. (2001) 'Financial Arrangements' in R. Wilson (ed.) *A Guide to the Northern Ireland Assembly – Agreeing to Disagree*. Belfast: the Stationery Office.
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- <sup>38</sup> Source: adaptation of framework in Harrinvirta, M.O. (2000) *Strategies of Public Sector Reform in the OECD Countries: A Comparison*. Helsinki: Finnish Society of Sciences and Letters.