

## Public Sector Management – Masters Module

*This pack introduces theoretical under-pinning for the existence of the public sector. It introduces historical, economic, political-economic and organisational theories and explanatory ideas. It was compiled for management students but suitable for any intermediate level upwards*

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### **Distinctiveness of the public sector -**

High level of homogeneity of task;  
Politically driven goals rather than market driven ones -  
Markets driven by sovereign consumer and non-democratic dynamic of ability to pay is the arbiter.

Political participation (i.e. 'voice') the conditional factor. Sector driven by political priorities, demands and conditions through the medium of the state and its institutional organisation.

Public goods - non-exclusivity eg roads, street lighting  
Collective choice rather than individual expressed through ideology and policy of (both) those involved in control of the state and the participation of citizens in the collective political process

The public servant's role thus has some distinctive features to take into account in the management of services whilst, at the same time, being put under quasi market performance mechanisms of 'sales' and 'company failure'.

**Public Accountability** - tax payers, users, citizens, what the law permits. Process of decision making transparent (relatively)

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**Scale and complexity** - NHS, Local government, armed services, education etc are large scale. Complex separation of policy and goal

**Labour intensity** - 80% of activity is in labour plus labour is highly professionalised

**High Union Density** - trades union membership higher than in private sector and well organised

**Monopoly Provision** - naturally monopolies in provision

**Public Service Ethos** - value base rooted in public good and public service is a core motivator in public sector workers

- Political neutrality - official duties carried out irrespective of political preferences
- Loyalty - to political leaders
- Probity - guardians of the public purse
- Honesty - demonstrated by recording decisions and actions
- Trustworthiness - in accordance with law and with expectation of high trust between one another
- Fairness - treat everyone equitably with resort to appeal for those dissatisfied
- Incorruptibility - acting in public interest even when political masters suggest otherwise
- Serving the public - above reproach in acting in the public interest

## **Farnham (David) and Horton on Public Sector Human Resources Management:**

Their thesis is that there has been a transformational change in the nature of management in public services both beginning with and leading to major changes in human resources management.

## 'New People Management' model

	Traditional Public Management (TPM)	New People Management (NPM)
Personnel function	Administrative	Strategic
Management style	Paternalistic	Rationalistic
Employment practices	Standardised	Flexible
Industrial relations	Collectivist	Dualist
Role of employer	Model	New mode

Personnel function -

HR function critical to endemic change heightening the importance of the HR role

Management style -

Shift to economic, 'rational choice' objectives - i.e. outputs' - and away from public stewardship

Employment practices -

Emphasises managerial ascendancy in the 'right to manage' and make best use of scarce resources. New processes in hiring and firing

Industrial relations -

Dualist idea focuses on individualised and flexible employee/employer contract rather than collectively bargained Ts and Cs

Role of employer -

Shift away from the public employer as the role model to which all should aspire and into a new mode that emulates the private sector

Is this a shift that we can recognise in public services in general?

## **Rosabeth Moss-Kanter - the Change Masters**

And

**Gerald Smale/Graham Tusson** - Social Work and Social problems (has good section on innovation and change)

**Skills required for "change masters/corporate entrepreneurs"**

- 1) Skills of being able to persuading others ***power skills***
- 2) Manage Teams and partnership (matrices) - ***partnership skills***
- 3) How change is designed and constructed - how micro-changes introduced by individual innovators relate to macro-changes or strategic re-orientation - ***process (of change) skills***

## What defines the public sector ?

Public services take on different relationships with the public eg:

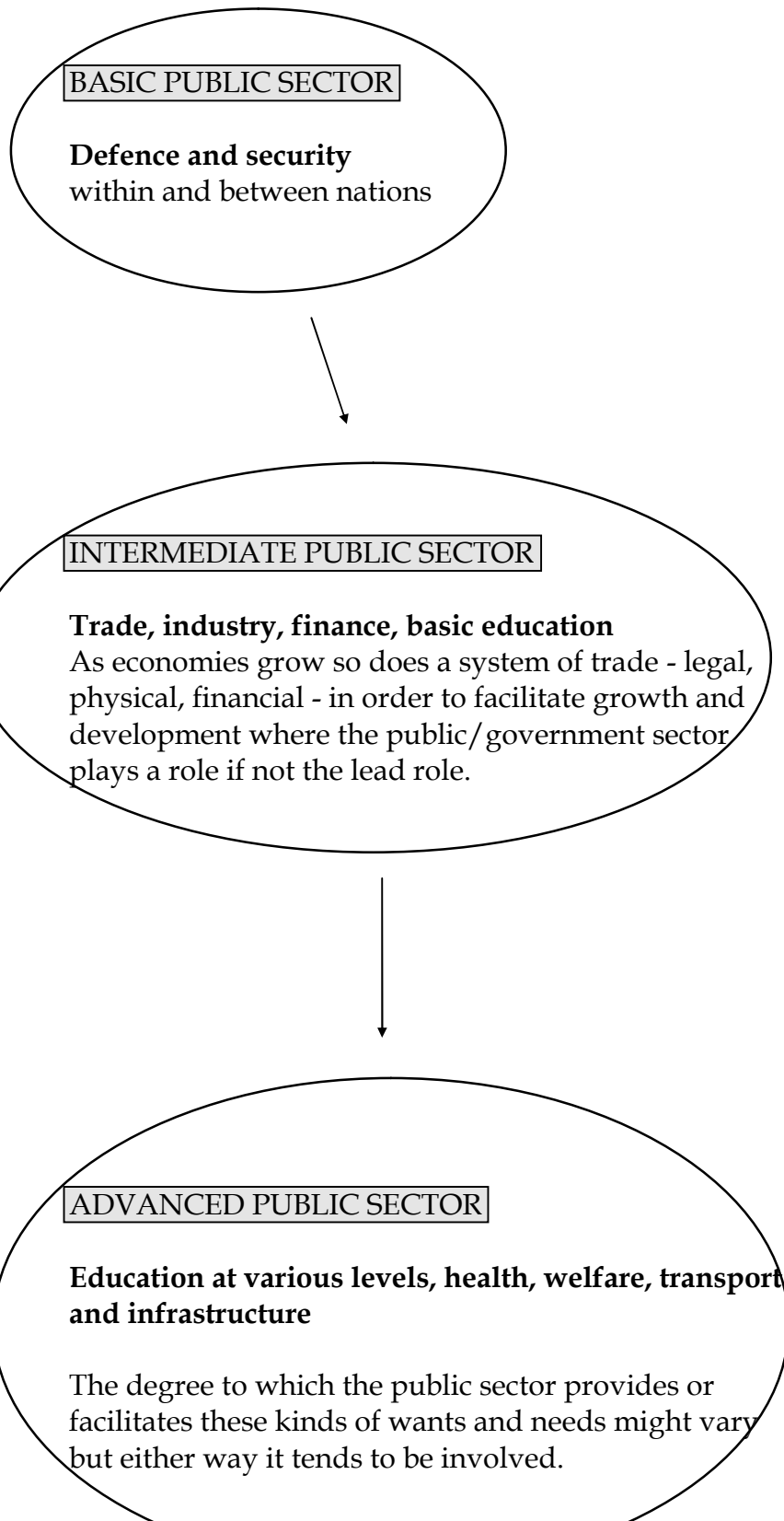
- Client, resident, customer, patient, services user, citizen

Broadly speaking in the sector public services

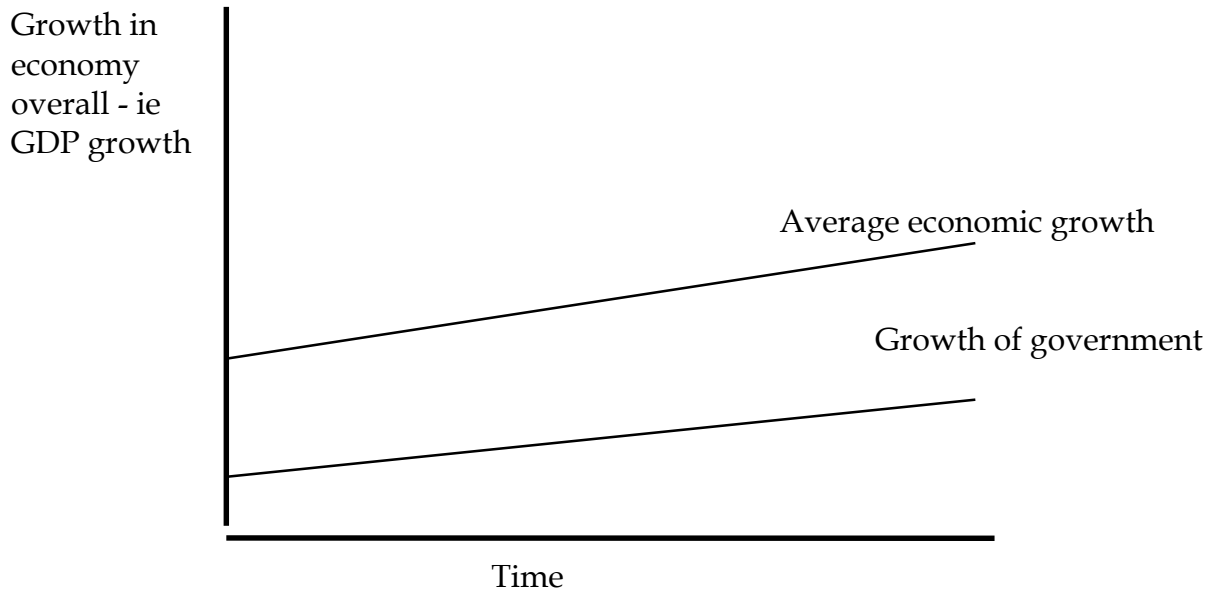
- Do things *with* people
- Do things *for* people
- Do things *to* people
- *Enable others* to do things for themselves

## PUBLIC SECTOR EVOLUTION

Historically as economies grow there tends to be a natural order of things in so far as certain social or economic activities form a 'public' domain and public/government sector.



## THE LONG RUN AVERAGE GROWTH OF GOVERNMENT



Over long time periods the government sector of the economy tends to grow as the economy overall is growing.

The New Right's mission has been to shift the balance by shrinking the size of the public sector in relation to the private sector. Its economic approach is that the larger the public sector the more likely there will be a drag on economic growth, crowding out private sector investment and prolonging public sector inefficiencies.

The New Left's agenda is not so economically prescriptive but has surrendered ownership in favour of control whilst attempting to retain a strong public, equity, social justice based view of the world. This may or may not provoke a shift in size of the public sector but the emphasis is certainly different.

The British public sector is about 40% (at the end of 2000) of activity in the economy

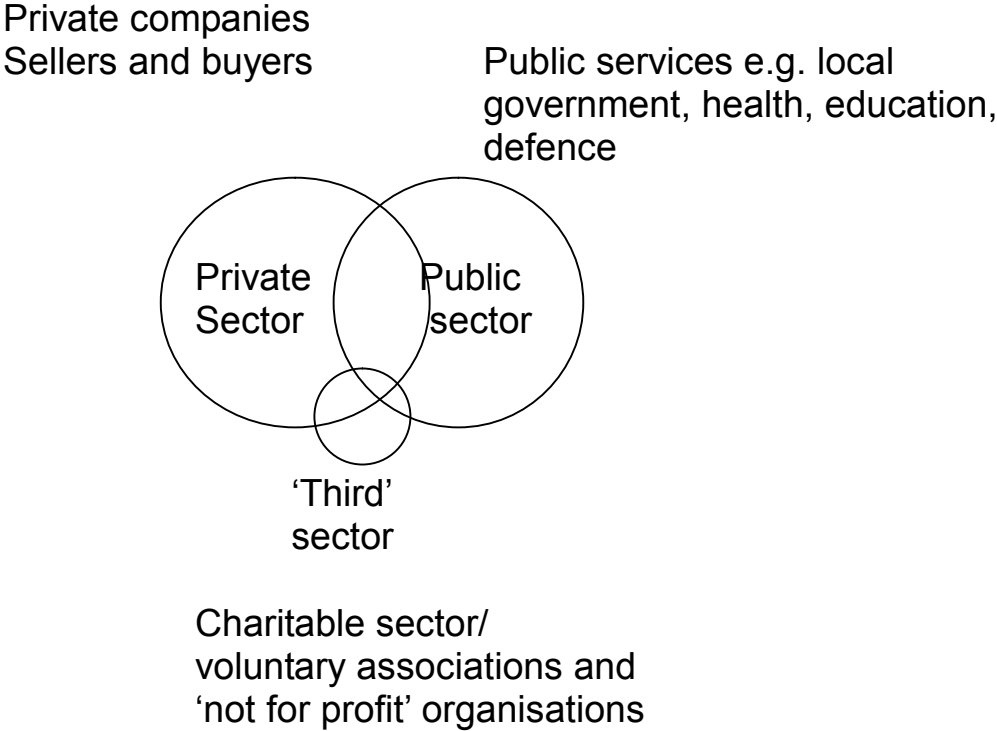
(Adapted from various reading such as Peter Donaldson - 10 10 Economics; Paul Whitely Political Control of the Macro economy)

# Growth of the public sector and quasi-markets

The question we are seeking to better understand is:

What activities in society are better organised through the **private** market place and what are better organised in the **public** domain?

## Economic and social activity – sectoral model -



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## **Background to the public/private debate**

### **Keynesian long boom of 1950s and 1960s –**

- Consensus on role of the state in economic management but differences over details
- Principle model across western governments
- Post-war demands made by citizens for extended rights and rewards
- Public ownership of 'strategic' industry
- National 'Insurance' principle of the welfare state
- Consensus based on tripartite agreements of government, business and unions - corporatism

### **Re-emergence of neo classical, free market economics in the late 1970s**

- Economic collapse and collective conflict in the early and mid 1970s
- Losing market shares to the newly emerging eastern economies
- Public sector seen as inefficient and dominated by producer interests
- The discipline, efficiency and moral 'public choice' of the market system becomes the guiding ideal
- Privatisation, marketisation, contractisation, liberalisation across public industries and public service
- 'The free economy and the strong state' – markets decide!
- Late in the 1990s a centrist coalition attempting to chart a 'third way'

## **Economic theories of market system -**

“It is not out of benevolence of the butcher, the baker or the brewer that we expect our dinner but from their regard to their own self interest”

Adam Smith....'Wealth of Nations' 1776

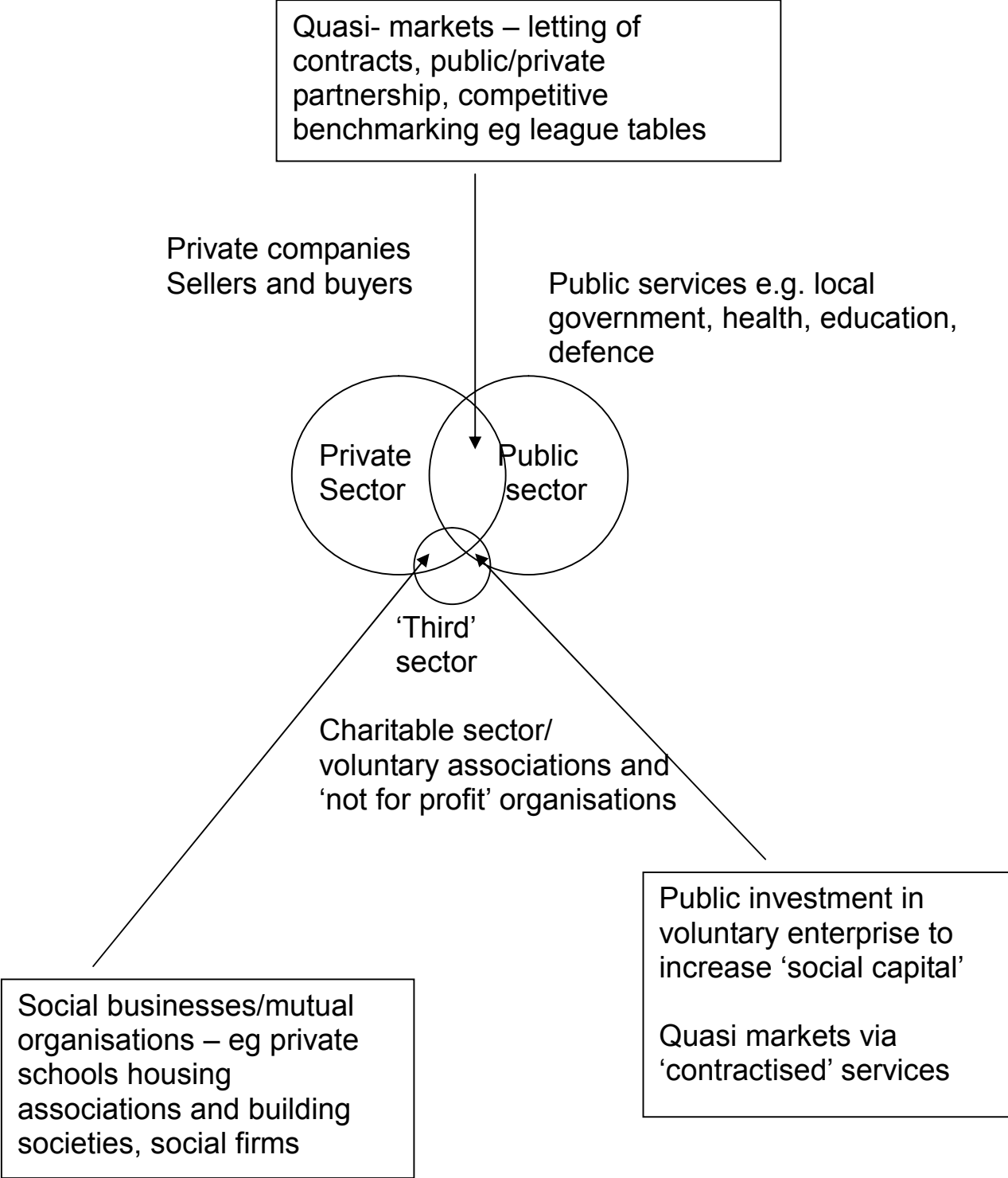
### **'Perfect' markets**

- Many sellers, competition
- Perfect information
- Easy entry and exit
- Identical products
- Absence of externalities

### **Market failure –**

- Monopoly/oligopoly, producers 'price make'
- Natural monopoly, one universal 'product'
- Public goods, non-exclusive
- Merit goods, underconsumed in a free market

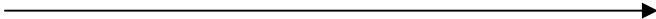
# Economic and social activity – sectoral model -



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# Economic and social activity – sectoral model -

Nationalisation, regulation, new public services (eg under 5's education), public capital investment

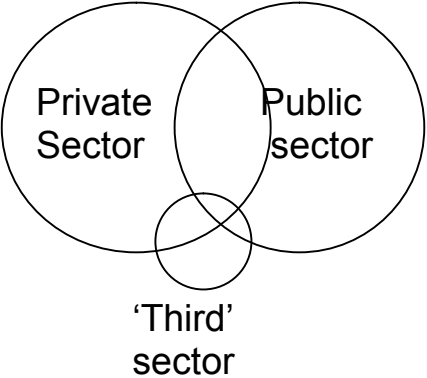


Privatisation, private delivery of public services, quasi markets constructed with some elements of market conditions,



Private companies  
Sellers and buyers

Public services e.g. local government, health, education, defence



Charitable sector/  
voluntary associations and  
'not for profit' organisations

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Following Keynesian consensus economics and politics and the free market model what now is the dominant approach:

- Is there a 'third way'
- Economic management remains largely unchanged
- Social policy via 'social inclusion' demands a new deal between state and citizen shifting the burden of responsibility
- Current political leadership more concerned with ideas than with ideals

## SOCIAL SERVICES CASE STUDY IN PUBLIC MANAGEMENT

### Strathclyde Regional Council - Children's Services

This case study looks at the issues around performance management in the public sector by focusing on children's social service in a large Scottish local authority. Appended is information from the authority's own annual report.

#### Statutory duties -

The Strathclyde Regional Council has a range of statutory duties that it must see are performed which include the protection of children in need or in danger of neglect/abuse. There are various ways it seeks to deal with the issue from prevention through to 'treatment'. The issues are, to say the least, complex. The Social Services Department has to meet its legal requirements whilst constantly looking at how it can best prevent children from becoming damaged as well as look after those that are through a mixture of residential, parenting assistance, fostering and day care services.

#### Finance -

The services are financed through a matrix of government grant, community charge and service charges. Central government grant forms by far the largest share of the departments income and is calculated by the SSA (standard spending assessment). Put simply various weightings are given to special local conditions and needs that determine the size of all the government grant Strathclyde will receive. Local indicators that determine grant share include measuring things like children in crowded households; children of lone parents; children of claimants. Government decides the overall size of the cake and with all the conditions of all the local authorities taken into account distributes grant across all the local authorities.

#### Staffing and services -

The Department employs a range of professional social work and care staff with most service provided in house. The 'care package' can involve a range of agencies, departments and individuals providing an input to the child in care or at risk. Overall the service costs £51 million in the last financial year and is overspending.

#### Management -

The Department is headed by a Director with two assistant directors - one responsible for adult service and the other for children's services. The Director is appointed by and accountable to the Social Services committee alongside the Chief Executive of the Regional Council. Children's services is politically unpopular whilst, at the same time, being politically sensitive - a culture of 'damned is they do and

damned if they don't intervene in family relationships is prevalent inside the organisation.

Performance -

The Regional Council has decided to publish a number of performance measures (appended)

## Stakeholder analysis and the political process

Assessing the power and influence of individuals and groups in the political process is a key part of public management. What gets provided depends on stakeholder support. Understanding and influencing policy makers, pressure groups, decision makers, politicians, electors and so on is part of the management and development task.

Nutt and Backoff have developed a matrix that helps to analyse particular public services or public policy issues.

The matrix uses a number of variables

- *Tractability* - the prospect that an issue can be dealt with by the organisation. Easier to put measures into place
- *Relative stakeholder support* - that there is backing for the issue amongst the stakeholders who determine whether or not the issue is supported
- *Sitting ducks* - in this case the positive meaning that it is easier to target the issue as it has high tractability and high stakeholder support e.g. some parts of health care or schools
- *Dark horses* - issues that have high tractability but low stakeholder support e.g. homelessness or drugs treatment
- *Angry tigers* - issues that are intractable but have a high commitment from stakeholders e.g. farming, crime and public safety
- *Sleeping dogs* - issues that are both intractable and have a low level of relative stakeholder support e.g. prisons

Plot a public sector issue on the matrix:

Where is the issue now and why ?

Where could it move to and how will it move ?



## Partnerships and public services

Public services are being driven to work out of their professional confines for a number of reasons such as gaining efficiencies, attracting new resources or solving complex social or economic problems. These 'partnerships' can take a number of forms that can bring organisations closer together or maintain a distance.

Gordon et al have a model of partnership behaviour that has to help organisations diagnose the appropriate form of behaviour to adopt. Two variables are offered as measurement of the type of partnership or relationship that will develop:

- *Predictability* - is the future well and foreseeable
- *Goal* - do the 'players' have individual or collective goals

## Organisational Design

What organisational structures are appropriate to providing public services? Burns and Stalker provide several key dimensions to considering this question.

Dimension	Mechanistic Structure	Organic Structure
Stability	Change unlikely	Change likely
Specialisation	Many specialists	Many generalists
Formal Rules	Rigid rules	Considerable flexibility
Authority	Centralised in a few people	Decentralised, diffused throughout the organisation