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# New Public Management The Neoliberal Way of Governance

by

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## 1. INTRODUCTION

Neo-liberalism is often associated with the shift from Keynesian welfarism towards a political agenda associated with the 'globalisation of capital'. The push for international competitiveness and economic efficiency has caused a rolling back of welfare state activities and has favoured the unfettered operation of markets. In some countries – in particular in the Anglo-Americans – neo-liberalism has caused a shift towards a minimalist state, deregulation and privatisation. However, a probably more common effect is the neo-liberal perception of government which implies a blurring of distinction between public and private institutions. Since the 1980s a range of OECD countries have reformed their public services in line with ideas taken from private business and economic theories developed from modelling private business ( Hood 1995, Sahlin Anderson, 2004, Christensen & Læg Reid 2007). This wave of reform is often referred to as 'New Public Management' or NPM (hereafter).

NPM was born of a technocratic mindset. It has been driven by the demand for enhanced efficiency and accountability, rather than the need to maximize other values such as fairness, equity, due process and public participation (Gregory 2007). Accordingly it has been presented as a politically neutral framework – a framework of general applicability, advanced as a mean to solve the 'management ills' in many different contexts across policy fields, levels of government and countries. The idea that efficiency is amenable to technical solution has been alluring to politicians and senior managers who are facing (more or less objective) conditions of fiscal constraints. NPM generated hope for greater calculability and precision in the management of human affairs – not at least in social policy area which is generally found to be rather uncontrollable and characterized by 'wicked problems' (Rittel og Webber 1973).

What this chapter demonstrate, however, is that in its decontextualized and technocratic approach NPM tend to generate unintended consequences. By closing the eyes to the specific moral and political contexts NPM reforms tend to conceal the importance that other values have as source of legitimacy. The chapter starts by reviewing the core elements of NPM, its ideological origins, and the promises and a priori critique associated with the idea. It continues to focus attention on NPM in action and to the way in which NPM ideas and associated discourses are translated within particular historical institutional contexts. In this part I will bring in lessons from my own studies on Nordic and Norwegian elder care and demonstrates how the idea

of setting up a purchaser provider split served to reshape previous tension between legal authority and traditional values of care. The chapter concludes with a discussion about limitations and paradoxes inherent in NPM.

## 2. CORE ELEMENTS OF NEW PUBLIC MANAGEMENT

The label NPM was first coined by Christopher Hood (1991) as a shorthand name for a set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many OECD countries from the late 1970s. In his seminal paper 'A public management for all seasons?' Hood (1991:3) lists seven overlapping precepts which appear in most discussion of NPM :

- 1 'Hands-on professional management' in the public sector
- 2 Explicit standards and measures of performance
- 3 Greater emphasise on *output control*
- 4 Shift to *disaggregation* of units in the public sector
- 5 Shift to greater *competition* in public sector
- 6 Stress on private sector styles of management practice
- 7 Stress on greater *discipline* and *parsimony* in resource use

It is important to maintain that NPM is a loose term and the different elements suggested under this umbrella do not occur in every case. Lacking an element from the list does not absolve a program from being a NPM strategy. Pollitt (1995) suggested that the elements comprise a kind of 'shopping basket' for those who wish to modernize the public sector and characteristic mixtures vary somewhat from country to country. It is often emphasised that NPM is a loose term – an umbrella concept used to label a shift of emphasized from traditional public *administration* to public *management* characterized by use of markets-type mechanisms and business style of managements. Even though NPM is not a theoretical coherent program it is heavily influenced by ideas derived from new institutional economics, especially the emphasis on the purchaser-provider split, service specifications and contracts (Hardy & Wistow 1998). Governments should concentrate less on direct service provision and more on ensuring that things are done – an approach which Osborn and Gaebler (1992) have famously described as 'steering not rowing'

Hood (1991) interpret the origins of NPM as a marriage of two different streams of thought – on one hand ‘new institutional economics’ which helped to generate a set of administrative doctrines built on ideas of contestability, user choice, transparency and focus on incentive structures. The other partner in the marriage was the latest fashion of business-type managerialism – which is often based on hybrids of neo-Taylorist approaches stressing strict control, regulation and supervision and ‘new wave management’ which has a more optimistic view of employees as self motivated workers and managers as potential enabling the creative potential of their workforce (Clarke et al 1995). The management movement emphasizes that professional management expertise, being portable and paramount over technical expertise, require a high degree of discretionary power to achieve results (free to manage). Stressing the role of managers as NPM represent a shift away from the traditional bureau-professional way of self management, and a shift away from the diffuse ‘public ethos’ or ‘professional ethos’ and moving instead towards a greater emphasise on pecuniary-based, specific performance incentives.

The union of these two sets of ideas is not a completely happy marriage free of tensions. First, the two perspectives are based on divergent assumptions about the human nature. While ‘new institutional economic’ presume that human behaviour is always motivated by self-interest, the different management precepts used in business is typically based on the idea that human behaviour ( the behaviour of non-leaders) may be influenced and controlled by managers (Vabø 2007) The two sets of ideas may also come into conflict on a practical level. The ‘freedom of managers may pull public organisations in a rather different direction than the ‘freedom to choose.’

Marketization and business-style management have continued to coexist as the common core of NPM, underpinned by the integral core structure – the purchaser-provider split (Hardy & Wistow 1998, Osborne & Mc Laughlin 2002, Busch & Vanebo 2001). As mentioned earlier the idea behind the purchaser-provider split is that public sector may keep control over public service provision but still benefit from letting private agencies produce supporting goods and services. The purchaser-provider split; as it is described in text-books, aim to form a market, by separating demand from supply. Moreover, the model focus on out-puts instead of in-put and thereby entails an implicit critique of the Weberian rule-bound bureaucracy. The underlying idea is that decreasing emphasis on ex ante and processual controls over public sector managers would be balanced by increased emphasis on ex post

evaluation of results, creating more discretionary space for managers to add value to public services. In this sense the purchaser provider model has been perceived as enhancing freedom (at least for managers).

The idea of contractual management, i.e. that the purchaser is able to specify the level and quality of services and also able to control whether the contract specified for the provider is fulfilled, is the central element of the purchaser-provider split. According to Almquist (2004) the structure of contractual relationships is one of the important strategic choices public organizations have to make when they enter a NPM program. The purchaser-provider split is regarded a structural preconditions for introducing market (competition among suppliers) into welfare. If public agencies are to compete with private companies on equal terms they would have to be separated from the principal (the government) and turned into autonomous budget units. The same argument may be used to provide for better overview and benchmarking of in-house provision.

### 3. THE CLAIM FOR NEUTRALITY AND UNIVERSAL APPLICABILITY

The primary concern of NPM is to rationalize service provision – to do more for less. NPM proponents aim to create a slim state by increasing the efficiency of public policies by transferring market principles and business management techniques from the private into the public sector. The overarching idea of efficiency is not in itself problematic or incompatible with a public ethos. On the contrary, one may argue on behalf of citizens as taxpayers that the concern for frugality in resource use is important for the legitimacy of public administration. Nobody wants a wasteful and inefficient state. However, efficiency is not the only and indeed not the primary concern of public welfare providers. An this is exactly the problem of NPM. NPM doctrines tend to focus on setting clear targets and specify outputs but fail to recognize that efficiency is a relative concept that is based on context and appropriateness: it is efficiency to achieve a certain effect with a minimum of resources (Drechsler 2005). If efficiency is made the only value any kind of activity may be regarded as legitimate. Even inhumane and illegitimate programs, like the Nazi death camps, may be distinguished as efficient. A highly problematic aspect of NPM doctrines is that they do not recognize the importance of institutional contexts. Schools, hospitals and other public agencies are treated as abstract categories, without reference to the goals and purposes of those organizations. By claiming to

be politically neutral NPM deflect attention away from moral and political aspects of welfare institutions. Questions concerning who should get what, when and how much, are silenced. Accordingly they were perceived to be disconnected from the political and practical world they aim to affect (Vining and Weimer, 2005).

The generic approach of NPM advocates represented a break away from established scholarly debates. It had long been a theme among public administrationists and in the contingency literature in organization theory that fundamentally different management style, techniques and structures might be appropriate for different functions or levels (Pollit 1995). It was for instance acknowledged that organizations operating in contexts characterized by uncertainty, non-routineness and instability would tend to adapt to these contextual requirements by delegating authority to front line staff. This knowledge was now being excluded from discussion. As a result NPM doctrines have met with scepticism from scholars of public administration. NPM was accused of lacking a clear theoretical basis.

In his seminal paper Hood (1991) draws attention to the atheoretical and narrow focus of NPM as concerned with economy and efficiency and argues that in real life debates about administrative designs, at least two other sets of values are likely to occur – on one hand values concerning fairness and proper discharge of duties and on the other hand values concerning security and resilience. Hood regard the three sets of administrative values as rival values in the sense that they are difficult to satisfy by the same organizing principle. Values linked to efficiency are connected with the matching of resources to predefined objectives. An orthodox organisational design for realising these values is typical mechanistic structures – the setting of fixed and checkable goals in order to ensure out-put control. Values stressing fairness and proper discharge of duties are related to the adequacy of governmental process and mechanisms aiming to secure the rule of the law, such as appeal mechanisms, public reporting requirements, independent scrutiny systems etc. . The suitable organisational design for realising these values is to ensure process control (rather than output control). Finally, linked to values concerning security and reliability is the expectation that public service providers are able to operate even in worst case conditions, to adapt rapidly in a crisis and to be able to learn from failures. In order to operate in ambiguous and instable conditions an organizational design will have to recognise that a relatively high degree of slack is necessary. The suitable organizational design is an ‘organic structure’ characterised

by flexible and broadly defined jobs, vertical communication, and employee participation in problem solving. Christopher Hood (1991) and other early writers of NPM reforms (i.e. Pollitt 1990) was concerned about whether the pursuit of frugality through NPM programs would succeed at the expense of more traditional public sector values linked to honesty and fair dealing and of security and resilience.

#### 4. NPM MEETING DIFFERENT PROBLEM CONTEXTS AND DIFFERENT TRACKS OF REFORM

In addition to offering a set of standardized how-to doctrines, NPM also, more or less implicitly, offered a standardized depiction of the core problems of public sectors. NPM emerged as a problem-driven solution to bureaucratic rigidities, inefficiencies and lack of responsiveness. As the proponents of NPM railed against 'bureaucracy' the Weberian bureaucracy became the embodiment of all that is wrong in public administration (Gregory 2007).

Departing from this perception NPM advocates tend to adopt a somewhat deterministic view of public sector change according to which welfare states moved away from rule bound welfare bureaucracies towards fragmented pluralized welfare markets. NPM is presented as the only driver of change and all countries were to break away from bureaucracy. Other reforms, even comprehensive reforms, are left out of the presentations if they do not conform to the NPM model of development (Shested 2002). In these presentations Anglo-Saxon countries (UK, New Zealand and Australia) are seen as leading the way while countries like Norway figure as 'laggards', 'non-reformers' or 'slow-reformers' (Sehested 2002, Christensen & Lægreid 2007).

This biased view of public sector development has been subjected to growing criticism as scholars became increasingly aware of cross-national differences in administrative cultures and reform trajectories. Efforts were made to identify different regimes and models of reform initiatives within Europe. Premfors (1998) discerned the Nordic reform model as different from both the Anglo-Saxon and the Continental model. More than other western countries, Nordic countries chose to use local authorities (communes) for implementing their welfare policies in the post-Second World War period. Premfors sums up the Nordic trajectory of reforms as characterized by radical decentralization of politics and administration, still within a large public sector and with a strong welfare commitment between government and

citizens.<sup>1</sup> At the heart of the decentralization trend was the intention of enhancing local democracy and as noted by Sehested (2002, p. 1524) this was 'concerned with the integration of citizens in the governing of public services and with the introduction of new governing structures based on dialogue and participation (like user boards, community councils, councils for the elderly, dialogue circles etc)'. Other scholars of public administration have associated the process of decentralisation with a strong effort on self-organizing, blurring of boundaries between service areas and collaboration in local inter-organizational networks (Johansson & Borell 1999). Unlike the ideas of NPM, which were based on distrust, contractual relations and competition, the Nordic reform ideas were based on trust and collaboration.

What is important to note here is that in this contextual and path dependency perspective the standard NPM presumption that the public sector was dominated by large centralized and rule bound bureaucracies reflect an inaccurate identification of the Nordic *pre*-NPM era. When NPM reforms were put on the agenda in the 1990s municipalities, they were fed into a service regime characterized by self-governance, flexibility and discretion. As will be further elaborated below, local service regimes were certainly not problem-free, but unlike the standard problem diagnosis of NPM programs (which called for *less* rules and regulation) the perceived problem of local service providers generated a call for rules and regulations (rather than *less* rules and regulations).

## 5. NPM IN CONTEXT

The origins of NPM are commonly associated with the dominance of neo-liberal governments in the 1980s, in particular with the Thatcher regime in UK and the managerialist reforms in New Zealand and Australia. However, NPM became popular and widespread in most western democracies during the 1990s, on account of an international booming consultancy industry (Saint Martin 2005), finance institutions such as the World Bank, the International Monetary Fund (Dreschler 2005) and above all the OECD through their Public Management (PUMA) reports (Sahlin-Andersson 1998). The global reach of NPM ideas has been impressive. Nevertheless, a number of scholars have suggested that even though similar ideas

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<sup>1</sup> The decentralized structure is understood to be partly a consequence of longstanding historical traditions of local democracy, and partly because the size and complexity of the huge welfare commitment required considerable delegation and decentralisation of operational functions (Premfors 1998, p. 157).



and slogans may travel widely, different translations and adaptations are made in different countries and different policy areas. Main ideas are implemented to different degrees at different paces, and with differing emphases on the various elements of the reform package. Among Scandinavian scholars, for instance, it is recognized that the mix of NPM element may differ between different municipalities and even at micro level within one and the same organization (Almquist, 2002) and between different services areas (Green-Pedersen 2002).<sup>2</sup>

A general finding in the research on NPM reforms is that the degree of variation between countries and policy areas increases when attention is turned away from policy speeches and the world of ideas and towards specific decisions and consider the implementation and impact of reforms (Christensen & Lægreid 2009). In the comprehensive anthology '*The Oxford Handbook of Public Management*' the editors sum up that commentators should be careful to distinguish between different levels of penetration: that NPM ideas are debated among the chattering classes does not mean that they can necessarily command the backing of authoritative political elites, and that they have achieved the status of white papers and ministerial speeches does not mean that they will be put into practice by rank-and-file public officials. It is not possible to deduce from the change in language of officials that deeper changes of values and behaviour have taken place (Pollitt 1995, Ferlie et al 2005).

However, it is too simple to dismiss NPM as empty rhetoric, i.e. as hollow promises which are ignored or forgotten on the institutional level. The language of NPM does indeed have "real" consequences in the sense that it produces new roles and new ways for people to conduct at work. However, it should also be recognized that abstract principles may be translated in different ways and may create incentives and constrain working processes in different direction. Contradictions between different elements of NPM programs tend to produce tension and dilemmas for those living and working through them. And, as noted by Clarke and Newman (1997:102) 'Older discourses and the subject positions and identities associated with them have

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<sup>2</sup> According to Ferlie et al (2005: 721), constitutional differences, patterns of institutions, administrative cultures and economic circumstances are some of the principal sources of variation. The historical-institutional context and the national style of governance obviously influence the way in which NPM reforms are implemented. It is for instance commonly assumed that NPM reforms were more compatible with the traditional culture in Anglo-American countries than with the culture of some Continental European and Scandinavian countries.

not gone away – they linger on not just out of nostalgia, but because the specific practices continue to require them'. Accordingly it may be useful to think about NPM as intersecting with rather than displacing previous bureau-professional regimes.

As researchers have explored the implementation of NPM within different national context they have increasingly become aware of the difficulties in viewing NPM as coherent program acting as a single driver of change. In order to gain a comprehensive understanding of the complex dynamic of change it has been argued that NPM reforms should be viewed as interacting and overlapping with competing drivers of change (Wise, 2002, Vabø 2009). Hence, institutional changes will be generated by tensions rather than by unidirectional reform programmes and changes may have both intended and unintended consequences (Clarke and Newman, 1997, Newman 2001).

Meso-level research, focusing on roles and tasks of public sector managers and professionals demonstrates how new ideas of governance are juggled with more traditional discourses such as those of professionalism and legalism. Ideas and discourses do not enter a world of tabula rasa but a social world already infused with meaning and its own vocabulary (Halford & Leonard 1999, Vabø 2007). They will never simply work as a cascade of regulatory incentives introduced top, but will have to pass through the institutional level which must be seen as a site of both constraint and creativity (Clarke & Newman 1997). Radical NPM efforts may be blocked or reshaped by professionals who seek to protect their own pre-existing core agenda. (Ferlie and Geraghty 2005) Accordingly, as top-down NPM programs are being translated and concretized into operational strategies they may be manipulated and negotiated and in many respects altered beyond recognition. Hence, it may be tempting to suggest that NPM is nothing more than a starting point. There is no such thing as *one* NPM in action.

## 6. NPM IN THE SPECIFIC CONTEXT OF NORWEGIAN HOME CARE

In Norway, as in the rest of Scandinavia, NPM became an important part of the political battle over the welfare state. Various forms of multifaceted NPM programs have been debated within different parts of the public services, including in care for the elderly. Proponents have argued that competition and contractual control will lead to more efficient service provision. Furthermore they have argued that reforms, by offering people free choice of providers, will help people escape from a monopolist

'nanny state'. Opponents see the same efforts as attempts to dismantle the welfare state or a disguise for cut-backs. In Norway the idea 'to put grandmother out to tender' became a matter of passionate public dispute. Still, softer versions of NPM, in particular those management measures like contractual management and quality management have been embraced by many local governments on account of being perceived as politically neutral (Vabø 2007, 2009).

NPM has certainly had some impact on the framing of elder care in public debates. But in line with the lessons learned from previous research (see above) it is improbable that NPM has displaced other frameworks and understandings about public care-work and organization. From the idea that the historical-institutional context will influence the way in which NPM is implemented I have, in my own research on home care, stressed the importance of making a retrospective analysis of the home care service and the world views dominating in the pre-NPM era.<sup>3</sup>

#### *6.1. The historical- institutional context of home care*

Like many welfare programmes in the post war era, the Norwegian home care service originated in the third sector – in the contribution of national and local associations of women undertaking voluntary care and health work. When the service became a part of the public welfare programmes in the 1960s, it retained many of its third-sector features in the sense that publicly paid care giver staff were mainly driven by their own helping spirit and not by regulations from above (Vabø 2007). Home care became very popular as a more individualized alternative to standardized institutions. Thanks to generous reimbursement from central government in the 1970s home care expanded greatly during the 1970s. However, beginning in the mid 1980s, a new epoch started – triggered off by a process of radical decentralization. This typical Scandinavian track of reforms was based on the idea that greater proximity to citizens would enhance effectiveness of policy programs – services would be better attuned to the needs of the population. In 1986 legislative changes delegated to municipalities the responsibility for a wide range of services with the aim of encouraging an integrated approach to the delivery of care.

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<sup>3</sup> My analysis draw on case study data selected at different points in time: in 1994/1995 (pre- NPM era) and in 1999/2000 and in 2007/2008 (for more details see Vabø 2006, 2007, 2009).

Municipalities were assigned the responsibility for primary healthcare and for various kinds of housing and care services. Buzzwords stressing awareness of local problems, flexibility, proximity and user participation flourished (Wærness 1984). But, as the previous reimbursement system was replaced by block grants, many municipalities experienced increasing budget constraints. Municipalities were now urged to bridge the gap between ambitious policy goals and scant resources. The numbers of beds in nursing homes were reduced and responsibilities for the frailest elderly were pushed 'down' to the home care sector. In order to improve the utilisation of care-giver staff, home care services (nursing care, personal care and domiciliary care) were integrated and organised in self-regulated service teams (Vabø 2006).

In case study from the mid 1990s (Vabø, 1998) both home care managers and staff interviewees emphasised that an increasingly tight budget made it necessary to target services to the most urgent needs. Detailed narratives from the field (Vabø, 1998) exposed that the understanding of 'needs', 'real needs' and 'urgent needs' as shifting and contextual. Older people who are discharged from hospitals may gradually recover or get worse; those who are chronically ill may have good days and bad days; and people in general will have increased (or decreased) needs due to shifting life circumstances. Awareness of the unstable character of needs was reflected in the every day routines of service allocation and provision. Knowing that care needs rarely are instantly recognisable and stable, the care teams utilised preliminary agreements with clients; if written agreements were made, they were worded in general terms. Even though care-team leaders were formally in charge of the allocation of services, the decision concerning the rationing of services was to a large degree in the hands of care-giver staff. The process of coming to an agreement on needs overlapped with the daily care-work. In order to balance competing needs, care staff constantly had to engage in negotiations and small talk with service recipients to make the daily work run smoothly.

A core working principle of the care teams was 'giving help to self help', a principle reflecting a belief that elderly people will benefit from being as self-sufficient as possible. In line with this principle caring is not about delivering a prefixed good; caring is about enabling people to carry on their everyday life. Hence, the endeavours of the care teams to prioritize to 'real needs' was not simply a one-way delivery process; it also involved a collaborative relation ie the cultivation of

expectations and motivating the older people to make use of their own coping resources. In these processes some recipients were encouraged to accept more help than they asked for while others were encouraged to lower their expectations and to mobilise their own resources. In this respect the policy carried out at the micro-level had elements of positive selectivism in a Titmussian sense (Titmuss, 1974). Older people should be treated according to their different coping resources; people who had no family were regarded as being the most vulnerable and accordingly the most deserving. This assumption embodies an implicit conception of justice stressing the outcome of distribution – everyone should feel safe and comfortable at home. In order to come as close as possible to this ideal care, staff expected people with moderate needs and/or sufficient coping resources to be willing to lower their expectation and to tolerate reduced help on occasions. All care recipients were encouraged to understand that shifting needs and unpredictable influx of new patients made an impact on the capacity of the team.

According to the home care staff interviewed the majority of older care recipients was supportive; only a few affluent clients insisted that they entitled to services, no matter how tight the time schedule of the care team was. The latter group was perceived by staff as demanding and frustrating. However, even though they were perceived to be a marginal group by the staff, the voice of demanding citizens was penetrating the public debates. During the winter 1990, the protests of activist middle class citizens turned into a nationwide people's movement, later known as 'The elderly revolt' (eldreopprøret). Generally, the Elderly revolt focused on shortcomings in the achievements of politicians and thereby contributed to create a 'crisis discourse' in public debates (Lingsom 1997). The sharp tone in public debates was effective in generating extra funding (later known as the Elderly Billion). Above all it put pressure on central authorities to demonstrate accountability in municipal elderly care. In the autumn 1990, the ministry of social affairs instigated a project to develop a monitoring system (Gerix) to provide the national authorities with adequate information on the demand and supply of health and social services. The request made by the minister represented a quest for transparency. This was to form an essential part of a new track of reforms emerging in the late 1990s.

## 6.2. NPM – a tool of rationalization and regulation

The historical detour made above is necessary in order to understand the formative moment for NPM reforms: When global wave of NPM washed across Norwegian municipalities in the late 1990s (two steps behind Sweden) they were already dealing with the restrictions made by central government in the wake of decentralization and the Elderly revolt. Several initiatives were just taken to secure the enforceability of social rights and to control municipal service providers. The Social Service Act of 1991 stipulated that people had certain *procedural rights* in relation to local care providers; they had the right to an individual needs assessment, the right to make their views known, to receive a written and well founded decision, and the right to appeal to a higher authority. The new statutory provision pushed municipalities to put in writing what they regarded to be an adequate level of support. Furthermore, municipalities were required to be more accountable ‘upwards’ to central government. For instance the Ministry of Health and the Board of Health Supervision required municipalities to implement systems for internal controls and quality assessment. Accordingly they were pushed to formalise work routines and performance.

Concerning the NPM ideas – offered to municipalities mainly through general modernisation programs from central government and through an expanding consultancy industry – a number of local (mainly right wing) politicians became enthusiastic by the possibility of taking advantage of competition and market mechanisms and went for competitive tendering arrangements. However, in practice the reform elements offered to them through the NPM agenda were assessed in light of the accountability requirements made by the central government. Many municipalities ended up with softer NPM strategies, not because they planned to tender out services and bring in competition from private providers, but because the ideas seemed to fit well both with the general aim of cost-efficiency and with the new regulations from central government. In the home care sector the purchaser-provider model became a taken for granted solution to all kinds of management ills – just like in Swedish elder care a few years earlier (Blomberg 2004). The separation of purchaser and provider functions was linked to multiple arguments: It was (in line with standard NPM textbooks) believed to be better accommodated cost control and quality management: Local authorities were now in a better position to demand quality and to control and manage quality at an arm’s length. However, the

separation of planning and purchasing of services from delivery was also supposed to improve the ability of municipalities to deal with the new legal and formal aspects of service provision. It was believed that specialised care assessors would be able to take a more detached view of care needs than the care staff (Blomberg 2004, Vabø 2007). Finally, due to specialised qualifications and better assessment tools, care assessors were expected to provide service recipients with a clearer set of expectations, thereby empowering them as consumers (Vabø 2006). Unlike the implicit conception of fairness, stressing help to self-help, executives and care assessors now talked about fairness in terms of procedural justice. Hence the changes pushed by NPM reflect a shift of state citizen relations from a collaborative, trust based relation stressing that home care is 'help to self help' - an effort of enable people to utilize their own resources - toward a view on citizens as holders of right who are entitled to a predefined set of service no matter how resourceful they are ( see also Eskelinen 2004). In line with Rothstein (1998) we may say that the reforms thereby pushed the Norwegian care regime away from a communitarian model based on blurred state-citizen relations towards a liberal model according to which citizens are regarded as autonomous right bearers.

### *6.3. Limitations and reversed consequences*

The new organisational home care regime suggests that the staff-client relationship should be guided by formal agreements specified for individual service recipients by the new purchaser officials. While this may be advantageous to some care-recipients (in particular those with bureaucratic skills and moderate care-needs) the contractual logic was not suited to meet the unstable and unpredictable care needs. Care-staff interviewees maintained that clarifying care-needs prior to the service provision was next to impossible; they continuously experienced the need to deviate from contracts, to change priorities of cases, and to vary staff time allotments in order to meet unforeseen needs of the frailest elderly. Care giving staff also saw few signs of active consumer behaviour among the elderly. On the contrary, agreements, information and questionnaires provided for security and legal protection often gave rise to anxiety for elderly people who lacked energy to read through them (Vabø 2006). Ironically, information and formal rights tend to create a new dependency relationship between care-giver staff and family members and the frailest elderly (Vabø 2009 forthcoming).

The trend towards increased formalisation and bureaucratization does not conclude the story of NPM in Norwegian elder care. New problems relating to awkward routines and inflexible contracts have cleared the way for more elastic and adaptable solutions. Senior officials have not abandoned the belief in the purchaser-provider model, but have recognized that a softer division of work between the care assessors and care providers is essential in order to meet unstable needs. However, in a recent study ( Vabø 2009) I found that the efforts to provide for more flexibility cleared the way for further problems. In a topical case study the purchaser-provider model was supposed to work according to a principle of 'responsible purchasing', which meant that care authorities (the purchaser) would always pay for services and would always be prepared to reassess care needs when care staff perceived that needs were changing. This condition called for fee-for-service reimbursement: the purchaser would assess individual needs and pay according to a contract specifying both the type of service offered and the amount of care staff time provided. Moreover, in a case of increasing or decreasing care needs home care staff (the providers) will have to make a 'Need Change Report' (NC report) to the purchaser. The care assessor would then reassess care needs and possibly change the initial contract.

Initially, when the new reimbursement system started care-giver staff carried on their work as usual and did not pay much attention to the NC reports, even though they spent more time with the patients than was stipulated in the contract. According to one of the care-team leaders this unawareness implied that all of the care teams were "made bankrupt" as they did not respond according to the new rules of the game (the fee-for service system). However, care workers gradually learnt how to manoeuvre within the system and became aware that making visible their own time use will secure more adequate remuneration. Today, officials, care team leaders and staff agree that the system has caused a great deal of extra paper work, mainly on account of the NC reports. Even minor changes will have to be reported; one such example is, if the doctor prescribes for the older person to take eye drops three times a day instead of two times a day, a NC report is needed; if the prescription goes back to a two-times a day programme, another NC report is needed and so on. Even though the number of care assessors has been doubled since the new organisation model was introduced, they do not have the capacity to review and respond to all the NC reports. Care-leaders and staff have to be persistent and make a lot of phone



calls to get things moving (meaning that care-assessors to a large degree entrusted the discretionary decisions to the care-giver staff). Among interviewees it was widely agreed that the system was cumbersome and time-consuming; all the time spent on creating and running the system could better be spent with people in need of care. Nevertheless, they realised that the fee-for-service system relieved them from the unpleasant burden of 'demarcation work'. In the 'old system' it was part of their job to give less priority to some people in order to meet the most urgent needs of others. Today, if new and urgent care needs occur, they can write NC reports and allocate more resources to meet new care needs. The system was however perceived as troublesome for executive leaders who now perceived that costs were rising. A consultancy firm was hired to investigate why costs had risen did not question the purchaser-provider arrangement as such (the consultancy firm is one of the most eager promoters of the purchaser provider split). However, the municipality was advised to make an effort to improve purchaser control in order to restrict the number of NC reports. Hence, the implicit critique made by the consultancy firm was that the blurring of responsibility between purchaser and provider also had induced dispersion of responsibility for cost control.

These somewhat detailed stories from the Norwegian home care sector demonstrate how NPM reforms may act in 'real life' context – a context characterized by a different traditions and challenges than suggested in standard NPM textbooks. The case study demonstrates how reform steps originally associated with NPM and the call for efficiency also became entangled with traditional public sector values stressing probity and legality. It also demonstrates how measures originally launched to realize values of efficiency and accountability may end up as institutional arrangements heading in the opposite direction. The blurred and collaborative relation between purchaser and provider had succeeded in enhancing both probity and responsiveness but had done so at the expense of frugality. Ironically, this unintended consequence (lack of cost control) generated a pressure to renew and improve the purchaser provider model, but it did not lead to the abandonment of the belief in the efficacy of management. .

## 7. NPM ENTERING AN ERA OF PARADOXES

The Norwegian case study referred to above add to a general trend in research on NPM reforms in that they emphasize the reverse and surprising consequences of

reforms. It is of course possible to find studies that indicate positive impacts of NPM, e.g. that the public sector has become more customer oriented, more efficient, transparent and focused on performance (Haque 2007). Still, it seems to be a more common observation from empirical research that NPM continues to create hope for better public-sector performance *in spite of* limited and even adverse and unintended effects. According to Hood and Peters (2004) NPM has moved into an age of paradox. As the modernisation program enters 'middle age' scholarly attention has moved from descriptive mapping and a priori critiques to the analyses of surprises and paradoxes. Gregory (2007) argues that, in the general quest for greater precision and technical certainty, NPM has a strong inherent tendency to generate unintended consequences that approximate the obverse of what was intended.

One paradox frequently mentioned in empirical research is that reforms apparently intended to "free" managers from control have often resulted in more, not less, regulations, oversight and process control. Rule based, process driven routines have been retained and in some cases increased rather than being displaced by ex post evaluation of results. Similar paradoxes are pointed out in Scandinavian research, for instance by Almquist (2004) who found that a control system implemented in Stockholm City emerged as a comprehensive detailed system focusing on processes (activities) rather than on measurable effect targets. Forsell & Norén (2007) describe the process of tendering in elder care as an arduous process (involving efforts to understand what the purchaser wants and what the provider intends to deliver, followed by a beauty contest where the purchaser tried to evaluate and choose among tenders) – a process far from ideal when applying a transaction cost approach. And as elaborated above, my own study from the Norwegian home-care sector also indicates that the purchaser-provider split has increased the burden of administrative work (Vabø 2002, 2007). If we return to Hood's metaphor, viewing NPM as a marriage of marketization and management, it is tempting to suggest that there is some infidelity going on in the marriage involving an affair with an 'old' Weberian ideas.

It has also been identified as an unintended effect that a blurring of management responsibility may occur in the wake of NPM reforms rather than the intended clarification (Hood and Peters 2004). Market type mechanisms such as outsourcing may threaten accountability because the split that is created between the purchaser and providers of services as well as because of public confusion regarding

who is actually responsible for service delivery (Haque 2007). NPM focus on disaggregation and competition automatically increased the numbers of administrative units and created more complex and dynamic interrelationships among them. The dispersal of tasks, power and responsibilities make coordination difficult. According to Dunleavy et al (2005) –even OECD has realized that the proliferation of more or less autonomous public bodies makes coordination difficult.

Pointing to these (and more) paradoxes, scholars have declared that the heyday of NPM now have passed. In the article with the apposite title *New Public Management Is Dead – Long Live Digital-Era Governance* - Dunleavy et al (2005) proclaim that the NPM wave is now largely stalled or reversed in leading countries. This ebbing chiefly reflects the cumulation of adverse indirect effect on citizens' capacity for solving problems because NPM has radically increased institutional and policy complexity. NPM focus on disaggregation and competition automatically increased the numbers of administrative units and created more complex and dynamic interrelationships among them. Accordingly, the splitting up of public sector hierarchies, the proliferation of autonomous arm's length public bodies and the creation of quasi-markets have slowed down. New post-NPM reforms are approaching bearing labels such as 'whole of governance', 'joined up governance' – labels which easily bring to mind the idea of repairing and putting back together something that is broken (Christensen & Lægreid 2007). Dunleavy et al (2005) suggest that a range of connected and IT-centred changes are critical for the current wave of changes which stresses reintegration of functions into the governmental sphere, adopting holistic and needs based structures and advancing the digitalization of administrative processes.

Even though scholars seem to agree that the heydays of NPM has passed, they tend to disagree on whether new reintegrating reforms will bring back 'the good old days' or whether NPM will have a constraining effect on post-NPM reforms. As an empirical researcher I am inclined to believe in the latter presumption. Different elements of policy and practices tend to be overlaid on each other in complex ways. Even though there is a clear shift of emphasise in policy programmes and governance, neo-liberal reform arrangements may linger on – such as, for instance, the widespread use of targets and performance measures (Newman 2001). One should also (as mentioned earlier) remember that even though reintegration is evident in political speeches this does not mean that they will be put into practice by

rank-and-file public officials. The market and management discourses which have pervaded public sector for decades may have become institutionalized and taken for granted as neutral facts about good governance (Larner 2000, Drechsler 2005). According to Gregory (2007) one of the main lessons of NPM is that both practitioners and academics who are technocratically trained may become victims of their own trained incapacity in that their unending search for more technically rational 'solutions' to managerial 'problems' prevent them from understanding the ambiguities, paradoxes, intractabilities and uncertainties of politics.

The persistence of NPM despite its limitations and unintended consequences has induced some tart comments. Drechsler who speak from an post-autistic economics perspective (2005:9)<sup>4</sup> notes that, even though it may seem a bit early for a post- mortem one may *hope* that the prevailing paradigm will fall simply because it does not work:

*“because of the plain and empirically fact that NPM simply does not work, even by its own strict set of criteria – that it does not deliver, that it does not create greater business efficiency, let alone state effectiveness, that it is expensive, disruptive, and in the end useless, that it is heavily ideological, overly simple, diametrically opposed top economic growth and especially development, and politically charged by a specific perspective, that of neo-liberalism*

Critics may hope. However, like Brunnsson (2006), they should however recognize that people tend to continue to believe in unrealized and unrealistic ideals also in the face of discouraging experiences. Hence, the hope for calculability and precision inherent in NPM may continue to be kept afloat.

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<sup>4</sup>The journal *Post-autistic economics review* is now rechristened and is labelled *Real-world Economics Review* <http://www.paecon.net/PAERreview/index.htm>

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