Not What It Said on the Tin? Reflections on Three Decades of UK Public Management Reform

Abstract

Despite decades of research, we still need more long-term evidence of the effects of New Public Management (NPM) and accompanying changes in government over a generation. Looking at UK experience, a key case in NPM and digital-age developments, this paper evaluates administrative data to show what happened to indicators of fairness and consistency and of prudent management through limitation of running costs in public administration over three decades. The analysis shows that running costs rose substantially in real terms (contrary to the cost-cutting stereotype of NPM), while indicators of first-stage formal challenges to government suggest increased dissatisfaction with fairness and consistency in administration.

Key words

government modernization

administration costs

managerialism

New Public Management

Fairness and consistency

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1. Introduction

The term 'New Public Management' (NPM) first gained widespread attention in 1991 with the publication of an article in *Public Administration* (Hood, 1991). That paper, about the development of then new and supposedly modern managerial methods of providing public services and organizing government bureaucracies, has received over 6000 citations and continues to be listed on the journal's website as one of its most-read papers. Perhaps that is not surprising, because ways of organizing executive government and running public services are just as contentious today as they were when the word 'bureaucracy' first appeared over 200 years ago to denote government by officials (Albrow, 1970, p. 16). Words such as 'managerialism,' 'rationalization,' 'modernization' across a range of domains such as civil service, education, and health care, can be guaranteed to raise hackles and arouse strong and typically conflicting passions. Indeed, it is striking that a subject so apparently practical and common-sense as public administration and management attracts such viscerally ideological debates and contradictory certitudes (Hood, 1998, pp. 10-11).

So the quest for public management nirvana continues, and over the last three decades or so in the UK there was a plethora of reform initiatives and makeovers of structures, processes and systems ostensibly designed to improve and modernize government and public services by one means or another. Arguably one of the key over-arching features of those successive reforms was an attempt to move away from the traditional way of controlling bureaucracies, namely 'double-bind management,' or what Dunsire (1978) termed 'collibration. This traditional method of control, not identified in Weber's classic analysis, means that bureaucrats handling cases are subject to contradictory objectives that are held in tension (for example speed and accuracy), such that the balance between them can be adjusted by superordinates at any time. Thus if all the attention is given to accuracy and complaints consequently build up about delays and waiting times, there will be calls

for more attention to speed, until the greater speed leads in turn to complaints building up about the level of error and inaccuracy. The main alternative to that traditional method of control is some form of homeostatic-type control in the form of determinate targets with negative feedback mechanisms. Much of the thrust of managerial reforms in the 1990s and 2000s, ostensibly at least, comprised a move away from the double-bind or collibration method towards the target-setting homeostatic method (notable examples being the 1991 Citizen's Charter, New Labour's public-service agreements and the various outsourcing contracts), even though that second approach did not, and arguably never can, completely supplant the double-bind method.

That spate of makeovers was by no means unique to the UK, but according to Pollitt, the UK was a 'serial reformer' to a particularly marked degree, and indeed Pollitt claims, 'Over the past half century, the UK public sector may have been cumulatively the most reformed in the world. It has been in more-or-less continuous modernizing motion since...1970' (Pollitt, 2013, p. 900). ('Cumulatively' is of course the key word in that claim.) And along with all those much-debated reform efforts and initiatives there was a technological revolution as well, with the advent of the digital age coming to affect almost every part of the operation of government, as it has most other things.

What do we actually have to show for these decades of makeovers and associated digital-age changes, all of which were at least ostensibly intended to make executive government *better* in some way? This paper focuses on the UK, and looks at what happened to indicators of two key aspects of 'good administration' over the three decades of reform initiatives and makeovers referred to earlier, namely, fairness and consistency and control of running or administration costs, concepts that are discussed more fully in the authors' recent book ([anonymized] 2015).

The first aspect is good administration in a rule-of-law sense – formulating and applying rules carefully, and handling cases fairly, predictably, and consistently (something that itself requires a capacity for careful record-keeping). That vision of bureaucracy and state officials as an instrument of the rule of law is a very long standing one, going back at least to the Chinese ‘legalist’ tradition more than two thousand years ago, but in western countries today is normally associated with Weber’s classic analysis of bureaucracy (Weber, 1921). The very first characteristic that Weber, much like Bentham writing a century before him, associated with modern bureaucracy, was its nature as an organization associated with applying rules (which Weber defined as laws or administrative regulations, for example over eligibility) to fit cases into categories carefully, honestly and consistently over time and across cases.

The second key vision of good administration is prudent management; administration that is efficient in the sense of being run at least cost, without waste or extravagance. This vision of good administration does not necessarily mean spending less on substantive programmes (be that health, education, defence, social security, pensions, or other policy goals), but spending the least amount possible on running costs, ‘using bureaucracy sparingly’ and so producing a better deal for taxpayers. That desideratum was termed ‘expense minimized’ by Bentham in his *Constitutional Code* (Bentham, 1830, p. 297)

Of course these two visions of ‘good administration’ do not embrace the whole gamut of administrative values (see for instance Hood and Jackson, 1991; and Hood, 1998); but both have a long history and are of sufficiently central importance to form the focus of this article. Moreover, many of the debates in recent decades about the merits or otherwise of NPM revolve precisely around how these two values or desiderata might relate to one another, and indeed the tensions and likely tradeoffs between the two were recognized in the NPM reform literature from the outset (see

for instance HM Treasury 1992). Indeed, those who think there are no free lunches in public administration tend to argue that these values must inevitably be traded off against each other. Perhaps the standard academic criticism of NPM is that it went too far in pursuit of cost-cutting and, in consequence, the quality – particularly the rule-of-law quality – of administration tended to suffer. That is the view taken by Lægreid and Christensen, prolific scholars of public service reforms and new managerialism, who have argued in their successive books on NPM that the managerialist thrust behind many of the reforms in the UK and elsewhere was heavily driven by cost-cutting ambitions (see, for instance, Christensen and Lægreid, 2001, p.15; and 2007, p.4). They and others (such as Stewart and Walsh, 1992, p.516) have argued that those efforts to cut costs risked damaging the quality of the traditional administrative functions of bureaucracies, notably their ability to handle cases consistently and equitably. Indeed the term ‘Weberian bureaucracy’ has often been used to describe precisely what might be under threat from managerial reforms, and in fact ‘new’ or ‘neo’-Weberian bureaucracy has been prescribed by some as the basis for an approach to reform sharply different from the much-criticized managerial approach. More radical critics of neoliberal reforms in general, of which new managerialism is often claimed to be a part, have argued that extending the logic and practice of capitalism will inevitably mean displacing values of justice and equity (see, for example, Brown, 2005).

Those of a more optimistic persuasion think that a smarter (in the American sense) approach to policy design or management can deliver ‘a government that works better and costs less’ in the famous words of Al Gore in the US National Performance Review Report over two decades ago during the Clinton Presidency (Gore, 1993) – a possibly unconscious re-statement of Jeremy Bentham’s famous maxim, coined some two centuries earlier, ‘Aptitude maximized, expense minimized’.¹ Some, including Al Gore himself in that Performance Review, have argued that intelligent application of modern information technology (IT) can both cut costs and make

administration better and that double-benefit claim has certainly been advanced to justify successive big IT projects in taxation and social security (see, for example, Margetts, 1999). From a different perspective, advocates of ‘nudge’ approaches to the design of public services (the use of psychology in administrative design, a compound of old and new in that it brings together the ‘human relations’ tradition in management, advertising, customer relations, even perhaps psychological warfare) see the use of behavioural insights of that kind as conducive to making government that is both better and cheaper at the same time (Thaler and Sunstein, 2008; and Sunstein 2013; compare Baldwin; 2014).

So who is right? If we look back at three decades of data for UK central government – the period when all these makeovers and associated changes that Pollitt referred to were taking place – what does the administrative record show about costs and quality? Does the evidence uphold those ‘no free lunch’ critics who dismiss the idea that you can get something for nothing, or those more upbeat ‘win-win’ reformers who thought you can cut the costs of running government without damaging the consistency and fairness of administrative processes?

Those new to this debate might reasonably assume that such questions had already been answered, because so much research has been funded and conducted on the subject at both national and international level. But most of that research in the UK and elsewhere understandably tends to be sector-specific (that is, limited to particular policy or service domains such as schools, hospitals, crime and policing, and social care, and typically using metrics that are specific to those domains), to cover relatively short time-spans, and to focus much more on the ‘aptitude’ side of the equation than on that of ‘expense’. It is true that there are a few exceptions (for example, the important work on productivity changes in tax and social security by Dunleavy and Carrera (2013)). But in the main, general claims about cost-cutting associated with managerialism and its alleged effects, common as

they are, tend to be quite vaguely specified and based more on assertion and counter-assertion rather than on any systematic evidence, either on cost or on the quality of rule-observance in government and public services. Part of the reason for that may well be the reluctance of governments and reformers to look back and assess policy. But whatever accounts for the absence of systematic evidence, such historical research is hard to do. Despite the efforts of bodies such as the OECD (*Government at a Glance*) or the World Bank, there is no satisfactory and easily accessible ‘off-the-shelf’ international or comparative data-set that tracks changes in ‘aptitude’ and ‘expense’ for a range of countries over decades. So the job has to be done the hard way, country by country, and dealing with the many intractable data-breaks that lie in the way of anyone trying to track statistical series over time.

Accordingly, in the absence of such a comprehensive comparative and historical dataset on what happened to running cost and to consistency and fairness in administration in different countries and eras, this article examines the case of the UK over the over the 30 years between about 1980 and the early 2010s. And the UK is arguably a critical case for the evaluation of public service performance, since it is often said to have been the ‘vanguard state,’ or at least one of the leading countries, of the New Public Management. So what happened to the UK over this period may have a wider significance in assessing the claims made for – and against – a generation of managerial and modernizing reforms.

2. Did the ‘Rule-of-Law’ Aspects of Bureaucratic Performance Alter over this period?

There are at least three ways of assessing the rule-of-law or ‘Weberian’ characteristic of bureaucratic performance over time. The traditional way comprises qualitative assessment by a single scholar, for example in Page’s comparison of the Weberian qualities of different bureaucracies (Page, 1985;

Page, 2012). A second is to use panels of experts to rate rule-of-law performance of different countries' bureaucracies, for example in the work of Evans and Rauch (1999) on comparative 'Weberian-ness,' or in the governance rankings of the World Bank or Transparency International – an approach that is understandably popular but far from unproblematic, especially when trying to assess a period spanning more than one generation of experts. A third approach, and the one used here, is to find a plausible proxy for the rule-of-law as practised by bureaucracy from administrative or other documentary records.

Arguably the most direct indicator of 'rule-of-law' behaviour in the sense of how carefully and consistently government organizations apply rules and handle casework is to track the incidence of formal complaints and legal challenges over time. This indicator also has the advantage (over other possible metrics) of being relatively technology-free, non-policy-domain-specific (unlike, for example, education test scores), and to relate directly to the quality of perceived fairness and consistency of administration (or otherwise). If case-handling is seen as careless, unfair or inconsistent, such perceptions might normally be expected to show up in the incidence of formal complaints and challenges. Of course that will not apply if the regime in question is perceived to be so authoritarian that individuals fear to express their dissatisfaction in that way, and there have certainly been instances of severe victimization of whistleblowers in UK public services, particularly the National Health Service (for example, House of Commons Public Accounts Committee 2014) but the UK state is not normally characterized as authoritarian in such terms.

Accordingly, when we look at such data for the UK over a period of decades, there does indeed at first sight seem to be a case to answer in relation to one of the standard criticisms of new managerialism noted earlier, namely that it tended to undermine rule-of-law qualities such as consistency and fairness. Figure 1 shows what happened to the incidence of complaints referred to

the UK Parliamentary Ombudsman, relating to allegations of ‘maladministration’ by central government bodies. Now ‘maladministration’ is a term that is admittedly vague, but it seems highly relevant for assessing those bureaucratic rule-of-law qualities, because complaints under this heading typically focus precisely on perceptions of poor categorization, careless case-handling or unfair or inconsistent application of rules to cases, as well as other features such as delay and rudeness. Figure 1 shows a huge reported rise in such complaints over the thirty-year period being considered here, with a particularly notable climb in the 1990s. The bulk of the increase was accounted for by a rise in complaints to the departments dealing with social security and other welfare benefits. Complaints about such highly ‘public facing’ departments tend to turn precisely on issues of the fairness of rules and the consistency with which they are applied to particular cases.

Figure 1. Complaints about government departments received by the Parliamentary Ombudsman. (Source: *Annual Reports* of the Parliamentary and Health Service Ombudsman (and predecessors) until 2005, thereafter personal communication from the office of the PHSO).

Turning to formal legal challenges of government decisions (a process known as judicial review (JR)) we also see a rise in applications for ‘permission to apply’ (the first stage of the judicial review process in England and Wales) as shown in Figure 2. Much of this increase was accounted for by an increasing number of immigration and asylum (IA) cases – which (arguably) reflects factors unrelated to the ‘quality of administration,’ notably the huge increase over the period in numbers of such migrants, for whom judicial review was the only available route for delaying or challenging official decisions. But even if those immigration and asylum cases are set aside, the incidence of judicial review applications increased sharply between the 1980s and the 1990s, before settling into a fairly stable pattern from the mid-1990s to the time of writing. About 40 per cent of the non-IA cases since 2000 concerned the criminal justice system (prisons, police, courts, etc.) and about a third concerned community care, education, benefits and housing (these figures were calculated from a database released by the Administrative Court Office (Ministry of Justice 2014)).

Figure 2. Applications for permission to apply for judicial review in England and Wales 1975-2013. (Source: *Judicial Statistics*, annual editions until 2011, and thereafter, *Court Statistics Quarterly*).

The data in Figures 1 and 2 thus offer some support for a common anti-NPM critique that the age of new managerialism (and associated developments in IT) was accompanied by at least a strong perception of more problematic performance in rule-of-law administrative processes. But that shows up more obviously in the pattern of ombudsman complaints than in the judicial review numbers, apart from immigration and asylum claims.

This increase in litigation and complaints about maladministration might possibly be discounted as a valid/reliable indicator of bureaucratic ‘rule-of-law’ qualities in at least two ways. First, it might be objected that the numbers of challenges shown in Figures 1 and 2 simply reflect a shift towards wider jurisdiction and expanded eligibility criteria in ombudsman or judicial review processes over time, and there were certainly a number of changes of that type. But the traffic was by no means all

in a single direction: several changes might have been expected to reduce the incidence of ombudsmen and JR challenges, and were certainly intended to do so. Those changes included the creation of many more alternative avenues for complaint designed to take the pressure off the original ombudsman and judicial review system, in the form of an expanded system of tribunals (specialized administrative courts) and the creation of other ombudsmen in domains such as prisons, tax, information and the Scottish and Welsh Public Services ombudsmen, created after the creation of devolved Parliaments in Scotland and Wales in 1999.

Second, and much more imponderably, it might be argued that the rising trajectory of complaint and challenge shown in Figures 1 and 2 reflects not so much a decline in the fairness and consistency with which public bureaucracies handled cases over this period as increased ease of registering complaints with the advent of the internet or even some long-term social trend towards greater litigiousness or propensity to make formal complaints. The latter possibility relates to the much-disputed and linked ideas of an individualist and self-obsessed ‘me-generation’ (Wolfe, 1976, pp. 126-67; and Ruane and Cerulo, 2008, pp. 73-81) and the development of a ‘compensation culture’ (Williams, 2005; and Harpwood, 2007, pp.79-103).

Such claims are certainly hard to evaluate. But some of them cut both ways. For example, while the internet can make some complaint channels easier to access, it can also be used to cut off other channels (such as the telephone) and to disallow ‘free form’ complaining through the dark side of ‘nudge’ techniques by structuring online complaints processes to suit the purposes and biases of the organization. And if there was indeed a general shift of that type in public attitudes and behaviour that explains the rising numbers in Figures 1 and 2, we might expect to find it reflected across all types of litigation, and in an increasing proportion of complaints and litigation that did not survive initial scrutiny. As to the first, there does indeed seem to have been a trend over the period towards

more litigation (though the vast majority of civil cases were brought by businesses chasing bad debts rather than individuals or organizations seeking compensation). But the patterns shown in Figures 1 and 2 were by no means reflected in every area of litigation. There were sharp rises in some domains, such as motor claims and medical negligence cases, but not in others, such as employer liability (see Lewis et al., 2006; Lewis and Morris, 2012; Fenn et al., 2000; and Compensation Recovery Unit, 2014).

As to the second possible way of assessing whether the complaints and challenges were equally justified over the period, what happened to ‘survival’ or ‘success’ rates of complaints and litigation (that is, cases that survive the initial stages of the process)? Both complaints to the UK Parliamentary Ombudsman and applications for judicial review in England and Wales go through a two-stage process. Over much of the period shown in Figure 1, a proportion of complaints to the Parliamentary Ombudsman were selected for ‘statutory investigation,’ resulting in a detailed report that could result in the complaint being fully, partly or not upheld. Judicial review also involved a two stage process in England and Wales, the source of the numbers shown in Figure 2. There was a first-stage ‘application for permission to apply’ which, if granted, gave permission for the case to proceed to a final hearing, at which the complaint might be ‘allowed’ or refused in various ways.

In both the Parliamentary Ombudsman and judicial review systems, the proportion of cases that went on to the second stage showed a steady and substantial decline. The Ombudsman reported on over 30 per cent of the complaints submitted to it in the late 1970s, falling to under 10 per cent in the early 2000s,² and judicial review cases ‘granted leave to proceed’ in England and Wales fell from over 70 per cent in the mid-1980s to about 10 per cent in the mid-2000s. But, as Figure 3 shows, the numbers of judicial review cases proceeding through the first and second stages rose in absolute terms, at least until the early 2000s.

Figure 3. Outcomes of Judicial Review Cases: (a) all cases; (b) non-immigration and asylum (IA) cases. (Source, as Figure 2).

(a) All cases

(b) non-IA cases

But is the apparently decreasing survival rate in these challenges to be taken as an indicator of declining success, such as might be expected from the idea of changing culture producing a higher incidence of less justified challenges? Many judicial review cases were classed as ‘withdrawn’ before the first (permission) stage, and Figure 3 shows that in the 2000s numerous cases granted permission to proceed did not actually reach a final hearing, but may nevertheless have been just as ‘successful’ for the complainants. According to Bondy and Sunkin, many such cases were settled prior to the final hearing (often in favour of the claimant), a practice which was apparently increasing over time (Bondy and Sunkin, 2009). Similarly, an increasing number of Parliamentary Ombudsman cases were said to have been settled to the satisfaction of the complainant without a formal investigation, a process known as ‘intervention’ by the ombudsman (PHSO, 2008). It can therefore be argued that an increase in the number of initial complaints is a better indicator of growing public dissatisfaction than the number of cases finally found in the complainants’ favour.

Weighing up such considerations, if these numbers are the most direct available indicator of perceptions of rule of law in the sense of consistent rule-following in central government organizations (and as we have pointed out, there are numerous caveats to note over the validity of this indicator), it seems hard to conclude that this aspect of the operation of government clearly got *better*, and it was clearly not perceived to have got better. But, in the absence of better evidence about what happened to the substantive (and perceived) consistency and fairness of public administration over this period, it seems that the judgement has to be placed somewhere on a spectrum from ‘just a bit worse’ to ‘quite a lot worse.’

3. Cost-Cutting

What about the other side of the story? If the conventional interpretation among students of public administration is that the new managerial age in the UK brought about some deterioration in the rule-

of-law or due-process aspect of bureaucratic operation as the flip side of vigorous cost-cutting, what can we say about cost-cutting?

What is of interest here is what it costs to run government – broadly, the costs of employment, office infrastructure, equipment, and related overhead costs in central government, as opposed to spending on programmes or transfers. That corresponds to what Dunleavy (1991, p.182) describes as the ‘core budget’ of a bureaucracy and in the public administration literature is normally denoted as ‘operational’, ‘overhead’, ‘running’, or ‘administration’ costs, and which in this article we refer to as running costs.³ The control of such costs is a ‘hot issue’ in many organizations, including government and the charity sector. Even without any gaming, such costs are slippery to conceptualize and to measure, and the porous boundary between ‘administration’ and ‘programme’ costs invites gaming to switch reported costs away from ‘administration,’ wherever such costs are used as a control system, limiting their validity as a metric of efficiency (see for example, Charity Finance Directors’ Group 2003). And while the identification and limitation of such costs is a long-standing issue in government, always figuring in plans for cost cutting in times of fiscal squeeze (Hood et al., 2014), the identification of such costs was a central theme in NPM, along with pressures on managers to control them, and was reflected in the UK in a major overhaul of the reporting of such costs in the mid-1980s.

Important as running costs are to debates about efficiency or otherwise in government, consistent numbers for such costs are hard to find, and hardly appear in the vast international research literature on managerialism in bureaucracies. As already noted, that absence of analysis is partly because it is hard to do, given that the basis of the numbers, certainly in the UK, has not been stable. The metrics change for several reasons. One, already mentioned, is that managers learn to game the control system (typically by finding cunning ways to shuffle running costs into programme costs), so the

categories have to be changed as an anti-gaming tactic. But a second reason for changing metrics is that conceptions of what counts as running costs alter (possibly in connection with a perception that changing forms of production change the cost mix, as has been claimed for the balance between overhead and other costs in private firms (Innes and Mitchell 1993, 1998), along with changes in prevailing ideas about what is the best way to contain or control such costs.

One way of containing costs, with a long history in the UK, is by what can be called a ‘separated common services’ model, in which the various aspects of running costs in public services are separated out and made the responsibility of central specialist providers, for example in accommodation, finance human resources, IT, etc. Historically that approach constituted a key element of Treasury control over departmental expenditure in the UK, and a key step in the development of that approach was taken in 1786, when HM Stationery Office was created as a common services agency within the Treasury to handle the provision of stationery and printing across government (the equivalent of modern IT as a key component of running costs), previously provided through a costly system of exclusive contracts for each individual department (Barty-King, 1986). That common services model, as a lever for controlling departmental running costs, came to be applied in a number of other domains and indeed has partially re-emerged in recent decades with the move to shared back office functions, and more centralized control of departmental IT contracts under the Conservative-Liberal coalition of 2010-2015.

Another approach to control of running costs (not necessarily incompatible with specialized common services if combined with user charges) is for those costs to be corporatized in some way, brought together under the control of managers at the departmental or enterprise level. In general, over the three decades considered in this paper, the direction of change in the UK was away from the separate-specialist-providers type of control to the corporate control style, in line with the thrust of

NPM reforms. As mentioned earlier, a key step along that road occurred in the mid-1980s, when a new departmental running costs system emerged as a result of a mixture of the Treasury trying to find new levers to bear down on departmental spending and Prime Ministerial and ministerial concerns that no single individual or board was effectively responsible for the overall running costs of any department, or could even say what those costs amounted to.⁴ The hope and expectation associated with that change was that there would be more incentive and opportunity for departmental managers to bear down on running costs by trading off the components of cost against one another.

So what happened to running costs in the aftermath of this key early-NPM change? We laboriously put together as consistent a run of numbers as we could for running costs in the UK civil departments over three decades (successively re-basing the numbers on the previous convention every time there was a change, as described in [anonymized]), and Figure 4 shows the results of these calculations. What it reveals is a substantial increase in reported central government running costs in constant-price terms over three decades, even – perhaps especially – in the Margaret Thatcher era, which is often depicted as one of ruthless slashing and burning as far as bureaucracy is concerned.

Figure 4. Gross and Net Running Costs of UK Central (Civil) Government Departments in Real Terms, Including Redefinition of Net Running Costs after the Gershon Efficiency Review in 2004 (Source: calculated from successive *Public Expenditure Statistical Analyses (PESA)*)

Now this analysis is limited in various ways, and in particular there are several breaks in the reported data that cannot be corrected by the method of re-basing the cost numbers from stepped overlapping data series. The first is that ‘gross’ running costs (that is, what it cost to run departments before offsetting charges were deduced) were only reported for part of this period, even though gross costs are arguably much more revealing indicators of the resources going into running bureaucracies than net costs. Figure 4 shows that gross running costs stopped being publicly reported at a decidedly interesting (or should that be inconvenient) point in their evolution, when gross costs were soaring

but net costs were rising more slowly as a result of more aggressive and creative use of charges and offsets. We must therefore remember that net costs understate total running costs by a substantial and unknown but probably growing amount because they do not show the ‘hidden’ costs to taxpayers (directly or indirectly) from fees and charges that are set against running costs, and the abandonment of reporting of gross costs hardly seems to represent a step forward in fiscal transparency. Net costs also do not form a wholly consistent series over the whole period, due to a sudden redefinition of administration costs following the Gershon efficiency review of 2004 (Gershon 2004, discussed more fully in [anonymized]). And the analysis in Figure 4 ends with the financial year 2009-10, because since 2011 cost data were reported in very different ways that did not allow comparisons with the earlier figures.

The notable increase in running costs shown in Figure 4 does not seem to have been peculiar to central government in the UK, because local government running costs (shown for England in Figure 5) seem to have displayed a remarkably similar trajectory over the period, and indeed, as mentioned earlier, there is a school of thought which sees changing patterns of production as having the effect of increasing reported overhead costs in business firms. It is true that local government defines administration costs somewhat differently from central government, and so the absolute levels (relative to central or local public spending) cannot readily be compared. We can, however, look at the slopes or trends in such spending, and those slopes are not very different between the two levels of government.

Figure 5. Comparison of Gross Running Costs in English Local Government and UK Central Government (Civil) Departments. (Sources as Figure 4, plus *Local Government Finance Statistics*, annual editions. Costs are shown in real terms, relative to financial year 1980-81.)

So far the analysis of what happened to reported running costs has focused on the absolute level of those costs in constant-price terms, and as already noted a key part of the reason given for the introduction of the new running-cost control system in the mid-1980s was to prevent such costs from running ahead of inflation. But when we look at those costs against total government spending, running costs fell as a proportion of the total. Even so, that relative drop has to be interpreted in context: after all, UK public spending roughly doubled over this 30 year period, and much of that increased spending took place in welfare state policy domains (like education, health, social security where the key running costs were incurred outside central government departments). Moreover, while net running costs fell relative to total government spending (especially since the mid-2000s), it is not possible to say what happened to gross running costs in the latter years, because those costs

ceased to be reported, as noted earlier. Still, whatever we make of the relative costs, it does seem clear that the age of managerialism and digital era developments did not produce an absolute reduction in running costs in real terms.

How can we explain the substantial increase in net and gross running costs in real terms over thirty years shown Figures 4 and 5? One obvious possibility might be that increasing wages of regular departmental civil servants, which formed over half of the costs shown in Figure 4, accounted for the increase. But in fact, as shown in Figure 6, the number of civil servants in the UK fell by a third over this period and, according to the best data available, the total payroll costs in constant-price terms of those officially counted as civil servants (that is, permanent and casual staff but not consultants, whose remuneration was reported under ‘other costs’ in running costs) ended up roughly the same at the end of the 30-year period as it had been in the beginning.

Figure 6. Numbers and Staffing Costs of Permanent and Casual Staff in the UK Civil Service (but not Consultants) since 1980. (Sources shown in figure)

Whether that approximate stability in the total wage bill of those officially classified as civil servants over a time when the payroll fell by a third should be viewed as good or not so good performance is a matter of judgement. But it shows that the aggregate wages of regular civil servants (even though per capita wages of such staff rose well above the rate of inflation over the period as a whole, in line with UK wages in general) were not responsible for that substantial increase in running costs over these three decades. Instead it must have been the outsourced non-wage elements of running costs (comprising matters such as consultancy costs and outsourcing contracts for IT and other services) that drove the increase.

4. Conclusions

We began this article by setting out and contrasting two familiar visions of good administration – namely careful rule-handling and fairness in dealing with cases on the one hand (the rule-of-law Weberian vision of bureaucracy) and cost-cutting management on the other hand (giving taxpayers ‘a bigger bang for a buck’). We contrasted the ‘no-free-lunch’ view that achieving one of those values is only possible at the expense of the other, with the more optimistic view of a trade-off-free ‘win-win’ world, in which by one means or another (better management, nudge, digital-age transformations or something else) the quality of government can be improved at the same time that its costs can be cut.

But if the evidence presented for the thirty years considered here (and summarized in Table 1) has any validity, it does not clearly uphold either of these expectations. At least at first sight, that data might seem to suggest that the UK over the three decades analysed here somehow ended up in a lose-lose situation in which government cost substantially more to run in terms of reported running

costs, while there were increasing creaks and groans on the side of perceived fairness and consistency, judged by the incidence of formal complaints and litigation.

Table 1: Summary of Indicators of Running Costs and Perceived Consistency/Fairness Over Time

INDICATORS OF PERCEIVED CONSISTENCY AND FAIRNESS		
	Change in incidence of formal challenges	Change in ‘survival’ rate of those challenges
Complaints to Parliamentary Ombudsman	Grew sharply in 1990s despite efforts to develop other channels, but imponderables over changing forms of access to complaint systems	Formal survival rate fell but numbers of statutory reports remained relatively constant (comparable data only available until 2004)
Judicial review	General JR applications grew sharply in 1980s/1990s, immigration cases grew throughout the period	Formal survival rate fell but numbers of survivals grew until early 2000s
INDICATORS OF GOVERNMENT RUNNING COSTS		
	Change in absolute (real terms) costs	Change in relative costs
Central government running costs	Gross and net costs grew markedly	Net costs decreased relative to total managed expenditure (TME), as TME doubled over the period
Civil service staff costs	Reported costs of directly-hired civil servants remained approximately constant	Decreased relative both to TME and UK per capita average earnings

Of course, as we have noted earlier, the data presented here have their limitations as indicators of running costs and of fairness and consistency, and there is a considerable challenge for researchers to come up with more refined indicators, given that these are the best reported data available and even they are unlikely to be reported in consistent form in the future. Moreover, as we have also stressed, even the numbers considered here can be interpreted in different ways, for instance in how much weight is to be put on relativities relative to absolute changes in costs, or in final-stage outcomes relative to first-stage outcomes in complaints and litigation.

Even so, the outcomes described earlier raise puzzles on both the fairness/consistency side and on that of cost containment. As far as the former is concerned, it is remarkable that the substantial increase in complaints and judicial review applications over the period seems to have had so little impact on ideas about reform. There is one possible exception, namely the Citizen's Charter of 1991, introduced by Prime Minister John Major (who also went down in history as the instigator of a 'hotline' for reporting unnecessary traffic cones on motorways) and intended to set fairly down-to-earth standards for quality, for example over answering the telephone. It is also true that in 2007 the then Parliamentary Ombudsman produced a set of guidelines for good administration that started not from ideological priors or abstract principles, but rather from 40 years of experience with what individuals repeatedly complained about in relation to their dealings with government departments and agencies (PHSO, 2007, reiterated in House of Commons Public Administration Select Committee, 2009)). But those two initiatives seem to have been the exception, not the rule; in most reform exercises in the public services did not begin by looking at what was producing repeated complaints or litigation and taking that as the cue for what needed attention. Rather those makeovers tended to start from ready-made solutions (such as outsourcing, IT, business methods, managerial empowerment) looking for problems.

There are also puzzles on the side of efficiency and cost containment. Historically public bureaucracies (and other organizations, such as universities) have tended to adjust to pressure on their budgets mainly by cutting or postponing hiring to bring spending down to match income (sometimes together with other measures, such as cuts in nominal salaries, as happened in the UK in the 1930s and in some of the squeezed Eurozone countries in the recent past). But the data described earlier shows that very substantial cuts in civil service headcount over thirty years did not serve to cut running costs: as shown earlier, civil service numbers fell by a third, civil service paybill stayed roughly constant, but net running costs rose by about two-fifths in real terms. Precisely how such an outcome came about, and what social mechanisms lay behind it (such as laying off civil servants to hit headcount-reduction targets and re-hiring them as consultants, as was said to have been widespread under the Thatcher government and indeed well into the 2000s)⁵, remain to be fully investigated. But it is clear from other evidence that there was a massive increase in consultancy costs in UK government over the period⁶ and that focusing on only on headcount reduction in numbers of direct employees, even at the drastic one-in-three level seen over the thirty years considered here, is not sufficient to secure absolute reductions in running costs.

If the analysis of this paper has any force, it suggests that, far from being in a position to move on from the apparently humdrum public administration issues of containing running costs and maintaining consistency and fairness to the pursuit of higher-level values in public administration, there remains a substantive challenge for the next thirty years, at least in the UK, in relation to both of the two administrative desiderata examined here. It remains to be seen whether significant long-term improvements can be achieved in the future on either or both of these values, and if so, how. And if that is a substantive challenge for public management policy, there is a corresponding challenge for evaluators and other bureaucracy-watchers in tracking whether performance improves or declines on these values over a generation, given that metrics of cost and other aspects of

performance often tend to be short-lived, and seem to have become increasingly so in the UK over the thirty years covered by this paper.⁷

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ENDNOTES

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- 1 . For Bentham, ‘Indicated in these few words are the leading principles of [his *Constitutional Code*] on the subject of remuneration’ (Bentham, 1830).
 - 2 . The reporting conventions of the Parliamentary Ombudsman changed in the mid-2000s, partly reflecting different working procedures. Since 2005 the overall number of complaints and the

number proceeding to statutory investigation are not comparable with earlier figures, nor do they form new consistent series.

3 . In this we follow the original practice of our main source for these costs, the annual *Public Expenditure Statistical Analyses*, which referred to such costs as 'running costs' from 1986 to 1994. From 1995 to 2004 they were called 'administrative expenditure' (though the term 'running costs' was also occasionally used) and from 2005, 'administration budgets.'

4 . See *Summary and Guide to the 1986-7 Supply Estimates*, Cmnd. 9742 (1986), p. 15 and *The Government's Expenditure Plans 1986-87 to 1988-89, Part II*, Cmnd. 9702-II (1986) p. 26.

5 . See 12th report of the Public Accounts Committee 2010 - *Central Government's Use of Consultants and Interims*
<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubacc/610/610.pdf> HC 610 (2010-11) Oral Evidence, Questions 64-67.

6 . See for example Saint-Martin (2012).

7 . See, for example: James (1994), Talbot (1996), Martin (2007), Pollitt (2011, pp. 86-7).