

CURRENT ISSUES OF THE NEW PUBLIC MANAGEMENT

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ABSTRACT

The powerful increasing role of the state has begun in the 20th century. The range of tasks has been expanded, which caused an intensive growth in budget expenditures. Reforms are required because deficiencies are experienced in the effectiveness of the public funds application. The economically interpretable performance measurement is missing from the current system, which does not encourage the various institutions to restructure their businesses. Business administration- and efficiency increasing steps of the business sector effected the fiscal administration as well. Strategic aims are missing from the fiscal administration. Source allocation is ineffective and not consumer oriented. These imperfections are removable with the use of different methods of business economics. The emphasis of performance and results are urged in all over Europe, which would enable the more efficient use of diminishing public resources. The goal of this paper is to present the success of business economics adoption, based on a German example.

Keywords: role of the state, efficiency, reform

INTRODUCTION

The powerful increasing role of the state has begun in the 20th century. States with a welfare type took shape in the developed European countries. The range of tasks has been expanded, which caused an intensive growth in budget expenditures. On the other hand the claim for the qualitative public utility services on behalf of society has grown as well. In the public opinion the trust was shocked, because in the public sector the processes and procedures are complicated and non-transparent. The unclearness of the tasks made the indignation stronger as well.

The States must encounter in last decades several challenges, which are all made the declining resources management harder.

The efficiency was previously a fundamental requirement of public finance management, but this expectation was completed to our days with the results orientation. The efficiency of the use of the sources is often difficult to be determined, because different interests are opposed. Nevertheless several reforms have been implemented in the last decades, which most important common touchstone is the most efficient use of decreasing resources to provide, beside the keeping of the qualitative standard.

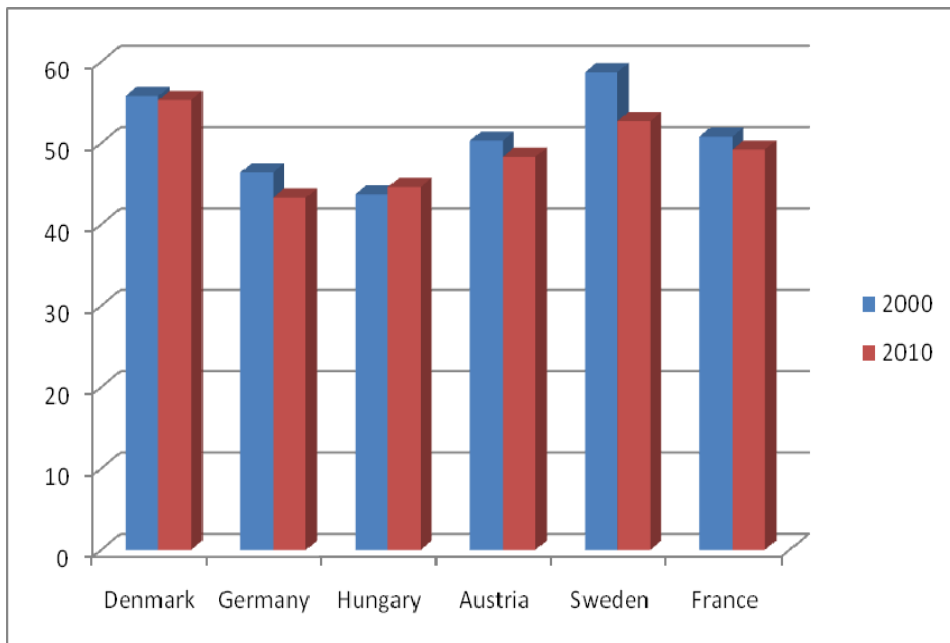
PROBLEMS WITH THE STATE'S ROLE

The state's roles are different in the certain countries, but in almost every country fundamental problem is the provision of the incomes to the maintenance of the

states with a welfare type. In Scandinavian countries the redistribution is traditionally higher, such as the Anglo-Saxon countries, so it is no accident that in these countries can cause serious problems the decreasing resources (*Cansier and Bayer, 2003*). In the last decades in the most European countries reduced the share of government revenues relative to GDP (*Figure 1*), so it can be considered as the first problem of the state's role.

Figure 1

Public revenues (Percent of GDP)



The other problem is the growing expenses beside the decreasing incomes. The *Figure 2* clearly shows that in all examined countries the spending trend is rising.

The increase of the state's role can be traced back to several factors. On the one hand can be talk about demographic reasons. The aging societies cause a huge problem. As a result the social security and a pension grew, which is a considerable part inside a state's expense construction. It came into the foreground the female employment, to which it is necessary to maintain the required number of crèche. The increase of the unemployment, the transformation of roles inside the family led to the strengthening of the family support. The basic expectations of society include free health care and public education, which is beside the shrinking public resources more and more difficult to be maintained (*Thom and Ritz, 2008*).

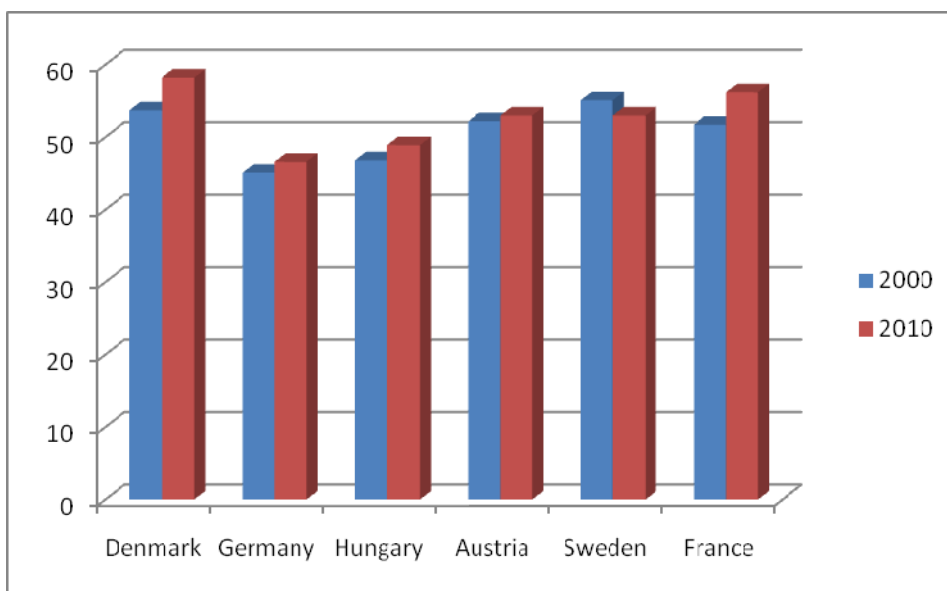
The increase of the settlement sizes enlarged the local government's expenses, because they have to provide increasingly more services. The demand for the health and education services increased. The equalisation of the regional inequalities is one

of European Union's aim, which came into the foreground in the last years. This contributes to the increasing of the state expenses as well. In addition it is typical the overspending before the elections, which is temporary, but it also increases the budget expenditures (Cansier and Bayer, 2003).

It is not allowed to leave it out of consideration, that in 2000 on the figure the incomes covered the expenses at half of the countries. In the best position were the Scandinavian countries, where the income of nearly 3 percentage points higher was than the expenditure. Opposite this in 2010 in all of the six countries the expenses in the percentage of the GDP were bigger, than the incomes. The biggest difference can be seen in France, where the revenues are 49.2% of the GDP, while spending was 56.2%.

Figure 2

Public expenditures (Percent of GDP)



The growing social expenses constitute the considerable part of the state expenses (Figure 3), which can be explicable with different demographic reasons. This one of the reasons like this can be found in the population's age construction. The age trees are showing more and more an aging society, which lead to an increase in pension expenditure. The growing expenses can be explicable with the unemployment, because the economic crisis caused a problem in Europe's countries.

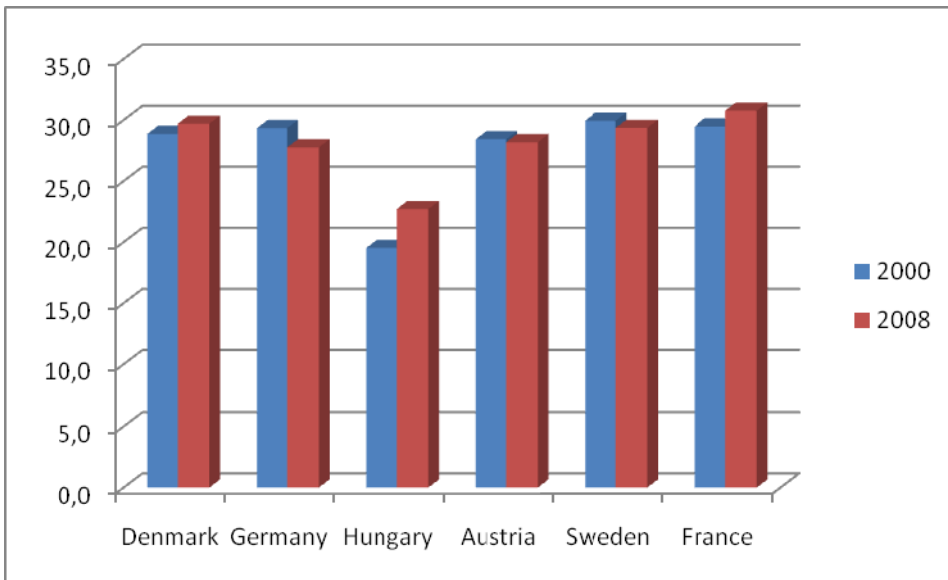
The reduction of social expenditures is an important issue for all countries; however, the benefit reductions could lead to social tension.

A reform compelled not by one factor, but several deficiencies, which did not allow of the efficient use of the public funds. The structural crisis in the financial requests the more efficient use and distribution of the sources. The customer

orientation appeared in the public-sector as well. Previously, the own aims of the bureaucracy were added to the social claims, but today public opinion research and need assessments are carried out as well. The price of products and service prices cause as well, because most of the product is free, and there are no market prices. The lack of performance incentives can also lead to wastage of resources. The lack of performance incentives can also lead to wastage of resources. Personnel crisis has evolved, causing the elimination of the previous career model. Outstandingly important, that let it be possible to check the distribution of the scant sources and his use. The corporate reports' system, the suitable information flow and the communication is able to handle this problem. From the different reports can be discovered, that the certain institutions, how to manage and is it necessary to review the management. It is important to make it possible to check the distribution and the use of the straitened sources. Hereby the requirement of the efficiency came into the foreground (*Schedler and Proeller, 2009*).

Figure 3

The social spending (Percent of GDP)



The public opinion is a very important factor in the execution of the reforms. Behind the growing social claims can be found the requirement of the efficient and effective management. If you must choose, which criteria put forward, the majority of the population would choose the effectiveness. This is the condition, that is the basis of the qualitative services, and that can be considered for the society's fundamental expectation. Because of this reason the reform processes can be examined not uniform, because the qualitative expectations are different in the several countries due to the differences in the development.

In the 90s requirement of the efficiency and results orientation have appeared together. The question is, that the efficiency of a public institution how can be interpreted and measured, opposite the private sector. As the interpretation of the efficiency has appeared the expenditure/yield rate. In the practice, however the expenditures is difficult to be reduced without the degradation of the services' quality, which ultimately lead to social tension. It is not allowed to forget that all residents expectations can not be fully satisfied. For example, what is the more important requirement in the health sector, with the available resources to care about more rapid patient, or fewer patients to probe more intensive. Maybe the people would say first that the supply of more patients with less expenditure is more efficient, but on the other hand they would dislike the decrease of the standard of the quality (*Thom and Ritz*, 2008).

The requirement of efficiency is an important goal, but the reduction of the spending does not mean absolutely the improvement of the standard and quality of the public utility services and the criteria of efficiency can fall into the background. The judgment of the state's role went through an intense change in the past 50 years, it was accepted, that there is need for fundamental changes in the interest of the satisfaction of the society's expectations. Not only the theoretical background, but it is necessary to rethink the strategic, political, economic-political, social devices, to which there was need for a view change (*Schedler and Proeller*, 2009).

The financing joined to the efficiency during the reforms. The new public-utility systems placed the result orientation into the centre and they are not financed on the rule observation basis. It is necessary to adapt flexibly to the changing claims and to the social expectations in the interest of the efficiency. The competitive spirit gained increasingly bigger space into the civil service sphere as well. Several free public utility services were replaced by a pay service with a new, high standard, and a social tension took shape. In the '90s appeared the „value for money” principle, which has been put forward that let the population get a value and quality services for his money (*Schedler and Proeller*, 2009).

Summarized can not be taken together the efficiency and effectiveness requirements, because different conclusions can be drawn with dividing the two criteria. With the efficiency can we measure the output of the resources, while the effectiveness puts the quality of the services and products in the centre, and it turned into an important social expectation. Both indicators alone are not enough, but when together used they become an important instrument of the reforms.

BUSINESS ECONOMIC IN THE PUBLIC ADMINISTRATION

If we would like to interpret the efficiency and the effectiveness at the public institutions, it is necessary to examine, that what kind of differences there are between the private sector and the public sector (*Table 1*). The two main analytical aspects are objectives and decisions, with which can be proved, that what motivate the individual economic operators.

Households and so the population would like to reach a high standard of living, to which different decisions have to be brought. On the one hand it is important,

that they achieve the desired income level. On the other hand they would like the consumer expenses to be rationalized, in its interest, that they are able to accumulate more wealth.

At the companies' not the property training, but the achievement of the profit is the main objective. In addition, in the last years increasingly came into the foreground the environmental consciousness, by way of it in the goals can we find the "livable" and social environment. In order for a company a greater profit to reach, he would like to reduce costs or increase sales prices. Therefore the main decisions there are the procurement, production and sales.

Table 1

Differences between private and public sector

Decision maker	Goals	Decisions
Households	high standard of living	income goals consumer spending property forming
Private companies	profit social environment	provision production sales
State	allocations redistribution stabilization	legislation, political, economic-political and company economy decisions

Source: *Hieber, 2010*

The state is a special operator, whose aims are, beside the observance of the social needs, the allocation, redistribution and stabilization (*Cansier and Bayer, 2003*). In order to be able to achieve this, several laws should be created within the framework of the rule of law; policy, economic policy decisions should be taken that can influence the state's function.

It is possible to adopt in the public sector the measurement, analysis, leadership methods on more areas, which are applied by the companies (*Brede, 2005*). To all this but it was necessary to break with the previous practice and there was need for a paradigm shift. In a reform not only to introduce new tools, but organizational changes are required as well. In addition, it is necessary to work up the suitable legal environment, that the requirements of the rule of law are not prejudiced (*Jenei, 2010*).

The elements of the company economy can appear in the following areas:

- Corporate economy in the central administration
- Corporate economy at the state companies
- Corporate economy activity in the framework of lawful conditions (Budgetary right, official right of service)
- Corporate economy and the social sciences (psychology, sociology): organization, staff cases, leadership (*Hieber, 2010*).

The concepts of the public administration's reform in the practice

The reforms for example in Germany depending on what kind of transformations and what kind of systems of tool were implied, different names were received in the practice.

The first concept of this is the new administration model (*NSM: Neues Steuerungsmodell*). The model expresses the strategic management which can be found in the local public administration, the municipal sector. It is based on Lean management, which can be characterized by:

- Simple management structure
- Decentralized decisions,
- Teamwork and incentive,
- Responding to Change,
- Continuous improvement, development (*Losonci, 2010*).

The new administration model suggests that the individual entities are not managed through the allocation of resources, but also by the expected outputs. The decentralized system of responsibility must be established by the individual budgets.

The next concept, in which the reforms appear on a member state level already, the new administration devices (*NSI: Neue Steuerungsinstrumente (Land BW)*). By way of the new administration devices the state reforms are supportable on all areas (staff, organization, budget). The performance and the result got into the centre. The measurement of the efficiency and his assessment became important. In the new management devices which can be found in the company economy are the product definition the cost-and performance counting, the report and monitoring, the budgeting and the planning. With these devices can be improved the public administration's efficiency and effectiveness (*Hieber, 2010*).

In addition, we can meet the concept of the slimmer / narrower state, which the reduction of the expenditures of the federal government (central administration) contains.

In the international literature the concept of PM - Public Management came into general use. It is mean a direction of the administrative reform and the state modernization, which based on the acceptance of the management techniques, which can be found in the private sector. In addition, includes the conversion of the legal environment and organizational operation as well. The applied devices can be very different from country to country.

The elements of the modernization of public administration

In the '90s a demand on the customer-oriented service companies was appeared, to which the internal and external modernization is necessary (*Table 2*).

The improving of the management of public institutions is difficult because there are a number of specialties. First, there are the "products" and services. There are only some description, which includes, that what kind of quality can the citizens expect. The compilation of the budget and his keeping may cause a problem, because of the deficiencies of the cost calculation and because of the gratuitousness of products.

The decentralized resource allocation can improve this situation, because the employees of the institution are the most aware of the problems of management (*Schedler and Proeller, 2009*). The allocation and the use of the resources can improve

with an effective reporting system as well, by which not only can be examined, what costs were incurred, but what the supply of the tasks came true.

Table 2

Elements of modernization

Internal modernization	External modernization
<u>Product description</u>	Competition orientation
Cost calculation	Comparison of the authorities
Budget	Benchmarking
Decentralized resource allocation	Quality management
Corporate reporting system	
Incentive scheme	

Source: *Hieber, 2010*

The competition orientation and the opportunity of the comparison of the different authority from the efficiency effectiveness carries the compulsion, that the using of the available sources follow up and make unambiguous.

To this can be a big help the method of the benchmarking. It is possible to take into consideration previous experiences and methods, which can be found not only in the public-sector, but it is necessary to examine at the profit-oriented company used devices as well, which after a changing can be used in the public sector.

The quality is the basis of the measurement of the effectiveness. If it is possible to take over the quality management in the public-sector, then the effectiveness of the use of the services and “products” expenses will be an essential element in the management.

Economic objectives in the public sector

Other aims appear at the states, as we already exemplified it in the *Table 1*. Primary viewpoint is the supply of the public tasks. It includes for example the national defence, the public education, the public health, the flood-prevention, the legal security, and it is necessary to realize it beside the decreasing sources. An important aspect is, which appear in the Maastricht criteria as well, the deficit limit, which can be realized by the increase of the incomes and by the reduction of the expenses (e.g.: supports, benefits). For example the minimize of supports adapt this aim. On a long-term it is necessary to establish the cover of the costs to avoid overspending. In addition surplus can be obtained with the forming of the market relations, by which can be increased the effectiveness.

THE CHARACTERISTICS OF THE PUBLIC SECTOR IN THE BUSINESS ECONOMICS

It is not possible to fully adopt the devices, which we known in the corporate economy, because of the characteristics of the public-sector.

Procurement

There are special rules for public procurement - there is no "free" public procurement. This can be exploited and many times higher value is determined than the market price, which does not allow the reduction of the costs.

Production

The product range is very heterogeneous, there is not a conscious diversification strategy. It is difficult to delimit the different "products" and services, and hereby it is difficult to formulate the quality expectations.

Sales

The transfer of goods, sales happened in most cases on free or "close to the market prices". At the public services come to the surface a kind of a join and use compulsion.

For example, we can not say that we want to pay less taxes, because we do not wish to have public lighting.

Financing

The construction of the sources differs from the companies of the private sector. The financing happens mainly from taxes and benefits, and the sales incomes are only a small part from the sources.

Management

The designation of the target system and the tasks are often legally and politically determined and not market-oriented. The requirement of the efficiency can be injured hereby, because the use and distribution of the sources are from outside determined.

The decision limitation can cause problems in the administrative leadership, because of the political influence and budgetary right.

Decision limitation in the administrative leadership by political influence and a budgetary right

Accounting

Contradictions can be experienced in the application of the single (of circulation of money) and of the double-entry bookkeeping, which plays an important role in the requirements of the effectiveness as well.

Human resource

The performance orientation gets into the centre more and more, opposite the previous career models. The hierarchical construction (hierarchy - literally „holy power") often hinders the effective management (*Hieber, 2010*).

Indicators

At the private companies it is possible to apply quantitative and qualitative indicators to the judgment of the success. Quantitative indicators can be for example the costs of the products, cover of the product's costs, the economicalness, the productivity. The customer satisfaction, the organizational

atmosphere, and the motivation can be defined as qualitative indicators. These analysis methods are receivable in the public sector after modifications.

Reports

To make suitable decisions the formation and share of relevant information with politics and administration leaders are necessary. The efficient leadership is essential for the suitable reporting and informational system.

The most important requirements of the reports are the following:

- From a management viewpoint contains relevant data
- Do not be data cemeteries, does not contain unnecessary information
- The timeliness and transparency are important. The old data can distort the decisions.
- Over complicated data make the interpretation and the decision difficult
- It is necessary to present the management unambiguous and concise

PREVIOUS REFORM EFFORTS

In the 80s in the European countries the public administration got into a crisis. The common feature of the reforms, that they began with management reforms, which placed the requirement of the efficiency in the foreground. Later the processes were completed with politics reforms and administrative legal innovations, and the expectation of the effectiveness appeared. To all this the first step was the changing of the base of the attitude. A paradigm shift was needed.

As the second step the technical components of the reform was developed. The structure and the function of the public institutions was changed inside this. They rethought the competences and the responsibility. It must be to create a suitable legal environment for the rule of law, which helps to execute the institutional and organizational reforms. To the measurement of the efficiency and the effectiveness it was necessary the obsolete checking systems to renew (*OECD*, 2010).

The reforms have resulted tensions in the society in many countries. The cultural differences resulted different reforms. One of the most important reforms was took place in the British public administration.

The British public administration reform

The antecedents of the program, that after Margaret Thatcher was elected in 1979 she announced the transformation of the public-sector. Similarly to the most reform processes they put the requirement of the efficiency into the foreground. To the tasks was placed the staff work force reduction in the public sector, the reduction of the budgetary expenses and the moderation of the taxes. In the first step only partial results have been achieved, because the keep back of the expenses was not successful. After it the state institutions' employment were frozen, first three, then five percent personnel reducing were prescribed. An efficiency audit was introduced, that helped to decrease the wasting of the public institutions. 12 000 workplaces phased out by way of the measures, and 180 million pounds were saved (*Jenei*, 2010).

The competitive spirit wanted to take over at the local governments as well, so the binding prize competition for the maintenance of the public buildings and highways appeared at the public institutions. To improve the control prescribed the establishment of an independent audit committee. In addition, to reduce the tax revenue the local taxing options were limited.

The reform has not taken a break organically, because the root of the problem was not eliminated. To 1985 was recognized, that a general system problem exists in connection with the public institutions, and a long-term comprehensive reform process is needed.

Then began the developing of the "Next Steps" program. The transformation of a system: specific institutional targets were determined for each department with own budget. In addition, not only the use of the resources, but also the achievement of the objectives and the results were also monitored. To this control and to the knowledge of the use of the sources was needed to build an information system, which reliable data provides, and from it can be establish, that the organizational units how large expenses have. 1800 performance indicators were defined under short time, with which the single organizational units can look after the costs and the efficiency of the use of the sources (Jenei, 2010).

They thought that the management's standard can be improved if

- The borderline is cut between the politics and the public administration,
- The public institutions receive bigger autonomy,
- An active control system is developed, therefore supervising the use of the sources became possible (OECD, 2010).

With the execution of the reforms Peter Kemp Minister of Finance was charged. The Minister and his commission created the Kemp's Draft, in which more proposals were drawn up They set up "administrative offices", where the service functions of the ministries and department separate from each other. These offices define the ministerial strategic plans, the objectives to be achieved, and control their fulfillment. It was suggested, that the leaders of the offices from the public and private sectors are selected. The proposals included, that the ministries and agencies conclude a three-year general agreement, which recorded the results to be achieved, and the degree of the flexibility of the office functioning (OECD, 2010).

The legal relationship of the public service had also changed. Instead of a career model, the jobs were competed again in every three years, and a performance oriented wage system was developed, in which the compensation of the to the jobs required ability were taken into consideration.

During the conversion to 1996 126 new administrative offices were set up, which nearly 75% of the public service supplied. In order that the offices conform to the requirement of the effectiveness as well, if the general agreements expired the offices were examined. Three types of decisions can be born after the test: continuation, termination, and sale (OECD, 2010).

The efficiency of the public institutions have improved, and managed to save more hundred million pounds by the reforms, but the society's expectations plunged into danger the process of the transformation in Great Britain. The

population perceive only the standard of the services; this is why it is necessary to comply with the requirement of the efficiency beside the effectiveness.

Innovative solution was used to answer the problem. They set up the contracts of citizens. The public services were put under population control. The regulations were formulated understandably and it was published. Besides the service list the redress possibility are indicated that the citizens should be act in their own case, if

- they did not receive the service, which was described in the criteria
- there is a complain about the public service (OECD, 2010).

CONCLUSIONS

An administrative reform can be considered for successful, if the efficiency of the distribution and use of the sources can be increased, and the standard of the services does not decrease. To this but there is needed comprehensive processes, which can not bind to the each political cycle. The gaining of the social acceptance is one of the keystones of the reforms. If the public sector operations and services become a transparent, the population can set beside the change. The other important element of the processes is the employees. It has been proved that the lower-level employees are often more thoroughly acquainted with the organization's defectiveness, than a senior manager.

By the developing of the competition spirit can be reduce the wasting as well. The public corporations disregard the criteria of the efficiency in many cases, because there are no such informational systems, in which the expenses and the performance exactly can be look steadily. It is necessary to attend it, that the greatest risk of „public funds run-off” can be found where the public and private sector meet!

An overall efficiency and performance measurement would be necessary in Hungary also because

- of the efficient use of scant resources
- of the increase of efficiency
- of the reduction of wasting expenses

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