New public management and the corporatisation of the public sector in peripheral capitalist countries

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Abstract

Purpose – Capitalist transformation of the public sector is global phenomenon that affects many countries. This paper seeks to examine recent public sector reforms introduced by the Government of Botswana to improve civil service performance. The underlying political philosophy behind the change in the public sector is explored by relating the neoliberal ideology which is driving the reform agenda to the discourse of new public management (NPM).

Design/methodology/approach – A realist social theory is used to explain generative mechanisms and structures that are the driving force behind the change process.

Findings – The paper suggests that the public sector provides essential services, which many poor people in the developing world depend on. Consequently, privatisation of public services is more likely to exacerbate poverty and to intensify inequality because the private sector is profit not needs centred. Moreover, these changes will have serious consequences for the workers. Already some have been retrenched and those remaining face a new work regime. Outsourcing is one facet of it in Botswana, which is associated with poor pay and bad working conditions.

Practical implications – Provides a deeper understanding of restructuring of the public sector which is crucial for labour organisations and researchers on labour relations.

Originality/value – Previous research on Botswana reforms has tended to promote neoliberal globalisation. This is the first paper that challenges comprehensively this dominant paradigm and its accompanying ideology of NPM by offering an alternative critique from a standpoint of the poor and exploited.

Keywords Capitalist systems, Globalization, Public administration, Public sector organizations, Public sector reform, Botswana

Paper type Research paper

Introduction

The process of capital accumulation is fraught with problems that are felt ultimately as a crisis of profitability of capital (Marx, 1976) and recognised at the level of state. In the last decades this crisis has deepened because of the global integration of markets and capital. Accompanying this trend there has been an intense competition resulting in the adoption of neoliberal globalisation by many governments as an alternative economic paradigm. The neoliberal ideology stresses the supremacy of the market hence government involvement is viewed as an unnecessary intrusion in the natural workings of the market. Moreover, governments are taken to be monopolistic and inherently inefficient to provide quality goods and services (Clarke and Newman, 1997, p. 14). Thus, reinvention of government to be more entrepreneurial (Sotirakou and Zeppou, 2006), attendant to this entrepreneurialism is the notion of a customer. Customer needs are assumed to be the basis for transforming the government.
Sturdy (2001, p. 3) helps to explain this link, “customer ... service is based on the largely flawed, but powerful neo-liberal concept of the sovereign customer and free markets”. What is fundamental to this view is however a political problem, which mirrors the crisis of capitalist accumulation on a world scale. Unfortunately peripheral capitalist states in Africa which are integrated into the global system do not shape the political process which is the underlying reason for implementing administrative reforms at national level. In the public sector the neoliberal ideology assumes its form through new public management (NPM) (Hood, 1995). Essentially, this implies global liberalisation of the public service in line with the logic of the market.

**Philosophical framework**

According to Neuman (2006, p. 9) social theory is, “a system of interconnected ideas that condenses and organises knowledge about the social world... Social theory is like a map of the social world; it helps people visualize the complexity in the world and explains why things happen.” Consequently, this study is be guided by critical realist social theory as generally propounded by Bhaskar (1978). Critical realism is a philosophy of science which is based on the doctrine that says the world exists independently from the mental (Callinicos, 2006). According to Connelley (2000, p. 2 citing Searle, 1995) “the core claim is about the existence of the universe with or without the addition of a human presence to register such existence in consciousness; the claim is therefore ontological rather than epistemological.” In this respect it places ontology (the theory of being) before epistemology (the theory of knowledge) to avoid falling into “epistemic fallacy” (Fleetwood and Ackroyd, 2004). Bhaskar's realism which Collier (1994, p. 42) calls “depth realism” suggests that reality is stratified. This is outlined in terms of three domains of reality: the real, actual and experiences. Realism as illustrated from its stratified reality of generative mechanisms is a theory of social change. Hence, to understand and explain the nature and pattern of interactions of social structures and agents, it explains context. The premise of such contextual analysis is that all phenomena are in motion. In these dynamic processes there are contradictions resulting in antagonistic relationships. However, these relations operate as a whole therefore interdependent and interacting as complex unity of opposites as suggested by Marx’s dialectical method (Ntalaja, 1987). In transformation such contradictions are normally expressed through resistance to change.

Applying this to public sector reforms means not only showing interest on organisational transformation but also on understanding the capitalist mode of production. This means exploring phenomena from different levels. From a wider context, the political, economic, historical, social perspectives are examined. An example is how the overlying dependence of the economy on diamonds in Botswana creates uncertainty on the government about the future of the country. This is used as a case that justifies public sector reforms because of the belief that the private sector will help diversify the economy. A literature review centred on theorising neoliberal globalisation and relating it to how current reforms in the public sector are applied. At the macro level interactions with government ministries and departments helped to understand the new public policy reforms and appreciate implementation problems. Also networks such as policy think tanks helped to reveal the extent of their involvement. More important was the revelations on regional and global connections that are shaping NPM together with local structures and agents. Senior officers of local institutions for example went through intensive training overseas.
Working relationships between national and international consultants used forums such as joint project work, seminars and journals to prepare mainly government workers to accept the change. With this background we can explore public sector reforms to explain the structures and mechanisms that are behind the NPM.

The global context
To a large extent, corporate governance that is being implemented in the developing countries public services is shaped by the agenda set by global institutions such as the World Bank, the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD) and the World Trade Organisation (WTO). These powerful institutions act mainly as structures which promote the interests of western capital by opening new markets. To achieve public sector transformation these institutions apply different mechanisms. For example, under the WTO’s is General Agreement on Trade in Services (GATS), governments that have signed up to this agreement are required to fulfill certain obligations, for instance, exchange control liberalization, reducing public expenditure and removing barriers that impede investment and opening up owned enterprises and the public services to transnational capital (Yaghmaian, 2002). Indeed, public sector reforms has been linked to foreign direct investment (FDI) flow, even though in Sub-Saharan Africa FDI has not materialized (Callinicos, 2000). The sweeping acceptance of the neoliberal ideas by developing countries comes largely from the enormous power of these multilateral organisations (Wynne, 2005). This power is reflected for example in the way the Southern African Government has dramatically shifted from its poor promise – the freedom charter. Post independence South Africa charted a neoliberal economic policy that shattered the dream espoused in the freedom charter’s call for equality. But behind the change of heart of Mbeki’s government from the Rural Development Programme to Growth, Employment and Redistribution (GEAR) was the power of international institutions drive for the adoption structural adjustment programme (SAP) in line with the “Washington Consensus” (Bond, 2000, 2006; Pilger, 2006). This consensus according to Stichitz (2002, pp. 16-17) is based on mistaken economic theories which promote trade liberalization in developing countries even though the level of their economies might not be ready for such policies. Recently, a South African union leader blamed GEAR for shortages of public service vacancies, especially in the critical area of health care. According to the Mail & Guardian (2007), Fikile Majola, attributed the shortage to the notion of creating a “slim public service”. For instance, delegates at the World Bank (1996) civil service reform (CSR) workshop were told reform their governments in line with globalization trends. Such trends, of course, call for reduction expenditure through rightsizing of the public service.

Speaking at the same workshop, Shand (1996, p. 9) from the OECD informed participants that the NPM was not another passing fad. Among others, he outlined the basic tenets of this paradigm as, “The use of mechanisms to improve performance such as performance contracting and the creation of competitive and market environments within and between public sector organizations”. Shand’s advice is in line with neoliberal corporate restructuring.

Public sector reforms and corporatisation
Current public sector reforms are linked to SAP (Wescott, 1999), advocated by the World Bank (1996) since the 1980s. A major concern that SAP sought to address
was good governance. In this view efficiency and cost cutting were emphasised. To achieve these governments had to go through restructuring in line with the agenda of corporate globalisation (Callinicos, 2003). Essentially this meant changing them to operate like corporate entities, even though the values and objectives differed. Once the corporate strategy has been sent what follows is the “managerisation” of the public sector. This is cemented by the internalisation of “corporate culture”. As Ayeni (2001) has shown the use of private sector management values is a common practice in public sector reform in developing countries. In this respect the goals and objectives are now defined and formulated in terms of strategic management. For example, in Botswana government has increasingly tended to assume corporate values, such as vision and mission statements (Republic of Botswana, 2000a, b).

The central strategy of NPM is the corporatization of the public sector involving different management concepts, such as performance management system and human resource strategic management. These are used in Botswana to achieve “strategic change” in the public service. The use of these practices developed originally for the private sector is highly problematic in the public sector (Starks, 1991; Hood, 1995). With corporatization the public sector is being redefined along the entrepreneurial culture. Although these public sector corporatized bodies are not like the private sector, they are however modelled in such a way that they operate in a commercially orientated environment. For example, Hoque and Moll’s (2001) study of public sector reforms in Australia show that such bodies are recognised as legal entities and have their own board of directors where funding is sourced through user fees. Ultimately corporatization of the public sector opens them up to the global market. Hence, the introduction of such managerial reforms comes as a prelude to privatization, which according to Common (1998) is not simply a national policy but is largely driven by the international environment. And here the role played by global institutions has been to promote the agenda of big corporate interests by advocating for NPM which Hood (1996) suggests has been used to set the agenda for privatisation. Increasingly, public services work is being outsourced to companies.

NPM and governance
Arguably the NPM is one management strategy that has in recent years pushed the barriers to the transformation of government much more than imagined. This is clearly demonstrated by its aggressive programme, which not only emphasises the use of corporate management in the public service, but it also goes further to seek the transfer of government work to the private sector. Part of the agenda mirrors what Monbiot (2000) has termed “corporate take-over of the state” because increasingly these reforms see privatisation as necessary to improve public service delivery.

In the past new initiatives have been adopted by governments to improve the quality of public services, but not in such an extensive manner where public sector as providers of social security now see this role as to serve the market. Part of the reason why NPM has assumed a central space is that it appears with the global neoliberal pressure on governments to transform by adopting the market imperative in managing the public sector. Instead of providing services such as refuse collection they are forced through efficiency and cost cutting mantra to resort to mechanisms like competitive tendering thus incorporating the private sector (Starks, 1991). The NPM is not however completely new. For example, in the 1980s it was already being adopted by some OECD countries (Hood, 1995). Similarly, Broadway and Laughlin (1996) have
observed that this trajectory has occurred in the past albeit from different angles. In the USA, for instance, Fountain (2001) suggests the revamping of the public service was undertaken through the title of National Performance Review, while in Australia the reforms were labelled National Competition Policy (Hoque and Moll, 2001). In Britain it assumed different labels to reflect the rhetoric of corresponding leadership. For instance, what John Major named the “Citizen Charter” is now called “Modernization” by Tony Blair’s New Labour. Some of its many labels include “New Managerialism” (Fairbrother, 1994); “Public Sector Reforms” (Commonwealth Secretariat) and the World Bank prefers “civil service reform”. Name tagging could however mislead because in essence, the substance is the same. Hoque and Moll (2001, p. 305) suggest that the NPM ideology is underpinned by the view that the public and private sector are not dissimilar and therefore should be managed on the same basis.

Ranson and Stewart (2000) assert that it is crucial to understand the underpinning philosophy of NPM, because it is changing the nature of government. Here, the context in which these transformations are explained and understood is important. The changes taking shape under the rubric of NPM are in line with the neoliberal objective of cost cutting and reducing public expenditure ostensibly to keep inflation under control and at the same time creating opportunities for private sector expansion by restructuring the public sector. They are part of the dominant neo-liberal ideology that seeks to alter the public sector in the interests of capital (Davidson, 1993). Citing Hood, Stariks (1991) describes NPM as a “fast moving constellation of ideas in which innovations came from management practice, from the private sector, and from consultants”.

Such ideology fits well with the logic of Reinventing Government (Osborne and Gaebler, 1992), which calls for a new paradigm shift in the way governments operate hence the need to move from public administration to public management. The former is seen as associated with rules and wastage and therefore needs to be discarded in favour of the latter that is assumed to promote efficiency as one prominent figure in management suggests, “in fact we may already be close to reinventing government. The theory on which all governments in developed world have operated no longer delivers results” (Drucker, 1995, p. 299).

**NPM – better management?**
Proponents of this ideology argue that the public service is increasingly saddled with bureaucratic structure and that it has become too big to maintain, thus making it unsustainable in terms of the new economic realities driven by global competition. But such rationale has been dismissed as simplistic because it takes what is big as necessarily bureaucratic and therefore bad. In the past we have had large welfare states characterised by big governments, which were not necessarily organised along large bureaus (Pollit, 2000). NPM apologists also suggest that for the civil service in order to deliver efficiently and effectively it has to adapt to the private sector, by for example, cutting on jobs and reducing expenditure. In that way, it is suggested, World Bank (1996) that more employment will be created if government hands over some its activities to the private sector.

According to this thinking there will be prosperity, as more wealth will be generated, thus one of the accompanying reforms has been the privatisation of the public sector. But given that all government activities can hardly be transferred
to the private sector, the next best solution is to transfer business management practices to government operations (Savoie, 1995). Here, again, the reasons are not convincing. It is unquestionably accepted, but not argued convincingly that private sector management necessarily means good management. Although different countries have taken different approaches, invariably, there seems to be a common pattern. It is the belief that the public sector is failing to deliver. Consequently, a universal solution is sought in the market through mechanisms, such as contracting out or privatisation (Pollitt, 2000).

This general sweep to perceived performance problems could complicate matters rather than serving as a solution as problems faced by respective countries are not the same. For instance, poor countries have dissimilar priorities than rich countries. Moreover, individual countries have their own unique circumstances. This means diverse problems are likely to be overshadowed by the rhetoric of reforms that preach the market as a panacea to all problems of public service (Polidano, 1999). A more fundamental issue that is often ignored by reform advocates is that public sector organisations are distinct from the private sector not only in terms of objectives they pursue but also in the manner in which the service is delivered (Ackroyd et al., 1989). Hence, their conflation with the market will always be problematic. For example, if privatisation has worked in one or two countries this is used as a benchmark to apply elsewhere. It does not necessarily mean that the same shall equally apply in other countries. Furthermore, causality is often difficult to establish. There are a number of mechanisms that could contribute to any alleged success of privatisation. As Weiss (1998) has argued higher profits after privatisation are a result of higher prices charged by the private sector and are not related to the minimisation of costs. In fact if profitability was used as an indicator, the public sector in Botswana could be said to be performing relatively well.

Despite it being a commonly held belief there is no solid evidence to support the view that CSRs necessarily bring better management and more benefits than public sector organisations. Even countries that take this route are aware that there are social implications to reforms. But because of severe economic difficulties they are facing, usually there is little choice but to follow these prescriptions in order to get aid. Hence, it may be said that the adoption of public sector reforms by some countries underlies the increasing demands that are put by supra-national organisations to pursue free market policies (Clarke and Newman, 1997). Notably it is the World Bank and IMF that are tying assistance to implementation of institutional reforms. Though the Bank suggests that such conditions must be mutually agreed the enormity of challenges confronting developing countries makes it difficult to see how they can refuse to follow donor prescriptions. This is the case though research has confirmed that these reforms eventually affect the poor, as it was the case in countries like Bolivia, Zimbabwe and Zambia where public sector reforms resulted in ordinary people paying high prices for basic needs such as water and retrenchment of staff. NPM reforms in Uganda have for example resulted in half of the civil service being cut (Ayeni, 2001). Considering the high rate of unemployment in developing nations this is a massive scale. Arguably, the long-term effects of such job losses may be more devastating. Piece meal solutions, such as retraining retrenched workers or encouraging them to start businesses with the handouts they receive will not be sufficient. As Savoie (1995) has noted, entrepreneurship is a different thing altogether because people did not join the public service to be entrepreneurs. On the contrary, they did so because they were motivated by the edge to serve.
NPM in Botswana

NPM draws more appeal to developing countries because its aims, such as improving performance and efficient delivery sound realistic. According to Sarker (2006) the NPM approach is on “efficient, effective and responsive” public management. Botswana has been widely praised for its better management of the economy (Jeffries, 1989; Leith, 2006). Moreover, international institutions like the World Bank and IMF have also recognised Botswana’s impressive and exceptional performance. As Africa’s role model of free market enterprise, the country has taken a series of steps to demonstrate “good governance” by liberalising and deregulating its economy. Thus, tariffs have been removed and exchange control restrictions scrapped. According to the government export investment promoting organ, Botswana has the lowest corporate tax in Southern Africa. The establishment of the International Financial Services Centre is an example of attracting foreign investment. In addition, the government adopted a privatisation policy in 2000, and developed a privatisation master plan in 2005. Not surprisingly, Botswana’s minister of Finance justified implementation of privatization as part of economic reforms aimed at improving efficiency of the public service, boosting the private sector and more significantly reducing the role of the public sector in providing “marketable goods and services” (Republic of Botswana, 2005, p. 5).

Botswana’s public sector reforms have long history that spans to over three decades. Different scholars (World Bank, 1993; Hope, 1995; Wescott, 1999; Ayeni, 2001) have captured the nature of these reforms at different periods. The main reason of such reforms has been to modernise the public service and enhance efficiency in the public service. More recently government started introducing new reforms which are modelled around the NPM. A government report (Republic of Botswana, 2000a, b) identified four new interrelated reforms which are now being implemented throughout the Botswana civil service:

1. performance management system;
2. decentralisation;
3. human resources development; and
4. computerisation of personnel management system.

In addition these are accompanied by the privatisation policy that sought to corporatise and commercialise government activities. This is the general framework from which the current reforms that are radically changing the public sector are unfolding. In the past Botswana has carried out public sector reforms to enhance the performance of the public sector. Mostly they have been technically driven in the sense that they were more focused on the administrative imperative rather than altering the structure and nature of the public sector. For example, working in the Botswana civil service has always been identified with secure employment. Government workers were employed on permanent and pensionable basis. However, the new reforms are intended to change this in a profound way in that contract and temporary employment is being introduced. More important, there is now a shift in what was perceived to be the primary mission of the government as to serve and care for the general populace, to a mission where cost and benefit balance is the determining factor. The aim of the reforms appears to be not only to make the public sector
accountable and productive. More importantly, they have a wider agenda as the government think tank argues:

Public service organisations across the globe are under pressure to deliver results. As world economies are unified through the global village, public enterprises need to create an enabling environment within which the private sector can grow. Public policy must be responsive to the needs of the people, and its implementation efficient and effective to support economic growth and sustainable development (Botswana National Productivity Centre, 1997, p. 3).

The government says it is not the first time that they have introduced reforms in the public sector. For instance, they point out that in the past two decades the Botswana Government has taken steps aimed at improving performance of the public service. Hence, the new reforms are said to be incremental since they build on previous productivity initiatives. However, past reforms have been controversial and contested. The “parallel progression” like “job evaluation” caused a lot of disquiet in the public service, resulting in wave of strikes by teachers as a sequel to the inequities in salaries caused by the reforms. Similarly, despite a lot of time and resources being spent on the productivity movement, work improvement teams and performance management system, not much has been realised in terms of winning the commitment and motivation of workers.

The impetus to the latest reforms came in 1996 when the Government of Botswana engaged the Academy for Educational Development (1996), a firm of USA-based consultants. The government accepted most of the recommendations made by the consultants. According to the directorate of public service management (DPSM) annual report of May 2000, the decision to implement the New Public Service Reforms was made by Permanent Secretaries in the City of Francistown in April 1997. The cabinet approved them in the same month in 1998. Subsequently, in June 1998, a new division was created within DPSM to spearhead the public service reforms, called the “Public Service Reforms Coordinating Unit”.

Botswana’s unfolding reforms are said to be internally driven or “home grown” because government is implementing them without outside pressure. Government officials, for instance, argue that unlike other African governments that are forced into structural adjustment reforms because of economic problems, Botswana is different, as it does not have any debt problem or facing economic crisis. This view is also confirmed the OECD, which states that “as a result of the low level debt and the sizeable foreign exchange reserves, Botswana is among the very few developing countries that have not implemented the IMF/World Bank structural adjustment programme” (www.oecd.org). The government ministers repeatedly emphasise this point to illustrate the uniqueness of Botswana compared to other African countries, such as Tanzania, Zambia and Zimbabwe that were pressured to take up SAP. The Minister of Finance and Development Planning stressed this point in parliament on March 2000 when he sought approval of the privatisation policy. He stated:

Botswana position with respect to privatisation is different from that of other countries in sub-Saharan Africa. Botswana government has not been obliged to embark upon a programme of privatisation and public enterprise reform as part of economic structural reform agreements with international institutions.

A common phrase that is used by officials to underscore this point is that their reforms are, “home grown”. It is true that we cannot compare Botswana with other African countries, as it did not have to implement public service reforms under conditional lending.
Relative to other African economies, Botswana has had a sustained economic growth. But Botswana’s over-reliance on diamonds makes it desperate hence the relentless search for alternative strategies to help diversify the economy.

One thing for sure is that there seems to be a similarity between the reforms being introduced according to the experiences of other countries. As Shand (1996) suggests while the “objectives and origins may differ between countries, the strategies and directions generally converge”. This is not surprising because as argued earlier, membership of international institutions like WTO not only provide opportunities for the so-called global market. Obligations are related to this and they can constrain the development potential of members. Good governance, for instance, means among others, deregulating the economy and embracing NPM reforms such as privatisation. The ideological linkage of Botswana’s reforms to those carried out in the world is outlined by Nyamunga the DIPSM consultant who suggested that the, “public sector reforms are shaped by the New Right Philosophy”. According to him, in this ideological framework, the government should play a catalytic role in the economy leaving most of its activities to the private sector. Further, he notes that this view reflects modern public management whose basis is the concept of customer approach. This appears to have resonance with the broader agenda pursued by the “New Right” in Britain in the 1980s, who essentially preached the supremacy of the market.

Consequences of NPM
Though public sector reforms have been portrayed positively as the embodiment of efficiency however in practice such has not been the case. Reforms have not realised the intended objectives, improving performance still remains the “holy grail” of the reinvented governments. On the contrary, the outcome has been devastating. For workers, the corporatization of the public sector has had serious consequences. Privatisation has brought flexible labour relations. Thus, retrenchments are common with public servants neoliberal restructuring. Outsourcing has led to precarious work – poor pay and job insecurity. Not only that, the working conditions dramatically change, with performance contracts and high targets aligned to performance related pay system. Also the collective strength of labour is undermined, as individual performance is emphasised. Similarly these reforms are a disaster for poor. Many people are unable to pay higher prices that are charged by private companies, because the private sector is not really there to provide services but to profit. The health system and education have become inaccessible as governments have introduced cuts in social services for example user fees as part of cost recovery, which is preached by NPM. The recent introduction of school fees in Botswana has led to hundreds of school students missing classes because parents could not afford to pay.

Conclusion
Periodically capitalism is thrown into crises because of competition which drives it to look for other avenues globally to sustain it. Over the years, the neoliberal globalisation has provided a space to rescue it from falling into a deep crisis. One of the pillars of neoliberalism is the notion that the state should not participate in economic activity. With this ideology the state becomes an important mechanism of influencing transformation not for the benefit of the ordinary people who are poor but to serve the interest of capital. NPM sounds good from a private sector perspective, but in the public sector it
is problematic and has far reaching consequences, such as job losses and high prices. No wonder, recently the president of Zambia refused IMF advice as he considered it detrimental to his people. In developing countries there are still areas where the private sector will not get involved simply because such activities will not be in the interest of corporate and commercial power whose bottom line is perpetuation of capitalist relations of production and accumulation of capital (Milward, 2000, p. 158). Yet these are beneficial to the populace. Consequently, it is recommended that instead of modelling the public sector along corporate lines it has above all the obligation to provide basic services such as water, electricity, transport in a non for profit manner to alleviate poverty. If essential services are privatised many will be cut off from this welfare and therefore more poverty will be exacerbated and inequality intensified.

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Further reading


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