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NEW PUBLIC MANAGEMENT AND FINNISH PUBLIC SECTOR ORGANISATIONS: THE CASE OF UNIVERSITIES

1. INTRODUCTION

This chapter deals with the new public management (NPM) doctrine in Finnish public sector organisations with special emphasis on the higher education sector.

As several public administration scholars have stated, the rise of NPM is one of the most striking international megatrends in the contemporary public sector. NPM consists of several closely related administrative doctrines which have dominated the bureaucratic reform agenda in OECD countries for more than a decade. As Ingraham (1997) and Considine and Painter (1997) state, the term 'managerialism' is very close to the term 'new public management', particularly when considering public administration reforms after the late 1970s (see also Aucoin 1990; Pollitt 1990; Temmes 1998; Klausen and Ståhlberg 1998).

This is also the case in Finland. As many Finnish researchers emphasise, the essential reason for adopting NPM-type reform policy in Finland has been the need to be detached from the heavy, bureaucratic tradition of earlier years in order to improve efficiency, and to find more flexible ways to provide public services (Temmes 1998).

This chapter will explore a number of issues. Firstly, a short description of the core elements of NPM is given. Secondly, an analysis is undertaken of how these elements emerge in the Finnish public administration and how they impact on Finnish public sector organisations. The analysis of these issues is based mostly on my previous research.

Finally, NPM components are considered in relation to public administration. The context is Finnish higher education institutions which consist of universities and polytechnics. However, polytechnics are excluded from this analysis.

One central assumption of the analysis is that many of the changes in the structures, processes and organisational cultures of Finnish public administration are explained by the influence of the NPM doctrine. Therefore, it is necessary to begin with a short description of the doctrine.

2. NEW PUBLIC MANAGEMENT – WHAT IS IT ALL ABOUT?

A well-known definition of NPM has been presented by Christopher Hood (1991: 4–5). The definition covers the doctrine's main components which are: professional

management in the public sector; standards and measures of performance; output controls; emphasis on the shift to disaggregation of units in the public sector; competition; private sector management practice; and stress on discipline and parsimony in resource use. The NPM doctrine underlines, on the one hand, professional management and high discretionary power to achieve results ('empowerment of managers') and, on the other, the decentralisation of managerial authority over the use of allocated resources in the context of greater accountability for results (Aucoin 1995: 9).

The components of the NPM doctrine can be traced back to public choice theory. This theory has had a remarkable impact on critical thinking about governmental activities. For example, William Niskanen's (1971) idea of the 'budget-maximising bureaucrat' has been used to explain the uncontrolled growth of the state. The 'government that works better and costs less' slogan expressed efforts to reduce public spending (DeLeon and Denhardt 2000: 90).

NPM is no longer a newcomer among management doctrines. Another doctrine for new and future public service is presented in the literature on public administration (see Denhardt and Denhardt 2000; Ingraham, Selden and Moynihan 2000). The significant elements of the reforms in the public sector are the restructuring and reinventing of the government's role and improving services with fewer resources. Governments have to enhance new models for citizen participation. As discussed later, various criticisms have been directed at the values and normative elements of the doctrine.

As Peters and Savoie (1995) stress, citizens want more direct influence over policies. Claims for enhancing popular participation have become louder since the reinvention movement. Peters (1995) sees here some paradoxes: governments should attempt to be more efficient and more responsive to the market. On the one hand, governmental officials are told to be entrepreneurial and responsive to market signals and, on the other, the same leaders are being told to be more sensitive to public demands and to the wishes of lower echelon workers.

The critical notions of public choice theorists (e.g. Niskanen, Tullock, Downs) and others have been used as the 'scientific' basis for the ideologically grounded new right critique of government and public administration. This ideological change has occurred even in places where public service production has been highly valued, Finland included. The claimed inefficiency and unresponsiveness of state services should be met partly by an infusion of market concepts and disciplines in the public sector, and partly by transferring some tasks to the private sector (Self 2000; Brereton and Temple 1999).

Still, how do we understand the rise of the NPM doctrine? As shown in the case of Finland, one explanation is the emergence of strong stagflation in the late 1970s, combined with lower economic growth and rising public spending. We can assume that if the willingness to pay for public services diminishes, the legitimacy of 'big government' diminishes and public production of welfare becomes less popular. One can also then assume that market-based service production will replace public services (Salminen et al. 2000).

The Keynesian welfare state model emphasised the interventionist state and the expanded role of the public sector on welfare provision. Liberalism and right wing

criticism claimed that welfare services produced by the state were not the most adequate way of providing welfare. These claims have been strengthened by various factors. One which has gained ground since the 1980s and promoted by Thatcherism and Reaganism is the powerful ideology of individualism and its stress on individual freedom.

The most obvious criticism of traditional public sector management practices is the rising cost of state welfare as a proportion of national income during a period of relative economic stagnation. As we have seen during the past decades, criticism of state welfare has had various implications for public sector governance such as provision–production split, downsizing of government activities, privatisation, re-regulation and the rather extensive use of market-type mechanisms (Brereton and Temple 1999: 456–457; Salminen and Niskanen 1996).

3. THE EMERGENCE OF PUBLIC SECTOR REFORMS IN FINLAND

3.1. The Welfare Model

How has NPM emerged in Finnish public administration? Obviously, the image of the Finnish welfare model remains far removed from the NPM model. As I have stated in my previous studies (e.g. Salminen 2001), the Finnish model in the European context has rested on such characteristics as democracy and parliamentarianism, a multi-party system and large majority political coalitions in government, as well as strong local self-government with municipalities playing a key role in welfare provision. A mixture of public services and social benefits is intended for the entire population. Publicly financed welfare services cover social security, health care and education, and include reallocative social benefits and high taxation.

The development of the Finnish welfare state has been a process of gradual evolution from the end of the 1950s to the beginning of the 1990s. Towards the latter part of this period, the welfare model faced many financial problems. The massive build-up of the welfare state from the 1960s to the end of the 1980s resulted in the growth of bureaucratic features in Finnish administration and management. Since the end of the 1980s, Finland's public administration has been affected by global managerial trends. The reform of Finnish public administration during the 1990s has more or less followed international trends (Temmes 1998: 448; see also Salminen 1991; Ahonen and Salminen 1997).

Public sector welfare functions have continually expanded. By the late 1990s, the growth of public expenditure in relation to the GNP increased to over 50%. The figures peaked at the beginning of the 1990s when public sector expenditure comprised more than 60% of GNP. The proportion of the labour force in the public sector was also rather high. In 1990, the total number of public sector personnel was 645,000 decreasing to 544,000 in 2000. The change in employment status of public sector personnel has been remarkable. Core staff dependent on the state budget have gradually decreased from 230,000 in the late 1980s to 125,000 at the beginning of 2000.

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