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# **Administrative Reform in a Liberal Market Economy**

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# Administrative Reform in a Liberal Market Economy

Niamh Hardiman and Muiris Mac Cárthaigh

## ***Introduction***

Since the wave of ideas favouring market-conforming politics swept across western societies during the 1980s, the scope of modern government has become more contentious. NPM belongs to the same shift in ideological orientation and political discourse. The cluster of ideas underpinning NPM is many-faceted and comes from diverse sources, including concerns about vested producer interests in the public sector, attempts to extend competition between providers, introduction of performance measurement targets, etc. And so a wide range of changes in public sector organization, service delivery, and employment relations may be affected.

There are by now a number of well-recognized problems with trying to take a measure of shifts in state capacity and competences, and to assess their consequences, under the umbrella concept of NPM, three of which we find particularly interesting. The first is that the range of practices embraced by NPM is potentially quite elastic in its application. The second concerns the difficulty in establishing a metric according to which procedural or organizational changes are held to have been successful or not. Attempts to measure productivity and efficiency in public administration are notoriously difficult and contested. Creation of performance targets is known to have perverse effects of incentivizing performance aimed at meeting the relevant metric, which is often a proxy for a qualitative change in performance and outcomes. The third problem is that public sector reform priorities might not actually be contributing anything we can clearly identify as beneficial changes to the quality of government, or even good governance, on any of the criteria that are emerging in the literature. This arises partly from problems of defining and assessing what we mean by NPM and post-NPM. But it also points to definitional and measurement problems associated with quality of government.

This paper seeks to explore what the principal patterns of change in the public sector have been in Ireland, to explain what happened and why. We try to show that while Ireland scores well on measures relating to the quality of government, these are not capturing some of the core challenges that are believed to characterize processes of policy making and

implementation. While we are not sure we can contribute substantively at this stage to extending the debate about the quality of government in the sense of effective and efficient policy making and implementation, we at least raise some questions about how we might think about it.

### ***Public sector reform***

A number of paired terms regularly feature in discussions of trends in modern governance which are often posited as antinomies, such as accountability and efficiency, or hierarchy and networks, or rule-following and flexibility. Broadly characterized in this manner, we can see why features of the Weberian state are thought to be incompatible with the principal objectives of NPM. And indeed where NPM was introduced most thoroughly, particularly Britain and New Zealand, new modes of management through outcome-based budgets, performance targets, and delegated authority represented a departure from older traditions and practices of public service activities. However, even in Britain and NZ, these features may not have been as all-encompassing as many have assumed; the ‘NPM revolution’ itself depended on core policy competences and a capacity to rule from the centre (Holliday 2000). And the evident shortcomings of the purest form of NPM in turn have given rise to an often bewildering variety of initiatives in ‘post-NPM’, as the need to reintegrate policy formation and implementation become apparent, and the merits of classic bureaucratic practices are rediscovered (Christensen and Laegreid 2007; Olsen 2005).

Linking these debates with a focus on what it means to speak about good governance, or quality of government, is more problematic again. This is especially the case when we find that on the most commonly used comparative indicators such as the World Bank’s measures of good governance, notwithstanding some variations in performance among the most developed countries, that all tend to score very well indeed relatively to developing countries on most measures (Kaufmann et al. 2008; Kitschelt and Wilkinson 2007). Finding appropriate measures to assess what counts as good administrative practice, and successful administrative reform, is a challenge.

We are persuaded by Rothstein and Teorell’s conception of good governance as the design and implementation of institutions committed to impartiality (Rothstein and Teorell 2008). Finding the right measures to assess departure from these standards is still contested, but

arbitrariness in the application of rules, and corruption of decision-making to the advantage of private interests, are still probably the best indicators (Rose-Ackerman 1999). But perhaps the criteria associated with impartiality and incorruptibility of the public administration should be thought of as an irreducible minimum for good governance, rather than a principal identifier. Corruption scandals may emanate from within the executive, specifically from the nexus of governing parties and business or other private interests; or from failures to accept political responsibility and accountability for poor decision-making or systems failures, rather than from poor administrative practices. Correspondingly, impartiality in the sense of lack of corruption in public administration might nevertheless be associated with shortcomings on other measures such as efficiency, accountability, or expertise, leading to poor quality policy formulation and implementation. But finding appropriate measures to assess what counts as good administrative practice and successful administrative reform, and tracking these in practice, is a challenge. Even where well-defined procedural rules exclude the possibility, by and large, of institutionalized corruption or arbitrariness, and even where administrative reforms have been implemented, there may be real problems in the efficiency and effectiveness, and also the accountability and legitimacy of public sector activities, that may need to be probed further.

The OECD summarised early NPM initiatives in the UK, New Zealand and Australia as attempts to tackle the efficiency issues, that is, to make the public sector 'lean and competitive while, at the same time, trying to make public administration more responsive to citizens' needs by offering value for money, choice flexibility and transparency' (Groot and Budding 2008). These attempts have since been imitated to varying degrees in a wide variety of states in what has since become known as the New Public Management movement. As has been well-documented, with its origins in new institutional economics, management sciences and the influence of neo-classical economics on public administration, NPM has been used to denote a wide variety of public sector reform programmes that have emerged since the early 1980s. Kettl suggests that NPM's most prominent virtue has been its 'sharp and clear definition of the problem of modern government and of the solutions that would fix it' (Kettl 2006, p.314). However, others argue that there is no broad agreement on the key features of NPM (Hood and Peters 2004).

## ***NPM and Post-NPM in Ireland***

Ireland can be understood as a liberal market economy in Hall and Soskice's terms (Hall and Soskice 2001); it has also been heavily reliant on FDI, on trade, on exports, and especially on non-manufactured service-sector internationally tradable activities (Barry 2007). These features might lead us to anticipate that Ireland would be highly attuned to market-based disciplines in the state sector, and that it would have been to the forefront of NPM experiments. It might also have been thought that Ireland, which proved so successful in generating economic recovery from the disastrous recession and fiscal crises of the 1980s, would have developed a wide-ranging policy competence to effect public sector reform. However, we would suggest that neither of these expectations is in fact borne out in practice.

Our contention is that the Irish experience represents a decidedly mixed case of policy styles. This can of course be said of all countries – NPM and its successor initiatives are typically found in some nationally hybrid form. Initiatives in public sector modernization, structural changes to the public service, and innovations in design of and rewards for careers in the public service, commonly display some elements of NPM thinking; but within an overall style of service delivery that retains core features of classic bureaucratic design (Gualmini 2008; Olsen 2005).

However, Ireland was different from other Westminster-type systems in having resisted most of the core thinking behind NPM. Public sector reform in Ireland was undertaken by modernization-minded senior civil servants themselves. This has to be explained in the context of a party political system in which the conventional left-right is only weakly present. While the smaller parties can readily be identifiable in a comparative European context as either Social Democratic/ left (the Labour Party), Green, or liberal (the Progressive Democrats), the two largest parties (Fianna Fáil and Fine Gael) cluster on the centre-right and are virtually indistinguishable in policy terms (Laver 1992; Laver and Benoit 2003). The origins of the party system are found not in conventional European cleavage politics, but in the history of nationalist separatist politics early in the lifetime of the independent state. The two largest parties function as catchall parties; and the trend toward coalition government strengthens the bias toward inclusive policy stances and avoidance of overt ideological partisanship. This may help to explain why no government has taken up a strong stance that could risk bringing it into confrontation with the public administration, but has preferred to

allow these issues to be dealt with through negotiation, and for changes in work practices to be managed in conjunction with pay negotiations through the corporatist social partnership institutions.

Institutional innovation in Ireland therefore bears some resemblances to NPM-style developments, but was not strongly guided by this thinking, rather by a more ad hoc approach to improving administrative efficiency. This particular mixture of Weberian and partial NPM administrative procedures is also now being subject to scrutiny in terms of ‘post-NPM’ objectives. Implicit in the sequences of events is a set of concerns with efficiency and effectiveness, administrative simplicity and political accountability. But without clear performance measures or clarity about potential trade-offs, a rather mixed outcome ensues.

We outline some of the main features of public sector reform initiatives in Ireland, then highlight some specific areas where performance issues have arisen, and assess how best these can be analysed within our competing conceptions of public sector organization.

NPM does not constitute a theory, but rather an approach, a set of values, and a menu of actions; and the same goes for post-NPM initiatives. We might usefully identify four aspects of the public service within the kind of Whitehall-style bureaucracy that Ireland shares in common with Britain, within which both NPM trends and post-NPM developments can be identified. These are career structures; institutional diversification; policy coordination; and the public sector value system. These four dimensions can be thought of as having distinctive features that cluster in three different ways, depending on the principle of organization and policy processes that are in question: classic or traditional Weberian, NPM, and post-NPM. These are summarized in Figure 1 below, where the approximate time-periods during which they are identifiable in Ireland are also noted.

**Figure 1. Phases of public sector reform in Ireland**

	<b>Traditional ‘Weberian’ bureaucracy, 1924+</b>	<b>NPM-influenced change, 1994+</b>	<b>Post-NPM challenges, OECD 2008</b>
1. Careers	Mostly permanent appointment	Greater use of fixed-term or contract appointments	Encouragement of mobility pathways, both internally and

	<p>Career progression from internal promotion</p> <p>Policy specialization within a Department</p> <p>Relatively little use of specialist skills</p> <p>Limited personal liability or reward</p> <p>Category-based salary structure</p>	<p>More open recruitment</p> <p>Department mobility through promotional opportunities</p> <p>Contracting-in of specialist adviser skills; contracting-out of advisory or consultancy tasks</p> <p>Stronger individual responsibility mechanisms</p> <p>Greater individualized reward</p>	<p>externally</p> <p>More fluid labour market within public service</p> <p>Greater emphasis on 'shared' responsibilities and 'Whole of Government' perspectives</p>
2. Institutions	<p>Principal emphasis on core civil service</p> <p>Selective and limited creation of agencies for specialized purposes</p>	<p>Reconstitution of work tasks around new (often boundary-spanning) organizational units</p> <p>Devolution of tasks to specialized bodies; extensive agency creation</p>	<p>Critique of policy coordination and 'stovepipe' structures</p> <p>Critique of agencies' lack of clarity in policy direction and coordination</p> <p>Closer alignment between policy objectives and institutional design</p>
3. Policy co-ordination and implementation	<p>Budget constraints and task routines pre-specified and managed according to rule: ex ante controls within which the managers can manage</p> <p>Policy co-ordination at central level i.e. Cabinet, senior civil service</p>	<p>Performance contracts and service agreements</p> <p>Performance targets with budgetary sanctions</p> <p>Policy co-ordination at various intermediate levels; emphasis on strategic planning</p>	<p>As above: proposals for stronger policy direction</p> <p>Proposals for agency streamlining, esp policy oversight and purpose</p> <p>Return to centralized policy co-ordination, albeit more 'strategic'</p> <p>Shared policy goals between parts of public service</p>
4. Values	<p>Apolitical service to the government of the day</p> <p>'Public service'</p> <p>Legitimacy through</p>	<p>Market-based efficiency and related values</p> <p>Expansion in numbers of advisers and programme managers linked directly to</p>	<p>Reassertion of core values, including ethos of impartiality, public service, accountability</p>

	<p>compliance with role-defined task</p> <p>Limited personal accountability; ministerial dominance</p>	<p>government ministers</p> <p>Less emphasis on legitimacy, more on target-delivery</p> <p>More extended line of political accountability; extent of personal accountability can be hard to trace</p>	
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We would suggest that Irish public administration has undertaken most change in the first category, i.e. career structures. It displays some change in the second, institutional category, though for reasons we do not think are clearly driven by NPM. We identify some change but to quite limited degrees in the third category, that of policy coordination, and the fourth, the values specific to the public sector. In other words, it is still largely a ‘classic’ Whitehall-type state administration. And insofar as post-NPM reform challenges have arisen they are still at an early stage for the most part.

Sustained public sector reform in Ireland has been under way since the mid-1990s: what is termed the Strategic Management Initiative was first launched in 1994 (see [www.bettergov.ie](http://www.bettergov.ie)). The full timeline and key developments are set out in Appendix 1. But unlike other English-speaking countries in which NPM took strongest hold, this was not undertaken under strong political guidance or within a well specified ideological context. Rather, it was an initiative that came from within the civil service itself, housed within the Department of Finance and driven by the senior civil servants in the Department of the Taoiseach, under the broad remit of a ‘modernization agenda’. While political inputs have also been crucial in reshaping aspects of public service organization, we would suggest that few fundamental changes have been supported at a political level, and that such change as has occurred has been inconsistent. During fifteen years of economic boom and population growth, public sector modernization has involved a search for ‘quality customer services, regulatory reform, openness and transparency, human resource management, financial management, information technology’ (OECD 2008, pp.88-9). However, we see rather limited commitment in anything other than general terms to quality assessment, policy evaluation relative to identifiable performance criteria, or clear policy feedback channels.



As Ireland faces a severe economic downturn, the talk once again is about introducing greater efficiency, streamlining organization, improving the quality of performance, and measuring output more effectively – in other words, modernizing and improving the quality of the public administration and public services. In this context, the government commissioned the OECD to undertake its first ever complete review of a public service. When the final report was eventually published in spring 2008, it made a number of penetrating comments about the quality of government, or at least the quality of government services delivered by the public administration (OECD 2008). But this surely, at a minimum, begs the question as to what exactly has been going on under the name of public sector reform over the preceding fifteen years.

While the term New Public Management had been avoided by government during the course of the reform agenda, the OECD report announced that Ireland ‘has significantly advanced along a *‘New Public Management’* (italics in original) continuum, and now finds itself entering into new territory in advancing its public management reform programme’ (OECD 2008, p.18). The report’s title *Towards an Integrated Public Service* indicated a need to rationalize if not reverse the structural and functional fragmentation that had taken place as a consequence of the modernization process. The report proposed that a ‘more integrated approach at national and local level’ will allow Ireland meet the challenges of achieving wider societal goals and delivery of ‘coherent and integrated services’ (OECD 2008, p.18), and that ‘the Irish government needs to find a new reform agenda that focuses on value for money, while maintaining the most important elements of its political culture and values’ (OECD 2008, p.23). It summarized the previous decade and a half of reforms as having being primarily focused on putting processes in place and noted that ‘the incremental approach to reform, while achieving a certain degree of stability and consensus, has led to isolated reforms that evolve over time, rather than as a coherent reform package. The next challenge is to renew the vision originally laid out in SMI, taking into account the *coherence* of reforms and how they *interact* with one another’ (OECD 2008, p.24). In a nod to post-NPM ideas, its concluding remark was that ‘an integrated Public Service will depend on changing behaviour rather than structures’ (OECD 2008, p.44).

What, then, can be said about changes that have taken place under each of the four headings noted in Figure 1 – careers, organizational structures, policy making and coordination, and the distinctiveness of public sector values?

## 1. Careers

The core Irish civil service continues to be characterized by a generalist intake and a commitment to political neutrality. The biggest change arising from the modernization agenda affects promotional structures and pay determination.

Two innovations may be noted. Firstly, top-level appointments (to Assistant Secretary-General level and above) have been subject to recommendations by the Top-Level Appointments Committee (TLAC) since 1984 – see:

<http://www.finance.gov.ie/documents/publications/other/TLACprocedures06.pdf>. This abolished the old principle of advancement based on seniority within Departments, by opening up promotional opportunities across Departments on a competitive basis. The TLAC removes the process for almost all senior appointments from direct political influence (though several senior posts are still ultimately filled by Government). For all Secretary-General positions, the TLAC is required to submit up to three suitable nominees to government.

Alongside this we see a separate remuneration process for top civil servants, determined by a series of Review Bodies for Higher Remuneration in the Public Sector (see <http://www.reviewbody.gov.ie>). In recent years this has recommended pay increases that have seen a convergence between the pay rates of top civil servants and those of senior executives in the private sector. Although the Review Body of 2000 pegged salaries for Secretaries-General at 85% of the lowest quartile of private sector comparators (Review Body on Higher Remuneration in the Public Sector 2000, p.5), and the 2007 review factored in public service pension entitlements, at a time of rising private sector management salaries (Review Body on Higher Remuneration in the Public Sector 2007), this resulted in higher differentials than previously in pay scales within the public service itself.

But there is some evidence that conditionality in awarding pay bonuses has not been very tightly implemented. For example, the scheme of performance awards for senior public servants, in place since 2001, saw approximately €3 million being distributed between 221

public servants in respect of their work for 2007. Individuals can receive up to 20% of their annual pay. Data for 2005-7 demonstrate that the awards tend to be above average in all except the smallest award category, as Figure 2 below shows.

**Figure 2. Range of performance-related pay awards to senior civil servants**

<b>Range of awards</b>	<b>CPA Guidelines</b>	<b>Actual awards for 2007</b>	<b>Actual awards for 2006</b>	<b>Actual awards for 2005</b>
<b>15% to 20%</b>	<i>Very few</i>	5.4%	6.8%	3.8%
<b>10%+ and less than 15%</b>	<i>25% to 30%</i>	38.5%	39.5%	40.0%
<b>5% and up to 10%</b>	<i>65% to 70%</i>	52.5%	47.8%	52.4%
<b>5% or less</b>	<i>5% to 10%</i>	3.6%	5.9%	3.8%

Source: Committee for Performance Awards *Annual Reports for 2007, 2006* (Dublin: Department of Finance, 2008 & 2007)

Time-limits were introduced to the service of Secretaries-General of Departments (seven years). Until 2004 there were no restrictions on their transition to private sector employment, including political lobbying. A new code of conduct stipulates a one-year cooling-off period, and an Outside Appointments Board adjudicates on particular cases. Open promotional opportunities encouraging mobility are also available to lower grades throughout the rest of the civil service, managed through somewhat different channels.

A more general and wide-ranging reform of public sector pay determination has been undertaken. Public sector pay had been a recurrent political problem for several decades. Centralized pay pacts were negotiated continuously since 1987. But even these did not succeed in breaking deeply-entrenched relativities and differentials that fuelled seemingly endless leapfrogging wage claims within the public service (Boyle et al. 2004). This was

eventually tackled in the early 2000s, under the provisions of the social partnership pay agreement *Programme for Prosperity and Fairness* (PPF, 2000-2003), which set up a Public Service Benchmarking Body (see <http://www.finance.gov.ie/viewdoc.asp?DocId=-1&CatID=31&m=c>). Internal claims-generating links were supposed to have been finally broken, and comparator links developed with the private sector. The recommendations for differentiated pay increases made by a special benchmarking review board were intended to signal major change. But the way the benchmarks were set was never made explicit. In the context of powerful public sector unions and in the absence of market disciplines, strong upward pressure on public sector pay continued to be apparent (Hardiman 2006).

The social partnership agreement *Sustaining Progress* (2003-5) included a provision that all public service pay increases would require verification in order to ensure ‘satisfactory achievement of the provisions on cooperation with flexibility and ongoing change’ (para 26.1). Performance Verification Groups were established for the main sectors of the public service (civil service, health, local government, education and justice and equality – though many state agencies were not included in the process), each with an independent chair and comprised of equal union, management and independent members. A study of the process found that it had had a positive effect on industrial relations stability, and helped develop co-operation amongst staff with change processes and implementation of the modernization programme (Boyle 2008, p.1). In almost all cases the remuneration awards were made. Boyle also notes that participants in the process criticized that limited scope of the modernization agenda as well as the generation of excessive paperwork and bureaucracy which the process entailed.

The rationale for benchmarking is not altogether clear and has not been subject to much discussion. Creating a link between public and private sector pay scales might be expected to stem from either of two considerations:

1. To discipline a major part of the sheltered sector by tying it to the exposed tradable sector, especially the exporting sector, to import competitiveness disciplines into the public sector. Otherwise, the public sector can exert collective pressures with no clear budget constraint, exerting political rather than economic influence on government;

and the larger the public sector as a proportion of union membership, the more likely this outcome (Garrett and Way 1999).

2. If the public sector reward structure is already low, and talent is draining out of it, an overt link with comparable private sector remuneration structures may serve to make public sector employment more attractive, and to retain talent and boost morale. The problems here are that evidence about the relative attractiveness of occupations for comparably qualified persons is hard to assess; and the non-monetized aspects of public sector employment, such as security of tenure and guaranteed, defined-benefit pension provisions, may not be adequately factored in (O'Leary 2002).

The consequences of changes in promotional structures and remuneration packages for the functioning of the public administration have not been systematically investigated, but there are some indications that a number of unanticipated consequences have ensued that may not be consistent with increased efficiency or notably better governance. It is not clear that either of the two criteria noted above played much role in shaping this outcome (Boyle et al. 2004).

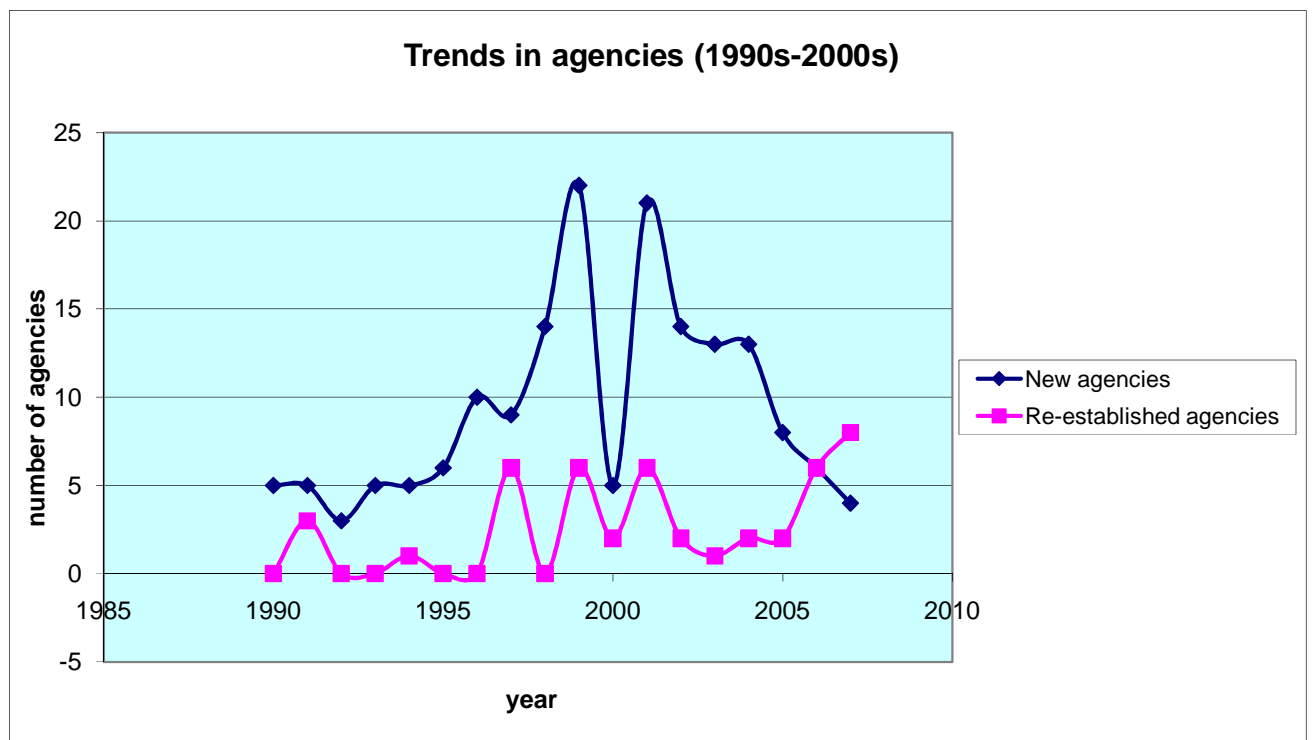
As in other EU states, political leaders have sought for means of influence and control that could reassert their power over the public sector (Peters and Pierre 2004). The appointment of policy advisers and programme managers, allowed for by the Public Management Act 1997, adds further complexity at the political-administrative interface. Explicitly political posts are limited to the term of office of the minister in office. Thus nothing as overt or as extreme as the politicization of the top bureaucracy in post-communist Central European states has taken place (Goetz 2001); nor is there any real evidence that party patronage is systemic, as has happened in other countries (Mayntz and Derlien 1989; Milio 2008). But the manner in which party-political interests and the public administration ethos are related is an area that would seem to merit further investigation (O'Halpin 1996). And finally, opening career mobility across Departments risks dispersing the expertise accumulated on the job, which is a central feature of a generalist civil service, and thereby weakening the policy competence of the public administration overall.

## 2. Structures

Structural reorganization of the public service may flow from NPM ideas concerning the value of disaggregating core public service competencies and devolving budgetary autonomy. The rapid increase in the number of non-departmental and executive agencies in the OECD has been a defining feature of public service reform over recent years. Indeed, the study of ‘agencification’ has itself emerged as a rich field of inquiry in public administration and raises important questions concerning administrative autonomy, policy co-ordination and political accountability (Christensen and Laegreid 2006). Of all aspects of reform, this kind of structural change can happen relatively quickly. It can also be an attractive means of allowing politicians to give policy focus to a particular policy issue (Hardiman and Scott 2009).

We note that over the period since 1990, there has been a marked increase in the rate of increase of state agencies in Ireland, as Figure 3 below notes – even when we control for the number of agencies that have been renamed or acquired new functions.

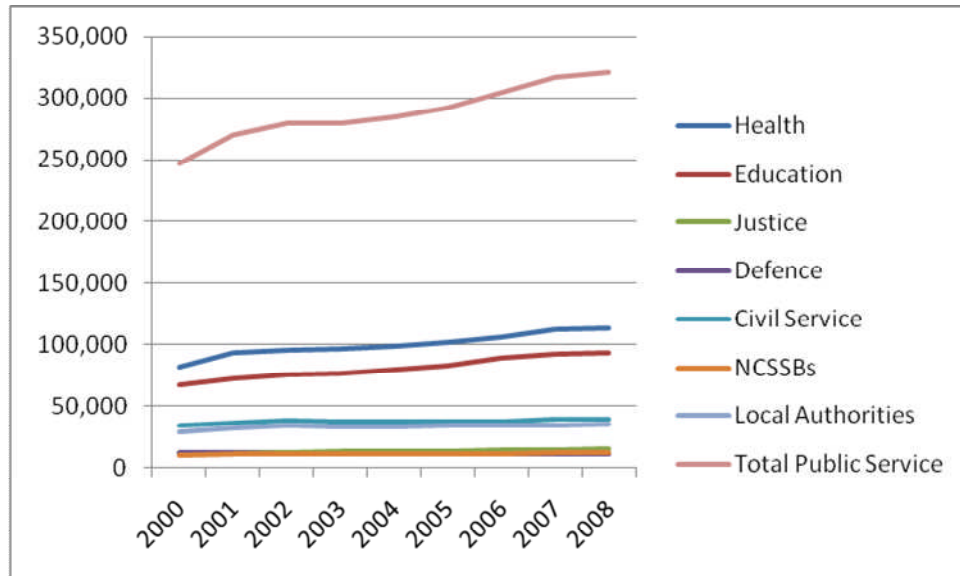
*Figure 3. Trends in establishment of agencies since 1990 – agencies in existence in 2007*



Source: Mapping the Irish State database

However the creation of new agencies has not been accompanied by any downsizing in public service numbers, as NPM-style reorganization would predict, as seen in Figure 4:

**Figure 4. Public service numbers by policy sector, 2000-2008**



Source: Dáil Debates, 25 September 2008, Vol. 661, No. 2.  
<http://debates.oireachtas.ie/DDebate.aspx?F=DAL20080925.xml&Node=1617#N1617>

It would appear that while many new agencies were set up, the rationale for doing so has not been well articulated. The OECD suggest that the use of agencies allowed departments to circumvent caps on civil service recruitment (OECD 2008, p.298). Their principal justification appears to be that they can deal with new policy issues more efficiently than line Departments. But a number of recent reports have drawn attention to weaknesses in setting clear policy parameters for agencies, uneven political oversight, a tendency to populate boards in a politicized manner, and a deficit in accountability mechanisms (Clancy and Murphy 2006; McGauran et al. 2005; OECD 2008). Moreover, a serious implication for the core civil service is that some doubt is inevitably cast over its capacity to handle complex new policy challenges. As part of a packet of measure in the Budget for 2009 to cut public spending in response to a deteriorating economic situation, the government reduced the number of agencies by 39 overall, including mergers, closures and reabsorption of functions into departments.

The OECD report noted the continued existence of a ‘stovepipe’ model of public administration – a parallel sequence of the fifteen constitutionally mandated government Departments, across which policy initiatives must still wend a complicated route toward evaluation and implementation. It proposed that no new structures for coordination were necessary – instead, better ways of networking should be sought (OECD 2008, p.246).

### **3. Policy evaluation, co-ordination and implementation**

A core tenet of NPM is the quantification of public service work. We certainly see a strong move toward auditing and publishing public service performance indicators, output statements and annual reports. But this is not the same thing as performance management through target-setting, or budgetary disciplines for under-performance (though there is some evidence of budgets being reduced for public bodies which fail to use their annual allocation). European Union requirements for impact assessments encouraged a new dimension to policy development within the public service, but the emphasis on ex-post audit remains. Use of targets (individual or shared) as a means of incentivizing and disciplining public service delivery is not well developed in Ireland. Furthermore, traditional problems of cross-Departmental policy coordination still appear to be prevalent.

Indeed the pendulum between departmentalism and co-ordination has swung back firmly in favour of the latter to address concerns over fragmentation of the public service. The complexity of modern government is such that new mechanisms and behaviours are necessary in order to develop whole-of-government coordination adequately. Based as they are on the Westminster system, the central institutions of Irish government – Cabinet, civil service and local authority – were established to overcome problems of co-ordination across both political and administrative lines (Bogdanor 2005). The proliferation of agencies at national (and local) level described above has generated considerable difficulties in policy co-ordination, and no formal means of assessing quality of policy implementation exist. Consistent delivery of quality public services continues to be a nut which governments are unable to crack through structural means. Post-NPM emphasis on behavioural change coupled with more centralized strategic policy co-ordination is now being pursued. The development of a ‘performance dialogue’ between different parts of the public service – and



particular departments and their agencies – is strongly advocated by the OECD (OECD 2008, p.310).

#### 4. Values

A move toward a more market-disciplined public administration might be expected to be associated with a growing convergence in the values evinced by public and private sector employees (Bozeman 2007). Certainly, the move toward improving standards of public service is much in evidence in public statements: Departments have mission statements and service delivery objectives; the public are routinely described as ‘customers’; the terminology of efficiency is widely used.

But underlying this there would seem to be a continued difference in public employees’ conception of their role and functions that is at odds with market rhetoric. While evidence is as yet somewhat limited, focus group research reveals a strong ethos of public service and a commitment to values that are not purely those of the market (Mac Cárthaigh 2008). Public service work was identified in terms of general interest, impartiality, equity, as opposed to private sector emphasis on market criteria, which respondents associated with selective benefits, profitability at the expense of equity.

Some of the functioning of central government departments and major agencies have undergone change consistent with New Public Management criteria. This is reflected for example in the requirement to give a more transparent account of themselves than previously through a range of strategy and output statements, more numerous and explicit sectoral policy statements, and through their increased availability to Oireachtas committees. But we would suggest that career structures, remuneration scales, and public sector pay determination more generally, have been more significantly altered in the light of a public sector modernization agenda. We note that some unanticipated consequences may have ensued. However, issues about quality of public administration and good governance in general may be escaping our attention by adopting a focus that is confined to concerns with public management measures.

## ***Quality of Government in Ireland***

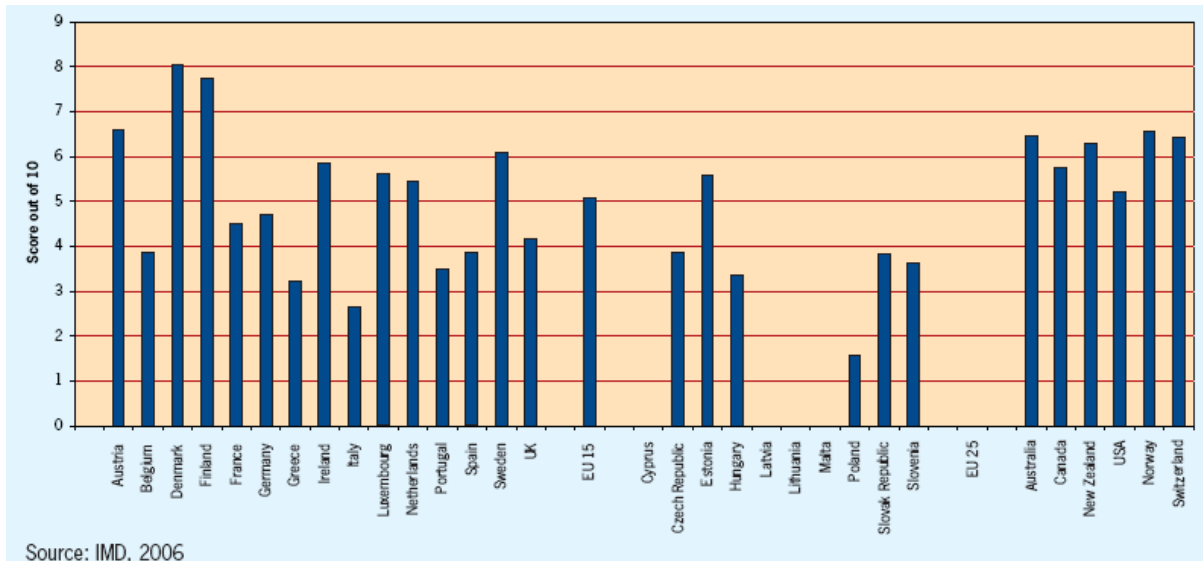
What impact does all this public sector reform activity have on government performance though? And what is the appropriate measure of quality of government in any case? Among the varying attempts at definitions we find the following:

Political scientists have tended to give pride of place to governmental systems that embody democratic principles and practices supported by the rule of law. Economists have tended to evaluate systems of government, and institutions in general, in terms of their perceived ability to foster economic growth (sometimes with regard also for the distribution of the resulting goods and services)... (we) employ survey measures of life satisfaction as though they were direct measures of utility, and use them to evaluate alternative features and forms of government (Helliwell and Huang 2008, p.595).

In our view, individual life satisfaction measures are shaped by such a wide variety of factors that this measure over-shoots the target; we prefer to focus on institutional indicators. Yet on all the principal comparative indicators of good governance based on considerations such as administrative impartiality and respect for the rule of law, Ireland actually performs quite well. Ireland performs quite well in the World Bank governance indicators of good governance (Kaufmann et al. 2008). Ireland's ranking ebbs and flows somewhat from year to year in the international ranking of perceptions of corruption compiled by Transparency International, ranking at joint 9<sup>th</sup> place at the world with Britain in 2008 – see: [http://www.transparency.org/news\\_room/in\\_focus/2008/cpi2008/cpi\\_2008\\_table](http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table). If numbers are a clue to efficiency, Ireland should also be doing well, since the recent OECD review found that 'The proportion of employees involved in administrative tasks remains in the lower tier of OECD countries' (OECD 2008, p.64). But the main issues that commentators believe still afflict the quality of policy making and implementation are not well captured by these measures.

Let us consider how Ireland stands in comparative indicators of quality of government. One of the widest-ranging is that developed by the Dutch Social and Cultural Planning Office, which considers quality of government to be based on perceptions of the quality of bureaucracy, transparency, effectiveness and corruption (Dutch Social and Cultural Planning Office 2004, p.267). Drawing on these criteria, Boyle compares aspects of public sector performance and efficiency across states (Boyle 2007). Figure 5 shows that Ireland's summary score in 2006 is outstripped only by Denmark, Finland, and Austria.

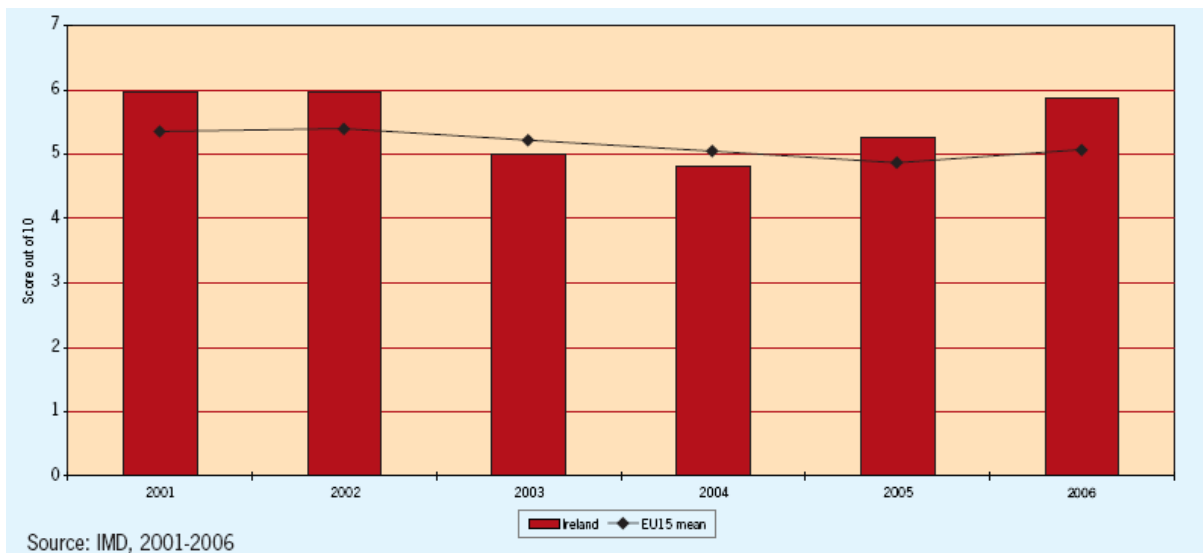
**Figure 5. Quality of government scores, 2006**



Source: Boyle 2007, adapted from Institute for Management Development *World Competitiveness Yearbook 2006* (Lausanne: IMD, 2006)

Over the 2001-6 period, Ireland’s score was broadly in line with the EU15 average, as Figure 6 below indicates.

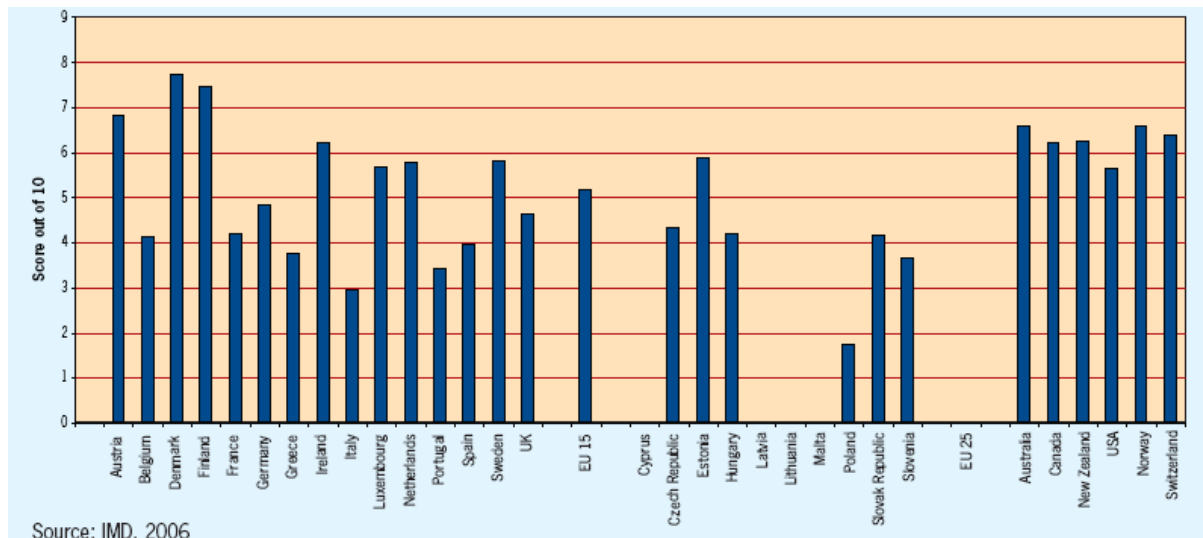
**Figure 6. Changes in quality of government scores, 2001-6**



Source: Boyle 2007, adapted from Institute for Management Development *World Competitiveness Yearbook 2006* (Lausanne: IMD, 2006)

Adding another four indicators – fairness in administration of justice, level of administrative independence from political interference, the extent to which the legal and regulatory framework encourages competitiveness among enterprises, and the level of regulation intensity – reveals no significant change (Ireland moves slightly above Sweden), as Figure 7 shows.

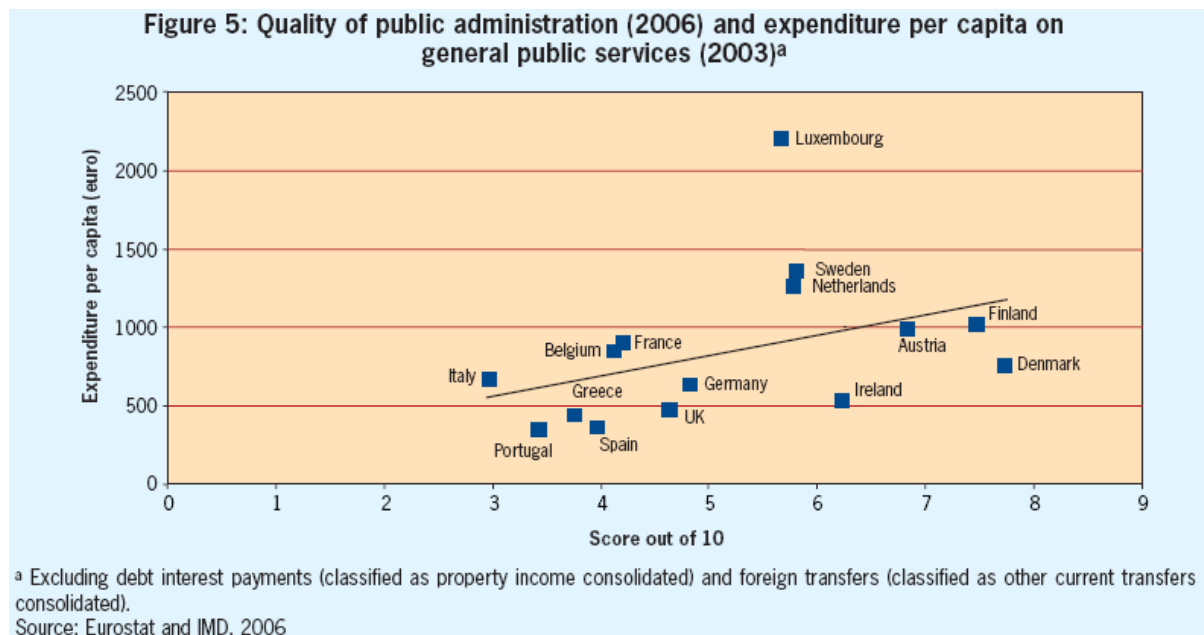
**Figure 7. Scores on expanded range of quality of government measures**



Source: Boyle 2007, adapted from Institute for Management Development *World Competitiveness Yearbook 2006* (Lausanne: IMD, 2006)

Using these eight criteria for assessing quality of government, the results can be contrasted with spending per capita in the EU 15 states. Figure 8 shows that Ireland scores quite well here: for relatively low levels of expenditure per capita, the score out of 10 only lags behind Austria, Finland and Denmark and is actually better than the scores for the Netherlands and Sweden.

**Figure 8. Quality of public administration and expenditure per capita on general public services**



Source: Boyle 2007, adapted from Institute for Management Development *World Competitiveness Yearbook 2006* (Lausanne: IMD, 2006)

### **Additional questions**

We consider that performance on these scores, while gratifying, may reveal more about the limitations of the measures than about the nature and functioning of state institutions. The indicators are useful for capturing Rothstein and Teorell’s conception of impartiality – low levels of personal or procedural corruption, appropriate lines of accountability for resource allocation, and adherence to the rule of law. However, questions that have been raised about the way policy is made and implemented, held accountable, and subject to quality assessment, may perhaps escape these measures. We identify three broad areas which we briefly outline below: quality and skill levels, efficiency, and accountability.

### **Quality and skill levels**

As noted above, there may be reasons for concern about the policy capabilities of the core public administration. An increasing reliance on agencies means that many new tasks are taken away from departments. Of all the agencies set up since 1990, one study suggested that about a quarter were created to ‘provide advice’, normally a function of the senior civil

service (McGauran et al. 2005). Over the same period, there has been an increasing reliance on the use of private sector consultants to conduct research and prepare policy papers, write reports, etc. At the same time, traditional rigidities in hiring procedures, arising from reliance on classic bureaucratic appointments procedures, may make it difficult to recruit and retain people with specialized professional skills. The Department of Finance, for example, finds it difficult to hold onto trained economists. This indicates that there may be some deficits in the capabilities and skills available within the civil service itself, not least because the recent economic boom saw the public service become less attractive an employer when compared with the major financial and IT companies.

As noted above, a skills deficit may be exacerbated by new possibilities of career mobility across departments, arising from precisely the area of reform that is most consonant with NPM ideals. This tends to disperse expertise acquired through on-the-job experience and to create discontinuities in dealing with clients or delivering services. Routine administrative procedures occupy most people's time and the capacity to engage in serious assessment of alternative courses of policy action may be rather limited. Agenda-setting is highly dependent on the core executive. Other arenas for policy debate have emerged in the context of social partnership, and each agreement has created a web of working groups bringing together civil servants with representatives of union, employer, and voluntary sector organizations. But these do not displace or even seriously shape the work of departments, whose agenda is set by the relevant government minister. The Department of the Taoiseach and the Department of Finance appear to play the leading role in transmitting many of these priorities.

Policy coordination across departments has also been subject to criticism, most recently by the OECD's 2008 report, which notes the continuing 'stovepipe' of parallel departments and sometimes rather scattered agencies, with myriad cross-cutting policy coordination requirements. There are some well-established routines for managing these, including the circulation of draft legislation for comment from all relevant interests, and both routine and ad hoc coordination meetings at all levels, including Secretaries-General. Yet governments have also found it necessary to experiment with additional coordination resources, such as Programme Managers attached to government ministers during the 1990s (O'Halpin 1996), and the growing use by all ministers of special advisers, press officers, and personal staff who are on the public payroll.

## Efficiency

Issues about efficiency, whether in project expenditure or in work practices, have as yet been relatively under-examined in debates about reform of the Irish public service. These are of course some of the classic problem areas that NPM was originally designed to address.

The use of policy evaluation metrics to assess the quality and value-for-money of specific policy initiatives or expenditure items is still developing, but varies between different parts of the public service. This is still the case even where it has been strongly recommended in specific contexts, such as in the acute hospital sector where clinical evaluation standards, for example, are still quite underdeveloped. Systematic value-for-money and quality assessment reviews had been a required part of EU Structural Funds, and Irish public administration developed a reputation for more efficient use of these resources than other cohesion states. But the practice is not well embedded. The Comptroller and Auditor-General, and the debates on these reports at the Dáil Public Accounts Committee, are likely to function as a periodic alarm system, drawing attention to particular areas in which public spending is opened to public review and scrutiny.

Irish public sector employees have, under the terms of partnership agreements, signed up to a Performance Management and Development System that is intended to deliver ever-increasing productivity improvements; the public sector unions have accepted this. But in the absence of a driving political commitment, those most likely to be affected are perhaps unlikely to invent procedures that would make life more unpleasant for themselves. The public sector accounts for up to one-third of employment in Ireland. Approximately 40% of the workforce is unionized. But the distribution of union membership is highly differentiated. In private sector services the numbers are estimated at about 10%, while in the public sector it is about 80%. Within the trade union movement itself, about half the membership comes from the public sector.

## Accountability

Some shortcomings have recently come to light on issues to do with accountability for policy mistakes. The foundational legislation is the Ministers and Secretaries Act 1924, which accorded the minister personal responsibility for all actions engaged in by the department under her or his control.

In recognition of the growing complexity of the public service, this was modified by the 1997 Public Service Management Act. The Act provides a legal basis for new management structures to enhance the accountability of civil servants while preserving the discretion of the government in relation to their responsibility to parliament. The Act placed particular emphasis on the managerial role of Secretaries-General (heads of government departments) which complements their more traditional roles in relation to policy formulation and advice provision.

But in a number of scandals in recent years, it has proved extremely difficult to secure accountability from anyone when things go wrong. Parliamentary committees may summon and question civil servants; but their powers to pursue answers and apportion responsibility are quite weak. In many instances, parliamentary inquiries were unable to establish the facts of policy error, resulting in the establishment of expensive and protracted Tribunals of Inquiry. For example, in Ireland as elsewhere, great harm was done to various categories of people through blood contamination; yet personal responsibility for outcomes proved all but impossible to allocate (Farrell 2005; Mac Cárthaigh 2005). Rather than receiving cross-party acceptance, the reports of such Tribunals tend to be vigorously contested on a partisan basis.

The corollary of problems in apportioning responsibility and ensuring accountability is a decline of the public's trust in the institutions of state – not on account of corruption, but on account of efficiency and reliability. Over the last two decades, the Irish public scored unusually highly in the levels of trust they displayed for social and political institutions such as the Catholic Church, parliament, the police force, journalists, and the civil service. The scores for all of these have fallen, partly no doubt as a consequence of rapid social, economic, and demographic change, partly due to the eruption of scandals in many of these areas, and partly perhaps because of the growth of a more disputatious public sphere in which people are less willing to take authority on trust (Geissel 2008). The public administration has not suffered as badly as other bodies in the general fall of their status in public esteem. But it might be suggested that a highly critical and questioning citizen body is perhaps the best guarantee any democracy can have that its institutions are held up to the mark to perform well.



## **Conclusion**

We have noted that some of the problems that are currently identified as requiring attention in Irish public administration are precisely the ones that NPM was intended to remedy. But it is not clear that NPM has provided all the answers either. Indeed, Groot and Budding's survey of Dutch public servants found that half of respondents regarded current NPM-based reforms as a temporary condition beyond which would emerge a new multistructured relationship between central government and its agencies (Groot and Budding 2008, p.4). The remainder saw reforms as leading to the dominance of NPM orthodoxy (23%) and a strong centralised state (27%) respectively. Given the drift toward a variety of new coordination initiatives in the post-NPM environment, they seem to be right.

We have noted that public sector reform in Ireland was initiated within a context which certainly displayed a strong ethos of public service values and the distinctiveness of public service. But this was also embedded in a culture of public sector self-preservation and strong public sector unions. Indeed, the organizational strength of employees in the civil service, and in service sectors such as teaching, various areas of health services, police, prison officers, and so on, implies something of a reversal in principal-agent theory. Yet in a context of very weak left-right polarity in the political system and a strong bias toward cross-class, catchall politics, none of the governing parties had any real incentive to undertake strong ideologically-driven reforms of the public sector, particularly if these were going to result in overt conflict. The result has been a negotiated approach to public sector reform which has had quite mixed performance effects.

The problems of efficiency, policy fragmentation, and institutional differentiation are now coming under greater scrutiny in the context of a concern with what is termed a 'whole-of-government' approach to policy processes. The OECD report, reinforced by budgetary difficulties, is likely to stimulate some reorganization of agencies. But the other issues we have noted are not much in focus at present – those of skills deficits, the potential for the dispersal of expertise and the politicization of promotions, and the issues of who is really accountable when things go wrong. Inevitably, in Ireland, it seems 'the system is to blame'.

## Appendix 1. Timeline of public sector reform initiatives in Ireland

1994	Establishment in January of Co-ordinating Group of Secretaries.
	May: launch by then Taoiseach (Prime Minister) Albert Reynolds of the Strategic Management Initiative (SMI).
	End year: departments start to produce Strategy Statements.
1996	Publication of Delivering Better Government (DBG).
1997	<i>Public Service Management Act 1997.</i>
	Quality Customer Service Initiative and first publication by departments of individual Customer Service Action Plans.
	<i>Houses of the Oireachtas (Compellability, Privileges and Immunity of Witnesses) Act 1997.</i>
	<i>Freedom of Information Act 1997.</i>
	Presentation of the first Strategy Statement under the Public Service Management Act 1997.
1998	Government Approval given for Multi-Annual Budgets and enhanced Administrative Budgets.
	Establishment of All Party Oireachtas Committee on the SMI (Note: the Joint Oireachtas Committee on Finance and the Public Service now deals with modernisation and reform issues).
1999	Design of new Civil Service policies and systems on HRM and Performance Management.
	Government approval of Financial Management system.
	Announcement of radical programme of Regulatory Reform.
	Initiatives in relation to e-Government, e-Commerce and the Information Society.
	Publication by departments of first Annual Reports under the terms of the Public Service Management Act 1997.
2000	Launch of Performance Management and Development System (PMDS) for the civil service.
2001	OECD report: Regulatory Reform in Ireland.
	Agreement on an Action Programme and National Action Strategy on Better Regulation.
2002	Independent Evaluation on SMI (PA Evaluation).
	Independent Evaluation on Quality Customer Service (Butler).

	Independent Evaluation on Partnership (J.J. O’Dwyer and Associates).
	Review of Partnership within the Civil Service (National Centre for Partnership and Performance).
	<i>Benchmarking Report.</i>
	<i>European Union (Scrutiny) Act 2002.</i>
2003	Publication of Social Partnership Agreement <i>Sustaining Progress</i> – includes commitments in relation to public service modernisation.
	Establishment of Performance Verification Groups to monitor and report on progress in implementing the modernisation agenda.
2004	Publication of the Government White Paper, <i>Regulating Better</i> : this sets out a detailed Action Plan to advance regulatory reform.
	Piloting of Regulatory Impact Analysis (RIA).
	PMDS Evaluation (Mercer): main recommendation to integrate PMDS with wider HR system, including assessment systems.
	<i>Public Services Management (Recruitment and Appointments) Act.</i>
	Civil Service Code of Standards Agreed.
2005	Integrated PMDS model: integration with increments, promotions, higher scales.
	Introduction of Regulatory Impact Analysis.
2006	Publication of Social Partnership Agreement <i>Towards 2016</i> contains further commitments in relation to modernisation of the public service
2008	Publication of the OECD’s <i>Review of the Irish Public Service</i>

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