

Welfare State Deregulation and the Neoliberalisation of Public Administration

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The paper discusses the increasing impact of private-economic management on public administration as well as a series of changing discourses about the administration's effectiveness. These discourses of "modernization" were related to the deregulation of the Keynesian welfare state since the late 1970s in Europe and are combined with a series of models of "modernizing" and neoliberalizing public administration. In particular, four models are suggested: a) New Public Management, b) Entrepreneurial Governance, c) Good Governance and d) the Standardization of public services through organizations such as the International Standardization Organization (ISO). With a technocratic language, these "effectiveness" models emphasize on the need to organize public administration through entrepreneurial criteria. As a result, they reconceptualise notions such as citizenship, politics and welfare according to market logics and an economized, "value for money"-culture.

Models, Discourses and Ideologies of "Modernization" of the Public Administration

1) The New Public Management (NPM)

NPM was combined with a requirement for a "post-bureaucratic" and "flexible" public administration. In the rhetoric of post-bureaucracy in the 1980s and 1990s, the administration would disengage from financially costly administrative and legal structures that did not meet criteria such as "efficiency", "rationality" and "innovation". The main argument of NPM proponents in the 1980s and 1990s was that the effectiveness of the state in providing services could neither be designed "rationally" nor could it be evaluated, in order to achieve the best results with minimal costs. Such targets would require the adoption of private-economic modes of function. In this frame, the deregulation of the welfare state should follow a "management state", while social policy should be redefined by criteria such as the "the three E principle" (Economy,

Effectiveness, Efficiency), or the “S.M.A.R.T” principle, where S.M.A.R.T. means that projects have to be “specific”, “measurable”, “achievable”, “realistic” and “time-tabled”. The emphasis lies on achieving results rather than on administrating processes. To this extent, cost-effective and market strategies in order to ensure “value for money” are employed. The interest shifts from inputs to outcomes. The focus lies on measures for improving services and on clearly defining targets. Therefore, the organizations and institutions of public administration ought to copy the strategies and ways, by which the private sector develops. What is thought to be uneconomic, unpragmatic or difficult to realize in practice, is criticized by the supporters of New Public Management as parochial and subject to change.

Implementation of NPM varies among different countries, for instance between continental Europe and the Anglo-American countries, or the post-socialist countries. Different variants of NPM also exist, for example models such as the “Efficiency Drive NPM Model”, the “Downsizing and Decentralization NPM Model”, the “In Search of Excellence NPM Model” and the “Public Service Orientation Model” (see Ferlie 1996: 10-15). These models differ on their emphasis on issues such as the cost of implementation or the degree of the reform. Common element between these models is the need for “limited governance”, for privatization of state tasks, the need for measurability and the initiation of entrepreneurial practices.

2. Entrepreneurial governance (EG)

EG promotes the participation of private sector to the public one, for instance through public-private mix models, quasi-markets, synergies, outsourcing etc. Supporters of the EG criticized traditional models of public administration for reproducing the characteristics of the Weberian bureaucracy: automatism, stiffness and mechanistic hierarchy. The idea was to replace “non-flexible” bureaucrats of the Weberian type with specialized managers, who were thought to know better the needs of the market society. Osborne and Gaebler’s popular book *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, which has set the basis of EG and market-

orientated administration is representative of such a viewpoint. Fundamental principle of EG is that it should “steer rather than row” (Osborne/Gaebler 1992: 25):

“Entrepreneurial governments promote competition between service providers. They empower citizens by pushing control out of the bureaucracy, into the community. They measure the performance of their agencies, focusing not on inputs but on outcomes. They are driven by their goals - their missions - not by their rules and regulations. They redefine their clients as customers and offer them choices - between schools, between training programs, between housing options. They prevent problems before they emerge, rather than simply offering services afterward. They put their energies into earning money, not simply spending it. They decentralize authority, embracing participatory management. They prefer market mechanisms to bureaucratic mechanisms. And they focus not simply on providing public services but on catalysing all sectors - public, private and voluntary - into action to solve their community's problems” (Osborne/Gaebler 1992: 19-20).

In this spirit, inter-service and intra-service competition for attracting resources and funding, are understood through a “cost-benefit” analysis and a “Value For Money” culture, which places emphasis not to social inputs, but to measurable outcomes. Through this kind of “professionalization”, three semiological transitions to the direction of economic behaviorism can be stressed:

a) First, these organizational reforms “characterize employment not as a painful obligation imposed upon individuals, nor as an activity undertaken to meet purely instrumental needs, but rather as a means to self-development and individual empowerment” (Du Gay 2000: 66). As long as the “performance management” of EG aims at the maximal decentralization of responsibilities in public services, success or not depends on the “chances” for “self-development/self-management” “offered” to employees. They can now undertake small or bigger projects, arrange small budgets, train others and in general they can undertake responsibilities that were formerly undertaken by their supervisors, department heads etc. They are “responsibilised” not simply as employees, but as entrepreneurial actors who “manage” themselves and their labor force (ibid.).

b) Second, the “citizen” is being transformed to “customer”. In EG the customer has the economic means to “choose” through a rational, cost-benefit evaluation between offered services on the basis of his freedom to consume. The state should not offer unified solutions to the citizens in general, but it should promote the specific socio-economic conditions, so that they can “freely” decide for their own problems (see Offe

2007: 29). The reason why EG is promoted as more democratic and participative in comparison to more centralistic models is exactly its emphasis on the individual and its “freedom” to choose services.

c) Third, the state limits its tasks and turns into “customer-friendly” entrepreneurial designer with a minimum role in providing welfare services. Its function is determined by seemingly neutral, pragmatic goals (“what works”) and not by ideological narratives. Politics turns into “operational conduct” with the aim of “successful cost” under the general principle “more market, more competitiveness!” (see Friedrichsmeier 2000: 15). At the same time, it distances itself from long-term plans, political visions and social programs that are considered as unachievable. Politics become a time-tabled “mission/project” that has to be done.

3. “Good Governance”

The concept of good governance is part of the greater paradigm shift from the power of central government of national welfare states to that of governance of globalised economies. In the framework of profit maximization and rational choice theories, “good governance” constitutes one of the aspects of the broader model of neoliberal governance amongst others such as that of the minimal state, of corporate governance, of self-organized networking and of the socio-cybernetic system (Rhodes 1996: 653). Programs of macroeconomic intervention through loans from the IMF and the World Bank, initially for the “development” and “restructuring” of countries of Africa and Latin America, were utilized as starting points for good governance since the mid 1980s. Although, these organizations appeared unwilling to provide a concrete definition of good governance in these countries, claiming that they avoided to interfere directly to the countries’ internal affairs, the concept was combined with general principles such as rule of law, political pluralism and market liberalism (see Kiely 1998: 65).

Gradually, criteria for loaning became the financial stability through measures such as tax exemptions for enterprises, the empowerment of the bank system, the privatizations, the opening of markets and the efficiency of public administration in the direction of liberal restructuring. Because achieving such aims would be impossible

without the cooperation of national governments, “good governance” was a means through which they would impose measures of liberalization.

In the mid 1980s and intensively in the 1990s, IMF and the World Bank have broadened to a great extent the programs of structural adjustment. They “came to specify changes in dozens of areas of macroeconomic policy – so many that neither the World Bank nor even the government concerned could ensure that policy conditions were being enforced” (Peet 2003: 72). Therefore, also for practical reasons, “good governance” ended up meaning a package of painful measures and monetary reforms that had to be undertaken by borrowing countries. These reforms were based on intensions of “good governance” of national governments, as a term for loaning. In combination with the intensified deregulation of the welfare state, the principles of “good governance” were specified and systematized further towards a direction that M. Camdessus, IMF’s managing director in 1998, described as a “new financial architecture for a globalised world”¹. Together with economic principles such as the empowerment of surveillance by IMF, liberalization of the movement of capital and the better involvement of private sector, “good governance” became “equally essential for strong economies and properly functioning democracies” (ibid.).

However, what exactly is defined as “good governance” or “good practice” remains unclear. These are instrumental concepts, fastened at the necessities they serve, which, as Kiely describes (1998: 68) comprise a “mean to an end”. Within an ideology of practicality and “sound management”, the adjective “good” as opposed to “bad” governance or practice does not delineate specific qualities or differences, but it relies on supposedly neutral, technocratic criteria that were considered as superior in terms of applicability. Linguistically and semiologically, “best practices” function as an empty shell in which principles and priorities fit. They constitute emphatic factors that underline special necessities based on a supposed rational evaluation between “bad practices” and “practices of excellence”.

Camdessus, Michel, Toward a New Financial Architecture for a Globalized World, speech at Royal Institute of International Affairs, London, 08.05.1998
<http://www.imf.org/external/np/speeches/1998/050898.htm>

Furthermore, both the idea of “market friendly intervention” and that of “good governance” are included to an anti-empirical neoliberal paradigm, which considers states as “inherent inadequate economic actors” (Kiely 1998: 68). Through the shift from politics to governance, “governance” signifies a narrow perception of politics (ibid.: 74). Politics is reduced simply to a matter of technical managerialism outside interests, conflicts and power relations. In this framework, if “smart” strategies of neoliberalism indicate “the dynamic and nomadic against centralized bureaucracy; flexibility against routine; spontaneous interaction and autopoiesis against fixed hierarchy” (Zizek 2009: 14), similarly “good governance” promotes a regulated deregulation of the welfare state in favor of entrepreneurial politics.

“Smart strategies”, “sound management”, and the “good governance” constitute more or less conscious efforts of moralization and justification of neoliberalism as a system of “rational” and “careful” management of public and private resources. On the contrary, the welfare state, already with the “ungovernability theories” of the 1960s, 1970s and intensively in the 1980s onwards, was demonized as causing surpluses of social and political demands as well as “excess of democracy”. This is the ideological background which supports individual rights and initiatives of entrepreneurship (economic, social) rather than social rights and expectations from the state. This way, it validates the (neo)liberal form of democracy as more effective in comparison to its egalitarian, welfare form.

4. ISO-Governance

Notably, reforms in the spirit of NPM in its broad sense, promote fragmentation of the administration and individualization while, on the other hand they promote equally drastically, principles of standardization and overall regulation that imitate the processes of commercialization of the industrial products. Such functions are served by organizations such as ISO (International Standardization Organization). This indicates the penetration of private-economic management criteria in public organizations.

ISO was established in 1947 and its dynamics had already increased during the 1960s and 1970s. Until 1980, ISO was limited to the control of industrial products with

its initial demand of creating rules of technical completeness for the empowerment of the international commercial activity (for ISO's history Murphy/Yates 2009). However, since 1990 this "low-profile organization" and "unusual social institution" (Murphy/Yates 2009: 1) has been more and more involved in broader issues of social regulation. As Murphy and Yates (2009: 68) describe, ISO 9000 in 1987 indicates "the desire and the capacity to take on a much broader agenda of social regulation". At the same time, the concept of "Total Quality Management" is initiated. TQM is not limited to aspects of the improvement of products through standardization, but it relates to "standards that are supposed to improve *all* of an organization's processes so that, over time, *all* of the features of *all* of its products will improve" (ibid.: 69, emphasis Murphy/Yates). A broader approach is systematized, in order to increase the competitiveness not only for the industrial products but generally for public and private organizations, whether for schools, universities, public hospitals, environmental organizations, government programs or even patterns of work relations, for instance through the ISO 26000 on "Social Responsibility", which aims to the regulation of working relations through flexible corporate governance and community participation (ibid: 21).

Fundamental principle of ISO 9000 is the "customer orientation", the specification of his/her needs, the evaluation of his/her satisfaction, with the aim of increasing the attractiveness of the organization (ibid.). Whether it is about consumers of simple or complex industrial goods (from food to armament systems), or about "users" of public services, such as in the fields of education and health, the standards of competitive governance through ISO "Quality Management" are based on an understanding of the public organization as an enterprise and on the image of the citizen as a customer/buyer.

Public organizations are certified with ISO in order to validate their proper operation and thus, achieve competitive advantages. ISO lends public agencies a scientific, accurate, neutral and methodic dimension, allegedly out of political priorities. At the same time, ISO aims at establishing an international prestige of standardization that exceeds domestic or local standards. Thus, "modernization" of public organizations means converting them into service providers that operate more on the basis of international norms rather than on national laws. These laws are considered to have no knowledge of the needs of the market society, and therefore are neglected as obsolete.

Through the demand for debureaucratization, a new bureaucracy is established as a result of a complicated chain of governance. For instance, the organization European Association for Quality Assurance in Higher Education (ENQA), made to promote the 1999 Bologna Process, aims at directing the countries that have signed the Process to adapt to rules of public universities according to ISO 9001: 2000. For example, several universities and colleges in the UK and at the Balkans have been certified with ISO. According to ENQA, “ENQA has an academical view on the topic, ISO is only focused on the organization, while both search for Standards”². However, the limits of action between such organizations are not always clear. They work closely together and sometimes their actions overlap.

5. Consequences of the “Responsibilizing/Activating” State

Welfare deregulation results into a process of “transferring formerly state tasks and to a consequent strategy of responsabilisation” (Krasmann 1999: 112). The deregulation of the welfare has resulted to an increased social role of the market, of private actors and communities. The new emphasis on “corporate social responsibility” signifies the involvement of enterprises to the management of social problems such as global poverty, environmental and human rights issues etc. In this spirit, “social marketing” promotes the adoption of marketing strategies for non-commercial aims that concern social life. Similarly, several sorts of charities and initiatives are undertaken by multinational corporations, but also by social actors, churches, NGOs, groups of volunteers, cultural agencies etc.

At the same time, a series of policies of “self-responsibility”, “responsibilisation” and “activation” of citizens are set in motion. This “activating state” (Eick 2003) maximizes “individual responsibility” and fragments collective demands. For instance, one of the critics of the welfare state, Lawrence Mead (1986: 10) suggested that

² See “Relation ENQA-ISO: Application of standard systems to Higher Education”, European Association for Quality Assurance in Higher Education (ENQA), EEGECS, Thematic Network. http://eegecs.webs.upv.es/public/Todos/articles/Docs/Paper%20congress%20Athens_marie2.pdf

„Government must persuade people to blame themselves; the poor must be obliged to accept ‘employment as a duty’”. For Mead (ibid.: 5), the fundamental weakness of the welfare state is its “permissiveness” and the fact that it “does not ask much from the poor” and premiums them with more freedom than it should. In this frame, the responsabilisation of these groups is important, so that it is not considered “that responsibility for the poor lies outside of them, at the government or the society” (ibid.: 46).

This is a model that forces individuals to reduce social expectations from the state and feel responsible for their own problems. Such policies respond to what Offe (1987: 506) described in 1987 as the “moral crisis of the welfare state”. The “remoralisation of the state” (ibid.: 507) is realized through the vision of a “functional citizen”. Through hers/his participation, she/he reproduces the new economic norms and the political individualism, and she/he also feels responsible for the dysfunctions of the system. This does not mean that the social construction of the “functional citizen” is a new priority. On the contrary, it is inherent to modernity and to the process of the construction of what Foucault has described as the “disciplined subject” through governmentality and the “governance of the self” (Foucault 1998: 428). In the frame of Foucauldian governmentality, the ways social control is diffused are not directed simply by central power. Social control is based on a more or less organized network of power relations between subjects. Through the processes of classification, disciplinatio and obedience, the subjects are at the same time transmitters and receivers of power (Foucault 1998). The “functional citizen” of neoliberalism is not simply the passive subject of the state. Through responsabilisation, she/he also produces neoliberalism. This is how the responsabilising state “governs from a distance” (Garland 1996: 469).

NPM, entrepreneurial governance, good governance and ISO standardization reflect exactly this “governing from a distance”, that should not be understood as “distance from governing” for it is no less combined with violence and power than before. The “modernization” of public administration through these models – despite their contradictions – indicates the new ideological mechanisms of the neoliberal state and the ways it instrumentalizes the “national interest”.

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