Abstract
This paper traces the development of managerial states in the United Kingdom and Australia. It argues that both states followed different paths to similar destinations. In the United Kingdom the managerial state was established by a Conservative government and intensified by New Labour. In Australia managerialism was promoted by Labor and further developed by the Coalition government. Central to the process was the role of organised labour, neither acting as an advocate of these changes nor as a robust opponent of them. The paper explores these changes and to argue that they are predicated on a complex and evolving compromise between organised labour and the new managerial stratum that has emerged as a consequence of the adoption of ‘New Public Management’ in both states. The paper concentrates on the administrative and managerial functions of the state and considers the rise of managerialism; the recentralisation of management; the exploitation of reform of public labour processes and the resulting dilemmas of organised labour.

Introduction
A common feature of both the Australian and British states is the embrace of managerialism in the organisation and operation of the state administrative structures. What is distinctive, however, is that both governments followed different paths to similar ends. Central to this process is the role of organised labour, neither acting as an advocate of these changes nor being a robust opponent of them. The aim of this paper is to explore these changes and to argue that they are predicated on a complex and evolving compromise between organised labour and the new managerial stratum. In both countries Australia and the United Kingdom the public services, and in particular the core administration, has been recast since the early 1980s, continuing throughout the 1990s. Characterised as ‘New Public Management’ (Hood 1991) although other designations include ‘managerialism’ (Pollitt 1993); ‘entrepreneurial government’ (Osborne and Gaebler 1993); and ‘market based public administration’ (Lan and Rosenbloom 1992), the unifying feature is the recomposition of administrative structures around a set of managerial relations. The rationalisation for these changes is usually presented in terms of ‘modernisation’ of the state administrative apparatus in order to reposition the national economies more effectively in an increasingly globalised world (Fairbrother and O’Brien 2000). While the broad contours of these developments have been documented (Halligan and Power 1992; Zifcak 1994), there has been a relative neglect of the way in which these changes lay the foundations for a remouling of the labour process implications of these changes for state employees (Fairbrother 1994, 1996, 2000; O’Brien and O’Donnell 1999; Carter and Fairbrother 1999; Australian Journal of Public Administration 1998 and 2000).

The paradox of this process, however, is that the critical condition for these developments is the reluctant compliance of organised labour, legitimating the direction of the modernisation strategy by default rather than its design. The paper argues that the construction of the managerial state rests on a complex relationship between organised labour and management, in part to draw the limits to government enthusiasm to create state administration as a ‘bad’ employer. This paper concentrates on the administrative and managerial functions of the state.

The paper is organised in the following manner.

- The background of the two states;
- Putting managers in place;
- Recentralising management;
- Exploiting labour process reform; and
- Dilemmas for organised labour.
Background

Throughout the post-war period, there was a trend towards the consolidation and centralisation of the British state apparatus (Fairbrother 1994). Similar processes were at work in Australia, initially under the Labor government and subsequently by conservative regimes. Since the late 1970s, governments have sought to impose a sharper financial regime on state services and further the imposition of direct managerial control of work processes. Successive governments transformed these areas of activity from a bureaucratised set of institutions, characterised by standardised conditions of work and employment, to a managerial and commercialised employer.

‘Putting managers in place’

The prime conditions for the transformation of core administrative arrangements were the introduction of managerialist practices. Whilst initially these were hesitant processes, they eventually amounted to a refocusing of the sector. The outcome was a restructured labour process and change in the dominant mode of control of labour in the sector. Class relations at the point of production were recomposed, so that a differentiation between a ‘middle’ class of state managers and a ‘working’ class of state employees became more apparent (Carter and Fairbrother 1995).

The first step in the transformation of the British civil service was the introduction of business-management techniques in order to both redefine and relocate the responsibilities of civil service management. A variety of programs were brought together in 1982, under the rubric of the Financial Management Initiative, developing a managerial form of organisation at a workplace level (Efficiency and Effectiveness in the Civil Service, 1982). During this period, management information systems and devolved forms of organisation, such as cost centres, became relatively widespread (Financial Management in Government Departments, 1983; Progress in Financial Management in Government Departments, 1984; Gray and Jenkins, 1986: 171 - 185). These initiatives were not welcomed, however, throughout the civil service and there was considerable debate about the direction of change at senior levels (Metcalfe and Richards, 1984; Drewry and Butcher, 1988: 204).

These were limited ‘reforms’, aimed at managerial practice, and by implication the relations between managers and their staff. They did not involve the structural reorganisation of the civil service, which that would have allowed the conception of a managerial civil service to be realised. The latter development would require breaking the link between the civil service as an operational institution responsible for the direct provision of goods and services, and the civil service as a policy formulator and adviser of governments and as a contract manager for the privatised delivery of services.

While the primary restructuring of the civil service in the took place under a Conservative government, many similar changes in Australia were initiated by a Labor government, operating within a framework of a Laborist conception of social democracy, but with an accelerating movement in a neo-liberal direction. The initial impetus of the Labor government was to reassert political control over the public service that had, hitherto, operated as a quasi-autonomous instrument of governance.

One of the first actions of the new Labor government in 1983 was to institute a major recasting of the Commonwealth Public Service Act. The White Paper on the Australian Public Service stated that ‘the balance of power and influence has tipped too far in favour of permanent rather than elected office holders’ (Commonwealth of Australia 1983). The changes emphasised cabinet priority setting, ministerial control and input from partisan, as well as public service sources (Halligan and Power 1992). In the period 1984-1987 the focus shifted towards managerialist modes of public service. Managerialism was principally manifested through extensive reforms of budgetary processes that would enable ‘Ministers to involve themselves in the allocation of resources’ (Commonwealth Public Service Board, 1983-4: 4). The assertion of more explicit political control over the public service was symbolised by the redesignation of permanent heads of government agencies as ‘secretaries’ and the creation of senior executive service designed to provide a more mobile, but a less secure, stratum of senior public servants. These initiatives simultaneously asserted political control while creating a senior management elite more consciously separated from the rest of the public service (O’Brien 1999). These initiatives
were reinforced by a number of financial measures that were designed to increase managerial accountability of the public sector with an emphasis on shifting from compliance to a greater degree of performance control (FMIP Diagnostic Study 1984: 37). To this end a comprehensive Financial Management Improvement Program was implemented that included the standard managerialist line-up: corporate and program management, program budgeting, corporate planning and performance evaluation together with a general Management Improvement Program (Halligan et al., 1992).

**Recentralising management**

The introduction of relatively limited sets of managerial practices, with the beginnings of a redefinition of work relations, set the scene for the transformation of the sector. This shift was accomplished through the introduction of decentralised forms of administration. The task was to both to develop operational responsibility while ensuring continued central control over the financial basis of the administration.

In the United Kingdom the decisive step came with the publication of, and subsequent implementation of, the Ibbs report in 1988 (Jenkins et al., 1988). The Ibbs Report, popularly titled ‘The Next Steps’, addressed the question of the conditions for the creation of a managerial civil service, proposing the establishment of a series of semi-autonomous management units, known as Agencies, working to the parent Departments (Jenkins et al., 1988). These enterprises were organised as enterprises with their own management strata, recruitment policies and terms and conditions of employment. By April 1999, there were 107 Agencies (covering more than 356,520 permanent employees, 77 percent of the civil service workforce (Government Statistical Services, 2000).

While these initiatives were taken by Conservative Governments during the 1980s and first half of the 1990s, with the election of New Labour in 1997, the restructuring of the civil service intensified. There was further privatisation of the civil service, the continuation of the Next Steps project, but of even more significance was the elaboration of the Modernising Government Program (Modernising Government, 1999). The program outlines a form of public service management that rests on an adaptation of private sector business practices. These reforms involved competition for senior civil service management positions, the introduction of more comprehensive performance management and performance-related pay systems, and the re-examination of business planning systems in the main departments (Cabinet Office 2000). The result is an attempt to graft onto the civil service a process of governance that encompasses a form of public administration that is cast as more responsive to citizens, and also more significantly to ‘business’.

In Australia, in the 1990s the Labor government moved to further decentralise management functions in the Australian Public Service (APS). In 1994 a government-appointed recommended a major revision of the Public Service Act and the industrial regulation of public service employees along lines that characterised private sector workers (McLeod 1995). Before these changes could be implemented, however, the government changed in 1996. The new Coalition government attempted to radically recast the Public Service Act, but the Senate initially rejected the changes, although a modified legislation was passed in 1999. In the meantime the government, relied had to rely on the new agreement-making provisions under the Workplace Relations Act to be the prime instrument of cultural change in the APS. The Public Service and Merit Protection Commission, Peter Shergold, declared that there was a need to remove central control that is premised on the false assumption that the APS is a single labour market in which every decision is driven by the relentless pursuit of uniformity. We need to free ourselves form the red tape that binds management decisions in layers of prescription. We need to wind back the cumbersome mechanisms of bureaucratic control (Shergold 1997).

The first bargaining round under the new legislation was to be the prime arena for the articulation of the ‘new public management’ arrangements in the APS.
Two distant governments drove this initial stage in the process of reorganising and recomposing the state administrative structures. Building on the somewhat limited, but necessarily first stage, these governments promoted a comprehensive re-institutionalisation of the state administrative structures. This was a profound step since in each case the twin objectives of an operational depoliticisation and centralised financial control were realised obtained.

**Exploiting labour process reform**

The marketisation of state administrations led to a reconfiguration of class relations within the state, with implications for labour representation and collective state worker activity. The primary focus for this was the recomposition of the labour process with the explicit definition of a ‘frontier of control’ between a ‘new’ stratum of managers and a more proletarianised workforce. In this respect, the ‘frontier of control’ was made both more explicit. Central to this process was the achievement of a new settlement between state managers and unions.

**The United Kingdom**

As the restructuring of the British Civil Service proceeded, the prospects for unions went through some dramatic shifts. Initially, the devolution of managerial responsibility to the office level opened up the prospect of wider bargaining opportunities at this level of organisation. The Inland Revenue Staff Federation (IRSF) embraced this opportunity, but it was regarded sceptically by the two main unions at the time (National Union of Civil and Public Servants - NUCPS and Civil and Public Services Association - CPSA) who were committed to maintenance of the centralised forms of bargaining. As a result, the moves made to broaden the bargaining agenda at a local level were something that took place in the absence of national leadership involvement, and occasionally, outright hostility.

The importance of the first stage of union response was that it produced a new generation of members who became used to a more direct involvement in union affairs at the local level. It coincided with a series of reviews within the civil service unions about the ways they should organise and operate (Drake et al., 1982). The aim of these reviews was to reorganise the unions so as to provide the basis for a more sustained mobilisation of members in the face of increasingly hostile governments. In doing so, the model of the workplace steward was promoted, although often against a background of debate about how to best direct the activity of such representatives (Fairbrother 1984: 88 - 95). This was a period in which local bargaining and disputes became more common, accompanied by the emergence of more activist workplace stewards in greater numbers than previously (Fairbrother 1994). The density of these unions was maintained during this period, workplace unions became part of the representative structures, and office-based negotiations became common., particularly over working conditions (Marsh, 1992, Carter and Fairbrother 1995; Fairbrother 1994 and 1996).

It was only with the second stage of reform, under the auspices of the Next Steps program and the associated fragmentation of the Civil Service, that these embryonic workplace-based representative structures came into their own as the basis for the aggregation of union interests. With the break-up the centralised bargaining arrangements and their replacement with Agency-based arrangements, the memberships could continue the uneven process of developing forms of unionism in which interest representation could operate effectively at Agency level. Although there was an episodic aspect to this process of union reorganisation, focused on particular issues and involving sections of the memberships, the foundation has been laid for effective mobilisation and the organisational articulation of interests in the relatively harsh conditions of Civil Service reform during the 1980s and 1990s. Even so, devolved bargaining was still largely conducted by paid union officials, although elected lay officials found themselves with greater responsibilities for pursuing workplace issues and personal grievances (interviews, Public and Commercial Services Union officers, 15 & 17 September 2001).

Nevertheless, these developments must be viewed against the pressures for older forms of union activity to reassert themselves. A feature of unionism in the United Kingdom was the apparent inability to integrate effectively local union organisation within the broader national union structures. Nevertheless, the devolution of managerial hierarchies and the fragmentation of civil service institutions created the conditions for more varied and localised union initiatives, and
thus provided the basis for union recovery and renewal. It was possible that unions in the civil
service could begin to reorganise and refocus their activities both structurally and ideologically,
developing union forms where the emphasis was on local initiative, where members were able,
and encouraged, to participate (Fairbrother 1996; 2000). In practice, such a rebalancing of
relationships went some distance, but ran up against the entrenched power of  national leaderships,
who continued to take the view that the parochialism and localism of  the workplace was such
that disassociated national leadership was the only way forward.

During the late 1990s, with the election of  the New Labour government, the gains of  the
earlier period were undermined by union attempts to reposition as a ‘partner’ of  the state as
employer, with the contradictory consequence of  stalling the moves towards union renewal.
On its re-election of  the Blair government, gave priority to the reform of  the civil service, as
part of  the process of  presenting the state as the handmaiden for Labour's policies toward
the economy and the community. Central to the realisation of  this objective was the program
outlined in the White paper on government modernisation and the reform strategy developed
in 1999-2000 (Modernising Government, 1999 and Cabinet Office, 2000). These were preceded
by the Employment Relations Act 1999, which provided a legal framework for securing
union recognition.

The civil service unions secured a partnership agreement as part of  the government’s modernising
strategy. advocated by the government. This Agreement, between the Cabinet Office, Public and
Commercial Services Union (PCS), Institute of  Professionals, Managers and Specialists (IPMS),
and the Association of  First Division Civil Servants (FDA), and the Council of  Civil Service
Unions (CSSU) is seen by the government as the means to achieve ‘continuous improvement’ in
the civil service. This objective was to be realised through work reorganisation, increased use of
information technology, and the delivery and provision of  public services (PCS, nd.). The union
leaderships saw it as the means of  securing the position of  the unions, as well as providing the
basis for influencing the modernisation process, at a time when many unions expressed disquiet
about the government's agenda for the public sector, particularly the extension of  public-private
initiatives in the delivery of  public services.

The reality of  Labour in power, however, has highlighted the limited possibility of  a social
democratic imperative in the current period. There is considerable evidence that the Labour
government has little intention of  accepting anything other than a limited agenda of  industrial
citizenship. Moreover, it could be argued that the Labour government position that sets the agenda
for the reforms undermines any more radical view of  social partnership. Such a vision would
entail an emphasis on organisation as the precursor of  an authentic partnership. In general, the
focus on social partnership presupposes effective organisation, otherwise partnership relations
are unequal and the unions become supplicants rather than partners. The solution for many is
the promotion of  a managerialist unionism, centralised and professional, as necessary to secure
the benefits of  partnership while maintaining the integrity of  the union. In this perspective, the
future for unions is clear; it emphasises the importance of  centralised, effective union organisation,
achieving a fruitful and productive balance between active workplace unionism and forward-
thinking centralised leaderships (Heery and Kelly 1994; Terry 1996). To the extent that the civil
service unions embrace this perspective, the gains made in the late 1980s and 1990s, in laying
the foundation for participative forms of  unionism are compromised (Fairbrother 2000).

**Australia**

Two models emerged in Australia.

**LABOR’S HYBRID MODEL:** Changes in personnel management in the APS tended to lag behind
financial reforms, changes in general management and political co-ordination. After 1987 the
Public Service Commissioner and individual agency secretaries carried out many of  personnel
functions previously exercised by the Public Service Board. Staff  establishments and industrial
relations remained under the control of  the Departments of  Finance and Industrial Relations
respectively. From 1983 to 1987 changes to personnel arrangements were largely legislatively based
and encompassed alterations to personnel policies and practices. These changes were management-
driven and were located within a wide-ranging recasting of  the Commonwealth sector. From 1987
changes in employment relations took place in a more explicitly industrial context.
In 1984, the Public Service Board embarked on a major review of the public service classification system. This process involved an extensive broad banding and simplification of the classification systems in the APS (Dorrington 1992). This process required the active involvement of public service unions. It suited the parties to negotiate centrally, although the new arrangements could be subsequently implemented to meet the specific requirements of individual agencies. This ‘managed decentralism’ of the industrial relations system generally enabled the processes within the Commonwealth sector to be integrated into broader industrial relations changes. The second tier and the structural efficiency wage principles required unions to negotiate with employers on issues of efficiency and productivity in exchange for access to arbitrated wage adjustments. By tying management-initiated organisational changes to the wages system it was possible to incorporate unions into management agendas, while limiting the capacity of management to impose changes without negotiation. The industrial democracy model of consultative management, employee participation and limited codetermination gave way to a more traditional industrial relations model of negotiated change through the wage system. (O’Brien and O’Donnell 2002).

In 1991 both the Labor government and the ACTU argued for the institution of workplace bargaining that would further develop the model of managed decentralism that had required unions to negotiate about workplace change in exchange for wage increases granted by the Industrial Relations Commission. Labor maintained a central place for unions in the process whereas the Opposition Coalition parties articulated a model that would deny unions a guaranteed role in workplace level industrial negotiations. Thus, Labor had a political imperative to demonstrate that its model was preferable to that being promoted by the Coalition (O’Brien 1995).

In December 1992, the government signed an agreement with 27 public service unions. It provided for the development of more flexible employment conditions at the agency level in exchange for an overall wage adjustment. Agency managements could make an agreement with unions operating within the agency. Those agencies that made an agreement were required to return some part of the savings wrought by the agreement that a central fund that would be used to pay wage increases to agencies that had not been able to reach an agreement. This became known as the ‘foldback’ mechanism. The unions would have preferred the maintenance of a completely centralised system, but they could live with a system that guaranteed that all public servants a share in a wage increase, even if it was not applied simultaneously to all agencies. The leadership of the Public Sector Union, was constantly attacked by sections of its membership for its concession to a moderate degree of decentralisation (O’Brien 1997). This internal disputation also had the effect of delaying a reconstitution of internal reorganisation to meet the exigencies of a more decentralised environment.

For the leadership of the Public Service Union the organisational priority was the merger with the state-based public service unions that was realised in 1994. Moreover, many agency managements thought that the arrangements did not give them sufficient scope to negotiate genuine agency-specific employment agreements. In the view of those agencies, the foldback mechanism provided too much incentive for other agencies to avoid making agreements (Halligan et al., 1996). It was hardly surprising that in the lead up to the 1996 election the government and the unions agreed to return to a more centralised arrangement. There would be a service-wide agreement and agencies were free to bargain on a range of agency-specific employment arrangements, without needing to negotiate about wages. There were few agency-level agreements made within this framework (Yates 1988).

THE COALITION ‘LOOSE - TIGHT’ MODEL: The Coalition government was determined to have ‘real’ agency level agreements without providing opportunities for some agencies to rely on central funding arrangements (Reith 1997). Given its general in industrial relations policy, it could not appear to maintain a tight degree of control over its own employees. Yet the government needed to ensure that its agencies conformed to those policy directions. Its instrument for appearing to loosen supervision, while maintaining overall control (a ‘loose- tight’ model) was its parameters for agreement making. The key provision of the parameters was that any agreement needed to be consistent with the government’s general industrial relations policy. Of particular note here was that unions were to lose their ‘privileged’ role as the exclusive bargaining agents for employees. Moreover, agreements were to be funded within the appropriations made to each agency (O’Brien and O’Donnell 1999b).
It took some time for the CPSU to respond to these developments. Its first response was to make do with an industrial relations system that was operationally decentralised, but where the Department of Workplace Relations enforced the government’s bargaining agenda. The CPSU also lost some thousands of members as a consequence of ‘downsizing’ in the APS. Its response to these developments was to centralise the union by reducing the power of the regional branches and replacing them a divisional structure that, in part, mirrored the organisation of the APS itself. It also centralised its finances. Much of its servicing functions were centralised into a Membership Services Centre staffed by organisers. This enabled the national level of the union to re-deploy resources into bargaining. By 2001 about 70 percent of its APS members were covered by agreements negotiated by the union. By 2004, the figure was over 80 percent (O’Brien, Junor and O’Donnell 2004).

The dilemmas for organised labour

The changes in the United Kingdom took place within the context of a comprehensive assault on trade union power by Conservative governments in the 1980s. In Australia, however, the union movement had been partially incorporated into the Labor’s government’s broader state restructuring agenda through the quasi-corporatist Accord arrangements. National-level pay bargaining came under threat in Britain, whereas in Australia, the centralisation of bargaining did not begin generally until the early 1990s and in the state sector, in any real sense until the latter 1990s. In both countries, state sector unions had developed in the context of standardised employment and industrial arrangements, largely characterised by national level pay bargaining in the United Kingdom and service-wide arrangements in Australia. The more agency focus of public service reform and the reconstitution of managerial structures presented a challenge to unions in both countries. In the United Kingdom, the public service reforms were a reflection of a wider exclusion of unions and a radical recasting of labour market regulation. In Australia, it occurred within a context of the managed decentralisation of the industrial relations system that was predicated on union co-operating with work reorganisation in exchange for wage increases. On the surface, the system in Australia was more benign for unions, whereas in Britain unions were put much more on the defensive.

The reforms in the United Kingdom were driven from the centre and were premised on the marginalisation of trade unions and their members from the process of recasting the standardised and uniform work and employment relations. Policies were implemented to reconstitute the forms of control and the organisation of the labour force in these sectors. The concern to modify the standardised and detailed work routines and patterns characteristic of much of this work led to an intensification of work and increased managerial discretion. From a relatively anonymous position within an extended administratively controlled hierarchy, managers were transformed into highly visible and identifiable actors involved less in a collective labour process and more and more in the control and supervision of the work of others. This signified the ending of a unified Civil Service, characterised by standardised work and employment conditions, and the beginning of the creation of an enterprise or commercialised employment structure, within which there is a more highly visible state ‘middle’ class of managers, and ‘working’ class of employees (Carter and Fairbrother 1995).

The pattern of change in Australia was different, reflecting the particular version of social democracy elaborated during the 1980s (Dow 1993). Drawing on a long labourist tradition, the successive Labor governments elaborated a view of the state that should be both responsive to the citizenry as well as being a more participatory and enabling (Beilharz 1994). The aim was to reorganise the state sector so that the stultifying and conservative practices of the past were to be replaced by a ‘modern’ public service. Central to this program was the view that some form of industrial democracy was desirable, if not necessary, for the accomplishment of the type of reforms envisaged. So, rather than weaken union influence, the premise was that union involvement in the process should be active and involved, affirming the place of workers and their unions as positive proponents of change. In this case, managers became more and more involved in the collective labour process. This was a social partnership, between a management that sought to establish managerial prerogative and labour as an active contributor to and participant in the process of change.
This tentative settlement was shattered, however, with the election of the Coalition government in 1996. Its more determined path towards the managerial state is predicated on the marginalisation, rather than the incorporation of, state sector unions. The Coalition government's public service reforms are, the application of its broader industrial relations policy to its own employees.

Conclusion

The restructuring of the core state sector in both countries has been in process for over two decades. These processes took place against two civil and public services that had long been organised in centralised and hierarchical ways. In the context of increasing difficulties with private capital accumulation, growing trade union militancy in the state sector and a shift in government ideology, governments began to impose more stringent financial regimes on state services and to re-structure the control of work processes. The processes and trajectories of change in both countries were, however, different involving distinctive approaches to the perceived problem of labour inclusion or exclusion. Nonetheless, the overall outcome is two managerial states developing in parallel ways as modern capitalist states.

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