

## Criticism of the Implementation of the New Public Management (NPM) in Indonesia Based on the Perspective of Article 33 of the 1945 Constitution



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**ABSTRACT:** This study aims to criticize the implementation of NPM in Indonesia which is considered unable to answer what is mandated by article 33 of the 1945 Constitution. The implementation of NPM will have a more positive impact on Indonesia, which is a developing country if its implementation is based on Article 33 of the 1945 Constitution. This is a critical study with a literature study approach. The values contained in Article 33 of the 1945 Constitution are related to the concept of NPM. This research shows that the alignment of NPM implementation with article 33 of the 1945 Constitution can increase the role of NPM for public companies in Indonesia which is a Pancasila state.

**KEYWORDS:** Criticism, New Public Management, Perspective, Constitution of 1945, Indonesia

### I. INTRODUCTION

In Indonesia, in the past few years, the management practices of public sector companies were not often discussed or even received no attention. Unlike today, this has turned out to be a hot issue that is widely discussed by both practitioners and academics (Hill, 1988); Broadbent & Laughlin, 2003; Goddard, 2005; Sinclair, 1995). The existence of a transformation in public accountability that operates under the idea of New Public Management (NPM) has received much scrutiny because its practices are not in accordance with the conditions of the Indonesian nation itself. Previously, public sector companies in Indonesia implemented a traditional system which was felt to be inefficient in managing government, so NPM was used to overcome this problem (Funnell, 2003; Hood, 1991; Parker & Gould, 1999). However, this change is seen as inappropriate for implementation in the public sector because NPM is profit oriented (Doig & Wilson, 1998; (Hebson et al., 2003)). To overcome this problem, it is felt necessary to make changes in the application of NPM so that it is more in line with the character of the Indonesian nation. This study will describe criticism of the implementation of NPM in Indonesia which is considered contrary to the mandate of the 1945 Constitution, especially article 33. Thus, this study emphasizes the embodiment of all the principles of kinship and mutual cooperation written in the 1954 Constitution article 33 in the application of NPM in public sector companies in Indonesia.

### II. LITERATURE REVIEW

#### A. New Public Management

New Public Management (NPM) indirectly arises from strong criticism of public sector organizations and has given rise to movements and demands for public sector management reform. NPM then influences the process of change in public sector organizations in a comprehensive manner almost throughout the world. The implementation of decentralization, devolution and modernization of public service delivery is the emphasis of the NPM movement. The term New Public Management was originally introduced by Christopher Hood in 1991 which was then abbreviated as NPM. When viewed through a historical perspective, the modern approach to public sector management originally emerged from European countries around the 1980s and 1990s. The emergence of this approach is a reaction and condition of the inadequate traditional public administration model. In its development, this modern managerial approach is also known by various names, such as: "managerialism", "new public management", "market-based public administration", post-bureaucratic paradigm", "market-based public administration", and entrepreneurial government. All of these terms have the same meaning, but the most popular term is New Public Management. (Denhardt & Denhardt, 2000) explains that New Public Management refers to a group of contemporary ideas and practices which

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essentially use private sector and business approaches in the public sector. The New Public Management has become normative which signals a major shift in the way we think about the role of the public administrator.

According to (Bovaird & Loeffler, 2015), New Public Management is a movement to streamline the public sector and make it more comparative and try to make public administration more responsive to the needs of citizens by offering economic, efficiency and effectiveness measurements (value for money), flexibility choice, and transparency. The implementation of the NPM concept can be seen as a form of modernization or reform of management and public administration, depoliticization of power, or decentralization of authority that promotes democracy. Some parties believe that the New Public Management paradigm is an international phenomenon as part of a global process. The concept of NPM has so quickly influenced public management practices in various countries that it has formed a worldwide movement.

Characteristics of NPM according to (Hood, 1991) has seven main components, namely: (a) Professional management in the public sector NPM requires public sector organizations to be managed professionally. The consequence of carrying out professional management in the public sector is that there is freedom and discretion for public managers to manage the organization they lead accountable. Professional management requires clear boundaries of main tasks and functions as well as job descriptions; (b) The existence of performance standards and NPM performance measures requires the organization to have clear objectives and to set performance targets. These performance targets are obligations imposed on managers or personnel to achieve. Setting performance targets must be linked to performance standards and performance measures. Setting performance standards is intended to provide the best value and best practice, while setting performance measures is to assess success or failure in achieving performance targets and organizational goals; (c) Greater emphasis on output and outcome control. In the NPM concept, all organizational resources must be mobilized and directed to achieve performance targets. The emphasis is on achieving results (outcomes), not on policies. Controlling outputs and outcomes must be the main focus of organizational attention, no longer just controlling inputs, such as budgets, staff numbers, materials and so on. One example of this change is the use of performance budgeting; (d) Splitting of units in the public sector The traditional public sector organizational model is heavily dominated by bureaucratic organizations. The bureaucratic organization model developed by Max Weber was initially very strong for increasing organizational efficiency, but over time this pattern failed due to the growing and more complex public sector organizations so that this resulted in organizational institutions due to their centralized nature. The concept of NPM requires the organization to be divided into work units. NPM wants decentralization, devolution and the granting of greater authority to subordinates. The purpose of breaking the organization into work units is efficiency and cutting bureaucratic slack; (e) Creating competition in the public sector. The NPM doctrine states that public sector organizations need to adopt market mechanisms and create competition. The purpose of creating competition in the public sector is to save costs. For this reason, a competitive contract and tender mechanism is carried out in the context of cost savings and quality improvement as well as privatization. Some public service tasks can be assigned to the private sector if this is indeed more cost-effective and produces quality performance. In addition, another benefit is encouraging the private sector and the third sector to develop; (f) The adoption of management styles in the business sector into the public sector. The concept of NPM assumes that management practices in the private sector are much better than public sector management. Some of the better management practices include performance appraisal, performance-based compensation and promotion systems, cost management, flexible structures, more advanced accounting and budgeting systems. It is hoped that the adoption of these practices will develop better public sector management; (g) Emphasis on discipline and greater savings in the use of resources. NPM requires public sector organizations to pay great attention to the use of resources economically and efficiently. This doctrine requires public sector organizations to save direct costs, improve employee discipline, and activities that lead to quality improvement at low prices. This can be done by the government through price control.

### **B. Article 33 The 1945 Constitution of the Republic of Indonesia: The National Economy and Social Welfare**

The 1945 Law is the constitutional foundation of the Indonesian Nation. Apart from being a constitutional basis, the 1945 Law is also the highest source of law in Indonesia. Therefore, its role is very much needed in the life of the nation and state. One example is Article 33 of the 1945 Law which forms the basis of the national economic system. This article contains the basis of the economy and management of natural resources owned by the Indonesian state. The following reads Article 33, which is quoted directly from the 1945 Law.

#### **Article 33**

1. The economy shall be organized as a common endeavour based upon the principles of the family system.
2. Sectors of production which are important for the country and affect the life of the people shall be under the powers of the State.

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3. The land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people.
4. The organisation of the national economy shall be conducted on the basis of economic democracy upholding the principles of togetherness, efficiency with justice, continuity, environmental perspective, self-sufficiency, and keeping a balance in the progress and unity of the national economy.
5. Further provisions relating *to the implementation of this article shall be regulated by law.*

In Article 33 paragraph (1) it is stated that the economy is structured based on the principle of kinship. That is, the economic system that is used and developed should not use the principle of competition and individualism. Article 33 paragraph (1) can also be interpreted if the economy is structured starting from the national level to various regions in Indonesia. The entire structure of this economy is based on the principle of kinship.

In Article 33 paragraphs (2) and (3) it is stated that the state controls various branches of production that have broad interests, land and water as well as existing natural resources. This is intended so that all of these components can be processed and used for the benefit of the wider community and for the prosperity of its people. Mastery by this state also means that the economy is not only controlled by individuals or groups of people. But it must be used for the benefit of the wider community and for the prosperity of its people. Therefore, control of important matters relating to the public interest is controlled by the state.

In Article 33 paragraph (4) it is stated that the national economy is organized based on economic democracy and other principles, such as togetherness, efficiency with justice, sustainability, environmental awareness, independence, and maintaining a balance of progress and national economic unity. This means that the economic system is aimed at and can be controlled by the people. It's just that in practice, the economy cannot be directly controlled by the people, but can be represented by people's representatives, such as the People's Consultative Assembly, House of Representatives, Regional Representative Board and the president. Even so, the implementation of economic democracy in the national economic system still relies on the principles that have been mentioned. Accordingly, it can be concluded if the national economic system is run through the principle of kinship, giving authority to the state to manage the Indonesian economic system, by making economic democracy as its basis, which is also followed by the principles of togetherness, efficiency with justice, sustainability, environmental insight, independence, and maintaining balance development and national economic unity.

### **III. RESEARCH METHOD**

This research method uses a critical study of a concept and phenomenon based on the results of the literature study obtained. The literature study process is a systematic process for evaluating, identifying, and synthesizing the concepts being studied based on the literature that has been obtained (Bhattacharyya & Verma, 2020); (Massaro et al., 2016). Furthermore, a critical approach is an approach in which there is an evaluation process of an established concept and tries to offer a concept that is an alternative to domination (McPhail & Cordery, 2019); Tweedie, 2018). This method is appropriate for constructing alternative explanations for the current NPM implementation. There are several stages carried out by the researcher, starting from exploring the literature related to Article 33 of the 1945 Constitution, then the values contained in this philosophy are connected with the concept of new public management which is the basis for public sector accounting in implementing its accounting practices. The critical literature review method will provide a new concept over existing concepts so that it is hoped that it will complement and enhance the implementation of NPM in public companies.

### **IV. DISCUSSION**

New Public Management The presence of the NPM concept is not without criticism, there are a number of things that are considered as weaknesses of the NPM. This is according to the Economic and Social Council of the United Nations (2003: 9) caused by the large difference between market power and public interest, and this market power cannot always fulfill what is in the public interest. Even in many cases the public is often not involved to participate in determining, planning, monitoring and evaluating the actions taken by the government. New Public Management is a concept that was born from developed countries like England so that when it is applied to developing countries, of course it will face problems. Developing countries face problems due to different economic systems and characteristics from developed countries. Developed countries have market characteristics that have been able to release certain sectors to market mechanisms because they are supported by bureaucracy and strong legal rules, while developing countries that are trying to follow the New Public Management do not or lack experience in implementing market economic characteristics plus a lack of resources. human resources and strong legal rules have resulted in the

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implementation of the New Public Management not being universally applicable and prone to failure. There are several criticisms of the implementation of the New Public Management in Indonesia as a developing country, as follows:

First, New Public Management is based on the application of market mechanism principles to public policy and management. This is also related to the reduction of the government's role which is replaced by market development, namely from a state-wide government-centric approach to a market-centric. Developing countries have little experience in market economies. Markets in developing countries are relatively weak and ineffective. The market economy is dominated by foreign or foreign companies, not local or indigenous entrepreneurs. In Article 33 paragraph (1) it is stated that the economy is structured based on the principle of kinship. That is, the economic system that is used and developed should not use the principle of competition and individualism such as market competition.

Second, there are problems in the privatization of public companies. Privatization in developing countries is not an easy task. Because markets in developing countries are not yet strong, privatization will eventually mean foreign ownership or certain ethnic groups which can be dangerous, for example creating social rifts. This is contrary to paragraph 2 of article 33 which reads that the branches of production which are important for the state and which affect the livelihood of the people at large are controlled by the state.

Third, changes from bureaucratic mechanisms to market mechanisms if not carried out carefully can create outbreaks of corruption. This is also related to the problem of a culture of corruption which is mostly experienced by developing countries. The shift from a patronizing bureaucratic culture to a market culture full of competition requires strong efforts to reduce the power of the bureaucracy.

Fourth, there are problems with the contracting model in the delivery of public services if the rule of law and outcomes are easy to determine. If the goals of the organization are not clear, or there is an outbreak of entrenched corruption, then the use of contract models is less successful, there are bigger problems of politicization in developing countries than in developed countries, including in terms of the politicization of the provision of public services.

Fifth, difficulties in implementing the New Public Management in developing countries are also related to institutional problems, weak law enforcement, capital, and human resource capabilities. In addition, developing countries continue to carry out reforms that are unrelated or even contrary to the NPM agenda.

### CONCLUSIONS

The implementation of NPM in Indonesia should be done by combining it with the values contained in article 33 of the 1945 Constitution. This is considered to be able to anticipate the emergence of negative impacts from NPM. The 1945 Constitution is the constitution and the highest source of law applicable in the Republic of Indonesia. The 1945 Constitution embodies the foundation of the Indonesian state (ideology), namely Pancasila, which was clearly stated in the Preamble to the 1945 Constitution. Accordingly, it is very easy for all Indonesian citizens to accept and implement it, including in implementing the NPM.

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