



New Public Management in Europe and Germany

Local Governments and the

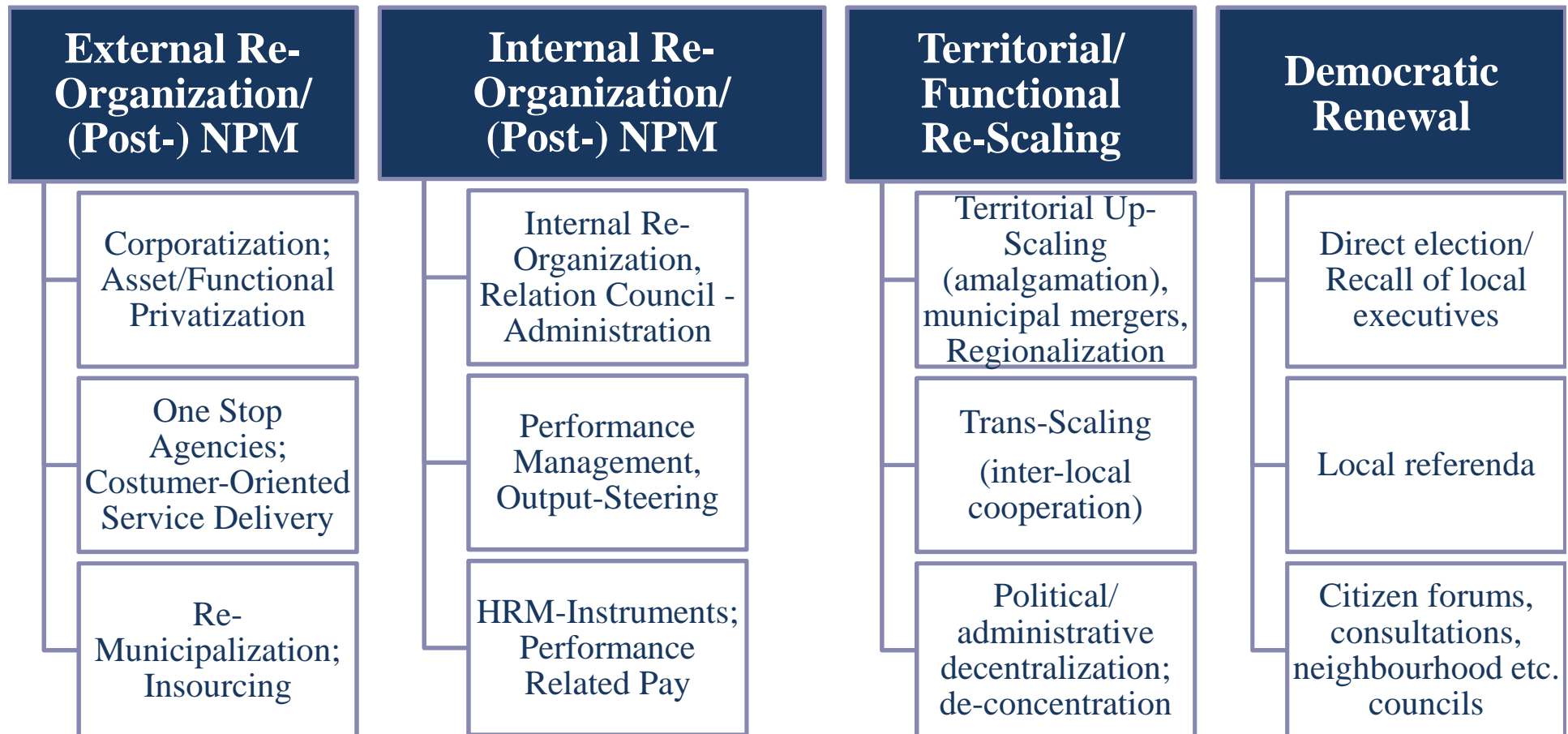
„New Steering Model“

Prof. Dr. Sabine Kuhlmann

Structure

- New Public Management as an international reform Movement?
- The German version of NPM: NSM
- NPM-Implementation and Effects in German local governments
- Conclusion

Types of Local Public Sector Reforms in Europe





New Public Management: an international Trend?

„The movement has been striking because of the number of nations that have taken up the reform agenda in such a short time and because of how similar their basic strategies have been.“

(Kettl 2000: 1)

- Reform discourse and decisions
- Reform measures (practices/actions)
- Reform results and effects

New Public Management (NPM)

External Dimension

- Marketization
- Privatization
- Competition
- Benchmarking
- Customer Orientation
- Quality Management
- One Stop Agencies

Internal Dimension

Managerial Instruments

Process Innovations:

- Management by Results (“products”)
- Performance Budgeting
- Controlling Systems
- Contract Management
- Decentral Management of Resources

Organizational Innovations

- Corporatization/ Company-Structures
- Profit/ Result Centers
- Lean Central Steering Unities
- Quasi-Autonomous Service Unities

Human Resource Inovations

- Recruiting Economists
- Team Work and Participation
- Economic Incentives (Performance Related Pay)
- Modern HRM-Systems

Separation of Politics and Administration

Distinct Separation of Roles

- Councillors: Strategic Decisions
- Administration: Management
- Political Contracts/ Controlling
- Output-oriented Budgeting (by political objectives)

Shortfalls of “classical” Administration

Input oriented, additive
resources management

Missing transparency of
outputs

Centralist, resource planning,
organized division of labor

Steep hierarchy,
scientific management of
division of labor

Control of bureaucratic
instruments (rules, instructions,
chain of command)

NPM Reform Suggestions

Output oriented, product
control, resource
conservation

Controlling, KLR, reporting
system, performance
measurements

Decentralization
of resource management;
dismantling cross-sectional area

Downsizing of hierarchy,
result centered, teamwork

Management from
a distance, through contracts;
economic incentives for
performance



Different Paths of NPM in Western Europe

- Angloaxon Type: „minimizer“, radical privatization, CCT, minimalist state;
- Continental European Type: „maintainer/ modernizer“, less privatization (formal), internal (managerial) reforms;
- Scandinavian Type: „planned“ marketization, combination of performance management and user democracy.



Administrative reform practice by comparison – country ratings

| | Germany | France | Italy | Great Britain | Sweden | Hungary |
|--|---------|--------|-------|---------------|--------|---------|
| NPM- External Dimension: privatization and marketization | | | | | | |
| Formal privatization | 2 | 1 | 2 | 0 | 2 | 1 |
| Asset privatization | 1 | 0 | 1 | 2 | 0 | 1 |
| Functional privatization | 1 | 1 | 1 | 2 | 2 | 1 |
| NPM - Internal Dimension: Agencification and performance management | | | | | | |
| Agencification | 0 | 0 | 0 | 2 | 1 | 0 |
| Performance management | 1 | 1 | 1 | 2 | 2 | 1 |
| PRP in the public service | 0 | 0 | 1 | 2 | 1 | 0 |
| Flexibility of public employment relations | 0 | 0 | 2 | 1 | 1 | 0 |

NPM in Germany

- **First NPM-activities only in the 1990s**
- **Why?**
 - Good performance of Germany's public administration (rule of law-principle; efficiency)
 - Public sector comparatively "lean" (public employment as % of general employment: 14,8% in 1991)
 - "Modernity" of basic institutional key features of the German system (decentralized structures, de-concentration, enabling functions according to subsidiarity)
 - NPM-hampering institutions/"legacies" (legalistic administrative culture; "monopoly" of lawyers as top civil servants; Weberian bureaucracy)

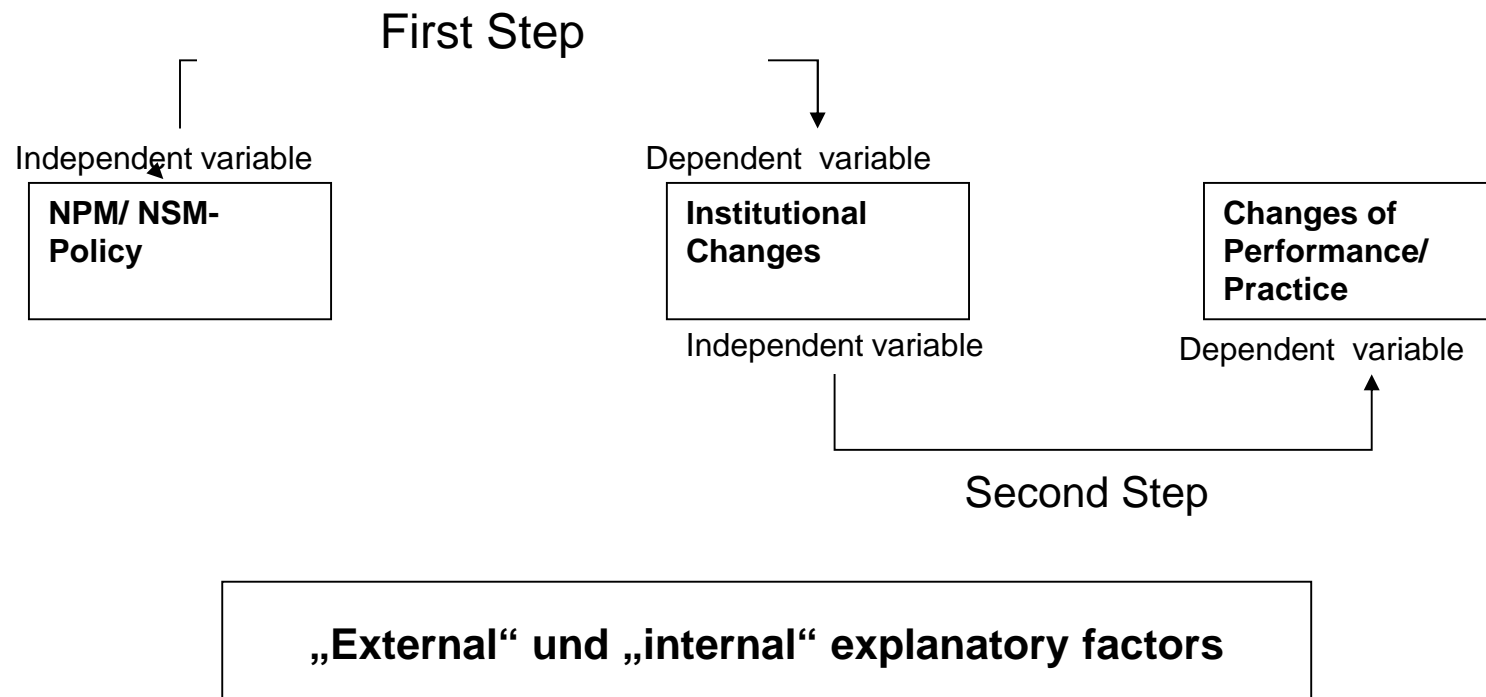
NPM in Germany

Driving factors of the NPM-Reform:

- Increasing fiscal crisis (LGs: -8,3 bill. EUR in 1992)
- International NPM-Debate
- Debates on Germany as investment site („Standort Deutschland“)
- „Import“ of the “New Steering Model” (NSM) from the Netherlands („Tilburg-model“)
- KGSt-Campaign to spread the “NSM” as reform concept
- Renouncement of privatization

Evaluating the NSM

Two-Steps-Model of the NSM-evaluation



Evaluating the NSM

| | Surveyed | Response Rate (Total) | Response Rate (West) | Response Rate (East) |
|---|-------------------|------------------------------|-----------------------------|-----------------------------|
| Mayors/ County Chief Executives (<i>Landräte</i>) | 1565 | 870 (55,6) | 746 (57,1%) | 124 (43,7%) |
| Staff Councils | 1562 ¹ | 667 (42,7%) | 573 (43,9%) | 94 (32,0%) |
| Heads of Youth Authorities | 519 | 240 (46,3%) | 199 (47,3%) | 41 (45%) |
| Heads of Building Supervisory Boards | 782 | 365 (46,5%) | 313 (50,0%) | 52 (42,2%) |

Evaluating the NSM

| Reform Activities/ Concepts of German Local Governments | County- free Cities | Munici- palities | Counties | East | West | Total |
|--|------------------------------------|-----------------------------|-----------------|----------------|----------------|------------------------------|
| All Reform Measures (NSM and other) | 97,6% (80) | 91,0% (578) | 95,4% (145) | 93,5% (116) | 92,2% (688) | 92,4% (804) |
| Comprehensively NSM- guided | 27,2% (22) | 14,7% (85) | 15,9% (23) | 10,3% (12) | 17,1% (118) | 14,9% (130) |
| Partly NSM-oriented (single instruments) | 65,4% (53) | 64,3% (373) | 74,5% (108) | 63,8% (74) | 66,7% (461) | 61,5% (535) |

Germany: Discourses vs. Actions

One the one hand:

- Predominance of the NSM as reference model of management reform in German local governments
- Fast diffusion of the NSM-concept (promoted by the KGSt as a core actor)
- 80% of the communes pursued NSM-inspired reform initiatives

On the other hand:

- Local government modernization only partly guided by the NSM-concept
- 60% of the cities pragmatically select single elements of the NSM
- Entirely NSM-guided modernizations projects are an exception (16%)
- Only 22 communes (2%) can be referred to as "NSM-hardliners"
- Obvious "implementation gap" in NSM modernization

Effects of Management Reforms in *Germany*

Positive effects:

- Service and performance improvements
- 60% of the municipalities have created one-stop-agencies
- 70% have extended their office hours
- 50% have shortened administrative procedures
- NSM as a “window of opportunity”

Negative Effects:

- Decentralization/ Autonomization without central controlling systems
- Lack of comprehensive steering and cross-sectoral coordination
- Weakening of hierarchical subordination → “management vacuum”
- Quasi-autonomous departments (result centres) operate separately from each other
- Increasing departmental egoisms, sectoral fragmentation
- Increasing transaction costs; expenses of time and personnel
- Reactions:
 - Abolishment of significant NSM-elements
 - Steps towards a “Re-Weberianization”

Evaluating the NSM

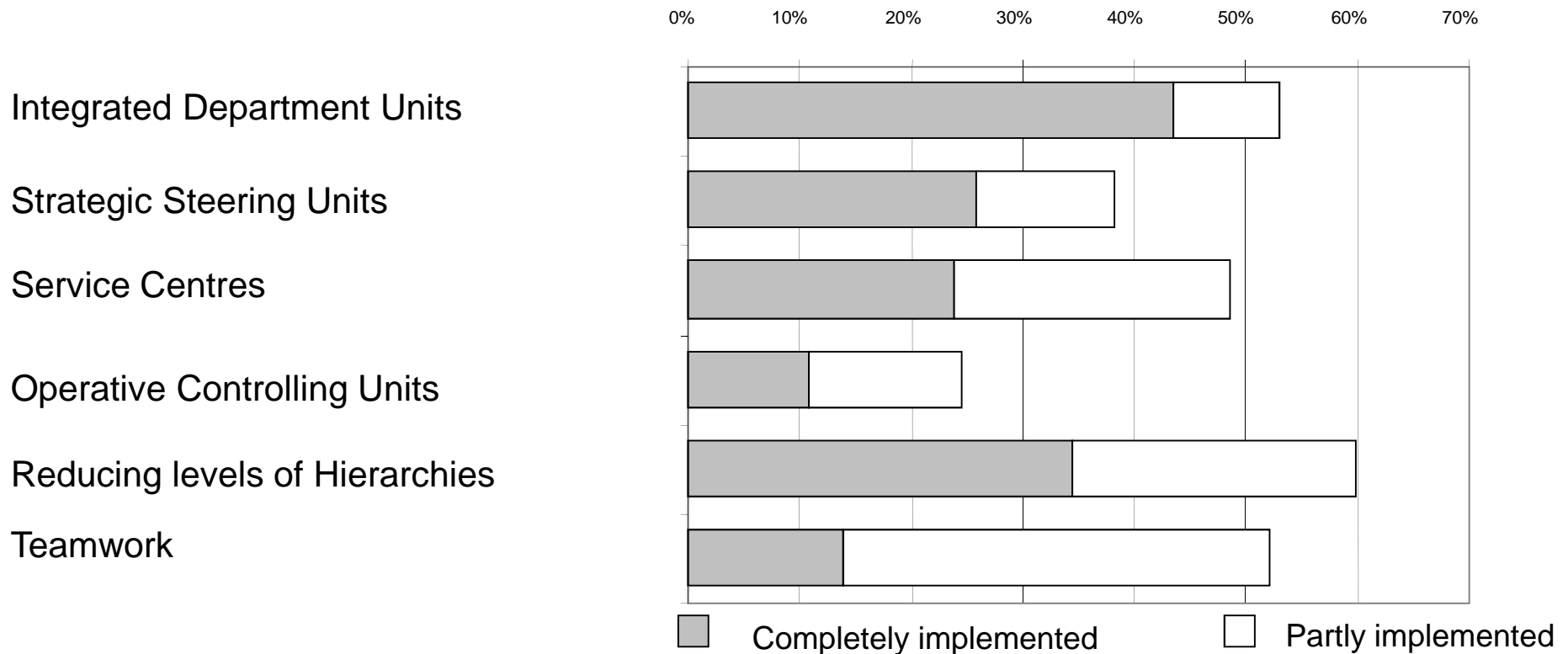
| NSM-Elements | Entirely Implemented (n=870 mayors) |
|---|--|
| New Department Structures | 43.6% |
| Strategic Steering Units | 25.9% |
| Decentralized/ Operative Controlling Units | 10.9% |
| Internal Service Centres | 23.9% |
| Abolishing Levels of Hierarchy | 34.5% |
| Decentralized Management of Resources | 33.1% |
| New Budgeting Procedures | 33.1% |
| Output Analyses (Definition of "Products") | 29.0% |
| Cost and Activity Accounting | 12.7% |
| Reporting | 22.1% |
| Contracts between Top Management and Services | 24.3% |
| Contracts between Politics and Administration | 14.8% |
| Quality Management | 13,9% |
| One-Stop-Agencies (Bürgerämter) | 57,5% |
| Customer Surveys | 54,7% |
| Citizens' Charters/ Service Guarantees | 7,1% |

Evaluating the NSM

1. Re-organization: Dismantling hierarchies?
2. Process innovations: from “legalism” to performance management?
3. Human Resource Management: better motivated staff members?
4. Politics and Administration: clearer separation of roles?

Evaluating the NSM

Dismantling Hierarchies?



Source: NSM-survey; n = 870

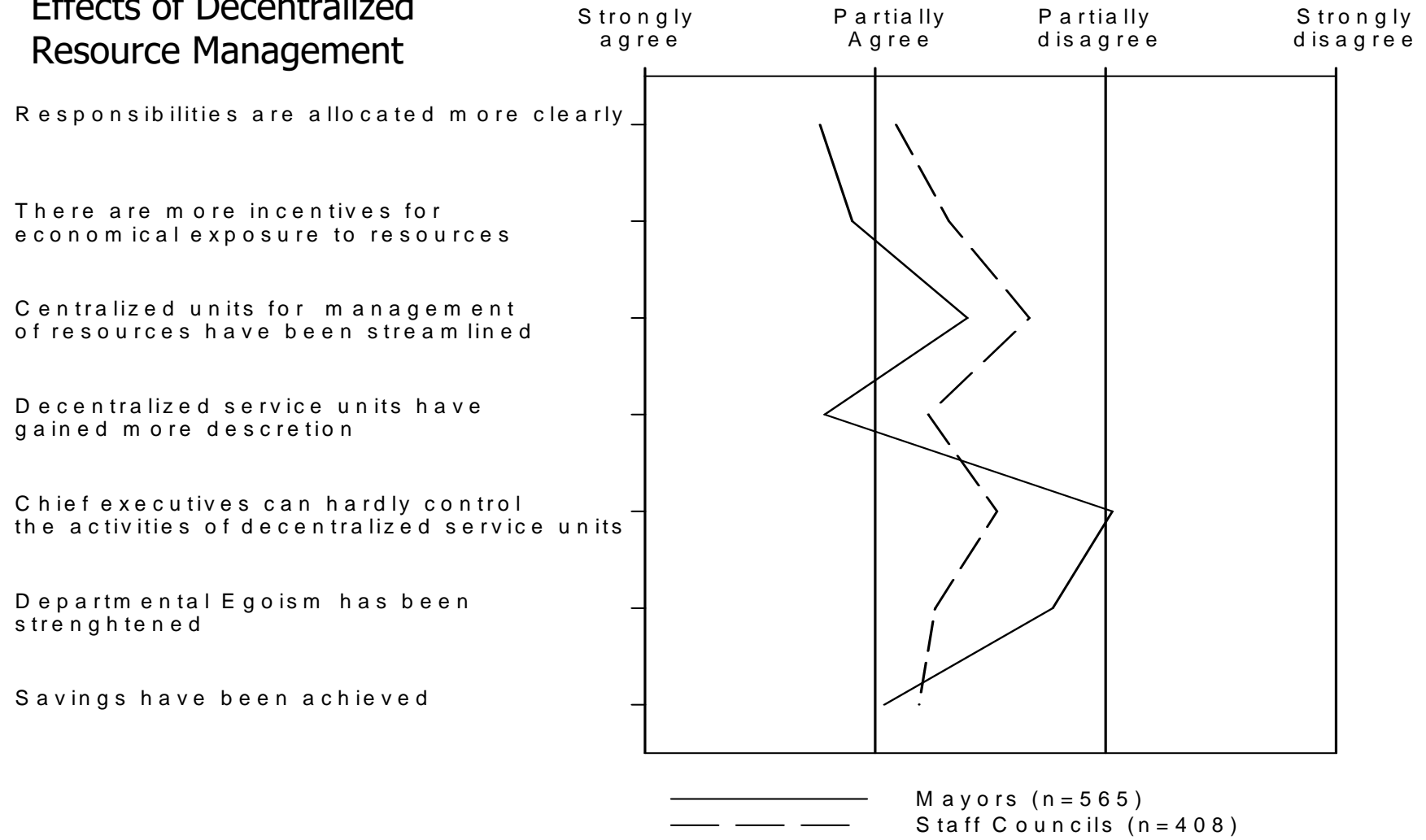
Evaluating the NSM

Dismantling Hierarchies?

- Decentralization without central controlling systems
- Lack of comprehensive steering and cross-sectoral coordination
- Weakening of hierarchical subordination: “Management vacuum”
- Quasi-autonomous departments (result centres) operate separately from each other
- Increasing departmental egoisms, sectoral fragmentation
- Chief executives loose controlling and steering capacities vis-à-vis decentralized units
- Team work not appropriate for all services (e.g. building permits)
→ decreasing performance
- Increasing transaction costs; expenses of time and personnel
- Danger of corruption due to decentralized management of resources (without controlling)

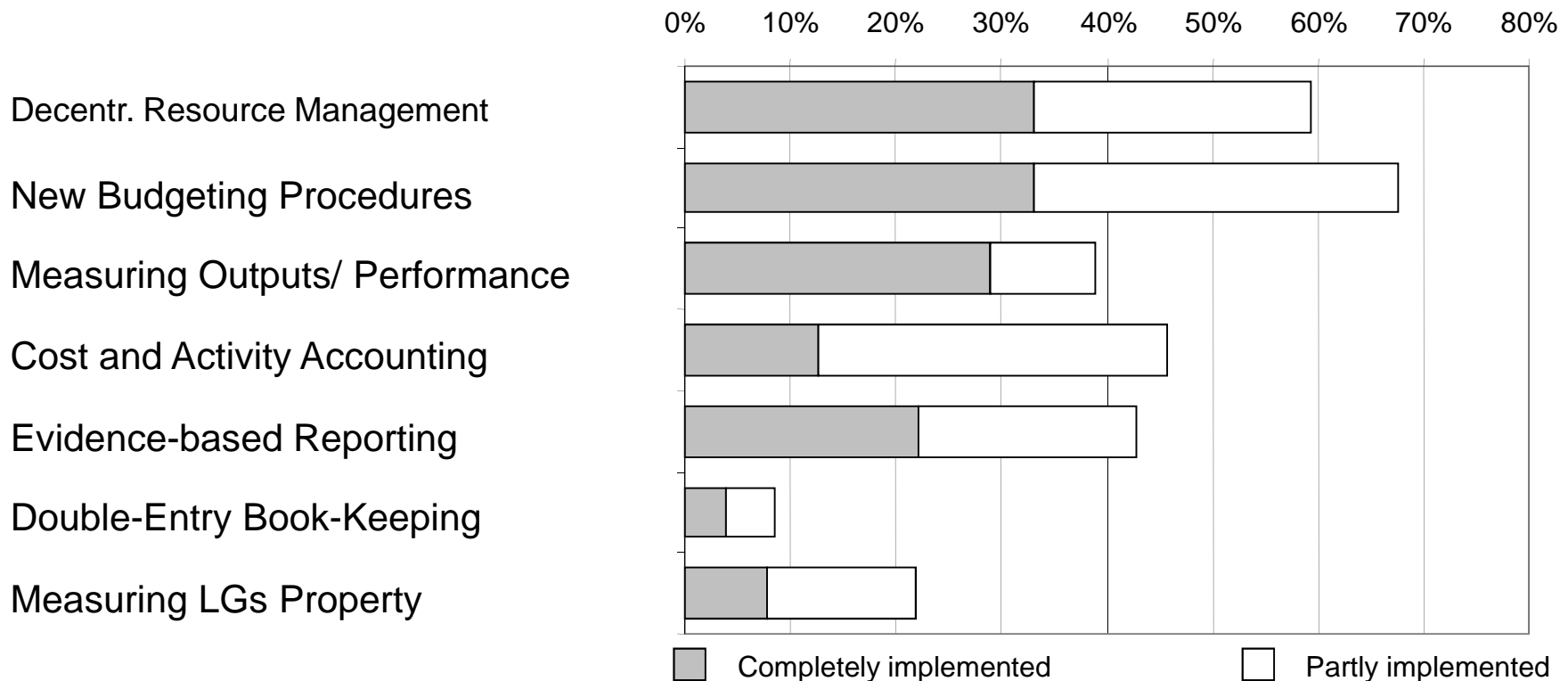
Evaluating the NSM

- Effects of Decentralized Resource Management



Evaluating the NSM

- From “legalism” to performance management?



Source: NSM-survey; n = 870

Evaluating the NSM

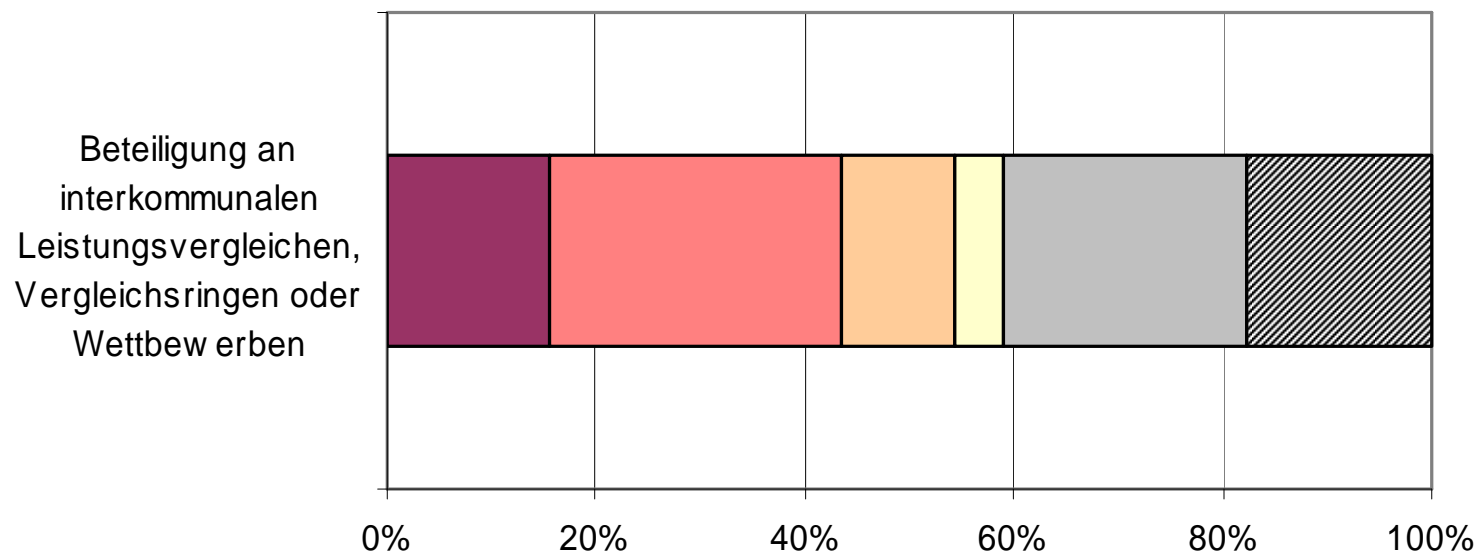
From “legalism” to performance management?

- Evidence-based reporting systems: completed in 22% of LGs
 - Yet, little improvements of steering; high costs of monitoring
- New budgeting systems: completed in 33% of LGs
 - Yet, only few output-oriented budgeting systems; very few performance-based contracts
- Cost and activity accounting: completed in 13% of LGs
 - Yet, no impact on decision-making; rarely based on actual performance information
- Measuring outputs (“Produktbeschreibungen”): completed in 30% of LGs
 - Yet, no relevance for actual decision-making
→ decreasing enthusiasm of measuring “products”

Evaluating the NSM

- Performance Comparison as municipal Self-Monitoring

Intermunicipal Competition



■ Ja, regelmäßig ■ Ja, gelegentlich ■ Ja, selten ■ In der Vergangenheit ■ Nein ■ Keine Angabe

Local Level Benchmarking from a Cross-Country Comparative Perspective

| Dimension | Sweden | England | Germany |
|--------------------------------|---|---|---|
| Predominant Mode of Governance | voluntary local self-management | mandatory hierarchical | voluntary local self-management |
| Utilization of Results | public access; high level of transparency; informal sanctions | public access; high level of transparency; formal sanctions | confidential/ non-disclosure; low level of transparency; no sanctions |
| Extent of Coverage | high | high | medium |

Evaluating the NSM

Performance Comparison as municipal Self-Monitoring

Successes

- Exchange of sectoral user knowledge
- Professionalization in the handling of operating figures and performance measurements
- Self-evaluation is institutionalized
- Partial organizational, procedural and service improvements

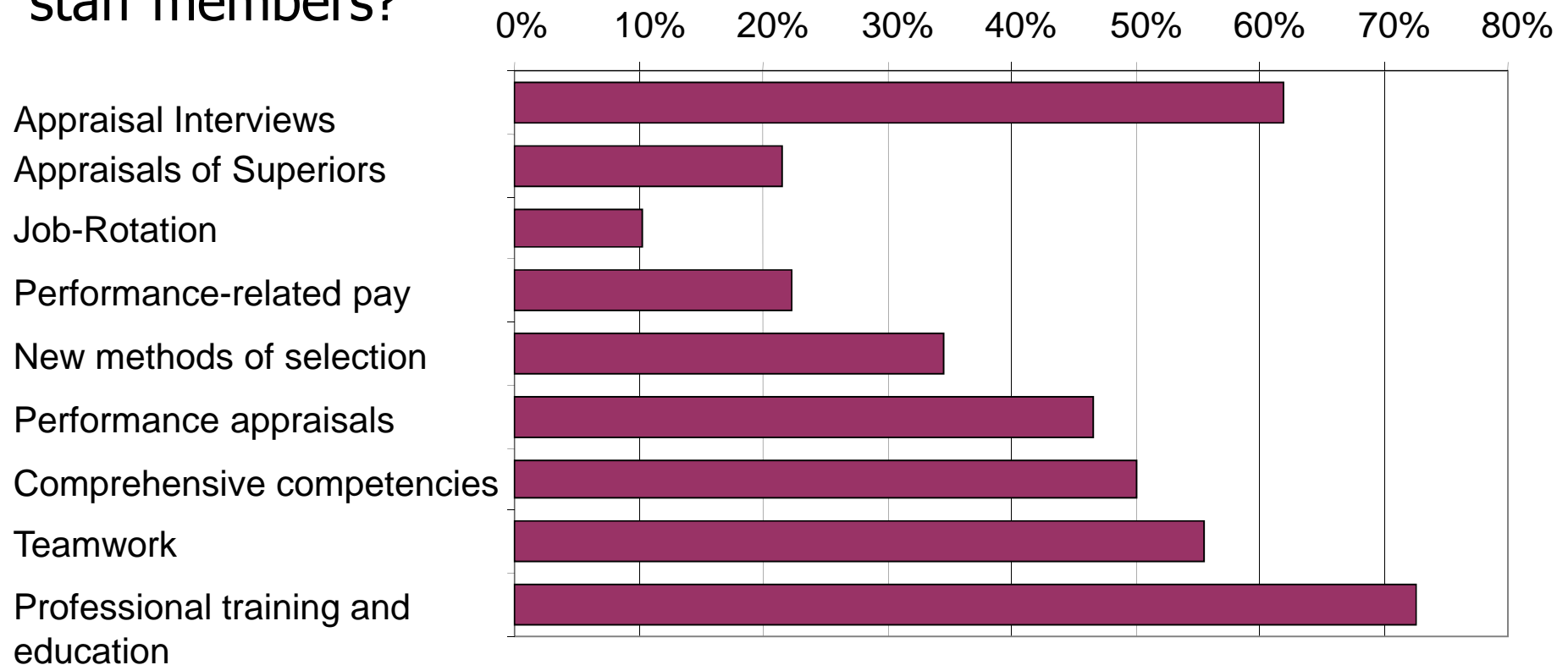
Problems

- No long-term continuation
- No “best practice”-learning
- No external transparency
- Figures bureaucracy
- “What do you do with the data?”
- High measurement and monitoring effort → Workload

Evaluating the NSM

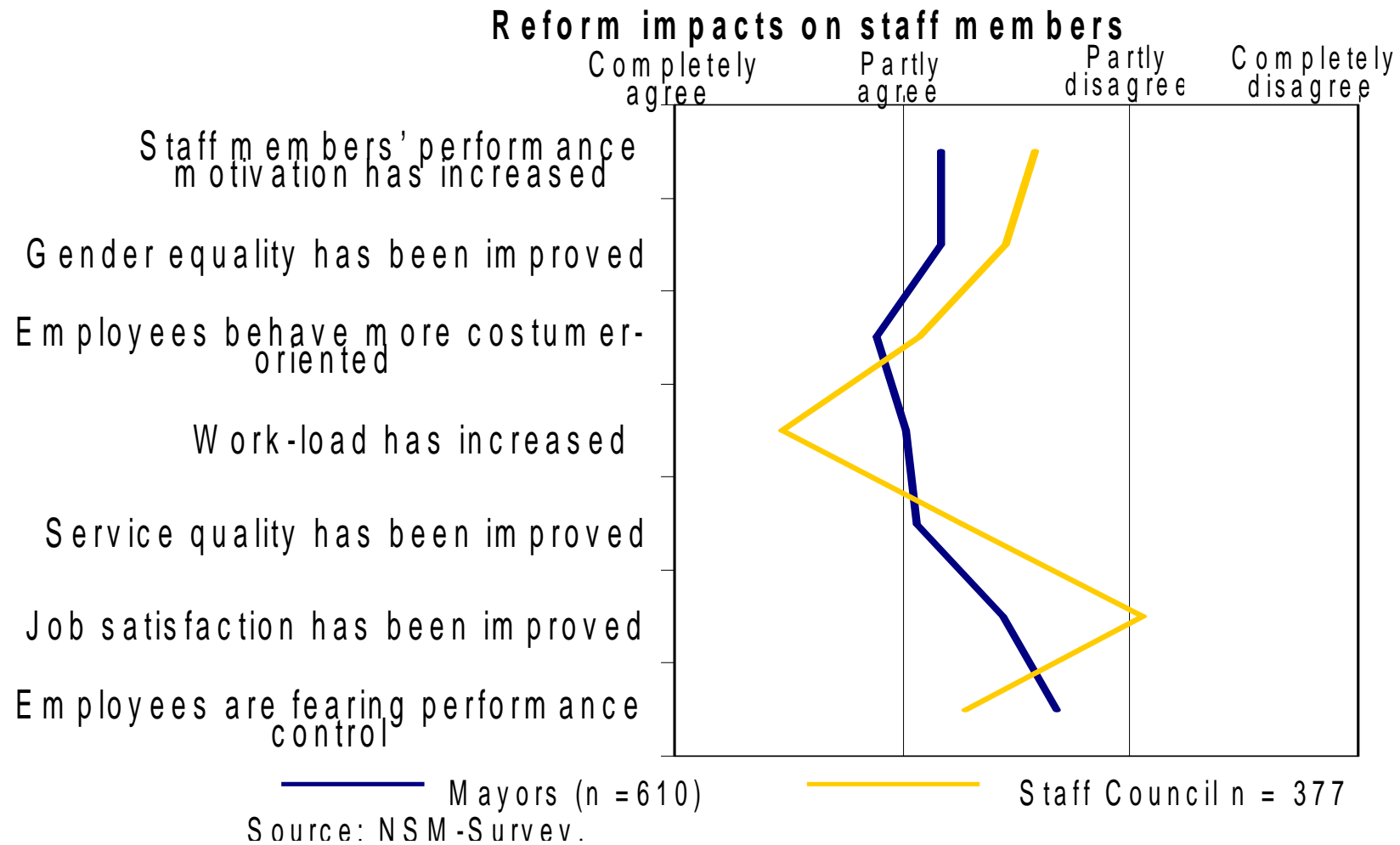
Better motivated
staff members?

Human Resource Management



Source: NSM-survey; n = 870 mayors

Evaluating the NSM



Evaluating the NSM

Separation of roles between politics and administration?

- Political aspects of the NPM-reform largely neglected
- Only very few examples of political contracts and controlling systems
- No separation of roles between politics and administration (continued interweavement)
- Politicians continue to decide on management issues/implementation details
- Increasing deficits of political steering and parliamentary control

Why?

- Politicians have no interest in restricting themselves to strategic decision-making
- Influencing implementation processes as crucial part of political power-seeking
- No political interest in clear and measurable objectives (competitive political arena)
- Complex/ conflicting political interests inhibit clear/consistent definitions of goals
- Incrementalism instead of holistic approaches of strategic political steering
- Management reforms don't generate politically relevant information

Evaluating the NSM

Savings and performance improvements?

Input-Effects (resources/ savings) Output-Effects (quality/effectiveness)

- 80% of the mayors assess the reform activity as being worth its efforts
- Limited savings in some adm. units
- Positive subjective assessments: → „Savings have been achieved“ (mayors: 85%; employees' representatives: 70%)
„Employees behave more cost-oriented“ (same assessment)
- Yet: no evidence for “felt” savings
- No budgetary consolidation
- No personnel cutbacks due to NSM
- Economic incentives do not work (no financial room for manoeuvre)
- High transaction costs of the NSM-reform (reporting, controlling etc.)
- Significant performance improvements (service quality responsiveness, duration of procedures)
- 60% one-stop-agencies
- 70% extended office hours
- 50% reduced duration of procedures
- Citizen-oriented reform measures with high impact on service quality
- Improvements of effectiveness due to policy-oriented reform measures (social services, youth administration)
- Employees: more customer and output-orientation, consciousness of performance and costs → „managerial culture“?



NPM and Administrative Systems/Cultures

- Different NPM-responsiveness
- Classical-Continental European Administrative Tradition:
 - Later/more cautious grasp of NPM-Ideas
 - Maintenance of legalist orientation (“maintaining”)
 - Combination of managerial and „Weberian“ principles (Neo-Weberianism)
 - Partly withdrawal of NPM-instruments (e.g. re-municipalization; whole of government approaches; horizontal steering)
- Anglo-saxon managerial administrative tradition:
 - Radical NPM-reforms (marketization/ “minimizing”)
 - Cultural accessibility for managerial ideas
 - Comprehensive transfer of concepts and personnel from the private sector
 - „Revolution in Whitehall“; „War against local government“ etc.



Convergence/Divergence/Persistence?

- Convergence in NPM-reform discourses (“talk”); instruments (performance Management, contracts, agencies etc.)
- Divergence concerning implementation and “action”:
 - Implementation mode: Bottom up (D, S, NL); top down (UK, I)
 - Privatization: UK as radical privatization; F „maintainer“
 - Performance Measurement: compulsory external performance control vs. „collegial benchmarking“/ self-governance
 - Varying subnational rates of coverage: UK: nationwide; F: only metropolitan cities; I: north-south-divide; D: west-east-divide; large-/medium sized cities
- Divergence/ Persistence concerning reform impact:
 - Hollowing out of local government (UK) vs. strengthening (D, F, S, I)
 - Legalist administrative model persists; no fundamental change of the typological distinction between Anglo-Saxon and legalist model

Conclusion

System change from Max Weber to NPM?

- No rupture with „Max Weber“ in the Continental European Administration
- Amalgamation of traditional bureaucratic (Weberian) and new performance oriented instruments
- Mixing-up of legalistic and managerial culture
- Current trend:
 - Abolishment of some NPM-elements
 - „Steps towards a “Re-Weberianization”“
- Neo-Weberian Model“ as the Continental European way of Public Management within a prevailing legalist administrative culture?