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## **THE CONCEPT OF NEW PUBLIC MANAGEMENT AND LOCAL GOVERNMENT REFORMS IN SELECTED WESTERN EUROPEAN COUNTRIES**

The reforms driven by *New Public Management* (NPM) led to the introduction of management principles in local governments, marketisation and outsourcing. They made the greatest impact in the United Kingdom, but were also put in place in other European countries such as Ireland, Sweden, Germany, and – to the least degree – in France (compared to other countries discussed in this paper). There is a risk that NPM-inspired reforms may come to lose sight of the underlying social purpose of public services. NPM has not however become a new, universal model for public sector management. Issues tackled in the debate concerning the reform of public services have moved (mostly in the UK) beyond the concerns of NPM towards the emerging concept of networked community governance.

In Western European countries, the changes that can be observed in many local governments are quite frequently described by the term New Public Management. Some authors studying contemporary administration reforms go as far as to talk about a global reform of public management (Kettl 2000; Pollitt, Bouckaert 2005). This reform is perceived by proponents of new public management as an alternative solution to the traditional workings of public administration. In this context, NPM-led local government reforms in Western European countries seem to be of particular interest. According to Paweł Swianiewicz, in the future in Central and Eastern European countries we can expect a gradual convergence with the systems known in Western Europe rather than the emergence of a particular local government model. This applies not only to the role that local government institutions play but also to management practices and local policies. Most probably, EU integration processes will make this trend even stronger<sup>1</sup>.

Many significant differences can be observed between individual countries related to the origin of local government and its development over the years. The constitutional standing of local government, as well as the responsibilities and tasks of elected local authorities, vary from country to country (Humes 1991). Similarly, legal and cultural traditions are different in various countries. Local politics may (or may not) be dominated by strong political parties. The struc-

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<sup>1</sup> Owing to the still unestablished position of local government in CEE countries, this statement is, of necessity, only tentative in character (Swianiewicz 2002).

ture of the local political authorities may vary significantly even within a single state. This means that any far-fetched generalisations on international trends in local government reforms, including management, which claim that there is one international programme for local government modernisation, are fraught with risk.

## 1. Characteristics of New Public Management

NPM-led reforms were inspired by a number of partly self-contradictory concepts (Aucoin 1990), underpinned by the private sector and its market-oriented organisational and operating principles. Their application in the public sector is believed to enable overcoming 'the failures of the (welfare) state' and 'the failures of public administration'. According to John Stewart and Kieron Walsh (Stewart, Walsh 1992), the over-arching aim of New Public Management is to improve the economy, efficiency and effectiveness of the public sector and the quality of service provision. This is to be achieved by:

- 1) Making public organisations performance-oriented;
- 2) Using planning and strategic management;
- 3) Separating the roles of the service recipient and the service provider;
- 4) Creating market relations and developing competition in the process of service delivery<sup>2</sup>;
- 5) Placing the customer at the centre of activities;
- 6) Making work and pay conditions flexible;
- 7) Making management independent of politics by separating public policy from operational management;
- 8) Introducing service standards and performance indicators (Zalewski 2007a, p. 29).

Christopher Hood (Hood 1991) names seven key components which make up new public management:

- 1) Introduction of professional (managerial) management in the public sector;
- 2) Clearly defined standards and performance measures;
- 3) Greater pressure on controlling outputs;
- 4) Emphasis on disaggregation of public sector entities (division into smaller organisational units, grouped around types of services);
- 5) Introduction of competition in the public sector;
- 6) Focus on using private sector methods and techniques in the public sector;
- 7) Focus on greater discipline and frugality in the use of resources.

According to Hellmut Wollmann (Wollmann 2004, pp. 641–642), in the NPM variation underpinned by neo-liberal policy discourse, the focus shifts towards

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<sup>2</sup> The following measures can be used to achieve this goal: privatisation of public enterprises; tender-based service contracting; creating internal markets (ensuring that there are various public providers and establishing a financial system which rewards economy, efficiency and effectiveness); setting up agencies (to perform functions which cannot be put out to tender and when creation of internal markets has proved impossible); fees for services (Bailey 1995).

the reduction of the public sector, regarded as becoming excessive in the preceding 'Social Democratic' period of the welfare state, and towards a 'lean state', a goal which can be achieved through privatisation, outsourcing and marketisation. NPM places great emphasis on reducing the costs of public services provision, coupled with their increased quality. Public administration may discharge its functions via private and non-governmental organisations<sup>3</sup>.

In Wollman's opinion, another variant of NPM, which is topically akin to management in the private sector, stipulates that the 'rigidity' of the Weberian model of public administration may be overcome by the introduction of management principles. This primarily involves managing administrative actions and their monitoring by identification of objectives and controlling their implementation (management by results), as well as increasing the innovativeness and flexibility of the administration's activities by the delegation of responsibility for financial and human resources. Emphasis on outputs is underpinned by the belief that public sector organisations do not pay attention to the quality of services that they provide. Evaluation of their operations should relate to actual results and be made on the basis of clear and measurable standards or performance indicators<sup>4</sup>. To achieve desirable results, public administration should employ market competition mechanisms more frequently (e.g. privatisation, outsourcing). NPM makes an extensive use of the concept of public choice, which sees individuals as consumers of services offered by public administration, with the possibility to choose between them.

In yet another, more politicised NPM version, politicians are expected to refrain from being involved in the administration's operations on a daily basis ('steering, not rowing'), but on the other hand, they are expected to act as leaders (or 'steersmen') in relation to administrators by establishing performance indicators and controlling their implementation.

According to Alojzy Zalewski (Zalewski 2006), New Public Management basically consists in changing the orientation of public organisations' management from inputs and procedures to outputs, the adoption of strategic orientations and the introduction of market mechanisms. All concepts regarding new ways of public sector management are subordinated to the following main goals: 1) decreasing the share of the public sector in the economy, and 2) improving the efficiency and effectiveness of its operations.

One manifestation of the NPM doctrine was the introduction of quality management systems in the public sector based on quality systems specifically cre-

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<sup>3</sup> Negotiating with these organisations, signing contracts with them, funding and monitoring the quality of services performed, cause the boundaries between certain administrative bodies and their environment to become less clear-cut (Supernat 2008).

<sup>4</sup> In Britain, the standards of services offered by public administration are enshrined in a number of national or local Citizens' Charters, which look at citizens as consumers entitled to receive varied services of a specific quality. Each such Charter contains a detailed procedure for filing complaints. Heads of government agencies are hired on contractual basis, remunerated commensurately with the results achieved, and dismissed if the results achieved are not satisfactory (Kettl 1997).

ated and originally intended for the private sector (ISO 9000, self-assessment model of the EFQM Excellence Award or TQM – the total quality management model)<sup>5</sup>. Their benefits include, in particular, orientation towards customer needs and pursuing a quality policy which enables management by objectives.

### 1.1. United Kingdom

The effects of NPM-inspired reforms were most readily visible in the UK (as well as in Australia, New Zealand, United States), although similar trends could also be observed in other European countries. In Britain, New Public Management was put into operation by Margaret Thatcher after she took office in 1979, when John M. Keynes' economic doctrine was abandoned and replaced by The New Right, and economic programme based on the free market ideas of Friedrich A. Hayek and Milton Friedman.

In Gerry Stoker's opinion, New Public Management is more than a variety of managerialism<sup>6</sup>. NPM places greater emphasis on keeping the costs of public services delivery at a low level through more stringent management, manifesting itself in achieving effectiveness, frugality and adhering to competition rules to select the cheapest service provider. Starting from the beginning of the 1980s, the Conservative government focused on those very aspects of New Public Management. Post-1980, a law was enacted which obliged the local authorities to contract their services through the Compulsory Competitive Tendering procedure. Although the role of the public authorities is to satisfy needs, service providers do not have to be local government entities. The functions of local governments were limited because of their transfer to agencies and organisations charged with performing these specific tasks (known as quasi non-governmental organisations, or quangos) (Skelcher 2000), which fostered the emergence of many services' providers on the market. The concept of 'enabling councils' was formulated (Clarke, Stewart 1997). The enabling councils model was inspired by a number of different visions concerning public services management, in which effectiveness and consumer protection played first fiddle. For its first two years in power after 1997, the Labour Party continued the

<sup>5</sup> EU funds awarded under the Human Capital Operational Programme, Priority 5, Submeasure 5.2.1 'Modernisation of management in local administration' are earmarked for projects intended to improve services for citizens and modernisation of management, which will comprise inter alia enhancing quality, improving management performance, including quality management (e.g. ISO standard) and evaluation of the functioning of local administration offices (e.g. CAF Common Assessment Framework).

<sup>6</sup> In the ideology of managerialism, the political leadership plays an important role in giving direction to policies; however, it is also viewed as a potential source of inefficiency. The task of politicians is to set goals but not to make decisions about methods or means to achieve them. Importantly, managerialism emphasises the role of managers in management. Managerialism focuses on efficiency – maintaining a welfare state is costly and requires taxpayers' money; for this reason, service delivery in the most efficient way possible is of critical importance. The idea that services should be provided solely by the public sector is rejected in favour of a more open competition between service providers coming from a variety of sectors (Stoker 2003, p. 13).

highly restrictive programmes of public resources expenditure inherited from the Conservative government. Due to growing consumerist leanings in local governments, central government started to call for choosing better quality services and paying less attention to savings. Better management meant that the consumer became the focal point. The Best Value principle, adopted in 2000<sup>7</sup>, whereby services are put out to tender, but the winning provider is obliged to ensure the best value for money, as well as the recommendations proposed by the Audit Commission of the central government, maintained pressure on contracting services with the private sector or their transfer to private entities or non-profit organisations. The Labour government put in place a programme of performance indicators, prepared for every local government unit by the Education Inspectorate, Social Services Inspectorate and Housing Inspectorate. Data on the results of local councils' operations, together with evaluations made by the Inspectorates, were presented by the Audit Commission in the so-called Comprehensive Performance Assessments, which were designed as a coherent and integrated system for measuring how the tasks assigned to local authorities had been discharged (Coulson 2004). This assessment gave a powerful stimulus for the councils to improve service delivery. Whilst the best performers were rewarded with 'additional freedoms' and funding, the poor performers could be penalised, for example by the transfer of functions to other providers or even placing the council into the hands of government-appointed administrators (Wollmann).

Hellmut Wollmann noted that after it assumed office in 1997, the new government of Tony Blair took two different paths. Following the first one, which was convergent with the philosophy of New Public Management, the government imposed a rigorous, centrally-determined and controlled performance management system on local authorities<sup>8</sup>.

By and large, the Best Value principle and the Comprehensive Performance Assessments can be viewed as another attempt on the part of the central government intended to impose some degree of central management and control on

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<sup>7</sup> The Best Value method rests on 12 principles, with the following among them: 1) local authorities are obliged to deliver top quality services; 2) no advantage of the private sector in service provision is automatically assumed – competition is a management tool, but in itself is no guarantee that a service will be delivered in keeping with the Best Value principle; 3) the central government defines the range of services to be provided; 4) the local interests should take the national interest into consideration; 5) auditors publish reports which state whether the Best Value principle is observed by the local authorities, and assist in putting it into place; 6) the government – if so advised by the Audit Commission – may intervene in an entity which experiences problems; 7) such an intervention should correspond to the scale of the problems (for more information see: Loughlin 2004, pp. 57–58).

<sup>8</sup> There was a second path, distinct from the one taken by the Conservative predecessors, whereby the Labour government embarked on an ambitious political programme meant to revitalise local government, by revamping its traditional 'government by committee' system on the one hand, and by providing for more effective and politically accountable leadership on the other. Another, more general and visible trend strives to introduce 'new localism' in local governance and politics (Wollmann 2004, pp. 645–646; Stoker 2003, pp. 9–27).

local authorities, this way continuing to ‘fall out of step with the rest of Europe’ (Stoker 1998). Nowadays, it can be seen that this centralistic top-down *rigueur* forced certain bottom-up initiatives, activity and learning processes (for more information see: Cochrane 2004).

In the post-War period, local management performed a significant role in the delivery of key welfare state services. It took the traditional form of public administration in local services management. In the traditional model, provision of services was the key task to be carried out by local governments as building blocks of the welfare state. Experts, officials and policy makers would precisely identify the needs of a given community. The local management serving as a service provider was the dominant actor in the welfare state. It raised taxes and managed land received from the central government. It did so in the conviction that its activities were characterised by a specific public sector ethos and its mandate derived from the legitimacy accorded by local elections.

The logic of traditional public governance rested on the dichotomy between politics and administration. Professionalism and partisanship constituted the central ideological principle, for officials and elected politicians respectively, in the period when the traditional approach to public administration was the prevalent view among local governments. This model of local services management changed under the influence of the New Public Management movement, which first led to the reorganisation of local governments in the early 1970s, and then to reforms put in place by the Conservatives in the 1980s. Starting from 1980, professionalism and partisanship began to lose ground as the dominant ideologies in local governance to other ideologies, which primarily included managerialism and localism. Managerialism – as G. Stoker claims, (Stoker 2003, p. 12) – intended to curb expenditure as its overriding objective, an ambition which was mainly supported by treasurers; whilst localism, defined as policies pursued by the local authorities and focused on community matters, was reserved for relatively weak councillors whose main areas of interest were limited to districts or neighbourhoods.

According to many authors, (Stoker 2003, pp. 13–14; Loughlin 2004; Pierre, Stoker 2000), the first decade of the twenty-first century has seen a shift towards a different set of ideas concerning local public services in the United Kingdom (and other European countries). This is a vision of networked local governance, which defines new roles for local government<sup>9</sup>. Gerry Stoker (Stoker 2003, pp. 9–27) argues that under the Labour rule (from 1997 onwards), the debate on the reform of public services in Britain is no longer related to issues associated with New Public Management, at least not at the local level, but concerns the emerging concept of networked local governance.

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<sup>9</sup> For more information about networked, interdependent and not hierarchical modes of public services delivery by local governments, other public entities, private organisations and NGOs, see Rajca 2008.

Networked local governance began to develop from the mid-1980s. In G. Stoker's opinion, it is predominantly inspired by the ideology of localism, which believes that the overriding goal of local government is to fulfil community needs both directly and through a complex system of multi-level governance. Its aim is to achieve not just efficiency but Public Value, defined as the achievement of favourable outcomes by the use of public resources in the most effective manner available. Given such a goal, the public sector cannot be accorded any special privilege. The sector or organisations to provide the services are chosen using pragmatic criteria.

This model requires a complex system of linkages between the higher government level, local organisations and entrepreneurs. It poses challenges for managerialism as it stipulates an amalgamation of an intricate system of processes and steering mechanisms. According to G. Stoker, in such an approach, managerialism goes beyond the considerations of efficiency or being consumer-oriented, and has a holistic goal, defined as greater effectiveness in tackling problems which are viewed as critical by a given community.

Table 1 lists forms of managing local matters in different time periods. None of these models – as G. Stoker emphasised – perfectly corresponds to the time frame specified, since some of them lasted longer or partly overlapped.

Table 1. Forms of local governance in different time periods

	Local government in post-War period	Local government under New Public Management	Networked community governance
Key objectives of the governance system	Main provider of services in a welfare state	Main provider of services in a way that ensures economy and responsiveness to customer	The overarching goal is greater effectiveness in tackling problems of greatest concern to the public
Dominant ideologies	Professionalism and partisanship	Managerialism and consumerism	Managerialism and localism
Definition of public interest	By politicians/experts with little involvement of the public	Aggregation of individual preferences, demonstrated by customer choices	Individual and public preferences produced through a complex, process of interactions
Dominant model of accountability	Overhead democracy: voting in elections, mandated politicians, tasks achieved through control over the bureaucracy	Separation of politics and management, politics give direction but not hands-on control, managers manage, additional consumer assessment	Elected leaders, managers and key stakeholders in search for solutions to community problems. System subject to challenge through elections, referendum, deliberative forums, scrutiny functions and shifts in public opinion

Preferred system of service delivery	Hierarchical department or self-regulating profession	Private sector or strictly defined local public agency	Menu of alternative providers selected pragmatically
Approach to public service	Public sector has monopoly on service ethos	Sceptical of public sector ethos (leads to inefficiency and empire building)	No one sector has a monopoly on public service ethos
Relationship with 'higher' tiers of government	Partnership relationship with central government	Upwards through performance contracts and key performance indicators	Complex and multiple: regional, national, European. Negotiated and flexible.

Source: Stoker 2003.

## 1.2. Other countries

*Ireland.* According to Catherine Forde (Forde 2005), in the sphere of local services delivery, local government in Ireland operates through a system of fragmentation, contracting, competitive tendering and privatisation. In Forde's opinion, the Irish state is increasingly becoming contractualist and consumerist in its relations with the citizens. One of the goals of the reform which has been implemented since 1996 is to ensure better customer service and provision of high quality services. There is a clear managerialistic ring to those objectives, similar to those in the United Kingdom. The contractualist and consumerist approach is more akin to attempts at improving administration and service delivery rather than developing democracy, mostly participatory democracy. According to C. Forde, managerial objectives disagree with the tendency for democratic revival. The remark made by Vivien Lowndes about the British local government reforms (introduced post 1997 by the Labour government) that 'delivery rather than democracy is the order of the day' (Lowndes 2002), may be regarded as valid also in regard to the Irish local government reforms.

*Sweden.* In the 1990s, Sweden<sup>10</sup> continued 'traditional' reforming strategies. As a follow-up to the 'free municipality experiments' of the 1980s, Swedish public administration was decentralised even further as more and more functions, particularly social services and education, were transferred from the state level to the municipalities (Premfors 1998). This way, the traditional, multi-function model of local government was further strengthened. Swedish municipalities started to 'professionalise' and, at the same time, to 'party-politicise' the political leadership in local governments, within the general frame of the traditional committee system.

Since the early 1990s, this organisational form of delivering public services through municipalities was challenged due to the introduction of reforms originating from the ideology of New Public Management. According to H.

<sup>10</sup> NPM-inspired reforms in Sweden, Germany and France were discussed mainly on the basis of: Wollmann 2004.

Wollmann (Wollmann 2004, pp. 648–649; cf. also Montin 2004), this was connected with several developments. Firstly, the New Public Management debate which had been going on in the Anglo-Saxon countries (notably Britain and New Zealand) since the 1980s, and which became dominant in the international debate, also made its entry into the discourse on Swedish reform. It particularly involved the ‘quasi-monopoly’ of the Swedish municipal sector for the provision of social services, which was increasingly criticised by those who called for competition, outsourcing and privatisation of these services, inspired by the NPM.

Secondly, the Conservative central government which took office in 1991, temporarily ousting Social Democrats from power (until 1994), proclaimed the system change by rejecting the ‘Social Democratic welfare state’. This political and ideological stance of central-level politicians gave an additional momentum to the Conservative majorities in the local councils in many municipalities, including the capital city (Stockholm became a kind of a ‘flagship’ as regards initiating NPM-driven reforms).

Thirdly, the 1991 Local Government Act considerably extended the powers of municipal councils to decide on the institutional structure and organisation of local authorities, including the organisation of the delivery of social services (Häggroth et al. 1993). The new legislation allowed the municipal councils to transfer (or ‘contract’) local government functions to ‘a (local government-owned) corporation, a trading partnership, an incorporated association, a non-profit making association, a foundation, or a private person’ (Ch. 3 of the 1991 Local Government Act; see also Montin, Amna 2000).

According to H. Wollmann, the budgetary crisis which peaked in the early 1990s and which generated a stimulus for turning to NPM concepts, was no less important.

Starting from the 1990s onwards, Swedish municipalities pursued two main NPM-inspired patterns of organisational change. Firstly, some municipalities started to outsource the delivery of services by concluding contracts with both private (commercial) and non-profit organisations. This was particularly visible in the care for the elderly. Secondly, with the proclaimed intention of giving their citizens the ‘freedom of choice’ to ‘buy’ services (such as the care for the elderly) ‘on the market’, some municipalities introduced municipality-funded ‘vouchers’ (which were equivalent to the expenditure that they would have to make if they delivered a given service directly). At the beginning of the 1990s, the Government promoted this model of satisfying the needs of the local residents, obliging the municipalities to offer parents ‘education vouchers’ in case they preferred to send their children to a non-municipal (non-public), so-called independent, school. The NPM-led concepts, such as outsourcing or vouchers, led to some turbulence regarding the existing quasi-monopoly of municipalities as far as the delivery of social services was concerned. Later, however, a quantitative cap was imposed (Wollmann 2004, pp. 649–650).

With the arrival of powerful international suppliers (especially in the energy sector), and under the influence of the liberal and market-oriented policies pursued by the European Commission, Swedish municipalities started to sell their stakes in municipal enterprises to private companies. Budgetary problems experienced at the time also encouraged municipalities to cash their assets. In effect, Swedish municipalities began to give up many of their traditional activities, such as delivery of public utilities (energy, water, sewerage, waste disposal, etc.). The public utilities sector, which in the past had been largely handled by the municipalities, was privatised due to the arrival of international suppliers and international competition. The idea of result-orientation, inspired by managerialist concepts, was widely embraced by municipal administrations. The concept of the 'purchaser-provider split' found applications mainly in the public health services provided by the counties.

*Germany.* Until the end of the 1980s, the traditional model of social services provision seemed to be immune to NPM concepts. According to H. Wollmann (Wollmann 2000), the main reason for this initial reserve and lack of openness was probably the fact that such key NPM concepts as the outsourcing and 'marketisation' of social services provision had already long since been realised in the practice of German municipalities because of the role that non-public and non-profit organisations had traditionally played in this aspect in the past. Nevertheless, even prior to 1990, local government adopted its own version of New Public Management (New Steering Management), adapting mainly its managerialist components. An increasing number of municipalities and counties put in place managerialist procedures and instruments, such as cost-benefit accounting, performance indicators and monitoring (Bogumil, Kuhlmann 2004)<sup>11</sup>.

During the 1990s, the idea of increased competition in service provision gained more and more ground, particularly in the sphere of social services delivered by non-public, not-for-profit organisations, which showed oligopolistic features over the years. Marketisation was regarded as a necessary strategy to secure more competition and plurality, in the delivery of services by other (including private sector) providers (Wollmann 2004, p. 654).

Ultimately, the public utilities sector (energy, water, sewage, waste disposal, etc.), as a traditionally municipal activity (carried out through municipality-owned corporations, etc.), yielded to the marketisation pressure, particularly in view of the market liberalisation policy pursued by the European Union, which showed more and more resolve to do away with 'sheltered local markets' and create a single European market. The difficult budgetary situation added yet another factor which encouraged a growing number of local authorities to privatise and cash in on their local assets, in this way, giving up a crucial segment of

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<sup>11</sup> New Steering Management made an extensive use of the experiences gained by the city of Tilburg (the Netherlands). Over time, 'the Tilburg Model' (largely based on the management concept used for private corporations) was adapted to the dissimilar legal, political and cultural circumstances of Germany (Schedler, Proeller 2003).

the traditional local government profile (Wollmann 2002). We can see therefore that municipalities seem about to withdraw from the provision of public utility services.

In the 1990s, the concept of creating more competition as regards the provision of services, in particular social services supplied by non-public and non-profit organisations, was becoming increasingly more popular, which over the years proved to have the features of oligopoly. Marketisation came to be accepted as the necessary strategy for creating more competition and ensuring broader choice with respect to services provision by other (also private) suppliers (Wollmann 2004, p. 654).

In the end, public utilities (energy, water, sewerage, waste disposal, etc.), which traditionally had been the task of municipalities (acting through municipal corporations, etc.), gave in to marketisation, particularly due to the looming liberalisation of the EU market policy, attempting, ever more determinedly, to open up 'protected local markets' and create a single European market. The difficult budgetary situation was yet another motivation for an increasing number of local authorities to opt for privatisation and cashing their local assets, thus giving up the key role of local government (Wollemann 2002). It seems, therefore, that municipalities are quitting the public utilities sector ,

To sum up, it should be noted that traditional German local administration was significantly influenced by managerialist and efficiency-related concepts. Whilst traditional local government, operating through 'Weberian' structures and personnel, frequently showed shortcomings in (economic) efficiency, the recent adoption of NPM-inspired reforms seems to be improving efficiency (Pollitt, Bouckaert 2005). Nevertheless, the features of 'Weberian' administration (legal rule and hierarchy-bound) are still accepted, due to Germany's traditional focus on the rule of law (*Rechtsstaat*) and the persisting role of law application in local government operations. Some development seems to have been made owing to the introduction of the so-called 'neo-Weberian' type of public administration (Wollmann 2004, p. 655), which combines elements of traditional local self-governance and NPM.

*France.* In 1982, France embarked on a far-reaching decentralisation and deconcentration of its political and administrative system. While the administrative reform emphasised decentralisation, NPM-related reforms were put in place at the local level only to a small degree. The moderate expansion of municipal responsibilities, which entailed the 1982 decentralisation, coincided with the municipal elections of 1983. In these elections, in a significant number of municipalities, the winning parties brought into office mayors who were proponents of the idea of running municipalities as enterprises (*ville entrepreneuriale, ville stratégie*). In the pursuit of these concepts, forms of management by results were introduced (*contrôle de gestion*). However, in the wake of the 1995 municipal elections, some of the 'entrepreneurial' mayors were voted out of office, and the trend (management by results) seems to have lost momentum

(Maury 1997). A similar tendency can be observed at the level of departments (*département*).

It should be noted that, in the sphere of public utilities provision, (water, sewage, etc.) the French municipalities, in a tradition dating back to the late nineteenth century, and probably due to their small size, would often outsource such services to private, but also public enterprises. The sectors of energy and water were dominated by powerful enterprises, both public and private. In 1906, the production, transport and distribution of gas and electricity was nationalised and entrusted with two huge state-owned companies (*Électricité de France*, EDF and *Gaz de France*, GDF). In the water and sewage sector, two private companies (*Lyonnaise des Eaux* and *Générale des Eaux*) became dominant providers. These big companies became powerful international players, and put the small municipalities in a difficult position during the renegotiations and renewal of relevant licences (Lachaume 1997).

## 2. Reservations and doubts

New Public Management provokes a number of reservations and doubts (Supernat 2008). One such observation is that consumers in the market are not the same as citizens in society. Consumers strive to maximise their individual interests, while citizens, by their participation in politics, strive to solve common problems, in addition to pursuing their own interests. Therefore, administration policies guided by consumer needs may differ from those based on election results. In view of the fact that the resources are inevitably limited, their allocation in line with consumers' preferences will not necessarily coincide with the results of the election process. Another source of concern is viewing the public at large as consumers who are served rather than citizens who govern, and consequently moving them away from public matters.

The critics of NPM argue that it can foster changes which will weaken rather than strengthen local democracy and local accountability (Hoggett 1991; Greer, Hoggett 1999). In his criticism of the UK concept of Citizens' Charters, John Kingdom made a strong assertion that 'far from enhancing citizenship, [it] actually undermines it', and claimed that 'the concept of citizenship is subject to serious debasement: a collectivist idea, status through membership of society, is redefined in individualistic, contractual terms. The public is seen as buying services, through payment of taxes, and increasingly other charges, rather than acquiring rights through community membership' (Kingdom 1996).

The proponents of NPM seem to overlook the fact that public administration which allegedly 'neglects its service to consumers' could in reality be attempting to prevent taking excessive risks in the name of the public, use the principle of procedural equity, and make decisions in compliance with the law. The pressure exerted by New Public Management on public administration, prompting the application of methods and management techniques typically used in business may lead to a situation when things other than efficiency (effectiveness and

economy) are pushed aside and trigger behaviours which contradict the ideals and values of public service (e.g. construction of a road without taking into account nature conservation or cultural heritage considerations). For this reason, there is a need for identifying the aspects of the public sector which should be managed without having the market perspective in mind. The above reservations suggest the need for moderation and caution in pursuing NPM concepts<sup>12</sup>.

### 3. Final remarks

NPM ideas were received with much enthusiasm by local authorities in many countries across the world, e.g. many American mayors wanted to pursue this direction, for instance the mayors of New York City, Milwaukee and Indianapolis (Hambleton 2003). In 1997, the Bertelsmann Foundation in Germany documented examples of NPM-related innovations introduced by local authorities in around twelve countries (Pröhl 1997). NPM-oriented reforms helped introduce management principles in public administration, as well as modern marketisation and outsourcing.

As Peter John observed (John 2001), due to the differences in local government traditions, NPM ideas receive varied responses in Europe. More attributes typical for this model have found application in northern rather than southern European systems of local government. Nevertheless, New Public Management has not become the new universal model, the new paradigm for public sector management, but only a set of tools from which individual countries take their pick depending on actual needs (Zalewski 2007a, p. 39). It seems rather unlikely – as Zalewski rightly anticipates – to become such a model in the future as it offers uniform solutions irrespective of the political, economic, social and cultural contexts of individual countries. Even in the UK itself, which is both the leader and a spectacular example of New Public Management applications, this model is evolving. As mentioned above, in 2000, compulsory competitive tendering was replaced by the new, Best Value method which opened the way for the use of various other methods beyond tendering, to enhance effectiveness. In Sweden, a quantitative cap was imposed on outsourcing. In Germany, features of Weberian administration are still found to be largely acceptable. In France, the trend to manage by results seems to be losing momentum. Sweden and Germany are countries where the traditional, multi-function model of local government is still the order of the day, and still developing. Although there can be little doubt that NPM-subordinated strategies for the introduction of principles of management and marketisation have changed the administration's profile, some key aspects of self-governance have nevertheless been preserved (Wollmann 2004, p. 660).

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<sup>12</sup> Barbara Kudrycka emphasised the need to combine the principles of New Public Management with elements of Value Management, i.e. management based on the values of democratic state (Kudrycka 2001).

At present, an NPM model in its pure form is not to be found anywhere, not even in those countries where it is most visible (UK, New Zealand). Instead, a mixed model seems to prevail, which combines – albeit to differing degrees – administrative management, which allows to maintain the requisite scope of control and supervision, with managerial management, which makes use of market mechanisms and instruments (Zalewski 2007a, p. 39). In public sector management, also in territorial self-government, finding an appropriate balance between these management models is of critical importance. This is because every management model to be used in this sector may bring positive effects in some circumstances, and negative ones in others. For instance, market solutions under unrestrained competition tend to encourage effectiveness and innovation but can generate high transaction costs and strengthen monopoly when there is no competition.

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