

## **Autonomy, Performance, Participation: Lessons from the Comparative Study of Local Public Sector Reforms**

### **Local Public Sector Reforms in Europe: Core Areas of Modernization**

Over recent decades, local governments in Europe have come increasingly under pressure facing a multitude of new challenges, like demographic change, climate change, public debt, digitalization, demands for more participation, and the migration crisis in some European countries, to name just a few. Consequently, a wave of political and administrative reforms aimed at coping with these challenges, pressures and, wicked problems has changed local governance in many nations. In part, these changes were the result of reform policies introduced by national and state governments, often triggered by austerity, which has become an overwhelming reality for an increasing number of European municipalities. They also followed municipal initiatives and more endogenous driving forces.

At the same time, current demands on and future expectations of local governments are high and still growing: municipalities and counties are not only responsible for efficient administration, high-quality services and a legally correct execution of laws coming from the upper levels of government, but also for ensuring legitimacy, democratic participation, accountability and trust – often under the conditions of austerity. Obviously, a certain degree of autonomy is needed in order to put local governments in a position to meet all these demands.

This policy brochure draws *scientific conclusions* from the comparative study of reforms in 31 countries, including not only Continental European, Nordic and Anglo-Saxon countries, but also Central Eastern and South Eastern European countries. As the policy brief is entitled ‘*Future of Local Government in Europe*’, our ambition here is not only to draw lessons from the past, but also to ask how policymakers can shape and influence the future of local governments. How should they deal with increasing challenges and how can reform decisions be adapted to various external and internal pressures? Just ignoring them does not seem to be a very convincing option.

Thus, based on the *lessons learned* from our comparative research, the policy brief derives evidence-based *policy advice* for policymakers and local government representatives to be utilized to formulate and implement future reforms, meant to create viable, well-performing, responsive, and democratically accountable local governments. We are convinced that these are crucial elements of modern states and democratic systems in general. Therefore, with this policy brief, we want to provide guidance and advice for policymakers to be taken into account when they are designing the future of European local governments.

We have studied four basic reform trajectories, all of which have turned out to be major trends in the 31 European countries covered by this project – although they were pursued with varying facets, paces, and impacts (for details see Kuhlmann/Bouckaert 2016):

1. *Reorganization of local service delivery*, so-called external (Post-)NPM reforms (LocRef working group I)
2. *Managerial reforms*; so-called external (Post-) NPM reforms (LocRef working group II)
3. *Territorial and functional rescaling* (LocRef working group III)
4. *Democratic reforms* (LocRef working group IV)

*Reorganization of local service delivery*: Many local governments all over Europe have reorganized their structures, modes, and procedures of service delivery. Starting in the 1980s, New Public Management (NPM)-driven externalizations of local services to private or non-profit providers (contracting out, functional/asset privatization, corporatization, competitive tendering) were pursued. In LocRef, this type of reforms was labeled ‘External (Post-) NPM reforms’, because it is intended to change the relationship between the state and the market in order to restructure the relations between organizations and sectors. Topics at stake have been amongst others functional/asset privatization, corporatization, contracting out, competitive tendering and agencification. However, more recently, in some countries and sectors, a trend of post-NPM re-municipalization and insourcing of previously externalized local functions is perceivable.

*Managerial reforms*: Internal managerial reforms have also largely been guided by NPM ideas. Inspired by the concept of a customer-friendly ‘service enterprise’ to be managed in a performance-oriented manner, many local governments have embarked on reform projects of internal reorganization, process re-engineering, new budgeting and accounting systems, performance management tools and human resource-related modernization (e.g. performance-oriented pay) and process re-engineering. From a post-NPM perspective, some new trends have

emerged that are partly aimed at correcting former NPM failures, for instance joined-up government (instead of fragmentation and sectoralization), strategic planning (instead of short-term management), which is partly meant to cope with the fiscal crisis, e.g. cutback and austerity management.

*Territorial and functional rescaling:* Major questions here are, whether the territorial sizes and administrative jurisdictions of local authorities are becoming larger and larger (bigger is better with the basic idea to achieve economies of scale) or remaining small (with the basic idea of ensuring proximity and participation) and how local governments can cooperate if amalgamations are not the preferred institutional choice. In the latter cases, trans-scaling strategies have been pursued that aim at ensuring the operative viability, even of very small-scale municipalities, by establishing inter-municipal bodies. In many countries, territorial rescaling entails measures of functional reallocations of tasks between the levels of government. In this regard, an overall trend of (political/administrative) decentralization has been observed since the 1980s and a reverse movement of re-centralization, specifically in Southern Europe, after the global financial crisis of the 2010s is to be noted.

*Democratic reforms:* This type of reforms addresses the political and participatory dimension of local governments aimed at ‘bringing the citizens back in’, in order to allow residents to participate in public debates by introducing consultations and more interactive policymaking. It includes new forms of direct and deliberative democracy, like local referenda, initiatives, petitions or recalls, but also the modernization of ‘old’ instruments of representative democracy and elements of so-called cooperative democracy or collaborative governance. The latter refers to the inclusion of civil society and the citizen as a co-decision-maker or co-creator in local policymaking by way of citizen forums, youth/neighborhood councils or e-democracy.

## **Autonomy, Performance, Participation: A Cross-Cutting Perspective on Local Reforms**



Our comparative research has revealed that the aforementioned four areas of local public sector reform are not independent of each other, but – as they all affect local government – are strongly interlinked and interwoven, often pursued simultaneously, yet in a rather disconnected manner, and almost never evaluated from an overall cross-cutting perspective. In many cases, we observe multifaceted, partly explosive mixtures of various

reform tools stemming from a more or less reasonable selection of tools from the four reform toolkits. Yet, these various tools might address rather different, even conflicting or opposing goals. The demand for more efficient structures by way of amalgamation or upscaling can stand in contrast to the objective of ensuring more proximity and citizen engagement. Outsourcing services to private agents can be in conflict with the demand for more political accountability of the public principal or user democracy and so on. These developments might cause trade-offs, negative or unintended effects which are, however, not visible when studying the various types of local-level reforms separately, disregarding their interrelatedness.

Against this backdrop, it is our aim here to address local public sector reforms from a cross-cutting viewpoint and to concentrate more pronouncedly on the interaction effects of the four core areas of reform. On this basis, we will draw some general lessons from our research and provide evidence on whether the effects of various approaches of local public sector reforms have intensified or cancelled each other out. We will scrutinize to what extent the reforms analysed in one area have had an (intensifying/weakening) impact on the results in other reform areas.

Our guiding questions are: How do the external NPM reforms influence the outcomes of the internal NPM, democratic and territorial/functional reforms? To what extent do the internal NPM reforms shape the outcomes of the external, democratic and territorial/functional reforms? Which impact do the democratic reforms have on the outcomes of the external/internal NPM and the functional/territorial reforms? How do the territorial/functional reforms affect the outcomes of the external/internal NPM and the democratic reforms? For these purposes, the four LocRef working groups intensified their mutual exchange and developed an analytical scheme, cross-cutting the different reform trajectories. On this basis, we combine in the following the four LocRef pillars (according to working groups I-IV; see above) with a new cross-cutting perspective on three key issues of local governance:

1. Autonomy (Chapter I; *Andreas Ladner*)
2. Performance (Chapter II; *Trui Steen, Filipe Teles, Harald Torsteinssen*)
3. Participation (Chapter III; *Bas Denters*)

**(1) Autonomy:** Local autonomy refers to the municipalities' and counties' power to determine public action in their jurisdiction, to set policy priorities, to decide upon organizational matters and to manage their resources. This includes, on the one hand, a certain degree of independence from upper levels of government and political discretion and, on

the other hand, a relevant portfolio of tasks to be performed as well as capacities to discharge these various local functions (for details see Chapter I). This kind of ‘real decentralization’ is generally assessed as a positive feature of local governments. However, it must be taken into account that too much autonomy might also be dangerous, especially under the condition of lacking institutional, democratic, and/or financial capacities. The latter particularly have tended to decrease in many countries with the outbreak of the financial crisis and subsequent severe austerity policies. Consequently, the tension between effective service delivery for citizens and cost-cutting has become more pressing in many local governments all over Europe. This, in turn, might on the one hand question the idea of local autonomy, because central, federal, and provincial governments are often keen to seek greater savings from local governments than from their own activities and thus impose austerity policies, spending restrictions, and policy priorities at the local level. On the other hand, cutback pressures could also be a window of opportunity for local governments to modernize their procedures, organizational settings and modes of service delivery. Yet, austerity can also mean that central governments withdraw resources from the local level and at the same time give them more freedom (autonomy) to act. Or, virtually leave them ‘alone’ with more liberty, i.e. no or insufficient resources, which has been labelled as ‘austerity localism’ in England. Against this background, the question arises as to whether austerity policies will diminish or, in contrast, strengthen local autonomy. Which local public sector reforms will result in increasing autonomy, and which will contribute to autonomy losses – specifically in times of austerity? Obviously, the four reform areas studied in LocRef can be expected to have quite different impacts on local autonomy. For instance, enhancing local governments’ task portfolio by way of decentralization will possibly strengthen local autonomy, at least in its functional dimension. However, if at the same time major local services are being outsourced or privatized, this, in turn, will reduce local autonomy because municipalities then will be more dependent on private providers. Another example of the interaction of different reform effects is the introduction of direct democracy and territorial reforms. Whereas new direct-democratic instruments and participatory reforms can be expected to increase local (political) autonomy and discretion, municipal mergers lead to the dissolution of politically independent small local entities. However, this might finally result in a general increase in local autonomy, at least if the new unitary municipality is more viable, powerful, and thus more independent of upper levels and external actors. In the end, an overall upgrading of local autonomy might be the outcomes of participatory and

territorial reforms, at least under favourable circumstances. It thus becomes apparent that the interaction of the various reform approaches studied here affects local autonomy quite substantially, sometimes in a rather ambiguous manner, specifically under the pressure of austerity. These tensions and questions will be taken up in Chapter I of this policy brochure entitled 'Autonomy and Austerity: Reinvesting in Local Government'.

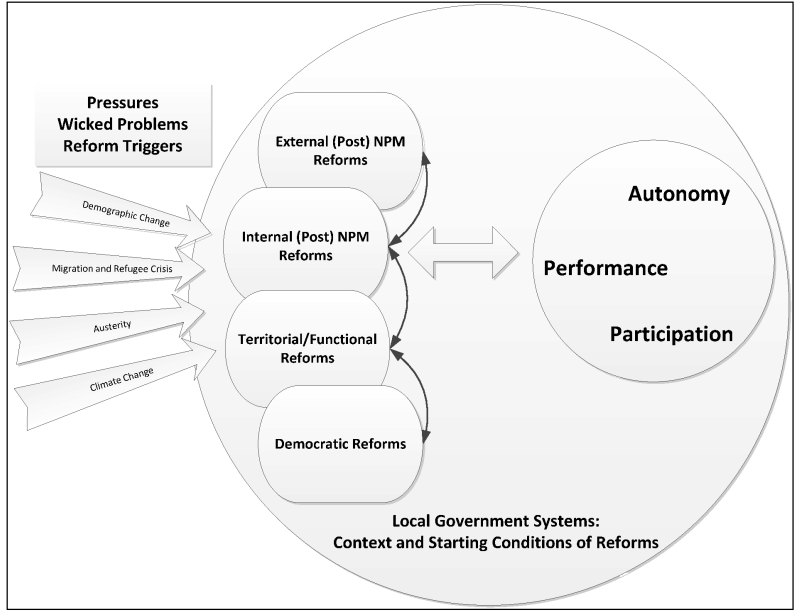
**(2) Performance:** Local government is the level closest to the citizens, is concerned about improving service delivery, increases performance and output legitimacy, and tends to be more salient and visible than the superior levels of government. Therefore, improving local performance, that is, effectiveness, efficiency, accountability, user-orientation etc. of local governments, is one of the core objectives of local modernization processes, be it in the context of internal or external NPM-reforms, territorial and functional rescaling or participatory movements. However, the attempts at rearranging service provision and chains of local service delivery as well as the degree of contestation regarding classical Weberian bureaucracy, as contrasted with NPM, are highly diverse in various local government systems. Not surprisingly, the answers of the contributions to this volume to the questions of whether, when, and to what extent the 'pendulum is swinging' back (from private to public; from NPM to 're-Weberianization') are not uniform, but rather differentiated. The same holds true for the assessments of the results of performance impacts. Changes in performance are inevitably linked to different reform approaches. They can be a result of territorial rescaling in combination with accompanying strategies of internal organizational restructuring that are meant to increase the effectiveness and efficiency of service delivery. Another example of the effects of interaction is inter-municipal cooperation that might be an appropriate way to circumvent the outsourcing of service provision to private providers and, at the same time, to ensure user participation and democratic accountability. Often, trans-scaling is also linked to internal organizational changes and the introduction of new operating logics of local service provision, partly drawing on performance management tools. Finally, upscaling reforms combined with innovative management techniques, might also have an impact on external reforms in the sense that better performing, more viable and efficient local governments can more easily afford to provide services in-house and thus avoid privatizations. On the other hand, introducing new managerial techniques in order to improve the quality of service delivery and the performance of the municipality while simultaneously privatizing and outsourcing its services may also have paradoxical effects, because an increased capacity to

perform then stands in contrast to diminished functions to be performed. Under the headline ‘Improving Local Service Delivery: Increasing Performance through Reforms’, Chapter II of this policy brochure will address these questions, draw lessons from them and give advice to decision-makers.

**(3) Participation:** Across the world, cities and towns are becoming increasingly important loci for addressing major societal challenges. Some even talk about a return of the city-state or about the potential of mayors ruling the world. Against this backdrop, the democratic accountability of those who rule cities and towns becomes increasingly important. However, this implies that answering the question of ‘who rules this city’ may have become even more difficult to answer than before. In recent years, local political decisions have been increasingly relocated from traditional public decision-making in ‘town halls’ to more deliberative and direct democratic arenas as well as to collaborative forms of governance in ‘multi-agency networks’ that cross traditional jurisdictional boundaries. This relocation of local public decision-making is partly caused by the reform movements analysed here, which raises the questions of whether, how and under which conditions they have contributed to an overall increase in participation and citizen involvement. Have the various – partly opposing, partly complementary - reform measures reinforced or cancelled each other out regarding the participatory quality of local governments? What difference does the overall impact of (Post-) NPM reforms, rescaling processes and democratic renewal make for the citizens and their participatory capacity? For instance, striving for larger territorial units can, on the one hand, entail increased participation because citizens then have more issues to decide upon, which raises their interest in being involved in local decision-making processes. It may also prompt the establishment of new local levels, such as intra-municipal or sub-municipal units to ensure proximity, which can be an additional source of participation. On the other hand, upscaling can also result in a greater emphasis on performance and efficiency of the then more viable local entities to the disadvantage of participation and proximity. Finally, we might also observe the paradoxical situation that new forms of democratic participation are introduced and citizens are empowered, while, at the same time, municipal services are externalized, centralized or abolished for austerity reasons, which has been labelled as ‘empowerment of powerlessness’. Chapter III of this policy brochure entitled ‘Participation and Democratic Accountability: Making a Difference for the Citizens’ will draw conclusions and give advice regarding local public sector reforms, participation and accountability.

To sum up, we have seen that the impacts of the four reform approaches studied in LocRef are strongly interrelated, which may either have positive/intended or negative/unintended consequences for the functioning and performance of local governments. It has also become apparent that the interrelatedness of reforms, their (at least partial) simultaneity and often disconnected or uncoordinated implementation poses quite a number of tensions and problems to the local governments. Their solution needs as much effort, innovation and creativity as possible for the future governance of municipalities in Europe in the years to come. Figure 2 presents a simplified model of the interrelationship between the reforms and the three cross-cutting issues of autonomy, service delivery/performance, and participation.

≡ Figure 1: Local Public Sector Reforms and Autonomy, Performance, Participation



Authors' own representation

The following three chapters are organized according to these three key topics of autonomy, performance, and participation focusing on the guid-

ing question: *What lessons and policy recommendations can be drawn from LocRef research in 31 countries?*

Thus, we will present:

- a) *major scientific conclusions and lessons*
- b) *policy advice* for practitioners to be used for future reforms.

Doing so, we will address all four kinds of local public sector reforms in each of the chapters in order to emphasise their interrelatedness, but also tensions between the reform concepts and impacts to be considered by policymakers. Our aim is thus to avoid a possible ‘pillarization’ based on a strict separation of reform areas and, instead, to strengthen a cross-cutting perspective on local public sector reforms, which has been neglected in previous research so far.

## Types of Local Government Systems and Country Sample ■

The 31 countries included in this volume are (in alphabetic order): Albania (AL), Austria (AU), Belgium (BE), Croatia (HR), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (EL), Hungary (HU), Iceland (IS), Ireland (IE), Israel (IL), Italy (IT), Latvia (LV), Lithuania (LT), Netherlands (NL), Norway (NO), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE), Switzerland (CH), Turkey (TR), United Kingdom (UK).

Drawing on pertinent typologies that incorporate organizational, cultural, and civil service related features, these countries represent six types of local administrative systems (see Kuhlmann/Wollmann 2014; Bouckaert/Kuhlmann 2016, Heinelt et al. 2017) which we consider here to be the contextual or starting conditions for reforms. These contextual conditions, within which local actors operate, must be considered an important factor for understanding and explaining reform movements and outcomes. Thus, similar institutional interventions can bring about very diverse effects in the contexts of the individual countries or groups of countries because they each encounter pre-existing institutional arrangements and institutional ‘legacies’. These have to be taken into account when interpreting the lessons learned from LocRef and applying the generic policy advice given here to specific national, regional, and local circumstances (see table 1). In order to do so, an attempt at ‘translation’ is necessary, which the following country clustering can pre-structure and facilitate. The typology of six different types of local government systems described

below therefore refers to features of public administrations at the local level of government and is built on three main dimensions (see Heinelt et al. 2017):

- a) *historical dimension*: is based on the East-West difference of public administration development (system change and bureaucratic history), namely the differences between the Western (Weberian) bureaucratic model and the post-Communist model (transition of the institutional legacy of Communism).
- b) *institutional dimension*: refers to the macro-level structure of public administration and differentiates between unitary-centralized, unitary-decentralized and federal systems of public administration.
- c) *cultural dimension*: refers to the administrative culture and legalistic/law traditions and differentiates between a Continental European 'rule of law' tradition with a focus on legalism, stemming from Roman Law (and a varying degree of clientelism between the countries within this tradition), and the Anglo-Saxon culture of 'public interest' with a common law tradition and a focus on managerialism, transparency and open recruitment systems.

Within the *Continental European Napoleonic type (CEN)*, the principle of legality with a strong common Roman tradition and statutory law is typical. Legal norms are comprehensively codified, the administrative judicature is extensive and the whole administration system is strongly centralized with a deeply rooted political culture where the role of the central state with its centralized bureaucracy is very strong and accepted. In terms of functionality, local governments are traditionally weak and the state is highly visible in the territory with many deconcentrated field offices. Some (especially) Southern European countries within this type exhibit a high amount of politicization, clientelism and party patronage.

The *Continental European Federal type (CEF)* is characterized by a strong legalistic and rule of law administrative culture. Remarkably, the subnational (decentralized) level of government with the prevailing principle of subsidiarity is highly important in this type. Central level bureaucracy is weaker and 'leaner' than in the CEN type, whereas the importance of local government is higher, also (in many countries) with a stronger, more influential mayor.

The Scandinavian/Nordic countries form the *Nordic type (NO)*. While also rooted in the Roman law tradition, this system is peculiar with respect to an open civil service career and recruiting system and the principle of transparency and openness (accessibility of information, participation) for the citizens. Subsidiarity is also a general principle; the admin-

istrative structure is highly decentralized with politically and functionally strong local governments, which shows a high degree of autonomy.

Looking at the *Anglo-Saxon type (AS)*, the predominant administrative tradition is the so-called public interest tradition, based on liberal state philosophies and an instrumental understanding of statehood. The separation of public and private law (common law) does not exist, and open recruitment and career systems prevail. While functionally strong, local governments' political positions are rather weak in terms of local leadership.

The *Central Eastern European type (CEE)* is characterized by its break with the former socialist administrative system. Local governments are functionally strong with varying degrees of fiscal discretion, and the public administration system is rather decentralized. Countries within this type have made great efforts to establish a constitutional and administrative model of the Continental European type, whilst the Baltic States adhered more to the Nordic type. Moreover, territorial fragmentation is rather dispersed, encompassing the whole range from low to high territorial fragmentation.

Focusing on the *South Eastern European type (SEE)*, we see that a characteristic feature of the Balkan countries is their striking similarity to the South European countries within the CEN type. Local leadership is strong (especially mayors) and local governments' functions are rather limited with low fiscal discretion and with local governments occupying a generally weaker position compared to the central level, which has adopted a centralized, unitary public administration structure.

The following table gives an overview of the evidence-base of this policy brochure, that is, the (groups of) countries covered and analyzed here with regard to the three cross-cutting topics of 1) autonomy/austerity; 2) service delivery/performance; 3) participation/citizen involvement. For comparative purposes and generalizations to be drawn, we assigned them to the respective type of local government/administrative systems.

Table 1: LocRef countries grouped by type of local government system and key dimensions of analysis

| Type of Local Government System*                  | Cross-Cutting Themes of Research and Advice                               |                                                                   |                                                                           |
|---------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------|
|                                                   | Autonomy<br>(Chapter 1)                                                   | Performance<br>(Chapter 2)                                        | Participation<br>(Chapter 3)                                              |
|                                                   | Countries covered in the policy brochure (per theme/chapter)              |                                                                   |                                                                           |
| <b>Continental European Napoleonic Type (CEN)</b> | Belgium, France, Greece; Italy, Portugal, Spain, Turkey                   | Belgium, France, Greece; Italy, Portugal, Spain, Turkey           | Belgium, France, Greece; Italy, Portugal, Spain, Turkey                   |
| <b>Continental European Federal Type (CEF)</b>    | Austria, Germany, Switzerland                                             | Austria, Germany, Switzerland                                     | Austria, Germany, Switzerland                                             |
| <b>Nordic Type (NO)</b>                           | Denmark, Finland, Iceland, the Netherlands, Norway, Sweden                | Finland, Iceland, the Netherlands, Norway, Sweden                 | Denmark, Finland, Iceland, the Netherlands, Norway, Sweden                |
| <b>Anglo Saxon Type (AS)</b>                      | Cyprus, Ireland, United Kingdom                                           | Ireland, Israel, United Kingdom                                   | Ireland, Israel, United Kingdom                                           |
| <b>Central Eastern European Type (CEE)</b>        | The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia | The Czech Republic, Estonia, Hungary, Lithuania, Poland, Slovakia | The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia |
| <b>South Eastern European Type (SEE)</b>          | Albania, Croatia, Romania, Slovenia                                       | Croatia, Romania, Slovenia                                        | Croatia, Romania, Slovenia                                                |

Source: according to Bouckaert/Kuhlmann 2016: 10-14; Heinelt et al. 2017 (forthcoming)