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New Public Management in Europe

Christopher Pollitt, Sandra van Thiel, Vincent Homburg

Abstract

New Public Management (NPM) is the label which many academics have given to a series of reforms from the 1980s onwards, to improve the efficiency and performance of western governments and/or public sector organizations. Examples are the development of performance indicators and benchmarking, personnel reforms aimed at 'normalising' public sector employment on private sector models, placing executive bodies at arms' length from ministries, establishing public private partnerships and introducing new management techniques and instruments. Continental European governments have adapted and re-interpreted many of the Anglo-American ideas underpinning the NPM, to adjust them to their own national politico-administrative contexts. As a consequence, reforms of the public sector may have the same labels in different countries but need not be the same in practice or in meaning; there is both convergence and divergence.

Keywords: New Public Management, Public sector reform, Public management, Public administration, Europe

Introduction

In the late 1970s the traditional bureaucratic paradigm of most Western governments came under attack. Financial crises, discontent about the inflexibility of administrative procedures and decreasing public trust led to the introduction of new, managerialist ideas in the public sector: the New Public Management (NPM). Governments were expected to become more efficient, results and customer orientated, and offer (better) value for (less) money. Private sector models were widely prescribed for public sector tasks. As a consequence, numerous reforms have taken place throughout the world.

Because of the similarity of underlying pressures, it may be tempting to assume that the manifestations of these managerialist reforms in the public sector of western countries are also similar. However, this is not the case. In the book *"New Public Management in Europe: Adaptations and Alternatives"* we demonstrate that there is a wide range of diversity in the actual implementation of NPM reforms in Europe (Pollitt, Van Thiel & Homburg, 2007). Based on academic research, fifteen authors describe and compare the implementation of seven specific reforms in different countries. Reforms discussed include the introduction of performance indicators in a number of policy sectors (health, welfare, local government), placing executive agencies at arms' length, the use of public private partnerships in infrastructure projects, personnel reforms in national administrations, and the increased use of information and communication technolo-

gies, especially in policy implementation and inspection. Explanations of the differences between reforms in different countries relate to, among others, the politico-administrative system of continental European countries and reform trajectories.

In this article we will summarize the main findings and arguments of the book. We conclude that continental European countries have adapted the predominantly Anglo-American types of reform in order to adjust them to their specific national contexts. This has happened because of the ambiguous nature of the NPM and the strength of national cultures and institutional patterns.

Diversity and Divergence

Many NPM reforms have similar labels in different countries. Take for example the 'agency model'. Agencies are executive units that operate at arms' length from the national government (ministries). They are in charge of policy implementation, for example the payment of benefits, regulation and inspection, doing research and/or offering training, registration, licensing, and so on (see Pollitt, Talbot, Caulfield & Smullen, 2004). Because they are (no longer) part of the central government, they can operate in a more business-like fashion: for instance with respect to financial management (e.g. using an accruals accounting system) and in personnel decisions. Agencies are found in many countries, including Norway, Finland, Sweden, Belgium, Italy, Latvia, Tanzania, and the UK (Pollitt, Talbot, Caulfield & Smullen, 2004). Despite the similarities in the label, there are however, big differences in practice.

When we compare the Next Steps Agencies in the United Kingdom and the so-called *agentschappen* in The Netherlands we find that the preference for the agency model in these two countries has different origins: in the UK agencies were the answer to insufficient managerial autonomy, while in The Netherlands they were seen as a less controversial alternative for another, highly autonomous type of executive body (the so-called ZBOs). This difference in origin is reflected in significant differences in the timing and pace of agency creation, their numbers and their design. The Dutch copied the English agency model – which explains why Dutch agencies are from a later date – but adapted it to the Dutch legal administrative system and rules of ministerial accountability. For example, in the UK the government can establish Next Steps agencies without new legislation, but Dutch agencies need the approval of parliament. Nevertheless, there are interesting similarities, for example in the way in which agencies are controlled by their parent departments, through quasi-contracts, performance measurement and liaison officers. However, it would be an overstatement to conclude that executive agencies in these two countries are the same.

Similarly, the use of public-private partnerships in the UK and The Netherlands may sound alike in name, but in practice the Dutch approach favours a much more consensual way of working between governments and private companies than in the UK, where there is a more cut-throat competitive flavour to public-private partnerships. The same is the case for other NPM reforms (like performance indicators, ICT, evaluation methods, HRM); the UK approach is more hard-edged and directive, or closer to the initial Anglo-American phrasing of NPM reforms. Continental European countries seem to have adopted something rather different from the NPM. Pollitt and Bouckaert (2004) have labelled this alternative concept the Neo-Weberian State (NWS) model.

The Neo-Weberian State Model

The New Public Management is often presented as the departure of the old classic public administration paradigm (see e.g. Hood, 1994). NPM introduced more decentralization for example

by separating policy and administration or by the use of divisional structures; more contractualization or contract-like relationships instead of traditional hierarchical controls; new market-type mechanisms like vouchers, competitive tendering and outsourcing; more attention for public managers and their management skills; and new management techniques for the public sector like HRM, benchmarking and results orientated planning and control. Our research shows however that many of these reforms have not led to a radical change in the role and model of government bureaucracies in continental Europe.

The State is still considered to be the main facilitator of solutions to problems such as globalization, technological change, shifting demographics and environmental threat. Despite legitimacy problems, the role and functioning of representative democracy has not suffered any major change. The same holds for the role and perception of the civil service and the principles of the *Rechtstaat* model. The traditional Weberian elements have thus been preserved.

However, there are also some new elements. For example, there has been a shift from an internal orientation towards bureaucratic rules to an external orientation towards meeting citizens' needs and wishes. New devices have been introduced to improve the role of the role of representative democracy, both regarding the early consultation with citizens and representation of citizens' views (see for example the *Neues Steuerungsmodell* in Germany). And in the management of resources within government, a modernization of the relevant laws has been implemented to encourage a greater orientation on the achievement of results rather than merely the correct following of procedure. This is expressed in for example a shift in the balance from *ex ante* to *ex post* controls, although the former have certainly not been completely abandoned. In sum, NWS has led to some changes, but often changes are mitigated by existing structures and traditions, and are more concerned with democratisation and modernisation than with 'entrepreneurial government' or imitating private sector practices.

A nice example in this respect concerns the changes in personnel reforms. While NPM aims to free managers to manage, we find that most top civil servants still pay most of their time and attention to giving policy advice – in line with their professional identity. And although the number of top officials with a private sector background is increasing, they are still outnumbered by the traditional administrative elites. There are however changes which point to a more managerialist attitude, such as more flexible rules on tenure (short term appointments) and the development of performance-related pay schemes. The success of the implementation of such reforms depends on characteristics of the existing civil service system; countries with a career-based system (France, Italy) have so far been more successful than countries with a position-based system (Netherlands, Scandinavian countries).

The Neo-Weberian model appears to be the answer of continental European governments to the New Public Management paradigm. It mitigates some of the hard-edged marketization that Anglo-American countries have applied (see e.g. New Zealand). Also continental European countries differ among themselves in the ways they adapt the NPM ideas; governments pick and choose reforms from the NPM toolbox, adapt them to their own politico-administrative context and systems, or implement them in a different order or time frame. Such variety renders meaningful international comparison difficult. Research into the use of benchmarking revealed for example that although the same concept is used in different countries (such as Denmark, The Netherlands, Austria, Sweden and the UK), there is little guarantee that its application occurs in the same way, or even that indicators measure the same activity in different countries!

The Ambiguity of NPM

NPM is like a chameleon: it constantly changes its appearance to blend in with the local context. Such adaptability is possible, because NPM is not a coherent set of ideas and tools. The labels may be the same, but the underlying story differs all the time. The adaptability begins already with the adoption of reforms. For example, politicians from different countries mention very different motives and objectives for the same reforms. State modernizers, like the Nordic countries, emphasize the contribution of reforms to a strong State and active citizenship, while marketizing governments like the UK refer to a retreat of the State, selling off all non-essential State tasks. A striking example is the motivation for an increased use of ICTs; e-government is meant to improve service delivery to clients (rather than citizens) in the UK, and to improve citizens' participation in government affairs in Denmark (empowerment).

There are many examples of contradictory or paradoxical motivations. Take for example the use of public private partnerships. In some countries PPPs are seen as an opportunity to reduce government's tasks (and fiscal pressure) and administrative burdens. In other countries, PPPs are seen as an instrument to achieve a 'joined-up' government; that is, a government that works together with other organizations and citizens to achieve new solutions for existing problems. Both objectives are expected to contribute to government's legitimacy, but through completely different mechanisms, respectively decentralization (less state interference) and coordination (more state steering). The Dutch usage of PPPs shows this tension most clearly; official policy emphasizes the decentralization aspects (contractual relations), but in practice the coordination aspect is dominant (active partnerships).

The inherent contradictions of NPM create leeway to adapt reforms to specific circumstances, and allow politicians and executives to mould reforms to their needs and purposes. However, it should be born in mind that reforms can also have unintended and undesirable consequences. Take for example the introduction of a more flexible tenure for civil servants as discussed before. This allows public managers to adapt personnel policies to market demands. However, it may also undermine employee morale – rather than boost it, which is the underlying claim of NPM.

Another example of unintended or unforeseen consequences relates to the use of performance indicators. On the one hand indicators are intended to increase the effectiveness of public sector organizations, to help cut costs and achieve savings (efficiency), while on the other hand indicators are expected to improve the quality of, for example, customer service as well as improve performance overall. Moreover, performance indicators are expected to contribute to a reduction of administrative burdens while at the same time improving (horizontal) accountability, because governments can use a limited number of performance indicators to monitor executive organizations. However, none of these expectations seems to take into account that the implementation of performance indicators will lead to extra costs (so called monitoring costs), nor that the introduction of performance measurement can lead to all kinds of perverse effects that obstruct insight into performance or even lead to a decline in performance (see also van Thiel and Leeuw, 2002).

Adapting Reforms to National Contexts

The adaptability of NPM allows politicians and executives to mould specific reforms, to make them fit with the context in which they will be implemented. Such 'manipulation' can be used to serve the proponents' own agenda, but adjustments may also be necessary to actually implement reforms (e.g. by making sure that reforms are in line with existing legal arrangements) and/or to gain support for the implementation of specific reforms with interested parties (cf. Smullen, 2007). In particular, the national politico-administrative system is expected to help or impede reforms. For example, the legal traditions in countries such as France, Spain and Italy

have influenced the advent (or lack thereof) of NPM. Also, legal requirements may require adaptations of specific reforms, for example in the case of delegation and decentralization of national competencies to lower-level organizations. A majoritarian centralized system such as the UK, permits and, indeed, encourages types of policy response and implementation strategy, which are discouraged, or even impossible, in more decentralized and/or consensual systems. This may well account for the 'harder edge' to UK reforms, which has already been referred to. Similarly, there are big differences between the impacts of management reforms in a country like The Netherlands, which enjoys a non partisan civil service with low levels of corruption, and a country like Italy, where measured corruption levels are considerably higher, and political patronage reaches far into public sector employment. Specific projects and innovations (performance-related pay, or contracting-out, or delegation) can seldom escape these general influences, although there may be ways of ameliorating their effects. A problem here, however, is that while we may have very strong (and possibly somewhat stereotyped) images of the culture in particular countries, large scale and comparative empirical research to underpin the images can be rather thin.

Next to national characteristics, sectoral differences may also contribute to the adaptation of NPM reforms. Performance indicators, for example, are less difficult to install in an organization that delivers a simple service (such as issuing driving licenses or passports) than for highly complex and individualized services such as health care and education. Some parts of the public sector are dominated by powerful professional groups – like doctors or lawyers – who may not take kindly to the rather mechanistic NPM approach, and who may well believe that they already have their own high standards of service and expertise. Some countries have, for example, more powerful and entrenched public sector trade unions than others (France and Denmark, for example, compared to the UK) and that may influence the speed and penetration of NPM-style HRM reforms. Public-private partnerships for instance tend to emerge first in certain sectors, particularly urban development and physical infrastructure development.

Trajectories of Reform

A second important explanation for different outcomes of NPM reforms in different countries can be found in analysis of the reform trajectory. Implementation processes are dynamic and include many variables. In complex systems, unforeseen conjunctions of factors can shape turning points for new policies and projects. The implementation of a reform depends largely on the way in which it is connected to co-evolving developments, to the context in which the reform is implemented, and to the way in which this context is subject to change as well (evolution). For example, the arrival of a new government may lead to the addition of new actors and objectives to existing practices, which may lead to a re-interpretation of both existing practices as well as ongoing reforms. Managers and researchers need to develop a more dynamic, adaptive and process-oriented perspective on implementing NPM reforms to understand how a particular reform is selected, presented and implemented.

The implementation of reforms is not neutral and can/does in fact shape and mould reforms to fit – or reinforce or reproduce – existing structures and interests. Take for example the advent of e-government. E-government can be seen as the application of information and communication technologies in order to redesign ways in which governments exchange information with stakeholders – other governmental organizations, citizens, businesses and the like. ICTs do not transform government by themselves, though. Rather, existing State structures, pre-existing institutional structures, legal, regulatory and cultural factors largely determine how specific technological innovations look (Millard, Iversen, Kubicek, Westholm and Cimander, 2004). These specific implementations (for example, a rather centralized ICT approach) subsequently breeds and rein-

forces specific trajectories of institutional change (an overall centralization of policy making, for instance).

Conclusions

Our study of NPM reforms in continental European countries shows that although there may appear to be convergence – different countries implement similar reforms from the NPM toolbox – there is in fact a high degree of divergence. The adoption of NPM has varied enormously from country to country, between policy sectors and over time. Those practitioners and scholars who have claimed global convergence have, at the very least, greatly exaggerated the impact of the NPM ‘package’. Furthermore, it seems that, after a period of intense interest in NPM from the early 1980s until the late 1990s, a number of countries are now edging away from at least some of its features. The tide may be beginning to turn.

Nevertheless, some countries have gone a long way with NPM. They have embraced all the instruments of the NPM toolbox and have implemented them over a period of more than two decades. These ‘core NPM’ countries tend to be unitarian democracies with majoritarian political systems like the UK or New Zealand. Other countries have been more selective and adaptive, like the Nordic countries, France and to a lesser extent Italy and Spain. Their governments give different reasons for adopting particular reforms, adjust them to fit with national circumstances, and follow different trajectories of reform (time and speed). And although not studied in our book, we know that other States, especially in the developing world and to a lesser extent in Eastern Europe, had NPM ideas imposed or strongly urged on them by western-dominated international government organizations such as the EU or IMF.

As time went by, a number of paradoxes or contradictions associated with NPM have emerged. Consequently, some of the forerunners of NPM are now taking a step back, or (partly) reversing NPM reforms, as they have become aware of unintended and undesirable consequences (cf. Dunleavy *et al.*, 2006). It appears that the NPM works best when it is built on the secure foundations of a stable Weberian bureaucracy. NPM can have very negative effects when injected into situations where the civil service is highly politicized, the ‘public service ethic’ is unknown, budgets are unstable and accountability is weak. The paradox, then, is that the NPM needs its enemy - traditional bureaucracy – in order to succeed.

In the analysis of (presumed) convergence of NPM reforms in various contexts, more attention should be paid to differences in the starting points of reforms, differences in motivations, local adaptations and so on. Convergence in reform ‘talk’ does not necessarily mean that there is also convergence in practice. The book *“New Public Management in Europe”* can be seen as a first attempt to emphasize the divergence of NPM, and as such offers a new perspective compared to the existing, predominantly Anglo-American literature. However, the study of NPM is as pluralistic as the concept of NPM itself. There are simply too many different types of reforms, too many contextual variables and too many strands of theory, to offer a ‘simple’ explanation of the emergence and implementation of NPM in Europe. The one thing we can say with certainty is that diversity exists – both in the theorist’s world and in the practitioner’s.

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CHRISTOPHER POLLITT

Prof.dr. Christopher Pollitt is Professor of Public Administration at the Catholic University Leuven in Belgium and at Erasmus University Rotterdam in The Netherlands.

Correspondence to: Christopher.pollitt@soc.kuleuven.be

SANDRA VAN THIEL

Dr. Sandra van Thiel is Associate Professor of Public Administration at Erasmus University Rotterdam in The Netherlands and Executive Director of the Netherlands Institute of Government (NIG).

Correspondence to: vanthiel@fsw.eur.nl

VINCENT HOMBURG

Dr. Vincent Homburg is Associate Professor of Public Administration at Erasmus University Rotterdam in The Netherlands.

Correspondence to: homburg@fsw.eur.nl