

Between the State and the Market: Assessing Impacts of Local Government Reforms in Western Europe

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ABSTRACT This article compares local government reforms in three European countries: France, the United Kingdom (England), and Germany. In the analysis, the author distinguishes between two different types of reform. Firstly, the vertical dimension of the reform refers to the decentralisation of public tasks from the state/central government to local authorities. Secondly, in an illustration of the horizontal dimension, the readjustment of competencies between local authorities and market or non-profit actors is investigated by focusing on the development of privatisation, corporatisation, and contracting out. The paper pursues the following questions: What effects did the decentralisation and privatisation processes cause in the three countries, and did they contribute to performance improvements at the local level? The author reveals that the anticipated positive outcomes of the reforms have proven to be only partially accurate, and that in many cases unexpected and even rather negative consequences have resulted instead.

KEYWORDS: • local government • new public management • decentralisation • privatisation • Western Europe • France • United Kingdom • Germany

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1 Introduction

A capable and viable as well as politically accountable local self-government is regarded as a decisive precondition for the functioning of the entire national and supra-national democratic order. Against this background, the current reform initiatives in the OECD-world have been directed towards transferring responsibilities, resources, and powers from upper to lower tiers of government, thereby further strengthening the local level. At the same time, in many European countries, the neo-liberal trend tends to seriously challenge this vision of a broad functional profile and comprehensive political mandate of local governments. The paper presented here aims at analysing these different and partly contradicting approaches of local government reform in Western European countries from a comparative perspective. The author attempts to scrutinise the redistribution of public tasks and service delivery functions at the sub-national level of government, and to reveal its impacts on institutional performance. The selection of Germany, France, and the United Kingdom (England)¹ is justified by the fact that these countries represent three distinct models of local government systems that can be seen as ‘typical’ cases of decentralised institution-building and reform in Western Europe (see Wollmann, 2008).

The paper attempts to combine ‘institution-genetic’ and ‘evaluative’ analytical perspectives. On the one hand, the author seeks to reveal the trajectories and driving forces of local government reforms in the three countries under consideration. How do local administrative structures change with the reforms? Is there a convergence between the three countries? On the other hand, and most importantly for this paper, the effects and results of these changes will be examined with regard to local government performance, coordination capacities, and political accountability. The paper will investigate the intended and unintended consequences of the reforms and discuss to what extent they can be attributed to the pursued reform policy.

We scrutinise two types of reform: the vertical / intergovernmental reorganisation of tasks between the state / central government and local governments (decentralisation) on the one hand and the horizontal redistribution of competencies between local authorities and private actors (privatisation, corporatisation) on the other.

2 Analytical Framework and Hypotheses: Assessing Impacts of ‘Polity-Policy’

Local government reforms can be conceived as a particular form of institutional policy. Generally speaking, this type of policy is directed at redrawing the ‘institutional logistics’, or the ‘polity’ of public policy-making, and thus it can be referred to as ‘polity-policy’ (see Wollmann, 2003, p. 4). It has been argued that

‘polity-policy’ causes specific steering problems due to which the impact assessment, in contrast to that of (‘normal’) sectoral policies, is characterised by an even more complex analytical architecture (see Pollitt & Bouckaert, 2003, p. 12 et seq.; Bovaird et al., 2001). Firstly, the changes within the politico-administrative system must be analysed (‘institution evaluation’). Then the consequences of these institutional changes in regard to the efficiency and performance of the public administration have to be considered (‘performance evaluation’). Finally, in the third step, the more remote impacts outside the politico-administrative system (‘outcome evaluation’) should be examined.

In an empirically based assessment of these different attempts of reform and their institutional effects, we draw on a typology of governmental organisation widely found in administrative sciences. This typology distinguishes between a *multi-purpose* territorial organisation, characteristic of the traditional German and English local government systems, and a *single-purpose* functional organisation typical of the ‘French case’ (see Benz, 2002; Wollmann, 2004)². Within the ideal-type of a *multi-purpose model*, all the local-level functions are discharged by local governments that act as politically responsible all-purpose institutions. The guiding principle of governmental organisation is ‘territoriality’ including the political accountability of the respective territorial unit. By contrast, a *single-purpose model* is characterised by a vertical functional organisation going from the central to the local level. There is a separate administrative apparatus for each policy sector. Political accountability is located outside the democratically elected local councils. Horizontally, local functions are unbundled and transferred to mono-function private or non-profit actors where the latter pursues a single purposive rather than multi-functional rationality in fulfilling these tasks. The predominant template of a governmental organisation is ‘functionality’. In the first step, we wonder whether there is a convergent trend towards a multi-function model of local government based on ‘territoriality’ or more to a single-purpose model based on ‘functionality’.

Secondly, a conceptually as well as empirically more demanding step of evaluation refers to the performance impacts of the observed institutional changes. In order to approach the ‘performance question’, the following assessment dimensions will be distinguished: coordination capacities (vertical/horizontal); efficiency/cost savings; effectiveness/quality of service production; political accountability/democratic control. Drawing on the typology of single- and multi-purpose-models, the following theory can be put forward: Democratic control and horizontal coordination (cross-policy and territory-based) are likely to increase in proportion to the degree to which functions and decision-making powers are vested in politically accountable local self-government (multi-purpose model). Owing to lower specialisation levels, however, policy effectiveness and the single-sector quality of service delivery are likely to be reduced by using the ‘territoriality’ principle, leading to more variance and disparities between local

communities. Vice versa, it can be assumed that the single-purpose model, under which political responsibility lies outside the local authority, reduces the democratic accountability and transparency of public action as well as the proximity to citizens. Although greater vertical coordination within a given policy area can help increase single-policy effectiveness and diminish inter-local heterogeneity in service delivery, it can bring deficiencies in horizontal cross-policy coordination, which is to the detriment of comprehensive community development and territory-based steering in the localities. In local government systems organised according to the multi-purpose organisation the service production efficiency and thus cost savings can be expected to increase thanks to the fact that financial responsibility and service provision are institutionally integrated. Public spending is as such under the immediate democratic control of the local electorate. The organisations following the single-purpose-model, by contrast, separate financing and service provision functions and withdraw public spending from direct democratic control. This thus leads to the maximisation of policy interests, which results in the institutional inflation of single-purpose authorities to a degree far beyond what can be considered as functionally necessary and appropriate. This tendency does not only make for higher outlays but also increases sectoral fragmentation and reduces horizontal coordination to the detriment of the overall institutional efficiency. The purpose of the following analysis is to explore the impact of local organisation and institutional reforms on relevant performance parameters from a three-country comparative perspective. From a theoretical viewpoint, this ‘correlation’ is expected as follows:

Table 1: Presumed impact of local organisation on performance*

Performance Criterion	Multi-purpose model	Single-purpose model
Efficiency of service delivery	+	-
Policy effectiveness/ quality	-	+
Horizontal coordination	+	-
Vertical coordination	-	+
Political accountability	+	-
Interlocal variance	+	-

* +: high; - : low

The subsequent chapters draw on findings of the author’s post-doctoral qualification project on local government reforms in Germany and France (see Kuhlmann, 2008, 2009) and on the results of a research project on decentralisation effects in Western Europe (see Kuhlmann 2010a; Reiter et al. 2010)³. Two sources of data constitute the basis of the analysis:

(1) Secondary data, available literature dealing with local government reforms in Germany, France, UK, in particular, current research reports, journal articles, other empirical studies, official statistics.

(2) Findings from case studies and interviews with experts conducted by the author and by the project teams in Germany (State of Baden-Württemberg: Cities of Freiburg, Karlsruhe; Counties of Esslingen, Ostalbkreis), France (Cities of Bordeaux, Le Havre, Rouen; *départements* of Seine-Maritime and Gironde), and England (Districts of Lancaster, Purbeck; Counties of Lancashire, Dorset).

3 Decentralisation and Intergovernmental reforms: Local Authorities and the State

France: Two Waves of Political Decentralisation

France experienced two waves of decentralisation: ‘Acte I’ starting in 1982, and ‘Acte II’ from 2003 onwards. The French initiatives of state-local reorganisation can be considered as prime examples of political decentralisation that enhance local councils with new political decision-making competencies and major functional responsibilities (for details see Kuhlmann, 2009). As a result of the two rounds of decentralisation, local authorities (*collectivités territoriales/ locales*) have clearly been strengthened - also vis-à-vis locally operating state agencies and prefects. With the constitutional amendment of March 2003, decentralisation has, moreover, gained constitutional status for the first time in French history, and devolution of tasks from central government to *départements* and regions was even intensified (Acte II). Their portfolio has considerably been extended, particularly in social service delivery now completely discharged, also financially, by *départments*. However, decentralisation comes against limits because the deeply ingrained French ‘localism’ (rooted in the ‘Girondist’ heritage and running counter to Jacobin centralism) prevents the creation of more efficient (large-scale) local authorities through territorial amalgamations. This historical heritage is institutionally safeguarded by the accumulation of local and national mandates alongside the common practice of multiple-office-holding (*cumul des mandats*). Against this background, it is hardly surprising that central government with its numerous single-purpose authorities (*services extérieurs*) is still very much present at the local level and often competes with municipal, department, and inter-municipal institutions as well as with other de-concentrated state agencies operating at the local level (Thoenig, 2006). However, the trend of municipal cooperative grouping (*établissements publics de coopération intercommunale – EPCI*), provoked by the Act of 1999 (*Loi Chevènement*), and amounting to what has been called an ‘inter-municipal revolution’ (see Borraz & Le Galès, 2005), is generating a new dynamic in France⁴.

England: ‘Agencification’ and ‘Quangoisation’ as Administrative Deconcentration

Being an exception in the international trend towards strengthening local governments, England offers a strong contrast to France and numerous other Western European countries. In contrast to France, a strategy of administrative deconcentration was pursued that resulted in central government – hitherto limited

to Whitehall under the 'dual polity' tradition – becoming institutionally more and more entrenched in local policy-making and implementation. Against this background, England has become a more or less unique example in Europe of central government interventionism and an institutional defeat of local autonomy. After the nationalisation of major local government functions soon after the Second World War (National Health Service, gas, electricity, social welfare), later to be partially privatised, central government intervention intensified at the local level in the course of the Thatcherist revolution. This period thoroughly revamped Britain's traditionally 'strong' local government model. Central government agencies and a multitude of quasi non-governmental organisations (quangos) operating at the local level displaced the politically accountable and democratically responsible local councils that were more and more 'hollowed out' and disposed of their traditional functions and tasks. 'Quangoisation' has meanwhile become more widespread: there are now 5,000 such bodies in England, managed by 50,000 government-appointed board members. This figure can be compared with the mere 500 district and county councils with a total of 23,000 elected councillors (Winchester & Bach, 1999, p. 32). Furthermore, central government severely restricted local finances by setting limits to local budgets, by withholding allocations in the case of budget overruns, and by capping rates. The arrival of the New Labour government in 1997 brought little shift in policy. Although 'privatisation at any price' was no longer the watchword as under the Tories (see below), and the Local Government Act of 2000 diluted the traditional ultra vires doctrine by introducing a form of the Continental European general competence concept, central-government interventionism was further strengthened despite all the discussion about 'new localism'. 'Marketisation' has been replaced by a tightly-knit system of centralist regulation, control, and sanctioning of local government activities. The comprehensive system imposed by central government on local authorities of performance measurement, monitoring and controlling ('Best Value Regime – BV'; later 'Comprehensive Performance Assessment – CPA') is also fully in line with the trend towards central government interventionism.

Germany: 'Functional Reforms' as Administrative Decentralisation

In Germany, territorial reorganisations as well as the devolution of state tasks have considerably strengthened the traditional multi-purpose profile of local governments. After the first wave of the so-called 'functional reforms' in West Germany in the 1970s, in the course of which major German federal state (Länder) functions were devolved from the Länder-governments to the local level, German reunification and the recent devolution projects of most of the German Länder initiated further decentralisation. The State of Baden-Württemberg played a pioneering role with its major reorganisation and complete redistribution of tasks between state and local government in 2005. This reform was a prelude to a whole series of equivalent initiatives in other German states. The core element was the complete dissolution of 350 out of 450 special-purpose state authorities whose

functions and personnel were transferred to 35 counties and 9 county-free cities (see Bogumil & Ebinger, 2005). According to the first implementation studies, counties have meanwhile just about doubled their staff, which is to be regarded as a substantial upgrading of the county level in terms of personnel and competencies. At the same time, the role of the state authorities in Baden-Württemberg is being rolled back to 'core functions' that will maintain its own deconcentrated single-purpose administrative units only in the fields of tax administration, police and justice. The reform package has thus resulted in a clearer institutional separation of state functions and local government tasks. It has notably helped to simplify and streamline the sub-national institutional landscape in Germany.

Nevertheless, the reform in Germany is primarily administrative decentralisation referred to as 'pseudo' or 'false' decentralisation by some observers (see Wollmann, 2008). Local councils are not granted any rights to political decision-making and control regarding the new tasks transferred to them by state governments. Their 'Janus-face' was not removed, but clearly confirmed. They continue to have a double-function, acting as deconcentrated state agencies on the one hand and local self-government institutions on the other. Furthermore, the intermediate level of state administration located in four administrative districts (Regierungspräsidien) has been maintained and even strengthened in Baden-Württemberg. Moreover, German decentralisation policies are largely counteracted by the acute financial crisis, which obliges local authorities to reduce non-mandatory services and, in extreme cases, limits them to discharging delegated state functions.

4 Privatisation and Corporatisation: Local Authorities and the Market

France: Generalised 'Delegation' and the 'Satellite Model'

The French decentralisation policy of the 1980s along with the economic crisis of the period can be regarded as a major driving force of outsourcing, privatisation, and contracting-out at the local level. 'Delegation' to private firms (gestion déléguée), already practised since the 19th century, have become the predominant model of delivering local services, particularly in the infrastructure and utility sector. Many municipal companies, which had meanwhile emerged in French cities, disappeared from the local scene, while private providers took over 'un rôle leader' (Lorrain, 1995, p. 105). A 'generalisation of délégation' (Duval, 2006) has consequently occurred in local public utilities where essentially three big enterprises dominate and share the French market⁵. In drinking water supply, which is an essential local government's duty in France, the proportion of consumers served by private firms rose from 30% in the mid-1950 to 60% in 1983, and to no less than 80% in 1999 (Guérin-Schneider & Lorrain, 2003, p. 46).

Table 2: Modes of Local Service Delivery in the French Water Sector, 2000

Mode of service provision	Percentage of municipalities	Percentage of population
Water provision		
Direct service provision (local government)	48	21
Delegation (to private companies)	52	79
Sewage		
Direct service provision (local government)	62	48
Delegation (external provider)	38	53

Source: Hansen & Herbke, 2004, p. 300.

Furthermore, local authorities increasingly make use of mixed-economy enterprises (*Sociétés d'économie mixte – SEM*). In the 1980s, some 100 of them were set up every year (Santini, 1990, I) amounting to what was labelled as a real 'SEM reflex' (ibid.). Finally, yet importantly, the complete decentralisation of social service functions (*action sociale*) to the *départements* has prompted local actors to draw more and more on non-profit organisations (*associations*) for the provision of labour-market re-integration and 'welfare to work' measures.

England: Compulsory Competitive Tendering and Contracting Out

Under the Conservative government by Margaret Thatcher, the traditional British system of local government was conspicuously re-shaped and transformed. Through 'Compulsory Competitive Tendering – CCT' local authorities were obliged to contract out many local services (refuse collection, canteens, street cleaning, maintenance, etc.), which hitherto formed essential parts of their portfolio. Although New Labour, when coming into office in 1997, abolished the highly criticised CCT regime and replaced it by the Best Value system, the local authorities were still required to compare their performance with private providers and to outsource services (Reimer, 1999, p. 157 et seq.). Since the beginning of the 1990s, competitive tendering procedures have cost some 300,000 local public servants their jobs. Job-cuts have particularly affected manual workers (canteen catering, refuse collection, recreational and sporting facilities, industrial and office cleaning, road construction and maintenance) and employees in the local social welfare sector. In the latter group, 7 per cent of positions were lost as a result of privatisation and outsourcing. Market competition 'degraded' local government employment and deteriorated working conditions, bringing lower pay and benefits (sickness benefit, holiday allowance), more temporary and short-term contracts, general job insecurity and multiple jobholding, as well as an increased workload (Reimer, 1999, p. 157 et seq.), particularly affecting female employees. Against this background, the Local Government Pay Commission has concluded that 'local government is in danger of becoming the "poor relation" of the public sector' (Local Government Pay Commission, 2003).

Germany: Privatisation and Corporatisation

In Germany, the traditional model of local self-production and municipal service delivery has witnessed most far-reaching changes in the public utility sector (electricity, gas, water, waste disposal, public transport) where services used to be organised and cross-subsidised within the time-honoured ‘city works’ (Stadtwerke). This transformation was mainly triggered by EU market liberalisation and local financial crisis. The hitherto protected ‘local markets’ have opened up to competition, and the practice of cross-subsidising the services in ‘city works’ is no longer accepted. Furthermore, the budgetary crisis obliged many local authorities to outsource or privatise their services. In the meantime, private firms hold shares of nearly 40% of the city companies, and every tenth municipal company (11%) is, through a private majority holding, dominated by private firms (see Universität Potsdam & KGSt, 2003, p. 22 et seq.)⁶. According to another survey conducted by the German Institute of Urban Studies (Difu) only 30% of municipal energy companies are still entirely the property of the cities whereas more than 70% of them have private shareholders⁷. In the big German cities, local governments have minority holdings in roughly 20% of the energy companies. This marks a real rupture with the traditional German model of municipal self-production and conspicuously mirrors the increasing role of private actors in local service delivery, which are, in the case of energy supply, dominated by only four big groups acting as regional monopolies (E.ON, RWE, EnBW, and Vattenfall). Furthermore, German local governments are increasingly prone to creating municipal corporations and to spinning-off parts of the ‘core-administration’ that are organised in the form of quasi-autonomous entities, most frequently as private law companies (Reichard, 2006). In the 2005 survey (data base: 260 German local authorities), only 1% of the municipalities with more than 20,000 inhabitants stated not to have ‘corporatised’ services, while 83% of them reported they had done so between 5 and 13 services (see Bremeier et al., 2006). Interestingly, more than 80% of the surveyed local authorities preferred private law corporations (Ltd. company, stock company, registered private association, cooperative; see Universität Potsdam & KGSt, 2003). Furthermore, since the 1990s, the practical monopoly of non-statutory welfare associations (*freie Wohlfahrtsverbände*) in social services has been increasingly replaced by a new ‘welfare mix’ due to federal legislation. The market has particularly opened in the elderly care sector, which can be seen by the fact that foster homes for the elderly are now predominantly provided by private commercial firms (60% in East Germany; 50% in West Germany). Local authorities play hardly any role in this field of service provision (East: 0.7%; West: 2%; see Statistisches Bundesamt, 2005).

5 Reform Impacts from a Cross-Country Comparative Perspective: Do Institutions Matter?

What impacts did the institutional changes have on local government performance, coordination capacities, and democratic control? Although the empirical knowledge available so far is still rather scarce, particularly concerning the cross-country comparative dimension, some first tentative findings can be reported from the above-mentioned research projects. In order to make our assessments more concrete and empirically sound we pick examples from four policy sectors that have been most affected by institutional changes in the respective country: urban planning, social services, schools and environment protection⁸.

Coordination and Democratic Control

Testing the theory developed further above (see section 2) against the actual findings in the countries under consideration here, the overall picture is patchy. Concerning the French case, one could at first glance assume that democratic control and political accountability have increased because the local councils have been granted new powers in political decision-making and control where state tasks have been transferred to the local level, for instance, in urban and land use planning. And yet, in practice, these possible improvements have not occurred, which is mainly due to the powerful position of the French mayors who have retained a highly autocratic approach in governing their allocated municipalities. The strong mayoral grip on decision-making in the locality (e.g. in urban planning matters) leaves little room for the council or other non-executive local veto-players to practise democratic control. The formal powers (*pouvoir réglementaire*) of the council, notwithstanding the local 'president', remain the prime beneficiary of the decentralisation reforms, whereas the councillors, particularly those in the minority factions, have felt no significant advantages so far. The transparency of public action and the coordination capacities at the sub-national level of government can further be considered to have diminished rather than improved in France. The number of locally operating actors and institutions has soared as a result of the simultaneous processes of political decentralisation, deconcentration of state authorities, and retention of the existing institutional levels despite the efforts of inter-municipal grouping. The privatisation and contracting out of local public services have similarly caused steering problems and a loss of political control as evidenced by the election defeat of conservative mayors (for example, in Nîmes, see Maury, 1997). These defeats were largely prompted by a number of corruption affairs in the 'entrepreneurial' cities. The growing number of private, quasi-(non)-governmental and semi-public actors and mixed economy 'satellites' have in the meantime amounted to an over-complex, almost unmanageable system of governance.

An even worse scenario took place in Britain where the advance of mono-functional agencies and quangos resulted in an extraordinary fragmentation of the sub-national institutional landscape. Political decision-making by democratically elected local councillors was replaced by a centrally guided 'government by appointment' thus diminishing the councillor and citizen powers in local policies. The transparency of decision-making processes has diminished, as have political accountability and democratic control. Agencification and quangoisation have also done considerable damage to inter-sectoral coordination capacities because the central government's attempts to shift from a single purpose to 'joined-up government' have failed so far. In the education sector, for instance, quangoisation of schools and their institutional separation from the Local Education Authorities (LEA) have entailed enormous coordination deficits, particularly between different social services, but also between the schools (acting as 'quangos') and other school-related local services, such as the provision of public transport (school buses), sports grounds, and cultural facilities (Pollitt et al., 1998). These coordination and planning deficits turned out to be very detrimental to young people (Audit Commission, 2006: 5).

For the German case, too, the assessment of coordination capacities and democratic control is rather negative. Although the administrative decentralisation ('functional reforms') pursued in Germany has significantly upgraded the multi-function profile of local authorities, they are not granted more political decision-making competencies. Political accountability and democratic control could not be enhanced to that degree because local councils did not discharge the transferred tasks as politically responsible institutions. Concerning horizontal coordination, the decentralisation process in Germany was conspicuously countervailed by privatisation and corporatisation, tending to reinforce a single-purpose organisation at the local level. As a consequence, the cross-policy coordination capacities of local governments have been awkwardly cut. As local governments progressively retreat to an 'enabling function' and surround themselves with a multitude of quasi-autonomous single-purpose 'satellites', institutional fragmentation of the local landscape and cross-sectoral coordination problems are conspicuously increasing. Although the debate on 'local governance' points (from a normative point of view) to the re-integration of fragmented actor systems, local authorities are in practice far removed from any such countervailing development. Hitherto, German local governments have neither proved capable of effectively steering their municipal holdings, nor have they elaborated concepts of strategic 'corporate governance' (Reichard, 2006). Corporatisation and privatisation have also decreased local governments' political steering capacities amounting to what has been called the local councils' self-deprivation of political powers and thus the citizens' deprivation of influence (Bogumil & Holtkamp, 2002). Instead of a better horizontal steering and reinforcement of political accountability, the coordination problems within local governments have increased, and the democratic control of the local councils have diminished.

Policy Effectiveness and Quality of Service Delivery

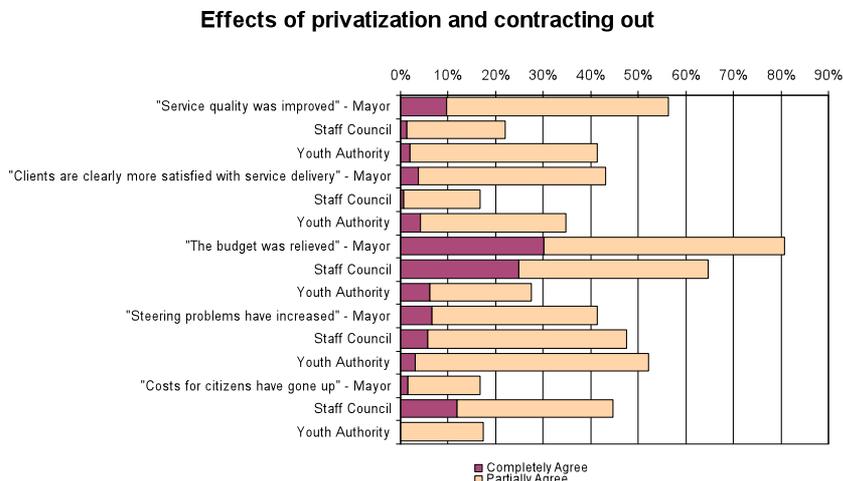
In France, there are some indications for output improvements due to decentralisation, for instance, in urban planning and social service delivery. One indicator for better policy effectiveness is the 'urban planning density' (land use plans, development plans) that has considerably risen since the 1980s. Meanwhile, more than 50% of the French territory is subject to a development plan (*plan d'occupation des sols/ plan d'urbanisme*), which corresponds to 75% of the French population, and 50% of the municipalities. Likewise, decentralisation has brought about improvements in social services. Due to organisational reforms and administrative modernisation in the social service departments of the general councils, the customer orientation, responsiveness, and the professionalism of local servants have been enhanced. Against this background, the Ministry of the Interior, in an all but euphoric statement, concluded that 'the decentralisation has already improved the daily life of the French citizen' (www.liberteslocales.gouv.fr, 20.2.2004). While these findings seem to indicate that the partial shift to the multi-purpose model in France has not so far led to a major performance breakdown in terms of single-policy effectiveness, decentralisation has, however, conspicuously reinforced regional inequalities and disparities. According to official statistics, French *départements* increasingly vary in the degree of strictness they decide upon social assistance grants, and also to the extent and amount of financial aid they transfer to people reliant on state benefit (see ODAS, 2006; Avenel/Nabos, 2006). The policy-output variance between French regions or *départements* is thus growing and tending to challenge the principle of equality (*égalité*) entrenched in the French Jacobin state tradition.

In the UK, there are many indications for decreasing policy effectiveness due to the 'hollowing out' of local governments and the quangoisation of service units, for instance, in the education sector where these developments are quite advanced. On the one hand, available studies reveal that young people's learning success – as an indicator of policy effectiveness – is not so much related to the institutional autonomy of the school, yet is shaped by the socio-economic environment and the social structure of classes. On the other hand, policy effectiveness in the education sector largely depends on a successful cooperation between different school-related local services. The increasing coordination problems between the more autonomous schools and other related local services have produced rather negative effects at the expense of young people in need of support outside the mainstream provision. Today, as a result of the quangoisation of schools in Britain, the accessibility of social workers to schools is considered insufficient. It is similar to the amount of mental health support for the most vulnerable children and young people (Audit Commission, 2006: 6). Furthermore, the 'soft' recentralisation through centrally imposed performance control, audits, policy guiding notes, and prescriptions entailed a decrease in local service quality, because 'inspection can be de-motivating for staff, influencing attitudes to best value' (Stewart, 2003, p. 133). Resulting from centrally imposed performance measurement obligations and

simultaneous staff cutbacks in local governments, the public servants' day-to-day workload expanded while at the same time their working and salary conditions deteriorated dramatically. In British schools, for instance, the number of stress-related sick-certificates soared by 24%, and the number of early retirements had increased by 20% by the end of the decade compared to figures in the mid-1990s (see Kogan & Maden, 1999).

In Germany, the picture is more ambivalent. On the one hand, there is evidence for decreasing policy effectiveness in some policy sectors resulting from administrative decentralisation and the reduced leverage individual policy actors have within the multi-purpose local government system. Since local authorities obviously give priority to attempts at reducing spending and relieving budgets, the quality and effectiveness of policy implementation in individual policy sectors is inadequate and even diminishing. The most serious consequences have so far occurred in the field of environmental protection where major policy targets and standards have been ignored or have not adequately been implemented by the county councils (for a very critical assessment, refer to Bauer et al., 2007). However, in other policy areas such as social services for disabled people, the decentralisation entailed significant improvements in terms of proximity to the citizens, service quality, and responsiveness. Local government efforts to provide 'single window access' and to establish 'one stop agencies' (*Bürgerämter*), which are now operating in more than 60% of the German local authorities (Bogumil et al. 2008; Kuhlmann et al. 2008), have significantly contributed to improve customer satisfaction and service quality. The effects of privatisation and outsourcing again tend to countervail these improvements. A recent survey in German local governments⁹ has revealed that in municipalities where services have been privatised, only a minority of staff council leaders (20%) and heads of youth care boards (40%) have observed quality improvements resulting from privatisation, whereas about 80% and 60% respectively are clearly against this statement. Yet, German mayors are more in favour of quality improvements, and at the same time, they state significant budgetary relief coming from privatisation, which might be explained in light of their frequent initiating role in privatising services in order to reduce fiscal stress (see Figure 1).

Figure 1: Effects of Privatisation and Contracting out in German Local Governments



Source: Survey Research Project "10 Years New Steering Model in Germany"
 Mayor n=460, Staff Council=270, Youth Authority n=87.

Adapted from Bogumil et al. 2008

Savings and Efficiency

Finally, we take up the question as to whether the institutional reforms analysed here have entailed cost reductions and efficiency improvements. In France, there are many empirical indications that the input needed for public service production and policy coordination has increased significantly since the decentralisation reforms and despite privatisation efforts. The simultaneous pursuit of political decentralisation, administrative deconcentration, and inter-municipal cooperation produced additional costs. Since the web of actors at the local level has become even more complex and coordination processes more time-consuming, the transaction costs of public decision-making and implementation have clearly risen impairing the efficiency of the French politico-administrative system. Furthermore, as a consequence of privatisation and contracting-out, the French municipalities are increasingly less able to control and steer the numerous single-purpose service providers adhering to them. The price of contracting-out is once again made apparent by the soaring transaction costs for coordination, controlling, and contracting. These developments also entailed cost increases for the customers. Prices and fares for privatised public services in some big cities increased extraordinarily to a degree that far exceeded the financial amount invested by private suppliers into the technical equipment of these services. In general, water prices in France are about 20% higher under private than under municipal management (see Finger & Allouche, 2002, p. 196). Consequently, the

impacts of the French reforms on savings, efficiency, and cost reductions must be assessed as rather negative so far.

Growing transaction costs can also be observed in the British case where centrally steered performance controls and inspections have produced a higher workload for local governments and required additional resources of time and workforce necessary for reporting and evaluation activities, for preparing the inspections, dealing with inspectors, and responding to their reports. It has been estimated that “the direct cost of inspection in local government is 600 million pounds per annum. This estimate takes no account of the time taken by officers and councillors who have to prepare the inspections, deal with inspectors, and respond to their reports. (...) External inspection including external assessment plays an ever-increasing role in the work of the (local) authorities, occupying the time and attention of both councillors and officers. (...) It is widely felt that the inspection process adds to the burden of (local) authorities. Review inspection has been a costly process due to its direct costs and the time, taken from other tasks” (Stewart, 2003, p. 209, 133 et seq.; Hood et al., 1999, p. 101).

While performance policies of the British central government require additional local resources, the impact of competitive tendering has been a significant decrease in local workforce. Since the beginning of the 1990’s, local government employment has been reduced by 10%, that is around 300,000 employees. The municipalities felt impelled to reduce their staff when they lost their private suppliers. Therefore, the staff was made redundant in that field. Furthermore, even the number of staff in the successful in-house teams was reduced in order to maintain low labour costs in comparison to competition from private firms (Bender & Elliott, 1999, p. 296). Between 1990 and 2000, local employment was halved in the construction sector and it was reduced by 7% in social services.

In the German case, an argument can be put forward that the decentralisation of state tasks in conjunction with the state-imposed ‘efficiency yield’ (Effizienzrendite) of no less than 20% in Baden-Württemberg has automatically produced cost savings because the Land gets rid of costly personnel and functions, and the local governments are bound to fulfil these new tasks with fewer resources. They can only manage this through severe cutbacks in personnel and spending and, last but not least, by privatising or outsourcing local services or diminishing service quality. However, by privatising profitable services, for instance, electricity supply, German municipalities have lost important sources of local income. They were widely used for cross-financing other less lucrative sectors of activity (for instance, public transportation). With a cross-country comparison of these results, it becomes apparent that the German local authorities have been able to reduce their staff despite the extension of functions and workload. In the former Jacobin government of France, by contrast, ‘strong’ local authorities have meanwhile been created, reflected in major staff increases. In

terms of employment, French local government is a ‘pole of growth’ and thus largely contrasts with Britain and even more with Germany where local government employment has been reduced significantly over the last few years. On balance, Germany has now fewer local public employees per 1000 inhabitants than France. In Britain, the neo-liberal and increasingly centralist reforms undertaken by the government have reduced the local employment sector; the traditionally strong British local government model is thus losing its force.

Table 3: Comparison of local government employment across countries and over time

Country	Local govt. staff 2000/2001 (1000)	Share of local govt. staff in total public service	Local public service staff per 1000 inhabitants 1990/91	Local public service staff per 1000 inhabitants 2000/01	Development of local govt. employment 1990/91-2000/01	
					1000	%
Germany	1 470	31.9 %	25.2	17.8	-526	-26.4
France	1 404	29.6 %	20.2	23.3	238	20.4
UK	2 690	52.8 %	52.5	45.8	-277	-9.3

Source: based on Bogumil/Kuhlmann (2007) with further data.

Summarising our findings, the aforementioned hypotheses (see Table 1) can only be partially confirmed, which is due to the country-specific paths of decentralisation/privatisation and the different institutional choices made by (sub-)national actors in the three countries. Performance outcomes largely depend on these country-specific trajectories of reform and on the resulting shape and actual content of the multi- or single-purpose model in the respective national/local context. France’s convergence to the (German-style) multi-purpose model did not insofar entail the expected efficiency gains, neither did it prove to bring major improvements in terms of democratic control and political accountability. In Germany, by contrast, cost savings have been achieved, whereas, similar to France, the hypothesis of democracy gains resulting from a further strengthening of the multi-purpose organisation must clearly be rejected. In the UK, being the only country of our sample where a shift from a traditional multi-purpose to a single-purpose model has taken place, democratic control and accountability at the local level have significantly diminished, thus confirming our theory in this respect. The same applies to the British local authorities’ coordination capacities, particularly between different policy sectors where deficits are obviously to the detriment of the citizens. Cost-intensive performance controls and auditing systems in the UK public service have in the meantime countervailed the achieved savings that have resulted from the local cutback management and outsourcing. Regarding policy effectiveness and service quality, most improvements can be

seen in the French case thanks to the decentralisation of urban planning and social policies, whereas in the UK the opposite is true. However, the picture is more differentiated in Germany. In general, the effectiveness and quality of service delivery strongly depend on the policy sector concerned. Decentralisation has turned out to be more adequate in those sectors where an immediate contact between the authority and the citizen is required (social services). Yet, in policy sectors of supra-local scale and with more remote impacts, for example, on environmental issues, a broader perspective is needed. Here, the single-purpose organisation would be preferable in order to guarantee the fulfilment of important supra-local policy goals. Lastly, yet importantly, inter-local disparities and differences have increased in all three countries. In Germany and France, this is clearly linked with the decentralisation of state tasks. In the British case, the explanation lies more in the single-policy logics of quangoisation and agencification, as a result of which inter-organisational variance has increased despite a stronger central government grip on local policies. Although there is some simplification, these assessments can be summarised as follows:

Table 4: Performance Effects of Institutional Reforms in a Cross-Country Comparison*

Performance Criterion	France	Germany	England
Efficiency of service delivery	-	+	-/+
Policy effectiveness/ quality	+	-/+	-
Horizontal coordination	-	-	-
Vertical coordination	-	-	0
Political accountability	0	-	-
Inter-local variance	+	+	+

* +: increased; - : decreased; -/+ : partially de-/ partially increased; 0: no changes; preliminary assessment based on interim results of research; see also Reiter et al. 2010

6 Conclusion

We have seen that in all three countries under consideration here, major attempts at a vertical and horizontal reorganisation of public functions have been made, yet they lead to quite different results. Administrative deconcentration, privatisation, and contracting-out in Great Britain have conspicuously ‘hollowed out’ local governments’ multi-purpose organisation without bringing about the performance improvements expected by central government, quite to the contrary. In France, on the one hand, political decentralisation in conjunction with inter-municipal grouping has strengthened local governments’ functional and political mandate. However, on the other hand, simultaneous processes of administrative deconcentration and privatisation have hitherto prevented France from shifting to a viable multi-purpose organisation of local governments. Improvements in policy effectiveness and citizen proximity resulting from decentralisation have been

countervailed by efficiency losses and soaring transaction costs caused by 'institutional overload'. Regional disparities grew to the detriment of the 'egalitarian principle'. In Germany, by contrast, the sub-national institutional landscape, at least in some *Länder*, was significantly streamlined as a result of administrative decentralisation. The achieved cost savings and efficiency improvements, however, contrast with decreasing policy effectiveness at least in some policy sectors due to lower professional specialisation and local cutback management, and due to shrinking political powers of local councils, resulting from privatisation, outsourcing, and a general up-grading of local executives. The performance findings outlined here still require more empirical examination. In particular, reform impacts in different policy sectors need to be scrutinised to reveal whether and how 'policy matters' contribute to the success or failure of institutional reforms. The conceptual and methodological pitfalls of this endeavour notwithstanding, it will be a major challenge for future comparative public administration and local government studies to take up and further elaborate these evaluative questions of institutional research.

Notes

¹ Where the United Kingdom is not explicitly mentioned, the reference is to England.

² For more information on the 'starting conditions' of reforms and the traditional local government systems in the three countries, refer to Wollmann 2008; Kuhlmann 2008.

³ The research project was financed by the German Science Council and was jointly headed by Jörg Bogumil (University of Bochum) and the author (refer to: www.dhvspeyer.de/Kuhlmann/Forschung/WandelLokal.htm).

⁴ Meanwhile, almost 90% of all the French local authorities belong to some form of cooperative grouping (Kuhlmann 2010b).

⁵ Veolia Environnement (formerly Compagnie Générale des Eaux/CGE; formerly Vivendi), Suez (formerly Suez Lyonnaise des Eaux/SLE) and Société d'aménagement urbain et rural (SAUR).

⁶ Empirical basis: (1) survey of 190 cities with more than 50,000 inhabitants; response rate: 71% (135 cities); (2) analysis of 2391 municipal corporations of these cities (see Universität Potsdam & KGSt, 2003: 47).

⁷ Empirical basis: 3034 corporations of 36 big German cities (Libbe et al., 2004: 75).

⁸ We selected different policy areas in the three countries in order to pick those that had witnessed major institutional changes. Our objective is not to make a cross-country comparison of policies, but rather to reveal the impacts of institutional changes (decentralisation / privatisation).

⁹ The empirical study is based on 1565 municipalities including all the German cities with more than 20,000 inhabitants, ¾ of all the cities between 10,000 and 20,000 inhabitants, and 2/3 of the German counties. For a more detailed description and results, see Bogumil et al., 2008; Kuhlmann et al., 2008.

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