EUROPEAN
POLICYBRIEF

THE IMPACT OF NEW PUBLIC MANAGEMENT (NPM) REFORMS IN EUROPE

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Coordinating for cohesion in the public sector of the future (COCOPS)

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INTRODUCTION

This policy brief presents the findings of the first work package of the COCOPS project. It is based on an analysis of almost 520 evaluations and assessments of New Public Management-style reforms in European countries. A full report can be accessed through the COCOPS project website at www.cocops.eu.

- The outputs and outcomes of NPM reforms evidently vary a great deal. Often such reforms lead to improvements, but they can also lead to no real change or even, in a significant number of cases, to deteriorations. It is not uncommon for improvements on one parameter to be balanced by deteriorations on another, e.g. improved efficiency is offset by some loss of equity, or co-ordination.
- There is an enormous amount of literature – both academic and governmental – concerning NPM reforms within the EU, but only a small fraction of it actually focuses on the eventual outcomes of reform.
- There has been considerable debate about what constitutes the NPM. It is not a straightforward technical or scientific concept. We offer our own working definition.
- Since about 1980 NPM tools, techniques and thinking have spread far and wide within the EU (as well as in the rest of the world).
- That does not mean, however, that all EU public administrations have converged on an NPM model. The degree that NPM ideas and techniques have penetrated EU member state administrations varies enormously.
- Far from being 'dead' or something of the past (as some commentators have suggested) NPM ideas are still being introduced in various countries and sectors, and, in any case, the institutional legacy from previous waves of NPM reform is large
- The outputs and outcomes of reform vary considerably according to contextual factors. The NPM offers no 'silver bullet' that works well in all circumstances.

- The contextual factors which can inhibit, distort (or sometimes assist) NPM reforms are complex and various. We offer some analysis and comment on this complexity.
- In some cases NPM may not be the answer to local or national problems: other types of reform may be more urgently needed.
- Would-be reformers would be well advised to carry out an *ex ante* evaluation of the particular national and local circumstances before launching NPM-type innovations. Such reforms may well need to be adapted to fit better with local resource levels, capacities, skills, task complexity, corruption levels, political systems, cultures, socio-demographic characteristics of service users, and so on.

THE IMPACT OF NEW PUBLIC MANAGEMENT (NPM) REFORMS IN EUROPE

What is the question and why is it important?

Our aim has been to answer the question '**What impacts have NPM-type reforms had across Europe?'**

While only a few countries have adopted a full New Public Management (NPM) regime, many countries have tried out specific NPM techniques such as contracting out, the creation of 'arm's length' executive agencies, performance management or performance-related pay (PRP) for civil servants. So NPM ideas have influenced public administration throughout the EU, albeit on different scales and in different mixtures in each member state.

This policy brief is based on an independent scientific research project (COCOPS) that has examined an unprecedented amount of material from right across Europe (details of the COCOPS database are given on page 9 of this policy brief – we cover most EU countries plus Croatia, Norway, Switzerland).

Much more detail on all the issues mentioned here is included in our main meta-analysis, which is available on the COCOPS website (www.cocops.eu). That document also includes a long list of relevant citations, most of which, for simplicity's sake, have been excluded from this short brief.

Some important things to remember about the question

The above question may appear fairly simple, but answering it is certainly not. Some of the key problems which we have encountered in our research are these:
- There are disagreements about what NPM actually consists of (and some reforms are mixtures of NPM elements and other, different types of reform).
- There are also varying approaches to what counts as an impact.
- The available evidence is much more extensive in some countries than in others, but theoretically sound and complete evaluations of reform are very rare. So the evidence is, to a greater or lesser degree, always partial, and in some cases is no more than anecdotal or fragmentary.
- The available documentation is a mixture of independent academic writing, consultancy reports, government statements and reports, and formal evaluations. These are rather different types of material/evidence, written for different audiences, with different standards and purposes. Some of this material is highly normative or politicized. Some is very specific and concrete and some is very abstract and theoretical. This makes arriving at an overall judgement more complex.
- National and sectoral contexts differ, sometimes enormously. And contexts influence the chances of success with a given type of reform. It is possible, therefore, that there is not one general answer to the question posed, but rather a range of answers depending of the specific reform and the specific context.

What is NPM?

There has been a great deal of academic debate about this, but for the purposes of this policy brief we will define it as follows:

NPM is a two level phenomenon. At the higher level it is a general theory or doctrine that the public sector can be improved by the importation of business concepts, techniques and values. This was very clearly seen, for example, when the then US Vice President personally endorsed a popular booklet entitled Businesslike *government: lessons learned from America's best companies* (Gore, 1997). Then, at the more mundane level, NPM is a bundle of specific concepts and practices, including:

- Greater emphasis on 'performance', especially through the measurement of outputs (and, more ambitiously, outcomes)
- A preference for lean, flat, small, specialized (disaggregated) organizational forms over large, multi-functional forms. These specialized organizations have often taken the form of semi-autonomous agencies
- A widespread substitution of contracts for hierarchical relations as the principal co-ordinating device
- A widespread injection of market-type mechanisms (MTMs) including competitive tendering, public sector league tables, performance-related pay and various user-choice mechanisms
- An emphasis on treating service users as 'customers' and on the application of generic quality improvement techniques such as TQM (see Pollitt, 2003, chapter 2).

Dunleavy et al. (2006) have usefully summarized this as 'disaggregation + competition + incentivization'

What do we mean by Impacts?

In our research we have divided impacts into three categories:
- Impacts on processes or activities
- Impacts on organizational outputs
- Impacts on social, economic and political outcomes

We need to say how we use these terms. First, we conceptualize an organization or programme as a set of *activities or processes*. These include organizational arrangements like the division of responsibility, the allocation of authority, the standard operating procedures, and so on. These processes enable the organization to deploy and redeploy its resources (staff, money, buildings etc) which are collectively termed *inputs*. From these activities and processes the organization or programme then produces a set of *outputs*, which could, for example be lessons (in a school), licenses (from a licensing agency), medical treatments (from a hospital) and so on. These outputs are, in a sense, what the organization 'gives' to the outside world – to citizens, to civil society associations and to business firms. They are like messages, passing across the membrane that separates (on the one hand) state organizations from (on the other) the market sector and civil society. Outputs are invariably intended to produce desirable *outcomes*, beyond the organization or programme – so school lessons are supposed to produce educated students and hospital-provided medical treatments are supposed to produce the cure or alleviation of ill-health.

An outcome is something that happens in the world outside the organization and the programme: it is an effect 'out there in the real world'.

WHAT HAVE WE FOUND?

Analyses of 520 studies

We examined nearly 520 studies which made claims about the impacts of NPM reforms across the EU, plus Croatia, Norway, Switzerland and the European Commission. We found that:

- most of them really only offered information about changes in activities and processes – features which are essentially internal to the organizations concerned.
- only 27% contained information about outputs or outcomes.

- fewer than 9% offered information about the final outcomes of reform. Even in these cases there were frequently difficulties around the attribution of outcomes to particular reforms, i.e. a particular effect (let us say reduced waiting times for service) might have been caused by a given reform, or they might have been caused by something else (more staff and resources) or by some combination of both.

We classified the reported results into three categories – improved, worse and unchanged. If we add up the total number of 866 entries in our reports for these types of impact, we get the results shown in Table 1.

Table 1: Database entries for NPM reform impacts

Type of Impact	Entries (N)	Improved	Worse	Unchanged
Outcomes	57	44%	23%	33%
Outputs	165	53%	20%	28%
Processes/Activities	644	58%	19%	24%

Note: Studies may contain more than one entry for processes/activities, outputs or outcomes or any combination of these. Therefore an entry is not the same as a study.

Clearly NPM reforms are not always successful. On the upside, outcomes, outputs and processes/activities are all reported as improving things more often than making them worse. On the other hand one could say that in 56% of the entries we have collected, outcomes remained the same or got worse (with corresponding percentages of 47% for outputs and 42% for processes/activities).

Why don't we know more about outcomes?

NPM reforms have affected many peoples' lives and have cost a great deal of time, money and effort. So why don't we have a better picture of their outcomes – their final impacts on society, the economy and the political system itself?

It is possible to take a 'conspiracy view' and argue that politicians and top managers have avoided full scale evaluations because they have been anxious that the results would expose how their reforms fell far short of their (often grand) promises. In some cases this may have been so. In others ideological or doctrinal convictions may have been a factor – "we know this is the right course, so why waste time and cause possible divisions of opinion by evaluating it?". That seems to have been the attitude, for example, when Mrs Thatcher's government launched the 'internal market' (MTM) reforms of the UK National Health Service in 1989.

Evaluating large scale public management reforms

In our view, however, 'conspiracy theories' only explain a small part of the situation. More convincing explanations involve understanding how difficult it is to evaluate large scale public management reforms, and how weak (usually) are the incentives to do so. To see why this is so, consider Table 2, below. Table 2 follows a simple and widely-cited schemata (Pollitt, 2002). In stage A reforms are talked about – they are the 'flavour of the month' in the policymaking community. In Stage B authoritative decisions are taken to introduce the reform – ministerial or cabinet decisions, perhaps laws or white papers or public pronouncements by the government or other relevant public authority. In Stage C the reform becomes operational – it is no longer just words in a policy document, it is implemented as the new standard operating procedure in the relevant public departments and agencies. In the final stage, D, come the results – what difference (if any) does the now-implemented reform make to outputs and outcomes?

Table 2: The stages of a management reform

Stage	Description	Common problems
Talk	A particular reform is much discussed – it is in fashion	Talk is cheap. The reform may not receive sufficient critical scrutiny
Decision	The public authorities announce that they are adopting the reform	The goals of the exercise may be multiple, conflicting or vague. Announcements are only the beginning of a long road
Practice	Public sector organizations try to incorporate the reform into their daily operations	Organizations may lack the necessary resources and/or skills. Key stakeholder groups may resist the reform.
Impacts	The reform improves, or worsens, or leaves largely unchanged, the outputs and outcomes of the organizations which have adopted it	Even if the reform is fully implemented it may make little or no difference to outputs and/or outcomes

Why haven't there been more and better evaluations of NPM reforms?

It is quite normal for there to be significant problems (or ambiguities) in the reform at one or more of these stages (right hand column). These often lead to changes in the original plans. Such changes and ambiguities over time complicate the task of the evaluator. In fact in the real world it is quite rare for a policy to proceed calmly through from stage A to stage D. At each stage things may happen to the reform process which feed back to alter earlier stages. And at each stage in the reform process a given reform may lose forward momentum. For example, an election may change the party/parties in power, and the new government may not wish to be associated with the reforms of their predecessor. Or trouble at the implementation stage (C) may cause the reform to be reformulated, and even (via feedback) lead to the original objectives being altered.

From a political viewpoint the life cycle of a given reform may well be longer than the normal 'political cycle'. Announcing the reform (stage B) can be politically useful, but the long road to results may stretch well beyond the political horizon. It may also involve many detailed operational problems of a kind that most politicians are not well-equipped to deal with (stage C). So the political incentives to keep close track of the reform (and to evaluate it) from beginning to end are frequently limited.

THE IMPORTANCE OF CONTEXTUAL INFLUENCES ON REFORM IMPACTS

Contextual factors contribute to impacts

Reading through more than 500 studies of reform it is hard not to notice how frequently some special contextual factor or factors is/are mentioned as contributing to the impacts. Such factors may help or hinder NPM reforms. Yet they are often not mentioned or taken enough account of in either government policy documents or academic studies.

The studies in our database refer to a long list of contextual influences. They may act either singly or in combinations. A simplified list of some of the more important ones would include:

1. The politico-administrative culture (some cultures are highly resistant to reform, others more flexible and open)
2. The structure of the political system (some systems are highly centralized and can push wide-scope reforms through fast, while others are more pluralistic/ consensual/ decentralized and have to take more time and make more compromises to get reforms in place)
3. The volatility of governments. In some countries and periods governments rise and fall very quickly, and appointments to ministerial positions seldom last long. This undermines management reforms which typically require a degree of continuity over time

4. The level of current administrative capacity. Some administrative systems have little or no experience of working closely with the private sector. Some lack any cadre of leaders. Some lack skills of contract management, and so on
5. The particular socio-demographic characteristics of certain localities or regions. Some public service users are harder to work with than others, and some types of reform may not work out so well in, e.g. areas of poverty or high crime
6. The level of complexity of the task – in particular whether it can be highly standardized or has to be professionally tailored to individual service users. Services where professional discretion and an individualised, non-standardized service have previously been the norm offer a considerable challenge to NPM-type reforms
7. The strength of international pressure for (or against) reform. Some countries have been under strong persuasive pressures from international bodies or other governments to adopt particular types of reform
8. The strength and role of other stakeholders, especially public service professions and unions. Public service unions are by no means always opposed to reform, but in some countries where they are strong they have provided powerful resistance to certain types of NPM measure. Professionals such as doctors or teachers have often resisted measures which they believe will reduce their professional autonomy and put them under pressure to deliver standardized treatments
9. Accidents and scandals, which can sometimes provide a 'window of opportunity' for reform, but on other occasions may blow an existing reform off course
10. Specific contextual factors which affect the use of performance indicators and performance management. These include the degree of previous experience with performance management, the measurability of the activities in question, the strength of any linked incentives, the stability of the system over time and the vulnerability of the system to gaming and cheating
11. Specific contextual factors which affect the impacts of performance related pay (PRP). These include the perceived fairness of the system, the size of the bonuses available, the proportion of staff who receive these bonuses, and the quality of training received by those staff who are required to operate the system.

The above list can be used as a check-list of things to watch out for when planning a reform. Obviously, some are easier to tackle than others, and some structural features may have to be lived with rather than changed – at least in the short and medium term.

So what can would-be reformers do?

A clear implication is that some kind of ex ante systematic review of likely contextual factors constitutes a highly desirable feature of any reform plan, plus a sober appraisal of the proposed reform tool itself. Our database suggests a check-list of items to think about. These would include, for example:

- Considering the implications of the wider political system. The overall political system does not usually change much in the short term: reforms may therefore need adapting according to whether they are being inserted to, say, an aggressively competitive, majoritarian system or a more consensually-oriented multi-party system
- Assessing the likelihood of sudden turnovers of governments and/or restructurings of governmental structures and functions. Such volatilities may exercise a major influence on the continuity and cohesion of reform efforts. In the case of some countries (Italy in the 1980s and '90s, some CEE countries since the mid 1990s) rapid changes of government have been a clear pattern
- Assessing the local organizational culture. This is a longer term influence, hard to change radically in the short term but potentially malleable in the medium to long term – if a systematic effort is made to train and lead
- Corruption is one particular aspect of culture, and is hard to transform in the short term, although it can be progressively reduced over time Many NPM reforms are hard to implement in a high corruption environment because they involve giving managers and front line staff greater autonomy ('freedom to manage'). In cases where corruption is prevalent it may be necessary to tackle corruption, at least in selected areas or sectors, before NPM reforms can be fully implemented

- Analyzing the socio-demographic situation of users and citizens that are targeted by reform, since different groups may experience the effects of reform differently and, conversely, the impacts of reform may be different, based on different socio-demographic characteristics
- Assessing the existing capacity and skill set of the organization(s) which are to undergo reform. Skill sets can be altered in the medium term if a planned programme of training and recruitment is put in place. In the short term there is little point introducing a new technique (e.g. regular appraisal interviews, accruals accounting, contracting out) if enough staff are not trained to operate them
- Considering the role and influence of the main stakeholders, who can affect implementation and possibly impacts per se. These usually include civil servants, labour unions and the professional associations of service providers. Reforms commonly need to be negotiated with these groups and adjustments and compromises may well need to be made.
- Last but by no means least, the complexity of reform processes is such that reformers should be ready to *adapt* as implementation goes forward. And they will need to design an implementation process that will give them *fast, regular feedback* on how things are going – so that they will know if and when their plans need to be adjusted.

CENTRAL LESSONS

NPM is neither a general panacea nor a general failure

Looking at a very large number of studies of the impacts of NPM reforms across Europe, we conclude that NPM is neither a general panacea nor a general failure. It works well in some circumstances, but not in others. Reformers have found particular NPM elements (PRP, contracting out, etc.) succeed in one place and time, but run into trouble elsewhere – sometimes even within the same country or sector. The central 'lessons' of our analysis are that

1. the probability of success is increased if reformers conduct a careful analysis not only of the reform tool(s) but also of the context before they make big claims or launch elaborate and expensive programmes of change
2. there is usually a need to sustain and support reform implementation over a period that is likely to be measured in years rather than weeks or months. This normally requires some stability – in terms of both earmarked resources and credible leadership. It also requires fast, regular feedback and a readiness to adapt.

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