Barbara LIEGL
E-mail: Babsy_Liegl@CompuServe.com

The Fallacies of New Public Management - Can they still be prevented in the Austrian Context?

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1 Introduction

Administrative reforms in their various and manifold manifestations have always been on and off the political agendas, but they have gained even greater prominence during the late 80s and early 90s. On the first glance this impetus was linked to the budget crisis in most of the western democracies, but lately there have been voices ascribing these new waves of reforms to political mobilization (NASCHOLD 1996, 5) rather than to economic crisis. Most of these reforms have counted on elements of New Public Management (NPM), especially the Anglo-Saxon countries (like the United Kingdom and New Zealand) and the Scandinavian countries have claimed an outrider position. Although there is no agreement\(^1\) on defining NPM, it is taken here in this paper to stand for ideas that were developed in the private sector to make enterprises and organizations more effective and efficient and were then transferred to the public sector without adapting and changing them dramatically.

This paper consists of three parts, the first one looks at the administrative reform programs of NPM from a theoretical perspective and the second part encompasses a critique of it launched from the point of view of theories of public goods and citizenship as well as models of democracy. The third section compares two recent or suggested administrative reforms in Austria to the cornerstones of NPM, to find out whether this perspective is prominent in Austria as well and whether some of the fallacies of it can still be prevented in this context.

Administrative reforms applying NPM claim to achieve several goals simultaneously - cutting back public expenditure, improving the efficiency, effectiveness and economy within the public sector, heightening the transparency of the public sector by defining clear goals and clear areas of accountability, and enhancing the responsiveness of the public sector to its clients. The policies serving these goals are mostly deducted from theories like public choice, agency theory, transaction cost economics and public management and share with them their advantages and disadvantages. The administrative system undergoes major changes when these new strategies are applied - increasing heterogeneity within the public sector, a different kind of relationship between the old style professionals and the new type of managers and the loss of institutional memory to name but a few. Taking these radical transformations into account one would expect NPM also to think about the new relationship between the administration, the state and society. What kind of state does the citizen and the administrator face? What kind of society is needed so that citizens can fulfill their new roles as consumers?
How can solidarity be stimulated to overcome the fragmenting tendencies within this new movement? Unfortunately NPM itself does not answer any of these questions.

Further weaknesses of the NPM movement are even more dismaying, when looked at from the perspective of theories on citizenship and public goods as well as democratic models. Regarding them it seems to be very fruitful to take a closer look at the not well chosen criteria for deciding whether a task should be privatized, contracted out or carried out by the state itself, at the actual lack of political control and democratic deficit due to the predominance of concepts like efficiency and effectiveness, at the curtailed concept of the citizen as consumer and at the blurring of the differences between the public and the private sector.

In the Austrian context administrative reforms adhering to ideas of NPM have not gained a foothold yet, only in 1997 has the Austrian government decided to launch an innovation program containing elements of NPM. Although some of the earlier reforms showed very slight tendencies towards NPM, they lacked the coherence and force of NPM programs applied in Anglo-Saxon and Scandinavian countries. Within the current program there are several strands of reforms of which two are depicted in greater detail - namely the reforms of the Federal Theaters and Museums and of the Employees Under Contract Act.

2 New Public Management - A Theoretical Approach

As the state has to cope with many new and demanding trends - the globalisation of financial markets and industry, policy problems (e.g. drug trafficking, environmental protection, law and order) reluctant to sole national solutions, democratic pressure and the managerial revolution to name but a few\(^2\) - it has to think about new ways of organizing its executive branch, which does not only execute laws and regulations but has a major part in the preparation of these legal instruments. One of the recurring issues relating to these problems is the question of which tasks must be financed and fulfilled by the state itself and which can be at least executed by non-state institutions. These considerations should always be taken into account before discussing special measures within the framework of NPM, although this problem is not one which can be solved quite easily and readily, because it is of a flowing and amorphous state and therefore pops up, whenever administrative reforms are discussed. Within NPM „a split between a small strategic core and a large operational periphery“ (FERLIE et al. 1996, 12) of tasks is considered, whereby the state has to continue to guarantee rights and provide for regulations. Service production can be seen as a peripheral duty and can therefore be either privatized, contracted out or made available to competitive tendering. This
formal model nevertheless shows some severe weaknesses, as it does not include criteria for the bottom line of state core activities. Perhaps one could take the theory of public goods as the basis for developing a decisive mechanism which tasks could be marked as core and which as peripheral. So NPM should also provide a concept of the state it is working with, as it definitely wants to replace the service state and make it more of an economic and less of a political actor. Nevertheless it is not at all clear whether the new kind of state is to become a regulator or more like an enabler/guarantor of administration.

Besides these preliminary discussions there are several outline conditions (NASCHOLD 1998, 102 ff.), which have empirically proved quite supportive for the success of NPM. Among them are the high degree of political mobilization and the participation of advocacy coalitions including both high ranking politicians and the administrative élite. It has to be pointed out that the overall participation of the administrative personnel - not only including the administrative élite but also the lower echelons of the administration - has proved to lessen resistance against reforms. Furthermore it has turned out to be quite helpful to embed these advocacy coalitions institutionally and into inter-organizational networks by establishing a rather small group of staff personnel at quite an advanced level and a reform-commission experienced in practical applications at the cross-section of politics and society. The reform infrastructure does not only depend on these inter-organizational networks but also on the participation of external experts - like people from research centers and universities, as well as consultants. First and foremost the reformers have to be aware of path dependencies due to historical traditions, cultural norms and practices, which restrict the alternatives from which to choose in quite a massive way, nevertheless it has been established that comprehensive reform programs implemented in quite a revolutionary way are most promising.

So it must be hinted at that administrative reforms have to take contextual factors into account and that there are several preliminary questions which should be dealt with in advance. The most important one should be based on a collective decision concerning the problem which tasks are to be seen as core and which as peripheral and what kind of state the administrators and citizens are dealing with. Additionally reforms aiming at such radical changes have to rely on broad political and administrative as well as social support.

2.1 Aims, Policies and Underpinning Theories

In thinking about quite a comprehensive model of NPM I have considered various administrative reforms in the wake of NPM, among which New Zealand and Great Britain as
well as the Scandinavian countries have played an important role. The following arguments are based both on reform programs implemented at the federal and the local level.

The measures undertaken within the framework of NPM can be roughly grouped into three categories - the internal modernization of the administrative structures, market-oriented developments and the emphasis on mechanisms guaranteeing customer satisfaction. Therefore three regulatory mechanisms playing a major role in the concept of administrative reforms can be identified: (1) the state-administrative governance regime, (2) the market regime and (3) social mechanisms (NASCHOLD 1996, 44). Of course all these regimes leave open a wide range of potential strategies, within the first one they can take on various forms ranging from the traditional bureaucratic model of governance by rule to the modern one of management by results (MbR), within the second one there are several alternatives fluctuating between the two poles of competition - namely the one in non-market areas and the one between private and economic agents. Within the third regulatory mechanism the strategies can take on intermediary positions delimited by the two end points of the continuum viewing the client as pure citizen who has rights and duties or as mere customer having primarily the duty of quality control.

**Graph 1: Measures within the 3 Regulatory Regimes**

![Graph 1: Measures within the 3 Regulatory Regimes](image)

Due to these manifold opportunities, administrative reforms in the guise of NPM can take on various patterns and concentrate on different points of emphasis - compare e.g. England/New Zealand to Sweden/the Netherlands - nevertheless there are several aims and measures which can be identified as definite elements of an overall NPM model.

**2.1.1 Internal Modernization of the Administrative Structures**
Steps in this direction are supposed to make the internal structure of the administration more transparent and therefore more easily controllable by the political system, more manageable for a new type of civil servant opposed to the traditional professionals and more effective and efficient. The underlying concepts of these re-structuring and re-engineering programs can be identified partly in public choice and principal agency theories, the latter one especially manifesting itself in the process of managerialisation and the first one in the measures aiming at more transparency and efficiency/effectiveness. Both of these theories share the fallacies of viewing the field of politics in quite an economic way, of neglecting contextual variables and of overlooking that „the pursuit of self-interest in the economic marketplace can [...] yield socially desirable outcomes“, but that „similar behavior in the political marketplace can have damaging consequences“ (BOSTON et al. 1996, 18). So what are the policies to achieve the goal of internal modernization?

**Transparency**

One important aspect is the abolition of multiple areas of responsibility to make it enable the clear identification of the spheres of accountability of a minister and his/her senior officials. A further means of making the civil service more transparent and less susceptible to capture by special interests is the separation of the processes of policy-advice and policy implementation or provision of services.

**Managerisation**

This tendency can be circumscribed by the key word of strategic management, which includes personnel, organizational and process management just as MbR. I only want to concentrate on the issues of personnel management and MbR, as the other two have not been as prominent in the debate of NPM, although process management would be an important factor to enable the production of many different kinds of services by one and the same bureau each day, which would guarantee the treatment of citizens not being totally alike.

The most important resource of the public administration is its staff/personnel, so it is quite an important progress that the measure of personnel management has made its way on the agenda of NPM. Human Resource Management (HRM) should include management of the personnel, the employment relationships and of the working processes, besides it should provide for the necessary development of managerial qualities and the further vocational training of the civil service personnel. Many of these measures have their roots in principal agency theory, especially those having to do with personnel management - like the choice of
agents\textsuperscript{12} and the discovery of incentives stimulating a more competitive and performance oriented remuneration system\textsuperscript{13}. Unfortunately the stressing of personnel and employment relationship management leads to a de-coupling of these two processes from the working process, which lags behind in reformatory terms.

In order to make the concept of managerialisation work MbR\textsuperscript{14} is a necessary measure to be taken, it includes strategies like product definition and description, cost and performance accounting as well as controlling. It relies on a strictly linear management cycle (NASCHOLD 1996, 65), consisting of three phases:

1. planning/target setting
2. steering (= creating results-linked incentive systems)
3. monitoring of goal attainment/results

The steering process involved calls for the development of „decentralized results units“ (NASCHOLD 1996, 69), which would require the replacement of the strict hierarchy and centralization of the traditional administrative model by a decentralized concept of management decisions. On the other hand a „monolithic hierarchy of command relationships“ (NASCHOLD 1996, 68) is necessary within these result units, where leadership, organization and personnel have to be subordinated to the management cycle. So these developments are quite tension laden and seen to get stuck somewhere in between the traditional bureaucratic structure and a new decentralized form of administration.

FERLIE et al. (1996, 118 - 141) present an empirical example of the trend of managerialisation, which brings some of the tensions to the fore - namely the installment of non-elected bodies or boards in Great Britain - especially in the fields of health services and the distribution of funds to education. This model is a copy of the private sector board having two distinguished tasks: they are responsible for the governance of the organization and they are accountable to the shareholders. But the public sector boards have to cope with a different context, namely a politicized one, so their tasks are a little different from their private counterparts - the facilitation of external relationships and their almost ceremonial function can be brought to the foreground. These boards „manage the public service as independent, competing organizations with no direct accountability“ (1996, 119), although „the resources are politically controlled and allocated at higher level“ (1996, 127). The membership of the boards has shifted from the traditional „principle of representative membership“ (1996, 125) to greater management efficiency as especially the non-executive members are required to be managers from business or industry. The principals (namely the public) are seen to be in a very weak and passive position whereas the agents (the non-elected bodies) are sharing a
hegemonic position, belonging to an „inner circle“ \cite{1996, 144} which is established by way of multiple board membership.

**Efficiency/Effectiveness**

In order to control the performance and output of the various government agencies and the administrative personnel measures like contracts including performance indicators and indicators for assessing results are introduced. Monitoring, report and audit systems help to control and encourage the fulfillment of performance and quality standards. All of these measures help to ameliorate the problems of adverse selection, asymmetrical information as well as moral hazard\(^\text{15}\) and they are also a way of stimulating internal competition.

### 2.1.2 Market-oriented Developments

These measures are to enhance both the efficiency (costs of goal-attainment) and effectiveness (goal-attainment) of the resource allocation within the public sector, whereby at the same time public expenditures should be drastically cut. These programs are primarily rooted in rational choice theory and both the theories of transaction cost economics and public management, which have the tendency of viewing the public sector in analogy to the private one, management becomes a „generic“ concept, a „purely instrumental activity, embodying a set of principles that can be applied to the public business, as well as in private business“ \cite{BOSTON et al. 1996, 25}. They not only neglect the differences in organizational culture but also the cultural, moral and social aspects of human relations - which can also be called the informal aspects\(^\text{16}\) of an organization. The underpinning theories also seek to minimize the role of the state by cutting back hierarchical and rule governance and replacing them with market mechanisms, which enhance competition in the public sector.

The public sector becomes a quite fragmented field, characterized by various forms of ownership, degrees of independence and accountability. Competition is advanced by various strategies of marketisation such as quasi-markets or the privatization\(^\text{17}\) of assets, in addition to that the contractor-provider model has gained prominence. It replaces in-house provision by outside purchasing and hierarchy by contracts, the competitive element is insured by tendering procedures such as compulsory competitive tendering\(^\text{18}\) or contracting out\(^\text{19}\). Especially helpful in this respect is the theory of transaction cost economics and the principal agency theory, which both provide the basic concepts necessary for deciding on the institutional design and for choosing the right marketisation strategy. Environmental variables such as the degree of asset specificity and of the uncertainty in general and behavioral terms as well as the
number of potential buyers should help the public sector decide between in-house provision or the possibility of tendering. Two major drawbacks of the transaction cost economics are however their very loose definition of transaction costs and the use of the concept of bounded rationality, which limits the range of tools from which to pick and encourage „people to behave according to well-established routines, patterns and rules“ (BOSTON et al. 1996, 22). Another way of lightening the burden of the state is the devolution of some of its tasks to civil society, which puts the public sector under pressure as it has to compete with third sector initiatives20.

2.1.3 Emphasis on Customer Satisfaction

The aim of these policies can be characterized as the improvement of the responsiveness of the administrative system towards its customers/clients, which is rooted in the theoretical conception of public management. The modernization of the administration’s external relationships is supposed to make quality an essential concept by harmonizing citizens’ needs and administrative action. Quality has quite a number of dimensions - like the old traditional one which includes the adherence to norms, and others like the contents of administrative action, service quality (promptness, definite spheres of responsibility, information, flexibility, advice) and quality of infrastructure (opening hours, waiting period, decentralization of services).

Several different ways of quality management have been tested - among which are client norms, citizen charters, and a central citizen bureau (Bürgeramt) (NASCHOLD 1998, 94/95), all aiming at making official channels more easily accessible and intelligible by the citizens and more prompt in their actions. Client norms, which are to accompany administrative action and make its checking more readily available to citizens, and the model of the central citizen bureau, where diverse services are concentrated in one place to reduce both time-consumption and far distance coverage for citizens when calling on different administrative services, are primarily discussed but not yet implemented in German speaking countries. Citizen charters containing procedural norms, which the administration has to adhere to and the citizens can call on, are prominent both in Sweden and Great Britain.

Other kinds of quality management like a system of quality politics and customer-oriented quality production share their goals with the above mentioned measures but in addition to that they aim at citizens’ participation to various extents. The latter measure is a combination of citizens’ democratic rights and planned market mechanisms, where the citizens’ voices
regulate the resource allocation between the different agencies and the remuneration of the staff. It is only in use in Sweden on the municipal level of health and social administration. A system of quality politics is practiced by the Finnish city of Hämeenlinna, which includes four major steps: service commitments of the local administration including either political or quality norms, various kinds of citizen-feedback-mechanisms, Total Quality Management (TQM), which is oriented towards the satisfaction of the greatest number of customers, and a municipal service commitment board, where citizens and customers are represented to create a public forum for scrutinizing the quality of administrative actions.

A further way of making the administration more easily accessible to the citizenry would be the modernization of legal outline conditions such as rewriting laws in an adequate everyday language and arranging printed forms in an easy way to grasp.

### 2.2 Consequences

So what are the consequences of the above described aims and policies of an administrative reform program of NPM? There are consequences on two differing levels, firstly those resulting from prerequisites of and assumptions within the NPM model and its underpinning theories and those only becoming evident when NPM is actually realized. Reform programs under the wing of NPM create a totally new administrative culture differing in great degrees from the old traditional bureaucratic values. The eight changes listed in the table below are only the most obvious consequences of the changes caused by the introduction of NPM.

The replacement of rules as governance mechanisms by objectives and results makes efficiency and effectiveness as well as transparency the most important aims, but this strategy feigns the straightforwardness of administrative objectives although they are infamous for being quite hard to define, conflicting and opposing each other.

The separation of policy-advice, policy-implementation, and financing goes hand in hand with the product-related organization in the form of a process chain and leads to a quite fragmented, decentralized and heterogeneous structure of the public sector, which guarantees easier assessment, control of and co-ordination within these newly emerging areas but nevertheless it makes the public sector on the whole more difficult to overlook and control in political terms.

*Table 1: Differences between the Classical Administration and the NPM Administration*

<table>
<thead>
<tr>
<th>classical administration</th>
<th>NPM administration</th>
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</table>
These processes of decentralization and sometimes even devolution are underpinned by the decentralization of personnel management and finance, seen to bring about new and sometimes even worse working conditions, worse quality and the fragmentation makes the civil service unions worse off than under the classical system of administration. Pronounced hierarchies are substituted by contract management and along with it performance, results and quality standards become important concepts for personnel management, which has gained prominence due to the discovery that the civil servants themselves are the most important resource of administration. When realized though, measures to develop the skills and the knowledge of the staff are usually not taken. Due to this managerialisation process a new type of employee appears, namely one that takes on the role of a manager, which is opposed to the traditional role of the professional among the civil servants. This appearance will make it necessary to think about the relationship between the classical bureaucrat and the new public manager.

Contract management must be seen as a twofold mechanism, firstly it is a device enhancing internal competition among the employees and secondly it increases external competition as new forms of quasi markets, contracting out and compulsory competitive tendering become prominent. New organizational forms emerge and many of them support the upsurge of new non-elected élites, a tendency which encourages debates on political accountability and democratic deficit.

Talking about accountability, the model of NPM differentiates three areas of accountability - political, managerial and qualitative - but in reality only measures especially stressing managerial and sometimes qualitative accountability are realized, political accountability is
badly neglected. Therefore the concept of democratic deficit is quite often associated with NPM not only due to the lack of political control but also due to the abolition of multiple areas of accountability - each agent only having one principal „could have potentially anti-democratic and illiberal consequences“ (BOSTON et al. 1997, 34).

The last item mentioned in the table above, is the replacement of producer dominance by customer orientation, which leads to a quite curtailed concept of the citizen as consumer/customer and brings about the outsourcing of responsibility, whereby the costs of monitoring are externalized to the weakest link in the chain.

An implicit assumption of the NPM model is the blurring of the differences between the public and the private sector, it postulates a generic kind of management that is blind to different organizational cultures. On the whole it can be said that NPM introduces a broad range of new procedures and tasks alien to the traditional administration, whereby it causes a substantial loss of institutional memory. This can be interpreted as a strength of this strategy as it allows for reforms to break up the rigid structures and the standard operating procedures and gives the administration the chance of redefining its values and scope of duties. It should however also try to replace the old traditional values by new ones concerning the threefold relationship between state, administration and society. If the structure of one of these links changes, it becomes quite evident that its position in relation to the others will change and that the others will have to adapt as well.

2.3 Summary

All of these measures have in mind the ultimate goals of reducing public spending, creating clear cut areas of responsibility and accountability as well as enhancing the responsiveness of the administration towards their clients/customers. The model of NPM implies to satisfy the distinguished standard of achieving all of these aims at the same time. Empirical evidence nevertheless shows that this request seems to be out of reach, as the three objectives appear to be cornerstones of a magic triangle.
Graph 2: The Magic Triangle of NPM

The reduction of public spending and therefore the special stress on economy, efficiency and effectiveness sometimes shoves itself to the foreground whereas the endpoints of the two other legs of the triangle - namely clear cut areas of accountability and responsibility and customer satisfaction - are only minor matters misused to legitimize the drastic budget cuts.

NPM wants to reach these three objectives by simultaneously modernizing the internal structure of the administration, introducing market elements as well as mechanisms enhancing customer satisfaction. Which of these strategies is utilized in a more comprehensive way depends very much on the cultural and historical context NPM is applied in and on the administrative level it is supposed to reform - federal, provincial or municipal. Customer satisfaction appears to play a very prominent role on the municipal level, whereas the modernization of the internal structure gains more impetus on the federal or central level.

NPM, where seriously practiced, does not leave any of the administrative values unchanged and leads to major transformation processes, which do not only manifest themselves within the administration but also in its relationship to the state and society.

3 Critique of New Public Management

The section above has already been suggestive of some of the critiques and uneasiness this model of NPM and its realization bring about. These negative feelings are seen to come in on three different levels - namely on the one reverting to the premises of the model, on a second one concerning the requirements of the model and on a third one regarding its consequences. The first two points of critique discussed - the blurring of the differences between the public and the private sector and the differentiation of core and peripheral tasks - fall within the first range, the third one - the relationship of consumerism and citizenship - belong to the category of requirements and the fourth one - lack of political control - concerns the consequences.
The critique is not to suggest that all the aims and policies of NPM should be repudiated but rather that the model should expand the underpinning theories it depends on and rethink as well as redefine some of its premises. Reforming the administration on all levels is absolutely indispensable as it faces many new problems - like the Europeanisation and the globalisation which lead to the competition among the various national administrative systems - it can no longer solve adequately by classical and traditional bureaucratic means.

3.1 Blurring of Differences between Public and Private Sector

As already mentioned above, NPM takes for granted that measures relevant for and successful in the private sector can be directly transplanted to the public sector without transforming or adapting them, as the two are seen very much alike. There are two research strands observing the differences between these two sectors, within the first one the management process of the two sectors are compared to each other (compare RANSON/STEWART 1989), and within the second one different kinds of organizations that emerge or are founded in the economic and political context are looked at (compare MOE 1990). Despite their different approaches, the authors come to the conclusion that organizations in and management of the public sector have to take into account several specific characteristics, which separate the public sphere from the private one.

RANSON/STEWART (1989, 11 ff.) identify four distinctive values of the public domain as can be seen in the table below. Collective choice and action are the instruments of the polity and „the public domain has to lead from conflict and argument into decision and action, if necessary in the absence of agreement“ (1989, 12). The politics of collective choice have only one way of overcoming political disagreement and struggle namely by giving expression to the „duality of publicness“, which bridges the public as a „plurality“ (many) with the public as a „collectivity“ (whole) (1989, 11). Following this distinction the politics of collective choice have to fulfill two tasks: they have to both support the „politics of participation and voice“ and to enable „collective choice and government“ (1989, 11). The private sector is not governed by collective but rather by individual choice in the market, therefore collective action and public debate are not necessary prerequisites as supply and demand regulate the market.

The public domain always has to be in search for a just and equal system of distribution which regulates the just share in rights and duties as well as in benefits and burdens of social co-operation. In the private sphere the search for market satisfaction overshadows the
concepts of equity and justice, goods and services are distributed according to purchasing power and therefore income. A further distinctive value of the public domain is that it demands a public ethos, which has to be based on both autonomy and civitas, because without the virtues of co-operation and friendship no citizen can experience his/her autonomy. The ethos of individuality and competition is the determining one in the private domain, civic virtues are ruled out by the exclusiveness of products and services, which causes rivalry among clients.

**Table 2: Different Values in the Public and the Private Domain**

<table>
<thead>
<tr>
<th>Public Domain</th>
<th>Private Domain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politics of discourse/goVERNMENT in public choice</td>
<td>Individual choice in the market</td>
</tr>
<tr>
<td>Justice/rights in distribution of public goods</td>
<td>Search for market satisfaction</td>
</tr>
<tr>
<td>Public ethos of autonomy and civitas</td>
<td>Ethos of individuality and competition</td>
</tr>
<tr>
<td>Citizenship as unifying value of the public domain</td>
<td>Customer sovereignty</td>
</tr>
</tbody>
</table>

Customer sovereignty stresses individuality and does not give equal rights and duties to each participant in the market. It stresses plurality without trying to bridge it to collectivity, by constantly participating in the consumer society no civic virtues are learned, it rather leads to a very fragmented kind of society. The citizens help to bridge the duality of the publicness by being both a „member of a collectivity“ and an „individual“ (1989, 11). All citizens are „equal members of society“ who by way of participation extend their „intellect“, their „virtue“ and their „practical activity“ (1989, 15) as citizens.

These distinctive values of the public domain make management in and of it very different from the private sector - RANSON/STEWART see the public manager more as an „enabling manager“ (18), who has to both „enable the reflective participation of citizens“ and „the government of collective action in the public interest“ (1989, 19). He/She is much more restricted in his/her action than a private manager, he/she faces much more „ambiguity“, „uncertainty“, „greater diversity“ and „possibility of change“ (1989, 19) and he/she has to serve the needs of a plurality of individuals and at the same time the collective welfare. So the public manager is seen to have three major spheres of competence (1989, 19 ff.):

- enabling political responsiveness and government
- balancing functional and permeable boundaries
- organizing the center and the periphery
Within the first task enabling political institutions and the participation of the citizens in the political process are on the agenda, within the second one the balancing of flexibility as well as unity and of internal collegiality and external networking, whereby the instruments of persuasion and influence are important, come to the fore. The third one is the complex task of organizing the center in a strategic way, being responsible for planning and decision-making to enable public choice and action, and the periphery in a responsive way, so that diverse public perspectives can be expressed and consulted in close co-operation with those most affected.

Concepts like individual choice, market, competition, customer sovereignty and exit are very unfitting for the public sector. The manager in and of the public sector must not be a doer following a uni-linear management cycle (compare section 2.1.1.), but he must be an enabler reaching different opposing and conflicting goals at the same time. The concept of the manager within NPM, who is supposed to operate within the public domain, appears to be very different from the one conceptualized by RANSON/STEWART. The third task - namely organizing the center and the periphery in a different way, especially making the latter more responsive to the customers - seems to play an important role in the concept of NPM, although the customers are seen as much more passive and only having ex-post voice. The other two duties of a public manager are rather neglected, within the first one more stress is put on enabling the administrative organizations and agencies to be more efficient and effective than on enabling participation of the citizens in the political process itself. The balancing of the functional and permeable boundaries is done at the disadvantage of functional boundaries, as flexibility and external net-working are emphasized by fragmenting and therefore making the public sector much more heterogeneous.

A perspective coming in at a much earlier stage is expressed by MOE (1990, 119 ff.), who sees a difference in the actors and the systems of the public and private sector and therefore concludes that the organizations set up must differ as well. Organizations within the public domain are structured in a way so that not only future governments and legislatures cannot change their structures and policies so easily, but by isolating them from political influence, they cannot even be held accountable by the current politicians in charge - so MOE’s tenor. He seems to somehow underestimate the various mechanisms available to the legislature to keep the administration and the government accountable though.

Efficiency is ruled out in politics as a criterion for the persistence of an organization, when an institution is founded in the political context then it is done so by an authoritative act. This
act is encouraged by participants in the political process, who in the first place are not part of the agency founded and who secondly want it to fail. Authority is not delegated to the participants due to political exchange but by way of an existing hierarchy which attaches authority to specific political roles and gives its occupants the right to exercise authority. The quality of the compromise reached, when a public agency is founded, is one of coercion, because those having the authority of creating an agency can do so by an authoritative act. In addition to these distinctive characteristics of a „political firm“, it can be said that political transactions are much more uncertain than economic ones, because they are not based on definite property rights and a contract, but they are always threatened by the political struggle.

Table 3: Structural Choice

<table>
<thead>
<tr>
<th>concepts</th>
<th>politics</th>
<th>economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>„steering“ mechanism</td>
<td>hierarchy</td>
<td>market, transaction costs</td>
</tr>
<tr>
<td>efficiency</td>
<td>not a criterion for persistence of organization</td>
<td>most important criterion for persistence of organization</td>
</tr>
<tr>
<td>founding/emergence</td>
<td>authoritative act</td>
<td>contractual agreement</td>
</tr>
<tr>
<td>authority</td>
<td>exogenous factors</td>
<td>endogenous factors</td>
</tr>
<tr>
<td>compromise</td>
<td>structure of coercion</td>
<td>process of compromise</td>
</tr>
<tr>
<td>certainty</td>
<td>uncertainty about transactions</td>
<td>certainty about transactions</td>
</tr>
</tbody>
</table>

Comparing the model of „political firms“ within NPM tendencies to MOE’s - although his attitude towards the political founders who want the new organizations to fail seems to be problematic - shows that NPM rather sticks to the economic concepts than to the political ones. Transaction costs and the market are decisive criteria for enhancing efficiency, which should not be totally ruled out in the public sector, but which cannot be put into action with the same force in all spheres of the public domain - especially thinking about marginalized and discriminated groups in society. NPM also emphasizes contractual agreements, which usually require definite property rights, clearly definable objectives and secure as well as certain contexts, which the political environment cannot provide.

On the whole NPM disregards most of the differences between the public and the private domain concerning both the founding of agencies and the concept of management. In the latter case the public manager is too closely modeled on the private one, who is a doer working in a more stable and contractualised environment and who does not have to reach so many conflicting and opposing goals at the same time. Newly founded agencies within the public
sector are modeled on economic rather than political firms, which brings economic criteria to the foreground and makes criteria like equity and justice more difficult to incorporate.

3.2 Differentiation of Core and Peripheral Tasks

NPM does not provide for any normative criteria according to which administrative tasks could be classified into core and peripheral ones, in order to draw a line for which duties could be retained by the state, which could be privatized and which could be subjected to contracting out or to competitive tendering. This is also a fallacy that comes in on the level of premises, as this is a decision that should be taken well in advance of developing a detailed model and implementing it. Of course there are the criteria of transaction-cost economics, which help to decide on the basis of efficiency and effectiveness whether a task should be provided in-house or contracted out. Contextual, cultural, moral and social variables are not taken into account and even the concept of „bounded rationality“26 as implying the „limits in cognitive abilities“, has been transformed into a logistic problem implying that „individuals lack complete information about the past, present and future“ (HUBER 1998, 6). Thinking about bounded rationality in this way makes reverting to classical contracts, specifying all conceivable circumstances, much too costly, so instead „relational contracting“27 is preferred.

So perhaps NPM reforms could rely on the theory of public goods as an underpinning and supportive one, as a basis for decisions on what tasks the state should provide itself and which it should privatize. Most of the public goods are not fit for privatization, which should therefore be called genuine public goods, other non-public goods, which could be privatized and could be grouped into genuine private goods and there must be a mixed category of goods, which includes public goods at least ready for contracting out. The theory of public goods defines28 those goods as public, which are non-excludable, indivisible, non-rivaling and which do not depreciate in value when they are shared by a wide variety of people. As nobody can be excluded from taking advantage of a public good, it cannot be directly charged for but is financed via taxes, and so it would not pay for a private enterprise to supply such a good. Although these are goods that everybody is interested in, the worst case scenario suggests that they would not be produced at all. So the state or sometimes the third sector issues these goods and the private sector only provides them if the state creates special incentives to do so. Of course the definition of a public good is subject to changes, as it is one that has to be decided collectively and therefore is a political decision, but nevertheless I want to assume
that the provision of public security, social security, culture and environmental protection are among the long list of public goods.

NPM would not deter from privatizing institutions such as e.g. prisons, social services, state theaters and national parks each belonging to one of the spheres of public goods mentioned above. If agencies like that are privatized the normative burden of the state becomes especially challenging, although a qualitative distinction could be made between prisons and state theaters on the one hand and social services as well as national parks on the other hand side. It is hard to imagine that a market for prisons and for state theaters is to develop, whereas it is much easier to think about markets developing in the area of social services and national parks. A second point is that the provision of culture and public security seem to be of a superior quality as compared to the environmental protection and social security. Concerning prisons there are two functions of security - an external one and an internal one, the first one involving protection of the public from law breakers and the second safeguarding the inmates against the violation of their basic civil rights. A similar internal and external function can be distinguished for state theaters, they not only provide for a politico-cultural mission to make art available to the public but the artists also are protected to choose which kind of art they want to present, so that they have the freedom to revert to non-populist art as well. So these two examples of public goods should be seen as belonging to the category of genuine public goods.

Social services and national parks also touch civic and social rights, but they neither interfere with “the hard core of fundamental and indispensable rights” (DAHRENDORF 1994, 13) nor is it so hard to develop markets in this area, and they are also spheres where interest and lobbying groups are more ready to develop, which could supervise the quality of the services when contracted out or even privatized. Institutions within the sector of social services and national parks could be said to be of a mixed category, just like services supplying water, electricity/gas or medical care as well as being responsible for garbage disposal. These services can be charged for directly, but still they have to be guaranteed in order to provide for a decent way of living for each citizen. Within the category of genuine private goods falls only a minority of things like long distance train provision and the service of airlines, means of communication as well as the coal or steel industry and mining enterprises. Although the first two items mentioned can be seen as problematic depending on how the freedom of movement and the freedom of access to information are at least regarded as peripheral civic rights.
In order to have additional, non-economic criteria to distinguish core and peripheral tasks and to subsequently decide on whether the state should retain doing certain tasks itself or decentralize them to contracting or privatized agencies, NPM should observe the assumptions of the theory of public goods. Especially in those areas, where public goods serve an internal and an external function, the core of the civic rights is affected and the development of markets is more difficult and unlikely. In these cases we are talking about core public goods and agencies providing them should not be privatized or contracted out, because the state has to guarantee the provision of these public goods and should not divest itself of this responsibility. The other kinds of public goods do not totally close themselves to at least contracting out, but a tight control over the quality of the services provided must be guaranteed.

3.3 Relationship of Consumerism and Citizenship

Another weakness of NPM is its requirement of consumerism, which only allows for a curtailed concept of the citizen. But not even the concept of the consumer is a very detailed one, as it only includes his/her responsibility for quality control and when there is enough competition he/she can use the possibility of exit to show his/her discontent. The consumer as a citizen has the right to revert to legal enforcement of administrative procedures, but NPM has not gone as far as to introduce product liability.

On the whole the concept of the consumer within the model of NPM is rather a reactive than a proactive one, as he/she can only act in reaction to the consumption of a service, which was delivered to his/her satisfaction or dissatisfaction. Only in the Scandinavian countries, where there are committees representing customers, who are actively involved in creating publicity and transparency to enable scrutiny of the administration, the concept is a more active one. Customers are individuals or unique persons, who are not objects of law but who are consumers paying for a specific good or service.

Opposed to this notion is citizenship which is a very active concept, ensuring both rights and entitlements as well as obligations for the holder of the “office” of citizenship, “for which one has to qualify” (VAN STEENBERGEN 1994, 2) by participating and by being educated. Although this concept of citizenship as an office is a problematic one, because there is no institution controlling these qualifications and it would only create further mechanisms of exclusion, citizenship guarantees the right to vote and the possibility or duty to control the elected representatives. In addition to the a „third generation of citizenship rights“
concerning the citizens’ relationships to their administration has been established - among
them are the establishment of ombudsmen, the easier access to administrative documents and
the greater transparency of administrative action. So citizenship is quite an abstract concept
but it makes its bearer an object of law and therefore equal to all other citizens and it gives
him/her the chance of participation in the political process.

Participatory democracy is of course not to totally substitute for representative democracy,
which is especially worthwhile for the daily routine of democratic government, but
participatory democracy has its values in periods „of social and political change“
(RANSON/STEWART 1989, 16). So it should have a balancing, supportive and extending
effect, a view which is also held by BARBER (1984) and HIRST (1994). They both do not
want to replace representative democracy completely, but they want to make it stronger by
active citizens participating in either a „strong democracy“ or an „associative democracy“
respectively. The quite fragmented structure of society including consumers and networks,
which seem to provide more room for people who have better means of resources and
therefore try to transform their own interests rather than those of the community as a whole,
should be overcome by citizens either involving in „neighborhood communities“ or „associations“. These kinds of citizens could contribute to a more responsive and citizen-
friendly administration at a much earlier stage than merely at the end of the chain, where
policy is implemented. This could be accomplished by adding civic rights of participation to
the model of NPM, so that citizens are not only granted ex-post voice but also ex-ante voice
by giving them the chance of taking their stand before administrative procedures start or while
they are executed.

A further problem is the status of consumers, which is very much opposed to the one of
citizens, because they are always regarded as equals having the right to be equally and justly
treated. On the contrary customers are usually assessed according to their surplus spending
power, to their ability to pay and to their regularity of making purchases, all these being
criteria closely related to the social status and disadvantaging those that are already
marginalized or discriminated against. Services for these groups would not be offered by the
market and these clients would not be seen as „proper customers“ and would therefore be
excluded from rights they are entitled to as citizens.

Summarizing the problem of the curtailed concept of citizenship it has to be said that both
customer rights and citizenship entitlements and obligations have to be expanded. In the first
case product liability would enable the clients to take legal measures concerning quality
standards against the administration and in the second one the customer would be given distinctive rights but also duties encouraging equal status and just distribution of services indispensable for liberal democracies based on the rule of law. NPM sees the citizen more in his/her economic dimension and as a tax payer and neglects the social and political dimensions of this concept.

3.4 Lack of Political Control

The lack of political control and of democracy promoting elements is not necessarily due to the construction of the model NPM, but it is rather a consequence of its realization, as managerial and qualitative accountability are paid more attention to than political accountability. Political control of the administration has always been a major issue as non-elected professionals are delegated authority and discretion to fulfill their executive duties - consisting partly of the implementation of laws and also of the preparation of bills - without being directly responsible to the people. Their responsibility and accountability to the citizens can only be guaranteed indirectly via the elected representatives of the people. So the civil servants are accountable to their minister and the minister in turn is accountable to the cabinet and the legislature.

Within the concept of enhancing accountability three different dimensions should be distinguished: the political, the managerial and the qualitative one. P. Day and Klein (FERLIE et al. 1996, 198) distinguish two dimensions, which can be found in the „modern Welfare State“ characterized as „mass service delivery state“.

They outline political accountability as a broader and less restricted dimension, which includes „those with delegated authority being answerable for their actions to the people“ and managerial accountability as a „more confined and bounded“ category, which obliges „those with delegated authority ... for carrying out agreed tasks according to agreed criteria of performance“. I want to add a third dimension, the so called qualitative accountability, which binds those with delegated authority being responsive to their customers/clients according to agreed quality standards.

Keeping in mind the above said, special attention is paid to the managerial accountability whereas the other two dimensions are neglected, because mostly managerial accountability enhances productivity and helps to make the administration more effective and efficient. Managerial accountability should however not only be productivity oriented, but should also be staff oriented, so that within this dimension staff accountability and self-accountability could be two supportive mechanisms guaranteeing that personnel management is not
forgotten. Qualitative and political accountability are as equally important as managerial accountability in the concept of NPM, but few measures are taken to ensure this when the model is realized. The first one should give the customers more say and is therefore rooted on market based mechanisms and on the concept of „consumer rights“ (FERLIE et al. 1996, 211), it seems to shift most of the burden of quality control on the consumers though without giving them active means of participation. The latter one - namely political accountability - has always been a critical factor as politics and administration cannot be separated (PETERS 1984, 4).

_Graph 3: Political, Managerial, and Qualitative Accountability and their Mechanisms\textsuperscript{33}_

It is absolutely necessary though to balance the other two and to provide channels of control for both politicians and citizens/voters. The more complex and complicated policy-making becomes, the more difficult it becomes for the legislature and the government to control the administration. There is upward political accountability concerning the flow of information both to the ministers and the MPs (model of representative democracy), and there is the opposite flow of information either including the local citizens (participatory democracy) or only comprising „a wider grouping of party members“ (model of delegate democracy) (FERLIE et al. 1996, 208). So the provision of information is a major criterion for enhancing political control, although the administration has an advantage over those trying to control them. They can select the kind of information they want to make public or they can provide it in such an abundance so that the controllers are overcharged.
Although the lack of political accountability and control has always been an issue called on when administrative reforms have been discussed, NPM does not seem to offer new solutions to this problem. It only provides for a new quality in the lack of political control by balancing it with managerial and qualitative accountability and shifting the burden of control to new agencies in charge of reviewing performance contracts, employment contracts and contracts with external agencies and to the citizens responsible for the revision of quality standards. It makes sense to relieve the political system from economic and qualitative reviewing tasks, but concepts like democracy and rule of law must not be forgotten over the euphoria for economical and quality standards. The state cannot take on its new role as either regulator or guarantor instead of a provider of services, when these two essential achievements of liberal democracy are neglected.

So what are the consequences of over-emphasizing managerial and sometimes qualitative accountability? Political accountability is one of the major virtues of an ideal type of representative democracy, nevertheless a major problem of „mass democracy“ is the „low level of accountability to its citizens“ (HIRST 1994, 3). So what is the qualitative difference between the lack of political control of the classical bureaucratic system and the reformed NPM administrative system? Many already existing problems are heightened, traditional multilevel/deep hierarchies are replaced by flat hierarchies, which makes it even more sophisticated to relate accountability to a specific employee.

Graph 4: Multilevel and Flat Hierarchies

It is of course true that lastly the minister is and has to be responsible for what is happening in his/her department, because otherwise the non-elected professionals would not be controlled by the elected representatives, but spreading accountability on whole teams or groups makes it
a very fuzzy concept. By way of flattening the hierarchies more and more leadership positions are created and an even bigger non-elected élite is set up. They are spread all over the quite fragmented and complex public sector, besides their power structure becomes even tighter as most of them belong to „inner circles“. They revert to different kinds of languages which become more and more specialized and make communication very difficult. Both for the ministers and for the legislature including its committees it gets quite difficult to overlook these agencies and to hold them to account. Although there are contracts including performance and quality indicators more specialists and more time is needed for checking all these details.

Besides the new types of employees within the civil service - namely the managers - are not as calculable and as assessable as the traditional professionals loyal to the state and to the rule of law, which both gives potential to reforms but also makes the administration on the whole less stable, less calculable and less certain. By giving limited contracts to employees the turnover rate might increase and the continuing and stable element of the administration is lost vis-à-vis the ever changing part of the political system - namely the government and the legislature. Here again there is the possibility of change inherent in this factor, but as politics has qualities of uncertainty and constant struggle the administration is one of its sturdiest elements.

3.5 Summary

On the whole many of the deficiencies of NPM could be cured by adding new underpinning theories and getting aware of the inseparability of politics and the administration. Both are carried out in the public sphere, where decisions are taken collectively and these two systems should both support and enable this collective decision-making processes as well as put this decisions into actions and implement the legal consequences necessary. So NPM should not totally forget about the distinctness of the public and the private sector and it should think about criteria making the distinction between core tasks, which should be further carried out by the state, and peripheral tasks, which could be contracted out or privatized, possible. Besides the notion of the consumer should be extended from only being a reactive one and in addition to that the concept of the citizen should make civic rights part of NPM. Finally the negative consequences - namely the democratic deficit and the lack of political control - could be partly overcome by balancing the three kinds of accountability without only extremely stressing one strand - namely the managerial one - and putting emphasis on the qualitative
one, whereby the third kind of accountability - the political one - is totally forgotten about. Politics must not exempt itself from controlling the public sector by externalizing most of its monitoring costs, as it sometimes does so to the weakest links in the chain.

4 The Austrian Context

The Austrian context is especially interesting as it differs greatly form the historical and cultural context of the Anglo-Saxon and Scandinavian countries, above all considering the tradition of the administration resulting from the Habsburg Monarchy and the strict adherence to the rule of law \(^{34}\). Administrative reforms have been on and off the schedule in Austria ever since the 1960s \(^{35}\), they have taken place on two different levels - namely the administrative structures and the administrative personnel. Up to the late 1980s these changes were modeled on patchwork and single issue reforms, but then a global approach called - „Administration Management Project“ - was adopted, which not only relied on experts from within the administration and active participation of at least the senior civil servants, but also on external ones especially from consulting firms. This project covered strategies on different levels aiming at the reduction of costs and at the enhancement of personnel management. Policies trying to support the first aim included the reduction of tasks, the introduction of effective control systems and a cut in the number of civil service posts, strategies introduced to reach the second goal comprised the objectivisation of appointment procedures, the introduction of incentive structures and personnel development strategies especially with regard to the future Austrian membership in the European Union. The main aim of the project was to reduce costs by 20% within four years, but the overall judgment of the project proves to be rather negative \(^{36}\), as no overwhelming structural changes have taken place.

In 1997 the Austrian government decided to start a new attempt at reforming the administration - picking a catchy name for the project namely „Administrative Innovation Program“ (AIP). The aims of the project \(^{37}\) read just like the ones of a prototypical NPM reform.

1. The state is to be turned into a service state, which means increasing the responsiveness of the administration towards the wishes and needs of its customers.
2. Managerialisation of the administration
   a) management by results and performance contracts
   b) development of product catalogues
   c) transparency of costs and performance
   d) decentralization of resource responsibility
3. Annual increase in productivity by 2 to 3%, which should be achieved by the introduction of competitive instruments.
4. Introduction of efficient personnel management

So the project can be said to have three crucial points: reforms of the tasks and of personnel management as well as the use of new technologies to modernize the administration. The three reforms to be discussed below are launched within the frame of AIP and aim primarily at the managerialisation of the administration and a more efficient way of managing the administrative personnel. Other than that these reforms unfortunately do not very well specify their goals so that it is hard to engage in ex-post evaluation of success or failure.

4.1 The Reform of the Federal Theaters and Museums

The aims of the two acts introduced in July 1998 - one concerning the Organization of the Federal Theaters and the other one The Federal Museums - both fall within the second category of the goals of the AIP project. The federal state had in mind to divest itself of another task, to make the administration more efficient and effective and to decentralize both budget and personnel management.

4.1.1 Elements of NPM

The new organization of the Federal Theaters adheres more clearly to the concept of NPM, as they are organized according to a concept very prominent in the private sector - namely the one of limited liability companies. Three theaters are organized in three companies with limited liability, a fourth company is one for service which is responsible for the marketisation of tickets and for the maintenance work, the scenery, the scenic devices, the stage properties and the costumes. The Service Company is supposed to be prepared for the competitive market, as it is only guaranteed the purchase of its services by the other three companies till 2004 and at the same time it must offer its services solely to these other companies only till 2004, afterwards it is allowed to offer them on the free national and international market.

All those companies are overlooked by a Holding, which is owned by the federal state but which has lost its supreme financial control and the administration of the buildings to the four companies. Each of these companies is managed by two directors - an artistic and a commercial one, the artistic manager is not bound to instructions of the commercial director within his artistic competence, and in case of disagreement in a sphere of competence, where the two directors have to work together, the artistic director has the right to decide. The companies need not pay the federal state for the real estate they are using and the federal state pays a certain amount of money to the theaters every year, which is divided among them according to a ratio of distribution based on the budgets of 1996 and 1997.
To not only decentralize financial responsibility but also the task of personnel management as well, the Bureau of the Federal Theaters was founded, which is responsible for the civil servants\(^41\), who are taken over by the newly founded companies. They and the employees under contract must be employed according to their current contracts, only newly hired employees get different contracts. The Holding nevertheless has to pay the federal state for the civil servants and the employees under contract and it has to pay a share of their pensions as well. Taking decentralization further into account the companies are allowed to negotiate collective and works agreements.

Both the Holding and the companies are controlled by a supervisory board, which in the latter case consists of representatives of several ministries, of the works council and of the parliamentary parties declared as experts as well as one representative of the Holding. The supervisory board of the Holding encompasses representatives of the ministries and of the works council, one member of the Forum of the Audience and several experts.

The Forum of the Audience consists of 12 members and is elected for a period of three years. All members of the audience, who have the right to vote in national elections and who are either subscribers or regular theater-visitors (must be able to produce tickets not older than six months) are allowed to cast a vote. If one wants to be eligible to election, one has to fulfill the same criteria as mentioned above, but in addition to that one has to be able to show 25 supportive signatures by participants in the election present. The Forum on the whole does not have the right to intervene in the sphere of artistic autonomy and freedom, but twice a year the
Forum has to organize public audience discussions, where economic and organizational questions, the marketisation and sale of the tickets as well as the fulfillment of the politico-cultural mission\textsuperscript{42} of the theaters are debated on.

The Federal Museums in contrast do not get as much freedom and discretion as the theaters, although the state wanted to curtail its influence by making the museums responsible for the budget and the personnel management as well as advancing their own initiatives. The museums are required to collect, preserve, as well as exhibit as well as to do scientific and documentary work.

Each of the nine museums becomes a scientific institution under federal public law, only reaching separate legal personality when submitting their rules of procedure, which have to be consented by the ministry for education and culture. These rules should be worked out by the managing director(s) in co-operation with their staff members.

Each scientific institute has one or two managers, when it has two the second one must possess commercial qualifications. Each director is supervised by a board of trustees consisting of nine members - representatives of different ministries, one representative of the works council and the Civil Service Union, a scientist and a patron.

\textit{Graph 6: Organization of the Federal Museums}

\begin{tikzpicture}
    \node (top) {Ministry for Education and Culture};
    \node (bottom) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{scientific institution} \vspace{0.2cm} \\
            1 or 2 directors \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom1) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom2) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom3) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom4) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom5) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom6) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom7) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom8) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \node (bottom9) [draw, anchor=north] {
        \begin{tabular}{c}
            \textbf{board of trustees} \vspace{0.2cm} \\
            \hline
        \end{tabular}
    };
    \draw[->] (top) -- (bottom);
    \draw[->] (top) -- (bottom1);
    \draw[->] (top) -- (bottom2);
    \draw[->] (top) -- (bottom3);
    \draw[->] (top) -- (bottom4);
    \draw[->] (top) -- (bottom5);
    \draw[->] (top) -- (bottom6);
    \draw[->] (top) -- (bottom7);
    \draw[->] (top) -- (bottom8);
    \draw[->] (top) -- (bottom9);
\end{tikzpicture}

The museums have to pay rent for the real estate and they have to - just like the theaters - pay for the civil servants and the employees under contract. They get a guaranteed annual lump sum from the federal state, which is distributed according to the decision of the ministry for education and culture.

So taking all these re-organizational elements into account the reforms aim at enhancing the effectiveness and efficiency of the administration of the Federal Theaters and Museums and at
keeping the costs for the federal state as low as possible. Personnel and financial responsibilities are decentralized, although the theaters gain more autonomy and discretion than the museums. Within both areas profit making becomes important, as the institutions are allowed to keep the surplus and decide on its use. Competition is stirred further by making the Service Company fit for the free market. Managerialisation also gains prominence as the artistic directors or scientific directors in case of the museums are supported by commercial managers and relieve them of some of their time consuming tasks. Financial controlling and planning are introduced and new employees are hired on completely different terms than the civil servants and the employees under contract. Customer satisfaction is also paid attention to by installing a Forum of the Audience and by giving a matron or regular visitor of the museums voice in the board of trustees.

4.1.2 Critique

The organizational reform of the Federal Theaters and Museums seems to contain several drawbacks inherent to the concept of NPM. Both re-organizations aim at reducing costs and profit-making, which is a rather unfortunate and delicate goal relating to performed and exhibited art. Enhancing the effectiveness and efficiency of this kind of administration could cause an extreme qualitative loss and could encourage the museums and theaters to engage in extremely populist programs neglecting current, innovative and pluralistic trends. So these kinds of art seem to be a public good which is hard to privatize and to make profit with.

Besides the new organizational structures do not really seem to cut administrative costs but they rather expand the administrative personnel and encourage the formation of inner circles by multi-board membership. The number of directors increases as well, although the separation of artistic/scientific and commercial director does not always have to proof disadvantageous. Problems could be nevertheless caused by the newly to define relationship between the two, although the artistic/scientific directors have a say in the choice of the commercial director.

As new employees are hired according to different contracts than the ones taken over from the old organizational structure, competition and discrimination could be among the consequences of this strategy. The new employees being cheaper than the old ones could be forced into working more extra-hours than their civil service colleagues, so they could be much worse off concerning working conditions and pay.
When thinking of the Forum of the Audience and the representation of a regular visitor on the board of trustees the model of the Finnish municipal service commitment board comes to mind, where customers are represented to have a say in quality control. This idea however is not transferable from the municipal administration to the administration of performed and exhibited art on the federal level. Although it seems to be legitimized - at least in the case of the Forum - by way of its democratic election, it is not guaranteed that non-political and non-interest group members are elected to this institution. Besides it is very hard to define quality in this context and it can definitely not be decided on by 12 members of a Forum which is only elected by a very tiny minority of the Austrian citizens.

The reform of the Federal Museums is only a halfway solution as it does not really take the institutions out of the political sphere of influence, although they might as well be easier to control and hold accountable that way.

### 4.2 Employees under Contract

The reform of the Employees under Contract Act\(^{43}\) is to support the aim of introducing an efficient kind of personnel management. In the long run the federal state wants to do away with the system of tenure, which should only be retained for core tasks such as the judicial branch, the army and the police. Newly hired staff members should be able to decide whether they want to remain employees under contract or whether they want to change to the tenure system. As the state wants to have less tenured servants, it wants to make the new Employee under Contract Act a very attractive one, which is going to make personnel costs increase during the first years of its implementation.

#### 4.2.1 Elements of NPM

The reform of the Act is supposed to enhance personnel management within the administration, as the employees are one of the most important resource of the administration as a whole. Firstly the employees under contract should be offered higher entry wages and their income curve is to develop in a flatter way than it used to. This would make it easier to recruit better qualified personnel, as the administration would be able to compete with private enterprises. After five years in office the employees under contract should have to decide whether they want to change to the tenure system or not, because otherwise they would profit from the higher entry wages and could then change to the tenure system which provides for higher wages at the end of one’s career and for a high pension (80% of one’s last income).
To ameliorate the differences of the pension levels between the civil servants and the employees under contract, a pension fund should pay the employees an additional ten percent of their final income. Besides wages are supposed to be based on performance and not on educational requirements and seniority. A question that is still to be discussed is the opening up of leadership positions for employees under contract, a change which would require the reform of another law - namely the Federal Ministries Act, which reserves these leadership positions for tenured civil servants. The employees under contract should be granted five years’ contracts just like the civil servants when appointed to these higher civil service posts. If the employee under contract however is not able to get his contract renewed, the he should be granted the same protection against unlawful dismissal, as it is enjoyed by civil servants, which requires the employer to find another adequate job for the servant. The Civil Service Union opposes this suggestion as they are afraid of abuse by political parties, although vacant leadership positions must be advertised to guarantee an objective appointment procedure anyway (Invitation to Tender Act 1989 and 1991).

So overall it can be concluded that the Austrian government is thinking about splitting the administrative tasks into core and peripheral ones, whereby it wants to limit the system of tenure to the core tasks. When allowing for more employees under contract a new type of employee will enter the civil service, who is quite different from the classical bureaucrats. If performance related pay is to be put into effect, then internal contract management will have to make its way to the Austrian administration. Hopefully these new employees are going to get the chance of taking part in vocational training programs to also do the „soft“ (BOSTON 1997, 204) strand of HRM justice.

4.2.2 Critique

On the whole the reform of the Employees under Contract Act should be seen as a quite positive part of the AIP. So there are only three major points of criticism to be launched. At first the division of core and peripheral tasks seems to be a quite static one that does not contain any criteria for finding a bottom line for which agencies are to fall within these three areas of the judicial branch, the army and the police. Secondly the relationship between the old traditional professionals and the new employees under contract could become problematic, as they belong to completely different professional groups. Besides if extra hours of one or the other group are less expensive, then one could revert to one of the groups more often and disadvantage the other one - so the staff could be divided into a core and a marginalized
group. Thirdly the reform would only be halfway if the employees under contract could not be appointed to leadership positions and if they were granted the same vested rights as the civil servants. Although some precautions should be taken to make party political and interest group influence impossible.

4.3 Summary

So the Austrian government has only recently reverted to the concepts of NPM to reform the administrative system. So far most of the reforms have been without major impacts of change, there are only few exceptions to this - e.g. the reform of the payment system of the civil servants, where performance related pay was introduced. Now the government wants to introduce a radical type of reform, where it hopes to break up the traditional bureaucratic structures by introducing elements of managerialisation, competition and customer responsiveness. The two reforms discussed - namely the re-organization of the Federal Theaters and Museums and the reform of the Employees under Contract Act - contain many elements of NPM, but they seem to be only halfway solutions to the conceived problems. Besides some of the NPM tendencies prove to be especially out of place concerning performed and exhibited art, as the aim of making profit and at the same time being responsible for fulfilling a politico-cultural or scientific mission are two conflicting objectives. The criteria for dividing core and peripheral tasks have so far not been specified well enough and the reform of the Employees under Contract Act has been blocked by the Civil Service Union, as it wants to keep these employees out of leadership positions to secure the tenure system and the tradition of the Civil Service. So on the whole it can be said that most of the fallacies of NPM could still be prevented in the Austrian context, as NPM has only recently gained prominence and there would have been much time to consider the faulty consequences of the realization of NPM in other countries, but nevertheless the concept was taken over without risking any major changes.

5 Conclusion

Most of the administrative reforms adhered to in the late 80s and early 90s were in accordance with NPM ideas, although they varied according to the political, cultural and historical context they were implemented in. So in the first section of this paper I tried to comprise the premises, the aims and policies of the various NPM strands and looked at them from a theoretical perspective underpinned by empirical examples. Taking NPM as a model I distinguished consequences on two different levels - namely the ones based on inherent
assumptions and those coming to the foreground when the model is translated into action. It has been shown that the model tries to follow several conflicting goals at the same time and that its implementation brings about major changes for the classical traditional bureaucracy. These consequences can be seen as advancing the grounds for reform as they break up these old structures, but there are also several dangers inherent to this model, some of which are only seen when NPM strategies are realized.

So the second part looked at the weaknesses of the premises, the requirements and the consequences of NPM from the perspective of the theories of public goods and of citizenship as well as of models of democracy. It has been highlighted that many of its fallacies could be wiped out by extending the model of NPM and by adding new underpinning theories. The ideas of NPM are not on the whole to be regarded as having a totally negative impact on the administrative system and the public sector, but that it should include concepts like democracy, citizenship, the rule of law and the distinctness of the public sector into its premises and requirements as politics and administration are two inseparable systems that both take place in the public sphere and are to enable collective decisions of the community.

NPM should also think about its consequences for the concepts of the state and society as the position of the administration in relation to these two is changed by NPM reforms.

The third part took up a historically and culturally totally different context than the Anglo-Saxon and Scandinavian countries present - namely the Austrian administrative system and public sector. Up to 1998 NPM has not been broadly discussed and only few reform steps encompassed elements of this trend, but the AIP clearly points into the direction of NPM. Considering the strict adherence to the rule of law and the history of the Austrian administration there are several contextual factors that might hamper reforms in this wake. The reforms of the Federal Theaters and Museums as well as of the Employees under Contract Act seem to be only halfway solutions - neither totally reverting to the principles of NPM nor to the principles of the classical bureaucratic tradition.

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1 Politt describes NPM as an „ideological thought system, characterized by the importation of ideas generated in private sector settings within public sector organizations“, Hood sees this movement as being „shaped by the emergence of bodies of theory such as ‘new institutional economics’“ (FERLIE et al. 1996, 10/11).
2 Compare WRIGHT 1994, 104 ff.
3 Other suggestions have been made to solve this problem - compare NASCHOLD 1998, 55 ff.
4 I’m going to go into further detail of these suggestions when I take up the criticism of NPM (see section 3.2.)
5 I’m grateful to two of our assistant professors - Rainer Bauböck (pro) and Josef Melchior (con) - at the IAS for pointing this idea out to me.
6 The term „governance“ is a problematic one, it first appeared in the context of a World Bank Report in the late 80s (Compare Ph. SCHMITTER’s Presentation on „The Future of Democratic Governance in Europe“ at the 20th
1 In between the two poles a new concept - the one of the „user“ - is emerging, it is taken by F. DREYFUS (Compare Presentation “Quel citoyen pour quel Etat?” at the Annual EGPA-Meeting September 15th, 1998) as a „hybrid“ concept, because a user is neither „administered“ nor „a citizen“, his/her rights depend on „prerogatives of the administration“, which „can change the terms of the contract any time“.

2 The strategies within the first two regulatory regimes are taken from NASCHOLD 1996, 44.

3 FERLIE et al. (1996, 10ff.) distinguishes four ideal types of management concepts: the efficiency drive, downsizing and decentralization, in search of excellence and public service organization.

4 Radical, market-oriented, centralized reforms with the aim of re-organizing and cutting back the public sector (NASCHOLD 1998, 31).

5 Incremental and decentralized reforms - stressing the co-operation between the central state and local governments, having the intention of internally modernizing the public sector, revising the extent of state activities and even applying third sector strategies (NASCHOLD 1998, 31).

6 In New Zealand 5 objectives have been introduced to ensure that the right people are chosen for the right job: 1. The appointment systems are more open and flexible to minimize the risk of adverse selection, 2. The roles of those involved in the appointment process are clarified so to enhance their accountability, 3. Political neutrality is preserved but not to the extent that the ministers are given no chance of rejecting an appointment, 4. Incentives are improved and it is made easier to remove appointees not performing to an acceptable standard, 5. The minister’s ability to monitor and assess the performance of his/her subordinates is enhanced (compare BOSTON et al. 1996, 98/99).

7 The upper echelons of the administration in New Zealand have to cope with fixed term employment contracts and a performance management system consisting of performance agreements, annual reviews of performance, the application of financial rewards/sanctions and the encouragement of personal development (1996, 110). Besides that they have the chance of gaining a performance related annual lump sum bonus of up to 10% of their salary (1996, 105). Still another way of designing the remuneration system in a more flexible and open way is the decentralization of the negotiation of employment contracts (1996, 226). (compare BOSTON et al.)

8 In the European context Sweden, Finland, and Great Britain adhere to MbR, just like New Zealand and the USA in an extra-European context, Norway, Denmark and the Netherlands have introduced these measures on a smaller scale (compare NASCHOLD 1996, 21).

9 For all these three concepts compare KIEWIET/MCCUBBINS 1991.

10 Compare METRON, R.K. Social Theory and Social Structure. 1957.

11 Especially post offices, telecom enterprises, federal rail companies, coal and steal companies as well as power supply companies lend themselves to privatization.

12 The external purchasing of services such as management of construction planning, of art institutions, .. are only few examples.

13 Up to now only blue-collar jobs have been contracted out - such as garbage collection, cleaning jobs and repair work of the infrastructure.

14 This kind of strategy is practiced in the Netherlands concerning the AIDS-epidemic-regime and on the local level in Finland and Sweden - including city development, construction and budget affairs, as well as social, health and school facilities (compare NASCHOLD 1998, 51/52).

15 The contents of this table is partly taken from NASCHOLD 1996, 14 and 1998, 77.

16 I will take this up in greater detail in section 3.4.

17 The contents of this table is partly taken from RANSON/STEWART 1989, 11 ff. and from NASCHOLD 1996, 84.

18 The contents of this table is taken from MOE 1990, 119 ff.

19 I put quotation marks there, because economists would oppose the view of market as a steering concept.


21 It is defined by MILGROM and ROBERTS to happen where „... parties do not agree on detailed plans of actions but on goals and objectives, on general provisions that are broadly applicable, on the criteria to be used in deciding what to do when unforeseen contingencies arise, on who has what power to act and the bounds limiting the range of actions that can be taken, and on dispute resolution mechanisms to be used if disagreements do occur ...“ (MAJONE 1996, 9)


23 Term used by F DREYFUS in her presentation on “Quel citoyen pour quel Etat?” at the Annual EGPA Meeting September 15th, 1998.
I do not want to engage myself in a lengthy discussion of the deficiencies and the similarities of the two concepts, but Barber seems to revert to communitarian concepts as opposed to liberal ones and Hirst to refined liberal ideas, which are sometimes closely linked to economic considerations.

Accountability has two sides to it - namely an active one - „giving account“ - and a passive one - „being held accountable“ (Ranson/Stewart 1989, 18).

The ministers are first and foremost head of their departments, they are agents of the principal government, which appoints them to their position. But ministers are not only agents, they are also part of the principal, as the government consists of ministers. So there is an overlap between ministers being both agents and being members of the principal whose agents they are. (compare Andeweg 1998, 1/2)

The mechanisms are taken from Ferlie et al. 1996, 204 ff.

Compare Liegl/Müller 1998; Liegl 1998.

Compare Müller 1994.

Compare „Austria: Bureaucratic governance by rule and symbolic politics“ in: Naschold 1996, 42/43.


Including Staatsoper, Volksoper, and Burg-/Akademietheater.

Including 5 art museums, a theatrical museum, the Technical Museum, the Museum of Ethnology, the Museum of Natural History.

It is said to be founded for 53 civil servants (Der Standard, 1998/5/7).

The Federal Theaters are responsible for carrying out a politico-cultural mission, which the state is willing to guarantee by financially supporting the theaters, the Federal Museums have to fulfill both a politico-cultural and a scientific mission.

Thanks to Dr. André Alvarado-Dupuy, central secretary of the Civil Service Trade Union, I could refer to the draft bill of this law.
6 Bibliography


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