



UNIVERSITY OF LEEDS

This is a repository copy of *New Public Management reforms in Europe and their effects: findings from a 20-country top executive survey*.

White Rose Research Online URL for this paper:

<https://eprints.whiterose.ac.uk/144773/>

Version: Accepted Version

---

**Article:**

Hammerschmid, G, Van de Walle, S, Andrews, R et al. (1 more author) (2019) New Public Management reforms in Europe and their effects: findings from a 20-country top executive survey. *International Review of Administrative Sciences*, 85 (3). pp. 399-418. ISSN 0020-8523

<https://doi.org/10.1177/0020852317751632>

---

(c) The Author(s) 2018. Hammerschmid, G, Van de Walle, S, Andrews, R et al. *New Public Management reforms in Europe and their effects: findings from a 20-country top executive survey*. *International Review of Administrative Sciences*. ISSN 0020-8523. Reprinted by permission of SAGE Publications.

**Reuse**

Items deposited in White Rose Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the White Rose Research Online record for the item.

**Takedown**

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing [eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk) including the URL of the record and the reason for the withdrawal request.



[eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk)  
<https://eprints.whiterose.ac.uk/>

# **New Public Management Reforms in Europe and their Effects: Findings from a 20-Country Top Executive Survey**

## **Authors**

**Gerhard Hammerschmid**, Hertie School of Governance, Germany

**Steven Van de Walle**, KU Leuven, Belgium

**Rhys Andrews**, Cardiff University, UK

**Ahmed Mohammed Sayed Mostafa**, Warwick Business School, UK

## **Running head**

NPM Reforms in Europe and their Effects

## **Abstract**

This paper assesses the impact of New Public Management (NPM)-style reforms in European countries as perceived by top public sector officials. Using the COCOPS Top Executive Survey (20 European countries, N= 7,247), we look at the relationship between five key NPM reforms (downsizing, agencification, contracting out, customer orientation and flexible employment practices) and four dimensions of public sector performance: cost efficiency, service quality, policy coherence and coordination, and equal access to services. Structural equation modelling reveals that treating service users as customers and flexible employment are positively related to improvements on all four dimensions of performance. Contracting out and downsizing are both positively related to improved efficiency, but downsizing is also associated with worse service quality. The creation of autonomous agencies is unrelated to performance. This suggests that policy-makers seeking to modernise the public sector should prioritise managerial reforms within public organizations over large-scale structural transformations.

## **Points for practitioners**

For practitioners, this paper provides an in-depth perspective on how top public sector executives perceive the impact of NPM-style public sector reforms on a number of performance dimensions. It allows them to better understand the relationship between reform strategies and outcomes in European administration, and allows them to compare their own experiences with those of top executives in other countries.

## **Keywords**

New public management, public sector reform, top officials, performance, downsizing, agencification, contracting out

## **Acknowledgments**

The authors would like to thank the following people for their assistance in compiling the dataset, and for comments on earlier drafts of the paper: José Manuel Alonso, Philippe Bezes, Geert Bouckaert, Richard Boyle, Maria Engrácia Cardim, Irena Cerovic, Judith Clifton, Dion Curry, James Downe, Niels Ejersbo, Francesca Ferre, Davide Galli, Carsten Greve, Valeria Guarneros-Meza, György Hajnal, Jarosław Ignacy, Gilles Jeannot, Sebastian Jilke, Petter Kockum, Per Lægreid, Stephan Leixenring, Francesco Longo, Pétur Berg Matthíasson, Merilin Metsma, Renate Meyer, Tomislav Mičetić, Luis Mota, Edoardo Ongaro, Anca Oprisor, Christopher Pollitt, Tiina Randma-Liiv, Rimantas Rauleckas, Lise Hellebø Rykkja, Riin Savi, Rasa Snapstiene, Trui Steen, Vid Štimac, Mirjana Štraus, Turo Virtanen and Helena Wockelberg.

## **Corresponding author**

Gerhard Hammerschmid, Hertie School of Governance, Friedrichstrasse 180, 10117 Berlin, Germany

Email: [hammerschmid@hertie-school.org](mailto:hammerschmid@hertie-school.org)

## **Introduction**

New Public Management (NPM)-inspired reforms have dominated public sector agendas in Europe for most of the 1990s and 2000s, and still do in many countries even though new reform paradigms have emerged (Pollitt and Bouckaert, 2011). Despite the enormous impact of NPM on governments in Europe, there is still comparatively little systematic research evidence of the effects of NPM reforms on the performance of the public sector within or across European countries. Most evaluations of NPM reforms tend to be impressionistic, or focused on limited aspects of these reforms and their outcomes (Pollitt and Dan, 2013). Moreover, scant research has drawn on large-scale data analysis to draw lessons about the effects of NPM across multiple countries.

This paper adds valuable new data to debates about the impact of NPM by analysing top public sector officials' perceptions of changes in public service performance in 20 European countries on four dimensions: cost efficiency, service quality, policy coherence and coordination, and equal access to services. These perceptions are related to five key NPM reforms: downsizing, agencification, contracting out, customer orientation and flexible employment practices. In this way, the paper seeks to sketch out a more comprehensive picture of the (perceived) successes and failures of NPM reforms than has previously been attempted. In addition, the connection between the different 'intermediate' dimensions of public service performance and the overall achievements of national governments is examined to provide further insights on what the administrative elite in Europe regards as the main drivers of high-performing public administration.

The paper first outlines current progress on evaluating public sector reform. We then address critical issues in evaluating NPM reforms, before going on to explore the potentially positive and negative effects of NPM reforms on the performance of public

services. Subsequently, our unique dataset study of over 7,000 top public sector officials in 20 European countries is introduced and the analytical model is presented. Descriptive country-level findings are presented and the results from a structural equation model linking perceptions of NPM reforms with perceived performance improvements are discussed. The paper concludes by considering the implications for the theory and practice of public sector reform.

### **Effects of public sector reform – an underdeveloped field of research**

Research on NPM has tended to look at changes in structures and processes, and most statements about outcomes have been generalisations about broad trends rather than empirically informed observations. This is perhaps inevitable, given the relatively far-reaching yet sometimes ambiguous nature of NPM reforms (Van de Walle and Hammerschmid, 2011). Theoretically, NPM can be described quite elegantly using principal-agent and public choice frameworks (Grüning, 2001). In practice however, administrative reforms are invariably multifaceted, combine rhetoric and practice, suffer from incomplete specification, and experience shifts in purpose during the implementation process. In addition, reliable pre- and post-reform data are typically difficult to obtain, especially for far-reaching reform programmes. This makes evaluation difficult.

In a recent meta-study of evaluations of NPM-style reforms in European countries, Pollitt and Dan (2011) found that ‘there is an ocean of studies of the application of NPM ideas within the Europe, but only a modest sea of works that offer direct empirical analysis of outputs, and no more than a small pond that convincingly connect specific reforms to particular outcomes’ (Pollitt and Dan, 2011: 52). The evaluation of specific European NPM reforms is perhaps more straightforward because the characteristics of

discrete reforms are more readily identified and disaggregated from wider programmes and trends (Pollitt, 2002; Andrews and Van de Walle, 2013: 767). Indeed, drawing on OECD data, researchers have now begun to identify important cross-country variations in the extent and impact of key NPM reforms (e.g. Alonso et al.'s (2015) work on the effects of outsourcing on public sector size and employment). Nevertheless, important challenges remain in attempting to assemble datasets with which to carry out comparative evaluations of NPM.

In Europe, where governments have implemented an array of different initiatives, reforms are often irreversible and as time passes it becomes increasingly difficult to design studies that can precisely establish their effects (Hansen et al., 2017). Moreover, only a limited set of indicators may be available for analysing the outcomes of NPM reforms. For example, several studies of agencification have identified the impact of this reform on internal processes and procedures, but, much less attention has been paid to its relationship with public service quality or equity (Dan, 2013).

Research has often focused on a restricted range of outcomes. Cutting costs and improving efficiency has been the most important goal of NPM reforms in Europe (Hood, 2011), and many assessments of NPM have looked only at cost-effectiveness (see Andrews, 2010). There are fewer studies that simultaneously examine a range of outcomes. Boyne et al.'s (2003) evaluation of the relationship between reforms and public service responsiveness, equity and efficiency, and Andrews & Van de Walle's (2013) study of NPM's effects on efficiency, responsiveness, equity and effectiveness in local government, are rare examples of scholarship dealing with multiple reforms and outcomes.

Public management reforms inevitably encompass many paradoxes, trade-offs and dilemmas (Wollmann, 2003). It may be comparatively straightforward to draw on

existing data sources to identify the impact of specific reforms within specific sectors (e.g. the privatisation and liberalisation of utilities, Clifton and Diaz-Fuentes, 2010). However, assessments of administrative change across the entire government apparatus require the mobilisation of an array of information on reforms and outcomes from different policy areas. One way in which such assessments can be undertaken is through the use of large-scale expert surveys. In this study, we draw upon survey data gathered from top public officials in 20 European countries who can give an expert opinion on the relative importance of different reforms within their policy area, and the performance of public services within their country.

## **NPM reforms and public service performance**

NPM-style reforms were originally intended to make the public sector work better and cost less (Hood, 2011). With this emphasis on cost-cutting and efficiency came a greater focus on service users as customers, and attempts to loosen up restrictive employment practices. All of this was to be achieved through reforms intended to make the public sector more ‘business-like’ and give managers more ‘freedom to manage’ (Osborne and Gaebler, 1993). However, critics have focused on the potential for NPM to cause service provision to be unevenly distributed across different social groups (Harrow, 2002). At the same time, the possibility that disaggregation and decentralisation can disrupt and fragment established lines of accountability has been highlighted (Webb, 1991).

Debates about the costs and benefits of NPM reforms in Europe have persisted throughout the past three decades (see Christensen and Lægheid, 2010). The many promises of NPM require us to concentrate on various outcomes simultaneously. Our study therefore provides an empirical analysis of the relationship between multiple NPM reforms and multiple outcomes across European countries. In doing so, we focus on five

key structural and managerial reforms that have been prominent within central governments across Europe: downsizing (i.e. reforms aimed at cutting costs, through redundancies, closures, terminations and so on); agencification (i.e. reforms that create quasi-autonomous agencies in place of government ministries); contracting out (i.e. reforms that put public services out to competitive tender); customer orientation (i.e. reforms that increase communication between public service providers and users) and flexible employment practices (i.e. reforms that make civil service careers less restrictive and hierarchically organized).

### *Downsizing and performance*

Attempts to downsize government and to shrink the state by New Right political parties in the United Kingdom and the United States were the immediate precursors to the emergence of NPM in the 1980s (Hood, 1991). Key to nearly all NPM reforms in Europe has therefore been the assertion that bureaucracy is wasteful and inefficient and the counter-argument that a leaner, meaner government can be incentivised to seek out efficiency saving and quality-enhancing innovations (Osborne and Gaebler, 1993). Indeed, even theorists sympathetic to government have suggested that downsizing may be the mother of invention in the public sector (Kelman, 2006). Nevertheless, Hood and Dixon (2015) found that despite decades of structural reform within UK government, costs have gone up rather than down.

The cutback management literature highlights that optimistic accounts of the benefits of downsizing often confront uncomfortable organisational realities. In particular, where the slack resources needed to respond to environmental change are 'hollowed out', service quality and equity declines (Raudla, Savi and Randma-Liiv, 2015). Nevertheless, although the capacity to coordinate government activities may be



substantially weakened by the loss of key personnel and expertise, expenditure cuts still seem *prima facie* likely to result in cost-savings. For this reason, we propose:

**Hypothesis 1:** Downsizing will be positively related to efficiency improvements, but negatively related to other dimensions of performance.

#### *Agencification and performance*

Agencification entails the disaggregation of large government agencies into smaller quasi-autonomous units. This structural reform is intended to force bureaucratic organisations to be more amenable to the control of professional managers rather than politicians. By according agencies greater control over budgets, in particular, it is assumed that public managers will be motivated to search for cheaper and more innovative solutions to service delivery problems (Osborne and Gaebler, 1993). In many cases, this process of disaggregation involves the separation of the purchasing and providing functions within public organisations – a development intended to incentivise purchasing agents to drive production prices down (Hood, 1991).

Increasing the pressure on managers by creating clearer lines of accountability through agencification is assumed to improve public administration overall, as well as save money. However, by hiving off certain functions from direct administrative control it is conceivable that organisational capability within government is weakened (Andrews, Beynon and McDermott, 2016), and that these losses of capability may outweigh any potential efficiency gains. Indeed, a trend towards de-agencification and re-centralisation to address coordination problems has recently been observed within government (Elston, 2012). Hence, we advance:

**Hypothesis 2:** Agencification will be positively related to efficiency improvements, but negatively related to other dimensions of performance.

*Contracting out and performance*

The conventional motivation for government to contract out services is the belief that this will cut costs. Public choice and property rights theories indicate that efficiency is enhanced when service production is transferred away from a public sector monopoly to a competitive market (Domberger and Jensen, 1997). Furthermore, private sector involvement in public service production is thought to result in service improvement because firm-specific innovations generate tangible benefits to the people responsible for their development (Shleifer and Vishny, 1994).

The ‘quality-shading’ hypothesis (Hart, Shleifer and Vishny, 1997) highlights that private contractors may be motivated to cut costs by reducing the quality of public services, especially for those provided to disadvantaged groups which are usually more complicated and expensive to deliver. These deteriorations in public service quality and equity can, in turn, can lead government to bring services back in-house (Hefetz and Warner, 2004). Nevertheless, the profit-maximization incentive for private contractors is still likely to generate cost-savings where services are contracted out. As a result, we suggest:

**Hypothesis 3:** Contracting out will be positively related to efficiency improvements, but negatively related to other dimensions of performance.

*Customer orientation and performance*

A key managerial reform associated with NPM in Europe is the move to encourage public servants and organisations to treat citizens as consumers (Aberbach and Christensen, 2005). Efforts to enhance the customer orientation of public organisations reflect NPM's emphasis on the private sector's responsiveness to market pressures (Osborne and Gaebler, 1993). Where citizens in general, and public service users in particular, are better informed, and better able to communicate with and influence the decisions of public service providers, those providers arguably direct and distribute their resources in a more efficient, equitable and coordinated way (Day and Klein, 1987).

Critics suggest consumerist initiatives can lead service providers to favour wealthier citizens with the strongest voice, thereby undermining equal access to key services (Simmons, Powell, and Greener, 2009). Indeed, simultaneous pressure to marketise public services yet at the same safeguard access for vulnerable groups can be seen throughout most NPM reform debates (Van de Walle, 2008). Although evidence on the effects of consumerism is sparse, treating local public service users as customers has been found to actually enhance perceptions of how fairly different social groups are treated (Andrews and Van de Walle, 2013). Given its potential to transform all aspects of public service delivery, we therefore postulate:

**Hypothesis 4:** The treatment of service users as customers will have a positive relationship with all dimensions of public service performance.

#### *Flexible employment and performance*

In many European countries, NPM reforms have focused on shifting the traditional career-based model of public employment towards a position-based one with more flexible employment conditions (Bach et al., 1999). Position-based personnel systems

emphasise competitive entry, flexible working arrangements and performance-related rewards and progression (Van de Walle, Steijn and Jilke, 2015). Some observers have suggested civil servants in more position-based systems may be better qualified, and more motivated and skilled than those in more strongly career-based ones (Ketelaar, Manning and Turkisch, 2007). In this respect, flexible employment may be associated with improvements on all dimensions of public service performance.

Employment flexibility is often associated with the loss of job security and tenure, and can have a detrimental effect on the morale of unskilled workers, decreasing their commitment to the organisation and increasing their intention to quit (Guest, 2004). However, it can also provide skilled employees with boundaryless careers, through which they can design their own jobs (Guest, 2004). Since most public sector work is undertaken by skilled professionals, we posit:

**Hypothesis 5:** Flexible employment practices will have a positive relationship with all dimensions of public service performance.

#### *Relationship between intermediate outcomes and overall performance*

Given the focus of NPM reforms on cost and efficiency improvements, it seems *prima facie* likely that reforms that deliver improvements on this performance dimension may have the strongest relationship with perceptions of the overall performance of public administration. However, it is also conceivable that reforms that are related to improvements across multiple performance dimensions will be more important determinants of overall performance. Based on the arguments we develop above regarding the positive effects of managerial (e.g. consumerism) versus structural reforms (e.g. agencification), our final hypothesis is:

**Hypothesis 6:** Managerial reforms will have a stronger positive relationship with overall public administration performance than structural reforms

## **Data and method**

Data come from a survey as part of one of the largest comparative public management research projects in Europe funded through the European Commission's 7<sup>th</sup> framework program: COCOPS – Coordinating for Cohesion in the Public Sector of the Future ([www.cocops.eu](http://www.cocops.eu)) (Hammerschmid et al., 2016). The survey targeted the entire population of top executives in central government ministries and agencies in 20 European countries (Austria, Croatia, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Lithuania, the Netherlands, Norway, Poland, Portugal, Serbia, Spain, Sweden and the UK). Unlike most other executive surveys in public administration, the COCOPS survey encompassed the first two hierarchical levels of executives as well as the third hierarchical level in most countries.

Country teams translated the master questionnaire designed by an international team of academics and compiled the list of respondents following centrally designed instructions (Hammerschmid et al., 2013). The questionnaire was sent electronically through Unipark/Questback during 2012 and 2013, and was administered by a central team. In a number of countries, as a result of either inability to obtain direct email addresses of the top executives (e.g. France, Germany) or following low initial response (e.g. the Netherlands), postal questionnaires were distributed. The dataset on which the paper is built consists of the 7,247 valid responses from these twenty countries, equivalent to an overall response rate of 27.4% (see Appendix). Although we cannot claim full representativeness for the survey data, the demographic characteristics of the sample of

respondents is similar to that observed for the population of senior public managers in Europe (see OECD, 2013).

Here we define central government as ministries (39% of our respondents) and agencies as well as subordinate government bodies at the central government level (55%). An exception was made for Spain and Germany – two highly decentralised countries – where we included state regional ministries (6%). Roughly one fifth (21%) of the respondents occupied the top hierarchical level within their organisation, with another 40% and 39% of questionnaires being completed by second and third level public officials. In terms of policy fields, most respondents were employed within general government (16%) with finance (12%), economic affairs (12%) and justice, public order and safety (12%) also well-represented.

*Dependent variables: perceived performance improvement*

Four intermediate performance outcomes, as perceived by respondents on a 1 (deteriorated significantly) to 7 (improved significantly) scale, are used in the study. The exact survey questions were: ‘Thinking about your policy area over the last five years how would you rate the way public administration has performed on the following dimensions’: ‘cost and efficiency’, ‘service quality’, ‘policy coherence and coordination’, and ‘equal access to services’. The first item gauges how well resources are managed (i.e. the extent to which government pays a reasonable price for inputs and outputs). The second item captures how well public services are managed (i.e. the extent to which government outputs are of a high quality). The third item assesses the management of public policy (i.e. the quality of policy development and implementation). Finally, the fourth item evaluates the availability of services to disadvantaged social groups (i.e. the extent to which poor people can access the same public services as wealthy people). Prior

research has found managers' perceptions of performance to be valid, reliable and sensitive (Brewer, 2006).

Table 1 shows the country-level perceptions of improvements on the four dimensions of performance. Across all countries, respondents are most positive about improvements in cost and efficiency and service quality. They are less positive about changes in policy cohesion and coordination and equal access to services. Danish and Irish executives are very positive about improvements in cost and efficiency, while Croatian and Lithuanian are much less so. French executives are negative about service quality whereas Austrian, Norwegian and Dutch executives are positive. Danish, Dutch and Irish executives see clear improvements in coordination, whereas Austrian executives are negative about this. Finally, French and Italian executives are less positive about equal access to services, whereas Central European executives in Estonia, Lithuania and Hungary are positive about this performance dimension.

[Table 1]

Respondents were also asked about their perception of the overall performance of public administration in their country. The wording of this item and the answer scale matched an EU-wide Eurobarometer survey (Special EB 370) in which the same question was asked to citizens. Specifically, the respondents were asked to rate on a scale of 1 (Worse) to 10 (Better): "Compared with five years ago, how would you say things have developed when it comes to the way public administration runs in your country?" This subjective self-report is intended to capture top executives' perception of how well the public sector is managed as a whole under the rubric of a single measure. Hence, it brings in intermediate dimensions of performance that we did not measure, such as organizational

capacity and capability, alongside those that we do, to construct a measure akin to the overall quality of government.

Figure 1 presents means and standard deviations for the measure of overall performance across the entire sample. It shows that executives are most positive in Denmark, Norway, the Netherlands, and Sweden; though the mean score is above seven out of ten in just one of these countries. In Spain, Croatia and Portugal, executives indicate that overall public administration performance has deteriorated.

[Figure 1]

### *Independent variables*

The presence of *NPM reforms* was operationalised by asking respondents to indicate on a 7-point scale (1 = not at all to 7 = to a large extent) the importance of the following reforms in their own policy area: *public sector downsizing* (e.g. the ‘Révision Générale des Politiques Publiques’ programme in France), *creation of autonomous agencies or corporatisation* (e.g. the ‘Spain Law of State Agencies’), *contracting out* (e.g. the Work Programme in the UK), *treatment of service users as customers* (e.g. the Open Government Partnership initiative), and *flexible employment* (e.g. the Reform of the Civil Service Law in Germany). Using the views of public officials to evaluate reforms is common practice (see e.g. Brewer, 2006; Emery and Giauque, 2003).

Figure 2 presents how top public executives rate the importance of NPM reforms in their policy area, across all countries. Treating service users as customers is the most important reform, followed by downsizing. Contracting out and the creation of autonomous agencies are rated as substantially less important, and even as unimportant. One likely explanation is that these reforms mainly happened in the past.



[Figure 2]

There are important differences across countries not reported in the figure. Respondents in Ireland, Estonia, and the UK identify downsizing as an important trend, in contrast with Norway. The creation of autonomous agencies is not seen as a trend in countries such as Sweden, Finland or Lithuania. It is however important in Estonia, France and the Netherlands. Contracting out is an important trend in the UK, the Netherlands and Ireland, but hardly so in Hungary. Treating users as customers is very important in Finland and Portugal, but not in France. Finally, flexible employment is salient in Estonia and Finland, but not in France or Hungary.

### *Controls*

Because NPM reforms have been unevenly distributed across policy fields, dichotomous variables controlling for policy area are added as controls in the structural equation modelling. Country controls were added to the second part of the model. We performed a further robustness check by controlling for country-policy field cross-products (i.e. 216 country-policy field dummies), which made no difference to our results.

Respondents are treated as expert witnesses on developments in their own policy area and organisation, and it is not our intention to explain individual-level variation. For this reason, controls for the respondents' age, gender, tenure, position or educational background were not added.

### *Structural Equation Model*

A structural equation modelling process was undertaken, which simultaneously relates the perceived importance of NPM reforms to the four different performance dimensions, and the relationships between these dimensions of performance and the overall evaluation of public administration. While our model does not include latent factors, we are able to estimate the implied total effects of reform trends on overall public administration performance as well as the overall model fit. Figure 3 outlines our SEM model.

[Figure 3]

The overall measurement fit for the model is good: the comparative fit index (CFI) is 0.998, the Tucker-Lewis Index (TLI) is 0.977 and the root mean square error of approximation (RMSEA) is 0.026. Since all the study variables were measured using data from the same respondents, which may generate common method bias (CMB), a number of ex ante and post hoc measures were taken (Chang et al, 2010). Ex ante, CMB was minimised by positioning the items on NPM reforms and perceived effects in different parts of the questionnaire. Post hoc, the Harman single factor test offers no evidence for CMB. A model in which all the indicators were loaded onto a single factor had a poor fit (CFI=0.808, TLI=0.698, RMSEA=0.093). Furthermore, the correlations between the NPM reform variables and the outcome variables are all below .25.

### **Analysis**

The results are shown in Tables 2 and 3. Policy field and country control estimates were suppressed. The results presented in Panel 1 in Table 2 show the relationship between downsizing, agencification, contracting out, customer orientation and flexible employment practices and cost efficiency, service quality, policy coherence and coordination, and equal access to services. The results in Panel 2 then indicate the association between respondents' perceptions of these intermediate outcomes and perceived overall improvements in public administration.

[Table 2]

Large-scale structural NPM reforms, such as public sector downsizing, contracting out or the creation of autonomous agencies are mostly unrelated to performance. Nevertheless, the coefficients for downsizing and contracting out are both positive and statistically significant for the paths predicting cost and efficiency; results which comport with hypotheses 1 and 3 and the conventional theoretical and policy arguments in favour of these reforms. The coefficient for downsizing is negative and also statistically significant for the path predicting service quality (as per hypothesis 1), while the coefficient for contracting out is positive and statistically significant for the path predicting policy coordination. Interestingly, the coefficient for agencification is positive but not statistically significant for the path predicting policy co-ordination. Hence, our second hypothesis is neither confirmed or disconfirmed.

In contrast to the structural NPM reforms, treating citizens as customers and flexible employment are associated with improved performance across the board: the coefficients for both reforms are consistently positive and statistically significant. These

results provide confirmation of our fourth and fifth hypotheses. Further analysis highlights that the intermediate outcomes all have a significant positive effect on perceptions of overall improvements in the way public administration runs the country. This indicates, in line with our sixth hypothesis, that reforms which generate improvements across multiple performance dimensions are likely to have the greatest overall impact on how public administration is perceived. Indeed, the results presented in Table 3 confirm that the treatment of service users as customers is a critical determinant of public service improvement across Europe: the coefficient for this reform is a positive and statistically significant predictor of overall performance. While there is some evidence of a negative relationship between downsizing and overall performance and a positive connection between agencification and performance, the coefficients for these reforms only achieve statistical significance at  $p < 0.1$ , so should be treated with great caution.

[Table 3]

## **Discussion**

This paper draws on a unique large scale survey of top public sector executives in 20 European countries to illustrate the effects of NPM-style public sector reforms. Findings show that major ‘structural’ NPM reforms, such as downsizing and contracting out, are associated with improved efficiency, but otherwise barely influence perceptions of performance improvement – downsizing is also associated with worse service quality, and, somewhat surprisingly, contracting out exhibits a positive relationship with policy co-ordination. By contrast, ‘managerial’ reforms, such as treating service users as customers and flexible employment practices have significant positive effects on the four

intermediate performance dimensions we study. A customer orientation, in particular, has a strong connection with service quality and policy coordination, and on overall public administration performance. More generally, treating service users as customers appears to be a major determinant of overall performance.

It is of course striking that downsizing and contracting out, reforms commonly associated with NPM, have a positive relationship with costs and efficiency. Thus, while the existing evidence on efficiency-gains from these reforms is still mixed (e.g. Bel, Fageda and Warner, 2010; Hood and Dixon, 2015), our findings suggest senior public managers believe in their efficacy as tools for saving money. This finding provides support for arguments in favour of such reforms advanced by supporters of NPM (see Osborne and Gaebler, 1993). Nevertheless, as the ‘quality-shading hypothesis’ suggests (Hart, Shleifer and Vishny, 1997), efficiency improvements may come at a price. European central governments pursuing a downsizing strategy appear to experience a drop-off in public service quality – a result that also accords with theories of cutback management (see Raudla, Savi and Randma-Liv, 2015). The positive connection between contracting out and policy co-ordination may suggest that contractors’ managerial capabilities are an additional source of government capacity (Brown and Potoski, 2006). More generally though, whatever the gains in efficiency, an emphasis on structural reforms (downsizing, agencification, contracting out), does not appear to be bringing the many other performance benefits that advocates of NPM reforms assert

One possible explanation for the findings for structural NPM reforms is that they have not been introduced to achieve long term improvements in service quality, policy co-ordination and equality of access. Rather, they have been implemented to cope with short-term demands for cutbacks and cost-savings in the wake of the global financial crisis (Randma-Liiv and Kickert, 2017). Our survey questions pertain to the height of the

crisis (2008-12), which may have changed the dynamic of the relationship between reforms and their outcomes. Future studies in times of fiscal plenty would cast valuable light on whether structural NPM reforms can potentially achieve the wider performance objectives with which they are often tasked.

The extent to which service users are treated as customers is the NPM reform with the strongest overall effect on performance. This finding confirms the insights from theorists of public sector consumerism regarding the benefits of a more personalised, individualised style of public service (Day and Klein, 1989; Le Grand, 2006). Inculcating a customer focus among public servants may be one of the first and easiest steps towards wider reform, and could have a symbolic effect on perceptions of administrative competence and effectiveness. Indeed, treating service users as customers generally requires few major structural changes, but is often reflected in a wider cultural change signalling that public sector organisations have become more citizen-centred as much as consumer-orientated (Aberbach and Christensen, 2005). Hence, our findings on consumer orientation add further weight to the evidence on its benefits that is slowly emerging (e.g. Andrews and Van de Walle, 2013).

In addition to the positive effects of a customer focus, the introduction of flexible forms of employment appears to be a reliable strategy for public sector improvement. This finding may also be the result of positive cultural change within public organisations, with employment flexibility often associated with the 'can-do' attitude that underpins position-based personnel systems (Van de Walle, Steijn and Jilke, 2015). Our findings therefore affirm the arguments in favour of such personnel systems that have long been advanced by policy-makers (Ketelaar, Manning and Turkisch, 2007). Indeed, governments that are able to experiment with flexible employment may already have achieved the overhaul of traditional bureaucratic processes deemed necessary to make

government more responsive to societal needs and demands (Osborne and Gaebler, 1993).

### *Study limitations*

The study has a number of shortcomings that can form the basis for subsequent research. First, our findings pertain solely to the effects of NPM in European countries. NPM has not been so popular in other parts of the world (Manning, 2001), so it would be important to investigate the extent to which our findings are replicated in environments less receptive to NPM-style ideas, especially developing countries across Asia, Africa and the Middle East. Second, due to data limitations we are unable to tease out which flexible employment practices are responsible for our results. Further quantitative and qualitative research addressing this issue would cast invaluable light on the personnel reforms needed to achieve public service performance improvements. Third, the cross-sectional nature of the data means we are unable to offer firm conclusions regarding causal relationships. Studies that draw upon longitudinal or experimental data could seek to address the issue of causation. Fourth, the measures used to capture NPM reforms are self-reports. These reports were provided by key experts responsible for the development of public sector reforms, but may reflect idiosyncratic personal perspectives. Future work drawing upon administrative data could potentially circumvent issues of faulty recall and social desirability bias. Fifth, while common method bias is not a serious threat to our findings, research designs utilising administrative measures of performance would be extremely illuminating. Finally, to lower the response burden and increase the response rate we relied on single-item measures for all of our constructs. Subsequent studies could utilise multi-item scales to estimate a measurement model capturing the full complexity of specific NPM reforms.

## **Conclusion**

This paper highlights that top public officials in Europe associate NPM reforms with improved public sector efficiency. However, only the treatment of service users as customers and flexible employment practices are associated with improvements on service quality, policy co-ordination and equal access to services as well. Furthermore, the treatment of service users as customers alone is strongly related to improved public administration performance overall. This suggests that policy-makers seeking to modernise the public sector should prioritise managerial reforms within public organizations over large-scale structural transformations.

## **REFERENCES**

- Aberbach J and Christensen T (2005) Citizens and Consumers: An NPM Dilemma. *Public Management Review* 7(2): 225-245.
- Alonso JM, Clifton J and Díaz-Fuentes D (2015) Did New Public Management Matter? An Empirical Analysis of the Outsourcing and Decentralization Effects on Public Sector Size. *Public Management Review* 17(5): 643-660.
- Andrews R (2010) New Public Management and the Search for Efficiency. In: Christensen T and Lægreid P (eds) *Ashgate Research Companion to the New Public Management*. Aldershot: Ashgate Press, pp.281-294.
- Andrews R, Beynon MJ and McDermott AM (2016) Organizational Capability in the Public Sector: A Configurational Approach. *Journal of Public Administration Research and Theory* 26(2): 239-258.



- Andrews R and Van de Walle S (2013) New Public management and Citizens' Perceptions of Local Service Efficiency, Responsiveness, Equity and Effectiveness. *Public Management Review* 15(5): 762-783.
- Bach S, Bordogna L, Della Rocca G and Winchester D (eds) (1999) *Public Service Employment Relations in Europe: Transformation, Modernization or Inertia?* London: Routledge.
- Bel G, Fageda X and Warner ME (2010). Is Private Production of Public Services Cheaper than Public Production? A Meta-regression Analysis of Solid Waste and Water Services. *Journal of Policy Analysis and Management* 29(3): 553-577.
- Boyne GA, Farrell C, Law J, Powell M and Walker RM (2003) *Evaluating Public Management Reforms*. Buckingham: Open University Press.
- Brewer GA (2006) All Measures of Performance are Subjective. In: Boyne GA, Meier KJ, O'Toole LJ and Walker RM (eds) *Public Service Performance: Perspectives on Measurement and Management*. Cambridge: Cambridge University Press, pp.35-54.
- Brown T and Potoski M (2006). Contracting for Management: Assessing Management Capacity under Alternative Service Delivery Arrangements. *Journal of Policy Analysis and Management* 25(2): 323-346.
- Chang SJ, Van Witteloostuijn A and Eden L (2010) From the Editors: Common Method Variance in International Business Research. *Journal of International Business Studies* 41: 178-184.
- Christensen T and Lægreid P (eds) (2010) *Ashgate Research Companion to the New Public Management*. Aldershot: Ashgate Press.

- Clifton J and Díaz-Fuentes D (2010) Evaluating EU Policies on Public Services: A Citizen's Perspective. *Annals of Public and Cooperative Economics* 81(2): 281-311.
- Dan S (2013) The Effects of Agency Reform in Europe: A Review of the Evidence. *Public Policy and Administration* 29(3), 221-240.
- Day P and Klein R (1987) *Accountabilities*. London: Tavistock.
- Domberger S and Jensen P (1997) Contracting Out by the Public Sector: Theory, Evidence, Prospects. *Oxford Review of Economic Policy* 13: 67-78.
- Elston T (2012) Developments in UK Executive Agencies: Re-examining the 'Disaggregation-Reaggregation' Thesis. *Public Policy & Administration* 28(1): 66-89.
- Emery YY and Giauque D (2003) Emergence of Contradictory Injunctions in Swiss NPM Projects. *International Journal of Public Sector Management* 16(6): 468-481.
- European Commission (2011) *Special Eurobarometer 370*.
- Grüning G (2001) Origin and Theoretical Basis of New Public Management. *International Public Management Journal* 4(1): 1-15.
- Guest D (2004) Flexible Employment Contracts, the Psychological Contract and Employee Outcomes: An Analysis and Review of the Evidence. *International Journal of Management Reviews* 56(1): 1-19.
- Hammerschmid G, Oprisor A and Štimac V (2013) *COCOPS Executive Survey on Public Sector Reform in Europe: Research Report*. Rotterdam: Erasmus University Rotterdam.
- Hammerschmid G, Van de Walle S, Andrews R and Bezes P (eds) (2016) *Public Administration Reforms in Europe. The View from the Top*. Cheltenham: Edward Elgar.

- Hansen MB, Breidahl KN, Hjørdis Halvorsen A and Furubo JE (2017) Eight Attention Points when Evaluating Large-scale Public Sector Reforms. In: Greve B (ed) *Handbook of Social Policy Evaluation*. Houndmills: Palgrave Macmillan, pp.460-472.
- Harrow J (2002) New Public Management and Social Justice: Just Efficiency or Equity as well? In: McLaughlin K, Osborne SP and Ferlie E (eds) *New Public Management: Current Trends and Future Prospects*. London: Routledge, pp.141-159.
- Hart OD, Shleifer A and Vishny RW (1997) The Proper Scope of Government: Theory and an Application to Prisons. *The Quarterly Journal of Economics* 112(4): 1127-1161.
- Hefetz A and Warner M (2004).Privatization and Its Reverse: Explaining the Dynamics of the Government Contracting Process. *Journal of Public Administration Research and Theory* 14(2): 171-190.
- Hood C (1991) A Public Management for all Seasons. *Public Administration* 69(1): 3-19.
- Hood C (2011) Book Review. The Ashgate Research Companion to New Public Management. *Governance* 24(4): 737-739.
- Hood C and Dixon R (2015) *A Government that Worked Better and Cost Less?: Evaluating Three Decades of Reform and Change in UK Central Government*. Oxford: Oxford University Press.
- Kelman S (2006) Downsizing, Competition, and Organizational Change in Government: Is Necessity the Mother of Invention? *Journal of Policy Analysis and Management* 25: 875-895.

- Ketelaar A, Manning N and Turkisch E (2007) *Performance-based Arrangements for Senior Civil Servants OECD and other Country Experiences*. OECD Working Papers on Public Governance, 2007/5, OECD Publishing.
- Le Grand J (2006). Equality and Choice in Public Services. *Social Research* 73(2): 695-710.
- Manning N (2001). The Legacy of the New Public Management in Developing Countries. *International Review of Administrative Sciences* 67: 297-312.
- OECD (2013). *Government at a Glance 2013*. Paris: OECD Publishing.
- Osborne D and Gaebler T (1993) *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. New York: Plume.
- Pollitt C (2002). The New Public Management in International Perspective: An Analysis of Impacts and Effects. In: McLaughlin, Osborne SP and Ferlie E (eds) *New Public Management: Current Trends and Future Prospects*. London: Routledge, pp.274-292.
- Pollitt C and Bouckaert G (2011) *Public Management Reform: A Comparative Analysis - New Public Management, Governance, and the Neo-Weberian State*. Oxford: Oxford University Press.
- Pollitt C and Dan S (2011) *The Impacts of the New Public Management in Europe: A Meta-analysis*. COCOPS Research Report.
- Randma-Liiv T and Kickert W (2017) The Impact of the Fiscal Crisis on Public Administration Reforms: Comparison of 14 European Countries. *Journal of Comparative Policy Analysis: Research and Practice* 19(2): 155-172.
- Raudla R, Savi R and Randma-Liiv T (2015) Cutback Management literature in the 1970s and 1980s: Taking Stock. *International Review of Administrative Sciences* 81(3): 433-456.

- Shleifer A and Vishny RW (1994) The Politics of Market Socialism. *Journal of Economic Perspectives* 8(2): 165-176.
- Simmons R, Powell M and Greener I (2009) *The Consumer in Public Services. Choice, Values and Difference*. Bristol: The Policy Press.
- Van de Walle S (2008) What Services are Public? What Aspects of Performance are to be Ranked? The Case of “Services of General Interest’. *International Public Management Journal* 11(3): 256-274.
- Van de Walle S and Hammerschmid G (2011) The Impact of the New Public Management: Challenges for Coordination and Cohesion in European Public Sectors (Review Essay). *Halduskultuur – Administrative Culture* 12(2): 190-209.
- Van de Walle S, Steijn B and Jilke S (2015) Extrinsic Motivation, PSM and Labour Market Characteristics: A Multilevel Model of Public Sector Employment Preference in 26 Countries. *International Review of Administrative Sciences* 81(4): 833-855.
- Webb A (1991) Coordination: A Problem in Public Sector Management. *Policy & Politics* 19(4): 229-242.
- Wollmann H. (ed.) (2003) *Evaluation in Public-Sector Reform: Concepts and Practice in International Perspective*. Cheltenham: Edward Elgar Publishing.

**Table 1.** Perceived 5-year change in intermediate outcomes (means)

Country	Cost and efficiency	Service quality	Policy coherence and coordination	Equal access to services
Austria	4.74	5.09	3.56	4.30
Croatia	3.96	4.32	3.83	4.50
Denmark	5.35	4.68	4.51	4.38
Estonia	4.64	4.94	4.04	4.85
Finland	4.85	4.81	4.13	4.67

France	4.48	3.90	3.79	3.98
Germany	4.83	4.90	3.76	4.37
Hungary	4.58	4.59	4.33	4.75
Iceland	4.73	4.57	4.34	4.59
Ireland	5.24	4.85	4.47	4.51
Italy	4.70	4.53	3.89	4.18
Lithuania	4.08	4.83	3.93	4.95
Norway	4.76	5.06	4.30	4.73
Poland	4.17	4.69	3.91	4.52
Portugal	4.66	4.95	3.77	4.78
Serbia	4.28	4.82	4.06	4.39
Spain	4.22	4.47	3.90	4.62
Sweden	4.91	4.90	3.72	4.22
The Netherlands	5.15	5.01	4.53	4.46
UK	5.11	4.60	4.34	4.36
<i>All countries</i>	<i>4.68</i>	<i>4.73</i>	<i>4.06</i>	<i>4.50</i>

Scale: 1 = deteriorated significantly to 7 = improved significantly; total score based on equal country weights

**Table 2.** SEM estimation results

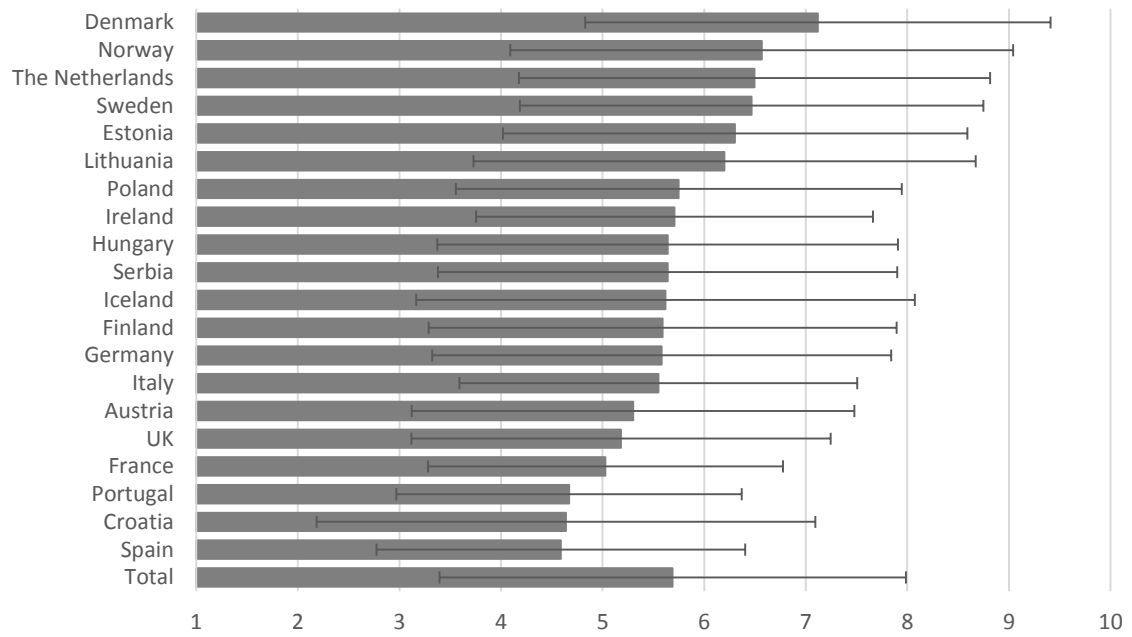
Panel 1: Reform trends to outcomes	Estimate	sig.
<i>Cost and efficiency</i>		
Public sector downsizing	0.057	<0.001
Creation of autonomous agencies or corporatisation	-0.015	0.296
Contracting out	0.032	<0.05
Treatment of service users as customers	0.114	<0.001
Flexible employment	0.074	<0.001
<i>Service quality</i>		
Public sector downsizing	-0.031	<0.05
Creation of autonomous agencies or corporatisation	-0.014	0.296
Contracting out	0.009	0.358
Treatment of service users as customers	0.206	<0.001
Flexible employment	0.084	<0.001
<i>Policy coherence and coordination</i>		
Public sector downsizing	0.002	0.851
Creation of autonomous agencies or corporatisation	0.011	0.406
Contracting out	0.028	<0.05
Treatment of service users as customers	0.083	<0.001
Flexible employment	0.062	<0.001
<i>Equal access to services</i>		
Public sector downsizing	-0.004	0.778
Creation of autonomous agencies or corporatisation	-0.011	0.396
Contracting out	-0.012	0.387
Treatment of service users as customers	0.213	<0.001
Flexible employment	0.060	<0.001
Panel 2: Outcomes to overall improvement perceptions		
Cost and efficiency	0.095	<0.001
Service quality	0.221	<0.001
Policy coherence and coordination	0.210	<0.001
Equal access to services	0.078	<0.001

**Table 3.** Total effects: reform trends to overall perceptions of improvement

	Estimate	sig.
Public sector downsizing	-0.022	<0.10
Creation of autonomous agencies or corporatisation	0.022	<0.10
Contracting out	0.009	0.478
Treatment of service users as customers	0.049	<0.001
Flexible employment	0.009	0.432

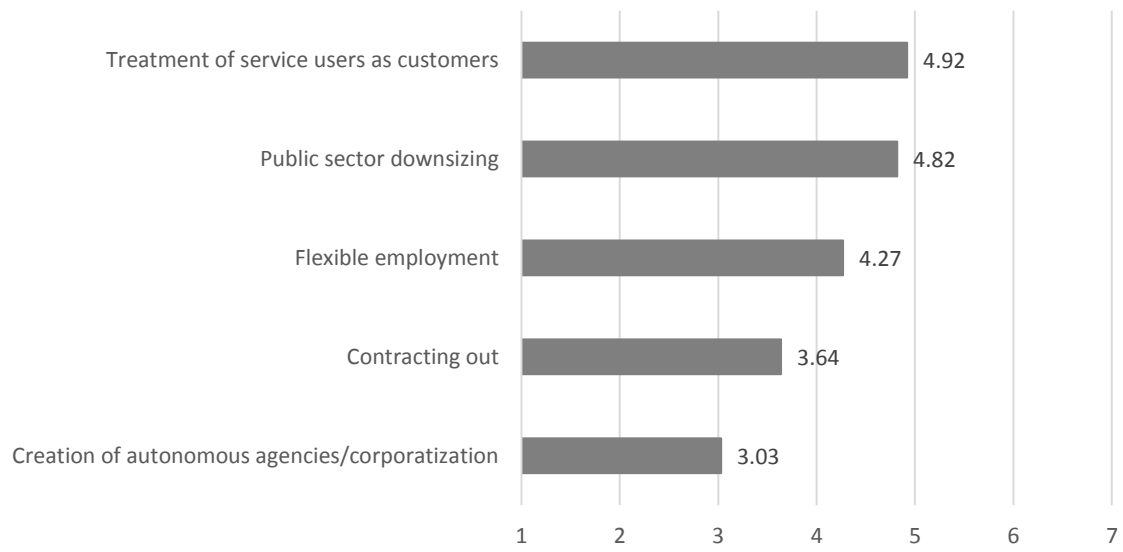


**Figure 1.** Perceived 5-year change in public administration performance



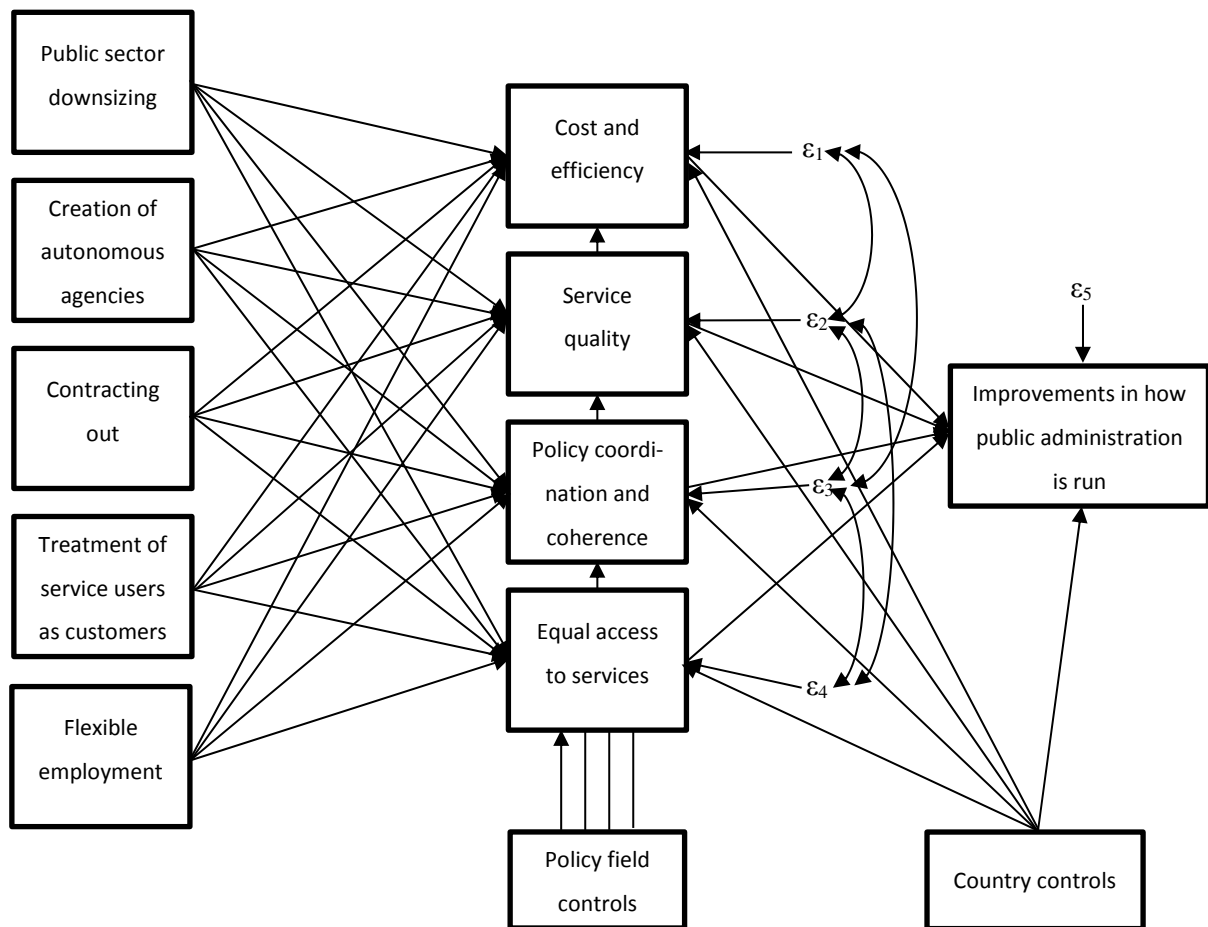
Scale: 1=worse to 10 = better; mean and std

**Figure 2.** Importance of NPM reform trends in 20 countries



Scale: 1= not at all to 7=to a large extent; score based on equal country weights

**Figure 3.** Model relating reform trends to perceived outcomes



## Appendix

**Table 1A.** Survey sample

Country	Invitations	Responses	Share	Response rate
Austria	1,407	493	6.8%	35.0%
Croatia	650	176	2.4%	27.1%
Denmark	758	147	2.0%	19.4%
Estonia	913	318	4.4%	34.8%
Finland	1,742	703	9.7%	40.4%
France	3,403	587	8.1%	17.2%
Germany *	1,955	445	6.1%	22.8%
Hungary	924	250	3.4%	27.1%
Iceland	392	200	2.8%	51.0%
Ireland	980	375	5.2%	38.3%
Italy	971	172	2.4%	17.7%
Lithuania	1,098	432	6.0%	39.3%
Norway	1,197	334	4.6%	27.9%
Poland	1,390	170	2.3%	12.2%
Portugal	1,038	296	4.1%	28.5%
Serbia	1,644	880	12.1%	53.5%
Spain **	1,684	297	4.1%	17.6%
Sweden	1,293	523	7.3%	40.4%
The Netherlands	670	196	2.7%	29.3%
UK	2,325	253	3.5%	10.9%
Total	26,434	7,247		27.4%

\* includes ministries (but not agencies) at state government level

\*\* includes ministries (but not agencies) at regional government level