

New Public Management in Swiss municipalities

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Abstract

Swiss municipalities are being stretched to their limits. In the years from 1995 to 1997, 32% of all Swiss municipalities closed with a deficit. In response to this situation, numerous reforms have been introduced since the start of the 1990s in order to improve the performance capability of the municipalities. Aside from intermunicipal cooperation, New Public Management (NPM) is the reform project that is currently being discussed most in the Swiss municipalities. Recent data shows that every fourth municipality has already taken first steps with NPM. Many kinds of activities are understood as being encompassed by NPM, even when not all aspects of NPM are implemented. Only one fifth of the municipalities that have introduced NPM are already working with key elements such as product definitions, performance agreements, and global budgets, which are necessary for an orientation toward output and outcome. In municipalities of less than 1,000 inhabitants NPM is still hardly an issue, while a number of towns with over 10,000 inhabitants are looking into NPM quite intensively. NPM programs are being developed primarily in municipalities that are part of German-speaking Switzerland. Municipalities that offer a wide range of services consider new steering models, such as NPM, far more frequently than those with a narrower range. The financial situation has little influence on whether NPM is introduced. © 2001 Elsevier Science Inc. All rights reserved.

1. Introduction

The municipalities in Switzerland are widely seen as the nucleus of state and society. It may therefore seem surprising that these political communities based on the inhabitants principle only came into being in the middle of the nineteenth century, when the Swiss Confederation was founded. Compared to other systems of local government, the Swiss form

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Table 1
Size of municipalities in Switzerland as per 1/1/2000*

Size of municipality	Number	Number in percent
Up to 249	509	17.6
250–499	499	17.2
500–999	569	19.6
1000–1999	531	18.3
2000–4999	502	17.3
5000–9999	172	5.9
10000–19999	87	3.0
20000–49999	22	0.8
50000–99999	3	0.1
100000 and more	5	0.2
All municipalities	2899	100

* Swiss Federal Statistical Office, 1999a and Swiss Federal Statistical Office, 1999b.

of local authority has proved extremely stable. Although the size of the municipalities varies considerably, and most are very small, there have been no major attempts to merge local authorities in order to standardize them. Between 1848 and 2000, the number of political communities decreased only from 3,203 to 2,899. In the last ten years, there have been significant numbers of mergers in just a few of the 26 cantons (Dafflon, 1998: 125–128). This seems remarkable considering that more than half of the municipalities have less than 1,000 inhabitants (see Table 1). Almost half the Swiss population lives in municipalities with more than 10,000 inhabitants, but only around 4% of the municipalities are this large (Ladner, 1991).

Among nations in Europe, only Greece, France and Iceland have smaller local administrative bodies on average. Most of the other countries have implemented territorial reforms some time since 1950 (Council of Europe, 1995: 10–19).

In the last few years, Swiss municipalities have been under increasing financial pressure. There are various reasons for this. The political communities are being confronted with a growing number of tasks that are increasingly complex.¹ Due to greater political integration, the municipalities have increasingly become executory organs of the cantons and the state, and voluntary tasks, in the cultural and social sectors for instance, have been expanded (Geser et al., 1996: 292–336). With the development of the general economic recession at the beginning of the 1990s, the financial position of the municipalities worsened, leading to a sharp rise in the debt quota (Federal Finance Administration, 2000).

Between 1995 and 1997, 32% of all Swiss municipalities closed with a deficit, and 19% have had to increase taxes since 1994. A comparison of the statements of account from 1995–1997 and 1991–1993 shows that just less than half of all municipalities that closed their accounts between 1995 and 1997 with a budget deficit had also done so between 1991 and 1993. This lets us conclude that Switzerland has a substantial number of structurally weak municipalities.

A survey of all municipalities in 1998 shows that many municipal administrations are stretched to the limit of their capabilities. Income support, care for the unemployed, and the

demands on local government are areas that are considered to be particularly problematic. Other critical areas are housing for asylum-seekers, civil defense, the sewage problem, and public transportation. If this survey is compared with a similar one conducted by the University of Zurich in 1994, it becomes apparent that the performance threshold has increased in almost all task areas (Geser et al., 1996). Strong increases can be seen in the care of asylum-seekers, civil defence, public transportation, recreation, the care of elderly people, the integration of immigrants, and youth programs.

Interestingly, the larger a municipality, the more it tends to reach the limits of its capabilities. One reason for this might be that there is a greater awareness of problems in the larger communities. As regional centers, the larger municipalities also have to fulfill more tasks. The equal legal standing of towns and small country communities is remarkable, particularly considering the enormous differences in terms of the tasks to be fulfilled and in the extent of administrative responsibilities. Imbalances of this nature are found in the relationship between a major town and other municipalities in the surrounding region (Linder, 1999: 185–189). Compensation for the extra burden carried by larger communities is an issue in some cases.

Changes in Swiss society, including the processes of individualization, pluralization, and secularization, are having an impact on the municipalities. On one hand, the citizens have become more critical and demanding as far as the performance of the political-administrative apparatus is concerned, and on the other hand, they are less willing to take an active interest in serving the community, or in running for political office.

There is a general consensus that due to increased mobility and the growing significance of supralocal connections, community boundaries are not considered as important as they were a few decades ago (Ladner, 1991: 5). Despite these changes in background conditions, it would be inaccurate to speak of a decline of the largely independent administrative bodies at the municipal level, because there is an equally clear indication that the state continues to rely on capable local authorities in the fulfillment of many tasks. This is not just due to the fact that there are not enough financial and organizational resources for central control. It is also due to the realization that some decisions are best made by the people who are directly affected, and that these people should be responsible for some kinds of programs. Keeping the distance between those performing a service and those benefiting from a service at a minimum can be an advantage. An opinion poll has shown that Swiss men and women still feel they can better identify with the municipalities than with the canton and the Federal Government (GfS, 1997).

In order to remain capable of working effectively in the future, various Swiss municipalities have begun to adjust to the changing social environment. The palette of reform measures ranges from New Public Management (NPM) to different forms of intermunicipal cooperation and regional reforms (Germann, 1998: 176). Here a distinction can be made between inner reforms and global reforms. The inner reforms are either related to the political decision-making system in the narrow sense (local government), or the overall decision-making system (local government, legislature, the electorate), to the administration (downsizing, extension, reorganization), or the entire political-administrative system (e.g., NPM). With the global reforms, it is primarily horizontal cooperation forms (cooperation between the municipalities and private enterprises, regional reforms) and vertical cooperation forms

(cooperation with the canton, task distribution, reallocation of the vertical financial adjustment) that are up for discussion.²

The main aim of these reforms is to improve the performance of the municipalities i.e. the effectiveness and efficiency of their administrations (Schedler and Proeller, 2000: 18–22 for NPM and Dafflon, 1998 for mergers). The performance of a municipality is not an absolute value, however. It can only be measured in reference to particular political and social objectives. Examples of such objectives are: efficient use of financial resources, customer orientation and responsiveness on the part of the administration and the authorities, political participation and democratic co-determination, legality and legitimization, legal equality, and so on. These objectives are interdependent.

Unlike local administrations in most other countries, Swiss municipalities, as public bodies appointed by the public law of the cantons, are largely autonomous. The municipalities generate an average of 70% of their income through their own taxes and fees. The monetary transfers from the state to the municipalities are lower in Switzerland than in any other European country (Council of Europe, 1997: 25). According to the cantonal laws, municipalities can choose an appropriate structure and administrative form, levy taxes, and independently perform those tasks which do not fall within the domain of the cantons or the federal government (Linder, 1999: 156–159). With the transferred tasks, there is a tendency towards central strategic control by the cantons, while the municipalities have more and more creative freedom when it comes to local implementation (Ladner et al., 2000: 159).

Many of the reforms in Switzerland are carried out directly by the municipalities. The cantons initiate reform programs as well, but without the support of the municipalities such plans are almost certain to fail. Cooperative federalism is firmly established, as painfully discovered by the canton of Lucerne, which wanted to merge its municipalities into about half their original number. The municipalities first used lobbies and politicians to torpedo the project, and then played a major part in shifting the focus to intermunicipal cooperation and elements of New Public Management.

This article looks at the reforms in the Swiss municipalities that are being carried out under the banner 'New Public Management.' It aims to answer the following questions:

- Which aspects of NPM are being discussed and implemented?
- In which municipalities is NPM most commonly found?
- What factors lead to the introduction of NPM?
- Viewed from an international perspective, is Switzerland a special case?

The empirical basis for the article is provided by two surveys carried out within the framework of a research project by the Swiss National Science Foundation. At the start of 1998, the administrations of all 26 cantons in Switzerland received a questionnaire asking about the development of various reform plans in the municipalities from the point of view of the canton (Ladner and Steiner, 1998). 100% of these questionnaires were returned.

In autumn 1998, this was followed by a written survey of all Swiss municipalities. A 16-page questionnaire in the appropriate languages of German, French and Italian was sent to the 2,914 municipalities that existed at the time. In total, 2,465 of the municipalities replied, which corresponds to an overall return rate of 84.5%. The return rate in the German-speaking municipalities was 86.3%, in French-speaking Switzerland it was 82.8%,

while in Italian-speaking Switzerland it was 79.9%. The questionnaire was sent to the municipal secretaries. “The municipal secretary holds the leading management position in the municipal administration. In many local authorities this makes him or her the highest-level civil servant. The municipal secretary has a key position because he or she works at the interface between politics and administration.” (Kleindienst, 1999: 102). In contrast to the mayors (who are often part-time politicians), the municipal secretaries have an in-depth knowledge of the community and are less likely to make party-political statements.

2. The growth of New Public Management in Switzerland

New Public Management is a generic term for a wave of administration reforms throughout the world that are relatively standardized, and embrace both the political and the administrative system. “There is not one NPM model, instead there are numerous national variants.” (Schedler and Proeller, 2000: 5). Implementation of NPM varies from place to place and also depends on the government level. A comprehensive NPM approach generally incorporates five dimensions, however (Thom and Ritz, 2000: 113; Kickert, 1997: 18; Schedler and Proeller, 2000: 47–105):

- Culture dimension (e.g., customer satisfaction, quality management, new management styles, enterprise culture and personnel development)
- Goal and performance dimension (e.g., cost accounting, controlling, global budgets, incentive systems, performance-related pay, results-oriented legislation, performance agreements, management by objectives)
- Organization dimension (e.g., decentralization, shift to more autonomous units, agencies, lean management, fewer hierarchies, process management)
- Market dimension (e.g., contract management, benchmarking, transfer pricing)
- Outcome dimension (e.g., evaluation, auditing, outcome indicators).

While many of these strategies have been used before, what is new is the integration of private and public management concepts (Kickert, 1997: 17–18).

As early as the mid-1990s, Haldemann and Schedler identified various NPM reform projects in Switzerland that were either already running or in preparation - at the federal government and canton levels as well as the municipal level. Although these were really just pilot projects, they concluded that “a wide-spread reform wave” was in progress (Haldemann and Schedler, 1995: 127). Since then, the number of NPM reform projects has risen dramatically at canton and local authority levels. The survey of the cantons in 1998, for example, showed that NPM reform projects were underway in 24 out of 26 Swiss cantons (Ladner and Steiner, 1998: 23). The survey of the Swiss municipalities at the end of 1998 shows that over a third (34.7%) of the municipalities had already considered NPM. Although NPM is not yet an issue everywhere in Switzerland, the NPM theory has been already put into practice in a number of communities. Approximately a quarter (25.3%) of the municipalities have already taken first steps with NPM (see Fig. 1).

This result must be understood in relative terms, since the municipalities use ‘New Public Management’ to refer to a whole range of different organizational and management methods.

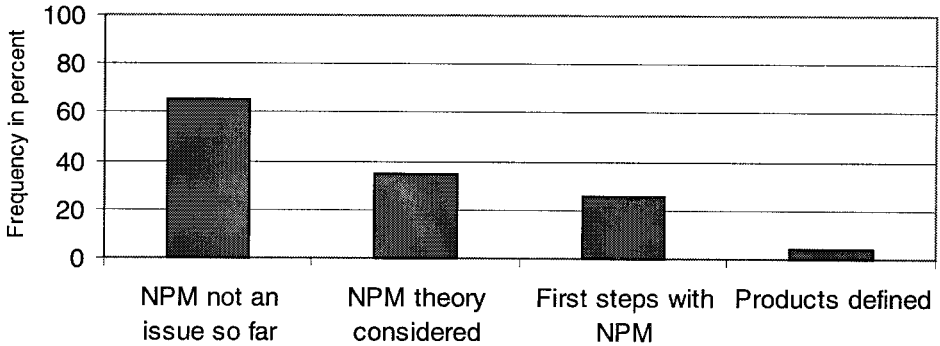


Fig. 1. Spread of NPM in the Swiss municipalities. $N_{\min} = 2333$, $N_{\max} = 2437$.

As a consequence, human resource management reforms such as the elimination of the civil servant status or delegation of work from political bodies to the administrations are equated with NPM, although NPM is in fact far more comprehensive. It is therefore interesting to see that of the municipalities that say they are taking first steps with NPM, only a small portion have implemented the central elements such as product definitions, global budgets, performance agreements and controlling. These elements are essential to running a municipal administration in a performance and outcome-oriented way (Schedler and Proeller, 2000: 121-122). Fig. 2 shows what changes have been implemented in the course of first steps with NPM.

Changes in the human resources area (elimination of the civil servant status, performance-related pay, and personnel development measures) are very popular in the Swiss municipalities. This is related to the goal of adjusting working conditions in the public sector to more closely resemble those in the private sector. The message the municipalities want to convey to the general public is that those employed by the local authorities are not given special privileges, and that good performance is rewarded. The fact that human resource management is increasingly seen as an important success factor is very much in agreement with the principles of NPM (Schedler and Proeller, 2000: 215–225). The reform enthusiasm in this area may also be related to the fact that, unlike Germany or Austria, Switzerland has never had civil servants with tenures and privileges such as lifelong employment. Part-time politicians in the municipalities may also be strongly influenced by their own working conditions in private industry.

Along with human resource management, normative strategic management is gaining influence in the municipalities. This trend can be seen in the creation of mission statements, and the delegation of operational tasks from politicians to administrators. It is interesting to note that the few municipalities that have already defined products (less than 20% of all NPM municipalities) have also implemented numerous other NPM measures (see Table 2). This includes the stricter division of strategic and operational tasks, performance agreements and controlling. These instruments are used in four out of five municipalities with product definitions, which supports the theory that comprehensive NPM involves the use of tools that help municipalities develop an outcome orientation. Many of these instruments are also

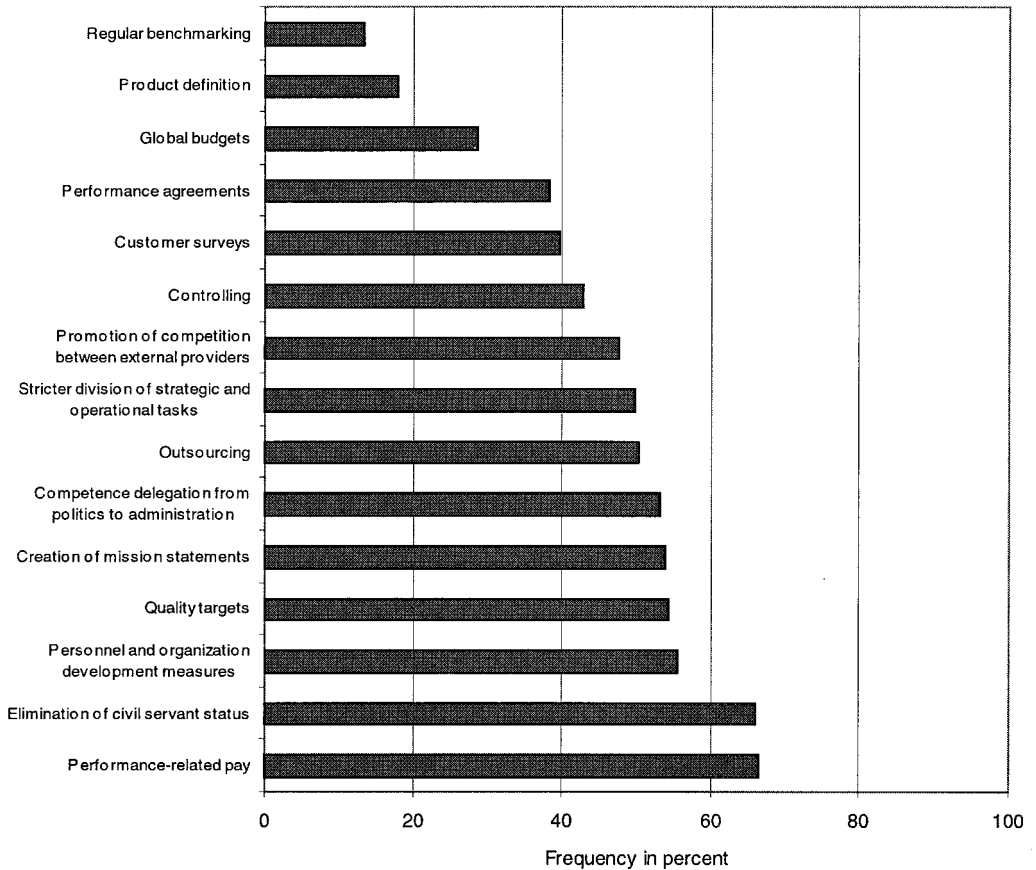


Fig. 2. Implemented NPM elements in the municipalities with NPM reform projects. N = 590.

dependent on one another: a performance agreement, for example, makes no sense without product definitions.

If we measure the NPM reforms that have been implemented in the Swiss municipalities against the five dimensions that characterize NPM, we can see that the current activities primarily have a culture dimension (e.g., elimination of the civil servant status, personnel development) and certain aspects of a goal and performance dimension (e.g., performance-related pay, mission statements, quality targets). Surprisingly, the instruments needed to measure the extent to which the goals and performance levels have been achieved (such as controlling) are often still missing.

The market dimension (e.g., benchmarking, outsourcing) and the outcome dimension (e.g., performance agreements with outcome indicators, customer surveys) are not yet widely used. When the organization dimension is introduced, the focus is not so much on changing the structural and process organization but rather on the assignment of competence. The instruments that are not yet commonly used, like systematic benchmarking or performance agreements, tend to be complex and rely on careful development within the municipal administration.

Table 2
Implemented NPM elements in the municipalities with defined products*

Other implemented NPM elements in municipalities with defined products	Percent
Stricter division of strategic and operational tasks	84.3
Controlling	81.8
Performance agreements	78.6
Competence delegation from politics to administration	77.9
Personnel and organization development measures	76.9
Creation of mission statements	72.5
Performance-related pay	67.3
Promotion of competition between external providers	62.4
Global budgets	61.8
Outsourcing	61.5
Customer surveys	61.0
Elimination of civil servant status	60.2

* N = 101.

3. Characteristics of municipalities with NPM projects

This section investigates which municipalities have already gained practical experience in NPM by taking first steps, and where product definitions (a central element of NPM) have already been implemented. While NPM is not yet very common in the smaller municipalities, most municipalities with more than 5,000 inhabitants have already taken first steps with NPM in one form or another (see Fig. 3). Something worth highlighting: among communities

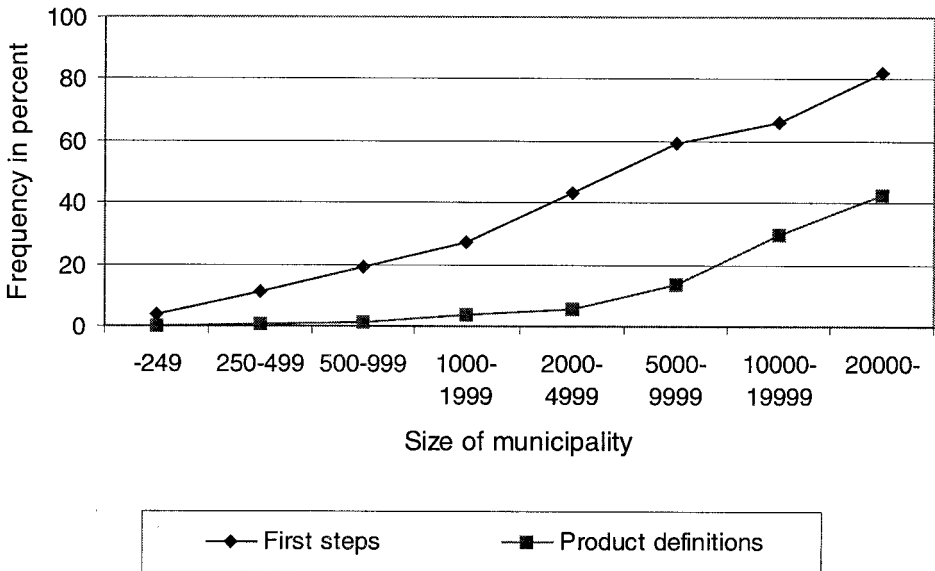


Fig. 3. First steps with NPM and implementation of product definitions, according to size of municipality. $N_{\min} = 30$, $N_{\max} = 569$.

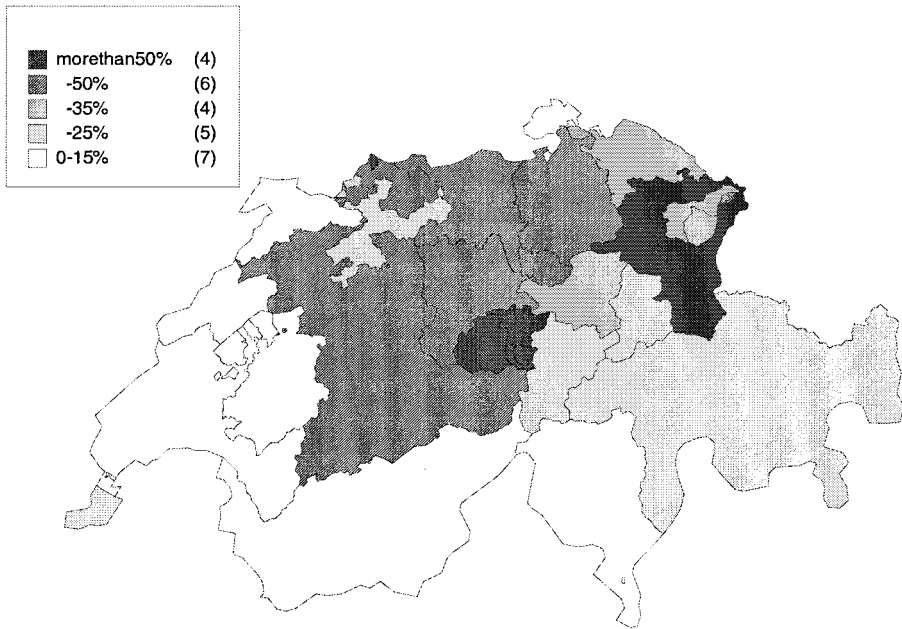


Fig. 4. First steps with NPM according to Canton. $N_{\min} = 3$, $N_{\max} = 345$.

of more than 20,000 inhabitants, four-fifths of all the municipal governments that replied have already implemented initial NPM elements.

The data shows that of those municipalities that have taken first steps with NPM, only a few (and primarily the larger municipalities) have introduced product definitions (an indication of increased outcome orientation). The use of product definitions becomes much more widespread among municipalities with populations of 5,000 or more. The reason behind these results is not so much to be found in a more conservative or skeptical approach to reforms on the part of the smaller municipalities, but rather in the need of the municipalities with bigger and more complex administrative structures to bridge the gap between government and the general public, simplify work processes, and generally optimize the job of administration. It is also likely that only the larger administrations can afford to implement NPM, because in contrast to small municipalities they have the necessary human and financial resources as well as the necessary knowledge.

There have been first steps with NPM in all of the Swiss cantons at the municipal level, although the frequency strongly fluctuates from canton to canton and is generally under 50%. Only in four cantons have a majority of the municipalities taken first steps (Basel-Stadt, Nidwalden, Obwalden and St. Gall), as shown in Fig. 4.

Comparing the three language regions in Switzerland, the portion of the German-speaking municipalities implementing NPM (more than one third) is the largest. Just 13% of the Italian-speaking municipalities state that they have some practical experience in NPM, and the figure for the French-speaking municipalities is less than 10% (see Fig. 5). The cautious response to NPM on the part of French-speaking Switzerland is surprising. One reason might be that the Swiss advocates of NPM (Ernst Buschor and Kuno Schedler) are German-

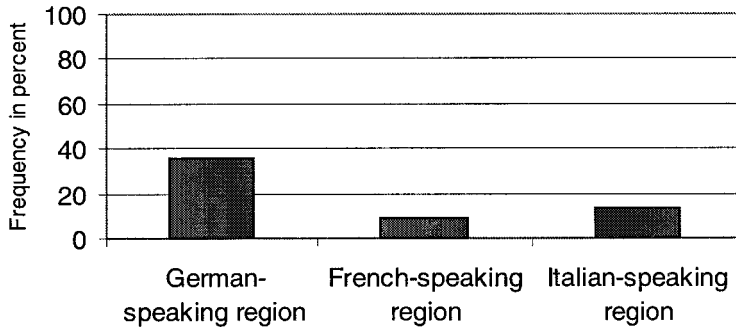


Fig. 5. First steps with NPM according to language region. $N_{\min} = 269$, $N_{\max} = 1749$.

speaking professors. While German-speaking Switzerland has traditionally been far more open to innovations from Germany, Holland and the Anglo-Saxon nations (e.g. Great Britain, USA, New Zealand), French-speaking Switzerland is more strongly oriented to France, a country in which NPM is not widely employed.

About 70% of all municipalities that say they have taken first steps and already gained practical experience in NPM also say that the range of services they provide is large to very large. Overall, the figure is only 52.5%. In contrast, of those municipalities that consider the range of services they offer small to very small, less than 5% have taken first steps with NPM. This lets us conclude that the larger a municipality's range of services, the more likely it is to have taken first steps with NPM (see Fig. 6).

The relationship between first NPM steps and financial strength is not so definite. Of those municipalities that, on average, closed their books with a budget surplus over the last three years, 30% have already taken first steps with NPM. For the municipalities with a budget deficit, the proportion is also slightly lower than 30%, while of the municipalities that, on average, presented balanced results, less than 20% have introduced NPM (see Fig. 7). While some municipalities may turn to NPM reforms in reaction to difficult financial circumstances (budget deficits), others (with budget surpluses) clearly introduce NPM for different reasons.

In the municipalities with planned NPM projects, the municipal secretaries estimate that

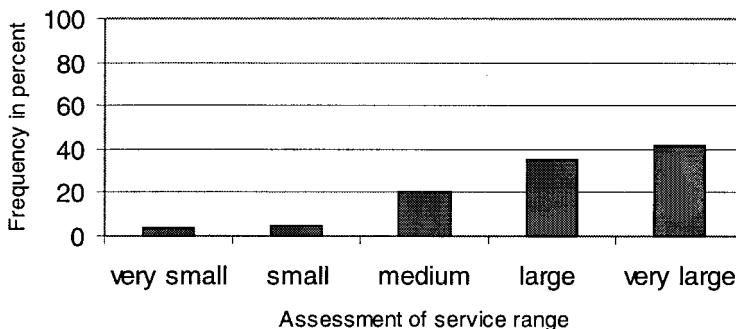


Fig. 6. First steps with NPM according to stated range of services. $N_{\min} = 87$, $N_{\max} = 1042$.

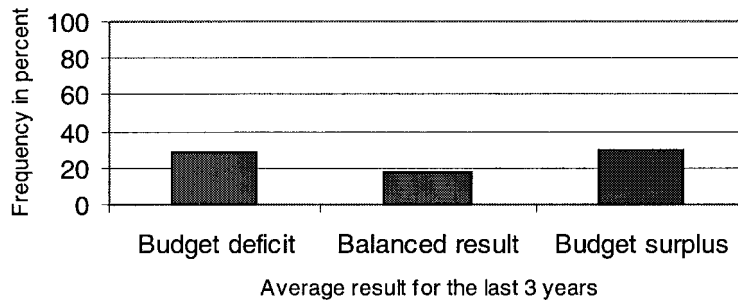


Fig. 7. First steps with NPM according to average result for the last three years. $N_{\min} = 693$, $N_{\max} = 952$.

it is primarily the administration and the local government that are interested in NPM (see Table 3). They also believe that public interest in NPM is generally low.

The interest of local legislatures in NPM also tends to be low: less than 3% of the towns and municipalities questioned say that the legislature is particularly interested in NPM. Only about 18% of the municipalities have a municipal parliament, while the rest have a municipal assembly. If we only look at the municipalities with a municipal parliament, the proportion is considerably higher (50% in municipalities with 10,000–20,000 inhabitants and nearly 60% in municipalities with more than 20,000 inhabitants). In all four groups there is the same general tendency: the larger the municipality, the greater the interest in NPM.

In 51.3% of the municipalities that have introduced NPM projects, NPM is being used throughout the entire municipal administration, while 48.7% have introduced NPM reforms in individual departments (see Fig. 8). When NPM reforms have been introduced only in selected areas, the projects primarily involve the general administration area (74%), followed by refuse/disposal (39%), civil engineering (30%), sewage/sewerage system (30%), and welfare/social system (29%).

Table 3
Above-average interest in NPM according to size of municipality (just municipalities with planned projects)*

Size of municipality	Administration in percent	Local government in percent	Legislature in percent	General public in percent
–249	3.7	2.1		0.5
250–499	7.1	4.5		0.5
500–999	16.8	12.2	1.3	1.3
1000–1999	25.0	15.8	1.4	2.5
2000–4999	37.7	29.7	1.4	2.8
5000–9999	45.3	41.2	4.7	4.7
10000–19999	72.8	69.1	29.6	9.9
20000–	78.6	75.0	57.1	10.7
All municipalities	22.2	17.1	2.6	2.1

* $N_{\min} = 30$, $N_{\max} = 569$.

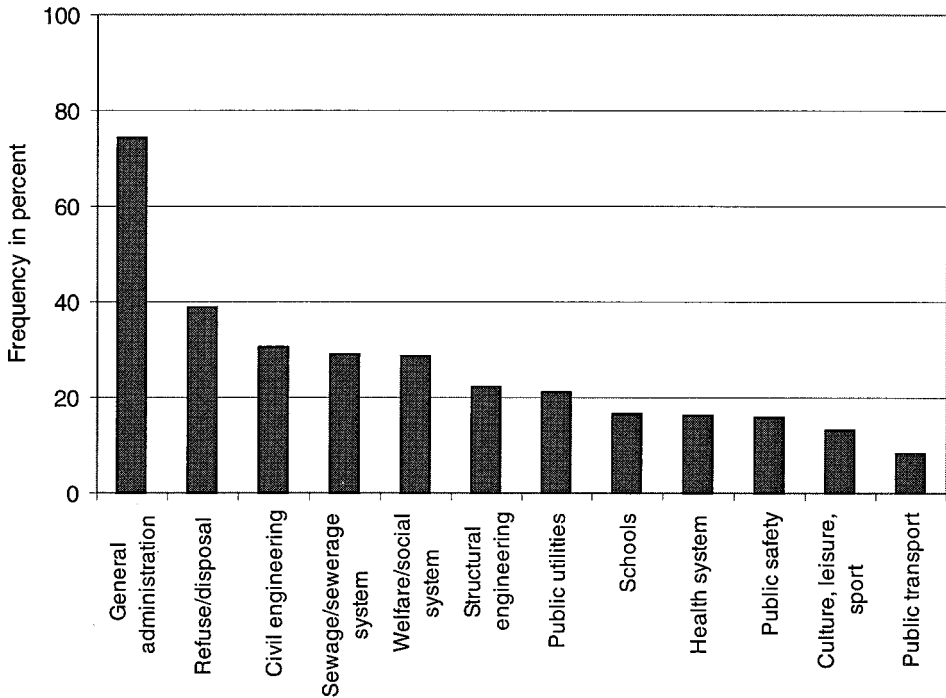


Fig. 8. Introduction of NPM according to subject areas. N = 305.

4. Connections with other reforms

As already mentioned, various reform measures are being discussed in Switzerland at the present time. A systematic evaluation of newspaper articles written before the local authority survey seems to indicate that among the projects most frequently discussed are mergers, intermunicipal cooperation, and NPM.³ The survey itself reaffirms this. Intermunicipal cooperation is the only reform project that is more popular than New Public Management: cooperation has increased in around two-thirds of the municipalities in the last few years—in certain areas of activity such as services for the unemployed, civil defense, the fire brigade, or medical care, the change is quite dramatic. On average, a Swiss municipality cooperates with neighboring municipalities in 8.8 out of 32 possible areas of activity. Mergers are also a top issue for the Swiss municipalities: almost 8% have plans to merge, while over 18% have discussed the possibility of a merger—a fairly high figure when one considers that in the last 150 years the number of municipalities has decreased by just 10% (see Table 4).

As you can see in Table 5, there is no particularly strong correlation between the various reform models—at least when considering the whole of Switzerland. To differentiate these results a bit further, NPM was subdivided into first steps (NPM in the broad sense) and definition of products (NPM in the narrow sense). Mergers were also broken down into merger discussions (early stage) and actual plans (advanced stage).

The relationship between first steps with NPM and the introduction of product definitions

Table 4
A comparison of various local authority reforms*

	Cooperation with other municipalities in the last five years	Have first steps with NPM been undertaken?	Has the possibility of a merger been discussed?	Are there actual plans to merge?
All Swiss municipalities	Increase in percent 63.0	Yes in percent 25.3	Yes in percent 18.2	Yes in percent 7.9

* $N_{\min} = 2333$, $N_{\max} = 2445$.

is not surprising. There is another interesting (though equally unsurprising) relationship between merger discussions and merger projects.

One assumption that has not been proved correct is that increased intermunicipal cooperation, local authority mergers, and NPM are mutually exclusive alternatives. We can probably conclude instead that the municipalities actively engaged in reforms tend to be involved in various reform areas, although there are no particularly strong correlations.

The fact that there is not a typical pattern of reform can be demonstrated by looking at a few examples. The canton of Fribourg in West Switzerland (German- and French-speaking) for instance, is backing intermunicipal cooperation as well as mergers. NPM, however, is hardly an issue in the municipalities, which is understandable because a large number of them are very small. There is a very different picture in the second-largest Swiss canton of Berne (mainly German-speaking, lots of smaller farming communities), where there is an above-average increase in intermunicipal cooperation, mergers are being discussed, and NPM is far more common. In comparison, the largest Swiss canton of Zurich shows an above-average amount of intermunicipal cooperation but a below-average increase in cooperation over the last few years, mergers are less of an issue, and municipalities in Zurich favor NPM. According to our survey, the trend among the West-Swiss cantons Vaud, Neuchâtel, Geneva and Valais is primarily toward increased cooperation, while mergers and NPM are less frequently seen.

5. Reasons for NPM projects

NPM projects are not spread evenly throughout the Swiss municipalities. There are various ways of explaining the varying rate of reform. We are going to look at three different groups of approaches. Action approaches constitute one group. If reforms are seen as “proactive problem-solving strategies,” we can assume they are implemented in places that have the necessary resources or the social and political potential, e.g., in more wealthy municipalities with highly-trained personnel and innovative politicians (Wagschal, 1999: 224–225). Crisis approaches form a second group: the assumption, in this case, is a basic hostility to reform in the municipalities. The municipalities only react when they have no other choice, i.e., when they are no longer able to fulfill their responsibilities. For instance,

Table 5
Relationship between the various reform measures

	Cooperation with other municipalities in the last five years	Has the possibility of a merger been discussed?	Are there actual plans to merge?	Have first steps with NPM been undertaken?	Introduction of product definitions
Cooperation with other municipalities in the last five years	Corr.* Sig. ^a N ^b	0.07 0.001 2417		0.14 0.000 2323	0.06 0.006 2445
Has the possibility of a merger been discussed?	Corr. Sig. N	1.00 0.001 2417	0.41 0.000 2407		-0.05 0.008 2432
Are there actual plans to merge?	Corr. N	0.41 2407	1.00 2412	-0.07 2287	
Have first steps with NPM been undertaken?	Corr. Sig. N	0.14 0.000 2323	-0.07 0.001 2287	1.00 2333	0.36 0.000 2333
Introduction of product definitions	Corr. Sig. N	0.06 0.006 2445	-0.05 0.008 2432	0.36 0.000 2333	1.00 2465

* Corr: = Pearson correlation coefficient. Correlations lower than 0.15 can be described as weak.

^a Sig. = Significance: all listed coefficients are significant at least at the 5% level (0.05).

^b N = Number of municipalities taken into account when the correlation coefficients were calculated.

attempts are made to explain the frequency of NPM reforms in the 1990s by pointing to the difficult economic situation. Situational approaches are the third group. Here the causes of reform may include both crisis and action elements. They cannot be derived structurally or represented as a planned process, however. This area incorporates events that cannot easily be predicted which create a situation that makes reforms possible or necessary. Examples of such events might be favorable personnel conditions or scandals.

The action and crisis explanations appear to be in competition. While one approach assumes that reforms take place only when there is still enough room to maneuver, the second assumes that reforms are implemented only when there is no other way out. We can observe, however, that these different approaches are not mutually exclusive. They can, in fact, complement each other. A particularly reform-friendly environment is likely to exist if there is a certain amount of pressure but the financial situation still allows substantial reform projects to be launched, and at the same time (perhaps on account of a generation change in the decision-making bodies) there are motivated people from politics and the administration involved in looking for new solutions.

The survey responses from the municipal secretaries provide some clues as to why and how NPM reforms come about. Analytically, we are using two distinct methods: the structural characteristics of the municipalities can be correlated with the question about whether NPM reforms have taken place or not. Examples of such bivariate evaluations were given earlier when we looked at the growth of NPM according to size of municipality and financial situation. This does not provide a definite indication of the reasons behind the NPM reforms, however. Therefore, we asked municipal secretaries to give their opinions about the reasons and influences behind the NPM reforms.

In the following table (Table 6), the link between hard facts and the spread of NPM is summarized at a higher level. The questions about whether first steps have been taken with NPM and whether product definitions have been introduced (i.e., whether NPM has already been implemented in the narrow sense) are used as dependent variables. In order to compare NPM with the other reform measures, the questions relating to increased cooperation in the last few years and the discussion of mergers are used as comparative variables. Local authority-specific variables such as the size, urbanity and employment structure, and performance variables such as the financial situation and, where applicable, the performance limits of the municipality are considered as explanatory, independent variables. The proportion of social democrats and liberals in local government is also considered as an indicator of the balance of political power. The correlations are, on the whole, not particularly strong. This is not really surprising, given such a large number of research elements. There is no interpretation of the very weak correlations (below 0.15).

As already mentioned, the strongest correlations are to be found in the language regions. In German-speaking Switzerland there seems to be more reform activity in general, and NPM, in particular, occurs more frequently. The size of the municipality shows a positive correlation with NPM. But the inverse case, i.e. that the smaller municipalities show more interest in cooperation with other municipalities and mergers, does not hold true. Finally, the employment structure and urbanity data indicate that reforms are less often introduced in rural areas.

It may seem surprising that the variables which tell us something about the financial

Table 6
Reforms and local authority characteristics*

	First steps with NPM undertaken	Introduction of product definitions	Increase in cooperation with other municipalities in the last five years	Discussions about a possible merger	Concrete plans to merge
German language region	0.29			-0.09	-0.23
French language region	-0.25		0.07		
Italian language region	-0.09		-0.08	0.19	0.37
Inhabitants as per 31/12/1998	0.21	0.23			
Urbanity	0.19	0.18			
Proportion of agriculture 1990	-0.20	-0.18			-0.05
Proportion of self-employed 1990	-0.14	-0.10	-0.04	0.05	0.08
Population increase 1980–1990	-0.06	-0.13	0.04		
Sinking real revenue from income and wealth tax 1998 in comparison to 1994		0.16			0.07
Budget deficit over the last three years				-0.09	-0.08
Extent to which performance limits are reached according to own estimation	0.07			0.05	0.13
Proportion of social democrats in local government	0.19	0.18			
Proportion of liberals in local government	0.13	0.12			0.08
N _{min}	1967	458	2070	2070	2055
N _{max}	2333	498	2445	2432	2412

* The Pearson correlation coefficient was selected as the basis. All listed correlations are at least significant at the 5% level (0.05). Correlations lower than 0.15 can be described as weak.

situation of a municipality show either no correlation or a weak correlation with NPM reforms. The only significant relationship here is between the introduction of product definitions and sinking real tax revenue. Municipalities that say they are stretched to the limit are not necessarily reform-friendly.

The correlation between NPM reforms and a high proportion of social democrats in local government can probably be traced to the fact that social democrats are primarily active in larger municipalities. There are virtually the same correlations with the proportion of liberals, which indicates that NPM is not primarily a result of the balance of political power in local government.

The answers given by municipal secretaries to the question about the reasons for NPM reform (see Table 7) are more directly related to the causes of NPM. (All municipalities that have implemented first NPM elements were considered. The answer referred to all reforms that the municipalities have implemented). The most popular reason by far is a general desire for change, followed by two performance-related reasons and the good experiences of other municipalities. Although these answers do not indicate that all reforms can be explained by a 'crisis hypotheses,' the financial situation does appear to be an important consideration.

Table 7

Reasons for reform in NPM municipalities based on statements from the municipalities*

Reason	Quantity in percent
Need for change	51.7
Performance limits reached	31.5
Financial crisis in municipality	30.5
Good experiences in other municipalities	30.5
Commitment/Enterprise of individuals	23.7
Financial crisis in canton	15.8
Too few people for the various offices in the municipality	15.6
Efforts of individuals/groups to distinguish themselves	9.3
Other	7.1

* N = 590, several answers are possible.

The impetus for NPM reforms in municipalities comes mainly from the local governments themselves. In more than half the cases, initiative was taken by members of the municipal government or the mayor. (See Table 8: all municipalities that have implemented first NPM elements were included. The answers referred to all reforms these municipalities have implemented). They are closely followed by the municipal secretary and the administration. When compared to the answers given by all Swiss municipalities that have implemented reforms, these values are much higher. NPM reforms are primarily developed within the political-administrative system. It is far less common for these reforms to be initiated by groups outside the system, such as concerned citizens or political parties. In the case of smaller municipalities this is especially easy to understand, since practically everyone who gets involved in politics quickly assumes a political office.

Table 8

Initiators of reforms in municipalities with NPM projects*

Initiator of reforms	Quantity in percent
Member of municipal government	59.7
Mayor	49.2
Municipal secretary	49.0
Administration	40.7
External advisor	14.9
Committed citizens (not professionally organized)	13.7
Associations representing community interests	9.5
Party represented in local government ^a	9.3
Parliament ^b	6.6
Media	1.2
University	0.8

* N = 590, several answers possible.

^a With the parties it is important to bear in mind that they are not represented in all municipalities.^b Only around 18% of the municipalities have a parliament. If the evaluation is limited to these municipalities, the percentage is around 34.2%.

Because the reasons for NPM reforms are often complex and vary from place to place, they cannot be determined by using just one approach. Crisis, action and situational approaches all may play a role. We should be cautious, for example, about representing NPM as the direct result of a financial crisis. It is likely that a tense economic situation creates a favorable climate for change, but it is not the worst-hit municipalities that have introduced 'NPM. There is a strong indication that communities with good performance records are quick to recognize the signs of the times and will attempt to protect themselves against future crises by taking timely steps to introduce reforms such as NPM.

5. Is Switzerland a special case?

Does the extent to which NPM is being introduced in Switzerland indicate that it is a special case, or do developments in Switzerland follow an international trend? In the mid-1990s, Naschold carried out a meta analysis of various local authority reform programs world wide and discovered three trends (Naschold, 1997: 15–48): internal modernization of public administrations involving the elements of performance control, budgeting and human resource management; democratization of the municipalities (opening up decision-making procedures, transfer of public tasks to the municipalities); and stronger market orientation of the municipalities (benchmarking, outsourcing, performance agreements, legal independence and privatization).

Developments in Switzerland follow a very similar pattern, with a time lag of several years. In the municipalities, the focus is primarily on internal modernization of the administration (e.g., human resource management). Market orientation is being intensively discussed and first attempts are being made in this area, but the necessary instruments such as benchmarking and performance agreements have only been introduced in the larger towns so far.

Switzerland departs from the international trend when it comes to democratization of the administration, in the sense of decision-making procedures and work distribution. Indeed, in numerous important task areas (welfare, schools, hospitals) the authority of the canton has been maintained. Swiss municipalities are being given more organizational autonomy (operational freedom), but they are seeing a decline in material and task-specific autonomy. This may have something to do with the fact that, on an international scale, the Swiss municipalities have traditionally had a relatively large amount of autonomy and a broad task profile. A comparison of NPM implementation in the Swiss municipalities with similar projects in Germany (New Steering Model), is likely to show several parallels in the development of reform according to size of municipality: Reichard predicts, for instance, that 80% of the cities have introduced modernization measures, while less than 10% of the small municipalities have done so (Reichard, 1997: 53).

A comparison of the reasons for NPM reform is also interesting. An analysis of ten successful reform projects in towns around the world shows that financial problems are seldom the immediate cause of reforms. Instead, political reasons tend to be the trigger, while charismatic personalities tend to introduce the processes (Naschold, 1997: 15–48). These observations correspond with NPM patterns in Switzerland. Although financial problems

may be a factor, they are not the sole reason for introducing NPM. In Switzerland too, members of local government, the mayor and the administration play an important role in the implementation of NPM.

The fairly widespread introduction of NPM in the Swiss municipalities does not yet tell us much about the success of the reforms. Evaluations in a few years' time will establish whether Swiss municipalities that have implemented NPM are really performing their tasks more effectively and efficiently (Ritz, 1999). It remains to be seen whether the basic tension between the power to act and the political legitimization of the NPM reforms will be resolved.

Notes

1. The municipalities, which are governed by the cantons, have to perform various tasks. According to the statements of different authors (Meylan, 1986: 142; Haefelin and Müller, 1993: margin note 1120), the comprehensive core tasks include:
 - Education: kindergarten, primary school and secondary level 1 (insofar as there is no school community).
 - Social and health system: care for the poor, welfare, social insurance, hospitals and homes.
 - Utilities and waste disposal: water, electricity, and transport.
 - Construction: building control, town planning, protection of the countryside and historical monuments, road and path network, sports and cultural facilities.
 - Internal organization: appointment of the authorities, organization of administration and human resource management.
 - Finance management: administration of the municipality's assets and determination of taxes.
 - Local police system: street police, fire authorities, trading authorities.
 - Awarding of civil rights (partially by the civil community).

In the last few years, there has been an above-average increase in costs in the educational area, the health system (hospitals and homes) and social welfare (Federal Finance Administration, 1999).

2. There are various classifications of reforms. Germann (1998: 176), for example, distinguishes between 5 different reform areas:
 - Territorial reforms (redefinition of canton boundaries, local authority mergers, forming of regions).
 - Functional reforms (division of tasks between the Federal Government and the cantons, and the cantons and the municipalities, reorganization of the ministries, government reforms, privatization, creation of parastate institutions, development of planning and evaluation systems).
 - Administration reforms (elimination of civil servant status, introduction of performance-related pay).
 - Financial reforms (new accounting model, financial planning, new budgeting).

- Management reforms (inspired by management methods used in private industry, rationalization of resources, improvement of efficiency).

Dente and Kjellberg (1988: 178) have a similar approach, dividing reforms into four groups: reforms that affect the number of local units, reforms that affect the organization of the political-administrative system, financial reforms and functional/procedural reforms. None of these categorizations are completely satisfactory, as they suggest that it is possible to clearly distinguish between the various types. In reality, however, many of these reforms run parallel to one another and are interdependent.

3. As part of the research project, a database of reform projects is being built up by storing newspaper articles and documents from the municipalities. More than 900 projects may already be called up. The database can be freely accessed via the Internet: <http://www.gemeindereformen.unibe.ch>.

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