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Local government reforms: between multi-function and single-purpose organisations –  
revisited.

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## 1. Introduction

The invitation by the journal's editors to „revisit“ an article which, dealing with local government reforms in four European countries (Great Britain, Sweden, Germany and France) during the 1970 and 1980s and conceptually guided by the distinction “between multi-function and single-purpose organizations”, was written by the author more than 10 years ago (see Wollmann 2004) poses a (fascinating) challenge on various scores.

For one, the question arises whether the country selection applied in the earlier article focusing on the U.K., Sweden, Germany and France still proves analytically adequate. Second, the political, institutional etc. changes that have occurred in local government systems since the time of that earlier writing call for being taken into account. Third, the “multi-function versus single purpose” concept should be reappraised and possibly modified.

### *More comprehensive country coverage?*

The earlier selection of the UK, Sweden, Germany and France was in line with an accepted understanding which largely falls in line with the much quoted typology suggested by Hesse/Sharpe 1991 with the distinction of an “Anglo”, “Franco” and “North and Middle European” group (for overview of this and other arguable typologies see Heinelt/Hlepas 2006). However a conceptually and analytically updated typology and country selection should, for one, explicitly and separately address the South European countries which cannot be counted any more among the “Franco” group (of which France is still archetypical), not least because both Spain and Italy have moved (since 1978 and the early 1990s respectively) towards “quasi-federal” intergovernmental structure. By the same token, the Central Eastern European (CEE) countries which are crucially marked by their secular transformation from centralized Socialist State to democratic decentralized government can be identified seen as belonging to a distinct local government type (on this see Wollmann 2012, 2016a). Hence, the subsequent analysis and account will have a wider country coverage going beyond the “usual suspects” (which has already been done in Wollmann 2012 in comparatively comprising seven European countries, including Italy, Spain and Hungary).

### *Developmental (“over time”) approach*

While the analytical coverage in the earlier article necessarily ended in the early 1990s, our “revisiting” exercise should be extended well into the 2000’s. Hereby an explicitly developmental (“over time”) approach should be pursued in which essentially four periods can be discerned, that is, the early beginnings of local level service provision in the late 19<sup>th</sup> century, the rise of advanced welfare state climaxing in the early 1970s, the phase of the neo-liberal policy and New Public Management (NPM) driven public sector reform during the 1980s and early 1990s and the most recent (some call it “post-NPM”) stage since the mid/late 1990s (see Wollmann 2014, 2016a, 2016b with references).

*What about the “multi-function versus single purpose” scheme?*

The “multi-function versus single purpose” scheme, as applied in the previous article, still appears adequate to capture the distinctive features of government and governance in terms of linking *government* to the decision-making of *multi-functional* democratically legitimated public authorities, while *governance* (according to the concept and terminology initiated by Rhodes 1997) relates to the network of, as a rule, *single purpose* actors that typically operate outside the direct influence of (local) *government*. Yet it seems advisable to complement this conceptual scheme by emphasising that (local) *government* is politically and democratically mandated to define and to bring to bear the “general interest” and ensuingly a *political rationality*, whereas the *governance*-typical single-purpose actors are inspired by their “particular interests” and concomitantly by their specific, as a rule, *economic rationality* (for the distinction between *political* and *economic rationality* see Wollmann 2014, 2016a)..

## 2. Analysis

While, in the previous article, a country by country account was put forward it is deemed advisable (after what has been said in the introductory remarks) to instead proceed in a periodised sequence in the expectation to thus more clearly identify convergent or divergent developments within each period and (longitudinally) “over time”..

Because of the limited space available for this piece the following cannot help coming in a broad brush manner.

*Late 19<sup>th</sup> century development*

In the course of the 19<sup>th</sup> Century, during a period of rampant industrialisation and urbanisation in which the U.K. was Europe's frontrunner and Germany on the European Continent followed suit, public services (water, sewage, waste, public transport, energy) came to be provided mainly by the local authorities in what was contemporarily labelled as *municipal socialism* (see Kühl 2001).

#### *Phase of the advancing and advanced welfare state*

In the (national) welfare state which emerged since the early 20<sup>th</sup> century, expanded after 1945 and climaxed during the early 1970s, the local government systems were marked, in some countries (especially in the UK, Sweden and Germany) by a territoriality-based multi-functional model and, in the conduct of their activities, including the provision of public and social services, by the organizational predominance of the municipal sector. By contrast, in other countries (such as France and Italy) they were territorially, functionally as well as organisationally restrained.

Hence, during the stage of the advanced welfare two divergent developments stood out in the European local government system. While in "North European" countries (typically in the U.K., Sweden and Germany) the territorially consolidated, multifunctional type of local authorities was dominant – with local *government* as the key actor in the local arena and with the municipal sector being predominant in the delivery of local services – , in "South European" countries (exemplified by France) the municipalities remained territorially fragmented and functionally feeble with their operations and services rendered by (mostly single purpose) intermunicipal bodies or *outsourced* to (primarily single purpose) private sector companies.

#### *Phase of neo-liberal market liberalization-driven re-organization*

The neo-liberal policy and New Public Management (NPM) received its initial powerful thrust in the U.K after 1979 under Margaret Thatcher's conservative government whence it spread to other European countries (see Kuhlmann/Wollmann 2014: 37 ff. for details and references). Moreover, since the mid-1980s, following the adoption of the Single European Act of 1986, the European Union embarked upon its market liberalisation drive to create a single European market by 1992.

For one, the neo-liberal criticism of the (advanced) welfare state aimed at dismantling the (in its view) functionally overblown public sector by asset privatization, that is, by turning the public ownership and function over to private sector (as a rule, single purpose) actors.

Second, public functions were to be transferred (*hived off, corporatized*) from the public/municipal sector proper, that is, from its core administration, to organizations/companies which, while remaining in public/municipal ownership, were given legal, organizational and financial autonomy, possibly on a single purpose formula (see Grossi/Reichard 2016). Such corporatization aimed at enhancing operational flexibility and economic efficiency by escaping from narrow personnel and financial restrictions and also the rigidities blamed on the (*Max Weberian*) core administration.

Third, the transfer of the operation of public functions, including public and social services, was to be effected by *outsourcing (contracting out)*, by way of market competition (competitive tendering), to outside organizations and enterprises – be they private-commercial, (NGO-type) non-public non-profit or also public semi-public or *mixed* (public/private).

Notwithstanding significant cross-country variance - with Sweden still adhering to its (to allude to Olson's ideal-type dichotomy, see Olson 1988, Wollmann 2004: 661) "sovereign state" tradition, on the one side, and the UK's overture to a "supermarket state", on the other - , a largely congruent trend in all countries points at an institutional movement away from the functionally comprehensive and organizationally integrated (*in house*) operational mode of (local) *government* towards an organizationally "fringed out", horizontally deconcentrated and pluralized constellation and network of (predominantly single purpose) actors that, largely operating outside the realm, influence and control of (local) *government*, make up an actor setting which can be identified as *governance* (in accordance with Rhodes 1997). This institutional "fringing out" of and distancing from the traditional public/municipal sector take place, with country-specific variance, in different ranges and "circles". In a first "circle" public/municipal functions are externalised and transferred to *corporatized* units which, while remaining in public/municipal ownership, are given a significant degree of legal, organizational etc. autonomy (see Grossi/Reichard 2016). In another further detached "circle" public/municipal functions are transferred, by way of *outsourcing*, commissioning and contracting out, to outside (preferably private sector) providers. Lastly, in a still more

distanced “circle”, public/municipal ownership and operation are (wholesale or partially) asset privatized to the private sector.

Amidst the *governance-type* networks of actors that interact with each other on an equal footing local government is typically just one actor among other actors without direct, leave alone hierarchical influence and control. Thus, amidst the *governance-typical* constellation of “single/special interest” actors and stakeholders local government is liable to resort to persuasion, bargaining, financial incentives (see Kaufmann et al. 1986) seeking to apply, as it were, *governance-typical* “soft power” resources.

### *Institutional shifts since the mid/late 1990s: Convergent and divergent trends*

Since the mid-late 1990s the functional and operational profile of local government and local level institutions have manifested convergent and divergent trends

### *Continuing movement towards further horizontal deconcentration and pluralisation*

On the one side, the trend which has been triggered since the 1980s by neo-liberal policy and EU-driven market liberalization has continued beyond the late 1990s well into the 2000’s.

For one, partial or wholesale (asset) privatization of public/municipal ownership and operation has recently been pushed particularly in South European countries in the wake of the current budgetary (“sovereign debt”) crisis (and the resultant pressure from international institutions and creditors) (on Greece see Tsekos/ Triantafyllopoulou 2016). Similarly in some Central Eastern European (CEE) countries where the transformation of the antecedent public sector-centred Socialist State appears still “unfinished”, asset privatization of public ownership and operations can be interpreted as a “catching up” process (on Poland see. Mikula/Walaszek 2016)

In West European (WE) countries, too, the *corporatization (hiving off)* of public/municipal functions, not least of service provision, has been further advancing in the NPM-inspired search for more operational flexibility and economic efficiency, particularly in the form of (often “single purpose”) *municipally owned enterprises* (MOE’s). At the same time, in most countries, *mixed* public/municipal private, often “single purpose”, companies have multiplied

- with an increasing share of private sector, including international, companies and (organizational and contractual) PPP's (see Grossi/Reichard 2016).

Thus, the centrifugal dynamics of *governance*-type networks of single-function organizations and enterprises has persisted challenging local *government* to bring to bear its “common good”-committed mandate and *political rationality*

On the other side, the territorial, functional and political base of (local) *government* has been strengthened on sundry scores to assert itself in the face of still expanding *governance*-type actor networks

First, in some countries where the position of local *government* was, in the past, impaired by territorial fragmentation and/or small functions territorial reforms have been initiated by way of territorial consolidation and fusion - through, in the last resort, coercive legislation.. Such territorial “up-scaling” of the local government level (for country reports see Baldersheim/Rose 2010, see also Kuhlmann/Wollmann 2014: 150 ff.) went mostly hand in hand with a (multi-)functional upgrading as well.

By contrast, in some countries in which redrawing the local territorial boundaries by coercive legislation continued to be eschewed, a gradualist process has been embarked upon to restructure the multitudinous intermunicipal system (see Wollmann 2004: 657, Wollmann 2010: 277 ff., Kuhlmann/Wollmann 2014: 158 for details and references).

Moreover, since the 1990s the political “muscle” of local government has been buttressed particularly in two aspects.

For one, in some countries the local citizens have been significantly empowered by providing additional *direct democratic* channels of influence, such as binding local referendums, thus complementing the traditional *representative democratic* ones (see Kuhlmann/Wollmann 2014: 201 ff.).

Furthermore, since the 1990s in a growing number of countries the direct election of the mayors has been installed with the aim to strengthen the politico-executive leadership capacity of local government (for a comparative international overview see Wollmann 2009).

Finally, in some countries (for instance in Germany) and in some service sectors (for instance, in energy provision, see Wollmann/ Baldersheim et al. 2010) local governments and the municipal sector have experienced a “comeback” and a *remunicipalisation* of the delivery

of public services as the municipalities (and their companies) have begun to re-purchase previously sold (*asset privatized*) facilities and to resume (“re-insource”) previously outsourced service provision back into municipal operation (for details see Hall 2012, Kuhlmann/Wollmann 2014: 201 ff., Wollmann 2014, Wollmann 2016b).

### 3. “Comeback” of local government? *Pendulum swinging (back)?*

Looking at the history of European local government systems a developmental track comes into sight which, beginning with the primacy of local government and its incipient municipal sector in service provision (“municipal socialism” in the late 19<sup>th</sup> century), passed through the public/ municipal sector dominance in service provision during the advanced national welfare state (with Olson’s “sovereign state” connotation, climaxing in the early 1970s) to the neoliberal policy- driven “marketisation” of service provision (in Olson’s “supermarket state”, well onto the mid 1990s); since the mid/late 1990s service provision has followed two divergent institutional trajectories with continuing, if not stepped up “marketisation”, on the one side, and a “come-back” of the public/municipal sector in service delivery (“remunicipalisation”), on the other.

In discussing the historical phases of local level service delivery and the most recent signs of a “comeback” of municipal sector in service delivery the image of the movement of a pendulum has been evoked (see see Millward 2005, Wollmann/Marcou 2010b, Hall 2012, Wollmann 2014, 2016b.) The *pendulum* image goes back to Polanyi’s seminal work on the *Great Transformation* (see Polanyi 1944) in which long-term swings from state regulation to the markets and reverse were hypothesized (see Stewart 2010).

The pendulum metaphor plausibly offers a useful heuristic and analytical lens to identify developmental phases and movements “over time”. However two inherent limits and traps should be borne in mind. For one, the differences must be kept in mind that do exist between the respective historical settings and contexts, that is, between the present situation and the historical point of reference. Second, the image should not mislead to assume a kind of determinism or cyclicism in the movement of the pendulum (see Bönker et al. 2016, Bauer/Markmann 2016). .



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