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THE WELFARE STATE AND  
NEW CHALLENGE  
FROM THE BACK DOOR

Paola Mattei

No. 65

Universität Bremen • University of Bremen  
Jacobs Universität Bremen • Jacobs University Bremen

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Staatlichkeit im Wandel • Transformations of the State  
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## ***The Welfare State and New Challenge From the Back Door***

### **ABSTRACT**

The empirical study of the organisational changes of the State of welfare since the 1980s in Germany, Britain, France and Italy suggests a convergent and consistent process of homogenisation driven chiefly by institutional mimetic isomorphism. This new ‘organisational settlement’ is increasingly shaped by the structural autonomisation of individual service delivery units. This paper argues that, when organisational autonomy becomes normatively sanctioned, that this increases the likelihood of its adoption, even in the face of different institutional conditions and welfare regimes. Hence, the paper is foremost concerned with explaining similarities and decreasing variance across countries and across sectors, and with accounting for the main driver of this homogenisation process. Why would different organisational fields across countries and welfare regimes adopt similar structures, in light of inconclusive evidence of economic efficiency gains? The convergence of the organisational settlement of the welfare delivery state is not only driven by economic globalisation or efficiency linked to performance, but primarily by the political demand to find new sources of legitimation in an age of increasing displacement of political authority to managers. The paper is structured in three main parts. First, it revisits the theory of organisational isomorphism by its application to the new patterns of change of welfare delivery. Secondly, it discusses the reform trajectories of autonomisation in schooling and hospital care in Britain, in comparative terms with France and Italy. Thirdly, it concentrates on Germany and it establishes empirically how this case does no longer fit the characterisation of ‘immobilisme’, especially in the health care sector. Lastly, the wider implications of organisational homogenisation for the TRUDI constellation are discussed.

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## **The Welfare State and New Challenge From the Back Door**

### **INTRODUCTION**

‘Organising’ welfare influences the formation of preferences, norms and opinions and, thus, the institutional framework for future welfare activity. The welfare state has been frequently assessed in terms of the amount of benefits and the politics of redistribution, and less often in terms of its importance in the transformations of modern democratic institutions, including bureaucratic organisations. In this paper the conventional rankings of welfare states by macroeconomic indicators take less relevance, and more emphasis is placed on the process of organisational adaptation leading to the homogenisation of ‘organisational fields’ (DiMaggio and Powell, 1983)<sup>1</sup> pertaining to the welfare state. The main purpose of this paper is to explain homogeneity of organisational forms and practices across countries. Homogenisation refers to the process of narrowing the variance between organisations, as similar innovations and changes are adopted across different environmental conditions and over time. Organisational change affects the structure, processes and behaviour of actors. Here in this paper I am most interested in how organisations of welfare delivery are becoming more similar in their *structure*. This is the most visible indicator of a measurement of homogenisation. As Egeberg argues (Egeberg, 1999), organisational structure affects agenda setting, actors’ preferences and decision behaviour, and has a lasting impact on actors’ interests. Far from referring to legal rules, an organisational structure is a normative framework composed of rules and roles specifying who is expected to do what (Scott, 1981). The structure can never be neutral, it always represents a mobilisation of bias in preparation for action (Schattschneider, 1975: 30).

Although organisational changes may be claimed to be only formal and legalistic, they are not inconsequential for the future transformations of the state and need greater attention. Furthermore, organisations matter in so far as they are independent institutional actors, and not merely instrumental tools to pursue goals of equity and distribution. Taking the TRUDI constellation as the main analytical tool <sup>2</sup>, the empirical inves-

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<sup>1</sup> Sociological institutionalism in the late 1970s in the United States focuses less on such and such single organisation and more and more on population of organisations. Institutional sociologists like DiMaggio study what they define as organisational fields (DiMaggio and Powell, 1983). Such fields are formed by bodies ranging from public institutions (hospitals, schools, etc) to professional activities (doctors, teachers). The field in which a public system is embedded is studied as a whole, as an activity making rules, supervising and surveying. It defines an institutional context within which each single organisation plots its courses of action.

<sup>2</sup> TRUDI is the acronym indicative of a conceptual mapping of the modern nation state as unfolding on four interlocking dimensions: the resource, the legal, the legitimacy and welfare dimension (Leibfried and Zürn, 2005). In



tigation of organisational changes of the welfare state in four European countries in the last fifteen years indicate a convergent process of homogenisation driven by institutional isomorphism (DiMaggio and Powell, 1983: 148). Adopting an organisational perspective this paper suggests that individual organisations of service delivery are increasingly framed upon the ‘autonomous enterprise’ model in Germany, Britain, Italy and France. Organisational restructuring of delivery institutions is an observable phenomenon particularly in those areas of the welfare state committed to the provision of education, including early years (Lewis, 2003), and health care. The empirical investigation of the paper is limited to those New Public Management (NPM) reforms<sup>3</sup> pertaining to the introduction of general management and entrepreneurialism. Thus, it is beyond the scope of this paper to study such reforms as new auditing and budgeting systems, new costing instruments, etc. As far as the time horizon is concerned, the study will have a broad horizon as reforms were introduced in individual countries and sectors with considerable time lag. In Germany we witness a late adoption of managerialism, in comparative terms with other European countries (Wöllmann, 2001). Whereas in Britain general management was introduced in the NHS in 1983, comparable experimentations were introduced in German hospitals, for instance, only in the late 1990s. ‘General management’ refers to the radical change in the British NHS which resulted from the Griffiths Report of 1983. Notoriously, the report advocated replacing the pre-existing system of consensus decision-making with a single chief executive or general manager at the district health authority and unit levels of organisation (e.g. hospital). Griffiths argued that clearer allocation of responsibilities to general managers was necessary and

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the 1960s and 70s, during the Golden Age of the welfare state, the four functions constitutive of the four dimensions all merged at the nation state level, where the Territorial state, the Rule of Law, the Democratic state, and the Intervention state were combined in one. Within this conceptual framework, the organisational change is defined on the ‘horizontal’ axis, and comprises shifts of the state capacity to act in terms of the public-private divide (Rothgang, Obinger, and Leibfried, 2006: 251).

<sup>3</sup> Hood defines NPM as ‘a shorthand name for the set of broadly similar administrative doctrines which dominated the bureaucratic reform agenda in many OECD group of countries from the late 1970s’ (1991). ‘Entrepreneurial state’ refers to the doctrinal component of NPM linked to emphasis on private-sector styles of management practice, exemplified by greater flexibility in hiring and rewards, discretionary control of organisations from appointed persons at the top ‘free to manage’ (Hood 1991). The prescriptions of NPM, as articulated in *Reinventing Government* by Osborne and Gaebler, (1992) include: the separation of the purchaser role of public services from the provider role; the growth of contractual or semi-contractual arrangements; accountability for performance; flexibility of pay and conditions; the separation of the political process from the management process; the creation of internal markets or quasi-markets; an emphasis on the public as customer; the reconsideration of the regulatory role of the state; and a change in the general intellectual climate.

valuable to improve the service. General management presumes that a clear and stable line can be drawn between ‘political’ and ‘management’ decisions. Much of this separation has entered the discourse of health care reforms and consists of fads (Marmor, 2004).

Findings suggest that diffusion processes across countries and organisational fields are characterised by institutional isomorphism. However, this convergence of the institutional design of complex organisations is not directly driven by globalisation or justification of efficiency gains, but rather by the need for organisational survival and legitimacy. For such purpose, organisations endorse the models which are perceived to be most innovative or ‘modern’. The empirical link between autonomy and performance is inconclusive, which prompts scholars to use sociological concepts such as mimetic isomorphism. Why do so many organisations, whether public or private, adopt formal structures, procedures and symbols that are so identical? As Pollitt suggests convergence is a ‘myth’ (Pollitt, 2001: 938). He argues that convergence in the sense of replication of rhetoric has to do with symbols rather than functional necessity for increased efficiency. As he points out, there is yet no available evidence that New Public Management has brought efficiency gains. Most of the studies that analyse the effects of autonomy on the performance of public organisation are inconclusive. Because of the theoretical background in economics, most studies focus on measurement of financial ratios, like return on investment, technical efficiency, or productivity as performance. Only very few studies focus on aspects of effectiveness, quality and accountability, and system coherence. Lack of data is reported by several studies (Pollitt et al, 1998).

The transformations of the state, as discussed in this paper, pertain to the organisational structure of the state. The process of developing and transforming welfare states cannot be divorced from fundamental institutional questions about organisational structures. I argue that there is much to be gained by attending to the implications of organisational isomorphism for social policy in those fields in which the state operates through autonomy-seeking agents (Gouldner, 1954) of service delivery. Since the effect of institutional isomorphism is homogenisation, the best indicator of isomorphic change is a decrease in variance and diversity. Britain, Germany, France, and Italy present an opportunity to examine how four European countries with a similar desire on the part of their central and local governments to improve the performance of their public welfare organisations, but with very different political and administrative systems and different financial problem’s pressures, have responded similarly to the pressures challenging TRUDI (Zürn and Leibfried, 2005). In this paper I contend that the organisations of service delivery are becoming more similar cross-nationally, without necessarily making them more efficient though. The striking process of organisational homogenisation within similar organisational fields is driven by legitimacy rather than merely perform-

ance goals. An important question for convergence, thus, is not only the one of narrowing variance, but also that of motivational drivers and causal mechanisms. Why would organisational fields across countries adopt similar structures, in light of weak supporting evidence of efficiency gains? Pressures of reinforcing political legitimacy are very strong and organisational forms diffuse across sectors and countries. Organising influences the relationship between forms and the formation of legitimacy and the type of conflict (Olsen, 1996).

As the empirical discussion in the second part of the paper reveals, organisational ‘autonomy’ is the new ubiquitous design for most welfare public organisations. The popularity and attractiveness of this type of organisational change stems from the most recent developments in the practice of administrative reforms in the OECD countries. The conceptual aspect of autonomy which this paper refers to is the notion of ‘bureaucratic’ autonomy defined as the formal exemption of an agency supervisory board from full political supervision by the departmental minister (Christiansen, 1999). The breach from hierarchy may happen by granting structural autonomy, namely the insertion of an alternative or competing level of overall supervision like a governing body. The overall effects of mimetic isomorphism, leading to homogeneity in welfare delivery institutions, and of the emergence of a dominant organisational model, are to legitimise depoliticised modes of governance.<sup>4</sup> I argue that the very fact that organisational autonomy becomes normatively sanctioned increases the likelihood of its adoption, even in the face of different environmental conditions and different welfare regimes.

## **I. AUTONOMY-SEEKING WELFARE AGENTS AND LEGITIMACY**

Financial uncertainty is one of the most important problem pressure and precipitating factors for the adoption of organisational models inspired by the private ‘enterprise’ (Obinger et al, forthcoming). The efficient management of welfare services has gained a prominent position on the agenda of European governments, not only for it is claimed to

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<sup>4</sup> Principal-agent theories point to the importance of certain formal controls, like partisan appointment at the head of executive agencies or budget setting, for elected politicians to limit ‘agency losses’. Studies on the politics of delegation have addressed the question of post-delegation political control and agency’s independence from partisan politics (Thatcher, 2005). The main concern of principal-agent theories is assessing the degree of agency loss, with relatively less emphasis on the wider implications of non-majoritarian institutions for the democratic order as a whole. The central idea that depoliticisation implies a ‘shift’ from one policy arena to another seems to be attractive, so as to underpin much of the public policy debate in Britain, including the recent work of Burnham, Buller and Flinders. Depoliticisation is understood as ‘the process of placing at one remove the political character of decision-making’ (Burnham, 2001: 128). Hence, depoliticisation primarily responds to a strategy of blame avoidance, for politicians seek to avoid responsibility or unpopular decisions. One of the main shortcomings of this body of literature is that it is highly contextualised and exclusively British.

gain popular support in the run-up of national elections, but also for it promises to solve the overriding financial pressures on mature welfare states. As DiMaggio and Powell argue in their seminal work (1983: 151), ‘modelling is a response to uncertainty and ambiguity about goals’. Organisational models are very powerful because structural changes are visible to all, citizens and policy makers, whereas changes in processes are less noticeable. For the survival and legitimacy of institutions it is essential to be perceived to be innovative, even in the absence of strong concrete evidence that the adopted models enhance efficiency. The reorganisation of welfare bureaucracies at both central and sub-national levels of government in European countries has been associated from the mid-80s with the shift from bureaucratic to managerial types of public organisations (Aucoin, 1990; Hood, 1991). A new administrative paradigm is at the heart of the ‘managerial revolution’ transforming the welfare state in Europe (Wright, 1994). Its central myth is entrepreneurialism, associated with New Public Management (NPM) (Hood, 1991; Christiansen and Laegreid, 2001). Organisational legitimacy is no longer derived from input and the legality of procedures, but from output and results. Reform programmes strengthen the discretion of managers in relation to politicians, transfer democratic representation to ‘stakeholders’ (Peters, 1996), and create structural barriers between political leadership and organisational autonomy (e.g. independent executive agencies, joint executive committees). Change does not only affect organisational structures, but it transforms the culture and normative values of welfare organisations. Social workers are encouraged to become ‘entrepreneurial’, which amount to be more concerned with cash flows and balancing income, than people. The entrepreneurial and autonomous organisation is usurping the traditional type of welfare delivery institution, which was an important source of political legitimacy for the nation state (Ashford, 1986).

The governance structure and process of welfare delivery institutions have been subject to profuse and profound transformations as a result of politicians abdicating their responsibility for decision-making in favour of public managers, in the name of organisational autonomy. The central research question of this paper pertains to the reorganisation of the internal governance of welfare institutions, as a result of widespread government’s programmes to grant autonomy to them, and to their managers in relation to politicians. From data collected for the T.H. Marshall project<sup>5</sup>, I see preliminary supporting evidence of the thesis of converging organisational isomorphism with entrepreneurialism and administrative decentralisation and autonomy. Organisational arrange-

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<sup>5</sup> Research on this paper commenced in 2005 thanked to the support of the T H Marshall Fellowship, awarded by the Department of Social Policy, LSE, and embedded at the Transformations of the State Research Centre, Bremen.

ments can make a great deal of difference to the success of a social policy. Until the early 1980s in Britain, and most recent years in continental Europe, political considerations were a pivotal element of schools and hospitals' governance systems (Glennerster, 2000). Supervisory boards were composed of members which included local councillors and elected local politicians. Political leaders were directly involved in planning activities and making allocative decisions. Reforms associated with the 'participatory' and 'flexible' state (Peters, 1996) have changed the mechanisms of political accountability. The adoption of NPM has tilted the balance towards autonomy, at the expense of traditional forms of political accountability<sup>6</sup>. Management boards of public hospitals and schools have acquired new responsibilities and benefited from diminishing political control (Kampe and Kracht, 1989; Saltman, Busse and Mossialos, 2002).

Hence, public organisations are no longer instrumental, but institutional actors. Welfare organisations do often adapt to their institutional context, but they often play an active role in shaping those contexts (Parsons, 1956). Interviews have suggested that national governments find it increasingly difficult to control welfare bureaucracies because the organisational source of legitimacy of hospitals and schools has changed. Welfare organisations show considerable ability to survive, precisely because they incorporate powerful myths and 'institutionalised rules' (Meyer and Rowan, 1977), like entrepreneurialism and good management. Thus, organisational success depends not only on matching the demands of internal efficiency, but also on conformity to the prevailing normative obligations (DiMaggio and Powell, 1983). These myths are binding on organisations, for they create the necessity to redefine their internal organisational structures accordingly. External institutionalised rules are a legitimate source of organisational structure, which is not only the result of apolitical engineering. Entrepreneurialism functions, then, as a myth for welfare organisations and its high institutionalisation in advanced democracies implies that there may be limited influence of political parties.<sup>7</sup>

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<sup>6</sup> For Bovens (Bovens 2006: 16), whose definition this paper adopts, accountability consists of three main elements: 1) giving an account; 2) questioning or debating the issues; and 3) evaluation or passing a judgement. The main assumption is that accountability is retrospective (Harlow and Rawlings, 2006). Political accountability is a very important type of accountability. Voters delegate their sovereignty to popular representatives, who in turn, delegate political authority to a cabinet of ministers. In parliamentary systems with strong ministerial accountability, such as the United Kingdom, the Netherlands and Germany, public servants and departmental units are accountable to their ministers, who must render political account to parliament.

<sup>7</sup> For a comprehensive discussion of the role of parties and political variables in explaining welfare state dynamics in the last two decades, see Kittel and Obinger, 2003. They argue that the 1990s reorientation towards budget consolidation happened regardless of ideological orientation.

New Public Management reforms are based on a rather misleading view of the state and any promise of enhanced political control is based on a quite simplistic view of political processes. I sustain that welfare organisations are locked into isomorphism with their depoliticised environment. I doubt that party appointment, a formal mechanism of control, is effective in practice. The re-assertion of politics within welfare organisations could be effective in practice, if these organisations incorporate externally legitimated structures fundamentally different from the myth of entrepreneurialism. To the extent that parties are unable to reaffirm their partisan and representative function, they may not succeed in enforcing environmentally institutionalised rules of electoral accountability and democratic legitimacy. Hence, organisations struggling for survival and resources will depend on alternative legitimating rules, especially in highly institutionalised contexts such as mature welfare states. The reassertion of politics based on party appointment and formal control, without the necessary reaffirmation of the traditional legitimating framework of representative and electoral democracy, is deemed to fail, for organisational legitimacy is shaped increasingly by the external myth of entrepreneurialism and managerialism. These myths create the necessity for profound changes to organisational structures and internal redefinition of political and administrative responsibilities (March and Simon, 1958).

How did it happen that modelling of welfare state organisations has been permeated by rules borrowed by the *transformative* processes of administrative reforms (March and Olsen, 1989; Christensen, Laegreid and Wise, 2002)?<sup>8</sup> In search of solutions, political leaders and social policy advisers in Britain and Germany, and other continental European countries, have looked at the nearby field of administrative reforms of the civil service for ready-made alternatives to traditional bureaucratic welfare delivery systems. Hence, welfare reforms have become imbued with New Public Management ideas (Hood, 1991; Christensen and Laegreid, 2001), including organisational autonomy and decentralised modes of governance.

In contrast to the public-utilities component, the welfare state is clearly being reformed both in the organisational and territorial sense (Rothang, Obinger and Leibfried, 2006). ‘Autonomy’ has been a recurrent theme of public services reforms since the

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<sup>8</sup> As discussed in more details in Christensen, Laegreid and Wise (2002: 154), the *transformative* perspective assumes that administrative and political leaders operate under unique conditions that may facilitate or limit the extent to which they are able to pursue an active administrative policy. Thus, rather than using the comparative method to identify universal principles that transcend national cases, they employ the transformative approach to increase the understanding of how shared administrative reform policies are transformed by case-specific contextual factors. The transformative approach perspective is drawn heavily on the broad institutional approach by March and Olsen, but it is refined by applying it to comparative public administration.

1980s. Its normative underpinning and doctrinal legacy have been associated with New Public Management (NPM) and entrepreneurial behaviour (Saltman, Busse and Mossialos, 2002). One of its core elements is the preference for more specialised and autonomous organisational forms and ‘flexible government’ (Hood, 1995; Peters, 1996), which are given a clear set of targets to achieve, and a greater discretion to decide how to go about achieving them. In a restricted sense, autonomy refers to the freedoms of individual public managers, summarised in the slogan ‘let the managers free to manage’ (Osborne and Gaebler, 1992). A more comprehensive definition of autonomy for the purposes of this paper also includes the changes of the organisational management and governance (Ouchi, 1979).

Among the various alleged benefits of autonomy, disaggregation of the organisations in smaller units makes it possible to put the experts in charge of the decision-making process. This results in a more efficient use of human resources, for there is no point in employing highly qualified managers and then interfering in their daily operations. Autonomy from central government direct control allegedly unleashes the entrepreneurial skills of public managers, liberating them from the political ‘burden’ of the interference of their political masters. Decisions over resource allocation at the level of the delivery organisation would be made on technical grounds, or professional, without being left to the interplay of partisan pressures. The nature of allocation decision may change over time or differ between countries. Generally, it is likely to be more technical when it takes place at the periphery, whereas it is more open, recognised and more ‘political’ when it is a matter of central concern (Glennerster, 1975: 39).

Another benefit of organisational unit autonomy is greater responsiveness to local needs and local communities in line with the ‘participatory state’ (Peters, 1996). Autonomy appears to be an attractive reform idea to welfare states with a high degree of functional centralisation, e.g. the National Health Care System in Britain. Autonomy enhances the responsiveness of the organisation to local communities. They establish priorities according to locally determined needs, for a uniform service across the countries would lead to inappropriate use of resources. Autonomy underpins the shift from political to technical decision-making, shifting the balance of responsibility for performance from central politicians to local managers. The nature of decision-making becomes more ‘privatised’, in Schattschneider’s terms (1975). Political debate becomes less relevant to the system of decision-making, which is increasingly closed and ‘unrecognised’ (Glennerster, 1975).

Despite these alleged benefits, granting autonomy to public hospitals and schools has proved highly problematic and contested. Constructing a structural barrier between central political leadership and the local management of service delivery has decreased the capacity of politicians to exert democratic political control on schools and hospitals. On

one hand, this was the intended effect of granting autonomy to delivery units, namely the possibility of liberating managers from political interference. On the other hand, this generates a dilemma between effective democratic control by political elected representatives, and the rise of functionally and technically legitimated policymaking. As Christensen and Laegreid have suggested, structural devolution associated with NPM means ‘a decrease in the central capacity and authority of control and less attention to political considerations in the subordinate units’ (Christensen and Laegreid, 2001: 81). This raises the question of the relationship between managerial and political accountability (Day and Klein, 1987) and how it is shaped up by recent reforms of public schools and hospitals in Germany and Britain.

Central governments want to maximise day-to-day managerial freedoms, and to ensure simultaneously that delivery units produce results which are consistent with policy objectives. The organisational governance of social services delivery is complicated by the fact that outputs are difficult to measure and ‘production’ processes are less explicit and transparent than in private markets (Ouchi, 1979). The price is not a clearing mechanism between demand and supply (Legrand et al, 1998). According to Powell and DiMaggio, there are two important organisational-level preconditions for processes of mimetic isomorphism. First, they argue that uncertainty in the relationship between means and ends will create incentives for organisations to model themselves after those they perceive to be successful. Secondly, they hypothesise that conflicting goals of an organisation, as it is of the case of public hospitals, will make organisation increasingly dependent upon appearances of legitimacy (Powell and DiMaggio, 1983: 155). These preconditions are particularly pronounced in the case of organisations responsible for welfare service delivery, which are constantly struggling to meet conflicting demands of performance and equity.

Managerial accountability has different dimensions, discussed by Day and Klein (1987). Mainly they refer to financial accountability, as public managers have become responsible for devolved budgets to schools and hospitals. The delivery of public services in the last years has been marked by greater devolution of budgets to lower level units within the public sector (Glennerster, 2000). For instance, as I will discuss later on, some schools in England were allowed to ‘opt out’ of local education authority’s control and became more autonomous. Financial accountability consists of spending the allocated money according to appropriate rules within an agreed legislative framework. Another important component of managerial accountability is efficiency accountability, which refers to the process of generating value for money. Input and output oriented managerial types of accountability depend ultimately on measuring performance and assessing organisational efficiency. In the case of most welfare services, outputs are not easily measurable nor are production processes clearly understood. The nature of mana-



gerial accountability, thus, does not only depend on the unilateral shift from political to technical decision-making, but also, and most importantly, on the type of organisational governance which prevails within any organisation (March, 1988).

Reforms centred around granting autonomy to public hospitals or schools have created confusion and tension, especially in those systems with visible cases of maladministration, most visibly in Britain. When things go wrong and Parliament calls ministers to account for inefficiencies, they will displace blame to public managers, while intervening in that public body's internal affairs to make sure that criticism is addressed. Therefore, the trade off between autonomy and accountability becomes a dilemma in cases of maladministration and social services' failings. Autonomy is difficult to sustain when things go wrong, and this problem is particularly acute for the British National Health Care System (NHS). Ministers fall back on the rhetoric of autonomous public managers being responsible for inefficiencies. This should not be surprising as the public and Parliament are inclined to attribute blame rather than assessing the real causes of a crisis. The strategy of blame avoidance, which is equally employed by ministers and public managers in the policy making process, challenges all mechanisms of political accountability, displacing responsibility from one level to the other and leaving no one clearly accountable for results. Autonomy, thus, has the potentials of enhancing the possibilities for activating this type of strategy. As we will discuss later for the case of British Foundation Hospitals, the reforms have devised formal ways of distancing ministers from hospitals, shifting political accountability to independent regulators and local communities.

## **II. THE EUROPEAN CONTAGION OF THE WELFARE 'ENTERPRISE' MODEL**

The diffusion of the organisational form of the enterprise across different welfare regimes and sectors resembles a process of 'contagion', as it was defined by the French school of scientific psychologists in the nineteenth century.<sup>9</sup> It is a powerful force by which ideas are propagated and affirmed in different institutional contexts. This process of contagion is not necessarily a response to rational calculations, but to policy makers' perceptions of what is modern and innovative. As discussed later, local governments were persuaded to adopt New Public Management in Germany as a way to be modern and legitimate. This empirical section of the paper is aimed at establishing that the

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<sup>9</sup> Without wishing to engage in the antiegalitarian political and social thought of Le Bon in this paper, his formulation of the 'scientific' process of psychological contagion is of some relevance. In *Psychologie des Foules* (1896), Gustave Le Bon analyses how an idea become popular, through a pathological process of 'contagion'. The emphasis of French experimental psychology was on pathologies and the *Idée fixe* (Nye, 1975), which was the commitment to a fixed idea which became anchored in the emotional and organic substratum of the mind. Contagion is, thus, an irrational process of diffusion of 'fixed ideas'.

autonomous organisation is becoming the predominant form of structure in Europe. For the purpose of this, this part of the paper will focus primarily on the organisational fields of secondary education and health care. The case of Germany will receive greater and exclusive attention in section III of this paper, for its marked contrast across different sectors which deserve a closer and more detailed analysis of primary sources than it is the case for Italy, France and Britain.

### **Decentralised Educational Management in France, Italy and Britain**

The French and Italian administration of education is highly centralised and more institutionalised than in the United Kingdom or United States (Heidenheimer, 1983; OECD 1995), as illustrated by the omnipresent and powerful field services of the central Ministry of Education, which exercise a tight supervision over schools at the local level. Both systems have their origins in the state intervention in the area of education, by which the State has to provide public education in the general interest of the nation. In France education has been perceived as operating within a hierarchal system which has left very little room for organisational autonomy at the bottom (Archer, 1984; Champagne, Cottereau, Dallemagne, and Malan, 1993). The French notion of public service (*service public*) provides the foundation for the operational principles of the French educational system and the rights and obligations of its employees (Cole 2000). The Reform of the State introduced by Alain Juppé's government in the July 1995<sup>10</sup> viewed the ministerial field services as constituting the main impetus to change. This reform together with the Public Service Renewal represented a cultural challenge for the field services in acquiring greater autonomy in their operational management and reducing their dependency on the central ministries (Cole and Jones, 2005: 572).

The major theme of the reform of education in the 1990s in Italy has been equally the autonomy of schools (Mattei, 1999). By 'autonomy', the reforms refer to devolved responsibility for the organisational, educational and budgetary management of individual high schools from the central administration of the Ministry of Education and its field services, the 'Provveditorati agli Studi' to individual schools. This process is in line with NPM ideas of decentralisation of managerial responsibilities (Pollitt, 2000). However, the confusion deliberately created between territorial decentralisation of state functions to regions and provinces and granting organisational autonomy to schools has hindered the potentially beneficial aspects of the reform of education in Italy.

In Italy, the autonomy of individual schools has been misapplied. Decentralisation has created a duplication of administrative control over what were supposed to be emerging autonomous schools. The Italian experimentation of autonomy of schools has distorted the rationale of decentralisation of responsibilities to smaller and independent

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<sup>10</sup> Circulaire du 26 Juillet 1995

units as advanced by NPM. For instance, a clear inconsistency with NPM can be revealed in the reform of the headteacher's employment contract. The headmaster was granted managerial responsibilities and greater discretion over the budget and administration. However, the reform was not bold enough. As the 'manager' of a public service, the headmaster is responsible for the achievement of specific targets and operates under the logic of private sector management, the maximisation of profits and cost-benefit assessments. However, even though the headmaster of an Italian school has acquired new responsibilities, both organisational and administrative, he remains a civil servant. He is selected through a public competition ('Concorso') and has a guaranteed job, regardless of his achievements. The contract of employment is the one established by Law no.29 of 1993 regarding the 'dirigenza pubblica' (public sector managerial group of senior civil servants). Another implication of this type of contract is the inability of the headmaster to hire and fire people according to the needs of the school or to their performance. The idea of managerialism, borrowed from NPM, is entrapped in the rigidly determined and legally bound Italian system of pay and conditions of employment.

The main objectives of the education reform, as stated by Minister Berlinguer,<sup>11</sup> Minister of Education under the 1996 Prodi government, and as found in the Charter for the Service of Education,<sup>12</sup> include: the autonomy of schools and the decentralisation of responsibilities from the centre to the periphery;<sup>13</sup> attribution of managerial responsibilities to the headmaster;<sup>14</sup> a change of administrative culture; and improved quality of service.

Autonomy of schools is the subject of a long-lasting debate that has brought concrete results only in recent years. The aim is to reduce the dirigiste and 'centralist hypertrophy'.<sup>15</sup> A wide range of formal procedures limits the freedom of manoeuvre of schools that wish to respond to different local needs. Moreover, the headmaster is not free to hire any personnel. Rather, the local field administration of the Ministry, the Provvedi-

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<sup>11</sup> Luigi Berlinguer, 'Un'Anno di Svolta', in *Annali della Pubblica Istruzione*, no.1, 1997.

<sup>12</sup> The Charter for the Service of Education was adopted by the Dini Government in 1995. It is one of a series of public service charters. The inspiration behind this initiative is the British model of the Citizens' Charter, 1991.

<sup>13</sup> Decentralisation of state administration is a broad phenomenon that involves most policy areas. Law no. 59, the Bassanini Law, named after the Minister of Public Service under the Prodi Government, gives authority to the government to decentralise powers to the regions and local administration. Education was also affected by these changes.

<sup>14</sup> The head teacher would have the same contract as a director general ('dirigente') in the public sector. This means a higher salary and greater budget and management responsibilities.

<sup>15</sup> Bill no.779, 'Riforma dell'amministrazione scolastica', November 17 1992.

torato, allocates teachers to different schools. The distribution of teachers does not always respond to objective criteria, such as number of pupils or schools in the local area. In most instances, the only concern is to maintain the employment level. Granting autonomy gives the headmaster responsibility for the management of the factors of production (teachers and infrastructures). Budgetary autonomy seems to be particularly important because, under the old system, the allocation of public money to schools depended on covering personnel costs. It was not based on output, that is, on the number of students or the number of classes (Buratti, 1993:411). The rigid system of public money allocation and its management did not allow schools that offered a better service to continue improving. By contrast, the aim of the new system of autonomy provides for individual schools to control directly their budget and the quality and efficiency of service. The aim is to stop the system whereby demand is created by supply.

Organisational autonomy has been debated and adopted also in the French education systems since the 1980s, as a way to overcome excessive centralisation. The process of deconcentration starts with the Law of March 2, 1982, concerning *droit et liberté des communes, des départements et des régions*. The legislative impetus continued through the 1980s and 1990s (OECD 1996: 35-37). During those decades the *collèges* and *lycées* were given juridical autonomy and acquired a significant scope of autonomus decision making. The organisational autonomy reforms went hand in hand with the process of regionalisation, which culminated in the 1989 *Loi d'orientation*, conferring to regional governments the responsibility of secondary schooling.

The French Education Ministry is organised along regional lines. A rector is the minister's direct representative in the provinces. The rectorate is a complex organisational structure with major service delivery responsibilities. The rectorates represent the field services of the Education Ministry. Reforms in the 1990s have introduced globalised budgets and cost centres status for rectorates, which were granted greater financial flexibility and autonomy in setting targets and allocating resources. However, as Cole and Jones show in their findings (2005: 575), there are obstacles to change, including the continued dependency of local services from the Finance Ministry and the opposition of trade unions, which are openly suspicious of moves to delegate greater responsibility to the field services.

The historical legacy of education policy in England is engrained in liberalism, with limited co-ordination of provision and pedagogical leadership by the State. From the 19<sup>th</sup> century to the early 20<sup>th</sup> century managers and governors were in general active as school leaders. In a hierarchical and class stratified society a head teacher was not expected to have much institutional leadership in schools, with the exception of independent public schools (fee-paying). What was expected from a head teacher in state funded schools was moral and pedagogical, but not institutional management, which was the

responsibility of schools' governors (Anderson, 2001). The head teachers have benefited from the autonomy of English schooling. They were able to establish from the 1950s to 1970s a measure of considerable professional dominance over administrative and local agencies (Grace, 1993). In comparative terms, English schooling had acquired a relatively large degree of cultural and pedagogic autonomy, particularly in the secondary sector.

The novelty of British New Labour's reform programme, centred on decentralisation and autonomy, thus, should be assessed against the historical legacy and development patterns of education in England.<sup>16</sup> The British education system, in comparison to the French and Italian one, has traditionally been decentralised and it has suffered from the late development of a state public administration (Heidenheimer, 1983). Prime Minister Tony Blair has announced the 2005 White Paper as 'a pivotal moment to ensure fair funding and fair admissions' and vindicates the 1997 pledge that education would be at the core of New Labour's reform programmes.<sup>17</sup> Indeed, key elements of the White Paper have antecedents in past reforms, including the 2004 *Five Year Strategy for Children and Learners*,<sup>18</sup> and, most significantly for the issue of organisational structure and governance, to the 1998 *School Standards and Framework Act*. The 2005 White Paper raised most concerns in relation to an allegedly new type of school organisation, the *Trust* school.<sup>19</sup>

Through the creation and support of Trust schools, the Blair government has sought to promote this type of organisation as a way forward for the future. The main objectives were to 'create independent self-governing state schools', as the Secretary of State has announced to the House of Commons.<sup>20</sup> This plan was also introduced one year ear-

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<sup>16</sup> In this paper the main concern is not with a discussion of teaching and learning in secondary schools, but with the governance structures of autonomous schools and the changing balance between local schools autonomy and local control by local educational authorities (LEAs). Consequently, issues of pedagogical autonomy will remain subordinate to the main focus on institutional autonomy and new governance structures established by the 2005 White Paper *Higher Standards, Better Schools for All*.

<sup>17</sup> 'Blair sweeps aside critics of school reform', *The Guardian*, 25 October 2005

<sup>18</sup> Department of Education and Skills (DfES), *Five Year Strategy for Children and Learners*, Cm 6272, July 2004

<sup>19</sup> There were other important areas of policy developments, such as increasing diversity and choice in the provision of education, the greater participation of parents and pupils in improving standards of schools, the individualisation of education tailored to individual needs, new measures to tackle failure and underperformance of schools, and better discipline. In this section, I focus on the creation of Trust schools as new organisational arrangements emphasising autonomy of schools and freedoms from the control of local educational authorities, rather than what happens in schools and classrooms.

<sup>20</sup> Ruth Kelly, Secretary of State for Education, House of Commons Debate, cols. 169 to 172, 25 October 2005

lier when the Blair government aimed to provide ‘freedom for all secondary schools to own their land and buildings, manage their assets, employ their staff, improve their governing bodies, and forge partnership with outside sponsors and educational foundations’.<sup>21</sup> Therefore, the independence of schools has been for some time at the heart of the Government’s proposals for change in the administration of education.

The policy trajectory of autonomy for secondary schools reveals a high degree of continuity, since 1998, when the *School Standards and Framework Act*, the first of the then new Labour Government, appeared to sanction definitely the demise of grant-maintained schools (GM), which had been the epitome of individual schools’ autonomy from local authorities’ control. The 1998 Act marked the end of the opportunity for schools to become grant-maintained, thus eliminating the controversial opportunity for opting out of LEAs control, introduced as part of the 1988 Education Reform Act by a previous Conservative Government (Fitz, Halpin and Power, 1997). A detailed analysis of the 1998 Act reveals that the GM existing schools were submerged into a new category, so-called Foundation schools. This category included governors’ responsibility for the employment of staff and ownership of assets and ensued the retention of key elements of the structure associated with GM schools (Whitty *et al*, 1998).

The 2005 White Paper, while allegedly creating ‘new’ Trust schools, in reality represents another re-branding exercise. In fact, Trust schools will enjoy the freedoms of Foundation schools and are designed to resemble their organisational and self-governing structures: ‘Trust schools will have the freedoms and flexibilities that self-governing (Foundation) schools currently enjoy. They will employ their own staff, control their own assets and set their own admission arrangements’.<sup>22</sup> Trusts will be not-for-profit organisations, able to appoint governors to the school. The governing body will include elected parents, staff governors and representatives from the local authority and local communities.<sup>23</sup>

As I mentioned since the start of this section, head teachers have significantly changed their managerial role in the last thirty years. They have increasingly distanced themselves from classrooms purposes (Grace, 1993). From pedagogical and moral leadership, they have developed into powerful leaders of institutional change and champions of institutional autonomy of schools. The leadership role of head teachers has been advocated by the educational management gurus (Chubb and Moe, 1990). It is especially the self-governing schools that sustain a heavy top down approach and strong managerial responsibilities of head teachers. Collegiality is more symbolic than substantive in

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<sup>21</sup> DfES, Five Year Strategy for Children and Learners, 2004.

<sup>22</sup> 2005 White Paper, Chapter 2, Para 2.16.

<sup>23</sup> 2005 White Paper, Chapter 2, Pars 2.10 to 2.12.

autonomous schools in England. On the contrary, there has been a consistent consolidation of a managerial structure with a heavily vertical and hierarchical culture within schools. Head teachers are at the interface of central state policy framework and local market pressures to attract pupils and develop innovative and specialist's curricula. Not shielded by the local administration, managers of schools are exposed directly to the blame of school failures. Their accountability for results and raising standards is highly personalised (Power, Halpin, and Whitty, 1997), and no longer mediated through institutional mechanisms.

### **Public Management Reforms and Hospitals**

Health care services are an extraordinary experimental ground for introducing wider political and institutional transformations of the State. The adoption of entrepreneurialism into European health care systems has strengthened technocratic decision-making over traditional mechanisms of political control. At the beginning of the 1990s, in the midst of a severe legitimacy crisis affecting the Italian administrative and political system, New Public Management ideas seemed 'the' remedy against the pathological politicisation of distributive policies. Much hope has been placed since in a new and ascending group of general managers, entrusted with the ambitious mission of running health care services more efficiently and with the unenviable expectation of resuscitating public trust in welfare institutions. The 1992 Amato Government's landmark health care reform transformed irreversibly the institutional arrangements and organisational structure of the Italian National Health Care System, by adopting the enterprise formula and the regionalisation of the health care sector (Mattei, 2006).

Two major themes run through the 1992 health care reform. The first is the introduction of private-sector management practice, which has led to the creation of the new post of general manager to head the administration of local health care authorities and public hospitals and the 'privatisation' of the public sector employment contract. The second is the decentralisation of administrative responsibilities to regional levels of government, which has been conducive to a restructuring of relationships between different levels of government, to the emergence of regions as a new political locus of power, and to a fundamental reshaping of local politics. The greatest novelty of the 1992 reform was the shift from a politico-representative to a technical-managerial type of health care administration (Rebora 1999). When the Italian national health care system was created in 1978, local health authorities became a fiefdom of local 'notables' who would establish their power base by distributing social benefits. This practice was perpetrated through management committees composed of locally elected officials and trade union representatives (Ferrera 1989; Hine 1993). Since political parties used these management committees as an arena for party competition in local electoral politics, they have generally opposed the introduction of general management and the creation of

a new executive post at the head of local health authorities and public hospitals, claiming that the rise of powerful bureaucrats would undermine supposedly democratic representation. However, as political parties decreased their ‘veto power’ during the 1992-94 crisis, technical governments had the opportunity to push radical reforms more forcefully through political institutions (Freddi, Fabbrini et al 2000).

As far as France is concerned, the 1996 Health Reform signalled a clear adoption of New Public Management ideas (Minvielle, 2006). The Juppé ordinances aimed to decentralise and review health care management. They also confirmed the decentralised style of public intervention through the creation of the Regional Hospital Agencies (Agences Régionales de l’Hospitalisation, ARHs), which were mandated to control costs. The creation of these new autonomous agencies provided new ways of planning and allocating resources. They illustrate a case of what is called ‘déconcentration’ in French public administration. One of the most significant elements of this process has been reinforcing legitimacy. The Directors of the ARHs were conferred a higher legitimacy, for they are appointed by the Council of Ministers. Since the early days of the 1996 reform, Directors have occupied a prominent position in the hierarchical ladder.

Despite much scepticism expressed by observers and the research community, the current organisational arrangements of public hospitals in the British NHS deeply reflect the faith in the distinction between policy and operation. This tenet of NPM, introduced by the Conservative governments in the early 1990s (Klein, 2001) continues unabated even in the most recent reforms of New Labour. NHS Foundations Trusts were established by the *2003 Health and Social Care (Community Health and Standards) Act* as independent public benefit corporations modelled on co-operative and mutual traditions. This was a new type of organisation in the British NHS, marking a departure from the NHS Trusts created in the early 1990s to give them operational independence from their local District Health Authority (DHA).<sup>24</sup> New Labour has maintained the reform commitment of previous governments to the principles of decentralisation and devolution of managerial responsibilities to local public hospitals, which were not found to be sufficiently free from central government interference.<sup>25</sup> In fact, one of the main characteristics of the British NHS is that trusts had a direct link of accountability with the Secretary of State for Health. S/he could give legally binding direction to a Trust and could dismiss the Trust’s Chair and non-executive directors, appointed by the Secretary of State. The 2003 Act created new Foundation Trusts, following application procedures,

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<sup>24</sup> The NHS and Community Care Act, 1990, established that the District Health Authorities (DHAs) became purchasers of the services provided by NHS Trusts and their relationship be governed by ‘contracts’. The contracts set out what services Trusts would provide and how much the DHAs would pay.

<sup>25</sup> Department of Health, *A Guide to NHS Foundations Trusts* (Department of Health, 2002)



which would prove that hospitals met the standards, and requirements set by the newly established independent regulator, Monitor. Currently, at the time of writing, there are 48 Foundation Trusts and the Secretary of State has announced her plan to consolidate this programme and supported the next wave of mental health foundation trusts.<sup>26</sup>

The purpose of establishing NHS Foundation Trusts is to devolve power and greater autonomy to the local level so that local hospitals are better able to respond to the needs of patients and local communities. This is achieved in two ways: through a new system of accountability and greater autonomy from the Secretary of State's direct control. The new system of devolved accountability to local 'stakeholders', including patients and staff, is intended to replace the traditional political accountability to the central level of government. The new governance arrangements offer the opportunity to members of the local communities to participate and influence the strategic development of the organisation. Foundation Trusts will not be answerable to the Secretary of State, but to local people and Monitor, the new independent regulator. They will be free to pursue their own agenda in accordance with the priorities set by the community.

The organisational governance structure reflecting this newly created accountability to local people is represented by the new Board of Governors, to which the Management Board of the Foundation Trusts will be directly accountable. The Board consists of elected representatives of members of the Trust, i.e. registered residents and patients in the areas served by the NHS Foundation Trusts. Membership is open to all who wish to register with the public hospital and participate. Members are able to stand and to vote in elections to the Board of Governors of the NHS Foundation Trusts. This body is intended to represent the interests of all stakeholders. Some places will be reserved for nominees of other local health bodies, such as Primary Care Trusts which commission services from the hospitals.<sup>27</sup> The Board is responsible, thus, for respecting the interests of the local community in the management and strategic development of the NHS Foundation Trust. It is expected to receive regular information about the Trust and be consulted, twice a year, for future development. The Board has important powers in appointing the Chair and the non-executive directors of the Board of Directors, which has exclusive responsibility for the operational matters, e.g. setting budgets, staff pay and others. It has also the power to approve the appointment of the chief executive by the Chair.

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<sup>26</sup> Press release, 18 January 2006, Department of Health.

<sup>27</sup> The reserved places are: at least one governor representing local NHS Primary Care Trusts; at least one governor representing Local Authorities in the area; at least three governors representing staff; a Chair; at least one governor appointed from the local university. However, the majority of governors are elected by members in the public constituency

NHS Foundation Trusts are claimed to enjoy greater freedoms and flexibility from Whitehall control and performance management by Strategic Health Authorities. They have freedom to access capital on the basis of affordability instead of the current system of centrally controlled allocations. Moreover, Foundation Trusts can invest surpluses in developing new services for local people. Granting autonomy to NHS Foundation Trusts has meant mainly a ‘negative’ freedom that lifts managers from the direct interference of the Secretary of State in the daily operations of local hospitals. This autonomy is enhanced, arguably, by the creation of a new independent regulator, Monitor, which acts as a new institutional buffer between Foundation Trusts and the Department of Health. This new public body, which is at arms’ length from the Department of Health, should serve as a safeguard against direct ministerial encroachment and political pressures. The regulator accounts directly to Parliament through an annual report. The main role of Monitor is to grant a licence to an applicant for Foundation Trust status, to monitor compliance with the terms of the licence, and to intervene in the event of breach of the terms. Monitor may issue warnings and, in the most serious cases, also dismiss members of the Board of Governors or Board of Directors and appoint interim members.

### **III. GERMANY: FROM LAGGARD TO PIONEER?**

The German Länder have considerable centralised control over secondary schooling. Recent reforms at the end of the 1990s have opened up the possibility though to grant individual schools some autonomy over their teaching programmes. In selected Länder, including North Rhine Westphalia, and Hessen, pilot projects and experimentations have introduced some degree of autonomy from centralised controls by encouraging individual schools to design self-evaluation mechanisms and processes. The health care sector in Germany has also been subject to transformative changes and potential new developments concerning the management processes of individual hospitals, as the case of the Charité public hospital in Berlin.

#### **Self-Governing Schools**

Education and cultural affairs is, in Germany, a policy domain of sole responsibility for the Länder (states). Their jurisdiction is constitutionally guaranteed (Art. 31 of the 1949 Basic Law) so that the Federal State and the government have no formal power to interfere with the Länder’s policies on determining the curricula, staff and resources allocation, and, generally, the organisational structure of schools. At the federal level the coordinating body for educational policy is the Standing Conference of Ministers of Education, created in 1949. Since the start, the decision-making process of such coordinating institution has been veto driven, for unanimity is required. Despite the existence of this coordinating mechanism, education is off-limits for the federal government (All-

mendinger and Leibfried, 2003). With respect to autonomy of individual schools, it has traditionally been very contained in Germany, given the strong hold of regional bureaucracies on the education system. Thus, federalism has two main effects on the introduction of reforms aimed at the autonomy of schools. First, it reinforces the dependence of all secondary schools on the Ministry of Education of each Land for school personnel and finance, and on local counties for other resources. Thus, centralised control operates at the Land level. Inspection and supervision of individual schools is quite strong in Germany, compared to other decentralised educational systems, such as the British or American one. Secondly, education federalism does encourage policy experimentation and variety of organisational systems and provision (Manow, 2004). Although federalism makes structural reforms difficult, Manow argues that outside social insurance we should expect high policy experimentation in the field of education (2004: 33).

For the purpose of this paper, I focus on the case of the *Selbständige Schule* in North Rhine-Westphalia, which stands out from the rest in terms of legislative and administrative impetus to introduced autonomous and self-standing schools. Before considering this case in some details, I will briefly offer an overview of the differentiated degree of enthusiasm towards organisational autonomy that we see from Bavaria to Hessen. Bavaria belongs to a group of *Länder* which are the most conservative in terms of departure from the tradition of secondary education, whereas the states of Hessen and North Rhine-Westphalia have been the most dynamic in terms of embracing innovation and experimentations. The last one in particular is of special significance.

In Bavaria, the educational system remains firmly entrenched into a hierarchical bureaucratic system. School management is centralised at the Land level.<sup>28</sup> The Ministry of Education establishes the details of the curriculum for all schools. The choice of books has to be approved by the Ministry, which also provides rigid guidelines for centralised examinations and students' assessment exercises. Training of teachers is also a matter of sole responsibility of the Land, rather than individual schools. The head teacher is nominated by the Ministry of Education after public competition, as it is common to most German *Länder*.<sup>29</sup> Thus, staff policy is highly centralised and not much discretion is left to individual schools. The post of head teacher in Bavaria is for five years and it is renewable. A school council, made of representative of teachers, pupils and parents, offers advice to the head teacher.

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<sup>28</sup> Bayerisches Gesetz über das Erziehungs- und Unterrichtswesen in der Fassung der Bekanntmachung, Bayerisches Staatsministerium für Unterricht und Kultus, 31 May 2000.

<sup>29</sup> *Ibid.*, Article 57, Schulleiterin oder Schulleiter

In the state of Hessen, autonomy has been slowly developed through legislation. Each school is allowed to develop its own programme within the frame of the law and the curriculum. Schools have been increasingly encouraged to develop self-assessment methods within the search for quality assurance. A new pilot project has been recently launched, to run from 2005 until 2008, aimed at reorganising the internal structure of schools, and improving the quality of the service. An important element of the *Modellprojekt Selbstverantwortung plus* is the organisational autonomy granted to schools, and the creation of new regional coordinating mechanisms.<sup>30</sup> Within the framework of the general curriculum prescribed by the Ministry, schools are required to define their goals and priorities in self-developed schools' programs. They must also submit themselves to internal and external evaluations.

In 1992, North Rhine Westphalia had introduced a new experimental project for quality development and quality assurance, so-called QUESS. The central idea was the decentralisation of the school system by providing greater autonomy to individual schools. In 1997, the project was concluded with nineteen schools participating. They developed individual programmes, although they had to remain within the scope of existing curricula established by the Regional Ministry. The schools were responsible for self-evaluation, followed by external evaluations conducted by the school boards, which maintained a double function of supervising and providing advice to the schools. From 1997 to 2002 the Ministry for Education of North-Rhine Westphalia launched a project aimed at improving the quality of learning and the efficiency of schools (*Stärkung von Schulen im kommunalen und regionalen Umfeld*). This trajectory of reforms geared towards granting freedom to individual schools has continued until recently with the 2002-2008 ambitious project called *Selbständige Schule*. So far 270 schools have been involved and have witnessed internal management changes, such as the strengthening of the headmaster's responsibility.<sup>31</sup>

Through recent projects, the Land North Rhine-Westphalia has continued to remodel its relationship with public sector schools, along the theme of 'Qualitätsorientierte Selbststeuerung von Schulen', namely quality-oriented steering in schools, and 'Regionaler Bildungslandschaften', namely the regional education area. Their activities fall into two major categories. Under labels like 'new steering', of which the Regionale Steuerungsgruppe are an illustration, the first type of activity is the development of IT-

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<sup>30</sup> Modellprojekt Selbstverantwortung plus, Teilprojekt 3: Organisationsstruktur, Hessisches Kultusministerium, 2005.

<sup>31</sup> 'Verordnung zur Durchführung des Modellvorhabens Selbständige Schule' Ministerium für Schule, Jugend und Kinder des Landes Nordrhein-Westfalen, 12 April 2002; Gesetz zur Weiterentwicklung von Schulen, 27 November 2001.

based new systems ('Lernen mit Medien'). Accordingly, schools are encouraged to implement innovative teaching systems and collaborate more closely with parents and form partnerships with voluntary and private sector organisations ('zivilgesellschaftliches Engagement').<sup>32</sup> Secondly, performance standards and comparisons are being developed, together with new organisational models, as interviews have confirmed (Banner 2004).

Notwithstanding these few instances of experimentation in some Länder, the educational systems of Germany remains firmly entrenched in the tradition of stabilisation rather than change. Education federalism seems to facilitate 'experimentations', but institutional reengineering is not sufficient to defeat the historical legacy of an educational system which was the envy of Europe (Phillips, 1987). Continuity prevails over change, though reform attempts and windows of opportunities have been present, not least when the shocking negative results of the 2000 OECD Programme for International Student Assessment (PISA) of competences of 15-year-olds were published. This created a deep legitimacy crisis in Germany (Leibfried and Allmendinger, 2003: 67), for it seemed that Germany may have been overtaken by other industrialised countries. Unlike Britain, German schools are reluctant to publish their individual data on results. This increases the difficulty in assessing the impact of the PISA shock on re-legitimising reforms. The intensity of the public debate did not necessarily translate into radical reforms which would have been possible elsewhere. Strong federalism clearly is a hurdle for introducing reorganisation reforms. However, in the wake of PISA new or modified procedures of performance evaluations were demanded. Cost-cutting suggestions, such as reducing the variety of number of courses, were proposed (Lingens, 2005),

Decentralisation to individual schools was part of the education reform plans that the Allies had proposed in the immediate post-war reconstruction (Ertl and Philipps, 2000). Yet, the German authorities opted for looking back to the reforming years of the Weimar Republic and to readopt a system which seemed to have worked, the principle of 'On from Weimar' (Phillips, 1987: 228). Stabilisation was the main concern of the first twenty years of the young Republic, ensuing from an inherited distrust for reforms after so much upheaval. The opportunity was missed to reform the old tripartite schooling system.<sup>33</sup> The deep conservatism of German educationalists was successful in prevent-

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<sup>32</sup> For an overview of the main projects and activities of the Land Nordrhein Westfalen, see 'Projekt Selbständige Schule und andere Projekt-Aktivitäten', Ministerium für Schule, Jugend und Kinder des Landes Nordrhein Westfalen, 23 October 2003.

<sup>33</sup> Secondary schools are of three types in Germany, as outlined in the 1959 *Rahmenplan* (Outline Plan): *Gymnasium* (grammar school), *Realschule* (intermediate school), and *Hauptschule* (main secondary school). This system

ing major organisational restructuring of this system from the post-war to recent days. The strong historical tradition explains ultra conservative secondary school system and ‘non-reforms’ (Robinson and Kuhlman, 1967). Therefore, policy stability is not only attributed to institutional factors, such as federalism, but most importantly to path dependency in the policy developments.

The distrust of new beginning and experiments, and the desire for social stability, was again confirmed by the missed opportunity to reform secondary education generated by the process of Reunification. As Wilde argues (2002), East Germany’s educational system was highly restructured and transformed on the model of West Germany, rather than triggering a reform of the old tripartite system. Reunification created a momentum for reflecting upon the modernisation that the secondary education system required. Yet, the opportunity was missed again to introduce greater autonomous decision-making, which makes for a learning environment which can adapt to local needs, as in the British school system. Again, education federalism did not seem to enhance policy innovation, but rather acted as a brake on experimentation.

### **The New Governance System of the Charité**

There is to date very scarce empirical research concerning the management boards of German hospitals and their new decision-making arrangements, resulting from internal organisational restructuring. Furthermore, the existing literature rarely frames the discussion of hospital management changes within the wider debate of administrative reforms of modernisation.<sup>34</sup> This paper is part of a larger project which seeks to analyse the changes to the organisational fields of hospitals.<sup>35</sup> Public hospitals in Germany operate within a decentralised system of governance, which is not the result of top-down devolution, as in the UK, but represents the historical foundations of the German health

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is based on serving respectively three psychological and mental categories of pupils: the academic and theoretical, the technical and the practical. In comparison to other European systems, the German one is based on selection after two years of orientation and diagnosis of the students’ ability (*Orientierungstufe*). The *Gymnasium* is the most prestigious type and has a long and distinguished tradition dating from the days of Humboldt. Pupils of the *Realschule* would expect to become technicians, middle managers in industry, commerce and administration. This type has also its foundations in the nineteenth century tradition and it was created to meet the needs of industry, commerce and the service sectors. The major aim of the *Hauptschule* is to prepare students for a period of qualified vocational education either in full-time education or in the ‘Dual System’ of education and training (Ertl and Phillips, 2000).

<sup>34</sup> Zukunftsorientierte Verwaltung durch Innovationen, Bundesministerium des Innern, 13 September 2006

<sup>35</sup> It is clear from primary documents that the health care sector reforms include a central element which pertains to the cut of red tape, that is ‘weniger Bürokratie, straffere Strukturen, schnellere Entscheidungen’. See policy document entitled ‘Gesundheitsreform 2006- die wichtigsten Inhalte im überblick’, [www.die-gesundheitsreform.de](http://www.die-gesundheitsreform.de).

care system. The regulation governing management and accountability structure and processes of German public hospitals is very complex and detailed, and mainly entrenched in legal codes (Döhler, 1995). Hospital management and ownership arrangements fall within the competences of the Länder, which share responsibility for health care delivery with the federal government and with corporatist non-governmental institutions. Management and supervisory functions are normally devolved to municipal level authorities, excluding the three City-States of Berlin, Bremen and Hamburg, which directly own their public hospitals. It is in the hospital field of Berlin and Hamburg that administrative reforms associated with New Public Management for hospitals have gone furthest. The research findings here presented are drawn from fieldwork interviews with members of the management team of one of Berlin's biggest public hospital network, Charité, the largest hospital in Europe, with nearly 15,000 employees, 3,240 beds, 128 medical departments, treating roughly 123,000 inpatients and carrying out 900,000 outpatient consultations per year.<sup>36</sup> Since 2003, the Charité has been headed by a full-time board of directors.

The German health care sector is extremely diversified in terms of the internal organisation of public hospitals (Kampe and Kracht, 1989). The majority of Länder make detailed provisions with regard to the composition of management boards for public hospitals, which have limited autonomy in so far as they must operate within rigidly set rules and frameworks. The most detailed provisions at Länder level with respect to the roles and responsibilities of management boards and supervisory boards were found in Berlin. Berlin is an extreme case in which the Land runs its own hospitals with a considerable degree of tight administrative control. The dominant governance element in Berlin is the *Senatsverwaltung für Gesundheit, Soziales und Verbraucherschutz*, which has major responsibility for the planning and organisation of the hospital system, among others.<sup>37</sup> The Senate not only runs dependent public hospitals, but it also plans the level of provision based on unclear measures of 'need'. It also supervises the negotiations and

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<sup>36</sup> Interviews at Charité were conducted by the author during November and December 2006. I am very grateful to all those interviewees who devoted much time and effort to support this research. Most interviews were carried out under arrangements of confidentiality and anonymity so that no quotation could be directly traced to any individual interviewees. The author is in the process of clearing anonymity, but before this is possible, interviews will remain anonymous at this moment in time (August 2007).

<sup>37</sup> *Ergebnisse der Krankenhausplanung in der Zeit von 1990 bis 2004 in Berlin*, *Senatsverwaltung für Gesundheit, Soziales und Verbraucherschutz*, 2005. This document provides detailed information concerning the main achievements of hospitals planning after the reunification, which includes 47% reduction in hospital beds in ten years (from 43,000 to 23,000), and the increasing costs since 1999.

bargaining between sickness funds and hospitals. At the regional level, thus, the City of Berlin represents a highly centralised system of hospital administration.

The Charité is breaking radically with decades of tradition in hospital administration, in order to increase efficiency and transform the public delivery institution into an autonomous ‘enterprise’, able to compete on the market. Forcing all decision makers to adopt a deliberate commercial attitude is a unique approach for health services in Germany, as claimed by the members of the management team, the Vorstand.<sup>38</sup> The recent major organisational restructuring of this teaching hospital in 2005 has conferred full responsibilities for results to the Vorstand<sup>39</sup>, a rather slim group, made of a Chief Executive Officer, a Direktor des Klinikums (Director of the Medical Center), and a Dekan (dean of the medical school). The author has been told that the medical director has recently become a deputy member of the Vorstand, with the aim to strengthen his or her management position of the medical profession. The medical director is *primus inter pares* and is elected among the staff physicians of the hospitals. At the end of the 1990s the introduction of managerial experiments in Hamburg and Berlin has changed the role of the medical director from *primus inter pares* to an assistant of the executive board. The members of the Vorstand are appointed by the Aufsichtsrat, namely the supervisory board, which is chaired by the Minister of Culture, Science and Research of Land Berlin, currently Dr Thomas Flierl. Interviews with senior managers in the public hospitals of Berlin have suggested that senior management posts are highly political appointments. Managers are appointed on the basis of their competence and expertise, but it would be unthinkable not to be endorsed politically as well.

In Germany there is a strong tradition of separate management and supervisory boards. In the case of most German public hospitals, elected politicians are members of the supervisory boards, unlike the NHS Trusts. The Charité has a supervisory board with 12 members, including Berlin’s Senator for Finance and Berlin’s Senator for Culture.<sup>40</sup> If the two belong to different parties, decision-making becomes more difficult.

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<sup>38</sup> Letter to the Berlin’s mayor concerning the restructuring of Charité, unpublished document.

The Vorstand calls for greater autonomy and entrepreneurial freedoms: ‘nur in wirtschaftlicher Eigenverantwortung der universitärer Autonomie sowie unternehmerischer Freiheit kann die Charité die von ihr erwartete erfüllen’

<sup>39</sup> Berliner Universitätsmedizingesetz, in Gesetz und Verordnungsblatt für Berlin, no.42, 15 Dezember 2005. Article 12 establishes the responsibilities of the Vorstand, the Management Board, and Article 10 of the Aufsichtsrat, the Supervisory Board.

<sup>40</sup> In the Supervisory Board of Charité a problem of dual leadership has been reported. The current situation has improved from the past, but there has been always latent competition between the Finance and Cultural Ministers. Surprisingly the minister for health and social affairs is not a member. When the new law setting out the reorgani-



For instance, in the past the PDS had encouraged a participatory governance model for Charité, whereas the SPD has supported a new entrepreneurial management with clear lines of responsibilities geared towards enterprise Charité. The hospitals' supervisory board consists also of representatives for health affairs from the local authorities, and eminent scientists and academics. It has been suggested to the author that another clear indicator of the chain of political accountability running from the Berlin government down to the Supervisory and to the Managing Board is represented by the concurrence of the duration of a legislative term and the length of office of each hospital's supervisory board. This would imply that a new government could dismiss and replace member of the supervisory board, effectively illustrating a spoils-system.

The supervisory board plays more than a symbolic and advisory role, as in the NHS Trust. On the contrary, it is entrusted with key decision-making power. The Aufsichtsrat of the Charité is not merely a consultative body, thus. Its responsibilities include the supervision of the legality of rules and procedures, the cost efficiency of the public enterprise (Wirtschaftlichkeit), the attainment of targets by the management board. As we mentioned earlier, the supervisory board has ample discretion over the appointment of the members of the Vorstand, including the approval of the elected medical director. An important role is also to safeguard the medical teaching and the interests of research from the management boards' decision. It is striking that the supervisory board has also control over the internal organisation of the Charité, when it does call the Vorstand to account for changes in the organisation of units and centres. Furthermore, it has a key role in investment decisions, together with the Berlin government.

From the formal responsibilities set out in the statute it emerges that the management Board is constrained in its autonomy, especially in so far as the internal organisational design is concerned. In practice, interviews have suggested that indeed radical changes have taken place, but the necessary autonomy is limited by two sources: the Supervisory Board and the administration of the Land Berlin. With respect to the former, interference includes decisions pertaining to outsourcing and buying shares of other companies. One interviewee presented a picture in which the Supervisory board exerts not only policy control, but also control over minor decisions. This is as much lamented as accepted, given the public ownership of the Charité. As far as the scope of the government's intervention is concerned, this may turn to be as pervasive as to question the hospital's purchase of diagnostic equipment or inquiring about the number of employees in specific outsourced companies. The Land administration also regulates the volume of service provided and is heavily involved in the negotiation with sickness funds. What is

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sation of Charité was enacted in 2004, some concerns emerged about the dual leadership problem, but it remained unresolved.

most resented by the management team, as one interviewee suggested, is the scarce freedom in acquiring new companies and investment planning.

Although political accountability remains firmly entrenched in the governance structure of the Charité, and fundamentally unchallenged by the transformation of the hospital administration from a bureaucratic to an entrepreneurial rationality, this is not to say that political control extends to the patronage practices found in the French or Italian cases, where members of the supervisory boards have a say in the appointment of heads of hospitals' departments (Mattei, 2006). The heads of departments at Charité are appointed by the faculty and do not suffer from political interference, as suggested by interviews. They enjoy a contract similar to public servants and the newly appointed heads of department have been exposed to an element of performance related pay. This is a small minority of less than one per cent of all physicians. On the contrary, junior doctors do not have a performance element built in their employment contracts. Interviews suggest that the new system of performance related pay is not used as an incentive to monitor performance and results, but rather as a mechanism of conferring financial privileges to the senior physicians. This is also confirmed by a weak and unclear system of developing performance indicators.

## **CONCLUSIONS: A NEW CHALLENGE FROM WITHIN**

Towards the end of the 1970s and with greater intensity from the mid-1980s, many developed countries under the pressure of budget deficits began to develop new thinking on the public sector and its management. Beginning in the Anglo-Saxon world, a radical process of government transformation has spread out to other countries, including those with different administrative cultures and traditions, like Germany, France and Italy. Among politicians, practitioners and researchers of public administration it has acquired the general identity known loosely as New Public Management. The need for a new approach to public administration derived from the economic imperative to reduce the public deficit. Fiscal crises, in particular, have triggered the process of administrative reform in the public sector.

Reducing the public deficit by retrenchment has proved a difficult task in many countries, because an important component of the political legitimacy of the government lies in its support for social welfare programmes. In order to retain public confidence and electoral support, therefore, national governments have sought to secure improved efficiency of welfare services as an alternative to expenditure increases, or to offset the effects of cuts. When discussing the impact of NPM and its scope, as this paper has suggested, one has to keep in mind the political purposes behind ostensibly technical and administrative measures. For instance, in the case of New Labour and educational reforms, re-branding activities illustrate the centrality of symbolic policy-making.

The comparative study of education and health care has shown autonomisation and decentralisation to be key common elements in Britain, Germany, France and Italy. NPM claims that, to make the public sector more efficient, flexible and motivated, this requires the decentralisation of decision-making and the granting of operational independence to local units of delivery. This claim assumes that a faraway central agency or department is less likely to give customers the services they want than a local agency, 'owned' by the community, and thus able to know and serve their needs better. Decentralisation is thus closely linked to the principle of community empowerment and democratic experimentalism (Sabel and Dorf, 1998). The danger of the NPM prescription in relation to this, however, lies in the assumption that 'local' always works better than 'central', for inefficiency can in fact be reproduced at the subnational level of government.

Therefore, empirical findings suggest that organisational reforms of the welfare delivery state are marked by a high degree of cross-sectoral fertilisation beyond national borders, more so in the hospital sector than secondary schooling. The reforms analysed in this paper illustrate how similar organisational models, associated with managerialism (Pollitt et al, 1998; Clarke et al, 1994) have challenged the old institutional settlement of the welfare State *differently* in Britain, Germany, France and Italy, but *similarly* across sectors. Hence, convergence in the management of social policy is driven through cross-sectoral policy hybridisation. This resembles a delta type of convergence (Holzinger and Knill, 2005), by which the direction of change is similar across units, although the difference between countries may remain the same.

The German Länder have had considerable centralised control over secondary schooling, as this paper suggests. However, at the end of the 1990s recent reforms have opened up the possibility to grant individual schools some autonomy over their teaching programs. This has been only partially the result of the PISA shock. These reforms were launched originally as part of the public intervention in streamlining the German administrative system. They formed part of the bottom-up driven Neue Steuerungsmodell, or New Steering Model. In selected Länder, including North Rhine Westphalia, Bremen and Hessen, pilot projects and experimentations have introduced some degree of structural autonomy by encouraging individual schools to design self-evaluation mechanisms and processes.

In contrast to the case of schooling, the health care sector in Germany has been subject to transformative changes and potential new developments concerning the management processes of individual hospitals, as in the case of public hospitals in Berlin and Hamburg. One of the most significant findings is that the autonomy of German public hospitals remains compatible with traditional political and institutional mechanisms,

suggesting that a zero sum game between managerial autonomy and old political institutions is not the only recipe for the new forms of welfare delivery.

In the case of Britain, the cross-sectoral outcome is quite reversed, despite the British government's attempt to grant more autonomy to Foundation Hospitals. British state schools enjoy a high degree of autonomy from local authorities. Devolved budgets and flexibility represent an exclusive responsibility of many public schools, which are encouraged to become even more independent, according to the most recent 2005 White Paper. Foundation Hospitals have been created by the same underpinning philosophy of decentralised management and local ownership. Despite the different points of departure for the hospital sector reforms in Germany and Britain, evidence suggests a degree of convergence with respect to their internal management changes.

The diffusion of organisational models travels beyond national boundaries and welfare regimes, making the organisational settlement of welfare delivery in different countries converge. Policy makers are becoming increasingly locked in the process of institutional isomorphism, which is the major driver of homogenisation of welfare arrangements, as far as organisational fields are concerned, like schooling or the hospital sector. The converging process of organisational homogenisation affects equally welfare institutions in Germany, Britain, France and Italy. This process has started in the 1980s in Britain and is more consistent over time than other changes, including the development of market type mechanisms, which has unfolded in a stop and go fashion. Managerialism, on the contrary, has been an impressively resilient reform pattern, expanding into areas which were originally not affected, such as social policy.

Organisational convergence enhances the emergence of a dominant organisational model, namely a welfare delivery state normatively sanctioned by its adherence to autonomy and the enterprise formula. Even more striking than the visible empirical phenomenon of homogenisation is its rationality and major drivers, for here lies the potential challenge to the welfare state, as conceptualised in the TRUDI constellation. If the empirical link between autonomy and performance is inconclusive, why would policy makers adopt, at an early or later stage, this model so ubiquitously and with such vivid commitment, as to trigger even fierce resistance and internal organisational conflicts with the professionals? One could argue that it is a risk-shifting device for devolving financial losses to agencies, or delegation to networks in order to be able to cope with increasingly complex environments. These theories, however, do not explain adequately why organisations are conforming precisely to these models of structural autonomy and the self-governing enterprise.

Reshaping and restructuring the State of welfare is a highly visible endeavour, which offers legitimation to governments. Attending to the appearance of sustaining 'innovative', 'efficient', and 'modern' institutions is certainly not a new instrument of produc-

ing political legitimacy. Policy fashions have always existed. Notwithstanding, what is new and worth of greater research attention is that decreasing variance between countries and welfare regimes does not only pertain to policy fads or symbolic politics, but also to real changes to old organisational solutions. This originates new patterns of relationships between actors and new internal conflicts of the system of service delivery. It would be empirically inadequate to reduce changes of public management in social policy to a convergent rhetoric. This is an important element of legitimation, but the phenomenon here observed goes beyond symbolism and extends to institutional change.

Unless we appreciate the institutional and transformative changes affecting welfare service delivery in schools and hospitals in Germany, Britain, France and Italy, taking the argument beyond a value-laden debate of the odds of managerialism in social policy, the understanding of the back-door challenge to the welfare state remains elusive. Economic efficiency and performance goals, presented as the apolitical, technical, and inescapable solutions to financial constraints and scarcity of resources, mask the political need for alternative instruments of legitimation for the State. Such an argument should not, though, lead us to ascertain that political action stops at the symbolic level. Under some circumstances, it does clearly not, as this paper has established. What is most important than debating about the discrepancy between political words and deeds, is the consequences for the welfare delivery state of such massive intrusion of new public management ideas. Distributional political conflicts are being displaced to increasingly technical and apolitical arenas, legitimated by the process of autonomisation. Managers are located in a pivotal role and politicians are increasingly separated from service delivery, as the case of France and Italy indicated. A new challenge is in sight for the European welfare state, a challenge that comes from within its own institutional development, driven by homogenisation toward a new organisational settlement, dictated by ‘autonomy’.

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