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**"POTENTIAL AND LIMITATIONS OF NEW PUBLIC
MANAGEMENT IN DIRECT DEMOCRACY SYSTEMS:
THE CASE OF SWITZERLAND"**

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Potential and Limitations of New Public Management in Direct Democracy Systems: The Case of Switzerland

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Abstract:

The paper contains a preliminary assessment of Switzerland's experience with NPM. It comes to the conclusion that the potential for NPM in a direct democratic political system like Switzerland's is rather limited. NPM is mainly feasible in politically uncontested fields of public policy (services of general societal use like waste disposal or administrative reorganisation) and only when decision-making and policy-implementing powers are situated at the same level of political and administrative organisation (federal, cantonal, communal). Any more ambitious intentions for NPM will be delimited by the constraints of the existing political system. A change in this system is hardly feasible and politically undesirable. At national level, the Swiss political system may well be unique in the world. It may nevertheless be of interest for the many ongoing supranational integration processes worldwide based on common interest, consensus and negotiation.

Potential and Limitations of New Public Management in Direct Democracy Systems: The Case of Switzerland

1 Introduction

For several years now, New Public Management (NPM) as a new way of running the State, a new philosophy of management or even a "management revolution in public administration" (Haldemann 1995) has been spreading in many industrialized countries. "More performance with less regulation" (Schedler 1995) is perhaps the simplest common denominator of a wide-ranging assembly of visions and measures that are suggested and explored in many countries in different combinations and with various political objectives.

Several elements of NPM are, however, not quite new, at least in the case of Switzerland with its long tradition of decentralized policy implementation, in that they leave many societal tasks to private and non-governmental organisations and adapt public services to the particular needs of the target groups. Nevertheless, NPM as a new orientation for State activities is quite relevant in current academic and public debates (cf. the debate on New Public Management in the last issues of the Swiss Political Science Review).

With its highly developed direct democracy system and extremely weak central State, which delegates a lot of political power to the level of the Cantons, Switzerland has long been a special case among the Nation States of the world. And it is precisely these particular political conditions which, on the one hand, foster a close relationship between the citizens and the State while probably constituting an insurmountable obstacle for implementing NPM on a large scale nationwide, on the other.

This paper intends to make a first tentative assessment of the potential and of the limitations of NPM in the Swiss context. This assessment may not only be

of interest to Switzerland, but also to a wider public in developed and developing countries which are attracted by NPM.

2 Main Characteristics of New Public Management

Rather than being a strong and consistent theory, NPM is a set of interlinked ideas about how the modern State should work efficiently and effectively. Based on a publication by Christopher Hood, Knöpfel (1995) mentions the following key NPM characteristics:

- monitoring of each administrative unit by a manager with considerable room for policy-management manoeuvre (performance reporting monitoring);
- definition of explicit implementation objectives and standards, success indicators, if possible in quantitative form (mission-driven government, separation of strategic planning and operational execution, performance measurement, separation of founder and provision functions);
- focusing on all product administration activities to the detriment of the production process, because administrative services are to be judged by results, and not by procedures (management by results);
- relinquishing of monolithic State structures, simplification of the public sector by creating independent agencies with a budget, clearly defined objectives and their own management (administrative decentralization; holding structures);
- introduction of clear terms of reference for State agencies in the form of contracts for services which usually have to be provided on a competitive basis (sourcing out, or sourcing in, for example by benchmarking or competitive tendering);

- replacement of bureaucracy on military lines by private-sector style management (salaries based on merit, management of human resources, abolition of civil servant status) ("lean management");
- reduction of product-based costs (introduction of real costs; "do more with less"; abandonment of annual budgetary principles, maximum value-for-money orientation, earning rather than spending, cost accounting, controlling).

These general elements, which are based on experience in Australia, New Zealand, Canada and the United Kingdom, might be supplemented by a number of additional features. According to Buschor (1995), the most advanced protagonist of NPM in Switzerland, three of them are of particular relevance, at least for this country:

- gearing of administration to customer requirements (customer empowerment, introduction of genuine customer surveys);
- dropping of conditional programming principles in favour of end-programming;
- guaranteed freedom of choice for citizens and a wider range of State services - for instance, by distributing vouchers, cash grants for training, social assistance, health, etc.

3 Particularities of the Swiss Political/Administrative System

With a yearly net per capita income of some US \$ 40'000, Switzerland is one of the richest countries in the world. It has about 7 million inhabitants, 15% of them foreigners. The nation consists of 4 different domestic language groups, each of them also forming a separate cultural region.

The political/administrative system consists of the Federal State, 26 Cantons and about 3000 communes. It is characterized by the principle of bottom-up subsidiarity (whatever can be done by the lower level is not to be transferred upwards) and a very high degree of participation at all levels. Changes in the Constitution and laws at all three levels are submitted to a popular referendum, and new constitutional articles can be initiated by any interest group that manages to collect 100'000 voter signatures within one year.

The fear that the whole political/administrative system could be blocked by popular referendums and initiatives led to an extremely high degree of consultation of all relevant interest groups when drafting new laws. This is a major reason for the low degree of innovation and the slow pace of any kind of modernisation and reform.

Governments at federal and cantonal level integrate all major political forces. There is no strong opposition party which does not participate in the government. Governments function as purely collegiate authorities, working by consensus and having no official leader.

The administration is highly fragmented and dominated by particularistic orientations. Each of the seven members of the collegiate government (Federal Councillor) is at the same time head of a Department which is the highest level of administration, thus combining a variety of offices which, in many other countries, would have the functions of a ministry.

The strong political instruments of direct democracy and the principle of collegiate government largely explain why Switzerland is administered rather than governed. A Federal Councillor is the sole head of his administrative Department rather than a member of the collective government which has to take consensual decisions that might touch on his particular sphere of interest. (PVK 1993) In Switzerland, governing is concentrated to a high degree on "negative coordination" (Scharpf 1972).

The Swiss political/administrative system features few full-time professionals. Like the Army, many public policy domains are run on militia lines. Members of smaller cantonal governments work on a part-time basis and all members of parliaments execute their mandate in addition to their careers and have no professional support for their political work. The administrations are rather weak, leaving many tasks to ad hoc or permanent extra-parliamentary committees made up of experts and representatives of interest groups.

Federalism is also the dominant factor in policy implementation. In most cases, legislation as well as implementation are the joint task of two or three levels of administration (federal, cantonal, communal). This way of implementing federalism is extremely complicated as the tasks, powers and the flow of resources are completely non-transparent. There is no clear division between politics and administration, either at the level of governments (dual role as member of government and head of administrative unit), or at the level of the people and the parliaments or as regards all the relevant interest groups which can intervene at many operative levels in the implementation process. (Germann 1996).

4 Swiss Experience with NPM

4.1 Implementation of NPM

The NPM debate attracted a lot of attention in politics and administration across traditional left-right boundaries. A wide variety of experiments on NPM lines have been undertaken, mainly at the cantonal and communal levels of administration. In an initial attempt at presenting an overview of the then present situation in Switzerland, Haldemann/Schedler (1995) have identified two NPM-oriented projects at federal level, ten undertaken or planned by the Cantons and eleven by the communes. Most of these projects consist of internal administrative reforms aimed at increasing the efficiency of the administration, whereas politically sensitive methods (like privatisation or outsourcing) and subjects (social welfare, health, education, agriculture etc) are not affected by

administrative reforms aimed at increasing the efficiency of the administration, whereas politically sensitive methods (like privatisation or outsourcing) and subjects (social welfare, health, education, agriculture etc) are not affected by NPM experiments. The one remarkable exception is the Canton of Zurich, which intends to completely reorganise its health and education system. These two cases are however, strongly contested by different interest groups and their implementation has fallen well behind the original plans. Analysing the particular NPM elements in each project, the authors state that the federal projects have the most complete approaches towards NPM, whereas some cantonal and even more communal projects lack crucial elements like agency orientation (clear distinction between "funders" and "providers", client orientation of services), professional management of processes (controlling, evaluations etc) and human resources.

4.2 Initial assessment: potential and limitations

Though none of these experiments has yet been evaluated, a few initial conclusions can be drawn:

- NPM-oriented administrative reforms are usually welcome and implemented without controversy in administration proper (increased efficiency and effectiveness) and the implementation of services of general utility that are generally uncontested (such as waste disposal, counselling, provision of computer services etc.);
- There is a lot of discussion about, and plans for, NPM-oriented modernisation in highly political areas like health, social welfare or education. It seems, however, particularly difficult to implement these projects, due to the strong resistance of interest groups which fear that these experiments will not only increase efficiency and decrease costs but will also have an undesirable redistributive effect.

- To date, all NPM-oriented projects are restricted to one particular administrative level. Projects spanning different administrative levels do not exist and are not planned for the time being. This may be mainly because there is no clear demarcation of political and operational competence between, as well as within, the different included administrative levels.
- The ongoing reform of financial compensation between the federal State and the Cantons, which aims at clarifying and separating powers and at creating transparency both as regards input and output, is still under political discussion. Initial reactions from the Cantons as well as from some private interest groups show, however, that this reform project will face strong political resistance.

This initial assessment of the potential and limitations of NPM in Switzerland tallies with one of the main findings of a comprehensive national study on law-making and policy implementation in Switzerland (Linder 1987), which stated that there is a strong correlation between the innovative capacity of the Swiss system and the degree of political consensus within the federal and the cantonal levels as well as between these two levels.

4.3 NPM between economic needs and political dysfunction

Since the early 1990s, Switzerland has been facing its worst economic crisis since the 1930s. The following indicators briefly illustrate the present economic and social situation in the country. Unemployment, which according to federal labour-force statistics for 1950 to 1990 has never exceeded 1% of the economically active population, stood at 4.3% at the beginning of 1996 and was still rising. After an average yearly GNP growth rate of over 2% in the Eighties, the national economy had almost ground to a total halt in 1995 with the GNP growing only 0.02% (BFS 1995). The federal public debt, which was 12.4% of the GDP in 1970, hit a record 23% at the end of 1995, and for the end of the century, the federal treasury is forecasting a figure of 26%. Even if, in interna-

tional comparison, these figures might not be called alarming, they show that Switzerland, after a long period of constant economic growth and increased social well-being, finds itself in an uncomfortable situation and the prospects for the immediate future are not encouraging. It is therefore more than understandable that NPM, as a recipe promising "more with less", attracts the interest of those responsible for developing solutions to the present problems.

Economic crisis means more problems to be solved by the State at a time where fewer resources are coming in. The political/administrative system as the responsible framework for solving societal problems is under growing pressure. As increasing revenue is economically and politically difficult, the State is concentrating on implementation and output. Savings, task reduction and increased efficiency are on the agenda.

Initial experiences with NPM show that the main obstacle to NPM in Switzerland is its incompatibility with the political system. In addition to its pragmatic problem-solving functions, the State also has the political functions of producing and consolidating national social cohesion. In Switzerland with its dynamic societal diversities, the construction of legitimate national unity is a permanent and very crucial task. Cohesion is achieved through a high degree of popular participation in all phases of the political process. Participation in a consensual system promises something, however little, for everybody, making it an important element in societal legitimation through the State. Participating in political decision-making and having more at the end of the day constitutes an individual growth experience. This system works as long as the system as a whole is growing and as long as there is no transparency allowing cross comparisons to identify winners and losers.

In most cases, federal laws tend to lack precision. Cantons and communes define complementary legislation. Thus, the final effects of federal programmes often vary considerably due to different interpretations of federal laws and to differently slanted cantonal and communal legislation. (Dellay et al. 1982; Linder 1987).

Another constituent element of federal policy implementation is the vagueness of the objectives due to the consensual decision-making process and the politically justified need to leave scope for subsequent differentiation. Without clear and measurable objectives and without sufficient transparency of the flow of resources, it is not possible to conduct outcome evaluations. The evaluation of policies designed and implemented using NPM is, however, indispensable.

It is evident that, from an economic perspective, the Swiss policy implementation system lacks efficiency and effectiveness, even if both are not exactly measurable. It is equally evident that the Swiss political system is functional, permanently involving all relevant groups in the State when their interests are at stake. Transparency is an economic precondition for improving efficiency and effectiveness but it is politically dysfunctional. The possibility of making comparisons across the board as to who gets how much would aggravate redistribution conflicts, polarize the country and call its cohesion into question.

5 Outlook and Lessons to be learnt from Switzerland

The Swiss political model is currently going through a crisis. With the general trend in most advanced societies towards individualization of lifestyles, demands on the State are increasing, whereas aspects like solidarity, the mutual right to participate and awareness of the need to throttle back individual wants in the higher interests of society as a whole are on the wane. Popular participation in national elections, which had declined slightly but steadily throughout the century, has plummeted from 66% at the end of the Sixties to 42% in the mid-Nineties (BFS 1995). Abuses and corruption at all levels of politics and administration, something virtually unheard of in Switzerland until the end of the Eighties, have cropped up frequently in recent years, leading to the setting up of a considerable number of special parliamentary committees to conduct investigations and assign responsibility.

Thus, the loss of the political system's authority and legitimation is evident and striking, particularly at a time when the economic situation calls for common efforts, as already mentioned. The State has the task of solving the problems identified by the politically relevant forces. But it also has the task of keeping the disparate elements of society together in order to legitimate the whole societal system and to reproduce it. In Switzerland, federalism is a major element in fulfilling these political functions. This is how society constantly reconstructs and legitimates itself. Dwindling financial resources, growing social problems and more and more legitimation difficulties are rocking the foundations of the Swiss system: political stability and social well-being.

Federalism goes hand in hand with decentralized policy implementation. It guarantees that service providers are in close touch with their clients. But Swiss federalism is not tantamount to decentralisation - it is the result of a non-centralized political system. With this given situation, NPM is hardly possible without changes in the political system. Such changes would have to distribute the tasks and powers among the different administrative levels and to concentrate more power at federal level. Thus, implementation of NPM in Switzerland would require centralisation to make decentralisation and devolution possible (Haldemann 1995, Klöti 1995). Such a change is politically hardly feasible, in view of the strong direct-democracy popular power instruments and of the strong position of the Cantons. And even if it were feasible, it may not be desirable because of its politically disruptive effects.

Among the nations of the world, Switzerland with its federalistic and direct-democracy system is probably unique. But growing economic globalisation is relativizing the relevance and the power of Nation States, pushing countries towards supranational political integration. This process of institution-building is continuing, and it is a bottom-up process of integration, based on realization of the need on the part of all concerned. Whenever political integration is a result of free will rather than of conquest and subjugation, the Swiss experience of a culturally disparate nation held together by a common will may well be of interest.

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