

# MEASURING NEW PUBLIC MANAGEMENT AT THE LOCAL LEVEL: EXPERIENCES FROM EU CITIES

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## Abstract

Economic globalization, growingly differentiated and unstable markets, fiscal crises in light of increasing public expenditure are the elements of an uncertain future for local communities. Local communities are captured between the local service provision demands and the global market of local communities that compete for investors. In the context of this ever demanding environment the functions of local administration should be reformed. The article presents the specifics of local management and alongside its reform process under the principles of new public management. The empirical part of the article explains the findings of an extensive study of local administrations in the European Union and their reforms with implications that show the effects of reformed local administration on the economic performance of the local community.

**Keywords:** local management, new public management, local communities, economic performance.



## 1. Introduction

Economic globalization, growingly differentiated and unstable markets, fiscal crises in light of increasing public expenditure are the elements of an uncertain future for local communities<sup>1</sup>. Some local communities have preserved themselves as local societies; others lost their structure and have been for long periods of time subjected to national and international strategies. In any case local communities have to adapt to new circumstances either through innovations in management process or by implementing good practices. The strategy of copying successful public policies and programs has its roots in the change of a development paradigm that took place in the 70's and 80's (Harvey, 1989; Keating, 1998; Brenner, 1999). Globalization effects have caused an increase in the proactive role of local communities that started planning their own development. Local authorities, even those from different socio-political environments, encountered the same challenge of economic development and their answers were similar innovative policies (Mayer, 1995; Porter, 1998; Harding, 2005).

Bramezza (1996) believes that the response of local communities to global influences can differ due to predispositions (historical, legislative, macro-economic) and environment (political, economic, administrative), but a certain type of managing local communities that enables optimal use of potential predispositions and environment, does exist. This opinion is shared also by Pollitt and Bouckaert (2004, p. 8), saying that from external systematic influences, which caused the reforms in the public sector, it is possible to conclude that the reform process of the same kind of organizations (local administration organizations) took its course by the same principles. The prevailing principle for modernizing local management (as a response to global changes) is the implementation of concept(s) of New Public Management (NPM). NPM principles and tools are in extensive use at the local level (John, 2001). Daemen and Schaap (2000, p. 175) proved that NPM tools are rather common at EU local level, other research suggesting similar trends in US local government – New York (Weikart, 2001), Milwaukee (Norquist, 1998) and Indianapolis (Goldsmith and KlaudiKlausen, 1997) – and around the world (Prohl, 1997).

The article is structured on two focal points. First it echoes that local management in post-Weberian era has a special significance because more and more tasks are devolved to the local level. It has to face an increase in the workload alongside competition

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1 In its essence a local community represents a territorial community of people that satisfy their common needs with common activities. An institution, which defines the status of a local community in legal system terminology, is called local self-government. Analytically, local self-government merges two elements: a local community as a sociological element and local self-government as an element of the legal system. Self-government to the local community must be formally granted or recognized by the state. As such it has some characteristics, with which it can be separated from the state administration. Vljaj (1992) claims the following: autonomy, independence, decentralization and democratization which all give local communities the right of jurisdiction over public affairs that are of local importance.

for financial resources and compete in the global market of local communities. Local administration also acts in the context of this demanding environment and has to be reformed in order to be successful. Second, the article presents the results of the study of local administration modernization in the case of 58 cities in the European Union (EU). Previous research of local administration modernization by the NPM model (Hambleton, 2004; Daemen and Schaap, 2000; Weikart, 2001; Norquist, 1998; Goldsmith and Klau di Klausen, 1997; Prohl, 1997) has shown that reforms are being carried out but they have not answered the key question – does reformed management have an actual influence on the overall economic performance of a local community? In this extent, the concluding part of the paper explains statistical correlations between NPM index and (a) average GDP of the local community, (b) average employment rate of the local community, and (c) the Lisbon benchmark (which implies competitiveness of the city). Indicated correlations can offer an answer to actual effects of local administration reforms and with that a convincing argument for further encouragements of similar processes.

## **2. Global changes and local administration**

Local management is in many ways different from management in general (considering mostly management at the national level and not so much management in the private sector). There are multiple reasons for this. Local administration and local government are closer to the user (citizen) and can be more responsive and adaptable to his needs. On the other hand local governments are greatly limited by national legislative frameworks that (can) suffocate development and leadership/management creativity and with that the effectiveness of an individual local community. In such a manner local management has to be even more inventive and creative, so that it can on one hand respond to direct pressures from its citizens and, on the other hand, efficiently ‘steer’ inside the limitations that are given by the state. As well as the *push-pull* effect that is created by the citizens and the state regulation, local management is also influenced by global trends. The latter can be presented in the scope of three global phenomena: *globalization*, *neo-liberalism* and the wave of *decentralization*. These ideas intersect with each other in certain points. So, it is often unclear what is a consequence of neo-liberalism and what is a consequence of globalization. It also has to be taken into consideration that NPM, being a consequence of neo-liberalism, includes decentralization.

*Globalization* can be understood as the pressures from global corporative elites to reduce the role of the welfare state or to reduce the role of the state in general (Habermas, 1991). Some believe that the independence of multinational corporations from any national state lead to redundancy of states in general (Ball, 1967; Naisbitt, 1994). For Stever (1988) globalization means the end of the public sector, but for Rifkin (1996) it represents the end of work. On the other hand Brezovšek and Črnčec (2007, p. 28) conclude that globalization did not cause the end of the state and its administration

(bureaucracy) and that this will not happen in the near future because relations between market and policy, capitalism and state, public and private sector are interdependent. Globalization also influences the administrative systems of individual states, which are enforced with the possibilities of information technology and requests for better efficiency. All these pressures influence the structure of administrative systems, their autonomy and management methods. Within this, larger centralization (so the state can be more easily involved into supranational administrative networks) or larger decentralization (so non-state actors could become a part of the global action) is requested.

Korten (1995) believes that globalization threatens local communities because it reduces local participation (and with that, democracy). It consequently reduces the role of citizens and also the role of local politics in the decision-making process, which are important for the local environment (Farazamand *apud* Bevir, 2007; Haček, 2010). Multinational corporations can endanger the financial sustainability of the local budget by withdrawing the transfers of production or their headquarters. The task of the local administration is therefore to reduce the financial uncertainty by establishing long-term partnerships with multinational investors.

*Neo-liberal reform* of the public sector has its roots in the 70's. It assumes that with the reduction of the role of administration and the privatization of public services provision, economic growth should occur and service efficiency should increase. Based on economic neoclassical theories a reform wave was triggered in the 80's and there were attempts to implement these new theories and findings (Hughes, 2003). Changes for the local communities, caused by neo-liberalism, are categorized by Brenner and Theodore (2002) as the reduction of state financial support for ensuring public services, devolution of new tasks as well as formation of mechanisms for rewarding business-like behavior. It also promoted a shift from bureaucratically organized local administration to privatization of public services, creation of private-public partnerships and acting on the principles of NPM.

Simultaneously local management is influenced by *decentralization* (transfer of authority from national to local level). Some authors see decentralization as a necessary step towards greater democratization (Diamond, 1999; Hutherand Shah, 1998; Fox, 1994), for others it is a way of a more effective and efficient public services provision (Tiebout, 1956; Prud'homme, 1995; Stein, 1998; Tanzi, 1994). Kroukamp and Lues (2000) believe that the wave of decentralization was caused by the modernization of national administration, democratization and economic pressures, which demanded a more efficient way of public services provision. Due to neoliberal pressures and demands for a lean state, a great deal of public services has been transferred to local authorities. The approach to decentralization is (was) different in each country and depends upon different circumstances (institutional framework, economic stability, historical experiences, civil society needs and similar). Experiences of the previous two decades show that decentralization is used in almost all countries around the world (Dillinger and Fay, 1999).

### 3. Public administration modernization – NPM

Because of the aforementioned pressures on local communities, local management is becoming the element which a community can successfully use to provide public services and enable community development. It should be noted that in this context post-Weberian management types are proposed. Despite many criticisms NPM remains one of the most prevailing modern management paradigms.

Introduction of NPM principles is related to a new, modern organization that is customer oriented, pursues effectiveness and efficiency, increases managers autonomy and responsibility for results etc. NPM is therefore a fusion of traditional public administration normative orientation and the instrumental orientation of business management. We can see management as a new form of state business management in an area, which used to 'belong' to administration, but in a different way and with different emphasis (Dunleavy and Hood, 1994). Cross-country comparison shows that NPM reforms manifested themselves in different forms. Flynn and Strehl (1996) believe that the foundation for differentiating administration lies in constitutional arrangements, political opinion on the national and local level, public relation to the administration and to those employed in administration, skills and knowledge of public sector managers, ideological and political beliefs as well as administrative culture. Further they claim that countries with a strong central government implement reforms much easier because of their supervision over public administration. In countries with greater decentralization and where local self-government has certain autonomy and constitutional protection, reforms are more difficult to carry out.

The wide spectrum of reform manifestation in different countries opened the door to numerous critics, which argued that NPM is not a paradigm because its implementation is not unified and therefore it is not necessary that it originates from the same social effects. Brezovšek and Bačlija (2010) establish three central points of criticisms. The first is that NPM represents the 'emperor's new clothes', meaning only excitement and no content. Because it relies on a wide range of management tools from the private sector, some authors of NPM added some tools based on their personal judgment or completely neglected others<sup>2</sup>. In this context NPM lost the battle of 'recognisability' as it was all and nothing at once. And it did not give answers to some old dilemmas or problems of management. The second criticism is connected to the findings of NPM evaluation, which in some countries revealed that NPM was not able to reduce costs per unit of public service/good (Hood, 1991). With the help of some measures to reduce financial sources for public organizations, in the opinion of some (see Nethercote,

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2 Kettl (1995, p. 14) for example believes that 'NPM includes contradictive goals', Ferlie *et al.* (1996, p. 10) see 'new public management as an empty canvas... you can paint anything on it'. Beside that the paradigm is differently interpreted and that consequently leads to inconsistencies, for example 'public managers have more discretion' (Kaboolian, 1998) and 'public employees are limited in discretion' (Barberis, 1988).

1989), they attained only system instability and not measurable final results. The third frequent criticism is that NPM does not speak in favor of public good but that it is a lever for satisfying particularistic interests. NPM should therefore be only a tool of such administrative elite, which desires to usurp even more power and desires to progress in the civil service system.

### 3.1. NPM at the local level

Alongside different manifestations of NPM paradigm in different national systems it is expectable that there are differences on the national/local line of separation. But the question still remains if we can discuss about general guidelines of NPM at the local level or are there about as much (if not more) manifestations of NPM as there are local-self-government systems? Nevertheless some authors predict that some general guidelines of local level NPM can be drawn, although this is not backed up by empirical evidence.

Stoker (1996) prepared an attempt of presenting the influence of NPM on the local level (Table 1). The main focus of NPM at the local level is oriented especially towards the quality of services and economic efficiency. The proximity and nature of the local community make the citizen more important as a user of public services, which can bring together traditional and consumer participation methods.

Table 1: Eras of local governing

	Elected local government in post-war setting	Local government under New Public Management
<i>Key objectives of the governance system</i>	Managing inputs, delivering services in the context of a national welfare state	Managing inputs and outputs in a way that ensures economy and responsiveness to consumers
<i>Dominant ideologies</i>	Professionalism and party partisanship	Managerialism and consumerism
<i>Definition of public interest</i>	By politicians/experts. Little in the way of public input	Aggregation of individual preferences, demonstrated by customer choice
<i>Dominant model of accountability</i>	Overhead democracy: voting in elections, mandated party politicians, tasks achieved through control over the bureaucracy	Separation of politics and management, politics to give direction but not hands on control, managers to manage, additional loop of consumer assessment built into the system
<i>Preferred system for service delivery</i>	Hierarchical department or self-regulating profession	Private sector or tightly defined arms-length public agency
<i>Approach to public service ethos</i>	Public sector has monopoly on service ethos, and all public bodies have it.	Skeptical of public sector ethos (leads to inefficiency and empire building) – favors customer service
<i>Relationship with 'higher tiers of government'</i>	Partnership relationship with central government over delivery	Upwards through performance contracts and key performance indicators

Source: Stoker, 2005, p. 8

By all means Stoker points out the prevailing service function of the local level and the proximity between citizens and local authorities, which distinguishes administration reforms on the local level from administration reforms on the national level. At the same time, though, the aforementioned criticisms of NPM should not be overlooked, because the same analogy can be applied to NPM at the local level.

### 3.2. Measuring NPM in EU cities

We have already established that empirical research on the implementation of NPM is scarce in general and even more so at the local level. Exceptional research does report on implementation of the NPM reform on the city level (Hambleton, 2004; John, 2001). Daemen and Schaap (2000) for example, have proven on a sample of 15 cities, that NPM tools at the local level in Europe are generally used. We have conducted a similar research targeting EU cities in a research entitled 'Urban management in EU cities', that took place from June 2009 to September 2009 (the survey included many institutional and operational elements of urban management, NPM being only one of them). The goal of the research was to establish whether NPM reform is implemented in the EU cities and to what extent. Questionnaires about implementing individual elements of NPM reform (Table 2) were sent to the highest-ranking civil servants in the city administration – urban managers. Thus only subjects working within the city administration could answer our questions. Although there are some differences between national local government systems and the framework of the institutional organization within the local governments, and thus also the position of an urban manager, we have to some extent ignored these differences between countries, at our peril. The questionnaires were sent to 120 selected cities<sup>3</sup>, 58 of those have answered<sup>4</sup>.

Quantitative assessment of the implementation of a wide range of NPM tools and mechanisms is highly difficult. Therefore we have used Brudney, Hebert and Wright's (1999, p. 22) model of measuring the implementation of the NPM paradigm with the following indicators<sup>5</sup>:

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- 3 Only cities included in the Urban Audit database were taken into consideration for survey, since data for independent variables is provided only for those cities. The aim was at providing a balanced and representative sample of cities in Europe. Therefore all capital cities and, where possible, regional capitals were included, in our survey. We included both large cities (more than 250,000 inhabitants) and medium-sized cities (minimum 50,000 and maximum 250,000 inhabitants); as a general rule, approximately 20% of the national population was covered. The selected cities were geographically dispersed within each Member State. The 58 cities included in this research did not differ significantly from the whole observed population (120 cities). The largest difference was in population density. In total the most-densely populated city is Bucharest, with 40,155.17 inhabitants per km<sup>2</sup> but the study 'Urban management in EU cities' reported that it was Brussels, with 6,195.93 inhabitants per km<sup>2</sup>.
  - 4 Aarhus, Antwerp, Banska Bystrica, Bialystok, Birmingham, Bonn, Bordeaux, Breda, Brescia, Brno, Bruges, Brussels, Budapest, Bydgoszcz, Cagliari, Ceske Budeovice, Debrecen, Edinburg, Eindhoven, Essen, Gent, Glasgow, Graz, Helsinki, Innsbruck, Kielce, København, Krakow, Le Havre, Leeds, Liberec, Limerick, Linz, Ljubljana, Luxemburg, Madrid, Malmö, Maribor, Modena, Nice, Oulu, Plzen, Poznan, Reggio di Calabria, Riga, Rotterdam, 's-Gravenhage, Stockholm, Szeged, Tallinn, Tartu, Uppsala, Utrecht, Venice, Verona, Vigo, Vilna and Wroclaw.
  - 5 Urban managers were asked to assess on implementation of individual NPM reform elements (see Table 2) (e.g. educational programs for improving public services; training for teamwork and team problem solving etc.). Possible answers were: 'no changes considered'; 'considered, no action yet'; 'action(s) planned'; 'partially implemented'; 'fully implemented'.

- training programs to improve client or customer service;
- quality improvement programs (courses, trainings, workshops and similar) for promoting teamwork and solving problems;
- benchmarks for measuring program outcomes or results;
- strategic planning, that produces clear agency mission statements;
- simplification and relaxation of human resource (personnel) rules;
- privatization of major programs; and
- reduction of levels in the agency hierarchy.

Based on these indicators we have prepared the NPM index. This index is a sum of recoded values of answers<sup>6</sup> and is the base for the assessment of an individual city administration reform level.

Furthermore we wanted to check if the implementation of NPM is in any way related to economic performance of the local community. This correlation would help understanding if administration reforms are a factor in improving overall economic performance. We are following the theoretical framework that NPM reform consequently results in more effective and efficient city administration, thus (presumably) meeting citizens and investor's needs. Cities that attract investors and labor should do better in terms of economic performance. For this purpose we merged our data with Urban Audit<sup>7</sup> data. To calculate some other values we used Eurostat databases as well. In the final phase of the research we processed the gathered data with the SPSS computer software, where we joined answers and variables from the Urban Audit database in the same matrix.

### **3.3. Results**

After recoding and categorizing data we can conclude that 21.1% of the observed local administration have not been reformed, 45.6% are in the first phase of reform and 22.8% are reformed (10.5% of respondents did not answer this question). From Table 2 we can see that the introduction of strategic management for defining clear goals (average value 3.69) and the training of employees for public service improvement (average value 3.60) are most commonly implemented elements of the NPM. The least used are the reduction of hierarchical levels in local administration (average value

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6 For answers: 'no changes considered'; 'considered, no action yet' and 'action(s) planned' ranked as a value of zero; for answers: 'partially implemented' and 'fully implemented' we ranked as a value of one. The highest NPM index value is seven. Index classification is as follows: 0-2 = no reform; 3-5 = first phase of reform; 5-7 = reform is in place.

7 The Urban Audit provides European urban statistics for 258 cities across 27 European countries. It contains almost 300 statistical indicators presenting information on matters such as demography, society, the economy, the environment, transport, the information society and leisure. The Urban Audit was conducted at the initiative of the Directorate-General for Regional Policy at the European Commission, in cooperation with EUROSTAT and the national statistical offices of the 27 current Member States.

2.38) and the privatization of larger public programs (average value 2.52). These results are somewhat surprising, not so because of the percentage of local administrations which implemented NPM elements, but more because of the elements that are most commonly introduced. Neo-liberalism, which manifested also in the NPM paradigm, tries to reduce the role of administration and promote privatization of public service provision (Hughes, 2003). But our research shows that city administrations in the EU do not use the principle of privatization very often. The most attention is given to educating staff and strategic planning. Due to limitations using quantitative approach (Brudney, Hebert and Wright's indicators) we are not able to offer a more detailed picture as of what *strategic planning* or *goal setting* refers to. However some valuable conclusions can be drawn.

Table 2: Local administration reform regarding individual NPM elements

	1-no changes considered (in %)	2-considered, no action yet (in %)	3-action(s) planned (in %)	4-partially implemented (in %)	5-fully implemented (in %)	Average (scale from 1 to 5)	Standard deviation
Educational programs for improving public services	11,5	1,9	9,6	40,4	30,8	3,60	1,524
Training for teamwork and team problem solving	9,6	9,6	15,4	34,6	25,0	3,38	1,497
Benchmarking for better assessment of our products	11,5	7,7	11,5	46,2	13,5	3,13	1,560
Strategic planning, which sets clear goals of the organization	7,7	5,8	5,8	42,3	32,7	3,69	1,476
Simplification of personnel rules	21,2	5,8	21,2	36,5	9,6	2,90	1,485
Privatization of major programs	26,9	15,4	15,4	25,0	9,6	2,52	1,540
Reduction in the number of levels in the hierarchy	34,6	23,1	13,5	7,7	17,3	2,38	1,549

Source: Bačlija, 2010 (N=58)

The next step is an analysis of statistical correlations between the NPM index and independent variables that imply economic efficiency which could be a consequence of NPM reform. This was measured with *Lisbon benchmark*, GDP (Gross Domestic Product) per capita and average employment rate. *The Lisbon benchmark* is an index which assesses the realization of the Lisbon strategy and it is closely connected with the competitiveness of an observed city. The Lisbon Agenda refers to reforms intended to implement the EU's strategic goal, to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion (Urban Audit, 2004). *Lisbon benchmark* contains the following variables:

- GDP in relation to the entire population;
- work productivity (GDP per employed person);
- employed residents (the share of employed persons between 15 and 64 years);

- employment level of senior workers (share of employed persons between 55 and 64 years);
- long-term unemployment of the elderly population (share of those who are unemployed for more than 1 year and are between 55 and 64 years);
- share of residents that are currently included in the higher education and university system (share of residents between 15 and 24 years, that are currently included in the higher education and university system in relation to the entire population);
- youth unemployment (share of young people between 15 and 24 years, which have been unemployed for at least six months) (Urban Audit, 2004).

The second indicator for economic performance is GDP per capita that refers to the monetary value of all market and certain non-market goods and services that are produced within a given territory per inhabitant or per head. GDP per capita is the most widely used for the measurement of a territory's economic performance (Stiglitz, Sen and Fitoussi, 2010). However, when measuring GDP per capita in the local community the problem is that it is hard to take into account the commute outside the boundaries of the community. Urban Audit uses NUTS 3 regions as proxies for city GDP, in order to comply with urban labor markets, with a significant reduction of the community problem as a consequence. The second problem is how to reduce national influences. Namely a city can have a much higher GDP per capita than the national average, but in comparison to other cities (in wealthier countries) it performs poorly. For this purpose GDP per capita was recalculated for each surveyed city in comparison to national average GDP per capita (for this purpose Eurostat databases were used). Therefore national influences were minimized. The same recalculation was made for the third indicator of economic performance – average employment rate. Average employment rate is the number of employed persons<sup>8</sup> in the local community. Urban Audit (2004) comments that the concentration of jobs in cities is even stronger than that of residents and that many of Europe's main employment centers are within cities. Yet, as in other parts of the world (Bertinelli and Strobl, 2007), the generated wealth does not necessarily translate into corresponding rates of employment among urban citizens. It is important therefore for the reader to understand that all three proposed indicators for assessing economic performance have certain limitations in assessing *real* economic output of the local community.

The next step of the research was correlating both sets of variables. This was done with the Pearson correlation coefficient, which determines the extent to which values of two variables are proportional to each other. The other test used was multiple regressions, which general purpose is to learn more about the relationship between (a) several independent or predictor variables and (b) a dependent or criterion variable. With

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8 An employed person is a person, aged 15 years and over, living in private households which did any work for pay or profit for at least one hour during the reference week, or was not working but had a job from which he/she was temporarily absent.

Pearson coefficient (see Table 3) we can establish the indication of some correlations. It is indicated that NPM correlates with the GDP per capita and with the Lisbon benchmark, but the correlation with the average employment rate is poor. When we use multi-variable analysis – linear regression, this is confirmed.

**Table 3:** Correlations between variables (Pearson coefficient and beta coefficient)

	NPM index
Average GDP per capita	P=0.317(*) (sig.=0.038) B=0.398 (sig.=0.150)
Average employment rate	P=0.059 (sig.=0.707) B=-0.325 (sig.=0.207)
Lisbon benchmark	P=0.240 (sig.=0.147) B=0.381 (sig.=0.094)

\* The correlation is typical with a 0.05 standard error.

Source: Bačlija, 2010

Both GDP per capita and Lisbon benchmark are correlating to NPM index. Although Lisbon benchmark index includes GDP per capita as one of the indicators, it should be noted that it also includes employment rate that is negatively correlated to NPM index. Therefore Lisbon benchmark has some other cumulative effects that cause linkage. It is not the goal of this article to discuss the measuring methods of economic performance, but more so to comment on connection of NPM reform and economic performance of local community. Our survey confirms that there is a correlation between NPM reform implementation and economic performance of the city. This fits well into the theoretical framework of NPM proponents as it implies that city administration reform can have tangible results. It is not clear however if the economic performance is the consequence of NPM reform (or at least partly a consequence of NPM reform) or if wealthier cities are more likely to implement NPM reform (for reasons not yet researched). It appears, however, that the national system does not have much (or even any) influence on whether NPM reform was employed or not. Since there is a variety of legal frameworks and other national differences that influence the formal structures of municipalities and guidelines for administrative reforms we also stipulated that national systems could influence NPM reform implementation, but no proof for that statement was found (there was no correlation between NPM reform and a specific country or even a wider geographical area – e.g. north/south). It could be that (as Lehto (2000) pointed out) despite differences in national frameworks, cities in the EU have similar planning traditions and settings to provide services.

#### 4. Concluding remarks

Undoubtedly globalization, decentralization and neo-liberalization trends have strongly influenced the way local community administrations operate (Judd and Parkinson, 1990; Harding, 2005; Dunford and Kafkalas, 1992; Le Gales, 1998). These are under the growing pressure of ensuring more and more public services which are being transferred from the national level. At the same time the demands of citizens are increasing due to the influence of private sector service. Besides that, local communities

also compete on the global market for investors. This poses an additional burden for local administration, because they operate in a rapidly changing, almost business-like environment. It is necessary for local administrations to reform, so that they can successfully face all challenges. Either they do that by implementing NPM or by any other reform method. Although NPM proved to be a rather (too) extensive concept (as Ferlie *et al.* (1996, p. 10) describe it 'as an empty canvas... you can paint anything on it') and being the target of multiple criticisms, it still remains one of the most recognizable and most frequently used method for administration reform.

In this article we presented that almost all of the EU cities are in some stage of the process of NPM reform implementation, while 22.8% are fully reformed and 21.2% not reformed at all. Most commonly implemented are reform elements such as the introduction of strategic management for defining clear goals and the training of employees for public service improvement. On the other hand, the least used are the reduction of hierarchical levels in local administration and the privatization of larger public programs. Additionally, we have proved the correlation between NPM reform and economic performance of the city. GDP per capita and Lisbon benchmark, both indicators of economic performance are correlating to NPM index. Linkage between NPM reform and economic performance of local community fits well into the theoretical framework of NPM proponents as it implies that city administration reformation can have tangible results. It is not clear however if the economic performance is the consequence of NPM reform (or at least partly a consequence of NPM reform) or if wealthier cities are more likely to implement NPM reform (for reasons not yet understood).

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