

Managing Austerity: Comparing municipal austerity plans in the Netherlands and North Rhine-Westphalia

Tom Overmans & Klaus-Peter Timm-Arnold

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Abstract

This article attempts to clarify the relationships between the politico-administrative system and responses to austerity by comparing municipal austerity plans in the Netherlands and North Rhine-Westphalia (NRW). Although austerity is a major topic in both states, the approaches differ. In our sample, Dutch municipalities have used the crisis as an opportunity to realize reforms, whereas NRW municipalities have regarded the challenge as a temporary issue and chosen fiscal discipline and stability. Although municipalities seem to deploy similar measures, an in-depth analysis of austerity plans illustrates a wider variety in chosen responses. This variety is shaped by financial autonomy and administrative culture.

Key words

Austerity management, organizational reform, politico-administrative system, municipalities

MANAGING AUSTERITY

Comparing municipal austerity plans in the Netherlands and North Rhine-Westphalia

Tom Overmans
and Klaus-Peter Timm-Arnold

Tom Overmans

School of Governance
Utrecht University
Utrecht
The Netherlands
E-mail: j.f.a.overmans@uu.nl

Klaus-Peter Timm-Arnold

Local Audit Commission NRW
Herne
Germany
E-mail: k.p.timm-arnold@gpa.nrw.de

INTRODUCTION

Over the past six years, austerity management has come to dominate the political discourse in Western countries and beyond (McCann 2013). A combination of declining resources and increased spending has led to daunting levels of fiscal stress. When faced with austerity, public-sector organizations can choose from a variety of strategies on the expenditure side and the revenue side. Although it is likely that these strategies arise from differing ambitions and fit the differing environments of the organizations concerned, there is a relative lack of systematic research concerning the factors that shape austerity strategies (Raudla, Savi, and Randma-Liiv 2013).

It is argued that responses to austerity, like other types of public management reform, are influenced by environmental factors, actor-related factors and organizational factors (cf. Bogumil and Strohmeier 2012a; Pollitt and Bouckaert 2011). Numerous studies have focused on the relationships between environmental factors – mostly duration and severity – and deployed responses (e.g. Raudla, Savi, and Randma-Liiv 2013). Also, a number of studies focus on actor-related factors during periods of austerity (e.g. Dunsire and Hood 1989; Levine, Rubin, and Wolohojian 1981). Because little is known about the relationships between organizational factors and reforms during periods of austerity, this article focuses in particular on the influence of the politico-administrative system.

The politico-administrative system typically refers to *structural*, *cultural* and *functional* elements of a public organization that are likely to affect the character, pace and pattern of reforms (Pollitt and Dan 2011). Pollitt and Bouckaert (2011, 48) introduce five key features that influence the process of reform: basic structure and autonomy, governing conventions, mandarin/minister relations, philosophy and culture of governance, and sources of policy advice. The objective of this article is to show how municipalities respond to austerity and to clarify the relationships between the politico-administrative system and responses to austerity.

FRAMEWORK FOR LOCAL AUSTERITY MANAGEMENT

Municipalities can choose from a variety of strategies when faced with austerity. The nature of their response is affected by multiple features. We build on previous work for creating a framework for analysing municipal austerity plans. Bogumil and Strohmeier (2012a) argue that austerity responses are influenced by socio-economic conditions, institutional factors and actor-related factors. Raudla, Savi, and Randma-Liiv (2013) argue that austerity strategies are a function of two overarching factors: environmental factors and organizational factors. These perspectives consolidate in the model of public management reform (Pollitt and Bouckaert 2011). Pollitt and Bouckaert (2011, 2) consider public management reform as ‘deliberate changes to the structures and processes of public-sector organizations with the objective of getting them (in some

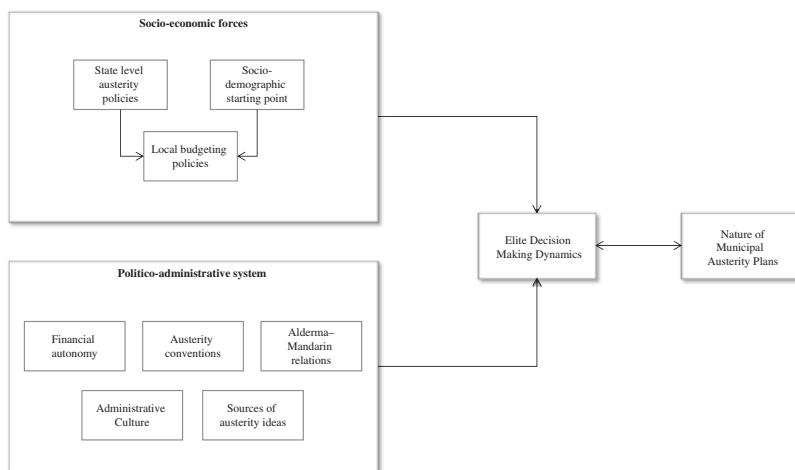


Figure 1: Framework for local austerity management (loosely adapted from Pollitt and Bouckaert 2011)

sense) to run better'. Although we remain aware of the state-level orientation of the original PMR model, we think it also provides a strong basis for developing a specific framework for studying municipal austerity plans. Since many austerity measures include changes in structures, systems and processes which are aimed at reforming organizational activity and performance, austerity measures can be regarded as a type of public management reform.

Our framework for local austerity management (Figure 1) therefore postulates that the *nature of municipal austerity plans* is the product of an *elite decision-making process*. In choosing accurate responses to austerity, local executives and officials are deeply shaped by *socio-economic forces* and *politico-administrative variables*.

Socio-economic forces

We hypothesize that the socio-economic forces consist of two exogenous elements which result in a set of local budgeting policies. The first environmental element that seriously affects the local degree of local budgetary challenge is *state-level austerity policies*. Municipalities are responsible for implementing a part of the reforms imposed by higher levels of government (Bogumil and Holtkamp 2013; Miller and Hokenstad 2014). For instance, cutting the Municipality Fund or decentralizing national tasks without providing adequate budgets is likely to generate large deficits at local level. The size and scope of state-level austerity plans almost automatically affects the scope and size of local austerity management tasks.

The *socio-demographic starting point* refers to the local socio-economic and demographic environment. Changing economic circumstances, demographic developments or decreasing land prices affect municipal income, expenditure and the deficit. It is argued that more advantageous starting points and better prospects facilitate austerity management. For example, municipalities with growing populations and sustainable economic activity are likely to have fewer problems in enlarging their local revenue base (Bogumil and Strohmeier 2012a). The demand for safety-net facilities is also less common in flourishing cities than in failing cities. Conversely, it is expected that poorer municipalities foresee tougher times and harder choices due to declining revenues at the same time as increasing demands for public services.

The socio-economic forces are reflected in *local budgeting policies*, which provide a description of the municipality's financial situation – its starting point, the conditions in which decision-making has to take place and the possible directions open to it.

Politico-administrative variables

The local politico-administrative system refers to *structural, cultural and functional* elements that are likely to affect the processes of municipal reforms. Pollitt and Bouckaert (2011) argue that five key features exert a significant influence over the choice of reforms to be adopted and the feasibility of implementing reforms. Each feature will be discussed in turn, applied to the context of local austerity management.

Financial autonomy refers to the degree of discretionary power over municipal finances. In other words, to what extent can significant austerity decisions be made at the local level? Municipalities in some countries benefit from a revenue base which is substantially local in its source, whereas municipalities in other countries are strongly dependent on transfers from higher levels of government. Municipalities with a low degree of control over their finances typically place more weight on cutting expenditure, and municipalities with a high degree of control place more weight on increasing revenues (cf. Asenova, Bailey, and McCann 2014). Also, municipalities with a high degree of control over finances are more likely to proceed in different directions and at different paces, resulting in more diverse austerity plans.

Austerity conventions refer to the institutional setting in which the municipal responses are developed and decided. That is, to what extent is the austerity trajectory initiated and defined by the municipality itself? In countries with a high degree of local ownership, the trajectory is commonly initiated and defined solely by the municipality. Municipalities have autonomy to develop responses that fit with the local context. The role of higher levels of government or supervising authorities is more or less subordinate, although they have to agree with the budgetary framework and the sustainability of budget decisions. In countries with a low degree of local ownership, the trajectory is commonly initiated and to a degree defined by the proactive

supervising authority. Although municipalities retain their political control over the final responses to be adopted, the development of responses is seriously affected by the authority's involvement. In this case, the trajectory is considered a joint effort rather than a local exercise. Typically, sharing-the-pain strategies are more likely in local trajectories which are open to broader political discussions and a wider range of interests (cf. Pollitt and Bouckaert 2011). Furthermore, it is likely that local ownership increases the coherence between ongoing reforms and new austerity measures.

Aldermen–mandarin relations refer to the relationships between executives and top officials. The relationships between these two elite groups vary considerably from one country to another. For instance, municipalities in some countries are led by elected mayors with significant local political control, whereas municipalities in other countries are led by crown-appointed mayors who chair the board of aldermen more or less as a non-political *primus inter pares*. Also, in some countries, the municipal administration and its officials are led by the mayor, whereas local administrations in other countries are led by professional city managers. Where aldermen and mandarin roles are heavily intertwined and partnership occurs, it is expected that austerity plans can be implemented more easily. Higher politization, on the other hand, creates a bigger gap between executives and officials, most likely resulting in less legitimacy and less willingness to cooperate.

The *administrative culture* refers to embedded factors which shape the impact of reforms, and is hard to transform in the short term (Pollitt and Dan 2011). Most public-sector organizations seem to be guided either by the *Rechtsstaat* model or the *Public Interest* model (Pierre 1995). From the *Rechtsstaat* perspective, municipalities have a central role in society and its focal concerns are with the effectuation and enforcement of laws. Senior officials are commonly trained in the law. The bureaucratic stance will tend to be one of rule-following and precedent, and the actions of officials and citizens will be set in the context of correctness and legal control (Pollitt and Bouckaert 2011). The law is seen as a socially necessary element, and there is attention for precedent and equality. From the *Public Interest* perspective, municipalities have a less dominant role in society, and their power needs to be as minimal as possible. Although the law is considered an essential element of governance, it is usually in the background rather than the foreground (Pollitt and Bouckaert 2011). Senior officials are commonly pragmatic and flexible generalists who work for a government that guarantees fairness and independence. It is argued that municipalities with *Rechtsstaat* regimes are less reformable because of the dominant legalism and regulation, and the traditional service system (Reichard 2003).

Finally, *sources of austerity ideas* refer to the number and variety of channels that introduce innovative ideas and so provide local decision-makers with alternatives for managing austerity. Ideas can be brought in by homogenous groups (other municipalities) or competing sources (business consultants, focus groups, academics). A broader mixture of ideas generally results in a higher number of response types.

Municipal austerity plans as result of elite decision-making

The decision-making process is at the heart of the framework because municipal austerity plans are commonly deployed top-down. The major concern of decision-making is to find the perfect fit between what is desirable and what is feasible (Pollitt and Bouckaert 2011). Because city leaders cannot always get what they want during periods of austerity, decision-making on fiscal consolidation is highly political (cf. Kickert 2012).

COPING WITH AUSTERITY

There is a large body of literature focusing on austerity management, and related themes as cutback management or fiscal stress management (for a comprehensive literature review, see Raudla, Savi, and Randma-Liiv 2013). Unlike cutback management, austerity management and fiscal stress management strategies cover both the expenditure side and the revenue side (Raudla and Kattel 2013; Konzelmann 2014). In this article, austerity management is considered as the management of 'executive and managerial responses, aimed at restoring the fiscal balance, against the background of increasing demands for public services and political and public expectations of organizational performance' (Overmans and Noordegraaf 2014, 101).

Although it also commonly has political motives and efficiency motives, a key objective of austerity management is the restoration of the fiscal deficit. However, there are many approaches to restore fiscal balance. For instance, a distinction can be made between the classic approaches, which consider the challenge as an isolated response to overcome a temporary crisis, and the contemporary reform-oriented approaches, in which 'it seems logically that austerity measures are conducted in such way that considers the long-term effects rather than simply being focused on achieving short-term budgetary savings' (Asenova, Bailey, and McCann 2014). It is widely accepted that austerity management should be regarded as a holistic encounter towards sustainable performing organizations, and not as an isolated financial operation (Bozeman 2010).

Understanding municipal responses

Austerity occurs at all levels of government, but it is most noticeable and detrimental at the local level (Miller and Hokenstad 2014). When faced with austerity, a wide variety of responses is available to restore equilibrium. Several authors have tried to categorize these responses. Raudla, Savi, and Randma-Liiv (2013) make the 'basic distinction' between across-the-board cuts and targeted cuts. The first refers

to cuts in equal amounts or percentages for all services while the latter implies that some services face a larger cut than others. Pollitt (2010) distinguishes between three approaches: cheese slicing, efficiency gains and centralized priority settings. He suggests that his additional approach, efficiency gains, 'appears to be politically and organizationally the most desirable way to make savings'. However, Pollitt points out, efficiency gains require organizational reform and upheaval, while the predicted gain is disputable.

This article adopts the categorization that is developed and tested at the local level by Overmans and Noordegraaf (2014). On the basis of an extensive literature review, the authors have developed a classification of responses based on two underlying dimensions. The first dimension considers austerity measures either as (a) *fiscal* or (b) *organizational*. (a) *Fiscal measures* focus directly on balancing the fiscal budget; reducing deficits is the main objective. For instance, 'lowering service expenditure' directly closes a gap in next year's budget and limits managerial budgetary autonomy. However, unsubstantiated fiscal measures cannot be deployed indefinitely without affecting the level of public services or performance. On the other hand, (b) *organizational measures* focus primarily on organizational structures and systems. Organizational activity and performance are the main objectives; reducing deficits is an indirect result. For instance, 'decentralizing youth care' is principally used to improve the performance level, but – especially in periods of austerity – it is also aimed at reducing the level of expenditure.

The second dimension argues that austerity measures focus either on (c) *stability* or (d) *change*. (c) *Stability measures* are predominantly aimed at the superficial reduction of activity and budgets; lowering the level of expenditure is the main objective. Often stability measures can be reversed in times of prosperity. For instance, 'reducing the level of city maintenance' results in the short-term reduction of expenses, but will likely be reversed in times of economic windfall. Stability measures accept the *status quo* and make little or no contribution to the preservation or improvement of public value. (d) *Change measures*, on the other hand, are proactive, targeted and aimed at the long-term viability of an organization. Re-strategizing and improving performance are the main objectives; reducing (slack) activity and expenditure are indirect results. For instance, 'optimizing work processes' is about the elimination of waste and cost reduction, but its customer-centric methodology also emphasizes higher levels of performance and customer value.

By combining the two dimensions into a two-by-two table, four austerity strategies become apparent: organizational cuts, fiscal cuts, fiscal changes and organizational changes (see Figure 2). Because austerity responses are often ambiguous and politically framed in the debate, we stress that the selected classification should be considered as a continuum rather than as completely separate categories.

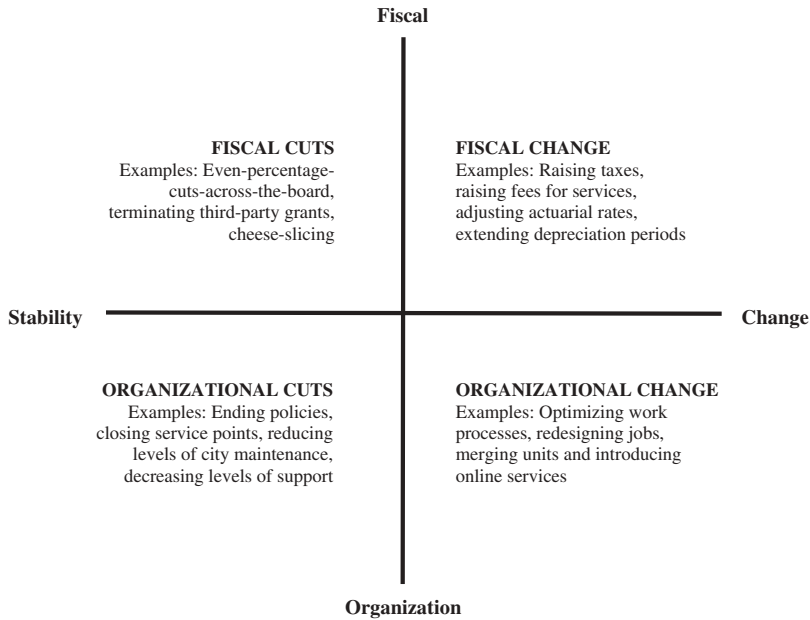


Figure 2: Responses to austerity (Overmans and Noordegraaf 2014)

RESEARCH DESIGN

This article aims at clarifying the relationships between the politico-administrative system as an independent variable and the nature of austerity plans as the dependent variable. In line with the framework (see Figure 1), this required a research setting with (a) minimum variety for the 'socio-economic forces', (b) maximum variety for the 'politico-administrative system' and (c) detailed information about deployed austerity measures in municipalities. (a) In order to select municipalities with comparable exogenous circumstances, data were required on the socio-economic context of potential cases. This was done using the typology of city types developed by Bogumil and Strohmeier typology (2012b). Municipalities were clustered into specific city types on the basis of multiple socio-economic and demographic dimensions – such as purchasing power, poverty rate, unemployment rate, characterization of population and demographic forecasts. By selecting municipalities from similar cluster types, the socio-economic differences were minimized. (b) In order to maximize politico-administrative variety, a cross-national study was conducted in two countries where municipalities differ on almost all the key features. (c) Transparency and the availability of verifiable information about local austerity measures were crucial to classify the nature of municipal austerity plans.

Data gathering

In order to understand to what extent austerity solutions are shaped by the politico-administrative system, we first had to identify the specific responses of municipalities. To uncover municipal responses, all austerity measures deployed in the selected municipalities between 2010 and 2012 were gathered, analysed and classified by two researchers with extensive practitioner backgrounds in municipal austerity management. Here, austerity measures are interpreted to be deficit-reducing responses made explicit in the municipal's budget book or aggregated into one or more austerity plans. In the Netherlands, austerity measures were analysed by a Dutch native speaker. Likewise, measures in North Rhine-Westphalia (NRW) were analysed by a German native speaker.

In order to be as precise as possible, qualitative evidence (describing individual measures) and quantitative evidence (values, year of implementation) were gathered for each measure. Two questions were asked in order to code responses qualitatively (Overmans and Noordegraaf 2014, 103). First, is the response predominantly aimed at stability or change? Second, is the response primarily fiscal-oriented or organization-oriented? The researchers labelled all measures as organizational cuts, fiscal cuts, fiscal change or organizational change. Whenever individual measures were ambiguous or consisted of diverse elements, measures were divided before labelling. Finally, to assure the quality of the classification process, a random cross-check was performed afterwards and individual results were discussed with public officials of the municipality concerned (city manager and financial controller).

Measures refer to intended measures agreed in the decision-making process. All measures were quantitatively rated on the basis of their monetary contribution. The relative value of each measure was determined for two moments in time. First, the contribution to the following fiscal year ($t + 1$, whereas t is the moment of decision). Second, the relative value was determined for the long run. Long-term prognoses vary between $t + 4$ in the Netherlands and $t + 9$ in NRW. The purpose of using two measurements is to illustrate how municipal responses develop over a period of time.

Case design and selection

The in-depth investigation of austerity plans was conducted in five Dutch municipalities and five municipalities in NRW. This relatively small sample means that we cannot make sweeping generalizations. In order to select appropriate municipalities, a pre-selection of 20 potential cases (2×10) was made. Initial criteria for inclusion were *size* (more than 100,000 inhabitants), *fiscal crisis severity* (budgetary cuts ≥ 5 per cent) and the *availability* of complete, detailed and verifiable information about austerity measures. All municipalities in the pre-selection were clustered following the Bogumil and Strohmeier typology (2012b). Since not all variables were available or specifiable for the local level in the Netherlands, the Dutch

clustering is based on a smaller number of variables. However, we managed to assemble 11 of 16 variables within all of the five central dimensions. Therefore, we think the results are trustworthy. The final sample of municipalities – with most similar socio-economic forces – contains five municipalities in cluster 2, three municipalities in cluster 3 and two municipalities in cluster 5 (see Table 1).

Whereas the socio-economic forces had to be most similar, municipalities had to be most dissimilar with respect to the politico-administrative system. Therefore, this study compares municipal austerity plans in the Netherlands and NRW. Although the Netherlands is an independent country and NRW is one of the 16 *Länder* in the Federal Republic of Germany, we think a comparison is legitimate. Both states are highly autonomous as regards decision-making and shaping policies. Also, public services provided at the local level are more or less comparable (cf. Leisink and Bach 2014). Both are similar in size, densely populated with just over 17 million people, have a GDP of around €600 million and contain around 400 municipalities.

Dutch and NRW municipalities differ on four key variables (see Table 2). First, Dutch and NRW municipalities differ in their *degree of control over local finances*. In NRW, 40 per

Table 1: Characteristics of selected municipalities

	<i>Socio-economic cluster*</i>	<i>Inhabitants</i>	<i>Budgetary deficit (million euro)</i>	<i>Budgetary deficit (per capita, euro)</i>	<i>Budgetary deficit (% of budget, euro)</i>	<i>Debt (per capita, euro)**</i>	<i>Local tax base for discretionary services (%)</i>
NL1	3	220,000	50	227	7	1,877	7.4
NL2	2	110,000	42	382	12	3,135	8.3
NL3	2	160,000	34	213	6	3,485	6.5
NL4	5	170,000	52	315	7	4,333	10.3
NL5	3	125,000	22	176	5	3,310	9.9
Average			40	263	7.3	3,228	8.5
NRW1	2	120,000	29	239	8	1,282	24.5
NRW2	2	270,000	80	293	9	1,971	29.9
NRW3	2	170,000	45	264	10	1,294	31.2
NRW4	5	160,000	24	146	5	1,614	22.3
NRW5	3	165,000	60	366	12	1,339	21.0
Average			47	262	8.8	1,500	25.7

Notes: *cf. Bogumil and Strohmeier (2012b).

**net debt, without liquidity loans, ultimo 2012.

Cluster 2: core cities, major/mid-sized centres of region. High level of social problems. Tendency of shrinking and obsolescence.

Cluster 3: core cities, major/mid-sized centres of region. High workplace/educational centrality. Tendency of shrinking and obsolescence.

Cluster 5: core cities, major/mid-sized centres of region. Heterogeneous living conditions of different population groups. High unemployment rates.

Table 2: Key politico-administrative features

	<i>The Netherlands</i>	<i>North Rhine-Westphalia</i>
Financial autonomy*	Low degree of control over local finances. Municipalities are highly dependent on transfers from the state and have limited options for expanding their local revenue base. Tax base for discretionary services: 8%.	High degree of control over local finances. Municipalities are less dependent on transfers from the state and have a significant revenue base from local taxes. Tax base for discretionary services: 25%.
Austerity conventions	Local ownership. Trajectory commonly initiated by council or aldermen. Potential measures prepared by officials under coordination of one alderman. Board of aldermen approves template before discussion in council. Final austerity plan discussed in committees and decided by majority in council.	Joint ownership. Trajectory frequently initiated and in a certain degree defined by municipal supervisory authority (<i>Kommunalaufsicht</i>). Potential measures prepared by (finance) departments or temporary task force, using a template developed by mayor and treasurer. Final austerity plan discussed in committees and decided by majority in council and approved by the supervisory authority.
Alderman-mandarin relations	Separate, fairly politicized. Executives are responsible for austerity responses. Officials led by city manager. Mandarins considered as <i>agents</i> , enjoy strong tenure.	Separate, fairly politicized. Executives are responsible for austerity responses. Aldermen and officials led by mayor. Distinctions between specialized and regulatory politicians. Mandarins considered as <i>agents</i> , enjoy strong tenure.
Administrative culture	Modern <i>Rechtsstaat</i> regime. Originally very legalistic, but has changed to pluralistic and consensual.	Traditional <i>Rechtsstaat</i> regime. Enforcement of law, instinctive bureaucratic stance – one of rule-following and precedent.
Sources of austerity ideas	Competing. Austerity policies fuelled by a broad mixture of ideas from public officials, external consultants, academics and other experts.	Homogenous. Public-sector main channel for austerity policies. Mostly joint government agencies, with a few academics and external consultants.

Note: * Data obtained from municipalities in this study (averages).

cent of the total budget comes from local taxes. Twenty-five per cent is available for discretionary services. In the Netherlands, a third of the budget is collected by the city. However, only 8 per cent is available for discretionary services. Second, austerity plans are developed under different *austerity conventions*. Dutch cities have a high degree of local ownership and the development of responses is commonly initiated by the municipality itself. In NRW, responses are developed under joint ownership. The trajectory is frequently initiated and in a certain degree defined by the municipal supervisory authority (*Kommunalaufsicht*) and the austerity plan needs to be approved by this authority. Third, the *administrative culture* differs. Although both countries are considered *Rechtsstaat* regimes, there is some variety between Dutch and German bureaucracies. Originally, Dutch bureaucracies were very legalistic, but there have been many changes towards a more pluralistic and consensual culture (Pollitt and Bouckaert 2011). This shift has not occurred in NRW cities. Although the culture and the world of German municipalities have changed, there has been no shift to a managerial administration and municipalities manifest a significant institutional continuity (Kuhlmann, Bogumil, and Grohs 2008). It is said that the *Juristenmonopol* still exists in German municipalities (Reichard 2003). Fourth, the *sources of austerity ideas* differ. Dutch cities are relatively open organizations. They are populated with career servants, but also influenced by many external consultants and scientists who contribute enthusiastically to policymaking in general (Pollitt and Bouckaert 2011). In recent years, municipalities have significantly decreased their hiring of external consultants and managers. However, many local officials have had no experience with managing austerity. The influence of external consultants has remained high, both in facing up to the challenge and in introducing new concepts and ideas. Furthermore, progressive ideas were developed and shared in the Dutch network for innovative austerity management (*Netwerk Vernieuwend Bezuinigen*) which consisted of practitioners, academics and consultants. Austerity measures in NRW cities have mainly been developed within the public sector, rather than by private sector managers and gurus. At the local level, management reforms are commonly developed and promoted by joint government agencies such as the *Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung* or through consultation with and audits by the *Gemeindeprüfungsanstalt NRW* (Local Audit Commission). Although there was some input from academics and external consultants, their influence was relatively small.

Austerity context

Both the Netherlands and Germany have had to cope with the effects of the financial crisis, initially by saving and supporting national banks and then, later, taking economic recovery measures to deal with the subsequent economic crisis. Finally, the fiscal crisis and state debts caused governments to take fiscal cutback measures (for an overview of national responses in both countries, see Kickert 2012). The effects of the crisis took

more time to be noticeable at the local level, but municipalities are now dealing with serious levels of fiscal stress.

In the Netherlands, the local austerity challenge is mainly driven by two factors. First, municipalities are responsible for implementing part of the national public-sector reform agenda. Although undisputed numbers are not available, the Dutch Association of Municipalities estimated that municipalities account for 7 per cent of all government expenditure cuts required, around €4 billion. Furthermore, declining land prices and real estate prices, along with increased demands for public services, have led to serious budgetary deficits in many municipalities. On average, Dutch municipalities were facing a fiscal deficit of 7 per cent of the total budget between 2010 and 2012, or €263 per capita (see [Table 1](#)).

NRW municipalities are also facing austerity, mainly driven by three factors. First, similarly to their Dutch counterparts, NRW municipalities are responsible for implementing a part of the reforms imposed by higher levels of government (Bogumil and Holtkamp 2013). For instance, decentralizing the provision of kindergarten to 3 year olds, without corresponding provision of adequate budgets, generates a deficit of over €1 billion at the local level. Second, environmental factors are shaping the local challenge. Fluctuating regional economic circumstances and interest rates affect the level of incomes, while demographic structure and development affect the level of expenditure (Bogumil and Holtkamp 2013). Third, actor-related factors have a significant influence. For instance, partisan influence on local policymaking and decision-making is typical in NRW (Boettcher 2012; Timm-Arnold 2011). On average, NRW municipalities were facing a fiscal deficit of almost 9 per cent of the total budget between 2010 and 2012, or €262 per capita.

Practitioner experience in the Netherlands and NRW suggests that there are different approaches to austerity. Generally, leaders in many Dutch municipalities are seizing the crisis as an opportunity for reforms. Conversely, in NRW municipalities leaders regard the challenge mainly as a temporary catastrophe and are choosing to tackle it through fiscal discipline and stability. It seems reasonable that the preferred measures in each country should depend on these underlying approaches. However, some authors suggest that municipalities deploy similar measures in dissimilar settings (e.g. Levine, Rubin, and Wolohojian 1981; Raudla, Savi, and Randma-Liiv 2013).

RESULTS

Superficially, responses in Dutch and NRW municipalities indeed show some similarities – their austerity plans appear to contain identical measures in both countries. For example, measures such as ‘lowering expenditure levels for maintenance’ and ‘increasing charges for services’ were deployed by all municipalities in the sample. However, our in-depth analysis demonstrates a richer pattern of distinctions. In total, we analysed 1,128 austerity measures derived from five Dutch and five NRW municipalities (see [Table 3](#)).

Table 3: Austerity responses in five Dutch and five NRW municipalities

	Number of measures (amount)				Contribution of measures (percentage)				Contribution of measures (percentage)			
					Short-term				Long-term			
	OR-CU	FI-CU	FI-CH	OR-CH	OR-CU	FI-CU	FI-CH	OR-CH	OR-CU	FI-CU	FI-CH	OR-CH
NL1	45	15	16	23	37	8	29	25	37	16	13	34
NL2	59	49	64	46	16	41	34	8	31	24	25	19
NL3	37	29	30	53	31	5	40	24	29	17	27	27
NL4	68	44	43	28	23	20	46	12	35	22	28	15
NL5	20	59	16	24	27	28	9	36	22	36	6	36
Total	229	196	169	174								
Average					26.7	20.6	31.7	21.0	30.8	23.1	19.7	26.4
Deviation					8.0	14.6	14.3	11.1	5.9	8.1	10.0	9.1
NRW1	23	122	56	24	2	39	56	2	14	38	41	7
NRW2	6	5	13	4	27	16	44	13	28	18	48	6
NRW3	5	21	10	7	1	60	37	2	2	38	55	4
NRW4	0	4	12	0	0	32	68	0	0	15	85	0
NRW5	7	14	13	14	6	42	33	19	13	32	37	19
Total	41	166	104	49								
Average					7.2	37.8	47.6	7.2	11.4	28.2	53.2	7.2
Deviation					11.3	16.0	14.4	8.3	11.2	11.0	19.1	7.1

Notes: OR-CU, organizational cuts; FI-CU, fiscal cuts; FI-CH, fiscal change; OR-CH, organizational change.

Large variety between states and within states

In line with the findings of Overmans and Noordegraaf (2014), we find substantial variation in response to austerity. Firstly, there is large variety *between* both states. The five Dutch municipalities tend to use all four strategies, whereas NRW cities tend to focus on two strategies. Considering the long-term average, the less favourable strategy in Dutch cities – *fiscal change* – still contributes nearly 20 per cent to the restoration of fiscal balance. The most favourable strategy – *organizational cuts* – contributes around 30 per cent. The five NRW municipalities, however, focus on *fiscal change* and *fiscal cuts*. More than half of the challenge is tackled only through *fiscal changes*. Another 30 per cent is tackled through straight *fiscal cuts* like ‘lowering the energy budget by €100,000’ or ‘cheese slicing the grants for cultural organizations’. *Organizational cuts* and *organizational changes* are significantly less evident in NRW.

Secondly, we find evidence of variation in response to austerity *within* both states. An average austerity plan in the Netherlands consists for 20 per cent of *fiscal changes*. However, some municipalities put more focus on this strategy (e.g. NL4) while some prefer other

strategies (e.g. NL5). This variation in deployed strategies is largest in NRW. In the short term, we find comparable variation in both states, with comparable standard deviations. Looking at the long-term plans, however, the variation decreases considerably in the Netherlands, whereas the deviations between NRW cities remain the same. This convergence indicates a pattern of isomorphism in which the Dutch municipalities in this sample become more alike over the period of 4 years.

Diverging natures of austerity plans

Despite the evident variations, a distinction can be made between Dutch austerity plans and NRW austerity plans. To put it bluntly for this sample: Dutch plans focus on organizational reforms and the expenditure side; NRW plans are fiscal-oriented and focus on the revenue side. Together, *organizational cuts* and *organizational changes* account for 57 per cent of the Dutch municipal austerity plans. Within the organizational strategies, there is a predominance of *organizational cuts*. Nevertheless, *organizational changes* contribute considerably to the long-term restoration of the balance. The Dutch preference of cutting expenditure over increasing taxes is comparable to previous findings in local government (e.g. Dunsire and Hood 1989; Krueathep 2013; Asenova, Bailey, and McCann 2014).

On the other hand, the data show a very strong fiscal orientation in the austerity plans which we studied in NRW cities. Eighty-one per cent of all measures were classified as *fiscal cuts* or *fiscal change*. There is a strong prevalence of *fiscal changes*, at more than 50 per cent. While the scope of this strategy is wider, there is a strong focus on the revenue side in NRW cities. Among many others, measures such as ‘introducing a tax for dog owners’ or ‘asking higher fees for the use of school buildings’ were deployed commonly in the NRW municipalities studied (Figure 3).

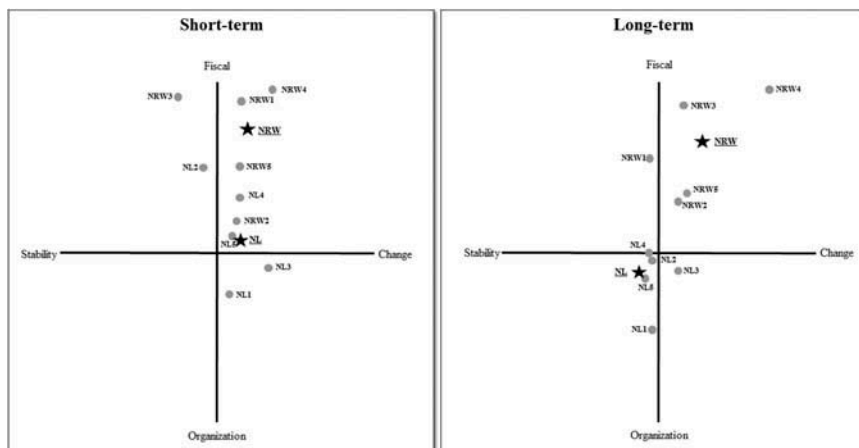


Figure 3: Nature of austerity plans in the Netherlands and North Rhine-Westphalia

ANALYSIS

In this section, we return to the question initially posed as to whether the politico-administrative system matters or not, when coping with austerity. Relating the austerity plans to our conceptual framework and comparing them across countries, multiple influences become apparent. For example, our expectation that sharing-the-pain-strategies were more likely in ‘locally owned’ practices was supported by the data. Dutch municipalities in this sample divide the pain over four strategies, whereas NRW municipalities focus on just two strategies. Also, it was predicted that a broader mixture of austerity ideas would result in the use of a wider range of strategies in Dutch municipalities. Again, this fits with the results. However, two important relationships need further explanation.

Degree of control over finances empowers cutting or charging

Our findings display an evident discrepancy between municipal austerity plans. Whereas the Dutch municipalities studied aim to restore the fiscal balance indirectly by reforming and reducing organizational activity, the NRW cities deploy straightforwardly fiscal measures, mostly on the revenue side. From a politico-administrative perspective, this might be explained by the degree of discretionary power over municipal finances. NRW municipalities – which are highly autonomous over their finances (see [Table 1](#)) – seem to use their autonomy to rebalance the budget by increasing the level of incomes from local taxes. Because the local revenue base in NRW municipalities is substantial, a relatively small rise has large budgetary effects. A comparable restoration of the balance would require extraordinary taxation rises in Dutch cities. As Asenova, Bailey, and McCann (2014) argue, this kind of municipality is left no other choice but to manage austerity by ‘means of immediate reductions in their expenditure on employee and operating costs commensurate with the speed and scale of cuts in their grants’. Our findings are congruent with the expectation that a higher use of revenue measures is more likely in municipalities with a high degree of control over local finances, and that a higher use of expenditure measures is more likely in municipalities with a low degree of control over local finances.

Administrative culture stimulates or prevents sweeping reforms

A second relationship relates to the nature of austerity plans and the cultural variables. The sample shows dispersion between the fiscal-oriented plans in NRW and the organizational reform-oriented plans in the Netherlands. We suggest that this dispersion relates to the different administrative cultures in Dutch and NRW municipalities. Our

expectation that reforms were more likely in progressive regimes is strongly supported by the results. *Organizational change* was the second most favoured austerity strategy in Dutch municipalities (26 per cent). In NRW, on the other hand, this strategy was remarkably unpopular (7 per cent). Based on the findings of this study, one might suggest that the ‘inflexible administrative culture’ has again inhibited a round of public management reforms. The lack of reform might be caused by the fact that officials in German cities are increasingly tired of reforms and perceive the reforms primarily as straight cutback management (Kuhlmann, Bogumil, and Grohs 2008).

DISCUSSION

Previous research has shown that organizations may deploy similar austerity responses in dissimilar settings (e.g. Levine, Rubin, and Wolohojian 1981; Raudla, Savi, and Randma-Liiv 2013). It was interesting to find out whether the environment is so compelling that it more or less automatically results in universal uniformity in austerity plans, despite local differences in preferred approaches or ambitions. Austerity responses are shaped by socio-economic forces and politico-administrative variables. Due to the relative lack of research studies, this article focused on the politico-administrative system and its relationship with municipal austerity plans.

In contrast to these aforementioned studies, we show that municipalities deploy dissimilar austerity measures in dissimilar systems. Our findings do not support the concept of ‘universal’ austerity plans. Instead, they indicate a relation between the institutional system and the deployed responses. Although we recognize many similarities on the surface, an in-depth analysis of municipal austerity plans shows substantial variation. Acknowledging the limited scope of our sample, we tentatively introduce two politico-administrative features which we suggest influence austerity plans: *financial autonomy* and *administrative culture*. First, we have shown that the degree of discretionary power over local finances affects the focus of austerity plans. In line with other work (e.g. Asenova, Bailey, and McCann 2014; Krueathep 2013), we suggest that the stronger focus on the revenue side in NRW cities correlates with the higher degree of control over local finances. Second, we identify the influence of the administrative culture on the nature of austerity plans. Consistent with previous findings (e.g. Pollitt and Dan 2011; Reichard 2003), we have shown that the traditional *Rechtsstaat* culture has inhibited sweeping reforms in NRW municipalities.

However, there are some drawbacks. First, our conceptual framework theorizes that austerity plans are the result of an elite decision-making process that is shaped by socio-economic forces and politico-administrative variables. Although we have attempted to eliminate the effects of socio-economic forces, we cannot guarantee that these had no effect at all. Especially when making comparisons across countries differences may occur without being noticed. Second, this study focuses solely on the

politic-administrative system, especially on the five key variables proposed by Pollitt and Bouckaert (2011). In retrospect, we think that future studies might consider other relevant austerity features, such as the role of local stakeholders, partisan influence and social dialogue with unions. Also, future research should focus on the political aspects of the decision-making process as intervening variables.

CONCLUSIONS

The aim of this article was to show how municipalities respond to austerity and to clarify the relationships between the politico-administrative system and responses to austerity. An in-depth analysis of 10 municipal austerity plans shows a wide variety between Dutch and NRW cities. Although this might seem counter-intuitive, the data show that Dutch municipalities focus on organizational reforms and the expenditure side, while NRW municipalities focus on fiscal measures and the revenue side. It is suggested in this article that this varied response is predominantly explained by two politico-administrative features: *financial autonomy* and *administrative culture*.

Traditionally, institutional features are considered as static elements which inhibit exogenous reforms (Schmidt 2010). From this perspective, interventions from agile public managers are required to break away from this organizational continuity and to realize reforms. This article suggests, however, that the politico-administrative system matters when coping with austerity. In finding the perfect fit between what is desirable and what is feasible, the latter is shaped by institutional characteristics. However, the system must not be considered as an unchanging constant, to which every reform must adapt itself or fail (Pollitt and Bouckaert 2011). In order to enlarge the scope of feasible responses to austerity, the institutional system has to be rediscovered and rebuilt (cf. Schmidt 2014).

DISCLOSURE STATEMENT

No potential conflict of interest was reported by the authors.

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