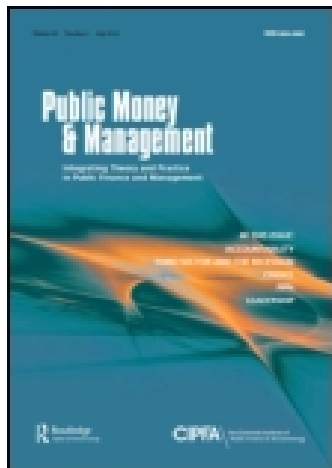


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# Directly-elected mayors and the austerity agenda: lessons from the German experience

Peter Eckersley and Peter Timm-Arnold

*This paper identifies the key factors that have affected the ability of elected mayors in some German cities to introduce austerity measures in response to serious financial problems. Drawing on a detailed study of six municipalities in North Rhine-Westphalia, it highlights how the mayor's managerial and/or legal experience, as well as the party-political make-up of the council, played a vital role in determining the success of savings initiatives. Such findings have important implications for countries such as England, where some have argued for the introduction of elected mayors in order to improve decision-making capacity within local government.*

**Keywords:** Austerity; elected mayors; Germany; local government; organizational capacity.

The Local Government Act 2000 allowed for the creation of directly-elected mayors in those English boroughs that vote in favour of the idea in a local referendum. However, in spite of a large degree of high-level cross-party support for the idea, only a handful of municipalities have opted for the model since then. Indeed, the coalition government's attempts to introduce elected mayors into England's nine largest cities in 2012 were rejected by voters in every area apart from Bristol. The result is that only 16 municipalities (not including Greater London) currently operate this model of governance. Instead of elected mayors, most English councils have adopted a leader and cabinet model, which requires councillors to elect a leader who then appoints members to executive positions.

Some scholars have argued that the reasons for introducing elected mayors into English local government were unclear or incoherent (Orr, 2004). However, most agree that they aimed to try and improve accountability, leadership and/or decision-making capacity within local government (see for example Fenwick and Elcock, 2005; Fenwick *et al.*, 2006; Bochel and Bochel, 2010). (Although others have advocated the idea of elected mayors based on normative arguments of democracy, visibility and accountability, this paper does

not address these other criteria.)

This line of argument holds that allowing a single individual to draw on a popular mandate for executive authority enables them to sit 'above' party factions and adopt a more strategic perspective. Interestingly, many in the first wave of mayors were elected in boroughs that had a history of poor leadership and/or antagonistic party politics (Randle, 2004)—and independent or opposition candidates, who were not associated with previous scandals or poor performance, enjoyed a remarkable degree of success (Elcock, 2008). Since their previous governance models had failed, local people were perhaps keen to try a new approach in order to drive improvements in the local authority (Fenwick *et al.*, 2006).

English local authorities have been experiencing a period of austerity since the UK government's 2010 Spending Review, which set out how funding for municipalities would be reduced by an average of 7.25% per annum between 2010/11 and 2014/15 (Ferry and Eckersley, 2012). More recent announcements have confirmed that the reductions will continue on a similar trajectory in 2015/16. As a result, municipalities are having to re-assess the level of services they can provide to ensure that they can continue to balance the books: something that is a legal requirement for all English councils. Crucially, elected mayors in England only require the support of one-third of councillors to ensure that their budgets are approved, which should help them to take the

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long-term decisions that are likely to be necessary to cope with these austerity pressures. Cuts in public services are invariably unpopular and difficult to implement (Pierson, 2002). As a result, executive mayors that do not need as much support from within the council should find it easier to push through austerity initiatives compared to a cabinet that requires majority support from elected members.

Nonetheless, as this paper demonstrates, elected mayors in six towns in the German state of North Rhine-Westphalia have had mixed success in reducing substantial municipal deficits. Various factors have played a crucial role in determining whether they can deliver balanced budgets. These include the educational and professional background of the mayor, their desire and ability to assume personal responsibility for implementing austerity measures and the party political situation within the council. Based on this experience, English policy-makers should not necessarily view elected mayors as being a silver bullet for increasing municipal capacity—a lesson that applies as much to issues of budgetary discipline as it does to other policy sectors.

#### **Background to elected mayors in Germany**

Following the Second World War, state structures in Germany were heavily influenced by the victorious powers. Each of the allies introduced a system of local government into their zone of occupation that was based on their own country's existing model. This meant that councils in north-western Germany, including the most populous state (Land) of North Rhine-Westphalia, were governed by the traditional British model of a non-executive ceremonial mayor working together with a non-political town clerk (Stadtdirektor) who was in charge of the local administration. This model became known as the *Doppelspitze* and contrasted with the powerful directly-elected executive mayors (*Monospitze*) that were introduced in the southern American zone, and the French-style council-elected executive mayors in the west. Instead of having a strong executive, which the British feared could represent a potential threat to local democracy, municipal statutes in the north-western states were designed so that most decisions would be taken by council committees (Wollmann, 2004).

However, during the 1990s, all of the various Land governments outside the former American zone changed their constitutions to introduce directly-elected mayors. The *Doppelspitze* model had attracted particular criticism, on the basis that the division between administration and

policy was not clear (Ellwein, 1976) and therefore 'responsibility disappeared into the Bermuda triangle of mayor, chief executive and leader of the dominant political party' (Wehling and Kost, 2010, p. 11). In addition, the experience of municipalities in the southern states suggested that elected mayors were better placed to deal with budgetary problems, because they could assume a more dominant position vis-à-vis the other councillors when compared to the *Doppelspitze* model, and therefore found it easier to push through cost-saving initiatives (Timm-Arnold, 2011; Banner, 2012). Similarly, authorities in those states that were led by a single individual were more effective at implementing policy (Wollmann, 2005). The result was that legislation to introduce directly-elected executives was passed in North Rhine-Westphalia in 1994, and votes for the first mayors (or *Bürgermeister*) in this state were cast five years later.

#### **German local government in an era of austerity**

Notably, these reforms were introduced at the beginning of a period of financial crisis for local government. Following unification in 1990, councils in western Germany were required to transfer 3% of their annual income to the east in order to satisfy a constitutional requirement for equal living standards across the federation. In addition, unification caused a deep recession that led to a sharp drop in revenue from local business taxation—the most important source of revenue for German municipalities. The result was that local government got into a financial crisis that resembled the last days of the Weimar Republic (Wachendorfer-Schmidt, 1998; Bogumil and Holtkamp, 2006), although thankfully the mass unemployment that characterized this period was absent.

Nonetheless, the recession affected cities in the Ruhrgebiet (the traditional industrial area of North Rhine-Westphalia) particularly badly, to the extent that the Land government introduced legislation targeted at those authorities that were unable to generate sufficient revenue to fund their expenditure. Since 1991, each municipality that cannot deliver a balanced budget has had to submit a plan to the regional *Bezirk* authorities (a tier of government that sits between municipalities and the Land) setting out how it would be able to generate sufficient revenue to fund its spending for the next five years. If their plan, known as the *Haushaltssicherungskonzept* (budgetary assurance programme) is approved by the *Bezirk*, the council can receive additional financial help from the state government.

However, if the plan is not authorized, it may only borrow up to one-quarter of the amount borrowed for investments in the previous year, and is only permitted to deliver statutory services and undertake urgent or necessary activities.

The law has been invoked with increasing regularity in North Rhine-Westphalia since then, as the financial situation for local government across the state has become ever more precarious (Timm-Arnold, 2011). Although most municipalities recovered slowly during the 1990s from the post-unification recession, they were hit by a sudden 9% drop in business tax revenues in 2001 after the federal government reduced the number of firms who had to pay the tax (Wehling and Kost, 2010). By 2005, 194 of the 427 councils in North Rhine-Westphalia were unable to produce balanced budgets—and 105 of these municipalities did not have their deficit reduction plans approved by the *Bezirk* authorities (Bogumil and Holtkamp, 2006). In 2007, local governments across the state were borrowing an average of 763 euro per resident, compared to 123 euro at the beginning of the century (Holtkamp, 2010a), and only 12% of councils had balanced budgets (Gerlach, 2010).

More recently, the 2007/08 financial crisis has prevented councils from recovering from this position, despite the fact that Germany has not experienced economic problems on a scale comparable with other European countries (Hesse and Ellwein, 2012). By 2013, local government across the country owed 7.7 billion euro, and the Land government of North Rhine-Westphalia agreed an 'aid package' of 5.85 billion euro for 61 of its most impoverished councils—although municipalities must agree stringent budgets in order to be eligible for this extra funding (Timm-Arnold, 2013).

### Endogenous reasons for financial problems

The events outlined above, together with socio-economic problems caused by the decline of traditional industries, have undoubtedly contributed to the financial crisis in German local government. However, they have also led to the development of a 'victim thesis' (Pleschberger, 2008, p. 53) and distracted attention away from endogenous factors that might also affect the municipality's ability to deliver a balanced budget. The financial situation of municipalities with similar socio-economic problems varies considerably (Timm-Arnold, 2011)—something that has been attributed to different internal decision-making processes, which are influenced by the local authority constitution and budgetary governance arrangements (Junkernheinrich, 1991, p. 77;

Vetter and Holtkamp, 2008, p. 32). Furthermore, 'home-made' factors, including the party-political make-up of the council and the desire and capacity of key municipal actors to balance the books, have also played a role. Since 1999, the most important actors in North Rhine-Westphalian councils have been the popularly-elected mayors, and they have played a crucial (though often overlooked) role in decisions associated with budgetary consolidation (Vetter and Holtkamp, 2008).<sup>\*</sup> For example, some *Bürgermeister* have placed a higher priority on introducing austerity measures than others, often for political reasons.

This paper builds on the findings of previous German-language studies (Holtkamp, 2010b; Timm-Arnold, 2011), by highlighting how other countries (particularly England) can learn from the experience of North Rhine-Westphalian municipalities. These studies, which took a qualitative and an empirical-analytical approach to examining the governance arrangements within municipalities, identified various factors that influence the ability of elected mayors to address financial problems. Chief among these is the need for them to lead the local administration and have relevant experience of public service management in order to be successful. This leadership is shaped by their willingness to deliver balanced budgets, their expertise and knowledge of local government, and their powers of persuasion. Unsurprisingly, those mayors whose plans for delivering balanced budgets have the support of a majority of elected councillors are also more likely to be successful in implementing savings initiatives. In contrast, mayors who have a background in local politics have tended to be less successful at addressing financial problems. They have shown significantly less interest in normative goals such as running balanced budgets than their counterparts with legal or management experience, which has meant that they have not mobilized as much support for savings initiatives within the local authority.

In addition, political parties in the Land of North Rhine-Westphalia are more dominant than in other German states (Gehne, 2007), which has influenced local governance arrangements. For example, the weaker nature of political parties in Baden-Württemberg, along with a culture of consensus, makes it easier for elected mayors in this Land to rely on their popular mandate and assert their influence within the council. In North Rhine-Westphalia the

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<sup>\*</sup>Over the past two years the universities of Bochum, Hagen, Freiburg and Kaiserslautern have been involved in a major study into the causes of municipal deficits across Germany.

parties are more competitive and clearly divided into controlling and opposition groups, which reduces the power of the mayor vis-à-vis other politicians (Holtkamp, 2008; Bogumil and Holtkamp, 2013). In particular, if the mayor is either independent or not a member of the same party as the controlling group ('cohabitation'), he or she finds it very difficult to implement their policy programme.\*

### Methodology

This paper is based on comparative case study investigations of elected mayors in six towns in the Ruhrgebiet area of North Rhine-Westphalia during the period 1999–2009. In order to identify any endogenous reasons for their relative success in coping with austerity, the six towns each had similar socio-economic conditions but varying levels of deficit, and were governed by a mixture of different political parties (see table 1). The fieldwork involved interviewing the mayors, the leaders of the Social Democrat (SPD) and Christian Democrat (CDU) council factions, chairmen of the local SPD and CDU parties, and journalists from local newspapers. In total, we conducted 23 interviews in six district councils. In one case (town E) a 'consultative' austerity commissioner (Sparkommissar) had been installed by the Bezirk authority and he was also interviewed: the other five municipalities were not subjected to this intervention.

The interview questions related to the position of the mayors in budget policy, their impact on council and management activities and their preferences for introducing austerity initiatives. The interviews were supplemented by analysis of budget plans, protocols of council meetings, budget speeches, audit reports of the Gemeindeprüfungsanstalt (local audit commission), and newspaper articles. All translations from the original German are our own.

### Research findings

Upon completion of the fieldwork, each mayor was categorized as being either 'management-focused' or 'policy-focused'. The contrast between managerial and policy-focused mayors is a legacy of the municipal constitutions that operated in North Rhine-Westphalia up until the first directly-elected mayors took office in 1999. Before this reform, the city manager (Stadtdirektor) was

\*The level of party-politicization in North Rhine-Westphalia may well be a legacy of the British model that operated within the state for five decades; if so, elected mayors in English municipalities could face similar problems when trying to deliver their objectives.

appointed by the council to run the administration, and he or she needed to have certain skills and qualifications to get the job, such as a legal education or managerial experience. This effectively excluded most local politicians from the post. However, directly-elected mayors require no such qualifications, and therefore political group leaders were able to put themselves forward as candidates and had a very good chance of being elected. As a result, a large number of mayors with political backgrounds have taken office in the past 15 years.

The decision about whether a mayor was management- or policy-focused was based on his or her professional background. This was determined by a mayor's occupation prior to election and the subject(s) he or she had studied within further and higher education. The management-focused mayors had degrees in public administration, law or management, whereas the policy-focused mayors had either studied a different subject at university or did not attend higher education, and had a background in local politics. Taken together, these factors comprised the 'passive' precondition for austerity leadership in our context. This was complemented by an 'active' precondition, which comprised their powers of persuasion and willingness to get involved in micro-political processes, particularly in relation to the majority group in the council and the administration. This 'active' aspect was identified from the interviews.

As table 1 shows, the mayors in our study had different priorities and varying levels of experience of local administration, and also worked in different political circumstances. These factors played a key role in determining the extent to which they were able to deliver balanced budgets.

For example, town A had an SPD, management-focused mayor, who worked together with an SPD/Green party-majority council, while town B had a CDU, management-focused mayor, who worked together with a CDU-majority council. Not only were these two municipalities better placed financially than the other case study authorities, but their budgets were also much healthier than most other towns in the state with populations over 20,000. In both cases the mayors played a key role in financial planning, albeit for different reasons. The Bürgermeister in town A viewed a balanced budget as normatively desirable: he had a career and training background in local administration, co-operated constructively with the Bezirk authorities and—in his words—

**Table 1. Political make-up of the case study councils.**

<i>Town</i>	<i>No. of inhabitants</i>	<i>Per capita budgetary deficit in 2003</i>	<i>Characterization of mayor</i>	<i>Political make-up of council</i>
A	26,000	-72	Management-focused (SPD)	SPD/Green coalition control from 1999 onwards
B	23,000	-42	Management-focused (CDU)	CDU majority control up to 2004; <i>de facto</i> CDU majority control from 2004 onwards
C	98,000	-226	Policy-focused (SPD)	SPD/Green coalition control from 1999 onwards
D	31,000	-160	Policy-focused (CDU)	CDU minority control from 1999 onwards
E	87,000	-253	Management-focused (initially CDU; later independent)	CDU minority control 1999–2004; SPD minority control 2004–2009
F	29,000	-100	Management-focused (independent)	CDU minority control 1999–2004; CDU/Green coalition control 2004–2009

'sacrificed' a successful coalition with the Green party in order to reduce spending on staff. The mayor of town B wanted to achieve a balanced budget for instrumental reasons. Together with the CDU-dominated council, he wanted to ensure that the municipality's budgetary plans would be approved by the Bezirk authorities and therefore be able to implement his investment priorities. As a trained lawyer, he did not find it difficult to interpret the legal provisions associated with local government finance and was therefore able to discuss these directly with the Bezirk and prevent his investment decisions from being challenged.

Furthermore, the management board and leading councillors in town A had a unified purpose: the mayor emphasized the importance of a 'team performance' and the municipality having a strong corporate identity. In particular, close co-operation between the mayor, the portfolio holder for finance and the leader of the SPD councillors ensured that financial consolidation became a central objective for both the administration and the majority group, which enabled the municipality to repel the demands of special interests for additional spending. Finally, since the mayor was fully aware of the legal restrictions on the council's budget, he was not reliant on advice from the finance department. This meant he could discuss spending plans more effectively with the Bezirk authorities and with local councillors. Similarly, the mayor of town B also enjoyed a close working relationship with the leader of the CDU group, which meant he could rely on support from within the council.

Moreover, the mayors of both towns prevented councillors from blocking their initiatives and marginalized the finance department—with the result that the

Bürgermeister played important roles in budgetary decision-making. In municipality A, the SPD Group did not give any Green councillors a portfolio responsibility and did not create a formal treasury position on the executive board. In town B, the finance director is a member of the SPD\* (the political opponents of the governing CDU mayor and majority group). In 2007, he proposed that the council prepare a voluntary Haushaltssicherungskonzept—which, if it were not approved by the Bezirk auditors, would result in the municipality risking its investment plans. This idea was dismissed by the Bürgermeister with the support of a majority of the council, thus demonstrating their influential position in budgetary policy. Indeed, in both towns there is a close interlocking relationship between the majority group and a very strong and assertive mayor. These ingredients helped them both to keep the budget on track.

The mayors of towns C and D were both policy-focused and members of the same party as the controlling group on the council. Both also had large structural budgetary deficits during the period under investigation. However, in contrast to A and B, the drive for fiscal consolidation in both municipalities was led by the director of finance rather than the mayor. This is not a recipe for success, since the finance director is often politically neutral (especially in smaller districts) and has no institutional right to assert authority among the majority group on the council. Instead, he or she can only rely on appealing to elected members for spending restraint. In town C, the Bürgermeister was not even involved in negotiations with the Bezirk

\*Senior officers in German local government are often affiliated to political parties, especially in larger municipalities.

authorities over a budgetary assurance programme in 2007. Instead, the finance director and the party group leaders led these discussions on behalf of the municipality, and stressed that the council would not tolerate austerity measures that required significant staff cuts or a reduction in the quality of local sports facilities. A new mayor took office in 2004 and appeared committed to balancing the budget, but his efforts to achieve this (such as through plans to privatize local utilities) were undermined by the SPD majority group and its leader—even though they were members of the same party as the *Bürgermeister*. In contrast to town A, this meant that the new mayor was unable to form a coalition in favour of austerity policies that could rebut the demands of special interests (including his predecessor and local sports organizations).

In town D, the policy-focused CDU mayor also faced a strong opponent in the shape of the leader of the CDU group, which had minority control of the council. Indeed, the group leader drafted the council's 2007 budget as a compromise, following opposition to an initial version from the mayor that had suggested staff numbers would be reduced. Similarly, the *Bürgermeister* did not make other savings proposals during his mayoralty; instead, he left such decisions to the finance department. Since the director of finance does not have the same capacity to implement decisions as the mayor, this reduced the likelihood that savings would be delivered. In addition, after the council came under no overall control, the minority SPD group could oppose any policies quite effectively, which made it even more difficult for the mayor to lead an austerity coalition.

Moreover, the mayors of towns C and D were only partially concerned with delivering balanced budgets. In particular, the *Bürgermeister* of town C between 1999 and 2004 preferred to stress municipal spending, especially on local sports facilities. In contrast to towns A and B, no leading politicians stressed how financial prudence was necessary to ensure that the council maintained control over its spending plans. The mayors of both C and D depended on their finance departments for advice on the technical and legal aspects of budgets, and their powers of persuasion were limited by powerful leaders of their party groups on the council. The councils were heavily politicized and senior officers were not empowered to assume the leadership of an austerity coalition—in contrast to cases A and B.

Towns E and F both had independent, management-focused mayors. The

*Bürgermeister* of town E was constrained by various issues, including disappointment among the majority CDU group about his performance as head of the administration and having to deal with a council that could veto key decisions. A special budgetary commissioner from the *Bezirk* authorities managed to overcome these blockages in 2007/08, signalling a new beginning for all of the relevant actors. However, this intervention was a failure over the longer term (Holtkamp, 2009, p. 154), because it did not address the cause of the problem—namely the 'poisonous' relationship between the mayor and the council that had led to the initial conflict. The conditions of 'cohabitation' placed particular demands on the capacity of the mayor to lead effectively—particularly on the issue of budgetary stewardship, which was lacking in town E.

Table 2 summarizes the above discussion, based on the characteristics of each case study municipality and the key factors that helped mayors to balance their council budgets. It shows how mayors with a background in local politics showed less interest in financial restraint compared to those who had legal or management training. Those municipalities that were led by a management-focused mayor tended to be in better financial health. We attribute this in part to their greater understanding and expertise in public management, factors which we have termed as a 'passive' precondition for leading the administration. Alongside these factors, the mayor's ability to influence the council—the 'active' precondition—also played a decisive role. Where mayors were able to rebut the claims of special interests (typically in the case of town A) and build an austerity coalition (town B), plans to balance the budget remained on course. In contrast, policy-focused mayors (towns C and D) lacked leadership, because they did not take personal responsibility for the budget and were therefore reluctant and/or unable to persuade key actors to support austerity policies.

Furthermore, the politicized nature of local democracy in North Rhine-Westphalia restricts the power of the mayor if he or she does not have a party base, or if the council chamber is controlled by the opposition. A *Bürgermeister* in this situation has difficulty implementing sustainable savings initiatives. This was the case in town E, where even an external commissioner was unable to break through entrenched party structures and address the financial problems effectively.

## Conclusions

Based on the experiences of six German municipalities, the mayor has to take personal responsibility for leading the austerity programme in order to address financial problems effectively. Those Bürgermeister with management or legal backgrounds are more likely to be able to do this because they can process relevant information quickly without having to rely on others, and therefore assume a leadership role more easily. In addition, mayors need to persuade other key individuals (such as the leader of the majority group and the finance director) to join a coalition that can overcome opposition from special interests, party ideologues, and other actors that have the ability to veto decisions. This approach led to success in towns A and B—in contrast to town C, where the mayor delegated responsibility for budgetary negotiations to finance officers. A key factor here is the need for the mayor to have a power base within the council, particularly in those areas that have a strong tradition of party-political ‘competitive’ democracy such as North Rhine-Westphalia (or indeed some towns in England). If the mayoralty and the council are controlled by different political parties (as in town E), the Bürgermeister is independent (town F), or the mayor is not able to control members of their own party (towns C and D), their capacity to act is limited and any savings initiatives will be at risk.

Although this paper has focused on the critical success factors associated with implementing austerity budgets in German

municipalities, its lessons apply equally to other policy sectors. Elected mayors can have significant decision-making capacity, and therefore can implement sustainable and effective approaches to dealing with the current austerity agenda under certain conditions. Our findings echo many of the reasons that have been cited in favour of English councils adopting directly-elected executives in recent years, particularly around the need for greater certainty and stability in decision-making. Such arguments are especially relevant for municipalities that are often either ‘hung’ or where control switches regularly between political parties.

However, our research has also highlighted various factors that influence the decision-making capacity of elected mayors in Germany. For example, the Bürgermeister needs to have sufficient support from within the council, as well as the desire and ability to be involved in the day-to-day management of the authority. In particular, he or she needs to take personal responsibility for budgetary decision-making, rather than delegating this to other politicians or the director of finance. If these conditions are present, the mayor is able to take and implement difficult decisions in order to maintain financial health over the long term. Yet elected mayors with a political background often lack the skills that are necessary for this leadership role, which means that these mayors are unable to build an austerity coalition and rebut the claims of special interests. As such, they might want to consider undertaking management or legal training, in order that

**Table 2. Leadership experience of mayors in the case study municipalities.**

Town	Leadership drive		Leadership capacity		Budget trend
	Desire to deliver a balanced budget		‘Passive’ precondition (technical knowledge and expertise, based on education, skills and employment background)	‘Active’ precondition (powers of persuasion and willingness to get involved in micro-political processes, based on fieldwork observations)	
<i>Management-focused mayor</i>					
A	X		X	X	Positive
B	(X)		(X)	X	Positive
<i>Independent (management-focused) mayor</i>					
E	0		(X)	0	Negative
F	X		X	(X)	Neutral
<i>Policy-focused mayor</i>					
C	0/(X)*		0	0	Negative
D	0		0	0	Negative

Key: X = Characteristic present. (X) = Characteristic partly present or constrained. 0 = Characteristic not present. \* = Change of mayor in 2004.



they can take personal control of key issues facing their municipality and lead from the front.

Given that post-war local democracy in North Rhine-Westphalia was based on the British model, our findings should provide food for thought for any English municipalities that have recently adopted elected executives—as well as national politicians who might want to introduce them as a default option for local governance.

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