

# **Shirking and Shifting Policies; Uncooperative Political Appointees in Israeli Local Government**

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## Acknowledgments

## Abstract

How politicians attempt to control bureaucracies has been broadly discussed over the years in public administration and public choice studies. Seeking to maximize their political efficiency (their re-election), politicians rely on various monitoring mechanisms to overcome principal-agent problems. However, since monitoring methods are often limited and expensive, politicians turn their attention from supervision, to the attributes of supervisees. In an effort to increase compliance and conserve resources, politicians often replace career agents with political appointees. They view appointed agents as political allies who share their policy preferences and are therefore motivated to implement their policies.

Most scholars assert that political-ideological agreement between politicians and appointees increases agency responsiveness. The present thesis contends that, under certain conditions, it can *decrease* bureaucratic cooperation. While political agreement may reduce *shifting* - appointees pursuing different policies than those set by their principals - it does not address the problem of *shirking* - the reluctance of agents to invest the necessary resources to effect change. No matter how closely appointees' views match those of their principals, political agents have strong incentives to shirk. On the other hand, policy agreement at the appointment stage encourages politicians to relax monitoring thereafter, as they assume that appointees are cooperating. Under these more relaxed conditions, appointees may choose to conserve their own resources and shirk.

In order to explore political appointments, an empirical study of Israeli cities was conducted, for the political term of 1993-1998. During these years, local

politicians were adopting New Public Management schemes (such as a contracting-out reform). In the process, mayors politically appointed to key executive roles associates whom they believed would forward the implementation of the reform. However, empirical exploration of Tel-Aviv, Holon and Beer-Sheva, largely reveal a failure to create responsive agencies prepared to contract-out services when relying on political appointees.

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# Chapter 1

## Bureaucracies' Shirking and Shifting Policies

### Introduction

This study explores the mechanism of political appointment, as it is used to overcome principal-agent problems. Most Public Policy and Administration literature portrays political appointment as a useful tool to control bureaucracies and create responsive agencies. Frequently, scholars assume that responsiveness is reached when politicians resolve conflicts of interest with bureaucratic agents by appointing political allies willing to cooperate and reveal information to their principals. This thesis shows why, under certain conditions, political appointments do not lead to the solution of agency problems and, in many cases, actually *weaken* the control over bureaucracies.

The current chapter explores the relationship between politicians and bureaucrats and defines types of non-compliant actions taken by agents against the wishes of their principals. The analysis of noncompliant actions includes an investigation of the difference between two acts - *shifting* and *shirking* - an important distinction that is not clearly made in the literature, but is essential, as it allows a better understanding of the problem of control that politicians face when interacting with bureaucracies. It is assumed that agents are inefficiently controlled because the preferences, characteristics, and institutional arrangements under which they operate, are misinterpreted. *Shifting* (often referred to as "policy drifts" in the literature), describes actions undertaken by agents, who, due to their own ideology, which may be in conflict with the views of their principals, seek to change a particular policy.

*Shirking* describes an agent's attempts to avoid the effort needed to implement an agreed policy, by maintaining the status quo.

The analysis of uncooperative behaviours presented in this chapter explores how shifting and shirking are facilitated and how agents' actions can be effected by various bureaucratic agencies. The following empirical chapters examine the attempts to privatize sanitation services in three Israeli cities, privatization is often mentioned in the present chapter, to explain how it is affected when shifting and shirking by agents occur.

Finally, this chapter provides an overview of the thesis. The distinction drawn between types of uncooperative behaviour in chapter 1 provides a useful analytical tool for investigating the political appointments mechanism, as introduced in Chapter 2. Chapter 2 examines why political leaders often replace career executives with political appointees and why, under certain conditions, political appointments are an inefficient mechanism of control. Chapter 3 presents the main characteristics of Israeli local governments. Chapters 4-6 test the theory of appointments in Israeli cities.

### **Shifting policy**

Most political economy models analyzing politicians-bureaucratic relationships consider shifting as the process in which agents choose to implement their own preferred policies, and not the principal's choice of policies.<sup>1</sup> Niskanen, for example, claims that administrative officials, acting as "Budget Maximizers," may feel threatened by any policy, such as reforms leading to privatization, that can lead to budget cuts.<sup>2</sup> According to him, an agency's budget is the central focus of top officials. A large budget means prestige, power, reputation and income.

Consequently, bureaucrats might shift policy when requested to privatize services, by hiring extra employees or initiating alternative projects. The empirical examination conducted in Israeli cities (chapters 4-6) shows how some bureaucrats, threatened by a reform, pose obstacles along the stages of implementation, by conducting poor inspection of contractors' performance, shifting their agencies in order to reach inefficient privatization outcomes, to the disappointment of political leaders.

Over the years, scholars have offered alternative explanations for uncooperative bureaucratic behaviour, beyond Niskanen's budget maximizing thesis. Dunleavy, for example, presents a Bureau-Shaping model, in which bureaucratic agents shift policies in a way that allows a bureau's program budget to be kept, while routine and non-core bureau functions are passed to closely supervised quasi-government agencies (QGAs). Supplementary functions can be contracted out to private firms, or subjected to competitive tendering, producing radical reductions in the personnel engaged in routine functions. Core budgets drop, but the contracted services remain within the agency's bureau budget.<sup>3</sup>

Other scholars assume that bureaucrats are motivated by interests other than the agency's budget. While some of these interests conflict with those of their principals, thus motivating agents to shift policies, others lead to responsiveness. Downs "Pluralist Model" suggests that in their public, as well as private roles, bureaucrats are rational utility-maximisers, optimizing benefits net of costs. Downs offers a variety of goals that bureaucrats seek to attain while in office. These include power (inside the bureau or outside it), income, prestige, convenience (i.e. minimizing personal effort), and security (i.e. low probability of future losses in all the elements stated above). Instrumental motivations cause bureaucrats to manipulate information provided to their superiors in a way that promotes the implementation of

favourable policies, consistent with their self-interest. Downs also suggests broader motivations of bureaucrats, such as acting with loyalty towards their subordinates and to the public, in a desire to serve “the public interest”.<sup>4</sup>

Downs classifies five “bureaucratic personalities” that represent general types of executive officials who seek to maximize different interests through their bureaucratic role. (1) **Climbers**, who wish to maximize power, income and prestige. (2) **Conservers**, who want a quiet life and stable future. (3) **Zealots**, who are strongly committed to their own projects. (4) **Advocates**, who are ‘bureaucratic imperialists’- ideologically oriented, in the sense of seeking bureaucratic power in order better to serve client groups. Finally, (5) **Statesmen**, who are ‘Weberian’ bureaucrats, concerned with the general welfare of citizens and who seek power in order to fulfil this goal.<sup>5</sup> In several of the appointment cases discussed in the empirical chapters, the examination of the 3 chosen cities includes reference to some of these types of bureaucrat. Classifying agents on the basis of Downs typology allows a better understanding of why agents act as they do, regarding the implementation of privatization programs. In addition, it elucidates what forms of incentive are required, in order to motivate agents to cooperate with the principals.

According to Downs, Climbers are likely to shift policy when they attempt to push for radical change, perhaps faster than their principals’ intentions. When principals request the adoption of extensive reforms, such as privatization, Climbers are apt to respond in order to earn management appreciation. Climbers reject privatization only if they assume that prestige and organizational power derive from services kept in-house. On the other hand, Conservers can be expected to reject any program that will disturb their comfortable, routine work. Seeking to prevent potential confrontations with subordinates, conservers will shift to policies they

believe can maintain a peaceful environment in their agency. However, as explained in the section on “shirking”, of all five Downs' 'bureaucratic personalities', conservers are most likely to shirk.

Zealots, can be expected to shift policy, if management proposes projects with which they do not identify. Accordingly, Zealots will choose to comply with structural reforms, such as privatization, only if they fit well with their overall views and plans for their agencies. Advocates are the type of bureaucrat most closely matched with the Niskanen “budget maximizers”. Advocates, like imperialists, seek to expand their agencies, take on new projects and hire more employees. They tend to reject any reform that decreases bureaucratic resources and responsibilities. Advocates will therefore shift away from privatization processes that are meant to achieve opposite goals, such as reducing bureaucratic units. Finally, Statesmen, the altruistic civil servants, will shift policy only if they perceive the proposed action to be harmful to what they believe to be the general welfare of citizens. If Statesmen consider a policy, such as privatization, to be a process welcomed by the public, while creating efficient service delivery, they will embrace it.

## **Shirking**

This section explores why agents choose to *shirk*. Public Administration literature describes shirking as attempts by agents to minimize any effort needed to implement changes and who therefore keep to existing policies.<sup>6</sup> In other words, a shirking agent considers maintaining the status quo less costly or arduous than implementing policy change. The problem of shirking is most commonly referred to in the analysis of principal-agent models.<sup>7</sup> James, Q. Wilson defines shirking as “doing too little” or “not working hard”. According to Wilson “When employees do not exert themselves

to achieve the goals of their organization, they are shirking”. In addition, shirking is most likely to occur “when a company president cannot watch what a plant manager is doing,” and thus, “the latter may not work as hard”...<sup>8</sup>

There are number of explanations for shirking, one key reason for this behaviour relating to “**professional competence**” or “skill”.<sup>9</sup> Studies conducted to examine shirking of agents in police forces, have found that the most significant variable to explain shirking is level of professionalism.<sup>10</sup> The more professional the agent, the less likely that he/she will shirk. Lack of skills may lead agents to consider implementing new policies as too demanding, given the amount of effort needed to develop technical expertise and managerial skills.

Another structural condition that can provide agents with the incentive to shirk is alternative **non administrative tasks** - such as personal or political activities - in which agents engage while serving in bureaucratic units. Agents might choose to participate in activities that promote their political rather than their administrative career. Public appearances and interaction with interest groups to strengthen their status within political parties are typical activities in which agents can be involved.<sup>11</sup> Thus, political activity can contribute to shirking, as it limits the time bureaucrats have available to devote to administrative tasks.

As mentioned earlier, Down's **Conservers** are also likely to shirk. Conservers, who seek a quiet, peaceful working environment, are likely to be less inclined to initiate or participate in any project that requires hard work or risks their current status in the organization. Conservers will reject any reform, such as privatization, that will “shake the ground” upon which they operate, e.g. change work schedules, create new tasks, or change budget allocations. There are several explanations for this. For example, Aberbach and Rockman claim that the greater

and more controversial changes sought for by politicians, the less is the responsiveness that is likely to occur.<sup>12</sup> Bureaucrats, such as Conservers, will feel much more comfortable continuing familiar programs, than implementing the unknown or new. Second, Conservers are reluctant to change existing networks in which they have developed over the years, in order to adopt and adapt to new arrangements. In the case of privatization, this means exchanging working relationships and procedures with familiar municipal personnel, for developing a new *modus operandi* with private market suppliers.

The presence of **strong internal interests groups** can provide agents, such as Conservers, with the incentive to shirk. Some bureaucratic agencies or units are known to have stronger cohesion between workers and stronger political influence within and outside the organization. For example, sanitation agencies in local governments are known to have strong and influential unions. In these cases, executive agents might shirk from implementing structural reforms, in order to avoid confrontations with unions that reject changes like privatization.

### **Motives for Shirking and Shifting**

Scholars offer various motives for the uncooperative behaviour by administrative agents that can lead them either to shirk, or to shift to alternative policies. These include the sometimes unrealistic targets that are set by politicians.<sup>13</sup> Bureaucrats may find that they cannot translate big and perhaps simplistic ideas, presented by politicians, into tangible programs. With every good intention to respond to politicians' requests, bureaucrats may be unable to find ways to obtain efficient results. For example, they may not be able to show savings created from privatization, when there is no real competition between external market suppliers of

services. In another instance, they may be unable to monitor the performance of contractors closely, if politicians limit inspection units.

### **A distinction between shirking and shifting as it relates to the status quo**

When analyzing the efficiency of political appointments, as presented in the following chapters, it is important first to discuss agents' motives in maintaining their unit's status quo (i.e., the agents continue to manage their agencies based on existing policies and programs). Both shirking and shifting can cause policy to remain unchanged. Shirking and maintaining the status quo is the tactic employed by agents who are disinclined to undergo the necessary effort needed for policy change. For instance, in the case of privatization, while agents may support it politically, they can discover that the process of contracting-out services is complex and costly in terms of personal effort. The choice of shifting is based on agents' interests in maintaining the status quo, since, for example, it is their preferred policy and represents their political views. Thus, agents may prefer to keep in-house provision of services rather than contract-based mechanisms, due to their ideological beliefs.

On the other hand, agents may genuinely try to shift policies, but fail in their attempts to move the agency to a new status quo. In these scenarios, although both acts of shirking and shifting keep the status quo, it is still crucial to make a distinction between these acts, when politicians are trying to design rewards, or sanctions in the case of uncooperative behaviour. For instance, in order to avoid shifting, politicians may appoint agents who agree with their ideology, and who willingly change the status quo. However, when agents are shirking, because they cannot endure the struggle needed to implement new policies, agreements reached on policies will not lead to the desired change. Chapter 2 elaborates further the differences between shifting and shirking and their effect on efficient appointments.

## Types of bureaucratic agencies

This section explores types of administrative units that allow agents more discretion than others and therefore provide the opportunity to shift policy or shirk from their duties without the fear of sanction. Overall, the problem of shirking and shifting is even greater in government agencies than in private sector organizations, as the former are more complex to control.<sup>14</sup> Government agencies involve many workers who are not under direct observation by their principals. These institutional arrangements grant agents more discretion without the fear of detection of their misconduct. Not only are governmental agencies more difficult to monitor, even with careful inspection by principals, but much of the public products and services cannot be easily measured in terms of costs and quality of service provision.

Wilson defines **Outputs** as the work an agency conducts. This includes planning of programs for the agency and of schedules for implementation. **Outcomes** are defined as the results an agency achieves, including the products and services it produces. The extent to which principals can monitor the activity of agencies is determined by their ability to measure outputs and the extent of visibility of outcomes. For instance, in sanitation agencies, schedules for cleaning units are regarded as outputs, while performance measurements to indicate whether the city is clean, after a schedule is implemented, are considered to be outcomes.

Wilson's typology of bureaucratic agencies allows the degree to which some types of agency provide more discretion than others (in the avoidance of implementation of preferred policies) to be determined.<sup>15</sup> By inspecting outputs and outcomes, Wilson distinguishes between four types of bureaucratic agencies. As

noted, some government agencies are more difficult to monitor than others. Clearly, as it becomes harder for principals to measure outputs and observe outcomes, the more discretion that agency enjoys and the easier it becomes for agents to shirk their responsibilities or shift to the promotion of policies other than those expected of them.<sup>16</sup>

In **Production Agencies**, both outputs and outcomes are observable. Hence, this type of agency is the easiest to control. The work of agents is transparent in terms of their efforts (outputs) and the services that the agency generates (outcomes). Production agencies usually include hard core services such as local sanitation, gardening and infrastructure. Agents working in this type of agency find it difficult to hide information as it is relatively easy to detect when they are shirking or shifting policies to promote their self-interest. Principals can monitor the amount of staff, machinery and work schedule that are used to maintain city gardens or build roads. They can also visibly determine if gardens are clean and blooming and whether streets comfortable for pedestrians.

In **Procedural Agencies**, outputs are seen, but the outcomes are not observable. Thus, to take a case in point, some of the treatments given by health care services are evaluated on the basis of outputs and not outcomes. For instance, it is often difficult to assess improvements in patients undergoing psychiatric treatments in the short term. It may take years for results to be estimated. It is, however, fairly easy to evaluate the outputs, i.e., the types of treatment applied, the number of patients treated, and so on. Therefore, principals monitoring procedural agencies tend to concentrate on outputs, such as how tasks are set, and less on outcomes achieved. In these types of agencies, shifting occurs when agents set out to maximize budget, as their principals are less acquainted with the requirements for efficient results.

Shirking can occur when agents do not make strong efforts in planning, perhaps knowing that they cannot be criticized for long-term outcomes that are difficult to assess. In order for principals to manage this type of agency efficiently, they must ensure that they appoint professional and experienced managers that are able to set programs that increase the likelihood of achieving desired results.

In **Craft Agencies**, outputs are not observable but outcomes are detectable. This type of agency is exemplified by security forces e.g. police, army and fire prevention units, in times of emergency or war. Under conflict situations, confusion and unexpected events prevent monitoring units from clearly observing the actions (outputs) of personnel. Principals are therefore left to estimate the performance of craft agencies by observation and analysis of the outcomes achieved, which is through ex-post mechanisms of control, e.g., oversight committees. Of course, by then it may be too late to correct shirking or shifting policies, but at least oversight committees can point to lack of responsiveness and replace uncooperative agents. According to Wilson, difficulties in observing the actions of units lead principals to rely on the self-discipline and loyalty of agents to carry out orders and perform their duties according to their training.

In **Coping Agencies**, principals struggle most to evaluate the work of agents (outputs) and observe the outcomes that are achieved. This allows agents the discretion to act as they see fit, without the fear of sanction. For principals, this type of agency is therefore the hardest to control.<sup>17</sup> In part, Education and Foreign affairs ministries can both be regarded as coping agencies. It is difficult to determine what diplomats will say in foreign meetings or to determine the outcomes achieved in negotiations. In the education system, teachers cannot be watched constantly in classrooms and a few visits by supervisors must suffice. It is also difficult to

determine what, exactly, students have learned, other than by means of their exam results, or how useful their knowledge is, once they graduate. Faced with this type of agency, principals need to rely on public or consumer opinion, academic research and other indirect means, in order to determine the efficiency of the agency's work. Even then, such evaluation is very far from being an exact science, and equally professional researchers will often reach contradictory conclusions from the same data sets.

The empirical examination of appointments conducted in this thesis concentrates on Israeli municipal sanitation agencies. Sanitation agencies are regarded as production agencies, since both outputs and outcomes are observable. It is fairly easy to determine what sort of tasks agencies carry out to clean the cities, and to observe the agencies' achievements (e.g., if the city meets acceptable standards of cleanliness and if garbage collection is regular and efficient). As production agencies are considered more transparent than other types, we should expect that principal-agent problems are less likely to occur. However, measurement of privatization in 6 cities reveals inefficient privatization results, even with this type of agency. The relatively accurate empirical measurement in agencies, such as sanitation, allows the determination of the extent to which the performances of sanitation managers, career and political appointees influence achieved outcomes (whether desirable or not).

## **Thesis Overview**

Chapter 1 has examined two kinds of uncooperative behaviour that politicians may encounter when interacting with career or politically appointed agents - acts of shifting and shirking. As mentioned earlier, although most Public Administration

literature does not distinguish between the motives that lead to shifting of policies from the motives that lead to shirking, this study considers such a distinction as an essential component for evaluating the efficiency of appointment processes. Shirking and shifting policies by agents are based on different motivations and when agents' motivations are misinterpreted, it becomes difficult for principals to determine the sort of incentive schemes or sanctions that are required in order to facilitate responsiveness.

Chapter 2 presents a theoretical analysis of political appointment mechanisms. It criticizes the most commonly accepted perception offered in the public policy and administration literature, in which political appointees are adjudged to create responsive agencies. The chapter addresses the question of why politicians fail to obtain the compliance of bureaucratic agencies, when they politically appoint managers to them. It is argued that politicians tend to misinterpret matching ideological-political viewpoints as leading to efficient cooperation. In addition, they fail to distinguish between shifting and shirking when appointing agents. While politicians try to solve the problem of shifting, they set up conditions that increase the opportunity to shirk. Furthermore, the chapter explores why political appointees are more likely to shirk, as they are too involved in political activities, or lack the experience needed to motivate the staffs of civil servants under their control to carry out complicated reforms.

Chapter 3 provides an introduction to the empirical study in the thesis. It reviews the main characteristics of Israeli local governments and explains why Israeli cities are helpful case studies for the analysis of political appointments. First, Israeli local governments have become highly politicized over the years, due to the informal local autonomy and the rules and procedures that guide the administration. Second,

in the last decade, municipalities in Israel have attempted to privatize local services and, in the process, made political appointments of agents to advance the reform. Privatization attempts provide a fitting example to learn about the interaction between politicians and their appointees. They can be used mainly to address such question as to what extent politicians are able to reach cooperation with their agents, making efforts to privatize services.

Chapters 4-6 test the theory of political appointments in Israeli local governments, during the political term of 1993-1998. In 3 cities - Tel-Aviv, Holon and Beer-Sheva, we ask why the mayors were not happy with the achievements of their political allies, who had been put in charge of privatizing sanitation services. Chapter 4 examines the failing attempts of city management to reform sanitation services in the city of Tel-Aviv, despite political appointees in charge of agencies. Interviews and data, collected in the city, reveal that political appointees chose to shirk their responsibilities. Shirking was possible when management relaxed the monitoring of its political appointees. In 1997, the management of Tel-Aviv was finally able to reach compliance with the reform, when it promoted a more experienced, “climber” type of bureaucrat to manage the sanitation agency.

Chapter 5 explores why, until 1996, the management of the city of Holon was unable to advance its privatization plan for sanitation. The political appointee in charge of sanitation shirked and did not advance the reform in his first three years in office. Under the new organizational structure formed in 1994, the appointee's shirking became possible and continued undetected. In 1996, the appointee began to invest in his bureaucratic tasks and became a “zealot”, who was highly motivated to reform the sanitation services. In addition, institutional modification conducted by management, assisted the advance of the reform.

Chapter 6 presents the case of the city of Beer-Sheva. In 1994, the Ministry of the Interior appointed an external comptroller to pull the city out of a severe financial crisis. The comptroller drew up a detailed privatization program for local services, including sanitation. However, two political appointees in charge of sanitation refused to comply with the comptroller and city management and either shifted policy or shirked. In 1995 the mayor of Beer-Sheva requested that the comptroller implement the reform independently, bypassing the sanitation managers.

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## Notes

- <sup>1</sup>. Hammond & Hill 1993:49, Calvert, McCubbins & Weingast 1989:604, Hammond & Knott 1996.
- <sup>2</sup>. Dunleavy, 1991:231, also see: Blais, A. and S. Dion 1991.
- <sup>3</sup>. Dunleavy, 1991:204-205.
- <sup>4</sup>. Dunleavy, 1991:148-149.
- <sup>5</sup>. Dunleavy, 1991:150.
- <sup>6</sup>. For examples see: Wilson, 1989, Peters,1989, Ostrom, Parks and Whittaker 1988, Miller,1992, Huber and Shipan, 2000.
- <sup>7</sup>. For examples see: Bendor,1987, Brehm and Gates 1997, Miller,1992, Moe, 1984, Peters,1989, Wilson, 1989.
- <sup>8</sup>. Wilson, 1989:155.
- <sup>9</sup>. Moe, 1984, Smith and Polsby, 1981 Peters, 1989, Wilson, 1989.
- <sup>10</sup>. Reiss 1971, Ostrom, Parks and Whittaker 1988, Brehm and Gates 1997.
- <sup>11</sup>. Peters. G. 1989:29.
- <sup>12</sup>. Aberbach and Rockman, 2000:91.
- <sup>13</sup>. Aberbach and Rockman, 2000:91.
- <sup>14</sup>. Wilson, 1989:155, Bergman and Lane, 1990:345, March and Olsen, 1995:58-59.
- <sup>15</sup>. Wilson,1989.
- <sup>16</sup>. Wilson, 1989:159.
- <sup>17</sup>. Wilson, 1989:169.

## **Chapter 2**

### **Political Appointments; The Attempts to Control Bureaucratic Agencies**

#### **Introduction**

This chapter presents a theoretical analysis of the mechanism of political appointment. It investigates why elected representatives, relying on political appointment to create responsive agencies, not only end up selecting agents that are more likely to shirk, but create conditions under which they *facilitate* shirking by their appointees. In order to analyze the inefficient outcomes reached with appointees, this chapter first examines the most common approaches to political appointments, mainly the British and US bureaucratic models. It also explores the way political appointments are made in Israel - concentrating on the gap that has developed over the years between formal and informal practices. The third section identifies the three main gains politicians seek to make by appointing their allies as discussed in the Public Policy and Administration literature. Finally, the chapter discusses why politicians assume that they can control bureaucracies by means of political appointments and why these appointments often fail to serve as an efficient control mechanism.

#### **Approaches to Political Appointments**

The existing literature offers a wide range of definitions and view points- often differing between countries and over time, as to what constitutes political appointment and what should be considered an efficient appointment.<sup>1</sup> As this section elaborates, the criteria under which politicians consider political nominees for

executive roles are those that are intended to oblige appointees to comply with their appointers' demands. As a result, politicians, searching for new administrators, preferably their political allies, often end up hiring nominees that are unsuitable for bureaucratic roles.

Weber's "ideal-type" bureaucracy provides the classic concept of the appointment process.<sup>2</sup> Based on Weber's ideas, the British Civil Service model broadly opposes political appointments, proclaiming that any nominee whose appointment is not solely based on considerations of *merit* is inadequate to serve in the public sector.<sup>3</sup> A career bureaucracy is a system with "regularized promotion", an official can expect to make a career in the civil service with potentially reaching the highest position within it.<sup>4</sup> However, the most widely accepted approach to political appointments is exhibited in the US system, where it is common for high ranked executives to be replaced when a new administration takes office.<sup>5</sup> Under this system, political leaders not only make appointments based on the expertise of nominees, but also seek out responsive candidates, willing to comply with the leaders' plans. For this purpose, they usually only consider candidates sharing their political views and ideology. Overall, the decision to appoint potential candidates, based on their responsiveness or competence, is dependent on where they are to be located in government and what goals the leaders seek to achieve by the appointments.<sup>6</sup>

Both the classical British and US approaches to political appointments have been applied in the last decades, if not rigidly so.<sup>7</sup> Under the British system, both politicians and bureaucrats are involved in policymaking. Politicians, however, are reluctant to rely solely on their professional civil servants, since bureaucrats serving long terms in office are likely to become too powerful and unresponsive to elected

representatives. Therefore, in an attempt to create responsive bureaucratic agencies, countries such as Belgium, Germany, France, and Japan, which have adopted forms closely related to the British model, tend to take not only the candidates' expertise into account, when appointing top executives, but also their ideological-political outlook.<sup>8</sup>

In the US system, political leaders have learned to appreciate the experience and expertise that administrators acquire over several consecutive terms. Thus, in recent decades, newly elected US administrations have considerably increased the numbers of middle and low ranked bureaucrats they keep in office.<sup>9</sup> Patricia Ingraham found that out of three million civilian employees in the executive branch, only 3000 may be termed political appointees. Over 500 appointees were in positions within the "Executive Schedule", these include cabinet secretaries and heads of major agencies, and just fewer than 700 were members of the Senior Executive Services (SES).<sup>10</sup> In 1978 Civil Service Reform Act limited the number of presidential appointment within the SES to 10 percent.<sup>11</sup>

Scholars such as Aberbach and Rockman have found that American administrations have moved closer to the classical Weberian form, in which political and bureaucratic roles are more clearly defined and separated.<sup>12</sup> Their findings suggest that, at the top level, administrators are increasingly kept out of powerful governmental circles and are restricted to engaging in the technical and legal elements of decision making. However, it is still evident that U.S. political leaders continue to place emphasis on ideology-partisanship considerations, when appointing top bureaucratic executives.<sup>13</sup>

The Israeli government, when it was formally established in 1948, sought to adopt the British civil service model. To that end, members of the Knesset (the

Israeli Parliament) passed “The Civil Service Act” in 1959. Prior to the legislation on appointments, the Supreme Court judge, Zvi Berenzon, chaired a government advisory committee to draw up a system of civil service appointments. In 1958, the committee submitted recommendations, precluding civil servants from participating in political activities while serving in public sector offices.<sup>14</sup> According to the committee, this limitation was meant to prevent civil servants from placing the interests of the party above the interests of the public. Despite the committee's proposal, the Civil Service Act of 1959 only restricted the involvement of administrators in managerial roles in political parties and service in high ranking party committees. Other party involvement, such as membership, was allowed, because the government claimed that civil servants, like any other citizen, cannot be completely excluded from political activities.

Under the current hiring legislation, Israeli governmental officials, wishing to employ new workers, are required to advertise public tenders for the requested roles.<sup>15</sup> For most civil service positions, these tenders are meant to ensure a transparency that allows potentially qualified candidates to apply for public positions. With this act, the government sought to attract highly professional and experienced personnel. However, the act allowed the Knesset to exempt specific bureaucratic roles from the tendering process, naming these recruitments as “loyalty based appointments”.<sup>16</sup> By this means, politicians were able to “tailor” roles for their trusted allies, without the need to specify job requirements, or to open each position to competition. A decade later, over 40 types of administrative position had become exempt, including those of political advisors, head administrators, the state legal advisor, the civil service commissioner, and directors in state-owned companies.<sup>17</sup>

In practice, the exemption of these roles from the tender process has moved the Israeli public sector away from the British model and into a more politicized system. Over the years, government audit and review bodies, such as the judicial system, state audit commission and public enquiry committees, have formally continued to fight to maintain the British approach to the civil service. In 1989, a public enquiry committee, set up by the civil service commissioner, repeated the Berenson committee's recommendations of 1958, prohibiting civil servants from engaging in political activities while in office. Among the proposed restrictions, civil servants were to be forbidden to list themselves as members of political parties and were to be prevented from campaigning on behalf of political leaders, or voting for party lists. In 2001, the parliament partially accepted these recommendations in legislation that prevented top ranked civil servants from voting in any internal political party elections.<sup>18</sup>

Because, on the one hand, certain restrictions are placed on political involvement by civil servants, while, on the other, many types of bureaucratic roles are exempt from the tender process, judicial and audit bodies have had to decide what should be regarded as an “inadequate appointment” and how such appointments should be detected. A 1990 Supreme Court ruling stated that if an elected representative appoints nominees for public office, for mainly political-partisanship considerations, the appointment should be reversed, as it breaches public confidence.<sup>19</sup>

Yitzhak Zamir, former state legal advisor and Israeli Supreme Court judge, argued that the concept of “political appointment” implies an appointment to a public position that would not occur if the person nominated were not a political figure.<sup>20</sup> On the other hand, such an appointment should not be overturned, simply because an

appointee is a member of the same party as the political leader, but for the importance the latter places in such membership.<sup>21</sup> In other words, politicians should, first and foremost, consider nominees based on their expertise and experience, but appropriate nominees should not be excluded from the appointment process just because they also happen to share the appointer's political persuasion.

The definition of political appointments which Zamir offers, together with the recommendations of public committees over the years, allowing civil servants to engage in political activities, restrict the ability of the oversight bodies to detect such appointments empirically. As the law tolerates some degree of political involvement by civil servants, it is difficult to determine to what extent politicians regard political alliance with nominees as important at the appointment stage. In 1991, a committee, set up to examine the appointment process in the public sector, tried to simplify ways to detect political appointments and remove them from public institutions. The committee stated that if a nominee has a personal or political connection to the appointing body, such an appointment should be regarded as political. In order to dismiss such a claim, the appointing body needs to prove that their nominee is the most competent person for the role and better qualified than any other potential candidate.<sup>22</sup>

In sum, the Israeli government has officially tried to maintain the British structure of public sector, while allowing ministers and mayors the freedom to politically appoint key executives to various offices. As further explored in chapter 3, empirical measurement of political appointments is limited, due to the difficulties of detection, mentioned above. However, Audit Commission reports and some researches conducted over the years, give strong indications that political appointments are a common phenomenon in the Israeli public service. Furthermore,

most political appointees continue to engage in political activities while serving in public office.<sup>23</sup>

### **Motives for Political Appointments**

Before discussing the efficiency of the mechanism of political appointments, let us classify three main motives behind political appointment.<sup>24</sup> The distinction illustrates what politicians seek to achieve with this mechanism and the potential constraints involved. In addition, it helps construct a method by which to identify political appointees and to explain whether the aims of the appointments are achieved.

The first type of motive for appointing political agents is *Party-based appointment*. Here, the mechanism serves two main goals: (1) it allows political candidates to reward supporters assisting in their election and, (2) it ensures future assistance at re-election time. In this case, rewards are mostly granted to party activists who actively help political candidates during campaigns. Once elected, politicians tend to award associates with roles in the public sector, such as directorships of public companies, or roles in foreign affairs offices abroad, such as consulates and embassies, the United Nations and so on. While in their new roles, appointees continue their political activities and support for their appointers.

The second type of motive is *public representation*. In this case, political appointments allow politicians to increase the representation of minority or special groups in key executive bureaucratic roles. With the promotion of such candidates, politicians keep their campaign promises to answer to the needs of these groups. Furthermore, minority representatives, serving in key roles, help politicians to become better informed on the preferences of various sectors in society, supporters and potential supporters.

While these two reasons for appointment are important to recognize and research, this study mainly concentrates on a third type of motive for political appointment - *policy control*. With this type of appointment, elected representatives aim to create responsive bureaucratic agencies. To high ranking managerial positions in the public sector, politicians appoint allies whom they trust to carry out their requirements. Contrary to party-based appointments, politicians are very much concerned with the performance of their appointees. Such appointments do not merely serve to reward their allies, but are intended to ensure implementation of policies in which the political leaders are interested. This third motive is explored more fully in the next section.

### **Appointments for “policy control”**

A key question in this thesis is how politicians use the mechanism of political appointment to create responsive bureaucratic agencies. The principal-agent model provides a useful theoretical tool to explain the interaction between politicians and bureaucrats, focusing on the problem of control that politicians face when dealing with bureaucratic agents. Public choice scholars argue that politicians appoint political figures to key bureaucratic roles in order to solve agency problems i.e., the principal-agent problem.<sup>25</sup> Principal-agent models have two essential components: asymmetry of information and conflict of interests. Agents (i.e., bureaucrats) possess or acquire information that is either unavailable to principals (i.e., politicians) or costly for them to obtain. Agents have incentives to use this information strategically, or keep it hidden, in order to promote their self-interest. For instance, a conflict of interests between agent and principal is likely to occur when the former seeks to maximize his/her bureau's budget, while the latter is trying to cut

expenditures. Due to this conflict, agents are liable to conceal information regarding service delivery costs and to present inflated budget demands to their principals.<sup>26</sup>

Politicians usually anticipate manipulation by bureaucrats and rarely assume automatically that disinterested subordinates are advising them. A key question is whether they can create incentives to induce agents to act in their interest.<sup>27</sup> In an attempt to resolve conflicts with agencies, politicians rely on a variety of ex-ante, ongoing control and ex-post mechanisms to motivate compliance by agents.<sup>28</sup> They institute rules and procedures designed to limit uncooperative behaviour such as leading administrative units to compete for resources and approval of programs.<sup>29</sup> Making promises of promotions, increases in salary, and, on the other hand, sanctions such as delaying promotion. Forming oversight committees to examine an agency after the implementation of policy, as well as finding alternative information channels to better evaluate agencies' outputs.<sup>30</sup>

Politicians hope that by making the activities of agencies more transparent, it will be more difficult for their heads to hide information. However, the monitoring procedures needed to control agencies are costly and often only partially successful in creating responsiveness.<sup>31</sup> Therefore, politicians are left to decide whether to devote much of their attention to monitoring agencies, or to accept the risk of non-compliance, while concentrating on other tasks. Of course, the second alternative decreases a politician's ability to control agents.

Yet, politicians are keen to create responsive agencies to implement their policies, so instead of continually monitoring their agencies to ensure compliance, they search for nominees to replace those whom they consider untrustworthy career executives. Through the appointment process, they tend to select candidates who share their political views and ideology. Politicians often assume that agreement on

*policy* preferences will provide enough incentive for political appointees to implement preferred policies.

### **Constraints of policy agreements**

This study examines why, under certain conditions, the very policy agreements that are reached during the appointment process can hinder the implementation of these same policies. It is argued that politicians often do not consider the different motivations for agents' uncooperative behaviour. As discussed in Chapter 1, politicians may encounter uncooperative behaviour, such as shifting of policies and shirking, when interacting with both career and politically appointed agents. To reiterate, *Shifting* describes actions undertaken by agents to change a policy, in order to fit their views, which conflict with those of their principals. *Shirking* describes an agent's attempts to conserve the effort needed to implement an agreed policy by maintaining the status quo. In other words, preserving the status quo is considered by an agent to be less costly or arduous than the effort of making policy changes. It is assumed that structural conditions do make it possible to move from the status quo (e.g., conditions that allow contracting out services, competition between contractors, allocated budget, etc.).

Existing appointment studies seldom address the problem of shirking. Most formal models of the appointment process emphasize the importance of agreement between players on *policy preferences* as a main component leading to co-operation.<sup>32</sup> Scholars argue that the more politicians skilfully recognize the true policy preferences of nominees at the appointment stage, the more likely it is that they will increase the responsiveness of agencies, once the newly appointed agents are in office. In most studies, when researchers discuss the problem of

responsiveness, they refer to the attempts of politicians to prevent *shift* of policies by appointing agents that share their political views. This, however, does not necessarily solve the problem of control.

In these studies, *policy preferences* are not defined and there is no examination of the motives of players when ranking their preferences. It is commonly assumed that the appointment process can create co-operative agencies, when politicians appoint agents that share their political views and ideology. Since the studies discuss how the matching of policy preferences leads agents to respond to political demands, we are left to assume that players' choices of policy are based on their political views and ideology. However, it is important to recognize that appointees' choices of policy are not based solely on their political views. The effort to implement policies also imposes costs and therefore also affects their willingness to undertake these tasks. Therefore, appointed agents may not shift, but they may well shirk from implementing policies.

As discussed in Chapter 1, it is essential to understand the differences between the motives of agents who shift policies and those that lead to shirking, when politically appointing an agent to a key executive role. As shifting and shirking of agents result from different motivations, overcoming them requires different incentives. Both political and career agents can potentially shift or shirk from their implementation commitments. With career agents, politicians attempt to counter the possibility of conflicting interests by continually monitoring these agents, in order to ensure compliance. However, when they appoint associates who agree with their policies, politicians assume that most types of uncooperative behaviour can be resolved. Yet, agreement over policy is most likely to help in preventing shifting of policies only, not shirking. Unaware of additional motives for irresponsiveness and

trusting in policy agreements at the appointment stage, politicians reduce monitoring costs, once their agents assume office. These relaxed conditions grant political agents higher discretion than career agents, increasing their freedom to reduce their own implementation costs and to shirk their duties.

### **Political appointees are more likely to shirk**

Chapter 1 presents conditions that facilitate shirking behaviour by administrative agents, as discussed in Public Administration studies. In this chapter it is argued that in comparison to career agents, political appointees are more likely to encounter such conditions and are therefore more likely to shirk. Political nominees considered for executive roles are frequently unfamiliar with the designated administrative tasks, are more likely to encounter information problems (principal-agents problems) with their subordinates, and are less dedicated to their roles, as they devote considerable time to political activity. Furthermore, political executives who actively participate in unions are more often subject to pressure to avoid implementing policies that the union rejects hence, shirk from their obligations.

As a number of studies have found, *lack of skills* is a key element to explain bureaucratic agents' shirking behaviour.<sup>33</sup> Political appointment studies have found appointees lacking sufficient technical resources to implement policies, and who are thwarted by the civil servants within their agencies.<sup>34</sup> Newly appointed, uninformed or inexperienced political executives, are most likely to face a principal-agent problem. Appointed executives, now themselves acting as principals, need to develop the skills that can prevent their subordinates from concealing information and can ensure efficient implementation of policies.

Another crucial motive for shirking is *non-administrative activities*. Political appointees can be expected to engage in activities that promote their political, rather than their administrative, career. They will spend time interacting with interest groups and answering their demands, in order to strengthen their political power within and without their political parties. This political involvement may lead agents to shirk their administrative responsibilities, since the efforts that need to be invested in these responsibilities reduce their ability to devote time to alternative political activities.

Another structural condition that can provide agents with the incentive to shirk is *strong internal interests groups*, e.g., unions. Cronin suggested that appointees are often unsuccessful in carrying out political leaders' preferred policies, because they are "captured" by their agencies or, they "go off and marry the natives".<sup>35</sup> Some bureaucratic agencies in local government, such as sanitation departments, are known to employ a considerable number of union members, who therefore wield political influence within the agency and the municipality. Political appointees who are concerned not to jeopardize their status are likely to shirk, by avoiding programs the union opposes. The case studies presented in this thesis demonstrate how appointees are strongly influenced by municipal unions.

### **Inefficient policy control**

Figures 2.1 and 2.2 illustrate how politicians aim to advance their policies by appointing agents who share their views, but reach inefficient outcomes when their appointed agents shirk from their duty. Figure (2.1) presents an interaction between a politician and his/her political appointee, who is also a political activist. Figure (2.2) presents an interaction with a political appointee, who has neither the skills nor the

experience required to implement complex privatization reform. Both interactions presented below are relevant to the cases in chapters 4, 5, and 6.

**Figure 2.1: Appointed political activists, shirking from their administrative obligation**

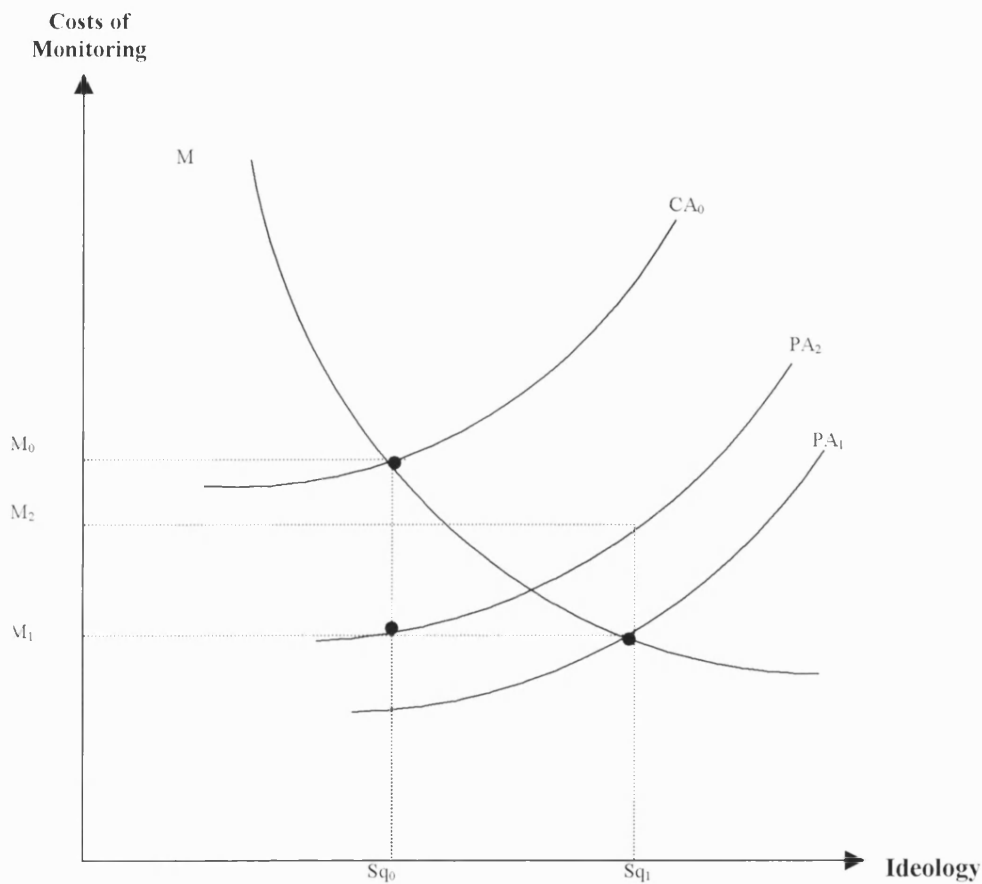


Figure 2.1 presents the players' views of ideology (e.g., the degree of privatization they are willing to adopt), and the costs of monitoring. The mayor's curve (M), represents his/her preference- the mayor assumes that the more services are kept in-house, the more costly it becomes to ensure efficient service delivery, in terms of time needed to be spent on monitoring performance and outcomes. Curve (CA) represents the preferences of the incumbent career head of the agency. The career agent mostly opposes privatization. In other words, he/she considers privatization as

damaging to the agency, in terms of potential decline in allocated budget, loss of prestige, a decrease of relative power in the organization, etc.

The curve  $(PA_1)$  represents how the mayor perceives his/her political appointee's views on privatization and the costs involved. The mayor correctly assumes that the appointee is a stronger supporter of privatization than the incumbent career agent. However, the mayor does not take into account the true efforts (costs) that the appointee will need to invest, in order to adopt such ideology. These include costs associated with time taken away from alternative political activities, or costs related to conflict with unions who reject privatization. The curve  $(PA_2)$  represents the true efforts (costs) that the political appointee is willing to endure, when adopting the agreed upon ideology. Wrongly assuming at the appointment stage that the appointee is located on the curve  $(PA_1)$ , the mayor reduces the monitoring costs from  $(M_0)$  to  $(M_1)$ , hoping to move the agency from the present status quo  $(SQ_0)$  to a more privatized agency at  $(SQ_1)$ . However, under the relaxed monitoring conditions provided by the mayor, the appointee  $(PA_2)$  avoids implementation and maintains the initial status quo  $(SQ_0)$ .

In order for the mayors to motivate the political appointees to make efforts to reach desired privatization outcomes of  $(SQ_1)$ , they need to invest in the higher level of monitoring  $(M_2)$  and not  $(M_1)$ . Notice that  $(M_2)$  is still at a lower level of monitoring than that of  $(M_0)$ , which is required to induce the careerist agent to privatize services. However, this thesis argues that the politician will most likely *not* choose the monitoring level of  $(M_2)$ , when assuming that the appointee is at curve  $(PA_1)$ . Furthermore, even if the politician chooses to invest  $(M_2)$ , the savings in monitoring costs thus created should be compared with the costs entailed in the

appointment process itself, when trying to estimate if political appointments are an efficient mechanism of control of the bureaucracy.

**Figure 2.2: Unprofessional Political appointees, shirking from their administrative obligation**

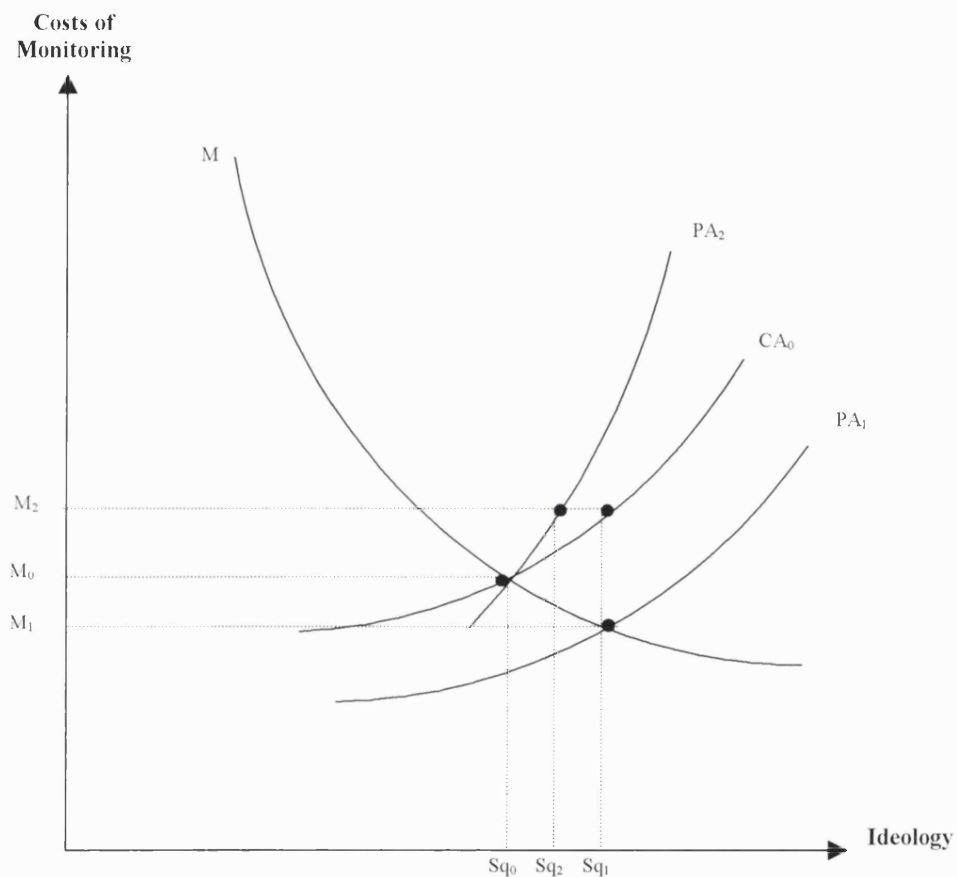


Figure 2.2 represents the interaction between politicians and their political appointees, when the latter shirk, due to lack of competence to implement a desired policy. As in Figure 2.1, the mayor's curve ( $M$ ), represents his/her preferences regarding privatization and the cost of monitoring which it entails. The curve ( $CA$ ) represents the preferences of the incumbent career head of the agency. The curve ( $PA_1$ ) represents how the mayor perceives his/her political appointee's views, as a supporter of privatization. The curve ( $PA_2$ ) represents the true efforts (costs) for the

political appointee in adopting privatization. Here, adopting privatization is much more costly for the political appointee than in the first scenario (illustrated in Figure 2.1). The appointee shirks when he/she does not have the skills, knowledge, or experience to implement such a complex reform. The mayor assumes interaction with  $(PA_1)$  and relaxes monitoring to  $(M_1)$  and therefore obtains inefficient results. Most importantly, even if the mayor does not change the monitoring level  $(M_0)$ , the appointee continues to maintain the status quo. The appointee avoids privatizing services, because of inability to do so, even at the risk of detection and possible replacement. Furthermore, if the politician chooses to increase monitoring (to move from  $M_0$  to  $M_2$ ) he/she is likely to achieve *better* results with the career agent than with the political appointee. With the  $(M_2)$  level of monitoring, it is most likely that the career agent, fearing sanctions, will move the agency away from the status quo (from  $SQ_0$  to  $SQ_1$ ) whereas the political appointee, if he/she is capable at all, will move only slightly to the less desired outcome of  $(SQ_2)$ .

Figures 2.1 and 2.2 demonstrate the conflict between politicians and political appointees. The case presented in Figure 2.1 supports the contention that, despite the fact that they agree on privatization, the political appointee is reluctant to invest time and effort privatizing services, preferring to concentrate on his/her political career. Unfortunately for the principal, the relaxed monitoring conditions allow the appointee to pursue this goal. In this scenario, monitoring, mainly ongoing controls that check agency actions on a regular basis, plays an important role in motivating the agent to comply. If lack of responsiveness is detected, the politician can request that the appointee focus on administrative instead of political tasks, assuming that the appointee has the expertise required to reform services. In the end, cooperation with

politicians is dependent on the appointee's willingness to reduce political obligations and invest in the administrative role.

However, the case presented in Figure 2.2 shows that creating a responsive agency is a much more complicated task. Here, lack of compliance by political agents results from an inability to reform services, not opposition to the plans or distractions due to political activities. In this case, politicians can benefit from monitoring, mostly to detect uncooperative behaviour and, if necessary, to replace the appointee. On its own, monitoring cannot make the appointee efficiently cooperative, given a low level of professionalism.

The interaction presented in Figure 2.2 is consistent with the argument of Huber and McCarty, that low bureaucratic capacity diminishes the ability of politicians to control bureaucracies. The more incompetent the bureaucrats, the lower their ability to comply with a politician's demands. Therefore, a politician's attempts to influence the performance of such bureaucrats via legislation, or any ex-post mechanism, are often useless.<sup>36</sup> They argue that politicians should not provide autonomy to *incompetent* bureaucrats as it leads to inefficient results. This thesis argues further that politicians should not provide autonomy to *competent* agents simply because they are considered allies who share their policy preferences. Appointees have other incentives to shirk besides low capacity, such as political activities. Thus, more autonomy granted to competent agents means that they operate under conditions that allow shirking.

The case studies of three cities will demonstrate how in some of the appointments, such as in Holon and Tel-Aviv, city management was eventually able to detect shirking and motivated its allies to abandon their political activities. In other appointments, discussed mainly in the cases of Beer-Sheva and Tel-Aviv, "friendly"

political appointees were forced to resign when city management discovered that they did not have the knowledge or ability to carry out their duties.

## **Summary**

This chapter has analyzed the mechanism of political appointments that are supposed to solve the problem of control that politicians face with bureaucratic agencies. It is argued that, when considering political nominees to replace career bureaucrats, politicians inevitably choose appointees closely aligned with their ideological and political views. Politicians misconstrue matching positions regarding policies, membership in the same party, past or present friendship, as leading to responsiveness. However, while politicians are trying to stop the occurrence of shirking, they open up the door to the problem of shirking.

It has also been shown that shirking will most likely occur when appointed agents are unfamiliar with administrative tasks, or politically obligated to interests groups, some of which resent the reforms that the appointees are required to adopt, and pressure them to avoid implementation. Thus, politicians not only wind up with political agents who are more likely to shirk, but, in addition, the presumed trust in political allies leads to a relaxed monitoring environment that facilitates shirking.

Monitoring is meant to prevent appointees from pursuing their own political goals and ensure that they devote their time to solving administrative problems. Once shirking is detected, politicians can demand that their appointed agents amend their behaviour. However, this assumes that political activists have the expertise needed to increase efficiency, as well as the willingness to abandon, or at least reduce, the time they spend on political obligations. Here, monitoring is less effective when dealing with political appointees who do not have the knowledge and experience to reform

services, and can only serve to detect non-compliance. Monitoring cannot make up for lack of skills.

The following chapters test the theoretical arguments presented in Chapters 1 and 2. Chapter 3 provides an overview of Israeli local government, emphasizing basic structures and some major reforms adopted over the last decade. Chapters 4-6 examine the relationships between politicians and bureaucrats in 3 Israeli cities. The discussion mainly focuses on the appointments that were made in sanitation, in an attempt to create responsive agencies implementing a reform program of privatization.

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## Notes

- <sup>1</sup>. For examples, see Nathan, 1983, Moe, 1985, 1989, Wood & Waternan, 1991, 1993, Aberbach & Rockman, 1994, 1997, Pfiffner, 1989, Peters, 1989, Zamir 1990, Dery 1993.
- <sup>2</sup>. Weber, 1978, Dowding, 1995:9-10.
- <sup>3</sup>. Wilson, 1887.
- <sup>4</sup>. Ridley, 1983:179.
- <sup>5</sup>. Aberbach & Rockman, 1994.
- <sup>6</sup>. Moe, 1989:245.
- <sup>7</sup>. For examples, see: Aberbach, Putnam & Rockman, 1981, Aberbach & Rockman, 1997.
- <sup>8</sup>. Dery, 1993:13.
- <sup>9</sup>. Page, 1992:35
- <sup>10</sup>. Ingraham, 1987:426
- <sup>11</sup>. Page, 1992:35
- <sup>12</sup>. Aberbach & Rockman, 1997:335-336.
- <sup>13</sup>. Aberbach & Rockman, 1997:347.
- <sup>14</sup>. Berenzon Committee report, 1958.
- <sup>15</sup>. Civil Service Act, 1959, section 19.
- <sup>16</sup>. Civil Service Act, 1959, sections 3,4.
- <sup>17</sup>. Civil Service Act, 1959, sections 5,6,12,21.
- <sup>18</sup>. See corrections 2001, section 3, participation in electoral body, in The Civil Service Act, 1959.
- <sup>19</sup>. Supreme Court ruling 4566/90; Dekel vs. Treasury Minister.
- <sup>20</sup>. Zamir, 1990:21
- <sup>21</sup>. Zamir, 1990:20
- <sup>22</sup>. The Israeli Democracy Institute, Roundtable Forum, 26.11.1991
- <sup>23</sup>. For examples, see audit commission reports no. 39, 41, 44, 52a, 1998-Audit Report on Personnel Recruitments and Political Appointments in Local Governments.
- <sup>24</sup>. For examples of motives, see Nathan, 1983, Moe, 1985, 1989, Wood & Waternan, 1991, Aberbach & Rockman, 1994, Page, 1992:36.
- <sup>25</sup>. For examples, see: McCubbins, Noll and Weingast 1987, 1989; Peters, 1989; Gilligan, Marshall and Weingast 1989; Calvert, McCubbins and Weingast 1989:604; Miller 1992; Hammond and Hill 1993:29; Aberbach and Rockman 1994; Hammond and Knott 1996.

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- <sup>26</sup>. Bendor, 1990:383-392, Kiewiet and McCubbins 1991:25, Huber and Shipan 2002:19.
- <sup>27</sup>. Bendor, 1990:384.
- <sup>28</sup>. Epstein and O'Halloran, 1999:25, Huber, 2000:400.
- <sup>29</sup>. Hood, 1998:55.
- <sup>30</sup>. Bawn 1997:102-103, Bendor, 1990:385-386.
- <sup>31</sup>. Epstein and O'Halloran, 1999:47.
- <sup>32</sup>. Gilligan, Marshall and Weingast 1989; McCubbins, Noll and Weingast 1987,1989:604; Peters,1989; Hammond and Hill, 1993:29, Aberbach and Rockman 1994, Hammond and Knott, 1996, Horn, 1995:72, Huber, Shipan and Pfahler, 2001:332-333.
- <sup>33</sup>. Moe, 1984, Smith and Polsby, 1981 Peters, 1989, Wilson, 1989.
- <sup>34</sup>. Hammond and Hill, 1993, Brehm and Gates 1990, Cronin, 1980, Heclo, 1977.
- <sup>35</sup>. Cronin, 1980.
- <sup>36</sup>. Huber and McCarty,2004:24

## **Chapter 3**

### **Israeli Local Governments**

#### **Introduction**

In this thesis, cities provide case studies for the exploration of the process of political appointment. In the last decade, Israeli local politicians have been trying to privatize services and politically appoint chief executives, in order to promote and achieve compliance with the proposed reforms. An empirical examination of cities in Israel, in the last decade, shows that, in the main, politicians have failed to motivate political agents to cooperate. Focusing on 3 Israeli cities, this thesis explores the process of appointment, the interaction of political and careerist bureaucrats with city management and evaluates the outcomes achieved. Overall, we examine why politicians have failed to create responsive agencies willing to reform services.

It is important to emphasize that the contracting-out reform, which politicians were seeking to adopt, is only used here to provide a useful example to examine the interaction between politicians and political appointees. This thesis does not claim that privatization reform is dependent on the efficiency of political appointment. It is assumed that reaching an efficient privatization outcome is dependent on many variables, in addition to the compliance of heads of agencies, whether they are political appointees, or long-term civil servants. For example, mayors and political agents might agree to privatize services and the latter might dedicate time to advance the reform, but the local council might then reject the process or place obstacles along the path of implementation. As a result, the city may reach inefficient privatization results, regardless of the appointees' actions. Therefore, this study is only concerned with the question of whether politicians achieve compliance with

their appointed agents, placed in charge of the privatization process, if such appointees skilfully manage their agencies, and if they make every possible effort to advance the reform.

This study conducts elite interviews with city management and heads of agencies, in order to investigate the relationship between players. Reliance on statistical privatization data alone limits the understanding of the nature and consequences of appointments. Interviews provide a useful tool to answer such questions as what politicians were hoping to gain from the appointment of their allies, what was agreed upon between players at the appointment stage, and how politicians interacted with their appointees once in office. Most importantly, interviews provide information on how politicians estimate the performance of their appointees, how satisfied they are with the level of professionalism, and the efforts made. Statistical data might give some indication of an efficient appointment process. For example, a high level of privatization might indicate that appointees had contributed to the process. It might, however, mean that city management had been able to bypass an appointee's rejection of the process and carry out privatization without his or her support.

Nevertheless, as presented in this chapter, the measurement of privatization outcomes is important to indicate the overall success or failure of politicians to reform services, as well as suggesting which cities should be explored further. Although it does not prove the efficiency of appointment, it does show a certain trend of achievement reached with political appointees. The contracting-out data of six major Israeli cities indicate that some cities were able to privatize services more successfully than others. Thus, Tel-Aviv is presented as an example of a city that failed to reform services, Holon as one that was most successful, and Beer-Sheva as

an example of a medium level of privatization. Given that, to varying degrees, all the cities had a certain level of political appointment, the question that the case studies address is why and how politicians are able to motivate some agents to carry out reform, while they fail with others.

Even though several local services have been privatized over the years, the case studies concentrate on sanitation services. The examination of similar services in all 3 case studies permits a more accurate comparison between cities. Furthermore, as explained in chapter 1, in production agencies such as sanitation, both outputs and outcomes are relatively easy to measure, allowing a more precise evaluation of contracting-out achievements. In such agencies, it is easier to determine the different tasks needed for efficient privatization and to focus more clearly on what the appointees are expected to achieve in the process. We can thus better evaluate the extent to which appointees perform the assignments that are required, in order to reach successful privatization results.

Chapter 3 now presents an overview of Israeli local governments, explaining their roles, function and organizational structure. It highlights the characteristics that make cities in Israel useful case studies. First, we investigate how an electoral reform, carried out in 1978, made local authorities less dependent on national party-politics, leading mayors to focus more on local concerns, such as the quality of municipal services. Second, we review the formal and informal organizational structures, municipal executive roles, such as those of the mayor and council, and the role of municipal unions. Third, we analyze central/local government relationships and their effect on the outcomes achieved at the local level. Fourth, the chapter explores the characteristics of local Israeli administration, including how, over the years, informal practices and procedures have allowed mayors to turn local

governments into highly politicized structures. Finally, we discuss certain major administrative reforms adopted in the last two decades, such as New Public Management schemes and present original contracting-out data for six major Israeli cities between 1990-1999.

## **Overview**

Israel is a country of 6.6 million citizens and 264 local governments. There are three types of local government structure: 70 *municipalities* - urban communities with at least 20,000 residents; 54 *regional councils* - unified authorities for a few small villages or settlements located geographically closely to each other; and 140 *local councils* - towns with less than 20,000 residents, that are not under the jurisdiction of a regional council. Nearly 75% of all Israeli residents live in cities, 50% living under the authority of 11 municipalities. Nine of these municipalities are located in central Israel, which, however, covers only 5% of the whole geographical area of the country. In 2003, the populations of the three biggest cities in Israel were: 669,986 residents in Jerusalem, 358,837 residents in Tel-Aviv and 272,166 residents in Haifa.<sup>1</sup> (For information on demographic growth, see appendices section A).

## **Political power in Israeli local government** (For additional information see Appendices, section B)

In Israel, elections for local councils and mayors are held simultaneously throughout the country every five years. Local council elections are general, direct, equal, secret and proportional. In 1976, the Knesset (Israeli Parliament) legislated a law separating the voting for mayors from that for local parties. The first elections conducted under the new system took place in 1978.<sup>2</sup> In the election process, voters have two ballots,

one for electing the mayor and one for a party list contesting for seats on the council. In the mayoral elections, the winner is the candidate who receives most votes, as long as he or she gains at least 40% support. If none of the candidates reaches 40%, a second round, or run-off, is conducted between the two candidates who received most votes.

In the 1950s and 1960s, the central political parties thought it was important for local governments to give a high priority to advancing national issues, and implementing policies based on a national agenda. Therefore, the choice of candidates for local political lists, and for council and mayoral candidates, was mainly in the hands of central parties. There was also strict budget control at the state level over local governments, in order to ensure that policies were carried out according to national interests. Central political parties controlled local branches, by telling council members how to vote on local issues and by involvement in local coalition bargaining processes.<sup>3</sup>

Electoral reform in Israeli local governments, conducted in 1976, was intended to strengthen the power of mayors. In the past, voters had elected political parties that had a candidate for mayor at the head of their list. Under the new system, voters elect the mayor separately from their party. It was thought that, since voters directly selected the mayors, it would increase the candidates' accountability towards their voters. The following section discusses some of the changes that followed the electoral reform. First, we have the power shift from party lists to mayoral candidates, that led to a change in the character of the elections from a party-based campaign to a personal, more presidential one. Second, there is the rise of local independent parties and the decline of national party politics at the local level. The direct link between voters and candidates has led to a stronger dependency of

mayoral candidates on public support and a concomitant lesser dependency on political party activities. This has changed both the platforms of campaigns and the emphasis that voters place on the character of candidates.

According to Brichta, who studied the local political changes that have occurred in the last two decades, the separation of elections for mayoral candidates from party lists, together with a movement in Israeli political culture to a more civic society, have contributed to the rise of local independent lists, replacing, to some extent, national party-based lists. Between 1950 and 1998, local lists increased their power in comparison to party lists by eight times in the elections for council and by three times in the elections for mayors.<sup>4</sup> The direct link between mayoral candidates and voters created new sets of expectations. Instead of focusing on the activities of political parties, voters turned their attention to evaluating the performance of individual mayoral candidates, with the main concerns being the personality and activities of candidates, their credibility and skills.

The cultural changes Israel was undergoing at the time also contributed to the rise of local independent lists, detached from national party politics. At the beginning of the 1990s, Israeli citizens, concerned with their everyday welfare, increased demands on local authorities for high quality services. Citizens learned to channel their concerns for national issues, such as security and the condition of the economy, towards central state offices, and to address their day to day requests towards the municipalities. With the increasing focus on local issues, it became less relevant for mayoral candidates to play an active role in national party politics. Running on a local ticket became an attractive option, as it freed candidates from national party obligations and pressures.<sup>5</sup>

A democratization process in the 1970s and 1980s also contributed to the shift of power from central to local political branches. The need of parties to find acceptable candidates for local constituencies became much stronger. This led central parties to be dependent on popular candidates from local branches, who were active and well known locally. Candidates of national parties, who had participated little in communal activities, had little chance of winning an election at the time.<sup>6</sup>

Towards the end of the 1970s, there was a major power shift between the two biggest political parties. In 1977, Labour party domination of central and local politics came to an end when the right of centre “Likud” party won a national election for the first time since independence in 1948. Until this election, the Labour party had completely dominated state and local mayoral elections, although, at the council level, there had been mixed results. The strengthening of the electoral power of the Likud reached its peak in 1989, when Likud mayoral candidates won more seats than their Labour adversaries.<sup>7</sup>

The success of the Likud party in local elections can be partly attributed to the electoral reform. The Likud party was the first to recognize that, under the new electoral system, it should recruit popular candidates, especially high ranking army officers, who were considered to be experienced managers. The introduction of charismatic candidates helped the Likud to overcome their many years of defeat and increased their power in local politics. Soon after, all the political parties followed this trend and recruited their own charismatic candidates.

**Table 3.1: Local elections' results according to political parties, between 1950-1993 (in percentages).<sup>8</sup>**

<b>Year</b>	<b>Parties</b>	<b>Labour (Avoda)</b>	<b>Likud</b>	<b>Religious</b>	<b>Local</b>	<b>Others</b>
<b>1950*</b>		39	35	13	4	9
<b>1955</b>		45	28	14	3	11
<b>1959</b>		49	24	16	4	7
<b>1965</b>		50	23	14	5	7
<b>1969</b>		41	25	15	7	12
<b>1973</b>		40	29	15	9	8
<b>1978*</b>	<b>Council</b>	35	26	17	18	5
	<b>Mayor</b>	39	31	12	16	2
<b>1983</b>	<b>Council</b>	37	24	20	17	4
	<b>Mayor</b>	40	29	11	18	2
<b>1989</b>	<b>Council</b>	29	28	19	23	1
	<b>Mayor</b>	30	40	7	23	-
<b>1993</b>	<b>Council</b>	29	20	17	35	1
	<b>Mayor</b>	28	34	1	36	-
<b>1998</b>	<b>Council</b>	16	11	17	44	12**
	<b>Mayor</b>	21	28	1	47	3

\* From 1978, the local elections were conducted separately from national elections.

\*\* Includes the Russian Immigrants party (8%)

Table 3.1 demonstrates the increasing success of local lists from 1978 to 1998. The table shows the decline of power of the Labour party over the years. In 1989, as noted, the Likud mayoral candidates were able to win more seats than the Labour party (40% for Likud and only 30% for Labour). However, even though local lists increased their power over the years, up to 1993, mayoral candidates still increased their chances of winning by running on an established political party ticket.<sup>9</sup> For incumbent mayors, 64% won after running for a second term, as representatives of political parties and only 36% won with local lists. For new mayoral candidates, 80% won for the first time as representatives of political parties, whereas, only 20% did so when competing as representatives of local lists.

Yet, the greater likelihood of mayoral candidates to win elections when representing political parties was not based on the same ideological-political platform that had assisted candidates in the past. Rather, it was the financial and organizational support that established political parties were able to offer candidates, support which local independent parties were unable to provide. Political parties had already established their political and organizational networks in cities and it was therefore easier for their candidates to gain quick support and assistance in campaigns.<sup>10</sup>

In some cases, national parties preferred to hide behind the labels of local parties. In these cases, they hoped to increase the amount of potential voters when they supported local lists, whose candidates were not overtly associated with any specific ideology. For example, Jerusalem's mayor, Teddy Kollek, was ostensibly running with an independent party when, in fact, he was provided with the support of the Labour party.<sup>11</sup> So was the case with the last two mayors of Tel-Aviv (in the 1993 and 1998 elections).

Since 1993, the dependency of mayoral candidates on political parties has declined. Although, in the 1998 elections, mayoral candidates from national political parties had a slightly greater chance of winning (52%), in small local councils this trend had already been reversed. In these cases, 54% of mayoral representatives won when leading an independent local party.<sup>12</sup> The success of local lists and of their candidates, points to the importance which voters place on the local agenda and, to some degree, their weariness with national politics. Over the years, there has been a change in the preferences of citizens, who, in local elections, have become more concerned with local issues, such as quality of schools, appearance of cities, and local culture, rather than the political-ideological matters for which they had voted in

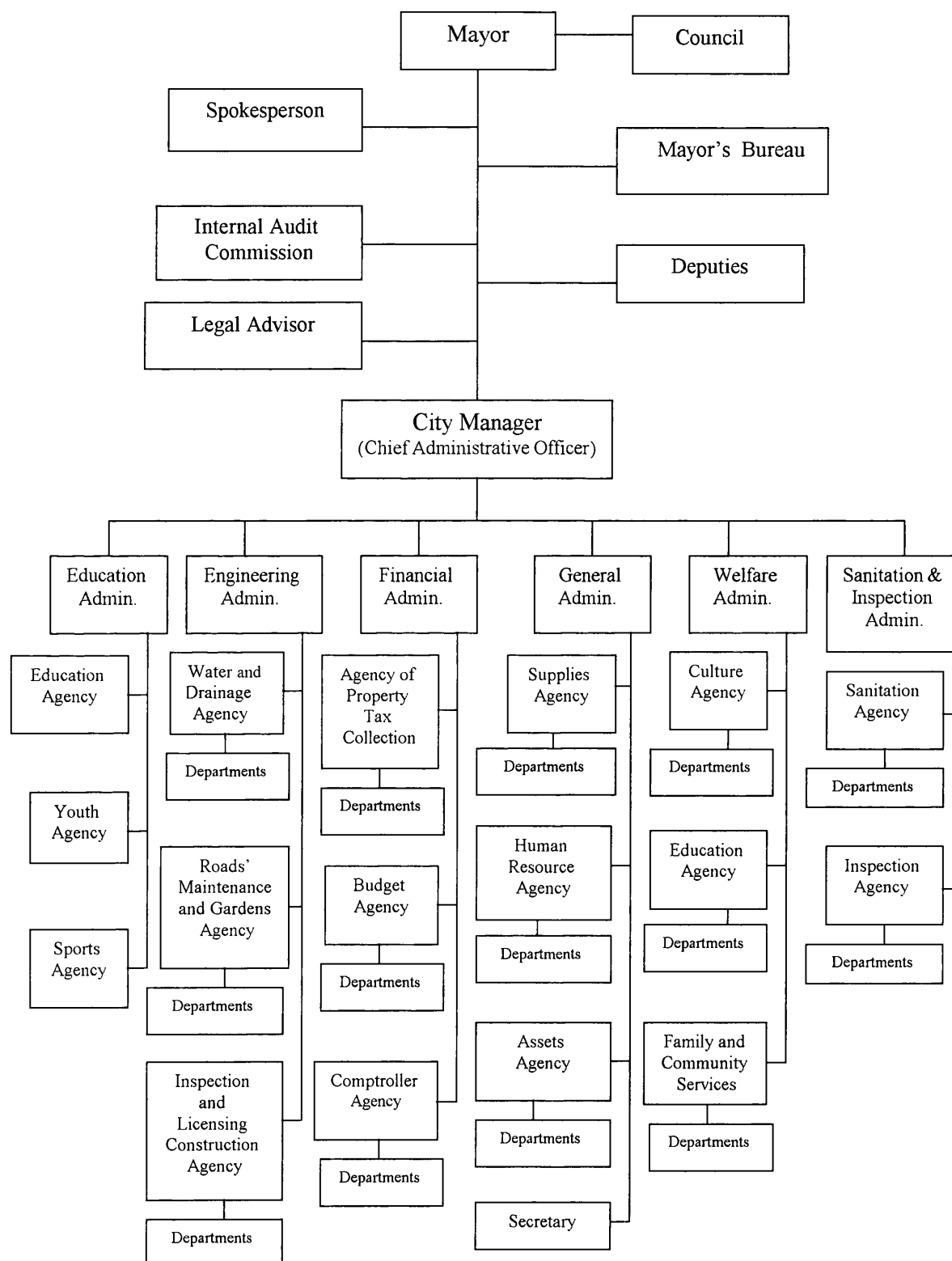
the past. Polls that were conducted prior to the 1993 elections show that the three services with which the voters were most unsatisfied were education, sanitation (and the appearance of cities) and infrastructure.<sup>13</sup>

The escalation of local independent parties and the increasing concerns of constituents for quality local services motivated most mayors in Israel in the early 1990s to present plans to reform local services. Among such plans was a transfer of services from in-house to external market contractors, in an attempt to increase efficiency. The programs which mayors were seeking to adopt and the outcomes of privatization achieved are discussed later in this chapter.

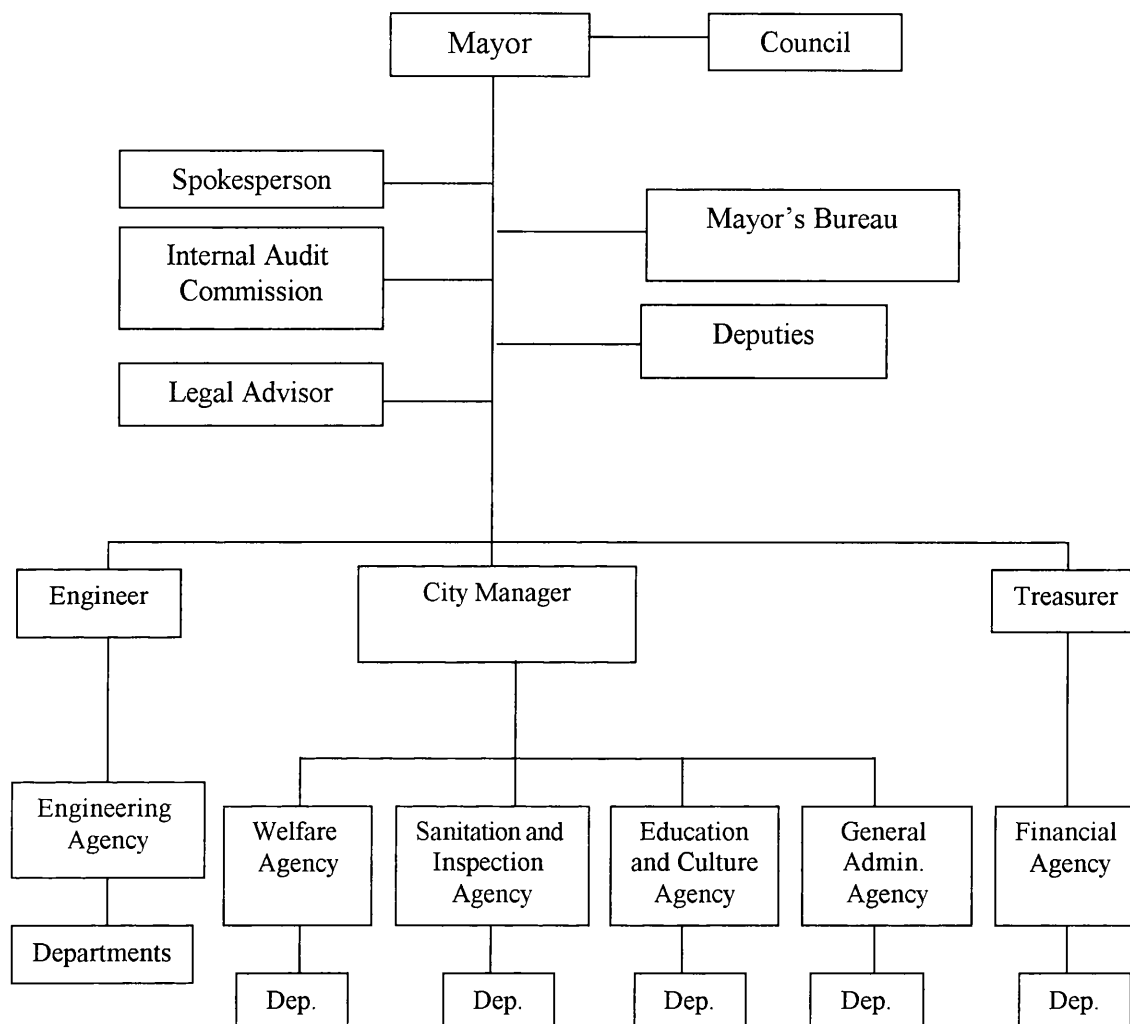
### **Organizational structure**

Diagrams 3.1 and 3.2 present the formal organizational structures of large Israeli cities with a population of at least 100,000, and medium sized cities with a population of between 30,000 and 100,000.<sup>14</sup> The diagrams illustrate types of local services, including: construction and inspection of roads, sanitation (building drainage, waste collection), gardening, water supply, and maintenance of food markets. They also show inspection of institutions such as education, welfare, culture, and sanitation. Israeli municipalities are also in charge of preparing holiday and ceremonial events, providing security and safety services, and providing local religious services.<sup>15</sup>

**Diagram 3.1: Organizational structure of large cities (population of 100,000+).**<sup>16</sup>



**Diagram 3.2: Organizational structure of medium sized cities (population of 30,000-100,000).**<sup>17</sup>



### Executive roles

The following section looks at the main functions of top executive positions in Israeli local government, including the mayor, deputies, council, and city manager (chief administrative officer). It examines the interactions between players and potential conflicts that arise, regardless of the formal organizational structure. This section also reviews the main local committees and the role of the municipal union.

## Mayor

In Israel, heads of local government, referred to as mayors, are the ceremonial and functional chairs of local councils. Mayors are responsible for carrying out the decisions made by the council. Over the years, mayors have increased their power over policy direction, as well as execution of the decisions made by the council. With the electoral reform of 1976, came new rules and procedures that increased the decision-making power of mayors, in comparison to the council and administration. This development was intended to allow mayors to freely answer voters' demands, by minimizing potential pressure from their local party and council. According to these rules, there was a recognition that mayors are not only heads of councils, but also heads of the executive branch, with some veto powers over council decisions. In addition, mayors receive immunity against sanctions by their council. For instance, as mayors are elected directly by constituents, councils cannot impeach them or just vote them out of office, unless there is evidence of a physical or mental illness or of involvement in criminal acts. Mayors are responsible for approving contracts signed with municipal workers and external service suppliers, as well as the approval of commercial responses to publicly issued tenders.

Management by council and council members as executives (For additional information see Appendices, Section C)

Israel has adopted the British concept of local management by council (i.e., executive power is exercised by the council as a corporate body). Council members are unpaid local citizens. Formally, the council legislates, forms policy, and acts as a guiding and controlling authority. The main power of the council is in its budget approval function, both for the municipality's ordinary budget and development

(extraordinary) budgets. However, once the budget is approved, it is passed to the mayor and the council can no longer interfere with his or her decision making. The council therefore tries to negotiate budget proposals between its members and the mayor, in order to ensure representation of their interests, knowing that after approval it will be much more difficult to ensure responsiveness.<sup>18</sup>

#### Deputy mayors and executive board

Only very rarely in Israeli politics, does any one party achieve an absolute majority. Therefore, after local elections, the mayor forms a coalition in the council, which then chooses executives, or approves the choices of the mayor. These elected executives take responsibility over policy-making and management and their decisions are expected to reflect the policies of the mayor and the coalition. Mayors and their deputies act as the executive authority. There are no guidelines determining the scope of functions of deputy mayors. There are only statutory limitations concerning their number. The appointment of deputies is, in many cases, a way for mayors to promote allies by offering them roles that entail a salary, relative stability in the city, and pension rights. There are also some unpaid positions on the executive board for council members.

Council members who serve in executive roles are usually responsible for an administrative agency, or a few agencies (a portfolio), or units within agencies. It is evident that council members in charge of portfolios and deputy mayors, who keep their position for extended periods of time, often acquire a more bureaucratic attitude towards their role, than an ordinary council member.<sup>19</sup> Council members in charge of portfolios are held accountable when performance of agencies is poor. As a result, they tend to become "budget maximizers", as elaborated in chapter 1, competing for

resources to promote their agencies. Rather than purely serving the general public, they begin to represent mostly interest groups and are driven to show improvements in the services of which they are in charge. The strong impulse to advance services also leads them to push for political appointments. Seeking to advance their plans, council members try to replace heads of agencies with confederates whom they assume will comply with their wishes.

The interaction between city manager, council members and the mayor

**Diagram 3.3: The power structure in local governments**

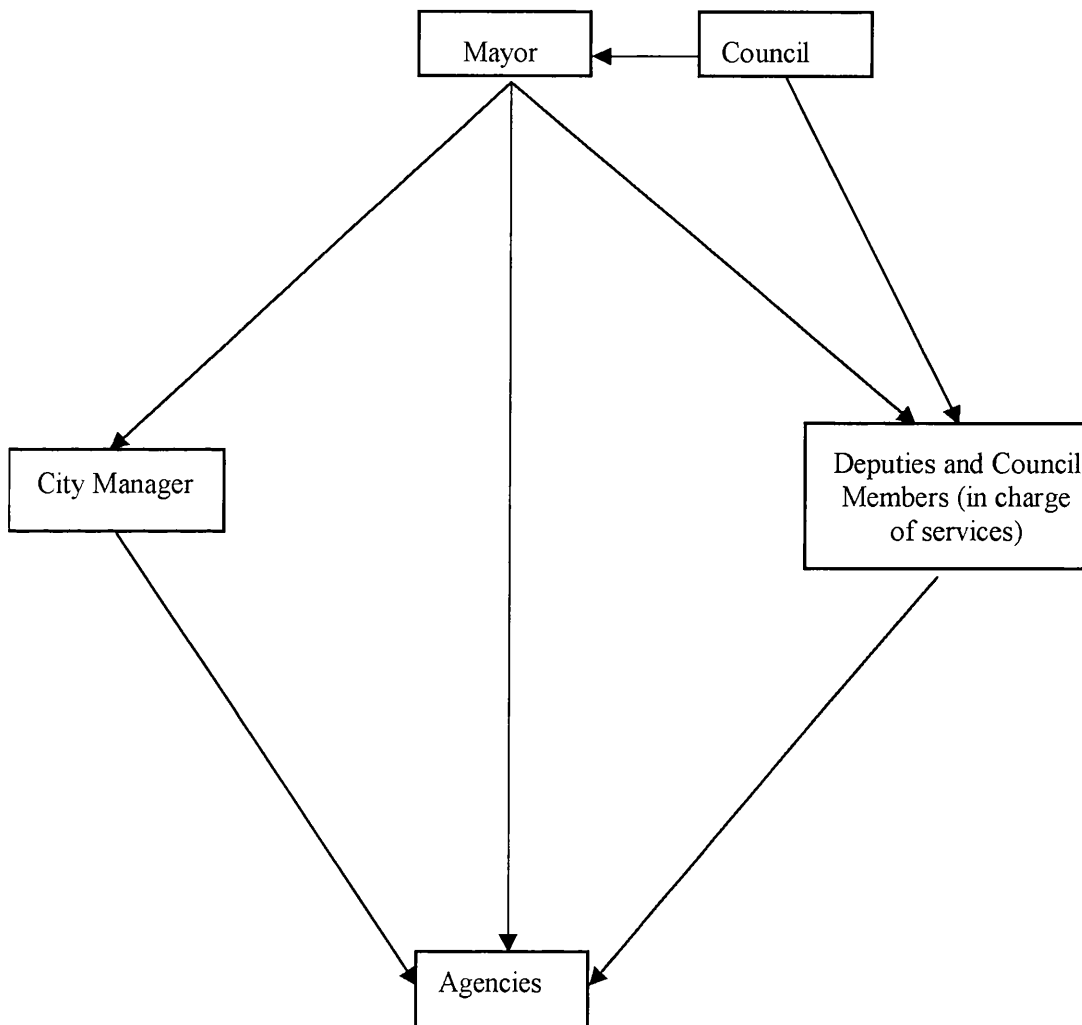


Diagram 3.3 shows the power structure that exists in practice between the mayor, council, representatives of the council, city manager and agencies. It illustrates how each player is able to monitor and shape the activities of agencies, as discussed further in this section.

Israeli cities have a city manager (chief administrative officer), who acts as head of the administration and is required to monitor its activities and performance. The city manager provides a link between the administration and elected

representatives, including the mayor, deputy mayors and council. City managers often act as coordinators between the council and its committees, although they do not have the formal authority to fulfil such a role. As elaborated above, in most cities, deputy mayors and other council members are assigned to supervise the performance of agencies. As part of their monitoring role, they inform heads of agencies of the council's preferred policies and ensure that they are carried out. The fact that both city managers and council members are assigned to monitor the activities of agencies often creates tension between them. This is especially common when city managers and council members do not agree on how agencies should operate. Sometimes, the clashes are difficult to resolve, because there are no statutory rules and neither any clear division of responsibilities nor defined hierarchies.

According to Elazar and Kalchheim, in smaller cities, the city manager and council find it much easier to be involved in the activities of agencies, since the organization is relatively small, information is accessible, and there is more time to spend on each activity. Therefore, the frequent involvement of various principals causes clashes, due to conflicting interests. In bigger cities, since resources are limited, politicians cannot be involved in depth with the activities of agencies and all departments. This might prevent some potential conflict with city managers, as the latter can exert the main control over agencies. On the other hand, in bigger cities, some elected representatives may consider their role as a stepping-stone to national politics. They are therefore motivated to form policies and ensure implementation in a way that is acceptable to constituents and interest groups that, in return, will support them when campaigning for national seats. Under these circumstances, clashes will occur with those city managers who are careerist executives and tend to

reject political interference in their professional work and the work of their agencies.<sup>20</sup>

The struggle for control between council members and city managers over agencies is often resolved by the direct involvement of mayors. In many situations, the mayor is forced to act as a mediator, or to take sides in a dispute. Both the deputies and city manager turn to the mayor in order to receive support. Sometimes, even agencies themselves turn to the mayor, when they receive conflicting demands from their principals. In order to prevent conflicts, some mayors choose to determine clear hierarchies of roles and clarify the responsibilities of city manager and council members at the beginning of their term. For example, in Beer-Sheva, (the late) Mayor Izaac Rager used to support the city manager and grant him a high degree of decision-making authority over agencies. The mayor who replaced Rager, David Bonfeld, chose to support and rely more on his deputies.<sup>21</sup> Another way to resolve this conflict, usually initiated by the council, is to discard the role of city manager and empower elected representatives to monitor the activities of agencies. This solution is used in small or medium-sized municipalities. Another solution, frequently chosen by council and mayors, is to politically appoint associates to the position of city manager and heads of agencies, in the hope of creating a responsive administration. The empirical chapters to follow will further discuss this solution.

### **Local committees**

(For more information, see Appendices, Section D)

The council and mayor are responsible for forming local advisory committees. These committees are meant to advise the mayor on policy matters and consist mainly of elected officials, experts, sometimes central government representatives, and an

internal audit commissioner. The process of setting up committees involves political bargaining, in which it is decided who will be assigned to what role. Local committees include: bids (or tenders) committees, which have the task of examining responses made by private companies to local authority tenders; monetary committees that advise the mayor on financial and budgetary matters; security committees that discuss matters involving preparation for a state of emergency in cities and liaise with the police; internal audit commissions, and human resource committees. Often, committees overlap in their responsibilities or are not useful at all. For example, welfare and education agencies receive guidelines from central government, which leave local committees with little authority for independent decision-making.<sup>22</sup>

## **Unions**

Labor relations in local governments are handled partly by local unions, but also by “the Histadrut” (The General Federation of Trade Unions), a central organization representing all workers in the public sector. This federation of unions coordinates between the majority of Israeli unions and, on their behalf, signs collective agreements with the central government. The unions of local authorities often act as mediators for the Histadrut. Local unions try to ensure that management keeps agreements signed with workers, with most negotiations focussing on working hours, benefits, redundancies, and promotions. In addition, the union provides workers with a representative body to solve conflicts that arise over contractual agreements and organize protests against programs the union may regard as harmful to workers, such as privatization. In order to solve disputes with workers on this issue and others, management tends to be flexible over retirement benefits and offers high salaries to

senior employees who cooperate with reforms.<sup>23</sup> Sometimes, management relies on the promotion of union leaders to executive roles, in order to encourage their compliance with its programs. The case studies presented in chapters 4-6 provide examples of such promotions.

Collective agreements for the municipal sector, that are signed by the head of the Histadrut and state treasurer, tend to be general and flexible, in order to allow local unions to negotiate conditions that meet the specific requirements of their workers. One of the results of the flexibility provided by the Histadrut to local unions is their ability to protest (mainly by strikes) against city managements. Even though the municipal sector has the lowest frequency of strikes in the public sector, it is still evident that local management settles workers disputes at high financial cost. While each local union has its own specific needs and concerns, the Histadrut, as well as local unions, tries to reach similar agreements with the managements of all local authorities, in order to maintain common grounds between workers, allowing them to join forces for organized protest, when it is deemed necessary.

### **Central/local relations**

The following section discusses the extent to which Israeli local governments are dependent on central government. Most scholars who analyze the Israeli central/local interaction portray central government as highly controlling, since local bodies must operate on the basis of policies formed at national level and are almost completely dependent on governmental budgetary support and for help in implementation.<sup>24</sup> Others claim that, in many respects, local governments in Israel are actually more independent than some researchers tend to think.<sup>25</sup>

A close look at the various arguments reveals that the two groups of researchers do not have contradictory views, but rather examine different aspects of the same issue. Those claiming that local governments are tightly controlled consider the formal rules, laws, and procedures that central government has instituted, in order to restrict the actions of local authorities. These control mechanisms entitle central government to intervene in almost all aspects of local government and shape their activities according to state-level interests. The second group of researchers does not dispute the existence of formal control mechanisms, but also considers the structures and procedures in practice. These scholars conclude that local authorities are much more independent than originally intended by central government, pursuing their own interests without detection, or, at least, with little interference.<sup>26</sup>

David Dery's explanation of central-local relations demonstrates how the Israeli system is highly centralized. Dery claims that local governments operate as secondary contractors, without any authority to form their own policies. As a result, they face difficulties in meeting voters' demands.<sup>27</sup> Most of the restrictions applied to local authorities are budgetary. Central government sets up monitoring procedures that strongly limit any independent decision-making. In 1985, parliament legislated a law, which grants frequent intervention by the Ministry of the Interior in the activities of local governments the law allows the Ministry to intervene in setting the rate of local property tax, approve loans, restrict local wages, and determine the number of local employees. In addition, the Ministry of the Interior can terminate local projects that had not been presented earlier with the annually budget proposal, and can limit financial support when local authorities overspend (For more information on the budgetary process see Appendices, section E).<sup>28</sup> In her report of 1992, the state audit commissioner claimed that central government had become

embroiled in so many local functions, that it was difficult to hold local governments accountable for what was being done within the organization.<sup>29</sup>

The case studies presented in this thesis demonstrate how, in 1993, central government tried to push cities to reform their services, even by threatening to withhold future financial support if improvements were not made. However, an examination of the performance of cities indicates that central government threats have not been credible as government officials can hardly monitor the activities of municipalities fully, or ensure compliance. Due to lack of resources and sufficient personnel, central authorities cannot supervise the extent of structured planning or efficient implementation on behalf of local authorities. Even though some mayors chose to reform services in 1993, the decision resulted from public pressure and less from the demands of central government.

As chapter 6 further elaborates, in the case of Beer-Sheva, the Treasury and Ministry of the Interior assigned an external comptroller to supervise the activities of the municipality. Under this close inspection, the mayor of Beer-Sheva was forced to follow the requests of the comptroller and make efforts to reform services, based on the comptroller plans, otherwise putting at risk future financial aid from central government. The case of Beer-Sheva demonstrates how central government was able to monitor closely the activity of local governments from 1995, but it is an exceptional case, as for most cities, it does not have the resources needed for such thorough control. Even in Beer-Sheva, Mayor Rager admitted, in 1993, that prior to the activity of the external comptroller, he had deliberately created a budget deficit of 300 million shekels, in order to force central government to assist with future plans for the city.<sup>30</sup>

Haim Kalchheims claims that central government is usually unsuccessful in its attempts to control the activities of local governments. The Ministry of Interior desires to monitor local authorities but can hardly cover all activities.<sup>31</sup> With limited resources, most central inspection units end up dealing with only specific public complaints, rather than conducting extensive examination of local agencies.<sup>32</sup> Kalchheim concludes that, although the Ministry of Interior has formal authority to control local governments, it has always been weak in performing this task. Overall, the ministry does not conduct methodical monitoring procedures, does not gather data on the performance of local governments systematically, nor ensure and co-ordinate reports of findings between governmental units.

While intended to create a highly centralized system, the inefficient structure leads local governments to ignore formal state procedures, which they consider unreasonable and do as they please, knowing that their conduct will either be undetected or, once revealed, go unpunished. Against the wishes of central government, local authorities are able to determine levels of expenditure and wages, design local projects as they see fit, and initiate local programs in services such as Education and Welfare.

In terms of budget planning and level of expenditures, mayors are required to present budget proposals to the Ministry of Interior, no later than two months before the beginning of the new budget year (1<sup>st</sup> of January), but in practice, most budget proposals are handed in late and often long after January. However, as a considerable proportion of local services is financed by central government, especially for social services such as Education and Welfare, the state treasury is forced into a situation in which it must continue to financially support local governments before the official approval of new budget plans. Therefore, the treasury continues to transfer money on

the basis of budget plans that had been approved the previous year, until local governments hand in a new proposal. This situation, apparently repeating itself every year, decreases the ability of central government to evaluate new financial needs, approve in advance local government plans, or demand improvements.<sup>33</sup>

In regard to budget approval, Nahum Ben Elia claims that after the last local elections of 1998, there was some change with the interaction between central government and local authorities. Mayors were surprised to discover that central government was now determined not to approve their budget, or any additional financial support, unless municipalities presented clear organizational plans to increase efficiency. Central government showed such determination that some mayors were forced to resign, as they were unable to keep their promises to voters with such huge local deficits.<sup>34</sup> However, in most cities, it still seems that central and local governments are playing “chicken game” where each is waiting to see who will “swerve” or “break” first and deal with the budget deficits.

Regarding local wages, in order for the Ministry of the Interior to monitor if local wages follow the formal public sector scale of wages, it needs to receive from local governments detailed reports that outline the various jobs and how much is spent on each. However, over the years, the Minister of Interior tended to approve budgets on wages without receiving such reports. This is regardless of the fact that local governments spent almost 40% of the ordinary budget on wages.<sup>35</sup>

In addition to over-spending on wages, it seems that local governments have found many ways to bypass the restrictions of the Ministry of Interior on the number of workers they are permitted to employ. For example, they set up external committees and small public corporations that hire extra workers. The Ministry of the Interior does not count these workers as part of the local government. Local

authorities therefore hire additional workers, often political appointees, without the intervention of central government.<sup>36</sup>

The process of approval of grants by the Ministry of the Interior provides an opportunity for an advanced examination of proposals of projects by local governments and for an estimation of the feasibility of their planning and implementation. However, local governments often start projects before receiving the approval of the Minister and therefore, before receiving the grants supposed to fund them. In such cases, the Ministry of the Interior is placed in a situation in which it must provide funding in mid-project, as a result of pressure from local authorities and the public. Otherwise, local governments will fail to finish the projects and increase their debts.<sup>37</sup>

Frequently, the Ministry of the Interior tends to approve budgets that are meant to finance the provision of local Education and Welfare services, without inspecting the programs, or progress, made by local authorities on these services.<sup>38</sup> Even though central government almost fully finances them, it does not assign enough workers to inspect implementation. The State Audit Commission, which often examines these services, finds that there are insufficient reports from regional inspectors on the quality of local provision of Education and Welfare services. The few reports that the inspectors do hand in are incomplete and unclear in evaluating the performance of local authorities.<sup>39</sup> In addition, until 1992, local budgets were approved by the Ministry of the Interior, without any prior consultation with the central Education and Welfare ministries. The ministries received little or no professional advice on the budget proposals, from Education and Welfare officials, before approving them.<sup>40</sup>

In its attempts to monitor the activities of local government, an additional problem the Ministry of the Interior faces is that of "Multiple Principals". In central government and especially in the Ministry of the Interior, there are various offices that are responsible for monitoring the same local matters. The existence of multiple principals allows local governments more room to maneuver and act according to their own interests. This is especially easier, when different ministerial agencies have conflicting interests. In such situations, local governments find which office matches their interests most closely and recruit its support. Moreover, local governments ask these "allied offices" to assist in negotiations with other central offices.

At the end of 1993, a new Audit Agency was created in the Ministry of the Interior, with a mandate to prevent the redundancy inherent in this inefficient organizational structure. The role of the new agency is to minimize the problem of multiple principals, by becoming the main agency in charge of monitoring the activities of local governments. It is doubtful whether this audit agency will be able to increase the control over local authorities, especially with a staff of only six, assigned to monitor a total of 264 local governmental bodies.<sup>41</sup>

Since the major local electoral reform in 1978, local politicians are much keener to improve services, as part of their attempts to meet voters' demands. This has provided an incentive to disregard the demands of central government and initiate more local projects that will increase their political support. Over the years, mayors have chosen to allocate budget (e.g., from property tax) to improve the provision of some services, while central government has been pushing for improvements in others. This friction occurs when central government does not receive reports of local plans and only realizes what has been done when they are already being implemented.<sup>42</sup>

## **Local administration**

As mentioned in Chapter 2, the first structure of bureaucracy that was adopted in Israel in 1948, was the British model of the neutral civil service. However, soon after, modifications were made to meet what were perceived to be Israeli needs. From 1948, the bureaucracy did not conform to a formal, well-structured organization, but was subjected to bargaining between political parties, that negotiated who should be placed in executive roles, and quickly politicized the Israeli bureaucracy. Elected representatives frequently appointed agents based on political considerations and personal connections.

It is still unclear whether the administration should follow the British system of civil servants, or the U.S. institutionalized form of political appointments. Since the beginning of the 1980s, judicial and political systems have been trying to establish laws and procedures that would direct the public sector and shape its character to fit the British model. However, the guidelines have been very confusing and open to interpretation. For example, politicians and chief administrators need to interpret what sort of incentives may be provided to motivate their subordinates, without breaching public ethical standards (e.g. unacceptably high salaries or inappropriate promotions). In addition, they had to interpret which types of appointment are and are not ethical.<sup>43</sup>

Consequently, political appointments reached high levels in the 1980s and 1990s. A contributing factor was the first government turnover in 1977, when the domination of the Labour party in central and local governments ended, and a Rightist party (Likud) won the national elections. The Likud party was keen to insert its political allies into the public administration, after many years in which it

operated according to left wing doctrines and most appointees had left-wing party affiliation. The appointments continued to increase in the period of the unification between the two big political parties in all administration bodies, both central and local. The politicization of the bureaucracy occurred mainly in top administrative roles, although it is commonly thought that it exists in all ranks of the public sector.

#### Empirical examination of political appointments

Tables 3.2, 3.3 and 3.4 present level of political appointments in governmental offices for the years 1988 and 1990, and recruitments of appointees to local governments for the years 1993-1995 and 1998-2000, based on reports of the State Audit Commission. The data on central government offices, from 1990, are in the last report to be published, as the audit commission has decided not to repeat this extensive study. There are some other indications that high degrees of political appointments continue, based on complaints that reach the state civil service commission, judicial courts, and the state legal advisor, voicing suspicions of unethical appointments.

**Table 3.2: Political appointees in central government offices (1988, 1990)<sup>44</sup>**

Office	Total number of workers in each office	Non Party members	Likud	Avoda	Religious	Total number of Political Appointees	Percentages of political appointees
Industry and Commerce	100	27	66	7	0	73	73%
Construction and Housing	70	22	43	5	0	48	69%
Transportation	37	7	30	0	0	30	81%
Infrastructure	88	22	15	50	1	66	75%
Treasury	53	25	16	11	1	28	53%
Tourism	36	4	29	3	0	32	89%
Defence	59	21	14	24	0	38	64%
Others	96	58	15	21	2	38	36%
Total 15.12.1988	573	221	279	73	0	352	61%
Total 1.11.1990	539	186	228	121	4	353	65%

The Audit Commission refers to 61% of all workers in government offices (in 1988) as political appointees, known to be involved in party partisanship. In 1990, 65% of workers are considered political appointments. The relatively high percentage of political executives from the Likud party is explained by the fact that the Likud party was in government at the time. The low percentage of religious members is due to their relatively small percentage in government during those years. This situation changed in 1995, when “Shas” (a religious party representing Sephardim- oriental Jews) became the third biggest party in Israel. With this development, the reports by judicial courts began to indicate a growth in political appointments of religious representatives.

**Table 3.3: Recruitments of executives (that require to pass tender process) in 6 local governments (1993-1995)<sup>45</sup>**

Cities	Total Recruits (1993-1995)	Recruits by tender	Without tender (low-medium level administrators)	Without tender (top ranked administrators)	Total recruits without tender	Percent of recruits without tender
Tel-Aviv - Jaffa	409	54	140	215	355	87%
Bat-Yam	50	16	19	15	34	68%
Givatayim	47	9	27	11	38	81%
Holon	63	19	36	8	44	70%
Ness-Ziona	62	8	39	15	54	87%
Kiryat-Ono	58	6	32	20	52	90%
Total	689	112	293	284	577	84%

The report shows very high percentages of personnel recruitments that did not pass formal tender processes. Overall **84%** of all recruitments did not pass through the required tender committee processes.

**Table 3.4: Recruitments of executives (that require to pass tender process) in 11 local governments (1998-2000)<sup>46</sup>**

Local Governments	Recruitments (1998-2000)	Recruitment by tender	Without tender	Political allies (from all types of recruitments)	Percent of political allies
<b>Municipalities</b>					
<b>Beer-Sheva</b>	59	9	50	25*	42%
Herzelya	43	17	26	-	0%
Tira	7	2	5	4	57%
Lod	19	14	5	5	26%
Natanya	22	14	8	17	77%
Petach-Tikva	19	10	9	7	37%
Kiryat Malhachi	10	2	8	9	90%
<b>Tel Aviv-Jaffa</b>	31	19	12	5	16%
<b>Local Councils</b>					
Beit-Dagan	1	0	1	1	100%
Modyeen	55	5	50	10**	18%
Ramat HaSharon	39	6	33	3	8%
<b>Total</b>	305	98	207	86	28%

\* 21 executives were appointed to work in the municipality and 4 in external municipal corporations

\*\* 9 executives were appointed to work in the municipality and 1 in an external municipal corporation

Tables 3.3 and 3.4 exhibit the recruitments of employees that did not go through official appointment processes, such as tender committees, hence indicating political considerations in the appointment process. In the examination of 1993-1995, the audit commission closely traced a small fraction of employees, in order to

demonstrate political considerations in the appointment process, but could not examine thoroughly, each and every employee recruited during those years. The examination of 1998-2000 gives more information on the actual political activities of nominees, who had assisted politicians prior to their appointment to local executive roles.

It is important to regard the figures for state and local political appointments as only suggesting appointments based on political considerations, but not necessarily proving them to be as such. As elaborated in Chapter 2, the fact that appointees are political allies of the appointers is not sufficient indication of political appointment, since it does not directly determine to what extent the relevant politicians had placed emphasis on this association, or if they had considered other variables, such as the professional expertise of nominees, at the appointment stage. The audit commission reports do not thoroughly inspect the appointment process of each public employee, due to lack of resources to conduct interviews and to trace past career records. The audit commission examines only a few executives and can only infer the existence of a problem with the rest. However, it is most likely that the data presented on appointments for state and local executives do indicate that politicians made political considerations during the appointment process. One obvious clue is that so many appointments bypassed the formal tender processes, meant to allow potential qualified nominees to apply for public offices, thus allowing politicians to secure the jobs for their preferred candidates.

As explained in the introduction, the empirical study of three cities (Chapters 4-6) attempts to examine more thoroughly every appointment conducted in three typical sanitation agencies between 1993-1998, in order to determine their true nature. Discovering whether nominees passed the tender processes or not, does not

provide sufficient information. The most useful method of analysis in this case turned out to be interviews, mainly elite interviews with those involved in the appointment process and with players who had interacted over the years with appointees.

### Reforms of the civil service

The decision to reform services in Israel followed similar experiences that occurred at the time in democracies such as the U.S., U.K, other European countries, and New Zealand.<sup>47</sup> As part of the New Public Management doctrine at the beginning of the 1990s, the Israeli government reformed the administration in state and local authorities. Mostly, the decision to reform services came as a result of the findings presented by the “Kuberski Committee”, which investigated the Israeli administration over a period of 2 years. Overall, the committee found the administration was unprofessional, highly politicized, and had no adequate minority representation. The committee concluded that there was a strong need to revise the rules, procedures and entire form of the public administration.<sup>48</sup> Chaired by the former chief executive of the Interior ministry, Haim Kuberski, the committee’s report is considered one of the most thorough and extensive examinations of the public administration ever conducted in Israel. However, only some of its recommendations were implemented as part of the 1994-1996 reform conducted by the State Civil Service Commissioner.

## Reform of 1994-1996

Aims of the reform:

In 1994, the Ministry of the Interior decided to adopt a reform designed by the State Civil Service Commissioner, Professor Itzhak Galnoor, and his team. The first aim of the reform was to make the **Israeli administration more professional and less political**. The team offered two main approaches to meet this aim. First, to ban political appointments below the rank of chief administrator officer (CAO). This meant that mayors would be unable to appoint any administrators below that of city manager. In addition, the reform forbade politicians from interfering with the work of administrators in lower ranks. In other words, the reform formalized the role of chief executive as the sole link between the executive administration and political representatives. Second, all nominees for administrative roles had to appear in front of independent appointment committees that would examine their skills and experience.<sup>49</sup>

A second aim of the reform was to adopt **New Public Management schemes**, by reducing the role of government service provision and increasing the involvement of private market suppliers.<sup>50</sup> The committee recommended that some of the state and local services be provided to the citizens by external contractors (i.e., contracting-out services) while the public sector continued to monitor the quality of provision. In addition, the reform sought to develop a **customer-oriented approach**.<sup>51</sup> For example, by adopting the British concept of “The Citizens’ Charter”, in which the existence of the public sector is justified by the quality of services that it provides and by its ability to serve citizens as customers. Furthermore, a “Freedom of Information Act” was passed, to provide citizens with easier access to official documents. It was hoped that the act would increase the accountability of the

administration, when its actions become more transparent. Third, the committee pushed to **decentralize government**. The committee sought to grant chief executives the discretionary power to delegate responsibilities to lower officials. To balance accountability and efficiency, the committee recommended instituting strict monitoring procedures and strengthening the role and authority of the internal audit commission.<sup>52</sup>

Finally, the committee recommended that new **equal opportunity and affirmative action measures** be adopted, in order to promote women and increase the representation of minority groups in the public sector, especially in high ranked managerial positions. In 1994, while no less than 60% of all bureaucratic roles were held by women, only four percent of them were in senior managerial positions. The state civil service commissioner made one of his main goals the promotion of women, Arab-Israelis and Druze, to executive roles. With the assistance of the State Legal advisor, he tried to legislate a law of public sector appointments, to allow greater representation of minority groups in the public sector.<sup>53</sup>

#### Outcomes of the reform:

An ambitious schedule of reforms, Galnoor's plan was partly implemented and it can be considered neither a huge success nor a complete failure. Galnoor's main achievement was to increase minority group representation in executive roles, up to 40% for Arab-Israeli and Druze and 15% for women promoted to managerial roles.<sup>54</sup> The promotion of minority groups was achieved due to Knesset approval in 1995, amending the law of equal representation in the public sector. In addition, Galnoor was able to facilitate the legislation of the Freedom of Information Act, allowing citizens easier access to public reports, documents and publications. In terms of

privatization, some state and local agencies responded to the reform and contracted-out services, while others chose not to comply and were able to block attempts by government to push the reform forward.

Galnoor provides three main explanations as to why the reforms he and his team introduced were not adopted fully by the government. First, there was the reluctance of government to reduce political appointments. Politicians were strongly against the replacement of administrators whom they had already appointed and considered as political allies. In 1994, the then Prime Minister, Yitzhak Rabin, believed that Israel should adopt the U.S. administrative structure, by formalizing the process of political appointments. Rabin's concept completely contradicted what the state civil service commissioner was seeking to achieve, to make the bureaucratic system less politicized. The government of Benjamin Netanyahu (1996) continued the same line of thought as Rabin. Netanyahu's administration continued to politically appoint chief executives and tried to appoint a Likud member as the State Legal Advisor. Since the nominee was widely considered to be unsuited to the role on professional grounds, the strong protest of the media, the bar and distinguished members of the bench eventually prevented the appointment.<sup>55</sup>

The second explanation as to why the reforms were only partially implemented was a lack of public support. While the public showed concern over inefficient service provision and politicized administration, Galnoor suggested that the public was nonetheless indifferent to the committee's recommendations. When the report first appeared, it did not receive the attention for which he was hoping from the media and the public. This indifferent public reception led to an indifferent government that refrained from fully adopting the reform.<sup>56</sup>

A third obstacle was posed by the unions. The Histadrut and municipal unions were against the reform, mainly because they perceived it as harmful to the social rights of employees in the public sector. For example, the reform was intended to reduce "internal tenders", in which agencies promote workers from within a specific unit, instead of advertising job offers across all public sector units. The purpose of "open tenders" is to increase the mobility of workers between various bureaucratic units. However, union protests against the reduction of internal tenders, led the government to abandon the proposal.<sup>57</sup>

### **Contracting-out of local services**

This section explores the attempts of local governments from the early 1990s to the beginning of 2000, to increase the efficiency of service provision by adopting New Public Management programs. These ranged from new contract-based employment arrangements for city managers, to decentralizing service provision systems- most commonly known as the "contracting-out reform" (i.e., moving services from in-house to externally contracted market suppliers). Overall, politicians sought to offer voters service provision with what they believed to be of higher quality at lower cost.<sup>58</sup>

In the early 1990s, mayors in Israel publicized their intentions to privatize local services. The decision to turn to market solutions was a pragmatic decision to deal with financial difficulties. Local governments were making attempts to recover from an economic crisis that had occurred in Israel at the beginning of the 1980s, that had highly eroded their financial stability. Other structural conditions that motivated mayors to privatize services included central government pressure to reduce budget

deficits, demographic growth due to massive immigration during those years, and increasing demands by voters for higher quality of services.<sup>59</sup>

Central government pressure on local representatives was exhibited by restricting employees quotas, limiting levels of salaries and most importantly, threatening to delay transfers of national grants that were meant to assist in financing local projects. Grants were conditioned on a demonstration of efficient performance by municipalities. This led mayors to realize that central government would not always act as a safety net and in order to survive financially, they would need to find alternative ways to balance their budgets.

Demographic growth at the beginning of the 1990s was due to the massive immigration to Israel from the former Soviet Union. For the sake of convenience, we shall here designate them as “Russian”, although they originate in several of the states, such as Georgia, the Ukraine, etc. Nearly 750,000 Russian immigrants arrived in Israel and now constitute 12.5% of the entire population. Immigration dramatically increased the demands for local services. However, central government has not provided sufficient increase of funding for this purpose. Most immigrants arrived individually or with small families, which decreased their dependency on welfare services. Most were educated, easily adopted to modern economic and political systems and were highly motivated to learn new professions, if necessary.<sup>60</sup>

The Israeli public sector seemed to be more responsive to the needs of the Russian immigrants than had been seen in the past with other immigrant communities. One possible explanation is the organizational skills of these immigrants, who quickly formed their own social, cultural and political circles, and eventually their own local and national parties.<sup>61</sup> Mayors were especially responsive to the need of many of the immigrants to preserve their secular Jewish culture. As

central government restricted local authorities' ability to recruit more employees, mayors thought that a privatization process of services would answer the immigrants' needs. In addition, privatization assisted immigrants, especially the entrepreneurs among them, to blend into new professions and businesses.<sup>62</sup>

An increased demand for services was also part of the cultural change Israeli cities were experiencing at the time. As elaborated earlier in this chapter, Israel was gradually transforming into a civic society with growing demands for a better life style. This caused voters to increasingly protest against inefficient service provision and insufficient attention devoted by local governments to cultural and leisure activities. Mayors seeking re-election needed to respond to these demands and privatization of services seemed an efficient way to improve service provision.<sup>63</sup> Overall, the various needs of constituents and pressure by central government forced local politicians to search for ways to improve services, while being acutely aware of the constraints of limited resources.

Thus, Israeli local governments have adopted four main types of market mechanism to deliver services.<sup>64</sup> The most common of these is the *contracting-out* reform, in which services are provided by private contractors, while local governments continue to monitor performance to ensure high quality service. The second most common mechanism is the use of *quasi-contracts*, an ongoing agreement between local governments and semi-voluntary local associations, set up as strategic partnerships between local authorities and national ministries, to be found mainly in Education, Welfare, and Health services. For example, hostels for juvenile delinquent or mentally challenged children, are managed by local associations, mainly financed by donations and monitored by local governments. Contracting-out and quasi-contracts are by far the most commonly used mechanisms

and account for 95% of external-based service delivery.<sup>65</sup> Other mechanisms include *franchises*, used to maintain public facilities (e.g., beach facilities) and rarely adopted *vouchers*, that assist with such services as children's transportation to school.

As noted above, the most commonly adopted contracting-out form in Israel is the coordinated type between contractors and citizens.<sup>66</sup> Under this arrangement, private contractors provide services to residents but receive payment for their services from local governments. This structure differs from a direct link scheme, in which citizens pay contractors in a form of vouchers or franchise arrangements, in order to receive services. Under the coordinated contracting-out arrangement, most mayors choose to conduct tenders that promote local businesses, as it helps local companies to prosper and improve the regional economy. In addition, mayors demand support of private companies during elections and in return, block national competition, in order to offer local companies an advantage to win tenders.<sup>67</sup>

Even though mayors chose to contract out services, most did not immediately form structured contracting-out programs.<sup>68</sup> Central and local Israeli governments were following a trend of privatization, especially along U.S.A and U.K lines, but not as a systematic reform.<sup>69</sup> The most commonly contracted-out services were in: Sanitation, Construction, Engineering, Legal Advice, Maintenance of institutions and vehicles, Housing, Elderly Care and Information Technology functions.<sup>70</sup> Local governments in Israel chose to follow this trend, including privatization of Transportation and Security services. The empirical cases of Tel-Aviv, Holon and Beer-Sheva, explore the stages of implementation of the contracting-out reform, including the consequences of delaying formal planning of the reform.

### Analysis of outcomes

This following section presents an empirical examination of privatization in six major Israeli cities (1990-1999) that show full or partial failure to implement this type of reform. The empirical measurement of privatization repeats an earlier study conducted by Nahum Ben Elia, who investigated 28 municipalities between 1989 and 1990. A further comparative analysis of six cities explains why the cities failed to fully advance their reform plans. A core variable that contributed to the privatization outcomes achieved, is the interaction between politicians and their chief executives in charge of services. This is discussed more fully in Chapters 4-6.

Ben Elia compared levels of privatization between cities in 1989-1990 (see Table 3.11 in Appendices, section F). He calculated the total expenditures that were spent on contractors from the ordinary budget, for each type of service. The data demonstrate a wide variation in expenditures between municipalities for contracted services. It shows an incomplete adaptation of the contracting-out mechanism in the early 1990s; a continued reliance on previous structures for some services i.e., in-house delivery of services, while introducing private contractors for others. Ben Elia concludes that the extent of contracting-out reached only 13% percent of the ordinary budget, but 100% of the budget allocated for development projects. His calculation did not include state-funded services, such as Education and Welfare. In all of the local governments that were examined (28) in 1990, there was a clear bias toward the implementation of contracting-out for hard services, such as infrastructure maintenance (streets, water pipes) and solid-waste collection.

In 1990, contracting-out had only a marginal effect on personnel quotas. Contractors were hired mainly to provide additional services, rather than to replace in-house services. This was a result of population growth, due to the Russian

immigration and therefore of an increase in service demands. Second, workers who had previously worked on in-house services that were now contracted-out, remained working in local government, but were allocated to alternative bureaucratic units.

Ben Elia found a direct correlation between levels of contracted services to types of local governments related to the social-economic status of cities (see Table 3.12 and Figure 3.17 in Appendices, Section F). Local governments operating in financially stable communities tended to conduct more privatization than in financially constrained cities.<sup>71</sup> One possible explanation is the high percentages of unemployment in such a city. Municipalities try to avoid an additional increase of unemployment, which results from a contracting-out process that leads to redundancies of municipal employees. Another explanation that Ben Elia proposes is that financially distressed cities are unable to determine true costs of services and thus offer prices to contractors higher than the cost of continuing to deliver services with municipal employees. On the other hand, financially stable cities tend to operate in a more organized way, which allows them to estimate the costs of service more accurately and make precise demands from contractors, eventually leading to greater savings.

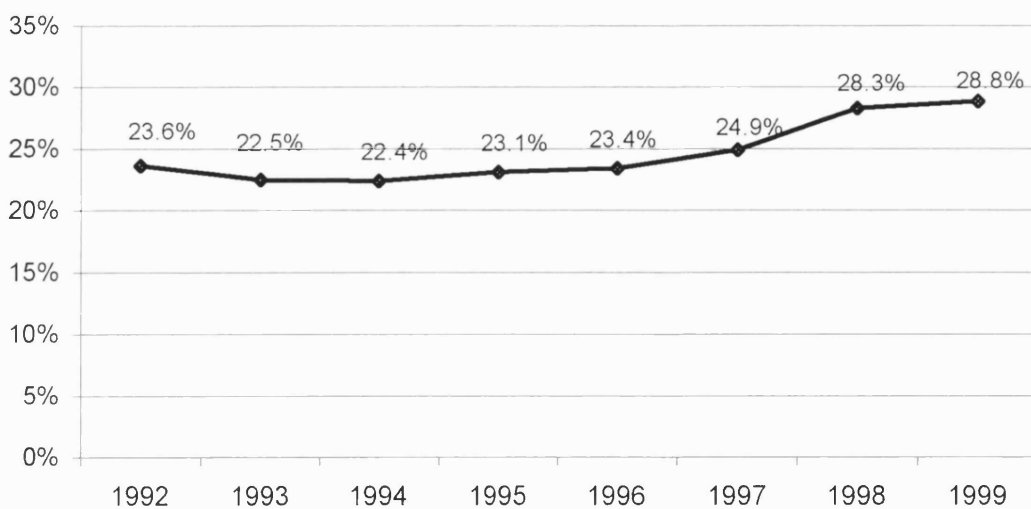
Overall, it is difficult to estimate if contracting-out of services led to a reduction of costs of service provision, since most cities are unorganized it is hard to assess the costs of in-house services and compare them to those of private companies. According to Ben Elia, it is evident, however, that contracting-out increased the efficiency of the overall service provision (i.e., of both the services that were contracted-out and some of those that continued to be provided by in-house employees). This was mainly due to increased managerial awareness of, and skill in delivering, services. Over the years, contractual agreements forced local government

to examine services thoroughly, in order to determine the set of requirements from private companies. Furthermore, the introduction of contracting-out, as a feasible option of service delivery, motivated bureaucrats to improve performance, since they otherwise risked management shifting services to the private market.<sup>72</sup>

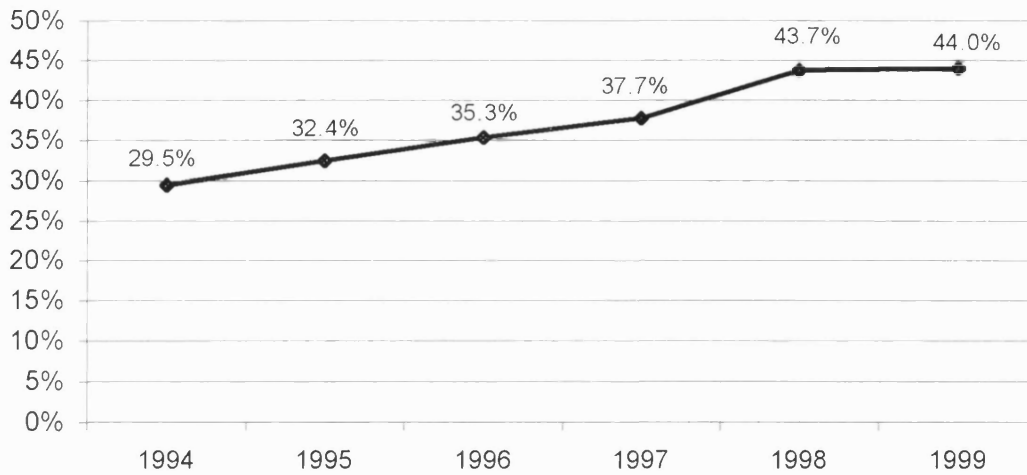
#### Empirical findings on contracting-out (1990-1999)

Figures 3.1-3.12 present an original measurement of privatization in six major Israeli cities for nearly a decade. The study repeats the same technique of measurement as conducted in the past by Ben Elia, in order to allow a consistent look at privatization achievements. Percentages of contracted services are measured as the amount of expenditure spent on contractors, for a specific service, as a percentage of the total expenditures of the agency. (For expenditure of contracted services in six cities, in percentages and new Israeli shekels, see Tables 3.13-3.23 in the Appendices, section F).

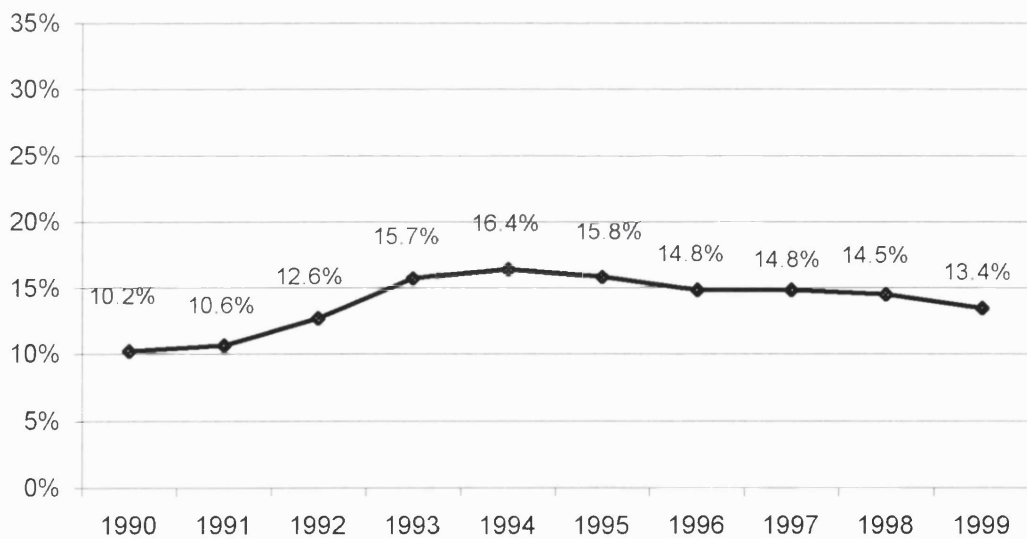
**Figure 3.1: Percentage of contracted services in Holon (1992-1999)**



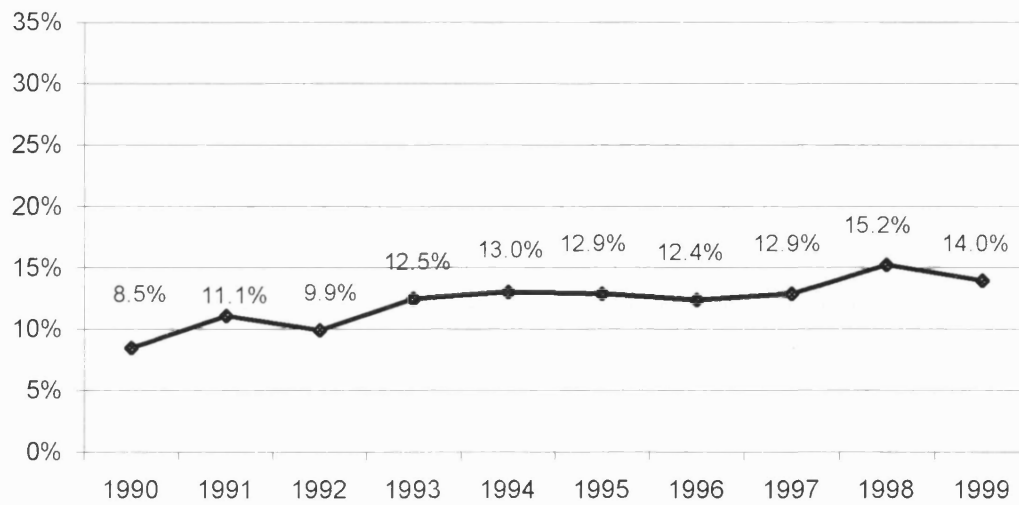
**Figure 3.2: Percentage of contracted sanitation services in Holon (1994-1999)**



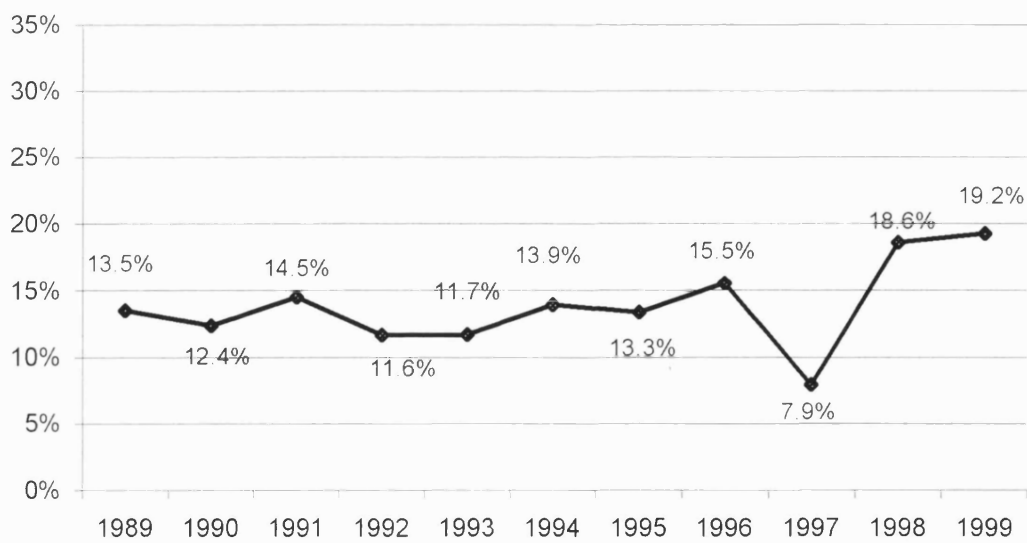
**Figure 3.3: Percentage of contracted services in Tel-Aviv (1990-1999)**



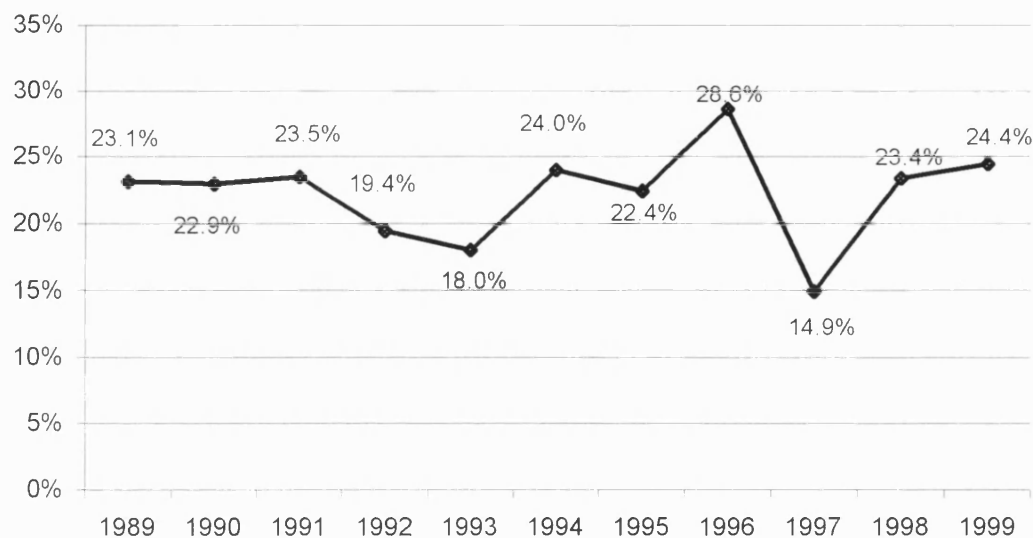
**Figure 3.4: Percentage of contracted sanitation services in Tel-Aviv (1990-1999)**



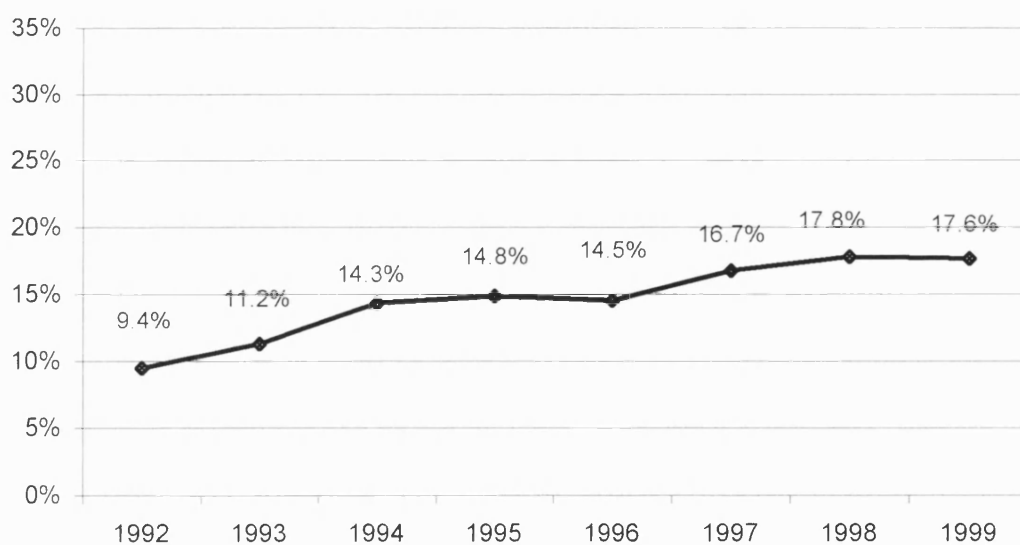
**Figure 3.5: Percentage of contracted services in Rishon-Le-Zion (1989-1999)**



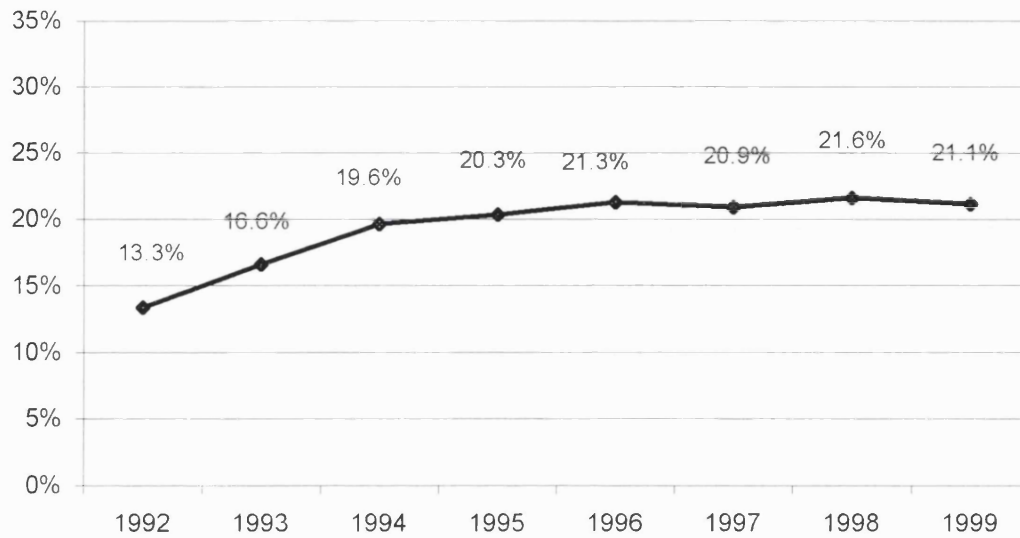
**Figure 3.6: Percentage of contracted sanitation services in Rishon-Le-Zion (1989-1999)**



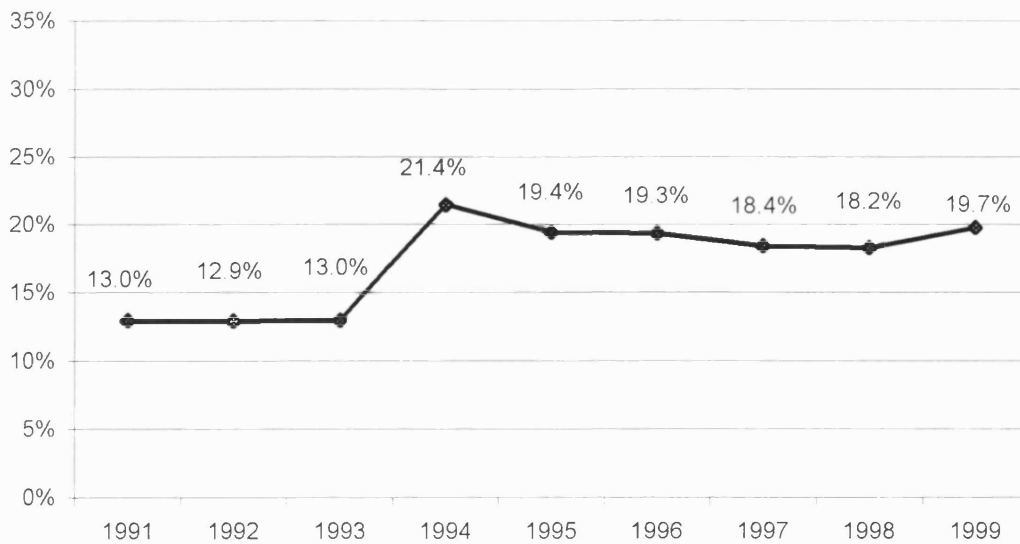
**Figure 3.7: Percentage of contracted services in Ramat-Gan (1992-1999)**



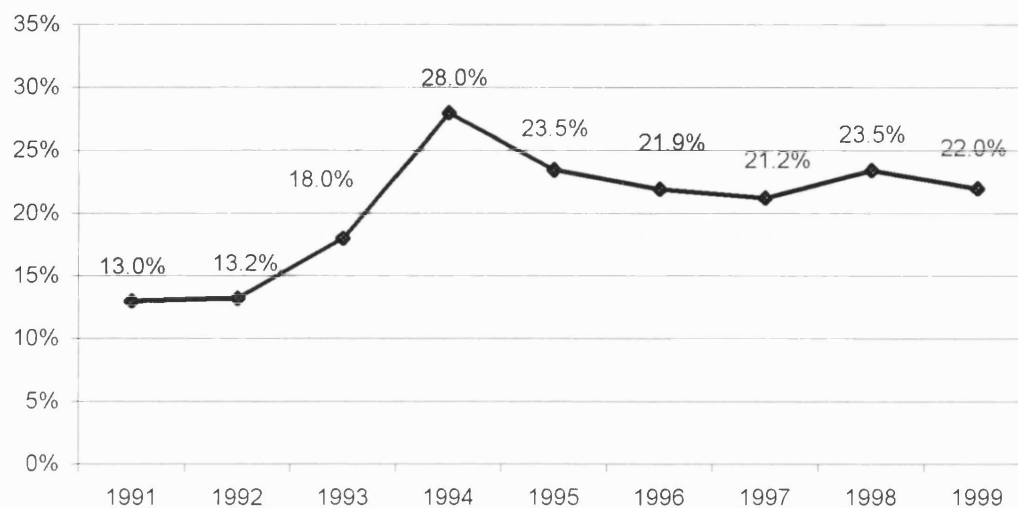
**Figure 3.8: Percentage of contracted sanitation services in Ramat-Gan (1992-1999)**



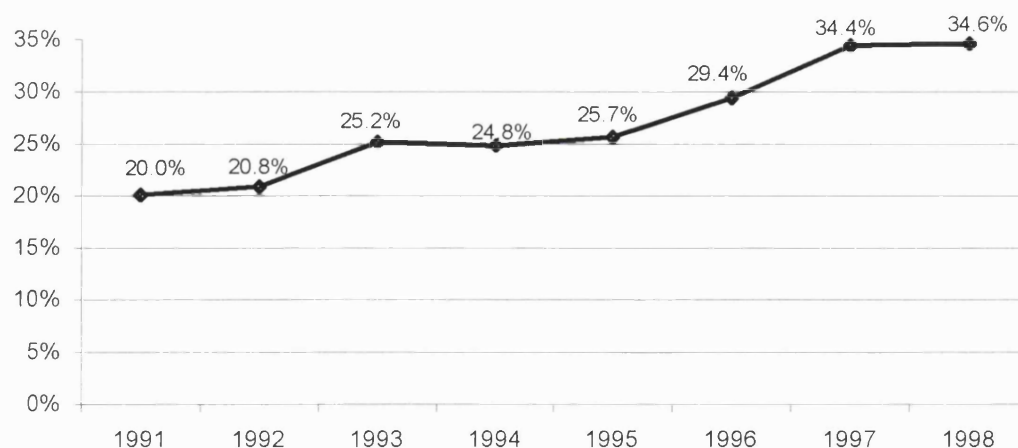
**Figure 3.9: Percentage of contracted services in Petach-Tikva (1991-1999)**



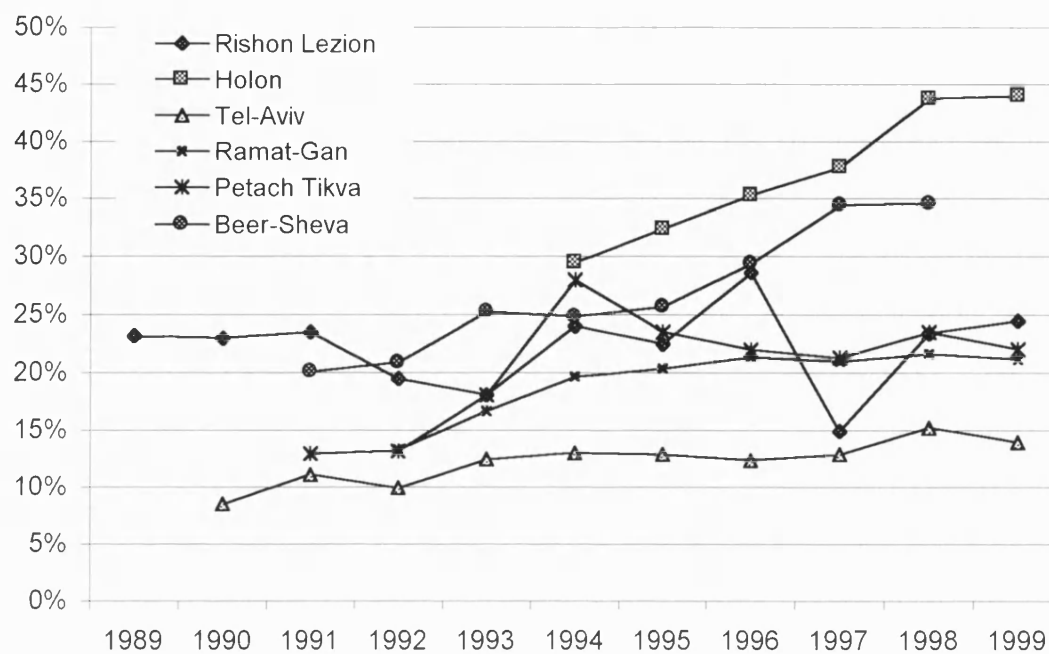
**Figure 3.10: Percentage of contracted sanitation services in Petach-Tikva (1991-1999)**



**Figure 3.11: Percentage of contracted sanitation services in Beer-Sheva (1991-1998)**



**Figure 3.12: Percentage of contracted sanitation services in 6 cities (1989-1999)**



**Table3.5: Percentage of contracted sanitation services in 6 Cities (1989-1999)**

Year	Rishon Lezion	Holon	Tel Aviv	Ramat	Petach Tikva	Beer-Sheva
1989	23%					
1990	23%		8%			
1991	23%		11%		13%	20%
1992	19%		10%	13%	13%	21%
1993	18%		12%	17%	18%	25%
1994	24%	29%	13%	20%	28%	25%
1995	22%	32%	13%	20%	23%	26%
1996	29%	35%	12%	21%	22%	29%
1997	15%	38%	13%	21%	21%	34%
1998	23%	44%	15%	22%	23%	35%
1999	24%	44%	14%	21%	22%	

A comparison of contracted sanitation services in 6 cities show that, by 1998, Holon had achieved the highest level of privatization, with 44% and Tel-Aviv, the lowest, with only 15%. Other cities, Rishon LeZion, Ramat Gan and Petach Tikva all had achieved similar levels of 22-23%. In the case of Beer-Sheva, the relatively high percentage of contracted sanitation services achieved (34%-35%) is misleading and might indicate malfeasance, as explored further in chapter 6.

## **Summary**

As elaborated in this chapter, local governments in Israel are useful as case study, due to several factors. First, over the last 25 years, they have become less and less tied to national political struggles, focusing rather on local issues, such as the quality of service delivery. This has allowed reforms to be adopted, mostly in the form of contracting-out services. Politicians adopting privatization plans were not basing their decision on ideology alone. Mayors of all political spectra considered privatization as a pragmatic solution to the financial crisis they were facing in the early 1990s.

Second, the Israeli local administration is built on a mixture of civil service careerists and politically appointees. In the early days of independence, as noted in previous chapters, the Israeli government had tried to adopt the British neutral civil servant model, but it is evident that local public administration has become highly politicized over the years. Politicians tend to sidestep tendering processes and consider political alliances at the appointment process assuming that such appointments will lead to responsive agencies. An administration that employs both careerists and politically appointed agents will allow a comparison to be made of the performance and outcomes achieved with each type of agent.

Among political appointments are those of city managers. Under the formal organizational structure of local governments, a city manager is supposed to provide a link between the administration and city management. However, in most cities, council members become directly involved in the activities of bureaucratic agencies, bypassing, in the process, the authority of the city manager. The attempts by council members to determine policies for agencies and monitor their implementation, often causes clashes with city managers. For example, city managers opposing privatization will find it difficult to block such reform, when council members give direct orders to agencies and closely monitor their performance. Frequently, council members and mayors try to resolve conflicts with city managers in two ways: (1) by choosing not to appoint a city manager at all, as is common in small municipalities; or (2) by appointing a city manager whom they consider a political ally, willing to cooperate. This is what usually happens in larger municipalities.

Third, even though local governments are formally restricted in their actions by laws and procedures set by central government, in practice, municipalities have greater autonomy to form and implement policies as they see fit. Overall, a principal-agent problem exist whenever central and local governments are in a conflict of interests, at which time, local authorities may successfully manage to hide information, in an attempt to promote their interests. However, this informal discretion does not seem to provide sufficient conditions for local politicians to carry out important plans successfully.

The following empirical chapters (4-6) analyze the attempts of local politicians to contract-out services in 3 Israeli cities, Tel-Aviv, Holon and Beer-Sheva. The chapters explore the privatization outcomes achieved, when implemented

by political agents. The structural conditions presented here provide an explanation for the procedures, and in some cases, for the poor contracting-out results.

## Appendices

### Section A

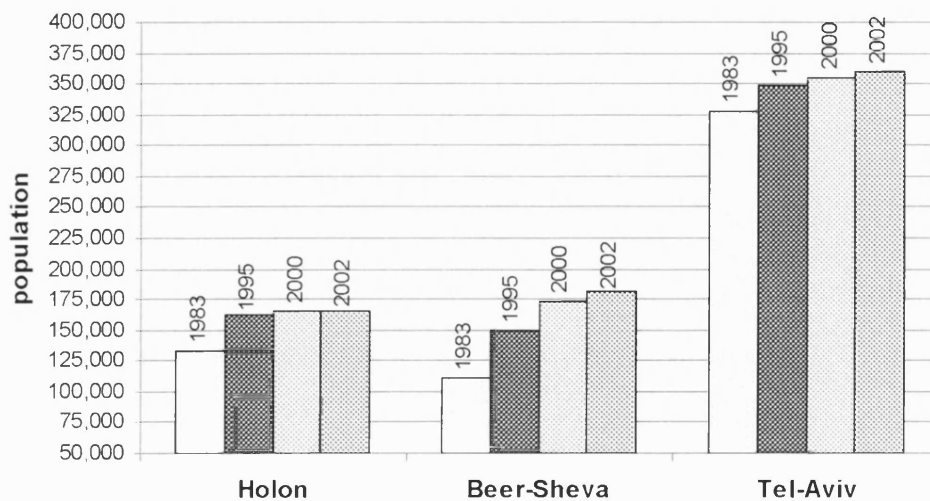
**Table 3.6: Demographic growth in Israel (1990-2003)<sup>73</sup>**

Year	population Size (thousands)	Percent of population growth	Year	population Size (thousands)	Percent of population growth
1990	4,821.7		1997	5,900.0	2.5%
1991	5,058.8	4.9%	1998	6,041.4	2.4%
1992	5,195.9	2.7%	1999	6,209.1	2.8%
1993	5,327.6	2.5%	2000	6,369.3	2.6%
1994	5,471.5	2.7%	2001	6,508.8	2.2%
1995	5,619.0	2.7%	2002	6,631.1	1.9%
1996	5,757.9	2.5%	2003	6,748.4	1.8%

**Table 3.7: Demographic growth in Holon, Beer-Sheva and Tel-Aviv<sup>74</sup>**

City	Year	1983	1995	2000	2002
Holon		133,460	163,082	165,669	165,768
Beer-Sheva		110,813	149,404	172,860	181,463
Tel-Aviv		327,265	348,245	354,428	360,405

**Figure 3.13: Demographic growth in 3 cities<sup>75</sup>**



## **Section B**

### **Local Elections in Israel**

**Table 3.8: Percentages of voter turnout for local and national elections (1950-1998)<sup>76</sup>**

<b>Year</b>	<b>eligible to vote</b>	<b>actual local voters</b>	<b>% of voters (local elections)</b>	<b>% of voters (national elections)</b>
1950*	421,334	355,287	84%	87%**
1955	833,800	655,227	79%	83%
1959	1,038,976	833,352	80%	82%
1965	1,280,091	1,058,041	83%	83%
1969	1,573,353	1,242,265	79%	82%
1973	1,927,234	1,410,681	73%	79%
1978*	2,235,703	1,280,521	57%	79%**
1983*	2,478,120	1,469,253	59%	79%***
1989*	2,722,077	1,621,274	60%	80%**
1993*	3,329,413	1,873,591	56%	77%**
1998*	3,838,476	2,202,123	57%	79%**

\* Local and national elections were on separate dates.

\*\* National elections were held in 1949, 1977, 1988, 1992, 1996.

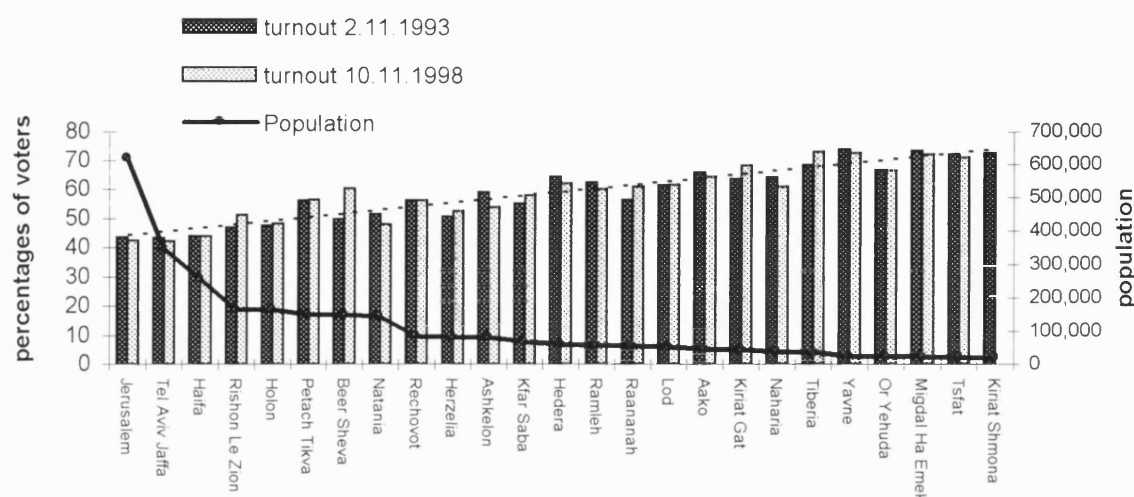
\*\*\* In comparison to the national elections, conducted in 1984.

**Table 3.9: Ranking of 25 local governments by population, socio-economic level, and local voter turnout in 1993 and 1998.<sup>77</sup>**

Municipality	Population	Socio-Economic index (range: 1-10)	% Voter Turnout 02.11.1993	% Voter Turnout 10.11.1998
Jerusalem	617,042	5	43.42	42.32
Tel Aviv-Jaffa	348,245	8	43.12	42.18
Haifa	255,914	7	43.95	43.87
Rishon Le Zion	163,245	8	46.91	51.11
Holon	163,082	7	47.48	48.22
Petach-Tikva	149,471	7	56.03	56.32
Beer-Sheva	149,404	5	49.57	60.28
Natania	143,446	6	51.35	48.03
Rehovot	84,143	7	56.12	56.23
Herzelia	82,759	9	50.59	52.45
Ashkelon	80,938	4	58.87	53.83
Kfar Saba	68,246	8	55.09	57.85
Hedera	60,445	6	64.38	61.94
Ramleh	57,356	4	62.43	59.94
Raananah	56,848	9	56.4	60.76
Lod	51,319	4	61.2	61.58
Aako	44,240	3	65.74	64.4
Kiriat Gat	43,809	3	63.43	68.08
Naharia	36,341	6	64.11	60.95
Tiberia	35,291	4	68.36	72.82
Yavne	23,445	6	73.81	72.38
Or Yehuda	23,132	4	66.7	66.54
Migdal Ha Emek	21,778	4	73.33	72.02
Tsfat	21,480	4	72.13	70.98
Kiriat Shmona	19,280	5	72.5	

Table 3.9 and Figure 3.14 show a strong correlation between the size of a municipality and voter turnout. The larger the population, the lower voter turnout.

**Figure 3.14: Population size and percent of voter turnout in the 1993 and 1998 local elections (in 25 cities).<sup>78</sup>**



## Socio-Economic Index<sup>79</sup>

### 1) Variables chosen to compute the socio-economic index:

#### 1.1) Demography

- 1.1.1) Dependency ratio: the ratio between those aged 0-19 (young population) and 65+ (mature population), to those aged 20-64 (working-age population). To obtain the final variable, the quotient was multiplied by 100.
- 1.1.2) Median age: the median age of the local-authority population, computed on the basis of individual ages.
- 1.1.3) Average number of persons per households: the total population living in households, divided by the number of households.

#### 1.2) Standard of living

- 1.2.1) Housing density (defined as: no. of rooms per person): the total number of rooms used for residential purposes by all households, divided by the total population of persons in households (excluding institutions).
- 1.2.2) Proportion of personal-computer-owning households: the total number of households that own a personal computer, divided by the total number of households.

1.2.3) Average motor vehicles per households: total number of motor vehicles at the disposal of the households, divided by the total number of households.

1.2.4) Average income per capita.

A: average monthly wage per employee, expressed in annual terms, for 1995;

B: number of employees in the locality;

C: income of the self-employed: locality-level average on the basis of tax collection per year, divided by 12-for 1995;

D: number of self employed in the locality;

G1: total income from child allowances in the locality;

G2: total income from old age pensions in the locality;

G3: total income from income-maintenance benefits in the locality;

G4: total income from unemployment compensation in the locality;

G5: total income from disability benefits in the locality;

P: total population of the locality.

Then the variable value is determined by:

$$\frac{(A*B)+(C*D)+G1+G2+G3+G4+G5}{P}$$

### **1.3) Schooling and Education**

1.3.1) Percent of households with (at least one) holder of an academic degree: the number of households in which at least one person holds an academic degree (B.A, M.A or Ph.D.), as a share of the total number of households.

1.3.2) Average years of schooling (of persons aged 26-50): the average years of schooling of persons aged 26-50, who attended schools in Israel or abroad, computed on the basis of individual years.

1.3.3) Percent of persons holding matriculation certificates (in the 17-20 age group): the number of persons aged 17-20 who hold matriculation certificates, as a share of the total aged 17-20.

### **1.4) Employment and Unemployment:**

1.4.1) Percent of unemployment (of civilian labour force): the percent of people aged 15+ in the annual civilian labour force, who are not employed.

1.4.2) Percent of women not in the civilian labour force: the percent of women aged 20-60 who do not belong to the annual civilian labour force, as a share of all women aged 20-60. (Source of data:1995 census of Housing and Population)

1.4.3) Percent of workers in prestigious occupation (of total workers): the percent of persons engaged in academic or managerial occupations in the annual civilian labour force. (Source of data:1995 census of Housing and Population)

1.4.4) Percent of sub minimum-wage earners (of total wage earners): the percent of wage-earners earning up to the minimum wage relevant to the period at issue, as a share of total wage earners.

### **1.5) Benefits**

- 1.5.1) Percent of persons receiving unemployment compensation (share of total population).
- 1.5.2) Percent of recipients of income-maintenance benefits (share of total population).

## **Section C**

### **Council Members**

Table 3.10 shows the number of council members who are allocated to local authorities. The number of council members is determined by the size of the local authority, based on its population.

**Table 3.10: Number of council members (in local authorities)<sup>80</sup>**

<b>Population of Local Authority</b>	<b>No. of council members</b>
Up to 5000	9
5001-25,000	9-15
25,001-100,000	15-21
More than 100,000	21-31

## **Section D**

### **Types of Local Authority Committees<sup>81</sup>**

#### **Management Committee**

**Functions:** to advise the mayor on any issue regarding his/her role and to discuss any issue which other committees do not have the authority to handle.

**Participants:** the mayor, deputy mayors, and council members chosen by the council.

### Public Tenders Committee

**Functions:** to examine offers made by private companies to the local authority and to advise the mayor on the most suitable candidate to win the bid. It is then the responsibility of the mayor to approve the recommendation of the committee.

**Participants:** council members and legal advisor. The mayor is forbidden to participate in this committee.

It is also considered acceptable that the mayor suggests a candidate to sit on the committee without a discussion by the bids committee regarding that candidate. However, any candidate chosen by the mayor must be approved by the council.

### Monetary Committee

**Functions:** to advise the mayor on financial issues and to examine the mayor's budget proposal before passing it to the council for approval.

**Participants:** council members.

### Security Committees (Emergencies , citizens' patrols and guards)

**Functions:** to discuss matters that involve preparation for states of emergency in cities, to co-ordinate activities with the security and military bodies that take part in civil defense and the provision of security at public events and for everyday life in cities.

**Participants:** council members, security experts.

### Internal Audit Commission

**Functions:** to discuss the internal audit commission reports, citizens' complaints, and any reports of the Ministry of the Interior that evaluate local performance. The committee is in charge of instituting and monitoring the corrections that need to be made, based on the reports and complaints. It is obligated to inform the council of the findings and of its recommendations as to how to deal with the issues raised and how to correct mistakes.

**Participants:** up to 7 council members, who reflect the party structure in the council. The mayor and deputies can attend this committee. The chair of this committee should be from any party other than that of the mayor, unless there is only one party in the council.

Personnel Committee (Human Resources committee)

**Functions:** to decide on matters related to human resources, such as the hiring and firing of workers, evaluating the quality of work by employees, transferring workers between units, deciding on promotions and tenure, dealing with discipline problems, and organizing professional training. In addition, it is the committee's responsibility to follow contracting-out procedures that have direct consequences on workers' status or quotas. For example, if there is a need to reduce the number of employees as part of a reform, the committee tries to offer solutions to workers who are to be replaced or fired.

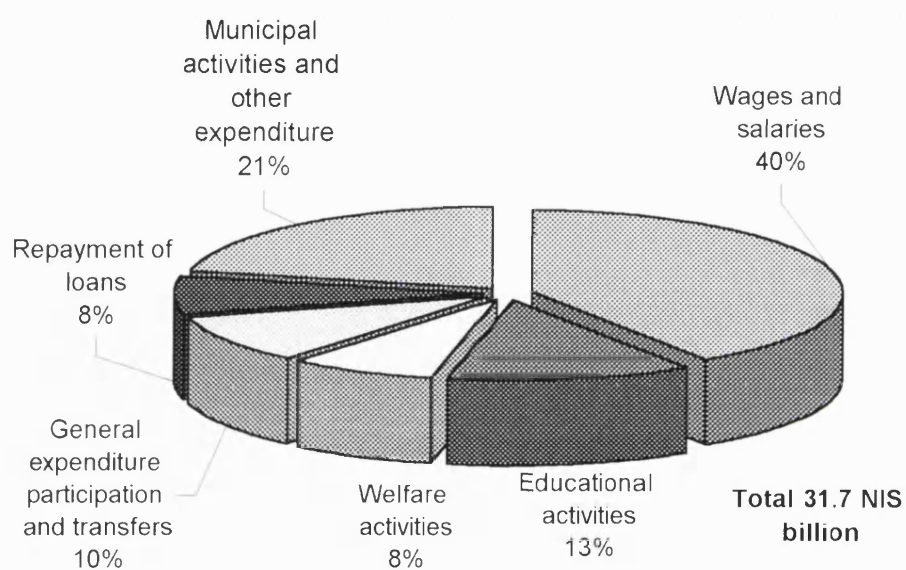
**Participants:** chair- a council member responsible for human resource policies, a human resource manager (who is the organizer of the committee), mayor, council members, public representatives, union representative, chief executive, treasurer.

## Section E

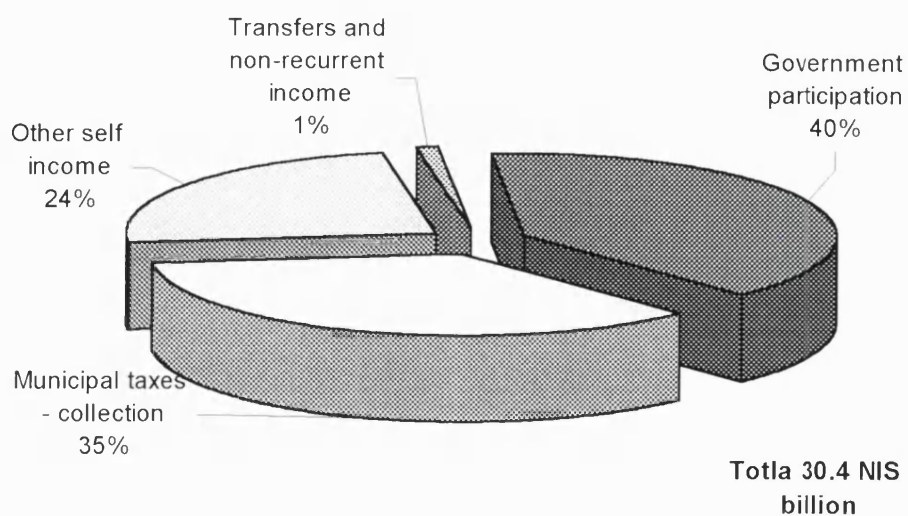
### **Municipal Budget**

Figures 3.15 and 3.16 demonstrate local government expenditure and income during 2001.

**Figure 3.15: Ordinary budget expenditure of local authorities 2001.**<sup>82</sup>



**Figure 3.16: Ordinary budget income of local authorities 2001.**<sup>83</sup>



### Budget approval procedure<sup>84</sup>

Mayor → Finance Committee → Council → Ministry of The Interior.

The procedure of budget approval includes a preparation of a budget proposal by the mayor and his/her assistants. The mayor then passes the proposal to the city's finance committee (that includes council members), to examine the proposal and make suggestions if needed, before presenting it to the council for approval. Once approved by the council, the budget proposal is passed on for the approval of the Ministry of the Interior that, in return, gives the final approval of the budget for that year.

In all stages, there is a bargaining process between the mayor and council, among council members themselves, and with the Ministry of the Interior. This process is often lengthy and exceeds the formal deadline set for the final budget approval. The delay of approval causes municipalities to continue to function on the basis of the previous year's budget. The Ministry of the Interior is also forced to continue its financial support to cities, based on the previous year's figures. Once the budget is approved, mayors are required to request the approval of the Ministry of the Interior for any modifications to the budget that are needed during the year. There is some flexibility however, for cities to shift resources from one project to another within the limits of the budget.

## Budgetary Structure

### 1) Local Government Income:

64% self finance, 33% central government support and state grants, 3% loans.

#### 1.1) Ordinary budget:

1.1.1) Local self-finance: from local taxes, mainly from property tax, which is the biggest source of self-finance (an average of 60%). There are also service charges, taxes on the sale of property, and fines.

#### 1.1.2) Central government financial support:

For the provision of Education and Welfare services, close to 80% of the budget is state funded.

#### 1.2) Externalized (Special) Budget:

1.2.1) State Grants: the grants provided by central government are supplementary to local incomes. In Israel, there are no clear criteria for determining the size of grants and they are adjusted to the specific needs of each local government. This leads to an uneven distribution of grants to local governments. According to Dery, over the last 20 years, the central government's financial support has ceased to be "special" and become routine. Israeli local governments have turned the creation of deficits into their main source of income: they tend to spend more than their budget allows and rely on central government to bail them out of deficits with the various grants that it provides.

#### Types of state grants:

1.2.1.1) Balancing Grants: these are grants that cover the gap between local income and actual local expenditures. Self-sufficient local governments are not entitled to this type of grant. In recent years local authorities reached financial difficulties partly as a result of a drastic cut in balancing grants by the Treasury. The Treasury attempts to force local authorities to adopt rehabilitation programs, involving staff reductions, cancellation of unauthorized projects, and more efficient and complete local tax gathering.

- 1.2.1.2) Destined grants: these are meant to assist local governments with the finance of specific projects. The Ministry of the Interior examines the plans of the intended projects and decides whether or not to provide assistance.
- 1.2.1.3) Special Grants: these grants are given to specific cities that fall into the category of “lower socio-economic status”, in order to assist with financial difficulties and facilitate the cities’ development. The Ministry determines annually or every few years, which cities are of need of assistance. Based mainly on the socio-economic ranking of the Central Bureau of Statistics, the minister chooses the cities that are to receive “Status A” which allows the special grant. Every year, there is political bargaining between the minister and the mayors of cities who wish to be ranked as “Status A”, in order to receive such special grants.

## 2) Local Expenditures

The expenditures of local governments are mainly on the provision of services: State Services (Welfare and Education) and Local Services ( e.g. Sanitation, Maintenance, Engineering, Construction, Gardening, Infrastructure, Culture, Security). Other main components are Management and General expenditures (e.g., Office Supplies, Vehicles).

## 3) The Fundamental Budget Law of 1985

- 3.1) Employee Quota and Wages: The Minister of the Interior can set personnel quotas in local governments and require a reduction in the budget allocated to wages, when a local authority exceeds its quota. The minister can also require local authorities to reduce the amount of their employees, when it is estimated that they are redundant.
- 3.2) Grants: the Minister of the Interior can reduce the grants to which local governments are entitled, to stop local projects, or request local authorities to reduce their expenditures, if one of the following occurs:

- 3.2.1) A local government implements a project that its current budget cannot finance and central government is not interested in providing budgetary assistance for such a project.
- 3.2.2) A local government implements a project that was not approved by central government.
- 3.2.3) A local government over-employs workers, beyond the capabilities of its current budget.
- 3.2.4) A local government takes out types of loans that require the approval of central government, but neither reports its action, nor waits for the approval of state officials.

## **Section F**

### **Local Privatization**

**Table 3.11: Percentage of contracting-out spent from the ordinary budget in 28 local authorities (1989-1990)\***

<b>Municipality</b>	<b>Percentage of Contracting-Out</b>	<b>Municipality</b>	<b>Percentage of Contracting-Out</b>
Or Yehuda	21.8	Ramat Gan	11.9
Raananah	19.4	Ashdod	11.7
Kiriat Motskin	18.3	Ramleh	11.3
Holon	17.3	tiberia	11.0
Herzelia	17.2	Bnei Berak	10.7
Givatayim	16.0	Tsfat	9.7
Hedera	15.9	Um El Phachem	9.5
Beer Sheva	15.4	Bat Yam	9.1
Karmiel	15.2	Aako	8.6
Kiriat Bialik	14.4	Kiriat Shmona	8.6
Ashkelon	13.7	Rehovot	8.2
Kfar Saba	13.5	Lod	8.0
Rishon Le Zion	13.4	Migdal Ha Emek	7.6
Kiriat Gat	12.1	Dimona	4.8

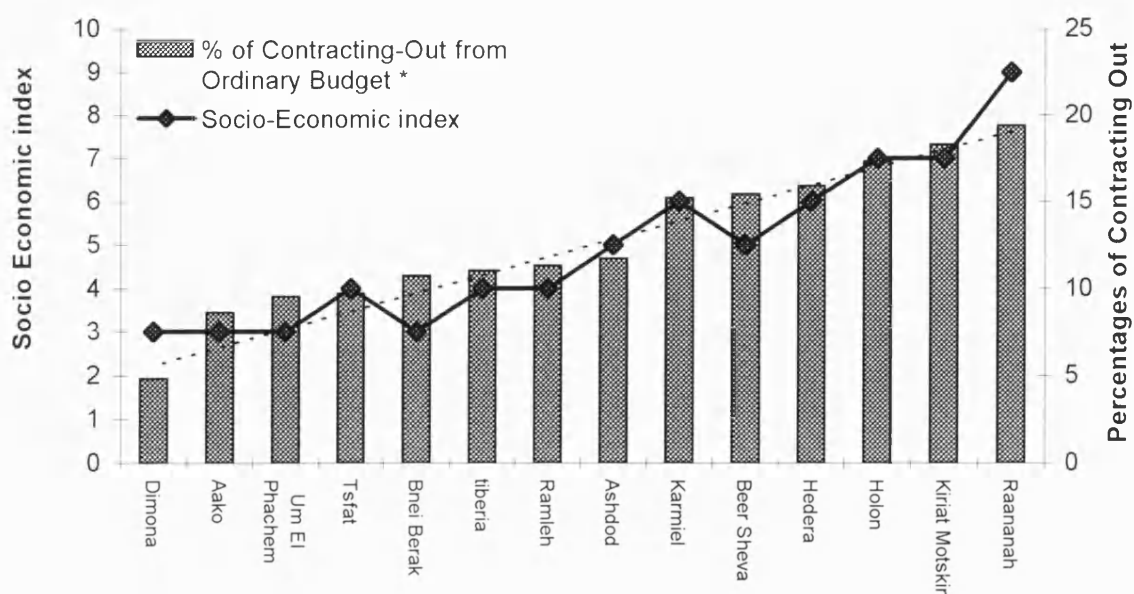
\* Does not include Education and Welfare services.

**Table 3.12: The socio-economic ranking of 14 cities and percent of contracting-out (1989-1990)**

Municipality	Socio-Economic index (range: 1-10)	Percentage of Contracting-Out Spent from the Ordinary Budget*
Raananah	9	19.4
Kiriat Motskin	7	18.3
Holon	7	17.3
Hedera	6	15.9
Beer-Sheva	5	15.4
Karmiel	6	15.2
Ashdod	5	11.7
Ramleh	4	11.3
Tiberia	4	11
Bnei Berak	3	10.7
Tsfat	4	9.7
Um El Phachem	3	9.5
Aako	3	8.6
Dimona	3	4.8

\* Does not include Education and Welfare services.

**Figure 3.17: Socio-economic ranking of cities and percent of contracting-out (1989-1990)**



**Table 3.13: Total expenditures (NIS) / percentage of contracted services in Holon (1992-1999)**

<b>Year</b>	<b>Total Contracted Services (Expenditures)</b>	<b>Total Local Expenditures (Ordinary Budget)</b>	<b>% Total Expenditures Contracted (Ordinary Budget)</b>
1992	17,160,439	72,673,890	24%
1993	17,654,101	78,453,083	23%
1994	20,166,518	90,173,356	22%
1995	24,651,291	106,754,469	23%
1996	29,497,048	126,117,881	23%
1997	35,130,998	141,179,697	25%
1998	38,273,001	135,245,708	28%
1999	40,604,761	140,846,304	29%

**Table 3.14: Total expenditures (NIS) / percentage of contracted sanitation services in Holon (1994-1999)**

<b>Year</b>	<b>Total Sanitation Expenditure</b>	<b>Total Contracted Sanitation Expenditure</b>	<b>% Contracted Sanitation Expenditure</b>
1994	54,949,386	16,182,594	29.45%
1995	57,578,073	18,632,265	32.36%
1996	59,774,199	21,081,935	35.27%
1997	65,352,890	24,646,903	37.71%
1998	61,250,733	26,788,390	43.74%
1999	64,623,702	28,430,945	43.99%

**Table 3.15: Total expenditures (NIS) of contracted services in Tel-Aviv (1990-1999)**

<b>Year</b>	<b>Contracted Local Assets</b>	<b>Local Assets Expenditures</b>	<b>Contracted Sanitation Services</b>	<b>Sanitation Services Expenditures</b>	<b>Total Contracted Services (Expenditures)</b>	<b>Total Local Expenditures</b>
1990	16,846,318	89,425,821	8,413,125	99,059,502	32,215,223	316,332,187
1991	17,373,667	82,725,861	10,358,644	93,267,240	34,462,099	324,020,250
1992	26,025,624	103,901,390	11,901,440	119,963,335	44,892,920	354,991,522
1993	29,108,305	115,718,683	16,583,855	133,161,166	63,769,106	405,800,124
1994	36,333,001	136,614,364	22,426,373	172,139,687	80,886,068	492,530,595
1995	47,741,801	157,091,752	26,610,484	206,364,129	96,267,108	609,592,692
1996	48,631,309	167,561,173	30,269,505	244,522,930	100,272,232	678,741,676
1997	54,305,602	195,373,634	34,849,706	270,193,082	113,875,233	770,524,473
1998	44,404,304	156,069,599	46,630,193	306,284,630	115,553,505	798,795,836
1999	40,737,246	174,386,943	44,639,883	319,845,258	110,925,574	827,428,572

**Table 3.16: Percentage of contracted services (assets, sanitation) in Tel Aviv (1990-1999)**

<b>Year</b>	<b>% Local Assets Contracted</b>	<b>% Sanitation Services Contracted</b>	<b>% Total Local Services Contracted</b>
1990	19%	8%	10%
1991	21%	11%	11%
1992	25%	10%	13%
1993	25%	12%	16%
1994	27%	13%	16%
1995	30%	13%	16%
1996	29%	12%	15%
1997	28%	13%	15%
1998	28%	15%	14%
1999	23%	14%	13%

**Table 3.17: Total expenditures (NIS) of contracted services in Rishon-Le-Zion (1989-1999)**

Year	Contracted City Inspection	City Inspection Exp.	Contracted Local Assets	Local Assets Exp.	Contracted Sanitation Services	Sanitation Exp.	Total Contracted Services Exp.	Total Local Exp. (Ordinary Budget)
1989	93,740	1,606,103	2,408,450	24,859,803	4,100,726	17,743,777	6,754,288	50,112,102
1990	124,274	1,975,226	1,202,196	26,841,643	6,432,825	28,054,941	8,084,516	65,438,125
1991	217,318	1,833,563	2,395,720	23,440,709	5,310,985	22,646,750	8,176,375	56,410,872
1992	242,186	3,095,744	3,244,188	39,504,083	7,130,020	36,663,200	10,995,807	94,541,539
1993	315,824	3,605,830	3,113,918	37,130,045	7,521,638	41,694,688	11,662,308	99,697,562
1994	581,498	4,849,295	5,110,419	45,610,277	8,220,829	34,276,139	14,534,185	104,344,388
1995	723,314	5,844,086	6,184,508	56,800,542	9,298,966	41,444,073	17,025,215	127,651,101
1996	778,438	6,962,009	8,529,801	70,761,919	14,976,448	52,362,149	24,683,682	159,027,560
1997	1,063,665	8,171,270	4,762,942	84,430,729	7,242,564	48,575,111	13,514,430	170,249,710
1998	911,034	9,197,441	20,396,011	89,298,994	11,830,690	50,652,328	33,853,297	182,046,895
1999	1,076,765	11,480,567	26,880,023	117,647,896	14,057,163	57,509,106	42,726,681	222,077,721

**Table 3.18: Percentage of contracted services in Rishon-Le-Zion (1989-1999)**

Year	% City Inspection Contracted	% Local Assets Contracted	% Sanitation Contracted	% Total Expenditures Contracted (Ordinary Budget)
1989	6%	10%	23%	13%
1990	6%	4%	23%	12%
1991	12%	10%	23%	14%
1992	8%	8%	19%	12%
1993	9%	8%	18%	12%
1994	12%	11%	24%	14%
1995	12%	11%	22%	13%
1996	11%	12%	29%	16%
1997	13%	6%	15%	8%
1998	10%	23%	23%	19%
1999	9%	23%	24%	19%

**Table 3.19: Total expenditures (NIS) of contracted services in Ramat-Gan (1992-1999)**

Year	Contracted Local Assets	Local Assets Exp.	Contracted Sanitation Services	Sanitation Exp.	Total Contracted Services (Exp.)	Total Local Exp.
1992	1,845,358	14,866,957	4,990,624	37,425,083	7,021,977	74,409,488
1993	1,547,239	12,283,538	7,138,360	42,961,854	9,101,848	80,974,356
1994	2,617,699	16,361,928	9,177,857	46,790,413	12,262,450	85,519,369
1995	2,941,377	19,205,322	10,877,081	53,510,741	14,398,293	97,034,776
1996	2,468,162	19,877,942	13,054,901	61,278,466	16,377,192	112,884,344
1997	5,644,254	20,814,718	14,297,041	68,337,420	21,194,160	126,587,201
1998	6,464,649	22,403,425	16,001,749	74,096,228	23,766,702	133,790,322
1999	6,742,964	22,926,073	17,114,899	81,007,924	25,334,144	143,678,250

**Table 3.20: Percentage of contracted services in Ramat-Gan (1992-1999)**

Year	% Local Assets Contracted	% Sanitation Contracted	% Total Local Expenditures Contracted
1992	12%	13%	9%
1993	13%	17%	11%
1994	16%	20%	14%
1995	15%	20%	15%
1996	12%	21%	15%
1997	27%	21%	17%
1998	29%	22%	18%
1999	29%	21%	18%

**Table 3.21: Total expenditures (NIS) of contracted services in Petach-Tikva (1991-1999)**

Year	Contracted - Immigration Services, Environment	Immigration, Environment Exp.	Contracted Local Assets	Local Assets Exp.	Contracted Sanitation Services	Sanitation Services Exp.	Total Contracted Services (Exp.)	Total Local Exp.
1991	0.00	1,442,128	1,686,164	11,462,237	4,169,583	32,195,339	6,914,096	53,373,327
1992	0.00	2,501,937	3,394,454	20,535,880	6,368,341	48,301,581	10,977,912	85,033,542
1993	0.00	3,404,985	3,533,716	32,732,183	7,009,127	38,919,802	11,785,242	90,860,526
1994	559,629	6,317,345	4,470,434	18,108,805	13,808,178	49,395,599	20,023,576	93,458,978
1995	616,528	6,693,247	6,030,827	22,329,746	13,312,616	56,701,064	20,897,768	107,796,344
1996	691,713	8,010,547	8,204,715	26,621,280	14,594,115	66,539,997	24,545,970	127,023,396
1997	919,004	7,650,936	7,402,874	27,336,678	15,996,153	75,293,476	25,577,039	139,004,624
1998	656,351	6,814,085	5,358,862	28,942,131	19,256,612	82,076,084	26,592,225	145,758,745
1999	2,901,160	9,513,340	8,959,179	35,381,079	18,634,446	84,730,935	31,826,123	161,256,838

**Table 3.22: Percentage of contracted services in Petach-Tikva (1991-1999)**

Year	% Immigration, Environment Services Contracted	% Local Assets Contracted	% Sanitation Services Contracted	% Total Local Expenditures Contracted
1991	0%	15%	13%	13%
1992	0%	17%	13%	13%
1993	0%	11%	18%	13%
1994	9%	25%	28%	21%
1995	9%	27%	23%	19%
1996	9%	31%	22%	19%
1997	12%	27%	21%	18%
1998	10%	19%	23%	18%
1999	30%	25%	22%	20%

**Table 3.23: Total sanitation expenditures (NIS), total contracted sanitation (NIS), percentages of contracted sanitation services in Beer-Sheva (1991-1998).**

<b>year</b>	<b>Total Sanitation Expenditures</b>	<b>Total Expenditures on Contracted Sanitation Services</b>	<b>Percentages of Contracted Sanitation Services</b>
1991	21,349,677	4,279,364	20.04%
1992	28,866,717	6,015,136	20.84%
1993	30,981,412	7,809,290	25.21%
1994	35,111,404	8,706,931	24.80%
1995	38,258,635	9,813,390	25.65%
1996	43,579,273	12,803,202	29.38%
1997	46,152,164	15,881,000	34.41%
1998	61,530,500	21,269,900	34.57%

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## Notes

- <sup>1</sup>. Central Bureau of Statistics, 1999, 2002, 2003.
- <sup>2</sup>. The right to vote is granted to residents who are at least 18 years old appear in the population registry. No further criteria must be met such as Israeli citizenship, in order to receive the right to vote. The right to serve on the council is granted to residents who are at least 21 years old.
- <sup>3</sup>. Brichta, 1998:268.
- <sup>4</sup>. Brichta 1998:266.
- <sup>5</sup>. Brichta, 1998:268.
- <sup>6</sup>. Brichta 1998:271.
- <sup>7</sup>. Brichta,1998:264-266.
- <sup>8</sup>. Brichta,1998:264, Brichta and Pedahzur, 2001:199-201.
- <sup>9</sup>. Horkin et al. 1998:41.
- <sup>10</sup>. Horkin et al. 1998:43.
- <sup>11</sup>. Goldberg 1987:157-158.
- <sup>12</sup>. Brichta and Pedahzur, 2001:38.
- <sup>13</sup>. Horkin et al. 1998:76.
- <sup>14</sup>. Ben Melech and Salomon 1993:22-23.
- <sup>15</sup>. Freizler, 1993.
- <sup>16</sup>. Ben Melech and Salomon,1993:22.
- <sup>17</sup>. Ben Melech and Salomon,1993:23.
- <sup>18</sup>. Elazar and Kalchheim, 1988:174-175.
- <sup>19</sup>. Kalchheim and Elazar 1988:207.
- <sup>20</sup>. Elazar and Kalchheim 1988:216-217.
- <sup>21</sup>. Kramer, 1995.
- <sup>22</sup>. Elazar and Kalchheim, 1988:208.
- <sup>23</sup>. Elazar and Kalchheim 1987:234, Kramer 1995:10.
- <sup>24</sup>. Dery and Milner,1994, Dery, 1999, Nachmias and Rosenbloom, 1978, Galnoor, Rosenbloom and Yaroni, 1999.
- <sup>25</sup>. Kalchheim1997, Kramer 1995, State Audit Commission Reports 1964, 1969, 1972, 1977, 1979, 1980, 1982, 1992, 1994, 1995.
- <sup>26</sup>. Kalchheim,1997:167.
- <sup>27</sup>. Dery and Milner,1994:10, Galnoor et al.1999:120.

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- <sup>28</sup>. Dery and Milner 1994:30.
- <sup>29</sup>. State Audit Commission report no.42, 1992:556.
- <sup>30</sup>. Globes Newspaper, November 22, 1993 from Dery, 1997:68, "Sheva" Local Newspaper Vol.1145, November 25, 1993.
- <sup>31</sup>. State Audit Commission report,1994:597.
- <sup>32</sup>. State Audit commission 1992:3-571, 1994:601.
- <sup>33</sup>. Kalchheim,1997:69.
- <sup>34</sup>. Ben Elia, 1998:7-9.
- <sup>35</sup>. State Audit Commission reports, 1964:351, 1969:448-450, 1972:552, 1982:929, 1972:60-67, 1979:116, 1977:486.
- <sup>36</sup>. Kalchheim 1997:73.
- <sup>37</sup>. State Audit Commission, 1964:352, 1969:450, 1972:554, 1992a.
- <sup>38</sup>. State Audit Commission, 1964:351, 1969:448-450, 1972:552, 1982:929, 1972:60-67, 1979:116, 1977:486.
- <sup>39</sup>. State Audit Commission 1973:312,316,464,473, 1975:7-356, 398, 1976:639-640, 1995:334-340.
- <sup>40</sup>. The Harmelech Committee,1992.
- <sup>41</sup>. Kalchheim,1997:68.
- <sup>42</sup>. Kalchheim,1997:168.
- <sup>43</sup>. Nachmias, Menahem 1999: 119-120.
- <sup>44</sup>. State Audit Commission report no.41, 1991:612.
- <sup>45</sup>. State Audit Commission report, 1998:2.
- <sup>46</sup>. State Audit Commission report, 52a, 2001:284.
- <sup>47</sup>. For New Management reforms see: Peters and Pierre (ed.) 2001, Peters, 2001, Dowding et al. 2000, Lane 2000, Stoker, 1999, Margetts, 1998, Lane(ed.),1997, Flynn and Strehl, 1996, Ferlie, et.al. 1996, Hood, 1991,.
- <sup>48</sup>. Kuberski committee 1989.
- <sup>49</sup>. Galnoor, Rozenblom, Iraoni 1999:137 and on the weaknesses of the appointment process see: Amado, 2001:571-576.
- <sup>50</sup>. Galnoor, Rozenblom, Iraoni 1999:141.
- <sup>51</sup>. Nachmias, 1997:31, Vigoda, 2003:58.
- <sup>52</sup>. Galnoor, Rozenblom, Iraoni 1999:143.
- <sup>53</sup>. Galnoor, Rozenblom, Iraoni 1999:139.
- <sup>54</sup>. Nachmias and Menahem 1999:140.

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- <sup>55</sup>. See The State Attorney Report: The Investigation of Roni Bar-On's Appointment as the Government General Attorney- Findings and Conclusions, (April 20,1997), and Galnoor, Rozenblom, Iraoni 1999:139.
- <sup>56</sup>. Galnoor, Rozenblom, Iraoni 1999:146.
- <sup>57</sup>. Galnor, Rozenblom, Iraoni 1999:146.
- <sup>58</sup>. Ben-Elia 1990:5.
- <sup>59</sup>. See Ben-Elia 1990, 1996, Brichta and Pedahzur, 2001.
- <sup>60</sup>. Brichta and Pedahzur, 2001:120.
- <sup>61</sup>. Brichta and Pedahzur, 2001:124-125.
- <sup>62</sup>. Brichta and Pedahzur, 2001:120.
- <sup>63</sup>. Brichta and Pedahzur, 2001:120, Ben Elia 1996:77.
- <sup>64</sup>. Ben-Elia 1990:22.
- <sup>65</sup>. Ben Elia 1996:78.
- <sup>66</sup>. Savas:1979,1981.
- <sup>67</sup>. Kramer,1995, Ben-Elia,1996:81.
- <sup>68</sup>. Ben Elia, 1990:19.
- <sup>69</sup>. See Contracting-out of local government services in the U.K: Dowding and Mergoupis, 2003, Bailey, 1999:69-72, Doogan, 1999:62-78, a comparative look at Contracting-out in the U.K and U.S. Boyne1998:103-121, Contracting-out in Europe: Batley and Stoker (ed.), 1991.
- <sup>70</sup>. Boyne,1998:110.
- <sup>71</sup>. Ben-Elia,1996:80.
- <sup>72</sup>. Ben-Elia 1996:84.
- <sup>73</sup>. Central Bureau of Statistics, 2003.
- <sup>74</sup>. Central Bureau of Statistics, 2002.
- <sup>75</sup>. Central Bureau of Statistics, 2002.
- <sup>76</sup>. Central Bureau of Statistics, 1999.
- <sup>77</sup>. Ranking of Local Authorities according to the Population's Socio-Economic Level in 1999, Central Bureau of statistics, 1999.  
Results of the Local Authority Elections 02.11.1993, 10.11.1998 Central Bureau of Statistics, 1999, Jerusalem.
- <sup>78</sup>. Ranking of Local Authorities according to the Population's Socio-Economic Level in 1999, Central Bureau of statistics, 1999.  
Results of the Local Authority Elections 02.11.1993, 10.11.1998 Central Bureau of Statistics, 1999, Jerusalem.

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- <sup>79</sup>. Central Bureau of Statistics, 1999. (Census of Housing and Population, 1995, National Insurance Institute, 1999).  
The Fundamental Budget Law of 1985, Sections: 24,25,26,27,31,39,45,46.
- <sup>80</sup>. Municipality Act, [new version], also see Elazar and Kalchheim 1988: 178.
- <sup>81</sup>. Friezler, 1993:5, Ben Melech and Salomon, 1993:143-145.
- <sup>82</sup>. Central Bureau of Statistics, 2001.
- <sup>83</sup>. Central Bureau of Statistics, 2001.
- <sup>84</sup>. Dery, 1994:32-33,108-109, Brichta and Pedahzur, 2001:170.

## Chapter 4

### The Case of Tel-Aviv

#### Introduction

Tel-Aviv is the second largest city in Israel, with 348,245 residents.<sup>1</sup> Between 1993-1998, the mayor of Tel-Aviv, like most local politicians in Israel, appointed political allies to key executive roles, in order to increase the responsiveness of certain agencies. Political appointees replaced those whom he saw as uncooperative bureaucrats, who were refusing to carry out structural changes and institute job cuts.

Based on interviews with key officials, municipal documents and contracting-out data, this chapter explores whether politicians, such as the mayor, were successful in their attempts to motivate the sanitation agency to contract-out services. The chapter examines: (1) the structural conditions that led the mayor of Tel-Aviv to initiate a reform of the sanitation services; (2) political and career appointments intended to transform the sanitation agency; (3) contracting-out achievements; and, (4) personnel and monitoring changes that occurred in 1997.

As revealed in this chapter, the politicians failed to reform services *despite* political allies being placed in charge of the sanitation agency. This failure was partly due to shirking by the mayor's appointees. Shirking behaviour was facilitated by two main components: first, political appointees received greater discretion and leeway than career bureaucrats in managing their agencies. Second, some of the political agents found it extremely difficult to carry out such a complex process as they neither had the expertise needed to privatize services nor did they possess the knowledge of how to negotiate with unionized workers. Others shirked because they were preoccupied with political activities rather than their bureaucratic tasks.

After four years of unsuccessful attempts by city management to create a responsive agency willing to contract-out sanitation services, partial implementation was finally achieved in 1997. The mayor replaced political appointees with an experienced sanitation worker, who was promoted to manage the agency. In addition, the mayor appointed a privatization expert as deputy city manager, to closely monitor the sanitation agency's performance. Following these appointments, privatization negotiations begin with city employees and external sanitation contractors.

### **Structural conditions**

The following section discusses the structural conditions that motivated mayor Milo to declare a privatization reform of sanitation services. These include Milo's stated intention to reform services, promoted during his mayoral campaign. Other structural conditions include Milo's plans to advance his future career in national level politics, residents' complaints about the poor sanitation services, and central government pressure to reform them. The examination of the constraints under which Milo was operating allows an understanding of why he chose to politically appoint chief executives to manage sanitation services and how he chose to interact with his appointees during his years in office.

### Local elections:

In the local elections of 1993, there was strong competition between the Labour (Avoda) candidate, Avigdor Kahalani and Roni Milo, representing an independent local party list. Milo won the election with 47.15% (62,553) of votes - only 6,170 votes ahead of Kahalani (56,383). For many years, Milo had been a member of the Likud party. He had served both as a Knesset member and a minister in previous

governments. However, the majority of Tel-Aviv residents are known to be loyal supporters of the left wing Avoda party. Therefore, Milo assumed that he would improve his chances of winning by disassociating himself from the Likud party.<sup>2</sup> In order to do so, Milo formed an independent party that was not obligated to adhere to the central party's political platform.

Although Milo chose to campaign with an independent party, the Likud party decided to support him as a candidate for mayor and did not run a candidate of its own. Milo welcomed the organizational and financial assistance of the Likud party, but emphasized in public appearances that, as an independent candidate, he was not obligated to follow the Likud's ideology and policies. Since most voters in Tel-Aviv are Labour supporters and at the time of the local elections (1993), the Labour party was in government, Kahalani, the Labour representative and a former army officer, tried to increase electoral support by convincing voters that a vote for him was also a vote for the central government. In other words, when supporting Kahalani, residents were supposedly being given an opportunity to show their support for central government performance. Therefore, Kahalani presented a platform that was concerned, not only with local issues, but with national politics as well.

Milo, on the other hand, tried to refrain from addressing national issues in his public interviews and speeches. In an attempt to reach broader electoral support of residents who were not Likud voters, he steered the debate to local concerns, by stating his intention of reforming the city's transportation system and improving the appearance and cleanliness of the city. In addition, Milo emphasized his experience in ministerial roles and his ability to conduct such needed reform.<sup>3</sup> Milo's frequent declarations of his intention to reform services, in his public appearances, subjected him to pressure from the public and local media, urging him to keep his promises.

Once in office, he set, as his first priority, the solution of the city transportation problems and the improvement of the cleanliness of the city. In order to meet his objectives, he asked the city management to come up with a plan to reform both services.

#### Political career in central government

While serving as mayor, Milo made strong efforts to fulfil the promises that he had made during his campaign, including the privatization of some services. He did so in order to be considered a competent, trustworthy leader, not only in the eyes of the voters of Tel-Aviv, but in the eyes of voters nation-wide, to pave his way back towards central government.<sup>4</sup> Subsequently, in 1997, a year prior to the local elections, Milo claimed that he had no plans to compete again for mayor. Surveys at the time showed that his popularity had fallen and his chances of re-election were slight. In 1998, he moved on to join a newly formed independent national party (called the “Central Party”) and, in the 1999 elections, won a Knesset seat and became the Minister of Health.

#### Pressure by residents and central government to privatize services

In a Tel-Aviv council meeting, council member Admon, in charge of oversight of sanitation services, claimed that management should hasten its plans to privatize the sanitation agency, in order to respond to complaints of constituents about the poor quality of the sanitation services they were receiving from the municipality.<sup>5</sup> It was thought that replacing municipal sanitation workers with external contractors would improve the agency’s performance.

Admon went on to inform the council that the Ministry of the Interior, which approves the city budget and provides financial support for new equipment and repairs to old sanitation vehicles, was reluctant to continue to do so, unless the agency could present a long-term plan to improve the performance of the agency. The Ministry of the Interior recommended that the sanitation agency undergo a privatization reform, in order to reduce the size of the municipality and reduce overall spending. The delay by the Ministry of the Interior in providing the needed financial support restricted the agency's activities: e.g., sanitation vehicles that broke down could not be fixed and failed to carry out their shifts.

#### **Sequence of events** (see Tables 4.1 and 4.2 in Appendix)

##### The attempts to contract out sanitation services

From 1993 to 1998, city management (i.e. mayor, deputies, city manager) tried to amend service provision, while reducing municipal budget deficits. City management directed its efforts at reorganizing sanitation services, reconstructing local assets (e.g., gardens, roads and municipal buildings), as well as trying to solve transportation problems. With the limited resources available, it was hoped to accomplish such goals by changing the “working culture” in which employees attended the municipality for only a few hours a day (e.g., an average of 4 hours a day for sanitation workers) even though they were receiving high wages and benefits.

The following section presents the attempts of city management to reform sanitation services in the years 1993-1998. A number of key players were involved in the process: (1) **Mr. Roni Milo** - the mayor, who was elected in 1993; (2) **Mr. Meir Doron** - city manager, in charge of the administration; (3) **Mr. Avi Steinmitch** - deputy city manager (1993-1994); (4) **Mr. Samuel Shachar** - deputy city manager in

charge of sanitation (1996-1997); (5) Heads of the sanitation agency: **Mr. Moshe Paz** (1987- 1995); **Mr. Avi Steinmitch** (1995-1996); **Mr. Anatol Shpiegel** (mid 1996-1997); **Mr. Amit Yefet** (1997-2001).

In 1993, as mentioned earlier, when Milo took up his mayoral post, he was seeking to fulfil the promises he had made to his constituents to reform sanitation services. At the time, he welcomed any suggestions from city management as to how to achieve such goal - privatization was just one option among many that were considered. Milo was hoping that, with sanitation workers and union, he would be able to negotiate an improvement in their performance and that he would be able to encourage sanitation managers to be responsive to his demands.

However, Milo was unsuccessful in his attempts to revise sanitation services. Workers in the agency, as well as the sanitation union, did not welcome any reorganization that aimed at setting up new working habits, or would decrease their wages and benefits.<sup>6</sup> In a council meeting (December 1996), Milo complained that, for three years, he had been trying to negotiate changes in the sanitation agency, but that the workers had refused to accept even minor changes. The agency's workers, with the support of the union, would not allow management either to allocate workers to alternative municipal projects, or to fire them.<sup>7</sup>

Until the end of 1996, not only were sanitation employees unwilling to change their work patterns in the agency, but, with the assistance of the municipal union, tried to prevent Milo from turning the provision of services over to private contractors.<sup>8</sup> For the sanitation workers and their representatives, the head of the municipal union, Arnon Bar David, and the sanitation union representative, Amit Yefet, the contracting-out of services was considered non-negotiable, a line which sanitation workers were not willing to cross.<sup>9</sup> Furthermore, in his attempts to reform

services, Milo encountered unresponsive sanitation managers. In 1993, the incumbent head of the sanitation agency was Moshe Paz, who closely conformed to one of Down's types of bureaucrat - a "conserver", close to retirement.<sup>10</sup> When Milo approached Paz with a request to improve the performance of his agency, Paz chose to ignore his demands and shifted policy, by recruiting new workers and purchasing new vehicles. As a conserver, he was not willing to engage in potential conflict with workers over wages or work schedules.<sup>11</sup> An alternative, privatization solution, was unacceptable to Paz as well. At this stage of his career, he was not willing to dedicate his time to such a complicated project. The deputy city manager at the time, Samuel Shachar, claims:

Moshe Paz had a problem, because he was stubbornly against contracting-out. He tried to expend the sanitation agency as much as possible, especially during his years as head of the agency - more workers, equipment, budgets. The only reason that he accepted a bit of a shift of services to contractors, was in order to comply with the mayor's demands, but even then, he kept asking for more trucks and other equipment.<sup>12</sup>

Due to the sanitation manager's uncooperative behaviour, Milo decided, in 1995, to grant Paz early retirement, so a new executive could be hired to manage the sanitation agency. In 1995, Milo transferred his friend and associate, Avi Steinmitch, from deputy city manager, to sanitation agency manager.<sup>13</sup> At the appointment stage, Milo asked Steinmitch to make strong efforts to reform the agency. A year later, Milo realized that his political agent was not meeting his demands. In fact, Steinmitch had chosen to shirk neither by making any attempt to revise services, nor to sign contracts with external services suppliers. The head of the sanitation agency between 1997-2002, Amit Yefet, claims that:

In the period of time in which Steinmitch was the head of the agency, nothing happened... Steinmitch only wanted quiet, “industrial tranquillity”...nothing changed in the management of the agency, the field workers regained their power to control the agency, and the city became dirtier.<sup>14</sup>

By 1996, sanitation workers still remained on a four-hour a day schedule and citizens continued to receive poor quality services.<sup>15</sup> Instead of enacting the reform, Steinmitch spent most of his time promoting his own political career. According to Samuel Shachar:

He (Steinmitch) is a political man, without any managerial background, other than some public relation skills and he knows how to be nice to people. He entered the sanitation agency and created tension between workers...all sorts of give and take methods, including political promises, in order to control the agency. He was able to behave this way because he received political support (from management)... Steinmitch was not professional, whatever he touched he ruined, caused managers to fight and overall, was not able to make the progress expected from him.<sup>16</sup>

In the same year, Milo asked Steinmitch to return to his previous role as deputy city manager, politically appointing Mr. Anatol Shpiegel as the new sanitation manager. Shpiegel, a former army officer, was appointed partly on the basis of his acquaintance with city manager, Meir Doron, and with deputy city manager, Steinmitch.<sup>17</sup> In addition, Milo hoped that his past experience in the army would help Shpiegel to solve discipline problems in the sanitation agency.

It took only nine months for city management to realize that Shpiegel was unfit to manage the sanitation agency. His attempts to apply military style

management created a hostile environment in the agency, which prevented any improvement in workers' performance. Shpiegel was considered patronizing and detached, with no real understanding of how to deliver public services. Former city manager, Meir Doron, shares his impression of Shpiegel:

His analytical abilities were fine, but the way he talked... patronizing, dismissing workers, dismissing the management. We (management) knew how to handle him but with the workers, there was a big crisis... after close to a year, we realized it was not going to work out.<sup>18</sup>

Amit Yefet recalls how Shpiegel treated the workers of the agency when serving as head of sanitation:

Shpiegel is best remembered by workers for his utterance, "Don't you dare call me here about garbage, I don't deal with garbage".<sup>19</sup>

Shpiegel dismissed the idea of contracting-out services, stubbornly asserting that reorganizing the agency and disciplining workers would lead to better results.<sup>20</sup> Eventually, the workers choose to completely ignore his requests, leading him to abandon his plans and maintain the status quo. Steinmitch claims:

In the period of time that Shpiegel was the head of the sanitation agency, nothing was done; he did not make any changes in the agency.<sup>21</sup>

In 1997, following the lack of cooperation by the heads of sanitation (Paz, Shpiegel, Steinmitch) and their workers, Milo decided to take certain major steps. First, he replaced his deputy city manager, Steinmitch, with Samuel Shachar, who was to act as operational manager in charge of sanitation.<sup>22</sup> Shachar was expected to take the initial steps needed to reform services and, once they were contracted-out, to

monitor the performance of the agency.<sup>23</sup> Milo's choice of Shachar was based on his 20 years experience in the municipality, as chief engineering administrator, and due to his reputation as a "reformer". Over the years, Shachar had reformed the City Appearance agency, including reducing the work force by 450 municipal workers.<sup>24</sup>

Since sanitation manager Shpiegel was unwilling to comply with city management to contract out services, Milo and Shachar called on Shpiegel to resign. In his place, they promoted Amit Yefet to manage the agency, hoping that his 15 years experience of delivering sanitation services and his activities in the municipal union, would serve to improve the agency.<sup>25</sup> However, city management was hesitant to support Milo's decision, considering Yefet untrustworthy, as he had been part of the negotiation team that had prevented the privatization of the agency over the years. However, Shachar and Milo were confident that they could persuade Yefet to reform services.

At the time, Milo organized a press conference, at which he presented agreements signed with contractors. On November 24, 1997, Mayor Milo decided to contract-out the sanitation services, over the protests of the agency workers against the reform. That same day, the sanitation workers began a strike with the support of their fellow municipal workers. The protest reached a high level of violence, when workers tried to destroy contracted sanitation vehicles, to block access to street cleaners and to harass workers who cooperated with contractors.

Regardless of the violent protest, soon after his appointment, Yefet prevailed and, with the assistance of Shachar, began to work with contractors to provide sanitation services in some of the neighbourhoods in the city.<sup>26</sup> Yefet was also able to negotiate an end to the strike, with the assistance of Shachar. He was placed in charge of the contracting-out process and negotiated new working terms with

municipal workers. Sanitation workers welcomed Yefet's promotion, since they considered him a trustworthy colleague, with their best interests in mind. Steinmitch recalls how Yefet treated workers:

Yefet was incredible with the workers, he had very good relations with them... for the workers, it was easy to accept the authority of Yefet as he was "one of them".<sup>27</sup>

In his first years as head of agency, he reduced the size of the sanitation agency by 400 workers.<sup>28</sup>

### **Contracting-out achievements**

Tel-Aviv mainly contracted-out services, such as Local Assets, Security and Sanitation.<sup>29</sup> In sanitation, although city management had set high targets for privatization, by 1999-2000, the budget reports were still showing inefficient results of only 14%-15% contracted services. However, this does not necessarily mean that the agency had not advanced its privatization plans. An examination of the budget books for 1999-2001, reveals that the agency considerably increased its expenditures for compensation fees paid to those sanitation personnel who were offered an early retirement scheme. Furthermore, by 2000, the agency began to rely much more heavily on daily workers from external human resource companies, instead of tenure track workers. Consequently, in the short-term, the expenditures on contracted services continue to remain low, in comparison to the overall budget spent in the agency; thus, percentages of privatization seem low.<sup>30</sup> Amit Yefet recalls:

My plan for the agency was approved by Milo (but at the end of his political term), so it was introduced again and carried out in 1999- the plan led to a reduction of 330 workers...Street

sweeping was contracted-out, not to the extent that I wished it to be, but this is just the beginning ...In 1998, I stopped new recruitment of (tenure track) workers to the agency.

## **Discussion**

The political appointment of sanitation managers undertaken by the mayor of Tel-Aviv failed to achieve its goals. At the appointment stage, both Anatol Shpiegel and Avi Steinmitch had agreed to take the steps needed to revise services.<sup>31</sup> This policy agreement and past acquaintance with both agents led Milo to trust his appointees to comply with his requests. As a result, Milo did not specify methods of reform, such as privatization, but relied on his political agents to choose efficient mechanisms.<sup>32</sup>

It took a while before city management detected the lack of responsiveness by its political agents. Relaxed monitoring conditions over appointees' activities, especially those of Steinmitch, limited the mayor's ability to spot uncooperative behaviour. Interaction with Steinmitch consisted mainly of a few monthly informal meetings, in which the mayor expressed his hopes of achieving sanitation improvements, but did not request any detailed plans from Steinmitch. Eventually, Milo and the city management realized that Steinmitch had not invested even a minimum effort in transforming the sanitation services.

On the other hand, Shpiegel who replaced Steinmitch in 1996, seemed motivated to improve the performance of the agency. While city management was monitoring the sanitation agency more closely than in the past, it still did not insist that the agency come up with a constructive plan to privatize services. City management allowed Shpiegel to find ways to improve the performance of workers, based on his military experience. However, shortly after his appointment,

management realized that Shpiegel did not have the managerial skills needed to reform services and that his attempts to discipline sanitation workers were a failure.

In 1996, after realizing that sanitation workers and their appointed managers were either unwilling or incapable of managing the agency, city management began to pressure it to contract-out services. However, for deputy city manager Stienmitch, and sanitation manager Shpiegel, the contracting-out process seemed to be too difficult to implement, and they rejected the process.<sup>33</sup>

In 1997, mayor Milo made some major personnel changes. He appointed Amit Yefet and Samuel Shachar to reform the sanitation services. Yefet was appointed to the executive role of the agency, not only due to his agreement to contract-out services, but also because he had the knowledge and experience necessary to successfully implement the reform. His qualifications differed dramatically then those of the previous political appointees. Amit Yefet seemed to skilfully solve the principal-agent problem that the previous sanitation managers had difficulty overcoming. Yefet had the inside knowledge, as a past union leader, a better understanding of the agency activities as an experienced worker in the agency and, most important, the trust of the agency's workers. Yefet can be considered a "climber", highly motivated to reform services and advance his career on the basis of his success in the sanitation agency. In addition, Yefet was able to receive full cooperation from workers to improve service provision, when he introduced the term: "gradual privatization". Samuel Shachar recalls:

I think he (Yefet) considered the sanitation agency a stepping stone for his career, even though he had been the head of the union, he thought that with the managerial role in the sanitation agency, he could advance his career.<sup>34</sup>

An additional change that Mayor Milo made was to monitor closely the activities of the sanitation agency. Monitoring was achieved by a number of methods: (1) Milo offered Yefet an “open door” to his office with any requests or assistance;<sup>35</sup> (2) Milo appointed a deputy city manager, Samuel Shachar, to assist Yefet with the privatization plan and closely monitor Yefet’s performance. With Shachar’s appointment, management sought to ensure that Yefet did not shift policies or shirk from his responsibilities; (3) Together with Yefet and Shachar, city management formed a structured, detailed contracting-out program for sanitation services.<sup>36</sup> Shachar notes:

Milo was hoping that I would be the one to privatize the agency. He knew that I am stubborn and not afraid of the workers... I worked alone for a month, without involving Shpiegel, then Yefet replaced him as head of agency and we worked together... Yefet and I got along very well - together we hoped to privatize at least 30% of the agency as a starting point.<sup>37</sup>

## **Summary**

The case of Tel-Aviv demonstrates the theoretical arguments presented in chapter 2. Policy agreement at the appointment stage, to reform services, between the mayor and his political appointees is not a sufficient mechanism for creating responsive agencies. In the case of Tel-Aviv it is clear that for the political appointees the contracting-out process was more difficult to implement than for the career agent who followed them. The appointees lacked the skills and experience required to carry out such a reform or were otherwise engaged in political activities. Overall, the shirking behaviour demonstrated in this case is consistent with the argument that political appointees are likely to shirk, when they lack the expertise needed to manage such complicated reorganization procedures for public services.

Another variable that hinders the implementation of reforms by political agents is the interaction with management. In this instance, city management relied on its political appointees to fulfil its wishes and relaxed the monitoring of the agency in the process- an approach that was not applied by management towards its career agents, due to lack of trust. As a result, not only were the political appointees reluctant to revise services, they were able to work under conditions in which they freely pursued alternative political goals, while still serving as heads of the agency. This behaviour continued undetected for a while, during which the appointees were not required to answer for their actions.

## Appendix

**Table 4.1: Timetable of events and outcomes in the sanitation agency in Tel-Aviv (1993-1998)**

Appointments	Events and Outcomes
1993 Roni Milo is elected as mayor of Tel-Aviv Mayor Milo appoints: Meir Doron as City Manager and Avi Steinmitch as Deputy City Manager.	Milo declares a reform for the sanitation agency. Moses Paz: the head of the sanitation agency refuses to adopt the reform.
End of 1994 Moses Paz is fired, Steinmitch (Deputy City Manager) is appointed as the temporary head of the sanitation agency.	Status quo remains: Steinmitch does not contract out services.
1996 Anatol Shpiegel is appointed as head of agency.  After 9 months in office, Shpiegel is fired.  Milo appoints Samuel Shachar as a Deputy City Manager in charge of sanitation services (Steinmitch remains Deputy City Manager, but he is no longer in charge of sanitation services)	Shpiegel tries to make changes in the agency but cannot deal with the protests of workers. Shachar bypass Shpiegel and makes the first steps of contracting-out- signs contracts with sanitation companies.  Workers protest against the attempts made by Shachar to contract-out services, by starting a strike. Shachar and Milo negotiate with Amit Yefet, the head of the union, to stop the strikes.
1997 Amit Yefet is appointed as head of the sanitation agency	End of the workers' strike. Yefet continues Shachar's program and contracts-out services.

**Table 4.2: Profiles of sanitation managers in Tel-Aviv (1993-1998)**

City	Agents	Type of appoint. <sup>i</sup>	Skills and experience <sup>i</sup>	Policy agreement reached at the appointment stage	Level of monitoring <sup>iii</sup>	Outcomes
Tel-Aviv	M. Paz	C.E.	high	no	medium	shifting
	A. Steinmitch	P.A.	low	yes	low	shirking
	A. Shpiegel	P.A.	medium	yes	medium	0 shifting <sup>iv</sup>
	A. Yefet	C.E.	high	yes	high	cooperate

- i. C.E - Career Executive, P.A- Political Appointee.
- ii. Levels of skills and experience were mainly determined on the basis of interviews with key players, who provided information regarding the players' professional and managerial skills, and their experience in the municipality or in the public, and private sectors.
- iii. Level of monitoring is determined as follow:
- High level: frequent meetings with management and council members - at least twice a week and often even daily. Frequent review of reports and plans of the agency.
- Medium level: meetings are less frequent - once or twice a week, a few requests for reports (annual report, quarterly report). Reports and plans are usually presented to management when/if the head of the agency initiates their presentation.
- Low level: rare meetings, no demands of reports, management does not include the head of the agency in meetings. A few unofficial, general talks, instead of formal operational planning. For example: a verbal request from the mayor to "do something to clean the city".
- iv. "0" (zero) shifting means that the policy remains at the status quo, because the agent is unsuccessful in forwarding his plans for the agency. It does not mean that he is shirking.

**Lists of interviews conducted in the city of Tel-Aviv:**

- Mr. Meir Doron, City Manager, (09/07/01)
- Mr. Avi Steinmitch, Deputy city manager in charge of Infrastructure (and Sanitation),
- Head of Sanitation (1995-1996), (15/05/01)
- Mr. Samuel Shachar, Deputy City Manager, Operational Executive in charge of Sanitation, (14/05/01)

- Mr. Moshe Paz, Head of Sanitation, (1987-1995), (08/05/01)
- Mr. Amit Yefet, Head of Sanitation, (1997-2002), (17/05/01)
- Mr. Arnon Bar David- Chairman of the municipal union (17/03/98)
- Mr. Gershon Gelman– Chairman, Tel-Aviv branch of the "Histadrut" (17/03/98).

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## Notes

- <sup>1</sup>. Central Bureau of Statistics, 1999.
- <sup>2</sup>. Barzilai, 1997:157.
- <sup>3</sup>. Barzilai, 1997:157-159.
- <sup>4</sup>. In interviews with local newspapers at the time, workers in the sanitation agency claimed that Milo's insistence on privatizing services demonstrated his attempts to increase electoral support in the coming election, by showing that, as promised, he was making strong attempts to clean up the city, despite the resistance of municipal workers to his efforts. The workers claimed, "If Milo would invest in sanitation services half the time he spent on running for government, Tel-Aviv would be sparkling clean" (5.12.97 Hadashot Newspaper).
- <sup>5</sup>. Council meeting no.70 26.01.97 pg.36-37.
- <sup>6</sup>. The union of the sanitation agency is the strongest union in the municipality. "The workers refused changes and in order to deal with their protest, they were 'bought off' by signing new agreements with the workers" (Moshe Paz interview).
- <sup>7</sup>. Council meeting no.68/ 29.12.96 pg.136-138.
- <sup>8</sup>. According to the workers involved in the negotiation process, the union offered Milo 17 bargaining terms, in which they were willing to accept some organizational changes, including: more control by city management over the activities of the agency, stronger monitoring procedures, e.g., introducing time clocks to monitor the hours that each worker spent in the work place. Section 18 in the negotiation terms proposed a partial contracting-out of sanitation services. Milo and the CEO (Doron) insisted that at least partial privatization had to be accepted by the workers. The workers however, were determined not to accept any deal that included privatization of services.
- <sup>9</sup>. 5.12.97 Hadashot Newspaper.
- <sup>10</sup>. Paz worked in the municipality from 1964 until 1995. In 1969, he entered the sanitation agency as a maintenance (technical) manager. Later on, he was promoted to deputy chief executive of the sanitation agency and in 1987, to the head of the agency, until his retirement in 1995.  
"Paz was a technician, a technocrat, he climbed from the bottom and knew the job" (Meir Doron).
- <sup>11</sup>. "Paz had a very bad relationship with the agency's workers, he was patronizing...when I arrived to the municipality the first thing that I tried to do was to replace Paz ... I had a few meetings with him in order to guide him how to function in the agency, but he

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would not listen - he said, "that's the way I am, take it or leave it." (Interview with Avi Steinmitch).

"His level of professionalism was very high. Before he became the head of the sanitation agency, there was no discipline, managers did not manage, drivers did what ever they wished to do... Paz concentrated on increasing discipline in the agency ...The attempts to discipline the agency caused much friction between Paz and the workers. Another problem was that Paz concentrated only on discipline and not on outputs (Amit Yefet).

"... Management supported Paz... when Paz was the head of the agency the management of the agency was able to do its job, but after the elections of 1993 things started to change - field workers regained their power. This was possible because it was clear to all that it is just a matter of time before Paz would be replaced by city management." (Interview with Amit Yefet).

<sup>12</sup>. Interview with Samuel Shachar.

<sup>13</sup>. Main role: Operational Deputy CEO in charge of city inspection, sanitation, immigration, and business licenses. In addition, Steinmitch replaced the head of the sanitation agency, Moses Paz, from 1995 until 1996.

<sup>14</sup>. Interview with Amit Yefet.

"Steinmitch was not professional, a political figure, a Likud member...in my opinion he was incompetent, unreliable, he was a friend of the drivers of the agency, did not show up at the municipality in order to work, but rather to have fun..." (Interview with Meir Doron).

<sup>15</sup>. "Some of the municipal workers refer to Steinmitch as the "town sheriff", sitting in coffee houses with influential businessmen and politicians. "He (Steinmitch) wanted to be respected in the eyes of the mayor, he wanted to clean up the city, but had absolutely no plan, nothing"... "he only used his role to be the 'town sheriff'" (Interview with Samuel Shachar).

<sup>16</sup>. Interview with Samuel Shachar.

<sup>17</sup>. "Shpiegel was an army man, external to the system, his connections were helpful to gain him entry to the municipality." (Interview with Moses Paz).

"He (Shpiegel) was a professional man from the army." (Interview with Samuel Shachar).

"I accepted Shpiegel, I knew him from the army". (Interview with Meir Doron).

"Shpiegel was my army officer, I interviewed him, I was a bit concerned about his social skills, but in the end, we decided to accept him for the agency." (Interview with Avi Steinmitch).

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<sup>18</sup>. Interview with Meir Doron

<sup>19</sup>. Interview with Amit Yefet.

“His bad human relations did not allow him to succeed, to be part of the agency like the rest. ...He continued with the same concepts as Paz and therefore did not receive professional and financial support from management. Eventually, Milo was disappointed.” (Interview with Samuel Shachar).

<sup>20</sup>. Shpiegel’s preferences on contracting out:

Q: Did Shpiegel support privatization?

A: “No, he was not supportive of privatization, because he was from the army and wished to conduct an army system in the municipality.” (Interview with Samuel Shachar)

<sup>21</sup>. Interview with Avi Steinmitch.

“Shpiegel had no clue what went on in the agency. Uncooperative personnel came to the agency with a concept of “justice from home” of right and wrong. The discussions in his office were not conducted as “brain storming”, because we were not allowed to say anything, even though most of us knew that his ideas made no sense. Most of his decisions had no connection to reality, they were not operational, he set unrealistic targets...” (Interview with Amit Yefet).

<sup>22</sup>. Samuel Shachar's 25 years professional experience in Tel-Aviv municipality: Head of city Appearance agency (1988); Head of construction and infrastructure administration (a role that is equivalent to city engineer) (1994); Deputy city manager in charge of sanitation services (1996).

<sup>23</sup>. “When I started to work as the deputy city manager for sanitation services, Milo said he was unhappy about the fact that the city was not clean and wished to privatize the agency. He said, “I want contractors...” (Samuel Shachar interview).

<sup>24</sup>. “When the big strike started, we brought Shachar in to help, he was not afraid, he was familiar with the city, ready to work day and night, a “Class A” operational man.” (Interview with Meir Doron).

Preferences on contracting-out:

“When I was in charge of the City Appearance agency, you can say that I contracted-out a considerable amount of the services, I reduced the size of the agency by 450 workers.” (Interview with Samuel Shachar).

<sup>25</sup>. Previous work in the municipality: driver in the sanitation agency, head of the union.

“Milo called me and asked if I could take the role of head of the agency... he knew me from a year earlier, at the time of the strike, when we had round-the-clock discussions, as I was the head of the union.” (Interview with Amit Yefet)

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“...Yefet was a driver, a simple worker with lots of experience and very good relationships with other workers. As head of the agency, he knew how to be responsive to workers.” (Interview with Avi Steinmitch).

<sup>26</sup>. “...Sanitation personnel, who had always been against contractors, finally understood that it is much easier to work with contractors... my workers started to use freely the term that I introduced of “gradual privatization”. (Amit Yefet Interview).

<sup>27</sup>. Interview with Avi Steinmitch.

“Workers trusted Yefet, because he had worked with them in the past, but they also assumed that they could control him. On the other hand, he knew the workers, so he had good ability to control *them*...” (Interview with Samuel Shachar).

<sup>28</sup>. “...Yefet and I worked together... we got along very well...we wanted to make a change even if it was only 30%, the city was in a bad shape, very dirty, we were able to buy new equipment and push privatization further.” (Interview with Samuel Shachar).

<sup>29</sup>. See Figures 3.3 and 3.4 and Tables 3.15 and 3.16 of percentage of contracted services in Tel-Aviv, in chapter 3.

<sup>30</sup>. Tel-Aviv Ordinary Budget Proposal, 1999, 2000, 2001, 2002.

<sup>31</sup>. “It is very difficult to know what his (Steinmitch) preferences were... he gave out all possible messages - support of contracting-out in one place, against contractors in another - it always dependent on who participated in the meeting. Avi (Steinmitch) used the tactic of “everybody is right”. He would agree with who ever he spoke to last.” (Interview with Amit Yefet).

<sup>32</sup>. Q: “Before you took on the role of the head of the sanitation agency, did Milo try to convince you to contract out services?”

A: “No, he just said that he wanted me to prove my claims that I could clean the city with the same workers...” (Avi Steinmitch interview).

Q: “Did Milo try to convince you to contract-out services?”

A: “Milo did not try to convince me to contract-out services... I made it clear to management that when I’d be alone (as the head of the agency) there would be no discussions about contractors, I had to learn the subject (sanitation agency) and I would make sure that the agency did a good job. (Avi Steinmitch interview).

<sup>33</sup>. “I was against hiring contractors, because I assumed that the existing personnel of the agency needed to prove that they were capable of cleaning the city and there was no need for contractors.”(Avi Steinmitch interview).

“... Later on, Milo insisted on implementing the contracting-out reform and I resisted, so I asked Milo to replace me.”

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“Milo thought that he could convince me to contract-out services, Milo and I have been friends for more than 30 years and he thought that the friendship, dinners,...that he would be able to make me surrender to the demands of contracting-out, but I was very stubborn.” (Avi Steinmitch interview).

<sup>34</sup>. Interview with Samuel Shachar

“...Politicians think of the city for as long as their political term, whereas, I visualize 10 years ahead-I always plan as far as I can.” (Amit Yefet interview)

<sup>35</sup>. Interaction with management and agency workers:

Interview with Amit Yefet:

“I asked for one thing before taking the role of head of agency, I wanted an open door to the mayor’s office, because I thought that high ranked executives in the municipality might try to stop my projects. Milo agreed and he allowed me free access to his office until the end of his term...”

“I had problems with the perception of management (city manager and his deputies). I knew that if I wanted to work in a professional way, I’d have to bypass the professional ranks above me. For example: the sanitation agency is very involved politically in the municipality and city. I knew that if I demanded that managers in the agency take responsibility for their actions, they would turn to their political connections; council members, executives, and try to stop me. Milo said “no politics in the agency, what ever Yefet decides to do, I’ll support him. And he kept his promise throughout the year until he left...” (Amit Yefet interview).

“There was a stage when management noticed that I was receiving support from the mayor and started to support me as well. I reached a stage that any decision I made was accepted. I made it clear that any decision regarding the sanitation agency must involve me, nobody in the municipality could make a decision without consulting me, so in away, I made life easier for management. Whenever they were politically pressured on issues of the agency, they said “Sorry, talk to Yefet, he makes the decisions now” (Amit Yefet interview).

<sup>36</sup>. In a council meeting on 12.01.97, council members were discussing the need to re-organize the sanitation services and increase monitoring procedures of the work of the agency. The discussion of the city council led to the decision that the management of the city (mayor, deputies, city manager) had to come up with a re-organizational plan for the sanitation agency and bring the program to the council for approval. (Council meeting no.69 12.01.97 pg.23-25).

In the council meeting that was held on 26.01.97, the council asked Admon (council member in charge of sanitation) why the agency had not improved its performance since

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the beginning of Milo's political term in 1993. Admon explained that city management had not come up with a clear, well-organized plan for the sanitation agency. However, after 4 years in office, Milo was finally taking charge and trying to solve the problem, by taking more vigorous steps to contract-out sanitation services (Council meeting no.81 23.11.97 pg.35).

<sup>37</sup>. Samuel Shachar interview.

## Chapter 5

### The Case of Holon

#### Introduction

Holon is a city located in central Israel, close to Tel-Aviv. It is one of the 10 largest cities in Israel, with 185,000 residents.<sup>1</sup> Between 1993 and 1998, the city management of Holon tried to direct the administration towards privatizing local services. In this process, the mayor of Holon replaced the non-compliant head of the sanitation agency with a political appointee. However, in his first three years in office, the new politically appointed agent did not respond to the demands of management to advance the reform. He chose to shirk and avoid confrontations with the municipal union. In 1994, Holon instituted an organisational reform that *hindered* the cooperation of agencies over the policy of contracting-out services. Under the new structure, the appointee's shirking behaviour continued, undetected. In 1996, both institutional modifications by management and adjustments to key players' interests, motivated the sanitation manager to reform the services.

The discussion on the city of Holon, presented in this chapter, is based on interviews with key officials and municipal data. The chapter examines the city management's attempts to create responsive administration in contracting-out services. These include: (1) careerist and political appointments that were made during the reform years of 1993-1998 in the sanitation agency; (2) the privatization outcomes that were achieved in the sanitation services; (3) the organizational reform of 1994; and, (4) the institutional modifications made by the city management in 1996.

### **Sequence of events** (See Table 5.1 and Table 5.2 in Appendix)

In 1994, Holon underwent organizational reforms aimed at redistributing power between administrative executives and political officials, to improve service provision in the city. The first reform initiated by elected representatives aimed at decreasing the control of bureaucratic agencies over service provision, by moving services from in-house to contract-based mechanisms. The second organizational reform initiated by administrative executives, with the support of the mayor, was designed to decrease the ongoing involvement of council members in the work of bureaucratic agencies. As the next sections reveal, understanding the stages of contracting-out implementation and the change in organizational structure, and assessing the achievements of the reform, enable us to explore the reasons for the failure of management to motivate its agents to reform services.

#### The contracting-out reform

In 1994, city management decided to contract-out most of its services, including sanitation. Management set two objectives for the reform: (1) reducing the cost of service provision; and, (2) improving the quality of service. In order to cut down expenses, management planned to reduce the municipal work force, stop the purchase of new machinery, and move the responsibility for updating of machinery to the contractors. To improve the quality of services, monitoring was increased, to closely supervise the performance of contractors.

A number of key players were involved with the attempts to privatize sanitation services between 1993-1998: (1) **Mayor Moti Sasson**, the incumbent Mayor of Holon, elected in 1993; (2) **Mrs. Hanna Hertzman**, the incumbent city manager, serving as the head of administration, who was appointed in 1993; (3) **Mr.**

**Meir Lavi**, the deputy city manager, in charge of infrastructure (including the sanitation agency), appointed in 1994; (4) **Mr. Arnon Shaul**, the incumbent head of the sanitation agency, who was appointed in 1994.

In 1993, the new mayor of Holon, Moti Sasson, expressed his intention to contract-out municipal services.<sup>2</sup> In the process of monitoring the sanitation agency, Mayor Sasson had detected shifts of policy by the incumbent manager of sanitation, who was not complying with the requests of management to privatize services. After a year of failing to secure cooperation with the incumbent manager, Mayor Sasson decided that personnel changes had to be made in the agency.

Attempting to proceed with his privatization plans, Sasson replaced the manager in 1994, with a new political appointee, Mr. Arnon **Shaul**. At the time of the appointment, Shaul was still serving as a leader of the municipal union. However, interviews conducted with officials in the city suggest that, despite Shaul's involvement in the union, the Mayor considered him a trusted political ally and friend. Prior to the election of 1993, as a mayoral candidate, Sasson had received assistance from Shaul, who was able to convince municipal workers to support him for mayor. Arnon Shaul recalls:

He (the mayor) ran for office and I supported him. We have an informal relationship based on our acquaintance...when he was still deputy mayor, there was chemistry and we became friends, I was his protégé... As the head of the union, I politically supported Sasson (the mayor)... I was in the city for many years, a close friend of the mayor, until his election... I followed him for many years, even when he was still a deputy mayor.<sup>3</sup>

In the same year, city management appointed a construction engineer, Mr. Meir Lavi, as Deputy City Manager in charge of infrastructure. Mr. Lavi's

responsibilities included monitoring the performance of the sanitation agency. The appointment of Lavi was based on merit, as he was considered a qualified candidate for the job, in terms of skill and experience, with no political connections to the appointment committee.<sup>4</sup>

From 1995 to 1996, the sanitation agency policy remained at the status quo, because Shaul was shirking and did not undertake the necessary steps to contract-out services. He continued to work on the basis of existing programs and with existing personnel. However, in 1996, management decided to form its own contracting-out plan for the sanitation agency. A joint team of city management and sanitation executives met to construct a detailed step-by-step program for privatization. The team put Shaul and deputy city manager, Lavi, in charge of implementing the program.<sup>5</sup>

The detailed program for the sanitation agency was designed to move services over to a contract-based mechanism. Private contractors were to deliver services to the public, under the inspection of the municipality. Overall, it was hoped that the city would work with external contractors and with fewer municipal personnel. In order to achieve this goal, city management began negotiating the terms of privatization with the union. Management realized the importance of reaching an agreement regarding the plans with the union, in order to avoid potential protest of workers to the implementation steps. Negotiations opened with a set of meetings, with Shaul acting as an informal arbitrator. Management promised to make all possible efforts to allocate sanitation personnel to alternative jobs, once the privatization reform had been carried out.<sup>6</sup>

### **Contracting-out achievements**

As a result of the program that was set up in 1996, city management succeeded in motivating its agents to make efforts to reform services. The city achieved partial contracting-out results by 1997, continuing in 1998, including the “Gardening” and “City Appearance” agencies and nearly 45% of the sanitation services.<sup>7</sup> Overall, Holon cut the number of permanent municipal workers by two-thirds, from 1800 to 600. At the same time, the city hired 1,000 temporary staff, employed by external human resource companies and by the contractors themselves.<sup>8</sup>

### **Organizational reform**

To go back to 1994, in that year, the Mayor and city manager of Holon decided to restructure the roles and responsibilities of chief executives in the municipality. The reform aimed at returning to the formal decision-making process of the 1950s and focused on three main bodies: (1) **City Management**: consisting of the mayor, three deputy-mayors and the city manager; (2) **The Council**: with twenty-seven members, working in committees advising the city management; and: (3) an **Administrative Unit**, including the city manager with 7 deputy managers.

Contrary to most local governments in Israel (including those of Tel-Aviv and Beer-Sheva), Holon has thus formalized an organizational structure, restricting the involvement of council members in the operational stage of service provision. In most cities, council members are not only in charge of forming policy, but also take an active part in implementation stages. Some of the members are assigned to a service portfolio, making them responsible for monitoring the performance of agencies and ensuring efficient implementation.

As elaborated in Chapter 3, both administrators and council members often complain of too much interference in each other's work. Administrators claim that council members tend to deviate from their formal monitoring responsibility and pressure agencies to implement policies that serve the interests of specific groups represented by council members. These new demands do not allow agencies to carry out former long-term plans, as set by city management. On the other hand, council members complain that administrative units fail to implement the policies decided upon and, therefore, closer inspection of their work is required. The on-going involvement of council members in the work of bureaucratic agencies creates tension between council members and the mayor. While the mayor instructs the administration to implement certain programs, council members might push for different programs. In Holon, this frequent interference eventually led the mayor and administrators to join hands in 1994, and form a structure to block the access of council members to agencies. Council members were no longer assigned to service portfolios and their involvement was restricted to participation in the advisory policy committees. Participation in committees allowed the politicians to advise and even influence city management on matters regarding services, but not to formally demand changes.

**Diagram 5.1: Old organizational structure of Holon**

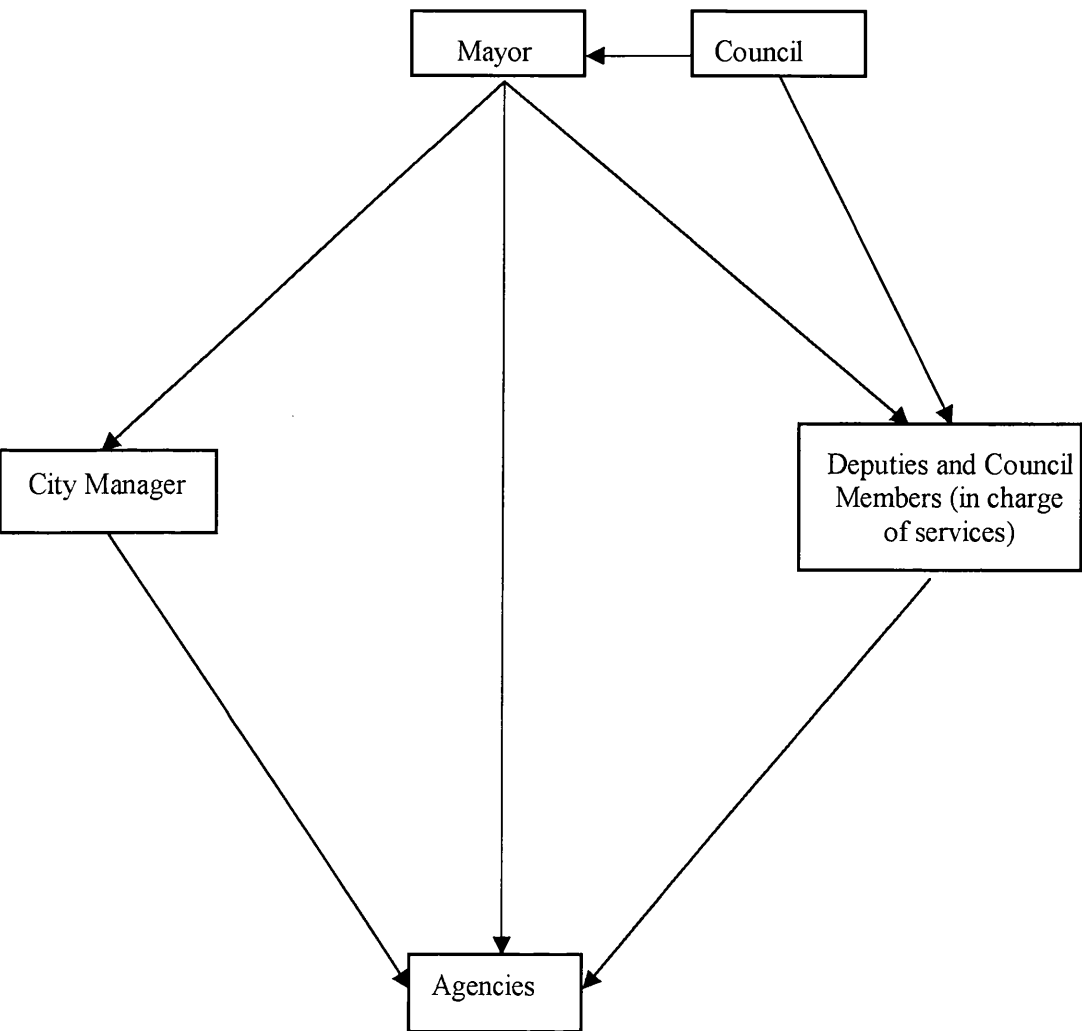


Diagram 5.1 illustrates the old form of interaction between key players in the city of Holon, prior to the organizational reform of 1994. The diagram shows how the mayor, city manager and council members in charge of a “portfolio” of services, were all able to approach agencies directly with requests and criticism.

**Diagram 5.2: New organizational structure of Holon**

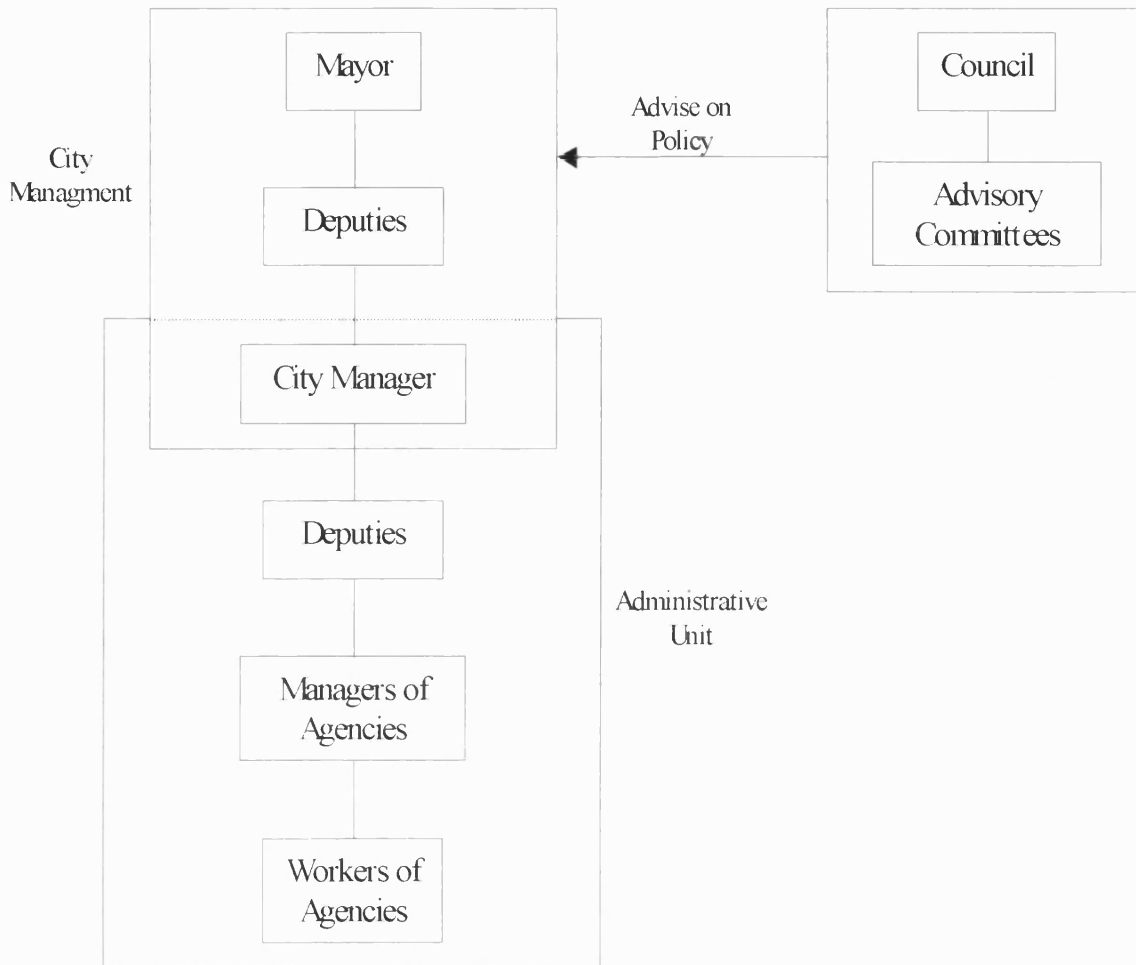


Diagram 5.2 Illustrates the interaction between the council, city management and agencies, following the organizational reform conducted in 1994 by the mayor and city manager. Under this process, constituents address their requests to their elected representatives, i.e., mayor and council members, who discuss the requests in their monthly assembly and/or later in advisory committees. Requests are then channelled to city management for setting priorities of action. City management then turns to the administrative units and together they form implementation plans. Administration is then expected to implement the programs. Under this new formal structure, council members no longer have a “portfolio” and can only approach agencies with their

requests via city management. The incumbent city manager of Holon, at time of writing, claims that the mayor instructs elected officials to consider the city manager as the link to administrative agencies and to address any requests or complaints to the city manager and not directly to the agencies. An alternative communication channel is to discuss matters with the mayor, who passes requests to the city manager.<sup>9</sup> The following sections in this chapter address the changes instituted in the organizational structure of Holon and how they affected the actions of players.

## **Discussion**

The discussion below analyses why, in the years 1994-1996, the sanitation manager, Arnon Shaul, shirked from contracting-out services and the conditions that allowed shirking to occur. These include monitoring levels, Shaul's managerial skills, and his interaction with key players, such as the mayor and sanitation workers. The second part examines the changes that were instituted in the sanitation agency in 1996, when the sanitation manager developed new career interests and the structural conditions set by management then motivated him to take action to contract-out services.

### The appointment stage

Political appointment studies claim that an efficient appointment mechanism is dependent on the ability of politicians and their appointees to reach policy agreement at the appointment stage.<sup>10</sup> By so doing, politicians seek to ensure responsiveness of bureaucratic agencies, when their appointed allies assume office as heads of agencies and carry out their requests. In the case of Holon, Mayor Sasson and Mr. Shaul reached an agreement at the appointment stage to contract-out services. Prior to his

appointment, Shaul had recognized that the mayor preferred to privatize sanitation services. Shaul claims:

Overall, the idea of the mayor, when he entered office, was to privatize municipal services; he understood that privatization should be first and foremost in the sanitation agency, because here there were severe problems with wages and work norms.... these were the first issues that he detected when he came in, and he was searching for a person capable of leading (the privatization reform).<sup>11</sup>

At the appointment stage, Mayor Sasson believed that Shaul would cooperate in revising the sanitation services, despite Shaul's hesitancy to openly declare his support for privatization. Still serving as union leader, Shaul was unwilling to weaken his political power by adopting procedures involving job cuts. However, when asked about privatization in his interview, Arnon Shaul expressed his support by saying that:

It is clear as black and white-privatization is efficient, better, cheaper. Residents receive better value for their taxes in terms of public services.<sup>12</sup>

Deputy city manager, Meir Lavi, explained that not only did Shaul acknowledge the fact that the sanitation agency was not performing efficiently and changes had to be made, but that Shaul had also claimed that any reform, other than privatization, intended to improve the performance of unionized workers, would be inefficient.<sup>13</sup>

Overall, it seems that, at the appointment stage, Mayor Sasson and Shaul were able to agree on the reform of sanitation services. Shaul recognized how important such a reform was to the mayor and the latter trusted Shaul to carry out his

requests. However, agreement on policy alone did not provide sufficient conditions for practical cooperation. As discussed below, while management was not monitoring his activities, in order to ensure implementation, Shaul was shirking, due to his political obligations and pressure from interest groups.

### Monitoring

As discussed earlier, politicians tend to relax monitoring procedures, when an agency is being run by a political appointee. Politicians assume that their appointees act as their allies and therefore comply with their requests. Assuming cooperation by appointees, they focus their attention on the performance of careerist executives, while giving their appointed agents the discretion to manage their administrative unit. By this means, politicians seek to reduce the overall costs of monitoring bureaucratic agencies.

In the case of Holon, Shaul, as a political appointee of the mayor, was granted discretion to manage the agency. Not only did Shaul receive full support and enjoy a lack of monitoring by the mayor; the latter also informed management, council members and executives, that they must cooperate with the head of the sanitation agency. Furthermore, the mayor chose to support Shaul, when he was in conflict with council members overseeing sanitation, prior to the organizational reform. Arnon Shaul refers to his interaction with city management:

They let me understand that I would get a plenty of room to maneuver and when I arrived (1994), there was a council member monitoring this agency and we did not get along, so I made it clear that we could not work together - there would be problems. Nevertheless, I started work as the head of the agency and about a month later, he (council member) stopped working there... Management did not tell him, as deputy mayor, that he was no

longer responsible for monitoring the performance of the sanitation agency; they let him understand that everything was as usual (following my appointment), but I gathered all the workers of the agency and told them that, from that day onward, they only answer to me.<sup>14</sup>

In 1994, once the organizational changes were instituted, it became even easier to grant Shaul discretion. Under the new structure, oversight of service implementation moved to city management. The organizational reform separated elected officials from the administrative executives and created conditions under which, less political officials were monitoring administrative units.<sup>15</sup> Under these conditions, if the mayor decided to allow the head of the sanitation agency more discretion, the new organizational structure provided an efficient way for the mayor to also block the interference of elected representatives in the work of the sanitation agency. Since these council members were not able to monitor agencies, it became more difficult to detect shirking or shifting of policies by agencies. Under these reduced monitoring conditions, Shaul was able to avoid implementing the reform without detection.

### Political activities

Chapter 2 discusses how appointees, as political figures, tend to divide their attention between administrative duties and activities that promote their political career. Public appearances and interaction with interest groups are among the various activities that appointees will conduct, to strengthen their status within their political parties.<sup>16</sup> Given the effort that needs to be invested in political activities, appointees may shirk their administrative responsibilities, especially if they are too complex for them to carry out. In the case of Arnon Shaul, as a union leader, he was required to devote his

time to representing municipal workers. This, in turn, reduced the time available to him, time needed to implement a complicated, long-term reform such as contracting-out of services.

### Strong interests groups

Strong internal interests groups, such as unions, can also provide agents with an incentive to shirk. In local government, sanitation agencies are known to have strong influential unions. In these cases, executive agents, trying to avoid conflict with workers, may shirk from implementing structural reforms that their unionized workers reject. Furthermore, political appointees who manage bureaucratic agencies are more likely to be influenced by interests groups than are career civil servants. As political figures, trying to increase their power, they are dependent on the support of these groups. This dependency subjects them to more pressure to avoid implementation of any program that the interest group rejects, than careerists. In the case of Arnon Shaul, it seems that the fact that a considerable number of union members were working in his agency prevented him from contracting-out sanitation services. Shaul was concerned not to advance any program that would lead to conflict with his union supporters and weaken his overall political power as head of the union.

### Skills

Another variable that facilitates shirking is lack of the skills needed to carry out complicated changes.<sup>17</sup> In the case of Holon, Shaul lacked the experience needed in sanitation, but in his previous roles, he had acquired managerial skills and, as head of the union, had learned to lead a large organization of workers.<sup>18</sup> In 1996, when Shaul

began to cooperate with management, he was able to skilfully negotiate the terms of the contracting-out reform between the city management and the sanitation workers, reaching an agreement that both sides accepted as reasonable. Arnon managed to find solutions for both sides that, in the end, made the contracting-out reform possible. By this means, he was able to resolve the most difficult constraints that management faces when contracting-out services: the protest of chief bureaucratic executives in charge of services and the protest of workers against job loss.

Shaul was able to reduce the principal-agent problem that most executives face when managing agencies. His many years of interaction with workers allowed him to better understand the terms and conditions required in order for them to cooperate with structural reforms that threatened to weaken their power within the city. In addition, in their negotiations with management, the workers found Shaul an acceptable representative, as he had been their ally in the past. It was perceived by the workers that any agreement reached with management was most likely to be the outcome of fair negotiation, if conducted by Arnon, safeguarding their interests.<sup>19</sup>

Shaul did have the managerial skills needed to privatize services. Therefore, his political activities and pressure from interests groups provide the main explanation for his uncooperative behaviour in the first couple of years. In addition, as noted, his interaction with the mayor allowed him discretion during that period and blocked any involvement of council members in the work of the agency. Overall, Shaul was capable of carrying-out the reform, but worked under conditions that allowed him to continue, both as union leader and as head of agency, shirking his bureaucratic responsibilities.

### Years 1996-1998

Mayor Sasson made changes in the second half of his term. After three years in office, city management realized that the sanitation agency had not made any satisfying progress in reforming its services. This led to a decision to form a structured contracting-out plan for sanitation and to closely monitor the activities of the agency. In addition, Shaul began to view his role as head of agency differently and resigned from the union management.

### Monitoring levels

In 1996, monitoring procedures changed, when city management, together with the head of the agency, formed a structured plan for sanitation and decided to increase monitoring.<sup>20</sup> In addition, the mayor decided to adopt a more formal approach towards Shaul, despite their friendship.<sup>21</sup> Arnon Shaul reports:

Following an examination of the management reform plan for the sanitation agency, by the head of the sanitation agency, it was claimed that implementation of the reform would be met with rejection by the workers and in order to direct a successful program, the head of the agency would need much more financial support. The head of the agency made an operational plan for the agency. The plan was presented to a forum of the mayor and management and, following discussions and endless debates, management gave its blessing to continue with the implementation. In addition, management notified all executives about the changes that were about to take place in the sanitation agency. The administrative executives were given a direct and strict order from the mayor to cooperate.<sup>22</sup>

### Career preferences changes

In 1996, Shaul started to invest more time and effort in his managerial post and made some headway with the contracting-out reform. As a former head of the union, Shaul was able to minimize principal-agent problems within his agency. In the previous year, Shaul had resigned from his union role, when he realized that he could not fulfil both obligations. Shaul claims:

Look, at the time, in the beginning of my work here, I had to wear two hats- head of agency and union leader... I understood very fast that I would need to give up one of the hats, because it creates a conflict of interests. There is no middle ground, one role or the other. I woke up one morning, phoned my deputy in the union and said, “you are in charge now”. I was no longer able to be the “defendant” and “executioner” at the same time.<sup>23</sup>

In order to reduce conflict with the workers, Shaul convinced them that privatization was inevitable, since management was determined to push forward the reform. Second, he let sanitation workers understand that he still planned to represent their interests, by negotiating with management the terms and conditions of the privatization in a way that would minimize the damage to their status.<sup>24</sup> Meir Lavi compliments Shaul on his achievements:

In terms of the contracting-out reform, he was probably the most influential person when it came to implementing the reform successfully.<sup>25</sup>

In terms of Anthony Downs “Types of Bureaucrats”, it is assumed that Shaul adopted the character of a “Climber” or “Zealot” over the years.<sup>26</sup> Climbers will embrace any program that maximizes their power, income and prestige, within their organization. Shaul, as a climber, first attempted to increase his power as a union

leader, but later moved on, to earn prestige as head of the agency. In order to do so, he chose to adopt the contracting-out reform, assuming that it would improve his reputation as a manager and he would also gain the plaudits of the city management. Zealots, according to Downs, are strongly committed to projects in which they are involved. Like climbers, they will adopt any program that increases their responsibility or resources. However, contrary to climbers, zealots actively identify with the projects they are pursuing. As a zealot, once Shaul embraced privatization as an efficient mechanism to improve the performance of his agency, he began to contract-out services more vigorously than any other agent.

### **Summary**

The examination of the sanitation agency in Holon, between 1993 and 1998, demonstrates why political appointments frequently cannot serve as an efficient mechanism to control agencies. Privatization data and interviews, conducted with key players, show that the sanitation agency did not reform its services in the first years when the appointee was in office, despite the wishes of city management. The expectations of newly elected mayor of Holon, in 1993, that he had found a political appointee who would comply with the need to contract-out sanitation services, independently, with relaxed monitoring procedures, were not met. Even though the mayor's political appointee did not shift policy, as often occurs with career agents, neither did he implement the expected policy. Only under new structural conditions, and the newly recognized interests of the agent, did the city advance its plans. Management began to monitor the performance of the sanitation agency closely and the politically appointed head of agency decided to pursue a bureaucratic career. Under these conditions, the contracting-out reform progressed.

## Appendix

Table 5.1 presents the sequence of events that occurred in the sanitation agency of Holon, between 1993-1997. The left column lists the events that took place in the municipality, including the appointments that were made. The right column lists the policy that was implemented during those years.

**Table 5.1: Timetable of events and outcomes in the sanitation agency of Holon (1993-1997)**

Year	Events	Outcomes
1993	<i>Moti Sasson</i> is elected mayor	Sasson declares intention to contract-out municipal services (including sanitation services)  The incumbent manager of the sanitation agency <u>shifts</u> policy by recruiting more workers and purchasing new equipment.
1994	<i>Appointment of Arnon Shaul:</i> Municipal union leader, Arnon Shaul, is appointed as sanitation head of agency. <i>Appointment of Meir Lavi:</i> Management appoints a Deputy City Manager in charge of infrastructure (including the sanitation agency)	City Manager (with the support of the mayor) conducts an organizational reform in the municipality.  Policy remains at <u>status quo</u> in the sanitation agency.
1995	<i>Arnon Shaul resigns</i> from his job as the head of the municipal union	Policy still remains at <u>status quo</u> (contracting-out reform in not implemented) in the sanitation agency.
1996-1997	<i>Shaul promote workers</i> with in the sanitation agency to managerial roles	<i>City management forms a structured contracting out plan</i> for most municipal services with emphasis on sanitation services.  Arnon Shaul <u>implements</u> the contracting out reform.

**Table 5.2: Profiles of sanitation managers in Holon (1993-1998)**

city	Agents	Type of appoint. <sup>i</sup>	Skills and experience <sup>ii</sup>	Policy agreement reached at the appointment stage	Level of monitoring <sup>iii</sup>	Outcomes
Holon	N.Peled	C.E.	low	no	high	shifting
	A. Shaul	P.A.	medium	yes	low	shirking
	A.Shaul 1996- (incumbent)	C.E. <sup>iv</sup>	high	yes <sup>v</sup>	high	cooperation

i. C.E - Career Executive, P.A- Political Appointee

ii. Levels of skills and experience were mainly determined mainly on the basis of interviews with key players, who provided information regarding players' professional and managerial skills, and experience in the municipality, or in the public, or private sector.

iii. Level of monitoring is determined as follows:

High level: frequent meetings with management and council members - at least twice a week and often even daily. Frequent review of reports and plans of the agency.

Medium level: meetings are less frequent - once or twice a week, a few requests for reports (annual report, quarterly report). Reports and plans are usually presented to management when/if the head of the agency initiates their presentation.

Low level: rare meetings, no demands of reports, management does not include the head of the agency in meetings. A few unofficial, general talks, instead of formal operational planning. For example: a verbal request from the mayor to "Do something to clean the city".

- iv. In the case of Holon, Arnon Shaul can be regarded as a career executive from 1996, onwards, as he decided to resign from the union and develop his bureaucratic career.
- v. In 1996, after the management of Holon detected shirking, it required Shaul again to agree to revise services, as a condition for him remaining as head of the agency. The policy agreement reached with management and Shaul's change of career plans can together be regarded as a new process of appointment.

#### **List of interviews conducted in the city of Holon**

- Mrs. Hanna Herzman, City Manager, (07/03/01)
- Mr. Mordechai Natanzon, Deputy Mayor, (03/06/02)
- Mr. Arnon Shaul, Head of Sanitation, (09/06/02)
- Mr. Meir Lavi, Deputy City Manager, in charge of Infrastructure (and Sanitation), (03/07/02)
- Mrs. Yael Binenstein, Chief Accountant of Sanitation, (03/07/02)

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## Notes

<sup>1</sup>. Central Bureau of Statistics, 1999

<sup>2</sup>. Mordechai (Motke) Natanzon interview, 3/06/02

<sup>3</sup>. Arnon Shaul interview, 9/02/02

In an interview with deputy city manager Meir Lavi, he confirms that Shaul was a friend of the mayor...“Moti (the mayor) and Arnon had a certain friendship before their work relationship...” (Meir Lavi interview, 03/07/02).

<sup>4</sup>. “In mid October, 1994, I was appointed as Deputy City Manager of Infrastructure (includes the sanitation agency). Prior to that, I had worked as a construction engineer in the private sector. I did not serve in any other role in the municipality besides deputy City Manager.” (Meir Lavi interview 03/07/02).

<sup>5</sup>. In an interview with deputy mayor, Mr. Natanzon, on 3/06/02, he claimed that “The policy of city management was definitely to privatize...The implementation was in the hands of the deputy city manager (Meir Lavi) and head of agency (Arnon Shaul)...management wanted to privatize sanitation as a result of the growing needs of the city for sanitation services, otherwise we would have had to increase dramatically the amount of municipal personnel...the process of privatization began in the years 1996-1997” (Deputy Mayor, Mr. Mordechai (Motke) Natanzon interview, 3/06/02).

<sup>6</sup>. In order to prevent job losses, the negotiating team offered various types of solutions for workers:

a) Management would try to allocate sanitation workers to alternative services within the municipality. However, new allocation might mean that workers would need to adjust to new job descriptions, e.g., workers would extend their shift from a 4 to an 8 hours schedule.

b) Recruitment of municipal personnel in contractors' companies: city management offered to try to convince private contractors to recruit municipal workers. In this way, municipal personnel would not lose their jobs, but change their employer, i.e., to the contractors. In addition, city management would give priority to bids by contractors offering to recruit municipal workers. Furthermore, management would try to ensure that contractors provide workers with decent salaries and social benefits.

c) City management would offer compensation fees for early retirement to sanitation workers close to retirement age.

<sup>7</sup>. According to deputy city manager, Meir Lavi: “...Privatization occurred, but not instantly - not in the first year, not in the second, but in the years to follow, maybe the fourth or the fifth. (Meir Lavi interview, 03/07/02).

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In an interview with Arnon Shaul, he claimed that: "...We can say that the hard part of the privatization process is behind us". (Arnon Shaul interview, 9/02/02)

- <sup>8</sup>. See Figures 3.1 and 3.2 and Tables 3.13 and 3.14 of percentage of contracted services in Holon, in chapter 3.
- <sup>9</sup>. From a presentation given by the incumbent city manager (1993-1998), Mrs. Hanna Herzman, on 07/03/01 in a conference on Local Governments, Bar-Ilan University.
- <sup>10</sup>. See Gilligan, Marshall and Weingast 1989; McCubbins, Noll and Weingast 1987, 1989; Peters, 1989; Hammond and Hill, 1993, Aberbach and Rockman 1994, Hammond and Knott, 1996.
- <sup>11</sup>. Arnon Shaul interview, 9/02/02.
- <sup>12</sup>. Arnon Shaul states in his interview: "...privatization might be efficient in economic terms, but the human-social consequences are problematic...I am not willing to let go of my management nor the sanitation inspectors, but the provisional units e.g. garbage collectors, truck drivers, and the machinery that comes with them are all in the process of contracting-out" (Arnon Shaul ,9/02/02).
- <sup>13</sup>. In an interview with deputy city manager Meir Lavi, 03/07/02 he discusses Shaul's attitude towards privatization:
- Q: What was Shaul's stand on privatization, when he took over the sanitation agency?
- A: I have no doubt that he was not enthusiastic about it, did not want it... he (Shaul) was a union guy, it was encased in him.
- Q: When you were both appointed (in charge of the sanitation agency), were you trying to change work standards in the agency, deal with short working shifts... instead of contracting-out services?
- A: Arnon, who was experienced with unions, claimed, and still does, that it is impossible.
- Q: The fact that Arnon was the head of the union affected his views on privatization?
- A: In the beginning, he was not keen to adopt these types of solution, he arrived with a history as a union member, but the job teaches you a few things.
- <sup>14</sup>. In his interview, Arnon Shaul refers to his interaction with city management:
- Q: With every problem you had an "open door" with management?
- A: "Yes, at the mayor's office".
- "... I received whatever I asked for, no questions were asked, there was a feeling of "give him space", in order to please me, you see, at the beginning I did not want this job".
- Q: You can say that the City Manager and her deputies manage the organizational system here?

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A: Yes, yes, but you are talking about a different agency. The Deputy City Manager (Meir Lavi) does not “deal” with me at all, he does not interfere with my everyday work.

... For the City Manager the appearance of the city is very important, we don’t get along, but she does not get involved with the day-to-day activities of this agency.” (Arnon Shaul interview, 9/02/02).

When asked about monitoring levels for the sanitation agency, Meir Lavi, deputy manager, claimed the following:

Q: There were situations in which the mayor asked, “Let Arnon work as he see fit”?

A: “Yes, yes, yes, there are situations like that”.

Q: Would you say that the head of the sanitation agency received more discretion than other agencies?

A: “Yes, during the whole term (1993-1998), I was in charge of 4 agencies and definitely, yes!” ( Meir Lavi interview, 03/07/02).

<sup>15</sup>. “The mayor changed his approach, he distanced elected representatives from the work of the municipality, the mayor has one deputy and another part time, it is no coincidence, because he could have appointed 4 deputies, but it contradicts his concept of how the city should operate”. (Arnon Shaul interview, 9/02/02).

<sup>16</sup>. See: Peters. G. 1989:29.

<sup>17</sup>. See: Moe, 1984, Smith and Polsby, 1981 Peters, 1989, Wilson, 1989.

<sup>18</sup>. Before his appointment to head of sanitation, Arnon Shaul worked as the head of the local culture and sport center for youth. He was a deputy manager in the department for the community center, later on the manager of the same department, and for many years, the head of the municipal workers’ union. (Arnon Shaul interview, 9/02/02).

<sup>19</sup>. Deputy city manager, Meir Lavi, claims:

“The fact that the mayor counts on him I know, the fact that they had a personal connection prior to the appointment (of Shaul) I know, it is also fair to say that before he took the job as head of the sanitation agency, he had no experience with the work of sanitation. I think both he (Shaul) and the mayor were aware of this fact at the time (at the appointment stage), it is a profession that you can learn as you go along... but I could say that Moti (the mayor) recognized his skills and ability to advance projects, to communicate with different types of people, to be practical and a conversation guy.”

Q: What would you consider to be the main contribution of Arnon Shaul in his role as head of agency?

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A: I think he is a very important link, as he is capable of representing the interests of the workers to the management and represent the interest of the management to the workers... it is rare to find a person who can speak a few 'languages'..."

- <sup>20</sup>. The deputy city manager talks about that changes that were instituted in decision-making processes regarding privatization:

"... With regard to privatization, we all sat all together in Moti's office, there were lots of people present, such as the legal advisor, and we finalized plans at the mayor's office. ...In the days of the sanitation workers' strike (1998), we met 5 times a day...we felt that it was up to us to operate this agency and at least the streets were kept clean - this made the union very upset..." (Meir Lavi interview, 03/07/02).

- <sup>21</sup>. Deputy Mayor, Meir Lavi, refers to the friendship between the mayor and Shaul, after the latter had served a few years in office:

"...These days it is different, because the mayor is the mayor and Arnon is a subordinate... I believe that a good interaction between the mayor and the head of the agency contributed (to the good performance of the sanitation agency)" (Meir Lavi interview, 03/07/02).

- <sup>22</sup>. From a report written by Arnon Shaul for a management course, entitled: "Organizational Change in the Sanitation Agency of Holon", July 1998.

- <sup>23</sup>. Arnon Shaul interview, 9/02/02.

- <sup>24</sup>. From a report written by Arnon Shaul for a management course, entitled: "Organizational Change in the Sanitation Agency of Holon":

"The privatization of part of the sanitation services (garbage collection) was met by a strong protest of workers. *The head of the sanitation agency resigned from his role as head of the union before starting to privatize sanitation services.* A new management for the union was chosen that objected to the changes in the agency. The union was requesting that the privatization process be stopped and even reversed i.e., fired employees should be brought back to the municipality. The attempts of the city to privatize part of the sanitation services were blocked for a period of approximately a year. The city tried to advance changes and make privatization a fact. This led to strikes that lasted for a few days. The city was forced to withdraw its actions and negotiate further changes with the workers. Following a year of negotiations, that included three strikes. A legal debate, held in the labor judicial courts, facilitated an agreement with the workers. The agreement was achieved with the assistance of the head of the agency (Arnon Shaul), who acted as an unofficial arbitrator in the conflict between the workers and management. The signed agreement stated that part of the sanitation services would be contracted-out and, in exchange, management would compensate workers by

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increasing wages of those workers remaining in city employment. Many of the workers in the city protested against the agreement that their representative in the union had signed, this eventually lead to a weakening of the power of the union heads, when the support of the workers decreased". (Arnon Shaul, July 1998: 23).

<sup>25</sup>. Meir Lavi interview, (03/07/02).

<sup>26</sup>. See Dunleavy, 1991:150.

## **Chapter 6**

### **The Case of Beer-Sheva**

#### **Introduction**

Beer-Sheva is the largest city in southern Israel. In 1999, it had 149,404 residents.<sup>1</sup> The following chapter examines political appointments in the city of Beer-Sheva, and explores their aims and achievements. As in the previous cases of Tel-Aviv and Holon, the empirical exploration of Beer-Sheva concentrates on the political term of 1993-1998 in which the mayor, the late Mr. Isaac Rager, appointed non-career heads of agencies, in order to advance a contracting-out reform. This chapter looks at why the privatization objectives set by the mayor, management, external comptroller, and administrative units, were only partially implemented. At the core of the discussion is the interaction between political representatives and their uncooperative sanitation appointees, as well as the structural conditions that affected the players' actions.

In the summer of 1994, after one year in office, city management was still failing in its attempts to improve its financial situation, as the city had already accumulated huge deficits. Therefore, the Ministry of the Interior decided to appoint an external comptroller. The comptroller's main duty was to serve as an external auditor and to temporarily assist in managing the city, until its financial situation stabilized. Among the plans set for the city by the comptroller, was a step-by-step program to contract-out sanitation services and to institute managerial changes in the agency.

In 1995, the mayor and comptroller decided to replace the political appointee in charge of sanitation with his deputy manager- an active participant in the municipal union. However, once in office, he was working under conditions with

which he could not comply, but neither could he shift, so he chose to shirk his responsibilities. Eventually the mayor asked the comptroller to bypass the sanitation manager and undertake the initial steps needed, in order to contract-out services. By 1998, the city had obtained partial cooperation with the implementation of the reform.

This chapter first outlines the structural conditions that led Mayor Rager to decide to reform services. It explores the sequence of appointments that took place in the sanitation agency, in an attempt to make it responsive. It also examines the contracting-out reform and its achievements. Finally, we look at the conditions that eventually allowed partial implementation of the reform.

## **Structural conditions**

### Public pressure to improve municipal services

In 1993, the city of Beer-Sheva noticed an increase in the complaints of residents, neighbourhood representatives and industries, mostly referring to the poor quality of sanitation services.<sup>2</sup> A few months prior to the municipal election, mayoral candidates in Beer-Sheva conducted several public opinion surveys. The purpose of the surveys was to determine the level of satisfaction or discontent of citizens with municipal services. In the surveys presented below, constituents were required to rank what they considered to be the most *unsatisfactory* local services.<sup>3</sup>

**Table 6.1: Public opinion of Beer-Sheva's citizens on municipal services.<sup>4</sup>**

<b>Date of survey</b>	<b>First unsatisfactory service</b>	<b>Second unsatisfactory service</b>	<b>Third unsatisfactory service</b>
15.07.93	City Appearance and sanitation 30%	Education 15%	Responsiveness to citizens and their problems 14%
03.09.93	City Appearance and sanitation 35%	Education 13%	Responsiveness to citizens and their problems 10%
28.09.93	City Appearance and sanitation 31%	Education 18%	Responsiveness to citizens and their problems 11%
<b>Average</b>	32%	15.3%	11.7%

Table 6.1 shows that City Appearance and Sanitation services were considered by participants as the most unsatisfactory services. This clear discontent with sanitation services led mayoral candidates to openly declare that, once elected, they would make all possible efforts to improve the sanitation services. Soon after the elections, Mayor Rager declared his intention to implement a plan to improve service provision for the city, by cutting down 400 employees from the City Appearance unit (including sanitation) and signing contractual agreements with external suppliers.<sup>5</sup>

#### Central government pressure

In 1988, the Ministry of the Interior decided to establish an enquiry committee to investigate the financial situation of the Beer-Sheva municipality and suggest a recovery plan for the city. Following a four month examination, the committee concluded that the city was in a state of financial crisis: its budget deficits were severely high, the wages of executive workers exceeded any official ranking set for the public sector, and the city was taking no measures to increase tax collection, or attract potential industrial entrepreneurs to the area. The committee recommended

that, under present conditions, the Ministry of the Interior should closely monitor the activity of mayor and management and, if needed, relieve the council of its duties and assign an external comptroller to manage the city.<sup>6</sup>

Until 1994, central government continued to pressure Beer-Sheva to improve its performance and reduce municipal expenses, but did not formally specify a request to privatize services. In an attempt to induce Beer-Sheva to cut expenses, central government did not approve Beer-Sheva's budget requests, until it reduced its local deficits.<sup>7</sup> It was decided that, since the city was failing to improve its performance or reform its services, central government would not compensate it for inefficient management. Continued frustration, caused by the ongoing budget deficits and frequent requests by the city for financial support, led the Ministry of the Interior, in August 1994 to appoint an external comptroller for Beer-Sheva. Among the comptroller's responsibilities was inspection of the activities of management and bureaucratic units. Following his inspection, he recommended a new organizational plan for the municipality. In November 1995, the comptroller submitted a report entitled "Managerial Failure of the Beer-Sheva Municipality". In his report, he summarized his activities in the municipality and recommended changes in the provision of municipal services, among which was a privatization plan for local services, including sanitation. Based on the comptroller's report, city management began to consider contracting-out sanitation services.

#### **Sequence of events (See Tables 6.2 and 6.3 in Appendix)**

##### Attempts to contract-out sanitation services

Until 1995, the city management was unsuccessful in its attempts to efficiently reform sanitation services. The endeavor to contract-out services involved a few key

players: (1) **Mayor Isaac Rager**: mayor of Beer-Sheva 1993-1997; (2) **Mr. Shlomo Kramer**: external comptroller; (3) **Mrs. Avishag Avtoobi**: head of the city strategy and planning unit; (4) **Mr. Andrei Uzan**: head of sanitation (1988-1993), and later deputy mayor; (5) **Mr. Meir Levi**: head of the sanitation agency (1993-1995); (6) **Mr. Abraham Zabonat**: head of the sanitation agency (1995-1997).

In 1993, Mayor Rager decided to appoint Mr. Meir Levi to manage the sanitation agency. Rager considered Levi a trustworthy candidate for the position, mainly due to their political alliance, as both were active Likud party members. Mayor Rager hoped that, by appointing his political associate, he would receive full cooperation regarding his plans. Another reason to consider Levi, was that he was apparently supportive of the city management's plans. Levi declared that, once appointed as head of agency, he intended to contract-out services. In fact, he did no such thing.

Therefore, in 1995, two years later, based on recommendations of the external comptroller, city management decided to draw up a detailed program to contract-out sanitation services. The comptroller, Shlomo Kramer, recalls:

Management, mayor, deputies, heads of agencies were all declaring that they supported contracting-out services. This was the visible, open approach of "of course it is efficient to privatize"<sup>8</sup>

According to the comptroller, by 1995, the agency had not revised its services as expected, either in terms of costs or quality of service provided to constituents. The comptroller therefore advised management not to rely on the agency to reform its services on its own, but to take action itself, to transfer the provision of sanitation services to the private market. In addition, the comptroller advised the city to hire an

organizational consultant, specializing in privatization, to construct a plan for sanitation.<sup>9</sup>

Before turning to an organizational consultant, the council member in charge of sanitation asked the head of the sanitation agency to come up with a privatization plan of his own, but set a deadline of ten days. It was thought that a plan constructed by the agency itself would lead to better implementation results in the future. First, since the agency was most familiar with its own performance and with the requirements needed to increase efficiency. Second, a plan devised by the agency would facilitate future cooperation, whereas a plan constructed by management and external consultants might be rejected by the workers, since it would be perceived as being forced on them.<sup>10</sup> Levi, however, did not come up with a formal plan, but set conditions as to how the privatization plan should be carried out and what would be its limits. Among his stipulations were demands that contractors be employed only in some neighbourhoods, that the agency's budget be maintained at its current level, even if the contracting out process created savings. The head of the strategic unit, Mrs. Avishag Avtoobi, states:

Meir Levi supported privatization, but we promised him that inspection of workers would continue to be the responsibility of the sanitation agency, that we would not reduce the budget allocated to the agency - some of the budget would go to pay contractors and some would remain in the agency and we also compromised by agreeing that we turn only some of the neighbourhoods over to the responsibility of contractors.<sup>11</sup>

Four months later, the sanitation agency's lack of responsiveness in drawing up a privatization program brought the city manager and the external comptroller to

the decision to set up a team to advance the preparation for privatization of sanitation services.<sup>12</sup>

On July 18, 1995, the team introduced its plan at a meeting with political and administrative representatives.<sup>13</sup> The contracting-out program for sanitation included a few steps: (1) based on earlier plans suggested in 1993, it allowed the agency's sanitation workers to form their own private company (with the help of the Ministry of the Interior) to clean the markets (a particular source of complaint regarding dirt and lack of hygiene). If this move failed, then the city was to contract-out sanitation services to alternative private companies;<sup>14</sup> (2) waste collection services, street cleaning and maintenance of vehicles; were to be immediately contracted-out; (3) the number of permanent personnel in the sanitation agency was to be reduced;<sup>15</sup> and, (4) in order to advance the reform, the mayor was to replace the incumbent council member in charge of sanitation services, as well as the incumbent head of the agency. In 1995, Levi resigned from office, having only achieved limited privatization and he moved to a job in the private sector.

In October 1995, Shlomo Kramer, the external comptroller, sent a letter of approval to the mayor in response to his request to conduct seven personnel changes in the municipality. In the sanitation unit, Kramer approved the replacement of its manager with his deputy, Mr. Abraham Zabonath. The purpose of the new appointment was to promote an agent who would comply with the contracting-out program, after the sanitation workers had failed to form their own private sanitation company. These attempts failed, mainly due to the union's protests against the move, as it rejected the idea of losing personnel in city employment.

Before his appointment as head of the agency, Zabonath, as most workers in the agency, had been a member of the municipal union. Management assumed that it

could benefit from appointing a manager respected by the union. At the time, city executives were concerned that there were too many union members in the sanitation agency.<sup>16</sup> Under these conditions, any attempt to privatize services would most likely fail, due to the workers' opposition. However, it was argued that Zabonath could gain union respect and therefore succeed in carrying out the reform. In the appointment process, Zabonath showed his willingness to adopt the management's privatization program. He expressed his support for privatization in his interview:

Every municipality should privatize, contractors are cheaper, allow savings, the performance of municipal workers drops over time, a process that costs money to the city.<sup>17</sup>

As sanitation manager, he put the privatization plans among his first priorities, but soon enough encountered strong opposition to his plans from the workers in the agency. He realized that the contracting-out plan involves many job cuts and he became concerned about harming the status of sanitation workers in the municipality. In addition, he questioned his ability to carry out such a controversial reform and feared the long-term consequences to his career. Avishag Avtoobi states:

For Zabonath, once appointed as head of agency, it took time to accept the concept of privatization, he began to be concerned with the workers, he worried what would happen to them if the privatization plans were carried out...many workers in the agency were members of the union.<sup>18</sup>

The unwillingness, or inability of sanitation managers to contract-out services eventually led the mayor of Beer-Sheva to ask the comptroller to take control of the sanitation agency and institute the initial steps needed to contract-out services. This included negotiation of prices with contractors for the provision of services. City

management reached an agreement with the comptroller to disregard any potential protest of Zabonath, and try independently to contract-out services. The management assumed that Kramer's past experience with privatization and strong interest in pushing forward the reform would lead to the desired results. In order to advance the reform, Kramer, with the assistance of city management, negotiated new terms with heads of agencies, the city union, and external contractors. Kramer reached a compromise with the parties, to contract out only some of the services, while leaving some of the workers in the agency to provide others (e.g., to keep some of the cleaning workers in the agency). Furthermore, the city agreed to allocate budget to contractors and not make any budget cuts to the agency in case of savings. Kramer also promised that the service provision inspection unit would remain the responsibility of the agency, rather than be transferred to other units in the municipality. City management also promised to make serious efforts to allocate sanitation workers to other jobs in the city, or to help their recruitment in contracted companies.

However, both the union and some elected representative rejected the idea that workers would be transferred to contracted companies, arguing that contractors could not match their salaries with those paid by the municipality.<sup>19</sup> As to sanitation employees who could not find work in the city or elsewhere, Kramer assured the union that city management would offer decent compensation fees and early retirement schemes. Finally, it was agreed with the union leader, that the city would compensate the union for job cuts in the sanitation agency, by hiring *more* workers in other units.<sup>20</sup>

City management continued to push the agency to carry out Kramer's plans but got a negative response from both the agency and the union. This conflict

escalated when the municipal union decided to strike in September 1996, to protest the reform.<sup>21</sup> Concerned with the protest of workers, Zbonath leaned toward abandoning Kramer's plans. Zbonath recalls:

When I was assigned to be the head of the agency I thought that contracting out would be a positive thing, privatization would allow costs of service provision to be reduced. However, later on, the workers protested against privatization, so I decided to drop the plan to hire contractors.<sup>22</sup>

At the same time, city management, together with the council member in charge of sanitation, continued to pressure Zbonath to advance the reform. Unable to respond to management pressure, Zbonath left the agency in 1997.<sup>23</sup> His retirement left the agency in the status quo for another year, due to the mayor's death from cancer that year and a decision by city management not to appoint a sanitation executive until a new mayor was elected. As for Kramer, his initiatives had created conditions that allowed implementation of the reform, but he did not remain in his position as comptroller to carry out his privatization plan. The Ministry of the Interior asked him to leave the city after having audited it for two years.

### **Contracting-out achievements<sup>24</sup>**

Mrs. Avishag Avtoobi, head of the strategic unit, confirmed that in the sanitation agency, the privatization program had not succeeded as planned.<sup>25</sup> Mrs. Avtoobi's claim might seem to contradict the data presented, according to which, by 1996-1997, contracting-out of sanitation had reached up to 34-35% of the total sanitation budget. However, as mentioned in chapter 3, the data does not fully reflect the extent of privatization reached in Beer-Sheva. In 1993 and 1996, the city twice renewed its contracts with the same external supplier, following a tendering process. However, in

the renewed contract of 1996, the private company received a higher payment than in previous years, a payment inconsistent with the level of additional work that it was required to provide. Thus, the city managed to increase the extent of privatization of sanitation between 1993 and 1996 but for a higher price, in 1996, the agency spent much more on contractors.<sup>26</sup> Another proof of this suspect situation is revealed when we examine the latest sanitation contract that was offered in 2003, to the same private company, in which the city reduced nearly 15% of its expenditures for the same terms that had been set in 1993.<sup>27</sup>

## **Discussion**

In 1993, the mayor of Beer-Sheva appointed Meir Levi, who agreed to contract out services at the appointment stage. However, soon after, he began to shift policy, by demanding different conditions than those set by management, regarding how and where the contracting-out reform should take place. Later on, he moved to manage the biggest private sanitation company that he had hired the previous year to deliver services to the city. At time of writing, Meir Levi's contracting company continues to work for the city. His successor, Abraham Zabonat, intended to contract-out services at the appointment stage. However, once in office, he shirked from revising services. Feeling obligated towards the municipal union, he was reluctant to advance a privatization program that the members of the union rejected. However, frequent interventions by council members in the work of agencies, made shirking difficult for Zabonath. Information regarding the activities of the sanitation agency was also transmitted at the time to management, via the external comptroller who monitored its performance.

Contrary to the case of Holon, elected representatives in Beer-Sheva pushed agencies to privatize services and set conditions under which heads of agencies were constantly monitored, allowing uncooperative behavior to be easily detected.<sup>28</sup> Zbonath found himself in a situation in which he could neither shift policy, nor cooperate with the implementation of the reform. The opposition of union members did not allow him to comply with management in contracting-out services, and the structured privatization plan, formed by management, did not allow shifting to implement alternative policies. Even shirking became impossible, due to active involvement of council members and the comptroller. Left with no option, Zbonath resigned after only two years in office as head of the agency.

As mentioned earlier, during his two years, the city management reached an agreement with the comptroller to bypass Zbonath's authority and institute sanitation reform. The comptroller, Shlomo Kramer, succeeded in contracting-out some sanitation services under certain constraints that Zbonath, the union and contractors set. In the process of reform, Kramer conducted a thorough performance measurement of the city, including a financial and organizational examination and, in 1995, submitted his findings to management and to the Ministry of the Interior. He concluded that in the city of Beer-Sheva there were several inefficient processes.

Kramer's report, as well as interviews conducted in the municipality, indicate two structural constraints as the main cause of failure to fully adopt the contracting-out plan: (1) sanitation executives were subjected to pressure from a strong union not to reform services; and, (2) there were inefficient monitoring procedures over contractors. According to interviewees, inefficient inspection of contractors did not allow detection of poor service delivery. The city inspectors unit was not qualified to monitor the performance of contractors. The unit consisted mainly of workers who

did not fit to any other job in the municipality, but whose contracts could not be terminated. As a result, contractors “cut corners” and provided a low level of sanitation and gardening services. In the “city appearance” inspection division, for instance, a conflict of interest occurred, since most of the inspectors were also union members. The inspectors were required to ensure an efficient contracting-out process and at the same time, oppose the reform in their union activities.<sup>29</sup> According to Mrs. Avtoobi, both poor inspection of contractors and a strong union rejecting the reform weakened city management, when negotiating changes with city personnel. As monitoring of contracted services was inefficient, management could not convincingly demonstrate that a contracting-out process would create savings for the city or improve the quality of services.<sup>30</sup>

As for the union, most executives considered it to be too powerful and too involved in the decision-making processes of the city management. Avtoobi, considered the membership of the sanitation workers in the union to be the main obstacle to implementing the contracting-out reform.<sup>31</sup> The union was involved in decisions regarding personnel promotions, formation of policies and implementation. The union offered political support to the mayor and council while, in return, they had to accept its demands. Whenever the mayor and city management sought to implement a certain policy, they were aware that it first needed the approval of the union. Decisions made by management, without the involvement of union, often led to objections by the workers and lack of cooperation in the implementation.<sup>32</sup> The union was involved in all stages of decision-making, planning stages and execution of plans regarding the contracting-out reform.

In this thesis, however, it is argued that the opposition by unions and poor inspection units, might cause part of the problems but do not provide a sufficiently

convincing explanation for the inefficient contracting-out results. Even though most executives considered the union as the main obstacle to privatization of services, in practice, they found fairly simple ways to gain its support.<sup>33</sup> In order to reduce the staff in sanitation, as part of the contracting-out steps, management offered the head of the union some alternative ways to maintain the power of his organization, for instance, by promising the union that in parallel to the cuts in sanitation, management would hire additional workers in services such as Education and Welfare - an increase in personnel that central government allowed. Under this arrangement, the union was able to keep its quota when new staff was hired, while sanitation staff was cut.<sup>34</sup> In addition, when the privatization plan was initially discussed in 1993, Mayor Rager formed new external municipal corporations, in order to recruit some of the workers that the city was planning to fire from sanitation.<sup>35</sup> Deputy mayor, Andrei Uzan claims:

Throughout the contracting-out process there was no need to fire sanitation workers but rather allocate them to alternative tasks, as the responsibilities of the city grew, due to the Russian immigration.<sup>36</sup>

Overall, it seems that management, with the assistance of Kramer, was able to reach an agreement with the union and negotiate terms that both sides were able to accept as reasonable. In addition, city management constructed a detailed privatization plan and continually monitored its agencies. However, between 1993-1998, management felt that it did not reach satisfying results. The main question in this case is why, under such conditions, did the sanitation managers, Levi and Zabonath, fail to meet expectations. At the core of the explanation offered here, is the choice by management to appoint unqualified and undedicated appointees to manage

bureaucratic agencies. The appointees did not have the experience to motivate workers to comply with new programs, or when these appointees did not know how to negotiate new employment terms. Unconcerned with changes in their agencies, the appointees were promoting their own political careers.

In his report, Kramer addressed this issue, when he claimed that in the city of Beer-Sheva, recruitment of workers, at all ranks, was based on irrelevant criteria. The bids committee did not rely on objective professional tools to evaluate nominees, who were not required to undergo any professional compatibility exams. Often, in the appointment process, there was suspicion of “tailored bids” i.e., the committee had already decided whom to appoint, prior to any conduct of actual interviewing of nominees.

Furthermore, there was frequent interference by council members and deputy mayors seeking to promote their political allies, in the appointment processes. The delay of such appointments as city treasurer, city manager, head of the sanitation agency, and city accountant, was due to the involvement of politicians in the appointment process. Elected representatives allocated staff and determined the level of salaries, without the approval of the Ministry of the Interior, as required by law. Overall, such involvement discouraged qualified potential candidates, within or outside the municipality, to apply for key roles that were offered.<sup>37</sup> The municipality ended up functioning without a professional city manager. The city manager was a political activist without any formal authority.<sup>38</sup>

## **Summary**

By politically appointing its heads, the city of Beer-Sheva failed to create a responsive sanitation agency. Empirical measurement of privatization and interviews

conducted with city's executives, show that, despite major political appointments, meant to facilitate improvements in sanitation services, the city management was incapable of reforming services. Furthermore, it is argued that political appointments in the sanitation agency *hindered* the implementation of the reforms. While the first political appointee, shifted policy, the second, shirked. For five years, the only successful advancements in privatization were due to the structured programs constructed by a professional comptroller, the negotiations he conducted with workers and the union, and his monitoring of implementation.

## Appendix

**Table 6.2: Timetable of events and outcomes in the sanitation agency of Beer-Sheva (1993-1997)**

Year	Events	Outcomes
1993	<p><i>*Isaac Rager</i> is elected for mayor.</p> <p><i>*Rager</i> fires <i>Andrei Uzan</i> and appoints <i>Meir Levi</i> to manage the sanitation agency.</p> <p><i>*Rager</i>, together with city management, declare intentions to contract-out municipal services.</p>	Levi refuses to contract-out services and shifts policy by recruiting more workers and purchasing new equipment.
1995	<p><i>*The mayor</i> appoints <i>Abraham Zabonath</i> as head of sanitation.</p> <p><i>*Ministry of Interior</i> appoints an external comptroller for the city.</p>	<p>The external comptroller forms a structured plan for privatizing sanitation services.</p> <p>Policy remains at <u>status quo</u> in the sanitation agency.</p>
1996-1997	City management asks the comptroller to monitor closely the activities of sanitation	Unable to reach cooperation with Zabonath, the comptroller takes independent steps to contract-out services.
1997	Zabonath resigns.	contracting out reform partially advances.

**Table 6.3: Profiles of sanitation managers in Beer-Sheva (1993-1997)**

city	Agents	Type of appoint. <sup>i</sup>	Skills and experience <sup>ii</sup>	Policy agreement reached at the appointment stage	Level of monitoring <sup>iii</sup>	Outcomes
Beer-Sheva	A. Uzan	C.E.	high	no	high	shifting
	M. Levi	P.A.	medium	yes	high	shifting
	A. Zabonath	P.A.	medium	yes	high	shirking
	S. Kramer	C.E.	high	yes	high	cooperate

- i. C.E - Career Executive, P.A- Political Appointee
  
- ii. Levels of skills and experience were mainly determined on the basis of interviews with key players, who provided information regarding players' professions, managerial skills, experience in the municipality or in the public, private sector.
  
- iii. Level of monitoring is determined as follow:
 

High level: frequent meetings with management and council members - at least twice a week and often even daily. Frequent review of reports and plans of the agency.

Medium level: meetings are less frequent - once or twice a week, a few requests for reports (annual report, quarterly report). Reports and plans are usually presented to management when/if the head of the agency initiates their presentation.

Low level: rare meetings, no demands of reports, management does not include the head of the agency in meetings. A few unofficial, general talks instead of formal operational planning. For example: a verbal request from the mayor to "Do something to clean the city".

#### **Lists of interviews conducted in the city of Beer-Sheva**

- Mr. Ori Kadoori: Head of Municipal Union, (20/02/98)
- Mr. Shlomo Kramer: External Comptroller, (March, 1998)
- Mrs. Biniamina Morik: City Internal Comptroller
- Mrs. Avishag Avtoobi: Head of Strategic Unit, (30/06/98)
- Mrs. Rachel Levi: Deputy Mayor, (16/03/98)
- Mr. Abraham Zabonath: Head of Sanitation, (1995-1997) (April, 1998)
- Mr. David Rubin: City Treasurer (1994), (17/04/01)
- Mr. Andrei Uzan: Head of Sanitation, (1988-1993), (March, 1998)
- Mr. Arie Bar: Council Member, Head of the Opposition Party, (May, 1998)

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## Notes

- <sup>1</sup>. Central Bureau of Statistics, 1999.
- <sup>2</sup>. “Sanitation and gardening were partially contracted out, due to the complaints from neighbourhood representatives and businesses of poor services supplied by the city ...the contractors themselves, who acted as an interest group, created public relations pressure against the city, requesting that it improve the provision of services, hoping that this would lead to signing contracts with the city...” (Deputy mayor, Mr. Andrei Uzan interview).
- <sup>3</sup>. Horkin, Katz, and Mevorach, 1998:100.
- <sup>4</sup>. The table lists only the three highest ranked services in the scale. The survey was conducted by the “Ma’agar Mochot” research institute and multidisciplinary consultancy. Surveys July-October 1993.
- <sup>5</sup>. From “Sheva” local newspaper, November 18, 1993, pg.18.
- <sup>6</sup>. Kramer, S. (1995) *Managerial Failure in the Municipality of Beer-Sheva*. A report submitted to the Ministry of the Interior.pg.2 (Hebrew)
- <sup>7</sup>. Shlomo Kramer, interview, and “Kol HaNegev” Local Newspaper, 12/11/1993.
- <sup>8</sup>. Shlomo Kramer, external comptroller, interview 1998.  
“Public organizations are too big and complex. These days, we tend to stop this growth and not add permanent tenure track contracts to the city. Privatization is a good method to increase efficiency “. (Mrs. Rachel Levi, Head of city personnel and Deputy mayor, interview 16.03.98).
- <sup>9</sup>. In a meeting of the city financial committee (members included: deputy mayors, head of the financial committee, head of the strategic unit, external comptroller), the committee decided to instruct the administration to prepare a privatization program for local services, with the assistance of the external comptroller and an organizational consultant, who was hired for that specific purpose. (Minutes from the financial committee meeting, 12.01.95).
- <sup>10</sup>. From a summary of a meeting conducted with the head of the sanitation agency and the council member in charge on sanitation services, 20.02.95.
- <sup>11</sup>. Avishag Avtoobi, head of strategic unit, interview 30.6.98.
- <sup>12</sup>. The team formed on 08.05.95, included: deputy mayor (Andrei Uzan), vice treasurer and an organizational consultant.

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- <sup>13</sup>. Political and administrative representatives included: deputy mayor, city manager, head of the strategic unit, head of the sanitation agency, vice-treasurer, head of the personnel unit, external comptroller assistants, and organizational consultant.
- <sup>14</sup>. From “Kol HaNegev” local newspaper, 10/12/1993, and the minutes of a city management meeting on July 18, 1995.
- <sup>15</sup>. From the minutes of a city management meeting on July 18, 1995: The objective that was set was to leave only 188 workers instead of 335 in the sanitation agency and overall reduce 44% of internal sanitation workers. 150 workers would continue to deliver services in some neighbourhoods, while the rest would inspect the work of contractors rather than deliver services themselves.
- <sup>16</sup>. “...The membership of sanitation workers in the union was the main obstacle to implementing the contracting-out reform. Workers’ resistance to the reform stemmed from their worry about job losses”. (Mrs. Avishag Avtoobi, the head of the strategic unit, interview on 30.06.1998).
- <sup>17</sup>. Zabonath interview, 1998.
- <sup>18</sup>. Avishag Avtoobi, head of strategic unit, interview 30.6.98.
- <sup>19</sup>. “...The concept of transferring municipal workers to contracted companies is inefficient, because contractors do not offer decent working conditions or decent salaries.” (Deputy mayor, Mr. Andrei Uzan interview).
- <sup>20</sup>. “...The mayor was planning to hire more workers for the Education agency, since the municipality was entitled to increase the employee quota in that unit. The union agreed to this arrangement, since it enabled it to maintain the number of workers in the municipality and therefore maintain the power of the union. The union did not care if workers’ support came from members in the Sanitation or Education”. (Mrs. Rachel Levi, Head of city personnel and Deputy mayor, interview 16.03.98).
- <sup>21</sup>. From “Kol HaNegev” local newspaper 06.09.1996, pg.30.
- <sup>22</sup>. Zabonath interview, 1998.
- <sup>23</sup>. “Usually city management pushes for efficiency and pressures agencies to privatize services, while the municipal union rejects the idea, as it fears to lose its power...” (Zabonath interview 1998).
- <sup>24</sup>. See Figure 3.11 and Table 3.23 of percentage of contracted sanitation services in Beer-Sheva, in chapter 3.
- <sup>25</sup>. Avishag Avtoobi, head of strategic unit, interview 30.6.98.
- <sup>26</sup>. From: The Sanitation (Waste Collection) Expenditures Report (1996-1999), prepared by the sanitation agency chief accountant, December 15, 1999, and from “Sheva” Local Newspaper, January 20, 1994.

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- <sup>27</sup>. From: Public Tender no. 25/2003- Waste Collection in the City of Beer-Sheva.
- <sup>28</sup>. "I left City Appearance services (include sanitation), because of the council member in charge of the agency. He was not professional and constantly interfered with my work, the previous council member did not interfere". (Zabonath interview1998).
- <sup>29</sup>. Kramer1995:4 and the internal audit commission report 92-95.  
"...City inspectors, who are meant to monitor the performance of contractors, are not qualified for the job... workers were placed in the inspection unit who did not fit any other role in the municipality but management was not able to fire. In "city appearance", all the inspectors were union members, which created a conflict of interest: they were required to supervise a contracting-out process they rejected".(Zabonath interview1998).
- <sup>30</sup>. "Sanitation workers tried to convince us that they knew better than contractors how to supply sanitation services; we, on the other hand, could not prove that contracting-out sanitation would lead to budget savings, we just argued that, with contractors, the streets would be cleaner." (Avishag Avtoobi, head of strategic unit, interview 30.6.98).
- <sup>31</sup>. Avishag Avtoobi, head of strategic unit, interview 30.6.98.
- <sup>32</sup>. "With the city management's support of a declaration of privatization, strong pressure by the municipal union emerged, directed at management, to prevent the process"... (Shlomo Kramer interview).
- <sup>33</sup>. "...the union rejects the idea of privatization, but the city can try to come up with reasonable solutions that would make the transition to private companies easier, for example, with high compensation fees for early retirement." (Deputy mayor, Mr. Andrei Uzan interview)
- <sup>34</sup>. "...It is possible to get union cooperation. It is all a matter of bargaining. For example, we would not approve the hiring of new workers by the sanitation and gardening agencies, thus expanding them. Eventually, we reached an understanding with the head of the union, in which sanitation and gardening would hire external contractors and in return, city management would allow more workers to be recruited in the education and social services agencies, recruitment that the central government allows. In this way, the municipal union would maintain its power, even with a reduction in the number of sanitation workers"(Mrs. Rachel Levi, Head of city personnel and Deputy mayor, interview 16.03.98).
- <sup>35</sup>. From "Sheva" Local Newspaper, 9/12/1993.
- <sup>36</sup>. Deputy mayor, Mr. Andrei Uzan interview.
- <sup>37</sup>. Kramer 1995:16
- <sup>38</sup>. Kramer 1995:15

## Chapter 7

### Conclusions

This thesis has examined why the mechanism of political appointment does not always serve as an efficient mechanism to overcome principal-agent problems. Much of the Public Policy and Administration literature considers political appointments as a useful tool to control bureaucracies and create responsive agencies. Frequently, scholars assume that responsiveness is reached when politicians resolve a conflict of interest with bureaucratic agents, by appointing political allies willing to cooperate and reveal information to their principals. However, this study explains why political appointments often do not solve agency problems and even obstruct control over bureaucracies.

In order to evaluate the efficiency of political appointments, this thesis first explored two basic types of uncooperative behaviour by administrative agents. A distinction was made *between shifting policy* and *shirking*. As elaborated in the opening chapters, these uncooperative acts stem from different motivations and therefore require different incentives to be overcome. Chapter 2 discussed how both political and career agents could potentially shift or shirk from their commitment to implement policies. With political nominees, reaching *policy agreement* at the appointment stage may prevent agents shifting to alternative policies once in office. Yet, solving the problem of shifting does not necessarily create responsive agencies. It is argued that, although, by appointing political associates, politicians may be able to prevent shifting, they increase the likelihood of shirking.

Just because politicians appoint those who share their ideological views, does not necessarily reduce the need for monitoring. With career agents, politicians

attempt to counter the possibility of uncooperative acts, by continually monitoring their agencies to ensure compliance. However, with political appointees, the politicians, trusting in policy agreement at the appointment stage, assume that most of their conflicts with agencies have been resolved. Presuming cooperation, they seek to reduce monitoring costs once their political allies enter office. These relaxed conditions grant political agents higher discretion than career agents, increasing their freedom to shirk from their duties. Chapter 2 posits that the more politicians reach mutual understanding on policy with their nominees at the appointment process, the more they are prepared to relax monitoring. This in return, may increase the likelihood of shirking.

The theoretical chapters highlight core ideas, offered in public administration literature, as to why career agents tend to shift policy, while political agents are more likely to shirk. Career agents exhibit interests such as budget maximization, or a desire for a stable working environment, which often contradict politicians' demands for extensive and controversial change. Political nominees for executive roles shirk when they find it difficult to implement policies. This often results from their unfamiliarity with administrative tasks, including interaction with subordinates, who may be hiding information from them. Moreover, their eagerness to invest time in political activities does not leave much time for bureaucratic tasks. In some of our empirical cases, it was shown that union membership could place appointees under pressure to avoid implementing policies that the union rejected.

In this thesis, the theory of political appointments is examined in three Israeli cities: Tel-Aviv, Holon, and Beer-Sheva. More than a decade ago, most Israeli cities had attempted to undergo structural reforms in service delivery, mainly by contracting-out municipal services. As elaborated in Chapter 3, privatization was

undertaken, due to the financial constraints faced by most cities. Central government was reluctant to assist municipalities with budgetary transfers, while, at the same time, pressuring local authorities to deal with financial constraints on their own. The three cities chosen for this study all attempted to contract-out services at approximately the same time. The case studies concentrate on sanitation agencies for the political term of 1993-1998. An empirical testing of privatization outcomes in 6 major cities, between 1992-1999, as presented in Chapter 3, reveals that Tel-Aviv had the greatest failure in the implementation process, Holon was the most successful, while Beer-Sheva achieved a medium level of privatization.

In an effort to privatize services, mayors in all three cities politically appointed sanitation managers, whom they believed would comply in advancing the reform. The replacement of political and/or career sanitation managers, between 1993-1997, included: four in Tel-Aviv, four in Beer-Sheva and two in Holon. The empirical study conducted in this thesis incorporates interviews with appointees, their managers, subordinates and additional key players, such as union leaders, council representatives and members of city management. Reviews of documents were helpful to determine sequences of events and outcomes achieved, including summaries and schedules of meetings, budget reports, and minutes of monthly council assemblies. The empirical study enabled us to achieve some insights into the nature of the political appointment mechanism and its consequences (see Table 7.1 in Appendix).

### **Shifts of policies**

In all three cities, management replaced career bureaucrats with political appointees, in order to stop policy shifts in agencies. **Tel-Aviv** and **Beer-Sheva** both demonstrate

how incumbent heads of sanitation agencies, prior to 1993, were considered professional civil servants and very familiar with sanitation management. However, in their attempts to reform services, the mayors of both cities encountered non-responsive agencies. In Tel-Aviv, the incumbent head of agency was a “conserver“, getting close to retirement age, ignoring management and shifting policy by recruiting workers and purchasing vehicles. As a conserver, he was avoiding conflict with workers over wages and work schedules. In Beer-Sheva, the incumbent sanitation manager openly rejected privatization, claiming that it would not succeed, as long as there was no real competition between private suppliers in the district. For a while, he was able to block attempts by city management to privatize services, while promoting his own plans for sanitation. Consequently, the new mayor, elected in 1993, who insisted on contracting-out services, required the incumbent sanitation manager to resign.

In **Holon**, prior to 1993, management was unhappy, both with the performance of its sanitation manager and the council member in charge of overseeing sanitation. Shifting of policy occurred, due to a conflict of interests between the council member and management, each pushing the agency to advance different plans. In this situation, the sanitation manager was often criticized for his performance, being pressured to comply with contradicting demands from management and the council member. In 1993, the new mayor expressed his intention to reform sanitation services. Realizing the conflict of interest that existed in sanitation, he decided to conduct personnel changes, by replacing the incumbent manager and, a year later, by means of a major organizational reform, to eliminate the service “portfolios” of council members.

### **Policy agreements at the appointment stage**

In an attempt to avoid potential shifting of policy, politicians, during the appointment process, tried to reach agreements with nominees to reform services. Empirical examination of the appointment process confirms that most political appointees reached an understanding with management over policy at that stage. In the cases of **Tel-Aviv** and **Beer-Sheva**, all political appointees agreed to reform services during the appointment stage. In the case of **Holon**, the management and its nominee both recognized that workers' performance was low, and that changes, such as privatization, were therefore needed. Although the nominee for sanitation expressed his lack of enthusiasm for any system that would lead to job losses, he clearly understood what management expected of him i.e., to contract-out sanitation services. Furthermore, the mayor of Holon insisted on reaching an agreement with him, in which the latter promised to reform services, while, in return, the former granted him discretion to manage his agency as he saw fit.

### **Shirking by political appointees**

Although, at the appointment stage, most political appointees agreed with management to revise services, these agreements played little part in creating responsive agencies. Once in office, the agreements were not significantly adhered to. While, as intended by management, most political appointees did not shift policy, they resorted to shirking for various reasons. It is evident that shirking occurs when appointees lack the knowledge and experience to manage administrative agencies. In addition, political obligations to interest groups or unions, places them under pressure to avoid undesired reforms.

In **Tel-Aviv**, the first political appointee tried not to jeopardize his relationship with union members and therefore avoided reforming his agency. The second appointee soon found that he was too inexperienced to reform services without a serious conflict with the workers. He therefore tried unsuccessfully to shift policy to expanding the agency, instead of cutting it.

In **Holon**, once appointed, the new head of sanitation was reluctant to take the necessary steps toward contracting-out services in his first years. As a union leader, he was not ready to lose his political support. In **Beer-Sheva**, the first appointee agreed to contract-out services and may have had the skills to respond to management, but he chose to set different privatization conditions and demanding to know how and with whom contracts would be signed. He then moved to manage one of the private contracting companies. The political appointee who replaced him in 1995, loyal to the union, shirked from reforming services.

## **Monitoring**

The examination of the three cities also allowed an exploration of the importance of monitoring by management. In this study, the level of monitoring was determined by registering the degree of ongoing inspection of bureaucratic units, such as frequency of meetings with heads of agencies, progress achieved with structured plans - in this case detailed privatization programs - and oversight mechanisms, such as periodic reviews of agencies, meant to ensure that agents followed plans correctly and on schedule. It appears that at any stage, when management chose to grant agencies discretion and relaxed monitoring over its political appointees, inefficiency resulted. Correspondingly, it is evident that when management closely monitored the implementation stages of privatization, the outcomes improved. This is not to say

that, with monitoring, management can solve all agency problems and efficiently control the activities in the city. However, when management monitors agencies, it increases its ability to detect non-responsive political agents, and then, either take steps to obtain a change in their behaviour, or take steps to replace them.

In the case of **Tel-Aviv**, city management trusted its political appointees and thus relaxed monitoring over the sanitation agency, something it had not done regarding its former career agents, due to lack of trust. For agencies managed by political appointees, the mayor offered an “open door” for discussions, but did not require any formal timetables of progress. As a result, political appointees worked under conditions that allowed them freely to pursue alternative goals. In 1997, when management realized that there had been no significant reform of sanitation services, it replaced the incumbent sanitation manager, going back to the policy of installing a careerist. Furthermore, management increased monitoring utilizing certain methods: (1) it continued to offer a direct line of communication without the need to address middle level managers for that purpose; and, (2) it appointed a deputy city manager to assist and supervise the new agent, regarding the construction of a detailed privatization program. This set up the initial conditions needed to advance the contracting-out of services.

In **Holon**, the organizational reform, instituted in 1994, created conditions under which non-compliant behaviour became easier. As council members were no longer permitted to approach administrative executives *directly* and criticize their work, the mayor’s office became a buffer between elected and appointed (administrative) officials. At the same time, the mayor granted discretion to political appointees to manage their agencies as they saw fit. Consequently, sanitation managers were free from inspection and scrutiny from council representatives and

gained increased control over the provision of services. These relaxed monitoring procedures allowed agencies to remain at status quo for a couple of years without detection.

As, by 1996, changes in the sanitation agency had not occurred as expected, management concluded that its sanitation agent was shirking and thus pressurized him to contract-out services. Management began monitoring the performance of the agency closely, demanding structured privatization plans. Second, the mayor decided to adopt a more formal approach towards his sanitation agent, despite their friendship. The change of attitude forced the manager to decide, either to comply, or to leave.

Contrary to the situation in of Tel-Aviv and Holon, in **Beer-Sheva**, the ongoing involvement of elected representatives, pushing agencies to revise services, set conditions under which heads of agencies were constantly monitored, allowing uncooperative behaviour to be easily detected. This does not mean that management was able to prevent non-response in the agency, but at least it allowed it to replace the manager more promptly. This is especially evident during the period when the second political appointee managed the sanitation agency. A major factor for change was also the appointment by central government of an external comptroller for Beer-Sheva. The involvement of council members in the agency head's work, together with the formal programs that were set up by the external comptroller, created a situation in which the appointee could neither shift nor shirk for a long period of time. Left with no options, the appointee chose to resign.

### **When agents cooperate**

Two of the cities, Tel-Aviv and Holon, demonstrate that cooperation with management can be reached, when appointees begin to view their position as a long-term bureaucratic career. In other words, they abandon their political ambitions and center their attention on succeeding in public management. In the three cities under review, this was only true in cases in which appointees were able to adjust to their bureaucratic, managerial tasks. Once they were motivated as “climbers” or “zealots”, they dedicated themselves to adopting programs that could promote their future bureaucratic careers. Embracing such reforms as privatization, meant gaining the support of management, financial rewards, and potential future promotions within the municipality.

In the case of **Tel-Aviv**, in 1997, management created a responsive agency when it appointed a new agent, a “climber”, who immediately resigned from the union. The new agent was highly motivated to advance his career by successfully privatizing sanitation services. The new careerist manager was familiar with the activities of sanitation, as an experienced worker in the agency. His qualifications differed dramatically from those of the previous political appointees and he was able to skilfully avoid confrontation with workers, which had caused problems for the previous sanitation appointees. He gained the trust of the agency’s workers, when he introduced the term “gradual privatization”, while working hard to ensure that redundant workers found alternative jobs.

In the case of **Holon**, after three years in office, The sanitation manager had to decide whether to pursue his political career, or invest in his bureaucratic one. He decided to consider his role as head of agency as a long-term career and chose his bureaucratic interests over his political agenda. He resigned from the union and made

initial steps to advance privatization in his agency. Thus, the politically appointed head of agency decided, as a “zealot”, to pursue a bureaucratic career and reform services. This is still the case at time of writing, when he is still the incumbent head of the sanitation agency (1994-2004).

The case of **Beer-Sheva** differs from the other cases, since both appointees were reluctant to abandon their political associations. The appointees were forced to resign, when they tried to avoid upsetting interests groups which they believed would take care of their long-term interests in the city. Before the second appointee left, management achieved partial privatization, when the external comptroller almost took over the agency, forcing its manager and workers to cooperate.

In the empirical exploration of three cities, some of the findings seem to contradict one another. Political appointees replaced career bureaucrats, because the latter shifted policies, while, in all the studied cases, it was a career bureaucrat or political agent, who had chosen to develop his bureaucratic career interests, who finally facilitated the advance of privatization. The explanation of this paradox lies in the assumption that, like political appointees, career executives adjust to conditions that either facilitate or hinder cooperation. Levels of monitoring and the extent of planning by management can influence the performance of career agents.

In addition, not all career bureaucrats are dedicated to their principals, just as not all political appointees lack dedication. For instance, in Tel-Aviv, the incumbent sanitation manager was replaced in 1993 for uncooperative behaviour as he was acting as a “conserver”. On the other hand, the new careerist appointed in 1997, was of the “climber” type - highly ambitious to advance his career in the municipality and therefore choosing to respond to management demands. Mrs. Rachel Levi, Head of

Personnel in the city of Beer-Sheva claims: “From my experience, ambitious careerists feel less intimidated over losing budget and confronting workers, do not consider privatization as a threat, tend to consult more with external advisors, and do not associate personal rewards with the budget allocated to their agencies”.<sup>1</sup>

In sum, this research has not attempted to explore all the problems of bureaucracies, not even all those concerned with the conflicts of interest that often exist between political and administrative actors. The theoretical arguments and empirical observations, presented in this thesis, neither completely dismiss the mechanism of political appointments, nor do they strongly support the classic “Weberian” type administration, built on “careerist” civil servants. This study shows that each mechanism has its limits.

As in the British system, in the last decades, politicians have tended to take ideological-political attitudes into consideration and not just the expertise of candidates, when appointing top executives.<sup>2</sup> In their latest book, Aberbach and Rockman assert that, under the American system, the bureaucracy has become much more flexible and responsive than in past decades.<sup>3</sup> This is an interesting observation, given that the extent of political appointments has declined. These days, political and bureaucratic roles are much more defined and separated.<sup>4</sup> A considerably increased number of middle and low ranked bureaucrats are kept in office when a new government enters. This is despite the Civil Service Reform Act of 1978 that gave greater control to the presidential administration, to determine which top career executive should continue to serve and in which department or agency.<sup>5</sup>

This research has tried to identify some of the main strengths and weaknesses of types of bureaucratic agents, when interacting with elected representatives, who are trying to promote their policies, mainly focusing on political agents, hired to limit

agency problems. In the process of evaluating the mechanism of political appointments and its constraints, this study has tested core theoretical arguments, presented in the literature, and sheds considerable doubt upon some of the claims. The study indicates that politicians place too much emphasis on ideological views and policy agreements reached with their allies, but in the process, disregard other interests which their allies are seeking to promote. Under this presumed notion of mutual trust, politicians create conditions that facilitate non-responsiveness. Appointing political allies might seem to mitigate potential shirking activities by career bureaucrats, but, as shown, it can create greater shirking. Furthermore, politicians may assume that they can save monitoring costs, once they have appointed their political allies, but as demonstrated in this study, this can be a big mistake.

## Appendix

**Table 7.1: Profiles of all sanitation managers in Tel-Aviv, Holon, and Beer-Sheva (1993-1998):**

city	Agents	Type of appoint. <sup>i</sup>	Skills and experience <sup>ii</sup>	Policy agreement reached at the appointment stage	Level of monitoring <sup>iii</sup>	Outcomes
Tel-Aviv	M. Paz	C.E.	high	no	medium	shifting
	A. Steinmitch	P.A.	low	yes	low	shirking
	A. Shpiegel	P.A.	medium	yes	medium	0 shifting <sup>iv</sup>
	A. Yefet	C.E.	high	yes	high	cooperate
Holon	N. Peled	C.E.	low	no	high	shifting
	A. Shaul	P.A.	medium	yes	low	shirking
	A. Shaul 1996 (incumbent)	C.E. <sup>v</sup>	high	yes <sup>vi</sup>	high	cooperate
Beer-Sheva	A. Uzan	C.E.	high	no	high	shifting
	M. Levi	P.A.	medium	yes	high	shifting
	A. Zabonath	P.A.	medium	yes	high	shirking
	S. Kramer	C.E.	high	yes	high	cooperate

i. C.E - Career Executive, P.A- Political Appointee

ii. Levels of skills and experience were mainly determined on the basis of interviews with key players who provided information regarding players' professional and managerial skills, experience in the municipality, or in the public, or private sector.

iii. Level of monitoring is determined as follow:

High level: frequent meetings with management and council members - at least twice a week and often even daily. Frequent review of reports and plans of the agency.

Medium level: meetings are less frequent - once or twice a week, a few requests for reports (annual report, quarterly report). Reports and plans are usually presented to management when/if the head of the agency initiates their presentation.

Low level: rare meetings, no demands of reports, management does not include the head of the agency in meetings. A few unofficial, general talks instead of formal operational planning. For example: a verbal request from the mayor to “Do something to clean up the city”.

- iv. “0” (zero) shifting means policy remains at status quo, because the agent is unsuccessful in forwarding the plans for the agency, it does not mean that he is shirking.
- v. In the case of Holon, Arnon Shaul can be regarded as a career executive from 1996, onwards, as he then decided to resign from the union and develop his bureaucratic career.
- vi. In 1996, after the Holon management detected shirking, it required Shaul to again agree to revise services, as a condition for him to remain as head of the agency. The policy agreement reached with management and change of career plans for Shaul can both be regarded as a new process of appointment.

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## Notes

- <sup>1</sup>. Rachel Levi, Deputy mayor of Beer-Sheva, interview, 16.03.98.
- <sup>2</sup>. Dery, 1993:13.
- <sup>3</sup>. Aberbach and Rockman,2000:132
- <sup>4</sup>. Aberbach & Rockman, 1997:335-336.
- <sup>5</sup>. Aberbach and Rockman,2000:132

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