Reflections on Performance, integrity and trust in the public sector in Europe

Essays of four European Experts

Working Document
Input for the EUPAN working level meeting in Brussels
21 January – 22 January 2016

THE DUTCH EUPAN TEAM
During the first EUPAN meeting under the Dutch Presidency in January 2016, the results of two main studies (based on public data) will be presented:

- Study on ‘Public Integrity and Trust in Europe’ by the Hertie School of Governance, Berlin 2015.

Given EUPAN’s mission to contribute to the improvement of the performance and quality of public administrations, these studies can provide valuable input for the discussion in EUPAN.

Four high level experts from different European member states have reflected on the results of the reports, to feed the discussion of the EUPAN participants. With their essay as input, each expert will chair a workshop.

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FEEDBACK FOR A BETTER PERFORMING PUBLIC SECTOR

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What is the performance of EU’s Member States from a comparative perspective? How can this performance be improved? How can we fight corruption? Feedback by independent institutions such as courts, auditors and ombudsmen can guide the public sector on how to improve the performance of the public sector and suppress corruption. The following examples suggest how this might be done and what lessons could be learned.

1. Introduction
This essay aims at making an insight into the importance of feedback mechanisms in view of improving the public sector. Besides introducing some ideas for a fruitful discussion I frequently refer in this paper to two studies; the performance of the public sector by the Netherlands Institute for Social Research (SCP)² and the Hertie study on ‘Public integrity and trust in Europe’.³ I would like to elaborate on the good functioning of ‘control of corruption determinants’ and citizens’ appreciation of the different services of the state, as shown by SCP’s study. Especially the contribution of modern bureaucracies with an open character to better performance (SCP par. 7.5.8). I will also suggest how the EU could improve its way of acting in order to support the good functioning of Member States.

After a contextual introduction on complexity in modern society and governance this essay will touch upon the current state of affairs in the EU with a focus on cooperation. The third part of the text will go into corruption and how sound feedback mechanisms may assist in the fight against it, as a tool to check the discretionary powers of governments. Before concluding I will illustrate the importance of cooperation and openness in the context of feedback with some concrete examples.

2. Complexity
Recent events, including the acts of terrorism carried out in France by the so-called Islamic State and the influx of refugees into Europe, have put pressure on the functioning of the EU’s Member States. Trust in the effectiveness of our systems of government is being eroded. The opinion that European cooperation is not a solution for the many challenges we are facing, but instead a source of unrest, is gaining currency. Such views are circulating with ever greater frequency in the media. It is difficult to find convincing answers to the complex problems we face.

Modern society is complex. Local, regional and national governance is complex, as are European and global cooperation. The world we live in is complicated as well, with its focus on finance and complex banking and finance structures, new technologies, and new forms of cooperation. Citizens have begun to claim new – active - roles, and to make greater demands of their governments. This complexity has at least two consequences. Firstly, this increasing complexity causes disorder or even chaos. Chaos theory (small causes, huge consequences) applies not only to climate science, but to our daily life as well. In November 2015 a Russian fighter crossed into Turkish airspace for less than a minute and was shot down, causing a significant diplomatic rift. This

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³ Hertie School, Research report “Public integrity and trust in Europe”,2015.
disagreement affects all NATO members because of Article 5 of the NATO treaty. History shows that this type of escalation, if not well managed, can cause a serious threat to world peace.

Direct threats to world peace are not the only factors threatening the stability of our systems of government. Climate change; the chaotic situation in the Middle East; the migration of refugees towards Europe; doubts about the stability of the Schengen era; the aftermath of the euro crisis and the potential collapse of the currency; uncertainty about the sustainability of financial markets and the banking system; the threat of countries leaving the EU; separatism on the rise in regions such as Catalonia and Scotland; the contested position of traditional political parties against growing populism; loudly voiced Euro scepticism; the change in balance between the USA, Russia and China. These are factors which can, on their own, all disturb the balance in our system. But all of these issues are interrelated, and this exacerbates the problem. There are many issues which can trigger a chain of disturbing or even destructive consequences.

The second consequence of complexity is the need of the human mind to simplify information. Nobody, and no institution, is capable of knowing all the relevant facts and correlations and possible disciplinary approaches to understand what is happening in the world and what kind of action is needed or desirable. Mostly, ‘crises’ provoke ‘measures’ which are supposed to be effective. However there is no ‘grand design’, or imaginary blue print. Our social and economic reality has been built on a sequence of crisis reduction measures, for instance EU’s ‘six-pack and two pack’ to ensure more economical stability. Measures are mostly drafted along one or two disciplinary approaches: market regulation in order to mitigate the dangers of market failures, and political compromises to pacify upcoming unrest.

From a historical perspective, international political cooperation is the most powerful instrument for coping with complex problems. The EU is an eminent and striking example of cooperation being used to reduce the complexity of problems European countries were facing after World War II. But the EU itself has become a complex system and many citizens do not understand what is going on in ‘Brussels’. And this erodes the legitimacy of European cooperation.

3. European cooperation

In 2015, many uncertainties have challenged the strength of European cooperation and of the national governments at Member State level. In the aftermath of the 2008 financial crisis, 2015 has provided a great deal of stress on policy making. As well as the stress tests that have been introduced for banks (which were once deemed too big to fail before failing, doing serious harm to national economies), Member States themselves have been exposed to stress that tests their strength and credibility. In this light, the study of the Netherlands Institute for Social Research (SCP) on the performance of the public sector in the EU in 2004 and 2015 is highly relevant. The study introduces a (simplified) heuristic framework in order to understand the complexity of modern society (SCP Chapter 1, fig. 1). It also provides statistical evidence on performance.

European cooperation is based on the presumption of democracy and the rule of law. Article 2 of the EU Treaty states that the Union is ‘founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.’ According to the Copenhagen criteria, new Member States are obliged to comply with the following principles: the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; a functioning market economy and the ability to cope with competitive pressure and market forces within the EU; the ability to take on the obligations of membership, including the capacity to effectively implement
the rules, standards and policies that make up the body of EU law (the ‘acquis’); and adherence to the aims of political, economic and monetary union. The first criterion must be fulfilled before accession negotiations are launched.

It is evident that the pressure on the EU system and on cooperation between Member States relates to many of the fundamental issues mentioned above. In this respect, it is highly relevant to reflect on the performance of individual Member States. The SCP study ‘Public sector achievement in 36 countries’ puts forward ‘good governance as the best indicator as the most fruitful approach’ and offers valuable material for such a reflection (par. 7.2.2). The different elements of good governance are highly correlated (7.3.1). It states that political systems in the Member States and at EU level should inspire trust, because the stability of political systems is contingent upon trust. For this reason, it is of paramount importance to consider the extent to which corruption in the Member States is eroding public trust. The Hertie School on Governance (Hertie) has produced a study on ‘Public integrity and trust in Europe’ which offers valuable data and insights on this topic.

The legitimation of states can be based on outputs, but also on institutional safeguards, such as the rule of law and accountability. The SCP report ‘Public sector achievement' focuses on the comparison of output of countries and provides some evidence for ‘output legitimation.’ The ‘Public Integrity and Trust’ report focuses on corruption and integrity. It describes a paradox: more rules and enforcement are not a guarantee for more integrity. On the contrary: administrative simplicity, trade openness, rule of law, audit and these kind of institutional safeguards correlate with trust (p. 38 and 39), and therefore with greater institutional stability. This may also extend to the good functioning of public services such as health care, education, housing, energy and the civil service.

The SCP report introduces the concept of a national resilience barometer. This instrument aims to give an overview of many factors linked to the strength of states in relation with their demographic, economic and social circumstances, and the state of their public finances (p. 35-72). These factors can be considered as the circumstances under which the state has to perform. Some states have a more favourable position than others, for instance in connection with ageing, poor participation in the labour market and a weak economic outlook. The SCP report concludes that only a few states have very solid societal circumstances. Many states face major challenges (p. 69).

4. The heart of the matter

Reading the Hertie study, it is important to note that the primary argument of this paper is that evidence-based integrity policies are within reach, notwithstanding the fact that the context in each individual Member State is different and that there is no uniform solution. Tailor-made national strategies should be designed to gradually catch up in terms of institutional performance or governance standards. The Hertie study warns that the mantra ‘more rules’ is an ineffective one in this process. It states: ‘EU funds come with the most restrictive rules in the world, but they are not distributed competitively’. From the perspective of the European Court of Auditors, I would like to observe that the error rate, reflecting an estimate of the money that should not have been paid out because it was not used in accordance with EU rules in the spending of EU funds is persistently high, and that many projects fail to deliver sufficient value for money. This bad performance erodes citizens’ trust in EU’s effectiveness.

The Hertie study states that, according to the World Bank, the control of corruption rests on six pillars: administrative simplicity; trade openness; auditing standards; judicial independence; and e-government services and users. Empirical evidence shows that these issues are strongly interrelated. Corruption can be controlled using legal and social constraints (a strong judiciary, strong audit, and societal norms which endorse public
integrity). On the negative side, the Hertie report argues that authorities enjoy wide discretionary powers to decide on material resources such as foreign aid, EU structural funds, public sector employment, contracts etc. These uncontrolled powers fuel corruption.

As an example, Georgia (a post-communist country) used to require citizens to possess licences in order to carry out many activities; for instance, running a bakery or a shop. Every licence was an opportunity for bribery. Georgia put a stop to this practice by introducing transparent town hall services\(^4\). The level of citizen satisfaction with this responsive and transparent approach to public service has been high, and the system has been recognised internationally. Corruption has been reduced significantly.

Another important feedback mechanism that is capable of reducing corruption is the use of e-government tools. This includes the use of emerging ICTs like Internet, World Wide Web and mobile phones to deliver information and services to citizens and businesses. These tools can help the fight against corruption through feedback by reducing the discretion governments have\(^5\). A good instance where such tools have been used is the e-citizen portal in place in Singapore, which includes a feedback unit, where citizens can express their views in a constructive manner on several issues including national policies\(^6\). In this way the government interacts with citizens to shape policies based on their needs. The system in place has received the Stockholm Challenge Award and has internationally been used as a best practice example in the realm of e-government\(^7\).

In themselves, rules and checks are not an effective answer to corruption and growing distrust in society. Besides transparency, independent judicial control, ombudsmen and audit can be helpful. In my view, the heart of the matter is the effectiveness of feedback systems such as the judiciary and audit bodies. Modern states are complex systems; these systems should include several feedback systems. Democracy is a simplified feedback system, because voter can express their views at elections once every certain number of years. The parliamentary system, in combination with a free press, can contribute to the day-to-day debate on the effectiveness of policymaking and the performance of the state. However, the strength of democracy can be seriously damaged by clientelism and nepotism. Courts can control administrative actions, including the arbitrary or even corrupt exercise of discretionary powers. Auditors add transparency to the system by auditing the legality and regularity of public finance and, ideally, reporting on the value for money gained by public investments. An ombudsman can deal with citizens’ complaints, and can combat maladministration and abuses of power. Oversight bodies can monitor banks and other financial institutions. Market and competition authorities can supervise and regulate fair competition, and can contribute to trust in those markets.

Recent years have shown that the internet – if citizens’ access to it is not limited by the state – can contribute to openness and spontaneous feedback on the functioning of many systems. Services are compared, evaluated and commented on. The tone in which this is done may be harsh and unfair at times, but it is overly effective in channelling and...
expressing the views of citizens. It is to be expected that during the coming years, the influence of internet feedback will grow, and innovative supervisory systems will emerge.

The whole range of democracy – judicial control, audit, supervision by ombudsmen and (market) regulators, and evaluation by independent bodies, and applications in the digital world – are all important examples of feedback. The concept of feedback should be understood in a broad sense. In generally in nature, in the human body and in society, feedback is essential. History has shown that the Enlightenment and the spread of the democratic system were key to the economic development of modern Western States. Markets – when they function properly – are governed by feedback: Adam Smith's invisible hand. The separation of power described by Montesquieu and De Tocqueville – the inherent balance of power between the legislator, executive and judicial power – is a feedback system. Feedback should not only be seen as a opposing force, but also as a source of improvement and innovation.

Our analyses of modern society and government structures can be made more useful if we identify the effectiveness of the feedback systems that are in place or of those which are malfunctioning or missing. We also can see that local, regional and national feedback systems are only partially effective. Although many politicians and sections of public opinion oppose European or global solutions, daily life shows that missing or malfunctioning feedback systems can threaten the future development of society. For instance, climate change is the result of a non-existent feedback system in the global climate mechanism, caused by the reduction in the amount of ozone in the stratosphere, the overproduction of carbon dioxide and subsequent global warming. The global ecosystem is disturbed because the existing feedback system is not able to regulate the climate. Only international cooperation can offer new instruments to halt this disturbance.

5. Competition and cooperation
Competition in markets is based to a large extent on indirect feedback on production and prices. Market supervision as a feedback system should contribute to optimal markets where this indirect feedback can function. However, progress in modern society is often made by more direct feedback, especially in the public sector (health care, education, safety) where feedback mechanisms are essential for government to serve society effectively. I would like to frame this ‘direct feedback’ as ‘a difficult conversation’. ‘Speaking truth to the power’ is an important example of starting up a difficult conversation. The role of the judiciary, auditors, ombudsman and other independent institutions is not only focused on the direct control of, for instance, legality, but plays a role in the long-term development of a complex discourse that facilitates the development of the public sector in a positive direction. Indeed, these instruments contribute to accountability.

Feedback depends not only on the existence and effectiveness of legal institutions, but also on cooperation. If, for instance, an audit body is working with a hostile public sector not open to critical reflection, its effectiveness can be limited. In this respect there is an important difference between power and authority. The same goes for (constitutional) courts and the ombudsman. Feedback systems in the public sector only can flourish in an open and cooperative context. If not, public services have a tendency to become inward-looking and unresponsive to the outside world. In this context, a culture of silence can hinder difficult conversations.

For example the Dutch National Ombudsman has investigated the response of doctors and the Inspectorate for Health Care to medical errors. The Inspectorate was functioning in an inward-looking way in its relation with patients and their family. The effectiveness of feedback to medical doctors and health care institutions was only limited. In response, the legislator organised a hotline for complaints. A new feedback instrument was thus
put in place. The Inspector General for Health Care has observed that hospitals which deal in a serious way with patients’ complaints offer better quality in their health care than those which are more inward-looking and less responsive. This suggests that feedback systems are part of an effective learning process for organisations and institutions. In this context, the importance of the internet and digital feedback systems becomes greater. A step further in this development is made by open data. Open data can effectively connect the different parts of the public sector with civil society.

Again, feedback, learning and responsiveness in the public sector can only flourish in a context of openness and cooperation. Cooperation is an often underestimated factor in innovation. The public sector is introducing market effects in order to improve performance, like in health care, education and housing. The doctrine of New Public Management is partially based on this approach. Competition with winning and losing parties might be helpful for developing healthy markets, and public services can to a certain extent benefit from the pressure of competition. However, an interesting topic for debate might be the question of whether – according to negotiation theory - cooperation in the sense of integration of interests is appropriate for the public interests that are served by the public sector. The SCP report ‘Public sector achievement’ offers a broad overview of the performance of the different sectors in EU Member States. To what extent is this performance based on markets? How strong and independent are feedback systems in the public sector of the EU Member States? How open and responsive to civil society are these states’ civil services? Is market competition effective in health care, housing and education? These are all relevant questions for starting a difficult conversation on the improvement of the public sector in the EU’s Member States.

What about the performance of the EU itself? How responsive is the EU in respect to the challenges of those days? The EU’s multiannual financial framework allows only limited flexibility in how the EU budget is spent. The migration crisis has shown a lack of cooperation between Member States in responding to the challenges it brought about. There is a strong focus in Member States on simply spending money, the motto being ‘use it or lose it’. There is precious little feedback from civil society, and the EU is losing its credibility. How effective are the EU’s feedback systems? For more than twenty years, the European Court of Auditors has been reporting a persistently high error rate; in recent years, this rate has been around 4.5%. Until recently, the performance of the EU’s budget has received only limited attention from its member states and institutions. In response to this criticism, the European Commission has announced a focus on results-based budgeting. This raises the question of how results or performance should be determined and measured. It also raises the question of how effective feedback systems in the EU are, and how effectively the EU’s institutions learn from the input they get, as well as the question of how effectively Member States are contributing to European cooperation, or (alternatively) seeking to loosen ties with each other and the European project?

6. Conclusion

What do countries need in order to be effective in serving civil society? Corruption is one of the strongest dangers to the credibility of governments. The Hertie study on public integrity has shown that organising effective independent feedback systems forms the basis of a successful strategy against corruption. Administrative simplicity; trade openness; auditing standards; judicial independence; and e-government services and users are the interconnected key elements of this strategy. Market competition is based on indirect feedback by Adam Smith’s invisible hand. Market participants are consequently eager to respond to consumers’ wishes. In the public sector, more direct feedback systems are and need to be in place. These systems can help to improve the performance of the public sector, in spite of its complex nature. What is essential is the openness and responsiveness of the public sector to feedback. Improvement of the
performance of the public sector should be based on a learning process; feedback is highly relevant to this.
THE CULTURE OF INSTITUTIONALISED DISTRUST

Stanislaw Mazur

1. Introduction
This essay reflects on one of the structural barriers to good governance, namely the culture of institutionalised distrust (CID) in public administration. CID is not a new phenomenon, but it appears that nowadays it has much more serious consequences for the performance of public administration organizations. This is due to the increasing social expectations of citizens and companies of public administration, as well as complex socio-economic wicked problems faced by it. At the outset, the concept of CID is explained, its sources are identified and the manifestations of its occurrence are described. The next part reviews its negative impacts on intra-administrative and inter-administrative management mechanisms. The considerations finish with a list of requirements that may reduce the scope of the phenomenon in question.

2. An understanding of the CID
In order to understand the nature of CID it is necessary to sketch the broader context of this phenomenon. There below the essential typologies influencing on trust/distrust and emerging interdependence are presented.

The level of trust/distrust is determined by factors located on four different levels:

a) cultural; b) systemic, c) organisational; d) interpersonal. The levels are interrelated to a large extent, i.e. culture promoting trust supports building trust at the systemic, organisational and interpersonal levels. In case of culture that features distrust the impact is opposite.

Cultural factors, such as a confidence that it is worthy to trust the others, that it is worthy to cooperate, confidence in their good intentions, readiness to share responsibilities and acquiescence for innovatory behaviours are visibly present in certain organisational cultures, in turn in the others they are present to a much less degree. Culture of trust resulted from short power distance (cultures promoting short power distance are present in the United Kingdom, The Netherlands and Scandinavian countries. In turn, in case of cultures advocating long power distance (i.a. France, Belgium, Poland, Portugal) as well as the approach towards uncertainty/readiness to experiment (countries features culture approving high level risk are e.g. Ireland, the United Kingdom). Culture that discourages high risk and experimenting is present in countries of Southern Eastern Europe).

Systemic factors are the ones which affect bonds of trust/distrust among citizens, officials and politicians. Officials often do not trust the citizens, which results in enhanced mechanisms for regulating socio-economic processes and thorough control of public services provided to citizens via a broadened spectrum of control and supervisory instruments and their intensified applications.

At the same time, citizens increasingly distrust public and political institutions. The degree of distrust varies by country, but it is clearly discernible. The declining ethical standards and examples of corruption among the ruling elites undermine the Europeans’ trust in institutions such as the European Commission and the European Central Bank, and national governments, which also has a negative impact on the public image and

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10 “Public Integrity and Trust in Europe”, European Research Centre for Anti-Corruption and State-Building (ERCAS), Hertie School of Governance Berlin 2015, p. 19.
credibility of public administration. Likewise, the credibility of governments of some European countries is not well-served by the way they cope with the consequences of the 2008 crisis. The credibility of European governments is also negatively affected by the societal perception that the state favours certain persons, groups and institutions in the distribution of public goods and services and insufficiently effective actions to combat corruption.\footnote{ibid., p. 14.}

One should also note a clear asymmetry of citizens’ expectations towards the state with respect to the capacities of the latter. This gap causes disapproval of the state and encourages citizens to review its actions in a very critical manner.

Organisational and interpersonal factors in their relation to the internal dimension of functions of public administration, constitute the central focus of this essay, therefore they are directly connected to CID. For the sake of simplicity, it is assumed that CID exists in two interdependent areas. The first one is constituted by the public administration system as well as the intra-organisational and inter-organisational relationships that occur within it. The crucial ones include those between officials and offices as well as those between them and the politicians. The second area consists in interactions among the citizens, the state and the administration.

The symptoms of CID in the former area involve the relatively low inclination to exchange information and share knowledge, problems in inter-departmental coordination, domination of the vertical approach to the implementation of tasks, excessive formalization, as well as growing misunderstanding over the nature of performed tasks observed between the decision-makers and the line civil servants.

CID is dual in its essence. It means that it is a phenomenon, being both a source and a result of social disfunctionality. It nature relies on a “vicious cycle”, i.e. low level of trust resulted from interpersonal interactions and organisational relations, brings on, through feedback loop, the consecutive interactions and relations are even going to be at lower level of trust. That is why the transaction costs of such relations will rise, as a consequence of lack of trust constituting both source and result of low performance.

CID strongly affects the relationships between officials and their political superiors. Politicians do not trust officials and suspect them of disloyalty, the desire to pursue bureaucratic interests and insufficient involvement in the implementation of their political plans. This lack of trust is manifested by elaborate reporting and control mechanisms, staffing based on political criteria, strengthening the role of political cabinets as a counterweight to high-ranking officials, lack of concern for motivational working conditions and criticism of the officials’ qualifications.

On the other hand, officials often accuse their political superiors of incompetence, lack of understanding of public management mechanisms and the primacy of concerns for partisan and private interests over the interests of the state. This can be accompanied by decreased involvement of officials in the execution of their tasks and lower quality of their execution, the conviction of non-substantive criteria for career advancement, reduced sense of identification with the idea of civil service and, in extreme cases, the temptation to engage in unethical or corrupt behaviours.

3. Negative consequences of CID for the performance of public administration

CID brings with it a number of negative consequences for the performance of public administration organizations. Their discussion is in this essay essentially limited to the intra-administrative and inter-administrative dimensions of the analysed problem. The inventory of those consequences includes:
a) Increased economic and social costs of public administration
Distrust felt by politicians towards officials leads to increased costs of public administration. Four types of costs can be identified:

- Financial (introduction and use of new procedures for control and reporting);
- Management (decreased motivation of officials due to non-substantive staffing policy criteria, precarious employment conditions);
- Ethical (weakened sense of public service ethos, alienation, unethical behaviours);
- Image (criticism of the officials’ skills undermines public trust in them).

b) Decreased quality of public management
Undermining trust has a negative impact on the quality of public management. It results in the following:

- Reduced effectiveness of diagnostic and decision-making processes (limited willingness to share information and knowledge coupled with a strong formalization of organisational ties);
- Inconsistency of public policy objectives (inefficient mechanisms that are supposed to assure the consistency among public policies objectives setting by various public offices and departments);
- Reduced implementation quality (weak horizontal coordination of inter-departmental and inter-organisational mechanisms);
- Low level of ‘translatability of perspectives’ (misunderstanding the nature of tasks performed by other agencies).

c) Reduced potential for organisational learning
Too numerous and detailed management procedures, leaving staff with no room for innovative or creative behaviours may be received by them as an expression of distrust in their competence and thus demotivate them. This significantly reduces the potential for organisational and systemic learning of public administration. It leads to:

- a limited capacity to correctly identify problems;
- the weakening of organisational incentives to seek innovative solutions;
- deficient mechanisms for interaction in the sphere of knowledge sharing;
- the shaping of an organisational culture characterised by proceduralisation and precautionary measures limiting the space for innovative solutions.

d) The erosion of accountability
The introduction of additional coordination and supervision procedures aimed to rationalise decision-making processes and to minimise the risks generates counterproductive effects:

- involving the dispersal, shifting and rejection of responsibility for decisions
- the weakening of administrative leadership.

4. Proposed actions
The previous part highlighted certain phenomena that result from CID within public administration. This part focuses on selected solutions aimed at eliminating them (the suggestions outlined below focus on intra-organisational and inter-organisational processes in public administration):

A. Improving the quality of governance
It seems to be beneficial to indicate three important factors in the sphere of quality of governance as well as two general regularities very positively influencing on the rise of
citizens’ trust towards the state and public administration. Their significance relies on the fact, that they strongly contribute to the increase in trust and simultaneously minimise CID and reduce negative consequences resulted from that phenomenon.

The first one deals with the existence of a professional independent administration based on meritocracy instead of political appointments, which is emphatically illustrated in the report developed by the Netherlands Institute for Social Research.  

That essential observation is verified by various research made by Hertie School of Governance: „Beyond the occasional performance by a government which might be influenced by diverse circumstances out-side its control, long term sustainable development is hugely influenced by the existence of both a society (and a market) and governments operating by merit-based systems."

The second factor strengthening public trust is a widespread use of ICT in public administration: „A better e-government may be associated with lower corruption levels as well as in reduced bureaucratic delays and higher citizens' trust in public administration”.

Third factor actively stimulating increase in the quality of public administration are favourable conditions for a free press.

The level of education and their activity in the scope of self-organising movement is an important horizontal factor immensely affecting the level of citizens’ trust towards the state and its administration. Moreover it needs be noted that: "Government performances affecting economic growth or control of corruption are both significant determinants of political trust, if controlled for development".

Finally it is emphasised that GDP per capita is significantly and positively related to a positive perception of the state by its citizens. It also important to note that in this case, cause and effect will very likely be mingled as far as this structural characteristic is concerned.

B. To reduce the economic and social costs of public administration

The valuable solution that serves to build a reasonable compromise between the substantive and political criteria for staffing senior positions in the civil service is so-called Hybrid System. It guarantees the employment of people with the right mix of competencies and, at the same time, offers politicians the capacity to select officials whom they perceive as loyal.

The quality of public management is strongly influenced by the quality of human resource management, including the provision of appropriate conditions of employment for civil servants. The inspiring phenomenon have been observed in Germany, where the professional ethos of civil servants is based on high personal requirements as well as

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13 Public Integrity, op. cit., p. 31.
14 SCP study, op. cit., p. 33
15 Ibidem, p.38.
16 Public Integrity op. cit., p. 31
17 Ibidem, p. 32.
18 Ibidem, p. 38.
attractive work conditions, including the stability of employment and relatively high salaries.\(^{20}\)
The flexible working time formula may contribute to developing a sense of empowerment amongst officials. Its application also increases the attractiveness of civil service jobs. In this context, it is worth looking at Sweden’s Trust-Based Working Time.\(^{21}\)
A solution geared towards greater employee involvement in the management of their workplace may be found in the Employee Suggestion Programme implemented in the United States. It offers them an opportunity to make suggestions leading to improved and enhanced operation of their organisation.\(^{22}\)
There are numerous approaches to combating corruption. Anti-corruption systems that appeal to ethical and professional values are especially relevant due to their considerable effectiveness. Here the Finnish example may be worth mentioning. Thanks to the consistent implementation of the Principles for the Good Reputation of the Finnish Public Administration, Finland now ranks among countries with the lowest corruption levels worldwide.\(^{23}\)
Administration costs can be reduced and its transparency can be improved thanks to e-procurement solution. Numerous valuable examples can be found in the European Union member states\(^{24}\), including solutions introduced by the Lithuanian government that enhance to improve transparency, speed up procedures and enhance competition in the area of public procurement.\(^{25}\) It seems worthy to mention the practise that comes from Portugal in the scope of supply hospitals with the use of e-procurement. It has led to evident cost reduction.\(^{26}\)

C. To improve public management quality
An interesting solution for ensuring the cohesion of public policy objectives at the central government level, their effective implementation and monitoring was adopted by the Belgian Government. It is called Goal Management and Performance Measurement.\(^{27}\)
The Integration Governance Model is a valuable solution for ensuring the cohesion of public policies conducted by the central government, which has been introduced in Austria.\(^{28}\)
An effective system of cross-sector coordination of central government policies was developed in the Netherlands. The central role in it is played by the Ministry of the Interior and Directorate-General for Organisation and Management of the Central Government (DG OBR) located within its structures. While DG OBR has a central task in management support, it does not focus on financial management issues. It is the Ministry of Finance which plays a coordinating role in this respect.

\(^{24}\) Prevention of Corruption in the Public Sector in Eastern Europe and Central Asia. OECD Anti-Corruption Network for Eastern Europe and Central Asia, 2015, p. 97
\(^{26}\) Prevention of Corruption in the Public Sector in Eastern Europe and Central Asia. OECD Anti-Corruption Network for Eastern Europe and Central Asia, 2015, p. 97
\(^{27}\) P. J. Carlier, Department Services for the General Government Policy, peterjan.carlier@dar.vlaanderen.be
Problems related to the reconciliation and coordination of activities are, in part, due to the fact that officials tend to misconstrue the nature of the tasks carried out by other agencies. This problem can be partly resolved by the application of the shared-goal exercise. Its aim is to break up the silo structures by building a sense of common objectives and an awareness of the importance of cooperation. It was adopted within the federal administration in the United States.

D. To strengthen the potential for organisational learning

Strengthening the capacity of an agency to correctly identify and solve problems constitutes a serious challenge for modern public administration. Opportunities to improve this particular aspect of agency operation must be sought in the creation of institutes benefiting from the achievements of science, of which an inspiring example is offered by the Dutch CPB Bureau for Economic Policy Analysis. It delivers economic analyses and forecasts while attempting to be as scientifically sound and up-to-date as possible.

A substantial barrier to effective and efficient operation of public administration is the weakness of its knowledge sharing and production mechanisms. An innovative practice aimed at changing this state of affairs is the Danish MindLab. The MindLab is a cross-governmental innovation unit that involves citizens and businesses in creating new solutions for society. It also constitutes a physical space – a neutral zone for inspiring creativity, innovation and collaboration.

An important way of inducing officials to seek innovative solutions is an attempt to devise organisational incentives which contribute to changing routine behaviours of administrative structures. A good example may be offered by the Behavioural Insights Team (BIT). The BIT is jointly owned by the UK Government, the innovation charity and its employees. It acts as the world’s first government institution dedicated to the application of behavioural sciences.

In the context of organisational learning it is justified to mention here the solution practised in Spanish public administration, mainly in the region of Andalusia, but gradually extended to other governments in the country. The practice deals with knowledge management and uses the Internet thematic forum combined with the social portal and aims to strengthen the processes of self-reliant exchange of experience, knowledge and information.

An important contribution to a good knowledge management in public administration has become the concept of a Community of Practitioners. Its express goal is to facilitate sharing information, mutual learning and inspiring and to disseminate good practices.

E. To strengthen accountability

In order to prevent the negative consequences of erosion of responsibility it is necessary to implement a consistent and transparent accountability system embedded in the constitutional and legal order. An important feature of such a system is the hierarchical integration of different mechanisms aimed at enforcing accountability. A good example in this respect is provided by Estonia, where the so-called Integrated Accountability System was developed.

33 Mazur S., Płoszaj A., op. cit., p. 49
34 Ibidem, p. 45.
Effective leadership constitutes an important element to prevent erosion of accountability of public officials. This can be done through strengthening administrative leadership by equipping leaders with appropriate public administration skills. Leaders should not only set goals for their organisations and mobilize their staff to achieve them, but also to create conditions conducive to respect for different values, needs, competencies and motivations of their employees. The use of coaching is widespread mainly in the private sector, but it increasingly appears in the public sector as well. This trend is spearheaded by France.

A variety of training sessions serves to strengthen leadership in public organisations. One should mention the leadership preparation programme run by the Australian Public Service Committee, which consists in a comprehensive and systematised training of mid-level officials in order to prepare them for management functions. The starting point is constituted by determining competence models that specify individual skills required to perform management functions at various levels of the organisation.

5. Closing remarks

CID has many negative consequences for the quality of public management. Their elimination or restriction in their scope, which appears to be more realistic, would require the construction of a package of measures that would include proposals related to each of the negative effects of CID cited in this essay. Equally important would be the determination to implement them.

It certainly is a difficult, arduous and not a spectacular task, but a necessary and indispensable one. Greater trust means lower transaction costs of operations of public administration and improved quality of its functions and services. Increased trust is also associated with a greater autonomy representing the sine qua non condition for innovation activities. Trust thus conceived does not mean giving up the rules of transparency and accountability. The latter, however, should be more reflective, not merely procedural or instrumental in nature.

The point is not to undermine the foundations of public administration (rules, procedures etc.), but to ensure that the “procedural spiral” does not turn administration into a Leviathan that replaces people’s knowledge, creativity, autonomy and initiative by procedural wisdom. An administration that operates in this way not only fails to make use of its most valuable assets (employees and their skills), but is also limited in supplying what citizens expect of it, namely good governance, high sense of public service and ethical behaviour in public life. This can be achieved by transforming public administration from system with relatively low levels of trust into one with fairly high levels of trust.

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CIVIL SERVICE MERIT VALUES BETWEEN EMPLOYMENT SECURITY AND FLEXIBILITY

Tiina Randma-Liiv

1. Introduction
The aim of the essay is to look at the most recent developments in European civil service systems with special focus on merit values. First, the role of merit values in modern civil service systems and their operationalisation through employment security are outlined. This is followed by examining challenges to merit in the context of recent reform trajectories which search for flexibility in civil service systems. Thereafter, the impact of fiscal crisis on civil service systems is addressed by exploring the interlinkages between cutbacks and merit values, which in some countries have contributed to structural civil service reforms. Finally, the essay addresses trade-offs and cross-country differences in securing merit values. The essay elaborates upon the two reports presented to EUPAN – “Public Integrity and Trust in Europe” prepared by the Hertie School of Governance in Germany (hereafter referred as the Hertie report) and “Public sector achievement in 36 countries” by the Netherlands Institute for Social Research (referred as the SCP report). Whereas these two reports take a very broad view of governance, public integrity and trust, this essay limits its focus on the internal processes within civil service systems by concentrating on the assurance of merit principles in civil service.

2. The importance of merit values in the civil service
Modern civil service has its roots in merit values requiring civil servants to be recruited, selected, supervised, promoted and dismissed on the basis of merit by that assuring professionalism, impartiality of public authority, and civil service independence from political processes. Merit principles form a basis of contemporary civil service systems with the aim to enhance integrity, performance, transparency and good governance, opposed to patronage, favoritism, politicization, corruption, particularism and nepotism. The merit system was originally founded in order to correct the political patronage in government which had led to not only serious inefficiencies and lack of competence but also to devaluation of the civil service. As the SCP report argues, the key factors underlying quality of government are impartiality in the execution of public authority and absence of favouritism. Merit-based civil service systems are rooted in ethical universalism and impartiality of rules, whereas the patronage refers to favouritism and particularism. The chief value under particularistic regimes is corruption as brought forward in the Hertie report. In a democratic system, the neutrality is key to a legitimate role in government for the civil service (Ingraham, 1995). Merit principles—which include such axioms as appointment based on qualifications and competence, non-discrimination in all aspects of employment, and due process for termination—are enduring and hard to dispute.

The assurance of merit values provides a basis and pre-requisite for public sector integrity, transparency, and good governance. Merit-based civil service system can be seen as one of the most common tools available to build and defend public integrity. The Hertie report shows a direct link between the absence of merit values and corruption by demonstrating that the perception that corruption is widespread is explained not by direct experience of corrupt behaviour but by particularism (see Figure 2 and Table 5 in Hertie study). Similarly, merit values are per definition linked to transparency in...
governmental processes, since particularism and patronage can only be practiced in cases where transparent recruitment and dismissal processes are not secured. The Hertie report demonstrates that European states with the best control of corruption are those countries which score highest for transparency.

The basis for ensuring merit values is usually provided in civil service legislation and/or collective agreements. Merit values in the civil service have traditionally been operationalized through two dimensions:

1) transparent and fair recruitment, selection and promotion process based on competence of candidates. The merit principles foresee fair and equitable hiring and promotion of civil servants, who will be experts in the requisite field, and who will deliver government services in a fair and impartial way. The World Bank good governance indicators importantly include a degree of civil service independence from political pressures by emphasizing “professionalism” as opposed to “politicized”. The SCP report indicates that the correlation between professionalism and good governance is very strong.

2) employment security, tenure, predictable and long-term careers, and full-time public office. This essay focuses primarily upon employment security which can be seen as a guarantee to avoid patronage, particularism, favoritism and politicization in the civil service as it sets limits to managerial discretion in terminating employment (and replacing civil servants), and provides officials with protection as they “speak truth to power”. Evans and Rauch (1999) demonstrate in their seminal study of 35 countries that the combination of meritocratic recruitment and employment security significantly enhances prospects for economic growth. They claim that predictable prospect of long-term career rewards reduces the relative attractiveness of the quick returns available from corrupt individual practices by arguing that “careers that provide the expectation of a series of promotions related to performance and conformity to organizational norms create disincentives to corrupt behaviour, especially if such behaviour undermines organizational goals.” (Evans and Rauch, 1999: 752)

All in all, merit systems are more complex and more profound than simple sets of rules and regulations of civil service employment conditions – they are about democratic governance and good government. Although sometimes unions seem to have monopolized the right to discuss merit values (employment security, in particular), it is, in fact, in the interest of all participants in democratic governance process to make sure that merit values are institutionalised and followed in everyday practice.

3. Contemporary challenges to merit values: in search of flexibility

Despite the importance of acknowledging and ensuring merit values, the Hertie report (2015: 1) argues that “only in a minority of countries in present-day Europe we do encounter a clear majority who believe that success in either of the public or private sectors is due to merit.” According to the Hertie report (Table 6), the belief in the meritocracy in public sector is the highest in Nordic countries, and the lowest in Central and Eastern Europe (CEE). Why have merit principles lost their prominence in the civil services? First, although several CEE countries have succeeded in introducing (more or less) meritocratic recruitment practices in their civil services, they have not yet been able to establish civil service employment security during their post-communist history (Meyer-Sahling, 2011).

Second, the reality of many Western European governments shows that the application of merit civil service systems has led to a vast, yet rigid set of rules and regulations that guide the implementation of the merit principle in a standardized way (in terms of equal treatment within the system). The rule-bound nature of merit system has made it increasingly inward-looking, where the link between management and the civil service
system remains weak, especially when line managers are not allowed to make personnel decisions (Ingraham, 1995). Moreover, the civil service’s disciplinary structure, initially designed to protect employees, has been argued to become a rigid system of rules exploited by both employees and management and largely devoid of common sense or merit. As a consequence, employment security as a cornerstone of merit values is under attack not from right- or left-wing political parties but from a deficient operationalisation of merit values which often places employee retention over employee performance. Employment security, although established for fair reasons, inhibits dismissal of civil servants for ethical or performance-related motives. This raises a question: Has the merit-based civil service system, as it has evolved over the past century, lost a proper balance between protecting civil servants and holding them accountable?

Governments have responded to such criticism by attempting to introduce more flexibility in civil service systems. This has involved steps towards pluralisation of public employment status, decentralization of unitary public sector human resource management, increasing the establishment of temporary or fixed-term positions, gradual disappearance of life-time tenure, and increase of managerial discretion in personnel decisions, including in recruitment, selection and dismissal. Some governments have gradually stepped back from the merit-system tradition by creating some form of at-will employment for its employees – in "at will" employment, employees can be fired by their employer without advance notice and without cause, which is a big departure from the protections in the modern civil service tradition (Bovaird, 2015). All in all, the reforms in most EU Member States show some tendencies towards alignment between civil servants’ and private sector employees’ working conditions (Demmke and Moilanen, 2013). In some cases, the search for flexibility has led to weakening of employment security, i.e. civil service protection from external influence.

However, increasing flexibility and managerial autonomy in personnel decisions may bring along arbitrary action, patronage and potential politicization of civil service. Managerial discretion may open up opportunities for particularism (as opposed to ethical universalism) (see the Hertie report). This is particularly the case in new democracies where the democratic values are not as ingrained and rooted in society as in old democratic countries. In the long term, this threatens citizens' trust and state legitimacy, whereas impartial and effective public administration builds trust between the state and citizens, and stimulates markets. The puzzle that all democratic governments face is how much flexibility can be introduced without threatening core merit values in the civil service?

Merit values are thus constantly pushed by two contradictory forces: by traditionalists in the public administration defending the "purity" of merit values through rigid employment security and by reformers searching for more flexibility and managerial autonomy in personnel practices (see Figure 1 below).
Civil service systems are in constant search for an optimal equilibrium between these two forces. Some contextual factors may pull the equilibrium towards one side, whereas the other factors hold it back. It is argued below that the evidence of recent fiscal crisis has contributed to the further move towards flexibility and away from classical employment security.

4. The impact of fiscal crisis on merit values
Although the global financial crisis has hit the European countries to a different degree, most governments have been forced to cut budgets, restructure service delivery strategies, reset priorities, and assume new financial responsibilities. The impact of fiscal crisis is not only limited to public financial management but it has also brought along shifts in the conventional public management patterns (Kickert and Randma-Liiv, 2015; Lodge and Hood, 2012; see also the SCP report). As argued in the Hertie report (2015:1), the countries where citizens perceive higher integrity and better governance are those which have managed to preserve high levels of trust despite the economic crisis. Indeed, the crisis has brought to the fore previously hidden problems and dilemmas of governance. This section focuses upon how the specific context and tasks of the government during the fiscal crisis influence merit principles in the civil service.

Employment security versus layoffs
When governments are forced to curb their expenditures, the first choice is whether to cut public services (programmes) or the costs related to public administration itself. All European governments have combined these two types of cuts. The most widely used personnel cuts during the recent crisis have been hiring freeze, pay freeze, pay cuts and staff layoffs (Kickert and Randma-Liiv, 2015).

All these cutback measures require considerable flexibility from the part of public personnel policies. This is why cutbacks have triggered a discussion on the systemic features of civil service. The “crisis paradox” presents a dilemma between traditional employment security and layoffs. On the one hand, employment security is expected to protect civil servants from layoffs and political intervention. On the other hand, layoffs and other cutback measures targeted at civil service personnel (e.g. the increase of fixed-term contracts or part-time positions) endanger employment security and
potentially make civil service more dependent on external influence. The most prominent cutback management author of the past, Charles Levine (1984) has argued that the capacity of an agency during cutbacks largely depends on the flexibility allowed by its personnel rules and regulations. He recommended amending personnel rules and regulations in order to allow the use of part-time employees alongside full-time professional public servants, and to encourage working on a project-basis. By questioning the rationale of traditional employment security in cutback environment, it can be concluded that the crisis-era is likely to push the equilibrium between employment security and flexibility towards flexibility, and consequently, further endanger classical merit values.

The way how public organizations responded to cutbacks in the past called for re-examination of the merit system with regard to employment security. As argued by Johnson (1983: 189), the merit system has been twisted from its original intent — although it was not intended primarily to provide lifetime employment, but rather security from external pressures (mostly from politicization), in practice, however, the merit system gradually became to be viewed as granting permanent employment security. Although merit principles were originally conceived primarily in reactive terms to protect civil servants against patronage, rather than a positive tool to enhance cost-efficiency, the practice of civil service layoffs in European countries during the recent crisis suggests that in several countries greater value has been given to fiscal considerations than to employment security as a cornerstone of classical merit values (Kickert and Randma-Liiv 2015). This way, the democratic values of public service have given way to technocratic pragmatism. The side-effect of such relaxation of merit practices can be the increase of arbitrary action and potential political interference in public personnel policies.

The empirical findings of a comparative study of European countries (Kickert and Randma-Liiv 2015) show a considerable variety of government responses as far as layoffs and civil service employment security are concerned. On the one hand, staff layoffs were rather extensively applied in response to crisis in CEE countries. At the same time, the evidence from Austria, Belgium, Italy, France, Germany, The Netherlands and Portugal point in an opposite direction where staff layoffs were not commonly used as these countries opted for “milder” cutback instruments such as hiring freeze or pay freeze. This shows the fragility of merit values in CEE countries facilitated by the relatively underdeveloped civil society and weak unions, and by the missing (or inadequately implemented) employment security in the civil service regulation. This may enable to carry out radical cutbacks but at the same time provides a fertile ground for patronage and politicization in the civil service. This is particularly alarming when we acknowledge that CEE countries have also the highest perception of widespread corruption among the EU member states (see the Eurobarometer data of 2013 presented in the Hertie report, Table 7), and relatively low scores in public administration outcome index (SCP report, Figure 7.1.).

The impact of crisis on civil service reforms

The most fundamental question about responses to the crisis is whether the governments maintain their existing patterns of governing or the crisis elicits a persisting change in the civil service system. Citizens, politicians and various interest groups may perceive civil service reforms as part of “efficiency savings” and thus a solution to fiscal stress. Politically and organizationally, such efficiency savings can be considered the most preferred method for fiscal consolidation as they often sound less threatening and more technical compared to straight cutbacks (“gain with no pain”). Such reforms tend to curb civil service salaries and pensions, and traditional social guarantees in the civil service such as employment security. Examples of such reform directions in three European governments are provided below.
In Hungary, the new regulation on civil service in the central government and its subsequent modifications in the post-2010 period greatly changed the employment conditions of civil servants. These changes were so extensive in relation to employment security that employers could, according to the first version of the law, dismiss civil servants practically without any justification. Although this provision was later invalidated by the Constitutional Court, it remained in effect long enough to enable political executives to make profound personnel changes in the civil service. The Ministry of Public Administration and Justice (an expansion of the former Prime Minister's office) received the right to veto any appointment of public managers, and the subsequent civil service regulation explicitly established “political loyalty” as an employment criterion by that enabling it to enforce political considerations over professional ones and introducing elements of a patronage system in the Hungarian administration. Another condition of a civil servant’s “non-conformance with the supervisor’s value standards” became a ground, on which (s)he can be dismissed, without further justification. Large-scale replacement of personnel took place, especially in the higher echelons, leading to a major politicization of the civil service. (Hajnal and Scengödi, 2014)

In Ireland, the crisis brought along a renewal of government’s commitment to actively manage the terms and conditions of public sector employment in order to increase both efficiency and accountability. This was closely tied to the terms of the two public sector agreements, in 2010 and in 2013, in which the trade-off involved a government undertaking to desist from further direct pay cuts, in exchange for increased flexibility such as additional contractual hours worked, and deployment of personnel across tasks and across sectoral workplaces. The change also involved the return to strong managerial discretion in setting pay rates and strengthening managerial controls over work organization. An emphasis on skills and position-based recruitment including fully open recruitment at senior levels, as opposed to general entry and training on the job, also represented an important new departure for the Irish public service. At the same time, Irish civil servants retained employment security and special pension entitlements. (Hardiman and MacCarthaigh, 2015)

In Estonia, the Parliament passed a new Public Service Act in 2012 that had been rejected already twice before, in 2002 and 2009. As the underlying value of the new Act was cost-efficiency, the period of austerity set a favorable context for its approval. According to the new Act, a quarter of civil servants (e.g. staff in the ICT, personnel, accounting and public relations departments) lost their civil service status and became employed under the Labour Law. Seniority pay and public service pensions were abandoned, civil service pay system became decentralized, and the previous (limited) employment security was equaled with that in the private sector. (Kickert and Randma-Liiv, 2015)

These examples present evidence from a few European countries (all severely hit by the crisis) where structural civil service reforms undertaken during the period of crisis indeed followed a clear direction towards flexibility. In European civil service systems, there is no recent evidence of reforms in the opposite direction – strengthening of employment security and/or reduction of the number of political appointments. Lodge and Hood (2012) argue that if such trends continue, any remaining „pre-NPM aspects“ of the public service bargain—such as reward bargains involving employment security and generous pensions—would come even more under attack in order to reduce increasing budget deficits. This, in turn, may lead to a situation where the loyalty of civil servants becomes unpredictable in volatile circumstances.
5. Seeking for an optimal balance between employment security and flexibility

Civil service systems are not just about personnel rules and regulations. Civil service systems are integral parts of government and the site of critical interface between government and its citizens. They are also products of constitutional, political, economic, and social demands and decisions. Similarly, merit principles do not only concern recruitment or dismissal practices of civil servants, but they can be seen as important facilitators and indeed guarantees of democratic governance, integrity and professionalism. The question, however, is not so much in the appropriateness of merit values but in how to operationalize the merit civil service systems under contemporary circumstances which require more flexibility and adaptability to change from the civil service compared to decades ago when the foundations of meritocratic civil service systems were established.

The above-mentioned reform trajectories have explicitly challenged classical merit values by relaxing civil service employment security, and thus opened up possibilities for increased patronage unless the diminishing employment security gets counterbalanced by other tools strengthening merit values. This implies that civil service reforms bring along the need for a variety of trade-offs between employment security and flexibility, where an optimal balance should be searched for.

These trade-offs regarding merit values include the following:

- **Employment security vs performance:** finding a proper balance between employment security and holding civil servants accountable
- **Transparency vs managerial autonomy:** ensuring transparency of recruitment, promotion and dismissal, especially when managerial autonomy gets increased
- **Employment security vs merit recruitment:** when reducing employment security, even more attention should be paid to guaranteeing the presence of merit principles in recruitment and promotion in order to reduce the opportunities for arbitrary action and political intervention
- **Motivation of civil servants vs employment security:** introducing supplementary ways of motivating civil servants in case employment security is reduced
- **Layoffs vs employment security:** during fiscal crisis, the use of alternative cutback measures to layoffs can be considered including hiring freeze and/or pay freeze

These dilemmas do not have universal solutions as each country is supposed to find its own optimal balance in the civil service system, without sacrificing merit values to flexibility. This is one area of governance where one size definitely does not fit all since different European countries have different departure points when addressing merit values. As argued in the Hertie report, the EU currently accommodates member states with great differences in economic and institutional development. Some present problems nearly similar to developing countries, while others lead the world when governance is concerned. Different countries have different points of equilibria between job security and flexibility. While one country may be in need for more flexibility, another country may have to strengthen employment security in order to guarantee basic merit values in the civil service.

The reports presented to EUPAN provide a good starting point in this regard. As shown in the Hertie report, at the one end of the spectrum of European countries are high trust societies where governments operate on the normative foundation of ethical universalism, under which people are treated on the basis of public integrity and impersonal administrative behaviour. At the other end of spectrum are low trust societies with systems based on particularism, where favouritism prevails. Nordic and Western European countries are above the EU28 average on public trust in national governments, while CEE countries fall below the average (see the Hertie report, 10).
One could argue that flexibility is a luxury that high trust societies can afford without threat to merit values. High trust societies can introduce more flexibility in their civil service systems (as also seen in the example of Nordic countries), whereas low trust societies may need more regulation than flexibility-oriented reform agendas presume because more rules are required to create conditions for the elimination of nepotism (see Peters 2001). Imposing additional rules might be counterproductive in stable and highly developed democracies where generally accepted public values and merit principles are already in place, but it is unavoidable in countries where the rule of law is not yet in place, and where corruption in society is high, as in some CEE countries. As argued by Guy Peters (2001: 167): “the public service may not be viable before there is a set of values that will permit government to operate in an accountable and non-corrupt manner without the existence of formalized controls.” The liberalisation of employment conditions in the new democracies may lead to a further increase in politicization, enhance rather than eliminate instability and increase levels of corruption. Diversity of national contexts calls for multiplicity, not uniformity of solutions in addressing the flexibility vs employment security dilemma.

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1. Introduction: The smart and right thing to do
As has been put before, and wisely, investing in education is not only the right thing to do – it is also the smart thing to do (see UNICEF (2015). Investment in education is of crucial importance for growth and development. And this is true either in what concerns developing countries but also developed and industrialized world regions. More education is linked to more labour productivity and better wages. It is thus, and considering this particular aspect only, one of the more powerful tools both to foster economic growth and to reduce social inequality. But more education is also clearly linked to better health and disease prevention. Moreover, education contributes decisively to political trust and to the effectiveness of democracy. It enhances people rights and their conscience about them, and it thus contributes decisively to the better quality of governance.

It is argued in this essay, and in line with the report on countries comparative performance, that there are very important differences in education across Europe. This differences in education matter, as they likely concur to economic divergence paths. This divergence path may ultimately put the European idea at risk, as it impacts negatively on trust in policies, in politics and in institutions. Some public policy implications, both at the national and European levels, derive for this argument and presented in a final section.

2. Differences in education across Europe
It becomes clear from the SCP report (2015) on “Public sector achievement in 36 countries” that education outputs across Europe (and also when Europe is compared to other regions in the world) is very asymmetric, even if the analysis depends much on one set of indicators (the PISA results). Of course, education performance comparisons could lead to different conclusions if one resorts to different methods or indicators. However, we have already a grasp of the most important result here – there are regions that are clearly disadvantaged from this point of view.

This point is further illustrated by the following indicator, the percentage of young people (25- 34 years old) that attained an education level below secondary.

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It is very clear that southern European countries (Portugal, Spain, Italy, and Greece) are clearly underperforming on this matter. In the Iberian Peninsula about a third of young adults left school before concluding the secondary level. This compares to numbers well below one tenth in former communist countries like the Czech Republic, Poland or Slovenia. Perhaps surprisingly, Scandinavian countries (Norway, Sweden, and Denmark) do not show as above average performers on this matter.

This comparative failure to educate at the European southern periphery is well rooted in history, and, to be completely objective, the observer would have to verify that recent progress has in some cases been substantial as well.\textsuperscript{41}

\textbf{3. Differences in education across Europe matter}

Education is much more than economics. However, it is undeniably a form of individual and collective investment, it constitutes human capital formation. Human capital is, together with physical capital, either public or private, and labour, an important production factor in macroeconomic terms. In Afonso and St. Aubyn (2013), we show that those factors, but also a governance indicator, are important determinants for efficiency in production and growth in OECD countries. Moreover, some countries, even if they were close to or at the efficiency frontier, like Portugal and Spain, were limited in their growth prospects by their relative human capital scarcity.

\textsuperscript{41} In Portugal, the percentage shown in figure 1 is 35%. It was 68% in 2000.
Figure 2 illustrates one of the important consequences of different levels of human capital across a geographical space. In fact, this is a representation of patent applications in different regions of the EU. Brown stains correspond to a higher application density, of more than 250 per million inhabitants. Patent application here is a proxy for innovation. If one considers that i) innovation occurs when highly educated people work together, such that synergies occur and new ideas arise, and ii) that long term growth prospects and innovation are closely related, it follows that European regions may well be condemned to long term divergence. The centre, in the figure the region delimited in red, would attract educated people and industries where scale economies predominate, while the periphery would only grow based on *latu sensu* natural resources (which could include, say, tourism related activities). And Paul Krugman (1980) would have been right.
Note that education provision asymmetries and inequality outcomes are also linked at the national level, as documented in the SCP report (2015) on “Public sector achievement”. As stated there, the proportion of variation in PISA test scores that is explained by socio-economic status ranges from less than ten percent in countries with less inequality to up to 25 percent in more unequal countries.

4. Public trust
The “Public integrity and trust report” (Hertie, 2015) shows us that trust in national governments and European institutions declined substantially in recent times, and this in particular at the peripheral countries. One would not fail to link this to the euro and sovereign debt crisis and associated policy difficulties and failures in dealing with them, or even, in earlier times, in detonating or amplifying them. However, it may well be the case that deeper and more structural movements operate under the sea foam. Among them, growth difficulties that are probably related to, but not only, human capital formation and education.

Let me make a detour. Education and human capital formation may well have a direct impact on public trust. As documented in OECD (2015), higher levels of education make people to trust others more, even after accounting for gender, age or income differences. This direct link is important on its own. However, my point is different here.

The point is that education provision asymmetries concur to a differentiated economic performance across the European space. Economic divergence, exacerbated by the crisis and by the ensuing austerity policies, lead to a distrust in policies, in politics, in institutions and in the European idea (or ideal).

5. Public policy response
Restoring confidence will never be an easy task, and it will not succeed by mere voluntarism. Concrete action must be taken in order to give a new meaning to what the European Union is at this stage. I will restrain myself to the education and human capital formation field, but extensions to other domains are within easy reach.

The main idea is to foster education as a mean to counter disaggregation tendencies at work at both levels. At the European level, one would like to emphasize the role of European regional policy, so that the Krugmanian scenario mentioned before is avoided or at least mitigated. In what concerns education, there is scope here for increased European cooperation at the tertiary level, with an eye at promoting research across Europe in a balanced way.

At the national level, one could argue in favour of:
- **Strengthen the education system**, ensuring that some of the bright and motivated people are attracted to the teaching profession. This means that these professionals are paid in accordance with their qualifications and that the teacher figure regains at least part of the glamour it once had. This could mean that quality is more important than quantity, at least to a certain extent. It is probably better to have very good teachers than to have many teachers.
- **Design the teacher career in a proper way**, with the correct monetary and non-monetary incentives in what concerns progress and promotions.
- **Promote school autonomy**, as it allows a better adaptation to local needs, but not to the point of giving rise to opportunistic behaviour (and I am following here the conclusions from the study on countries performance compared). The trade off

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OECD (2015) reports that in many countries the economic crisis and consequent budget savings lead to lower teacher wages.
between autonomy advantages and opportunistic behaviour is not to be undervalued. For instance, autonomy in hiring may be a “good thing” when the school chooses the more adequate staff to its needs or a “bad thing” when the school works as an agent of local cronism.

- Increase school accountability. This implies not only the participation of parents and local community involvement, but also the role of inspections, increased transparency in what concerns information provided on school activities and results.

Promote the equality of opportunities. At the local level, the trade off between efficiency and equity is sometimes “solved” at the expense of equity. For instance, schools may want to attain a better place in the national or regional ranking and try to select best students in detriment of more problematic youths. This is to be checked by policy. In some cases schools operating in difficult environments need increased resources (for example, more teachers, or more qualified teachers, or some additional staff).

References
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Dutch EUPAN Team, January 2016
Ministry of the Interior and Kingdom Relations, DG Public Administration, The Hague