

# STUDY OF PUBLIC ADMINISTRATION IMPROVEMENT TRENDS IN EUROPE AND LITHUANIA

## SUMMARY

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## 1.1. Aims, objectives and methods of the study

The recent financial and economic crisis has pressed many European governments to undertake fiscal consolidation measures. Also, it has indicated the need for public administration reforms in order to make European public administrations more efficient and meet citizens' expectations. Although previous research has analysed public administration reforms in certain European countries at systemic or organisational level, there is a lack of comparative country-level data on public administration trends in the period 2008-2013.

Therefore, the Lithuanian EU Presidency team commissioned a study whose main aim was to identify recent public administration trends in the EU Member States and other European countries. The study covered the following parts: (1) a Europe-wide analysis of public administration reforms and (2) an in-depth analysis of Lithuanian public administration. The main results of the first project part are summarised in this document.

This study was based on desk research and a web-based survey of the European Public Administration Network (EUPAN) participants from the EU member states and other European countries (the associated countries, the candidate countries and other Western Balkan countries). The response rate of 92% was reached with 35 respondents (out of 38 invited respondents) completing the questionnaire. Since the survey measured subjective perceptions of the EUPAN representatives (Directors General or their colleagues), it was important to control for any response bias.<sup>1</sup> Descriptive and inferential statistical analysis of the survey data was carried out during this study.

## 1.2. Analytical framework of the study

This study defined public administration reforms as deliberate changes to the structures and processes of public sector organisations with the objective of getting them to run better. According to Pollitt and Bouckaert, a reform trajectory is an intentional route from an initial

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<sup>1</sup> For instance, since personal involvement of the EUPAN members (measured under the control question "How much have you been personally involved in the design and execution of public administration reforms in your country in the period 2008-2013?") was statistically associated with general improvements in public administration (the question "How would you say things have developed when it comes to the way public administration runs in your country"), this response was judged to be biased and, as a result, excluded from the analysis. No response bias was identified for other survey questions.

state (an alpha) to some desired state of affairs in the future (an omega).<sup>2</sup> Based on desk research the five main reform trajectories were identified in the period 2008-2013: (1) optimisation of government expenditure, (2) optimisation of institutional structures, (3) improving performance management, (4) modernisation of human resource management and (5) transparent and open public administration, including e-government and citizens' involvement. In addition to these trajectories, the study identified the most important initiatives of public administration reforms launched in the European countries over the past six years.<sup>3</sup>

A specific theoretical framework was designed for analysing the trajectories and initiatives of public administration reforms in the European countries. As illustrated in Figure 1, this framework links the three main sets of variables:

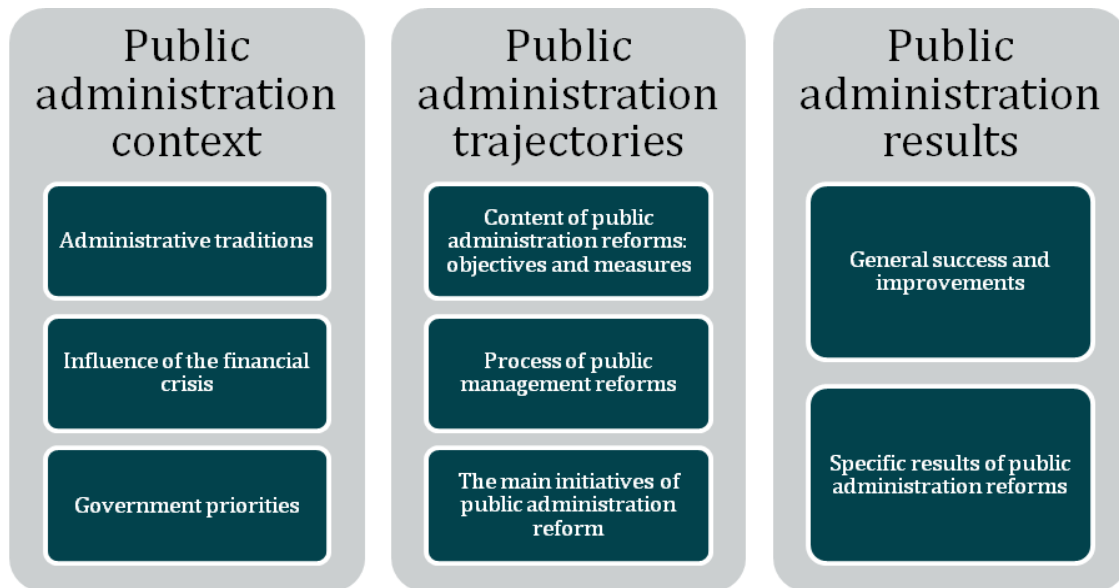
- *Public administration context* which encompasses different public administrative traditions of European countries and the most important economic and political factors (such as the impact of the financial crisis and the importance of public administration reforms on the political agenda);
- *Public administration trajectories and initiatives*. This group of variables covers the content and process of public administration reforms, as well as the main initiatives of these reforms undertaken by the European governments in the recent years;
- *Public administration results* in terms of general and specific changes in public administration.

**Figure 1. Framework for analysing public administration trajectories and initiatives**

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<sup>2</sup> Pollitt, Christopher and Geert Bouckaert, *Public Management Reform: A Comparative Analysis – New Public Management, Governance, and the Neo-Weberian State*. New York: Oxford University Press, 2011.

<sup>3</sup> The study analysed the following types of public administration initiatives: *legal* (legislative plans; laws and other legal acts; better regulation initiatives); *managerial* (reviews or assessments; concept papers; specific strategies, plans or programmes; special managerial measures or projects); and *organisational* (new reform institutions, units or responsible officials; special inquiry commissions; inter-institutional cooperation; best organisational practices).



Source: PPMI.

### 1.3. Results of the study

This part of the summary presents the main findings of the study. First, an overview of general trends in European public administration is provided. Second, each public administration reform trajectory is discussed. Third, the main changes to European public administrations are examined in the period 2008-2013.

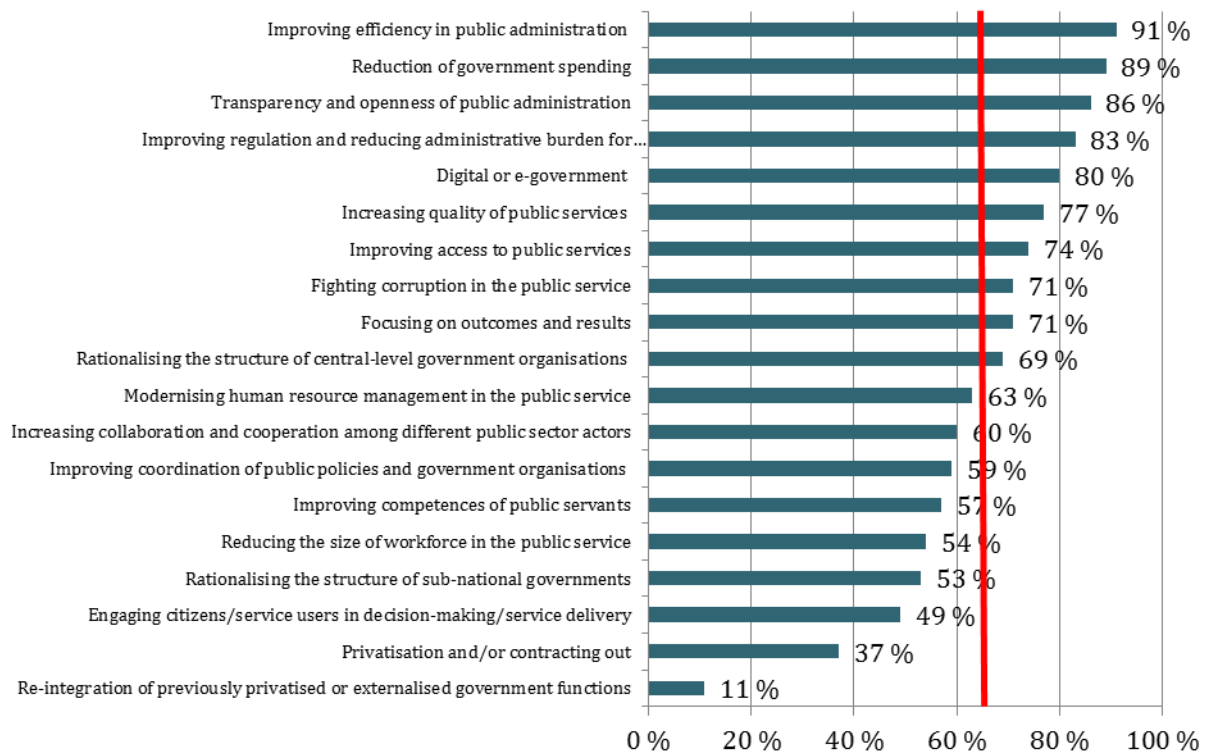
#### 1.3.1. Public administration reforms in the European countries

In 2008 (by the start of the global financial crisis), European public administrations were characterised by a number of problems. The EUPAN representatives more disagreed than agreed with the statements that performance was sufficiently result oriented (63%), citizens were sufficiently involved in decision-making and service delivery (61%), most regulation was necessary and administrative burden was limited (59%), as well as human resource management was adequate in their public services (54%). The extent to which these problems were encountered by public administrations varied in different European countries. For instance, the problems of public service quality were more pronounced in the group of EU13, the candidate countries and other Western Balkan countries.

The survey data indicated that only 21% of European public administrations (especially those from Continental Europe and the Nordic countries) were little influenced by the financial crisis. The different nature of problems and varied impacts of the financial crisis on European public administrations required the adoption of country-specific solutions. The most important objectives of public administration reforms in the European countries were the following in the period 2008-2013: improving efficiency in public administration (91%), reduction of government spending (89%), transparency and openness of public administration (86%) and improving regulation and reducing administrative burden for citizens/business (83%). The European countries that were more influenced by the crisis

emphasised reducing government spending (Kendall's tau-b 0,429,  $p < 0,005$ ), focusing on outcomes and results (Kendall's tau-b 0,354,  $p < 0,005$ ), reducing the number of public sector employees (Kendall's tau-b 0,347,  $p < 0,05$ ) and improving public administration efficiency (Kendall's tau-b 0,342,  $p < 0,05$ ).

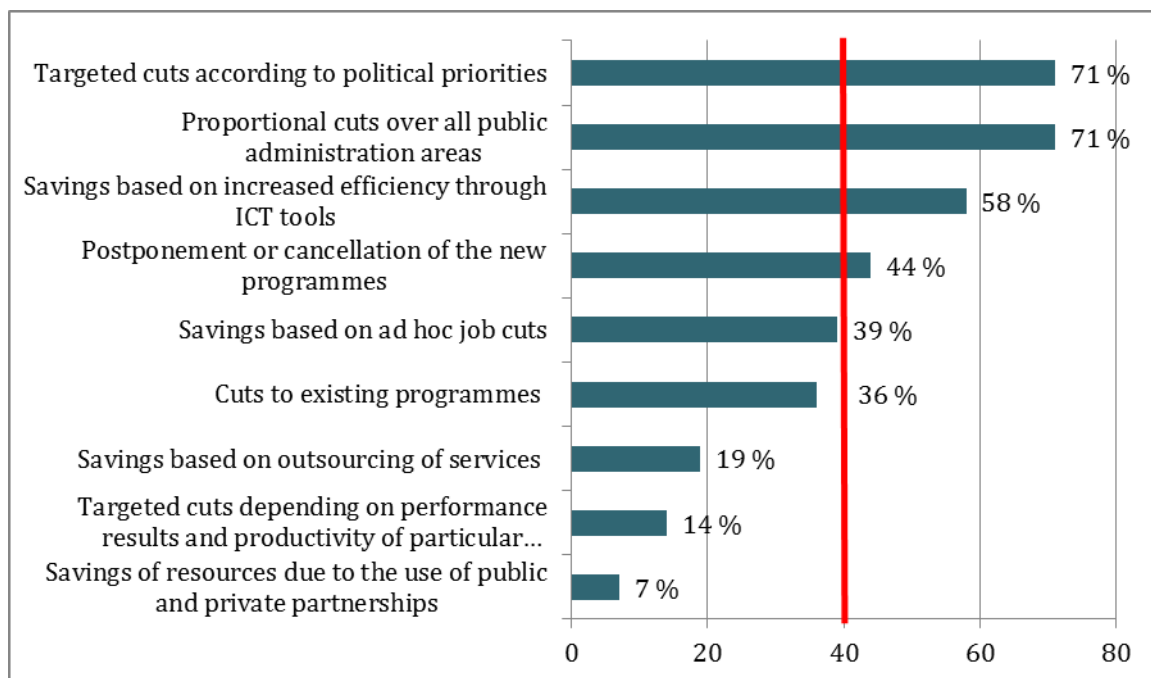
A more in-depth analysis indicated interesting cross-country differences in the main reform objectives between different groups of the European countries. For instance, EU13, the candidate countries and other Western Balkan countries focused on fighting corruption and improving public services in order to professionalise their administrations and modernise the provision of public services to their citizens. Also, the objectives of increasing quality of public services, improving regulation and reducing administrative burden, rationalising the structure of central-level government organisations and fighting corruption were more important in the countries of Southern and Eastern Europe.

**Figure 2. Main objectives of public administration reforms**

**Source:** PPMI.

### 1.3.2. Optimisation of government expenditure

In the context of fiscal consolidation and in order to make use of financial resources more efficient, the European countries started implementing various types of public administration reforms. The survey results showed that the optimisation of government expenditure was based largely on proportional cuts over all public administration areas (71%) and targeted cuts according to political priorities (71%). Another important initiative was savings based on increased efficiency through the application of ICT tools (58%). A strong statistically significant relation was found between the influence of the crisis and proportional spending cutting (Kendall's tau-b 0,515,  $p < 0,005$ ). The financial crisis also had a statistically significant (but somewhat weaker) influence on other initiatives of spending optimisation.

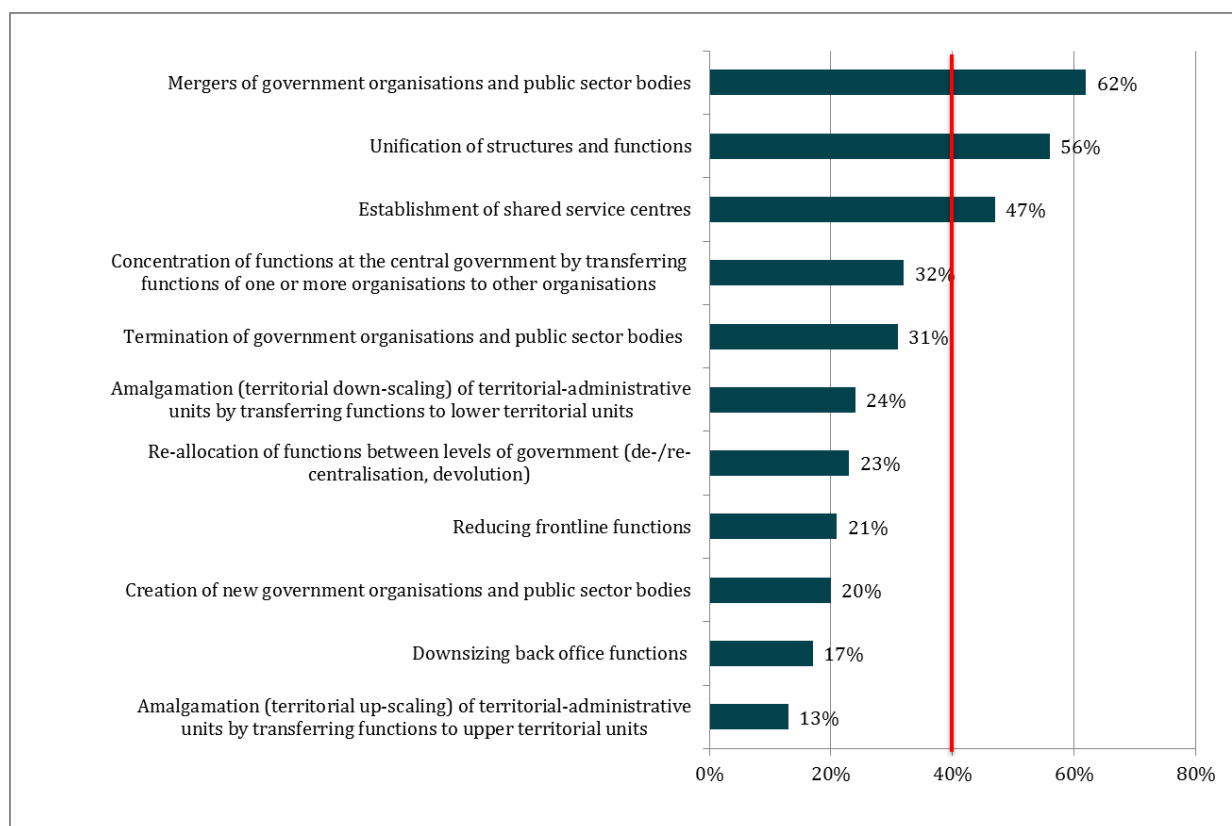
**Figure 3. Initiatives to optimise government expenditure, 2008-2013**

**Source:** PPMI.

**Note:** the frequency of responses for all sets of public administration initiatives are counted by adding the answer options “To a large extent” and “To a medium extent”.

### 1.3.3. Optimisation of institutional structures

Amid the financial crisis, the European countries intensified the optimisation of institutional structures. As illustrated in Figure 4, during the period 2008-2013 the European countries most frequently engaged in such related initiatives as mergers of government organisations and public sector bodies, establishment of shared service centres or unification of structures and functions. The financial crisis had an important influence on the initiatives of this reform trajectory with termination of government organisations and public sector bodies (Kendall's tau-b 0,357,  $p < 0,005$ ), as well as unification of structures and functions (Kendall's tau-b 0,317,  $p < 0,05$ ) most affected. However, fewer European countries engaged in amalgamations of territorial-administrative units by transferring functions to lower and especially upper territorial units. These reforms were more frequently carried out in those countries where public administration was a top government priority or one of a few top government priorities (Kendall's tau-b 0,304,  $p < 0,05$ ).

**Figure 4. Initiatives to optimise institutional structures, 2008-2013**

**Source:** PPMI.

### 1.3.4. Modernisation of human resource management

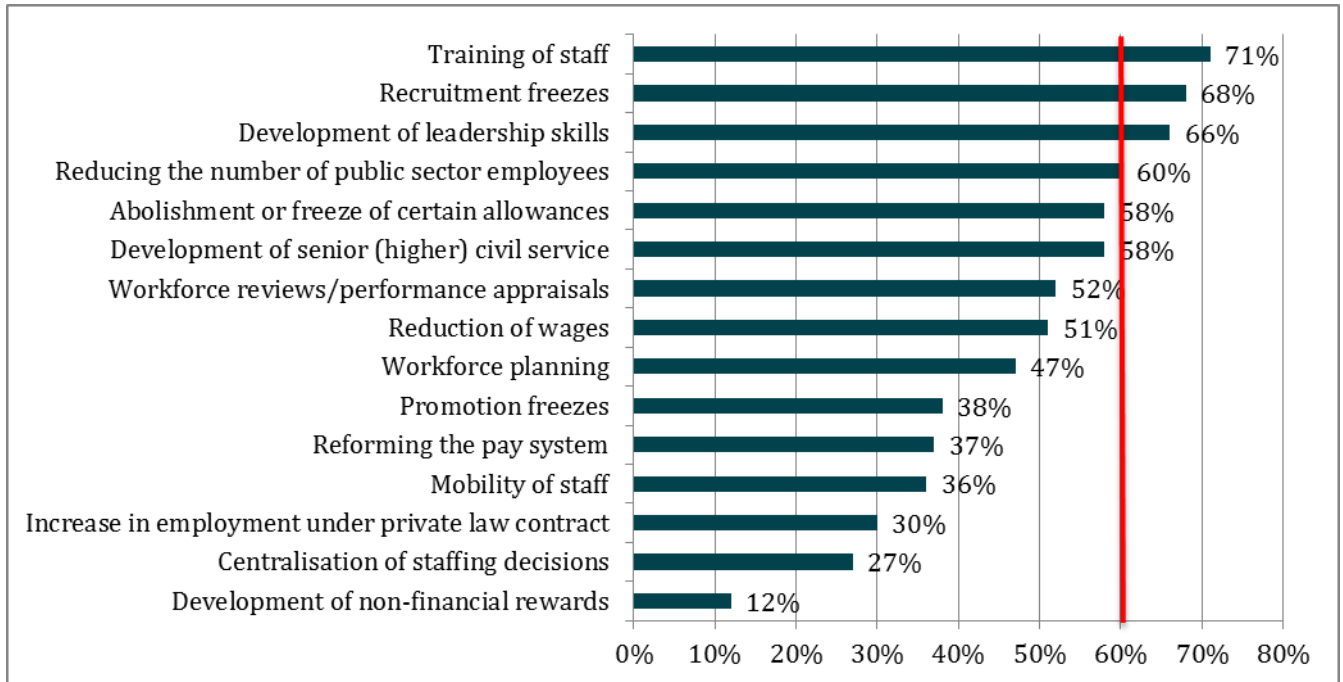
The EU Member States are not only confronted with the consequences of the financial crisis, but also with the risks caused by unfavourable demographics (especially an ageing public sector workforce). In order to address these challenges, many European governments have promoted certain changes in human resource management. One can draw a difference between the two main approaches to human resource management. “Hard” human resource management is more resource-centred and perceives staff as a cost to be minimised and controlled, whereas “soft” human resource management stands for a more people-centred approach that includes development, training, communication, motivation and leadership.<sup>4</sup> As illustrated in Figure 5, over the past six years the European countries sought to combine both approaches by initiating reforms aimed at reducing the number of public sector employees on the one hand and trying to enhance their quality of work by developing leadership skills and other competencies on the other. Analysis of the survey data indicated that training of staff (71%) contributed not only to the modernisation of human resource

<sup>4</sup> Austrian Institute of Economic Research (WIFO), Center for European Economic Research (ZEW), IDEA Consult, *Excellence in public administration for competitiveness in EU Member States*. Brussels, 2012.



management (Kendall's tau-c 0,536,  $p < 0,001$ ), but also to better collaboration and cooperation among different public sector actors (Kendall's tau-c 0,243,  $p < 0,05$ ). For instance, such EUPAN members as Estonia, Belgium, Italy and Poland organised training in order to develop competencies needed for the implementation of certain reforms<sup>5</sup>.

**Figure 5. Initiatives of human resource management, 2008-2013**



**Source:** PPMI.

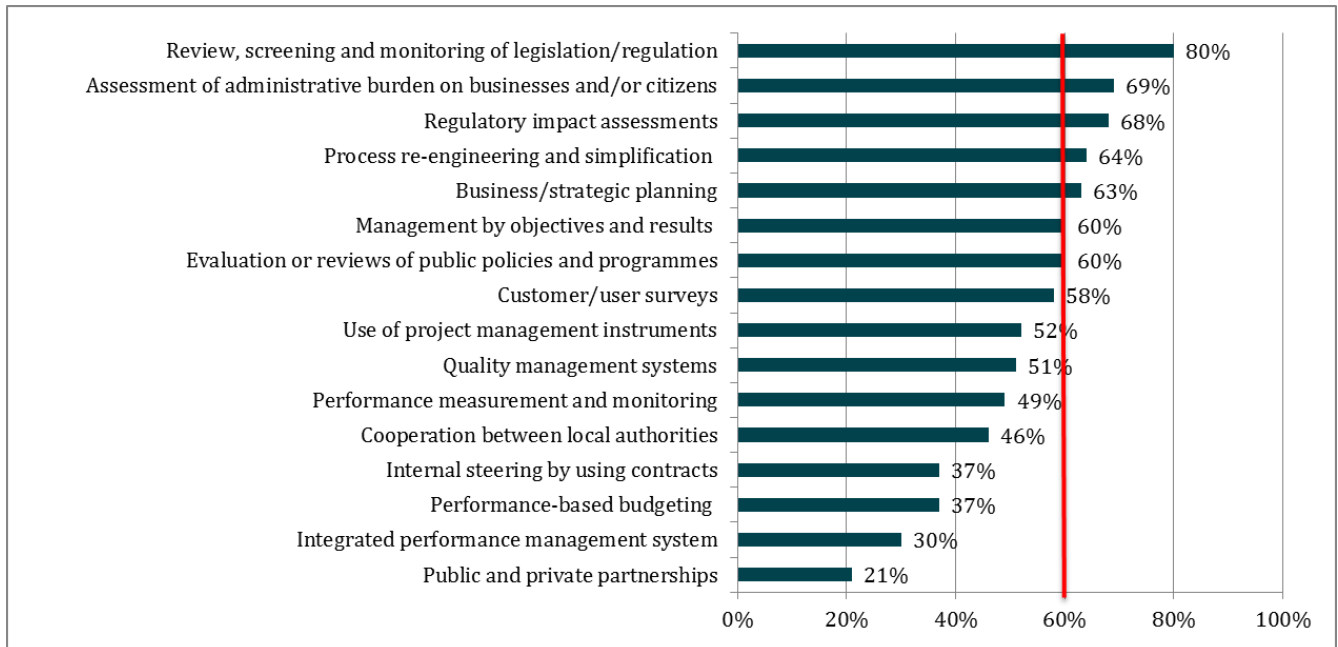
### 1.3.5. Improving performance management

Since the start of the financial crisis in 2008, many European countries have launched various initiatives for improving their financial and non-financial performance. In order to achieve more with fewer resources, these countries started developing new performance management systems or improving the already existing ones in the area of human resource management or organisational management. The two main sets of initiatives could be identified: (1) various initiatives of better regulation and (2) initiatives of the results-based approach (such as business/strategic planning or performance measurement and monitoring). The most frequent trajectory in the European countries was related to better regulation that was driven by the EU public administration agenda. Review, screening and monitoring of legislation/regulation (80%), assessment of administrative burden (69%) and regulatory impact assessments (68%), which are actively promoted by the EU institutions in the framework of the better regulation programme, were the most popular initiatives in the European countries. While the European countries continued to focus on business/strategic planning (63%), such NPM-related initiatives as internal steering by using contracts (37%),

<sup>5</sup> Irish Presidency January-June 2013, *EUPAN Medium Term Priorities*. Thematic Paper Series, 2013, 13-53.

performance-based budgeting (37%) or integrated performance management systems (30%) gained less attention in the period 2008-2013.

**Figure 6. Initiatives of performance management, 2008-2013**

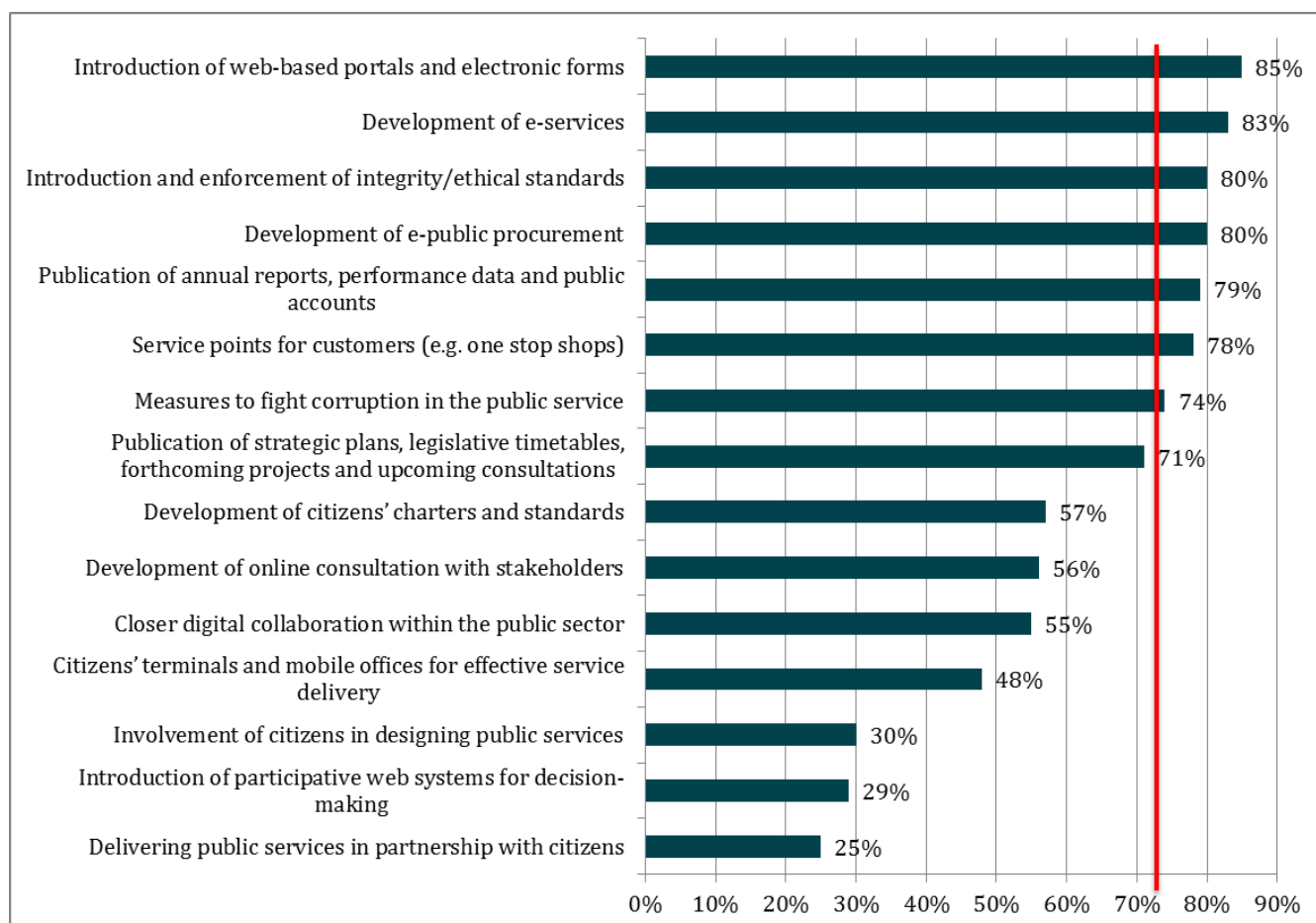


**Source:** PPMI.

### 1.3.6. Transparent administration, e-government and citizens' involvement

In the period 2008-2013, the European countries undertook a number of different initiatives in the area of transparent public administration. The most frequently applied initiatives can be divided into two sets: (1) initiatives improving access to public services and (2) those improving transparency and image of the public sector. The first set of initiatives encompasses various e-government initiatives, such as introduction of web-based portals and electronic forms (85%) or development of e-public procurement (80%). Also, establishing service points for customers (78%) was popular in European public administrations. The second set of initiatives includes measures to fight corruption in the public sector (74%) and introduce integrity / ethical standards (80%). The latter initiatives are more widespread in the countries of Southern Europe, Eastern Europe as Western Balkans.

**Figure 7. Initiatives of transparent administration, e-government and citizens' involvement, 2008-2013**



**Source:** PPMI.

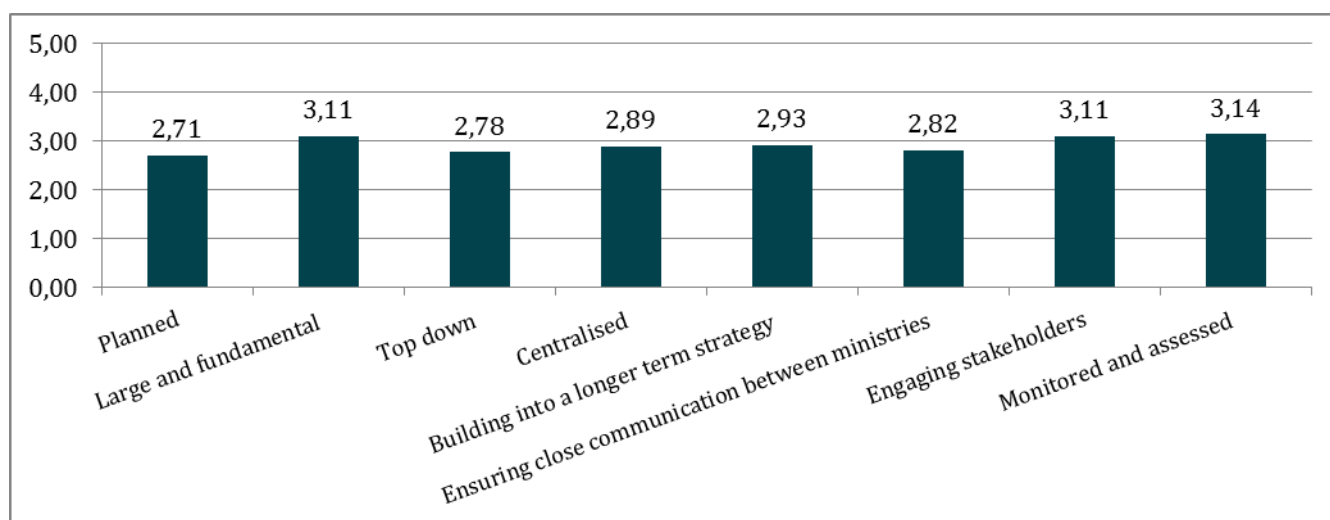
### 1.3.7. Process of public administration reforms

Previous research showed that the financial crisis had a varied impact on the design and execution of public administration reforms in the European countries. The worse the financial and economic situation was in a particular country, the more ambitious measures were undertaken.<sup>6</sup> The EUPAN survey confirmed that the content and process of reforms were influenced by the importance of public administration in government priorities. For instance, when public administration was set as a top government priority or one of the top priorities (especially in Southern and Eastern Europe), reforms tended to be more comprehensive, top-down and their results were more predictable.

<sup>6</sup> Walter Kickert, Tiina Randma-Liiv and Riin Savi, *Fiscal Consolidation in Europe: a Comparative Analysis*. COCOPS Trend Report, Draft July 2013, 60.

Analysis of the survey data also allowed identifying the return of more planned (as opposed to *ad hoc*), top-down (as opposed to bottom-up) and centralised (as opposed to decentralised) decision-making during the reform process (see Figure 8). This could be explained by the need to drive necessary cut-backs and other public administration improvements from the government centre in times of crisis in order to overcome possible institutional resistance. However, a quite limited engagement of stakeholders, which is important for achieving some improvements in public administration, should be noted in many European countries.

**Figure 8. Decision-making process of public administration reforms, 2008-2013**



**Source:** PPMI.

Many EUPAN representatives indicated that the successful implementation of public administration reforms is more likely when there is a sufficient political will.<sup>7</sup> This factor is especially crucial to overcoming such most important obstacles to achieving positive results as changes of government during the reform implementation (Cramer's V 0,553,  $p < 0,05$ ) or uncertain and quickly changing economic situation (Cramer's V 0,510,  $p < 0,05$ ). It was also observed that complex public administration reforms are more difficult to manage as they require a mix of reform initiatives and greater stability during the implementation process. However, large and fundamental (rather than small and incremental) decision-making processes increase the likelihood that public administration reforms will be successful (Kendall's tau-b 0,340,  $p < 0,05$ ).

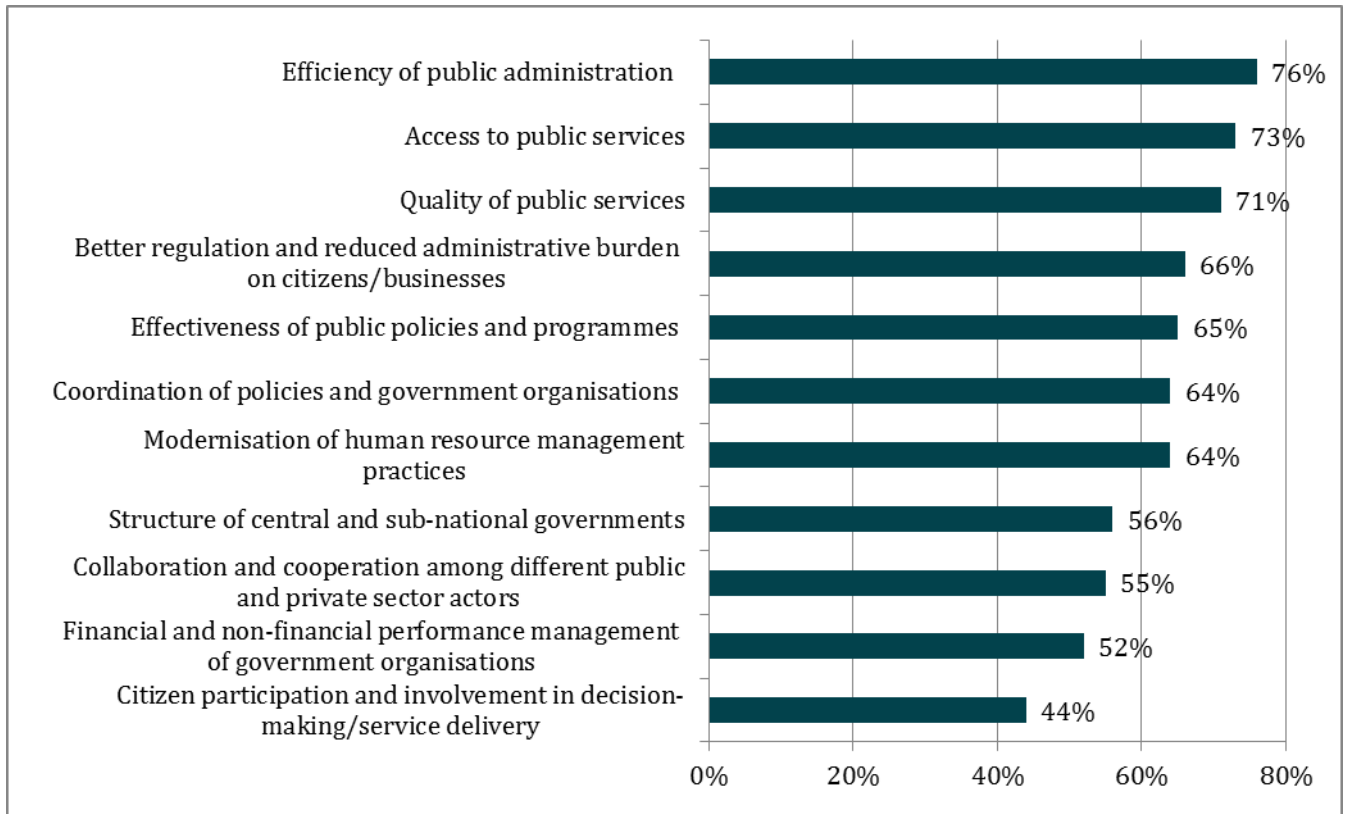
### 1.3.8. Public administration changes

This study found that the European countries experienced the most significant improvements in efficiency of public administration (76%), access to public services (73%) and quality of public services (71%). However, little attention was paid to citizen

<sup>7</sup> EUPAN, *Discussion note on sustainable reform within public administration – Responses from EUPAN members*. Department of Public Expenditure and Reform, 2013, 6.

participation and their involvement in the decision-making process/service delivery (44%) in the period 2008-2013.

**Figure 9. Public administration changes in European countries, 2008-2013**



**Source:** PPMI.

However, these changes should not be confused with the impact of public administration reforms, which could be determined by analysing the influence of certain reforms packages based on inferential statistics. For instance, unification of structures and functions (Kendall's tau-c 0,325,  $p < 0,05$ ) and establishment of shared service centres (Kendall's tau-c 0,327,  $p < 0,05$ ) had the greatest impact on efficiency improvements in public administration. Also, the most influential process condition containing these improvements was insufficient support from top managers of government organisations (Cramer's V 0,474,  $p < 0,05$ ). Since the Irish Public Service Reform Plan combines all impactful initiatives, promotes management buy-in and leadership across the public service<sup>8</sup>, it is likely that its successful implementation will contribute to efficiency improvements.

A different package of reform initiatives and process conditions is required in order to achieve improvements in public service access. These results depend on such initiatives as

<sup>8</sup> The Department of Public Expenditure and Reform, *Progress on the Implementation of the Government's Public Service Reform Plan*. September 2012.

quality management systems (Kendall's tau-c 0,223,  $p < 0,05$ ), training of staff (Kendall's tau-c 0,237,  $p < 0,05$ ), assessment of administrative burden on businesses and/or citizens (Kendall's tau-c 0,277,  $p < 0,005$ ) and measures to fight corruption (Kendall's tau-c 0,262,  $p < 0,05$ ). These results indicate that there is no single optimal package of reforms – the design and execution of public administration reforms should depend on the current situation in different European countries, severity of the financial crisis, government priorities and other important contextual conditions.

#### 1.4. Conclusions

The transformational approach that was applied in this study helped understanding public administration reforms in Europe: the reform context (the financial crisis and government priorities) influences the design and execution of public management reforms that in turn affect certain reform outcomes. Therefore, in order to explain the results of public administration reforms, it is important to analyse the interaction between the most important variables of public administration content and process.

The system-level trends identified this study are broadly comparable to those observed at organisational level under the COCOPS project. The most important organisational trends - cooperation within public sector, development of e-government, as well as transparent and open public administration – are clearly in line with a governance (or post-NPM) approach.<sup>9</sup> However, there are several important differences between the system-level and organisational-level trends that are related not only to the different levels of analysis, but also to different geographical coverages of these studies. For instance, cooperation between different actors is more widespread at organisational level in Western European countries primarily covered by the COCOPS study. Also, according to the EUPAN survey, many European countries are still actively engaged in traditional (such as fighting corruption in the EU13, candidate countries and other Western Balkan countries) or NPM (such as privatisation, especially in Southern Europe) reforms. Therefore, because of large variation there is no strong empirical support that there is a shift from NPM to post-NPM reforms in European public administrations.

Finally, in analysing public administration reforms one should make a clear distinction between general observed changes in public administration and the specific impact of certain reforms that should be assessed on the basis of theory-based hypotheses and statistical methods. The study found that different reform packages tend to produce different results in European public administrations. Therefore, in order to explain public administration outcomes, one should focus on integrated reform packages that contain key reform initiatives and (supporting/confounding) process/contextual conditions.

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<sup>9</sup> Hammerschmid, Gerhard, Anca Oprisor and Vid Štimac, *COCOPS Executive Survey on Public Sector Reform in Europe Research Report*, May 2013.