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# **Less for Better: Effects of Restructuring Public Administration on Organizational Effectiveness**

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## **Abstract**

Over time many changes have taken place in the environment, technology, and dynamics of public administration. Currently, following the economic crisis, a number of reforms were introduced to reduce the size of government as well as downsize and privatize public enterprises which resulted in the layoff of a large number of public servants. In this sense, the government considers that building an effective, responsive and adapted administrative system can be realized through restructuring process, both in terms of organizational and functioning.

On this premise, the paper discusses the restructuring process of public administration carried out in Romania, particularly the reducing of employees' number from public administration, looking at the effects of that on functioning and effectiveness of public organizations. Therefore, the main goal of the analysis is to show if less public employees means better results.

Taking into consideration the aim of the paper, the research methodology is based on a case study as research strategy, and uses the triangulation method to obtain confirmation of findings through convergence of different perspective. Regarding the qualitative research, the author use theoretical framework, legal analyses, systematic and analytical collecting data from official written sources, and macroeconomic indicators for quantitative aspects.

Keywords: restructuring process, organizational effectiveness, governmental measures and policies;

## **1. Introduction**

Nowadays, one of the utmost challenging refers to public administration restructuring so that organizational effectiveness and the ability of any organization to generate value for those the serve are not affected. This challenge is more visible and the change is inevitable especially in large and complex systems during crises time. Anyway, the crisis provides an opportunity for governments, as well as for private sector to transform these sectors. In the private sector, managers know that crisis is an opportunity to make changes that may be impossible during boom times, and take this opportunity (Bouvard & Carsouw & Labaye, et. al., 2011:14). The same opportunity is created, also, for public sector which can use this movement for changing public policy or organizational mechanisms. Therefore, as Dynes and Aguirre (1979) noted, the research and conceptualization in organizational response to crises is one area which has direct policy implications.

There are many studies (OECD, 2011, 2013; European Commission, 2011) that reopened the debate on reshaping public policy in the context of global changes, financial crises, and role of the state on how and where it should intervene to achieve the public interest. Moreover, some

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studies (Curry, 2014) summarized a part of research findings and underline four broad categories of trends that influenced the future of public administration, such as: (1) shifts in context, including global changes and the financial crisis; (2) shifts in governance and engagement, including network governance, e-governance, accountability, transparency and trust; (3) shifts in management, including new public management, performance management, evidence-based policy-making and strategic planning; and (4) shifts in the discipline.

In this paper, the attention is focused on measures for restructuring public administration taking into account that, in the last years, the public sector is under increasing pressure to achieve “more and more” with “less and less”.

## **2. Theoretical considerations and hypothesis**

Restructuring public administration is a topic that is studied within specialized literature as a form of organizational changes. Organizational changes are defined (Burdus & Androniceanu, 2000) as “answers to some external forces such as changes in the market, different pressures in terms of competitiveness or may be caused by some endogenous variables, such as manager’s tendency to apply different methods”. Relating to the external factors, the main sources of change are: economic movements, such as economic and financial crisis, market globalization, market failure; politico and legislative factors, namely political stability/instability, normative and legal framework; socio-cultural factors, such as demographic trend. In this paper the attention is focused on economic factors, particularly on economic crisis.

Crises faced by organizations often have their roots in both the external environment and in internal environment of the organization (March & Simon 1958). Crisis are characterized by such a scope that they entail major transformations affecting both the institutional structure and the behaviours and objectives.

Currently, after financial crisis, many countries find themselves in a process of public organizational changes, and the studies (OECD, 2011) showed that administrative reform aimed rationalisation of government structure in order to improve the efficiency of the public service. In this sense, restructuring took many forms, and elements such as size, structure, human resources policies, working conditions, functions were only ones of the aspects taken into account when one speaks on restructuring. Restructuring has not a unique definition, it is a concept that encompasses many different meanings and approaches. For example, when we think of restructuring, we think to mergers, downsizing, outsourcing of major organizational activities etc. The term “restructuring” has come to be associated with the enactment of structural change below the macro or national level. Also, restructuring can be viewed as cutting jobs, early retirement or a reform of public sector workforce and implement improvements that balance the costs and quality. All the measures for restructuring, including decreasing the number of employees in the public sector, aimed to reduce public expenditure and to meet financial pressures.

Therefore, building adequate governance structures “normally” involves restructuring through public management and administrative reform. However, it is important to note that administrative reform has a crucial component, namely workforce or human resources on which depends the efficiency and effectiveness. So, efficiency and effectiveness in government’s performance depend on the talent of public employees and the quality of their knowledge and skills (OECD, 2011:10).

In this way, cutting jobs and dismissing people is a hard task and an ongoing challenge, because at the end of administrative reform and restructuring public administration, governments need to ensure that their public services are configured to be delivered as effectively and efficiently as possible.

In most countries, the reform of public employment, the reform of the employment status and changing trends in social dialogue are contested fields. The focus is not any more on efficiency and transfer of the private sector model. Instead, it is about good governance, a combination of demands for more efficiency, effectiveness, quality of services and citizen-orientation (Demmke & Moilanen, 2012:59). Thus, often, governments apply a mixture of measures and instruments (Curry, 2014).

Table 1. Restructuring the public workforce

Instruments	Measures
Structural/organisational reforms	Privatisation, outsourcing, delegating tasks to agencies, decentralization, PPP, reduction of hierarchies, shared services, fusion of organisations, task evaluation, team working, enhancing efficiency through ICT, organizational streamlining
Budgetary instruments	Ad hoc job cuts, long term reductions, re-allocation of staff, arbitrary job cuts, job cuts based on performance appraisals, job cuts based on age and gender, last recruited leaves first
HR Instruments	Workforce planning, workforce reviews, early retirement measures, recruitment freezes, promotion freezes, non-replacement of retired officials re-deployment measures.

Source: adapted from Curry, 2014

Prior studies exploring the development of overall public sector employment between the 70s and mid 90s indicate that the size of the public workforce has been reduced (Rothenbacher, 1998; Pollitt & Bouckaert, 2004: 44). Related to this, the research hypothesis is that “increasing budgetary pressure from economic change determines the public employment downsizing”. On the other hand, several experts (EUPAN, 2012) believe that the crisis also bears many opportunities for further enhancing the efficiency of public administration and that many policy makers seek efficiency and effectiveness in the management of staff less through crude workforce reductions... and more through new approaches to work organization. In this context, it has been drawn the following hypothesis “reducing the employees number from public administration affects the effectiveness of public administration”.

### 3. Survey and findings

Creating a modern and efficient public administration was considered a priority of all Romanian governments, and remained a major goal after the economic crisis. Having into account that crises are inevitable, this analysis intends to ask not how to avoid crises, but how to design an organization for better performance during a crisis. For this reason, and due to the large discussion about the administrative reform in Member States after economic crisis this section deals with a special study case, namely personnel policy from public sector, especially public administration and its link with the effectiveness of organizations. In this context, the paper emphasis the impact of reducing the staff number within the public authorities or

institutions. At first glance, this measure has been imposed by the evolution of civil service both before and after the crisis. For central public administration, the public policies took before 2007 year, have been crucial for the next policies elaborated under the pressure of international developments (Dogaru, 2014).

Romania is one of the countries engaged in restructuring public administration through decrease the size of the public service workforce. In this context, a first research question arise is “How should organizations, especially public administration, with its complex processes and human resources, be designed if they are to perform well in time of crises?”

The answer start from legislative framework which, in general terms, outlines that measures for restructuring public administration took one of the following forms (Law no. 329/2009): (1) dismantling the public authorities or institution as a result of fusion by absorption, and taking over its activity by another existing public authority or institution; (2) dismantling the public authorities or institution as a result of fusion by absorption, and taking over its activity by a new established structure (department) within other public authorities or institutions; (3) dismantling the public authorities or institution as a result of fusion by merger and establishment of a new juridical entity; (4) dismantling the public authorities or institution as a result of division (departmentalization) and taking over its activity by two or more existing entities or by a new entity which is thus establish; (5) changing the financing regime of public authorities or institutions through steering the income of state budget and financing the expenditures of state budget; (6) reducing the staff number within the public authorities or institutions.

Thus, it can be remark that some of measures are for longer term, while others are focused on shorter term, such as workforce downsizing operations, partial or total recruitment freezes, or freezes on departmental operating budgets. From all of these, the current analysis is focused on reducing the staff number.

### 3.1. Reducing the staff number from public administration

Reducing the number of employees from public administration came on the basis of previously increases as well as on economic crisis requirements. Reducing the employees’ number from public administration is analysed within the framework of reducing the employees’ numbers from public sector. The time for collecting data was 2008-2013. Into the structure of this variable we can find: jobs from central public administration, local public administration, including defense, public order and national security, education and health. The measure of reducing employees from public administration started in 2009 through law no. 329/2009, in accordance with which the following institutions had been reorganised.

Table 2. Public institutions under reorganising

Organisation name	No of jobs cut
Authority for State Assets Recovery	88
National Agency for Mineral Resources	8
State Construction Inspectorate	50
National Anti-Doping Agency	17
National Authority for Sanitary Veterinary and Food Safety	920
National Agency for Roma	8

Regulatory Authority for Energy	97
National Commission for Nuclear Activities Control	34
National Commission for Prognosis	15
National Centre for Railway Qualification and Training	22
Institute "Eudoxiu Hurmuzachi" for Romanians Abroad	19
National Office for Trade Register	513
Ministry of Communications and Information	58
Ministry of Small and Medium Enterprises, Commerce and Business Environment	10
National Authority for Consumer Protection	40
State Office for Inventions and Trademarks	63
Ministry of Education, Research and Innovation	40
Romanian Agency for Quality Assurance in school education	10
National Authority for Scientific Research	15
Ministry of Youth and Sports	139
National Institute for Sport	27
Romanian Agency for sustainable development of industrial zones	20
Office of State Ownership and Privatization in Industry	25
National Agency for Cadastre and Land Registration	252
Regulatory Authority for Public Utilities Services	63
National Archives	548
National Agency of Civil Servants	20
National Agency for Equal Opportunities between Women and Men	26
National Agency for Social Benefits	201
Labour Inspection	400
National Disability Authority	21
Ministry of Health	29
National Medicines Agency	151
Technical Office of Medical Devices	29
National Housing Agency	33
Ministry of Agriculture and Rural Development	136
Agency of State Domains	94
Ministry of Culture and National Heritage	25
National Centre for preservation and promotion of traditional culture	20
National Office for copyright	19
Romanian Diplomatic Institute	24
Police Academy "Alexandru Ioan Cuza"	100
County school inspectorates	239
State Inspection for Control of Boilers	135
Romanian Office of Legal Metrology	195
County Public Health Department and from Bucharest	304
other public institutions	100

Source: author based on Law no. 329/2009

The analysis shows that the evolution of restructuring public administration conducted to the following situation:

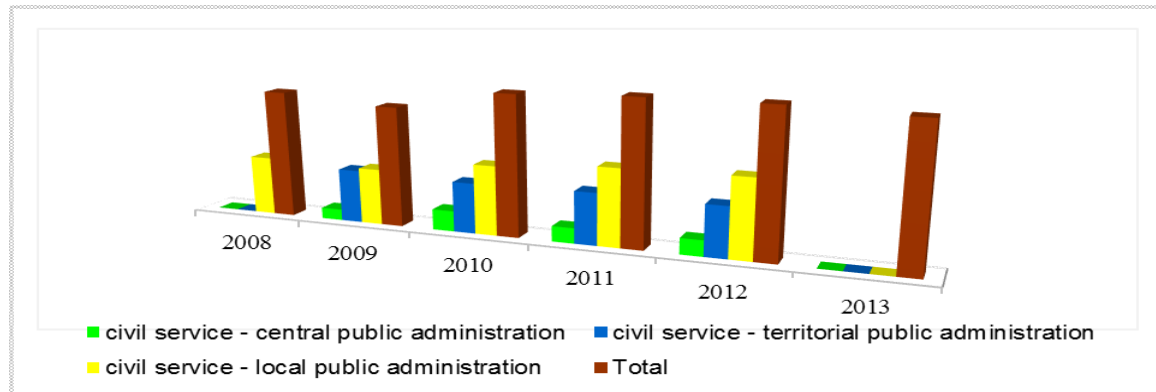
Table 3. Evolution of jobs in public sector

Year	Total jobs in public sector	Central public administration	Local public administration
2013 - dec.	1.182.926	512.857	670.069
2012 - dec.	1.190.319	517.614	672.705
2011 - dec.	1.200.213	515.292	684.921
2010 - dec.	1.266.550	532.856	733.694
2009 - dec.	1.379.892	678.525	701.467

Source: discutii.mfinante.ro/static/10/Mfp/buget/.../posturiocupateaprilie2014.xls, Consiliul Fiscal

Getting the data presented above, it is important to note that only ones are civil service, and as many others jobs from public sector they represents subject of administrative reform. The current situation is reflected below.

Graph 1: Evolution of civil service



Source: author based on official data from NACS

### 3.2. Organisational effectiveness and restructuring

Although reductions in public employment are “expected” to have a positive impact on the short-term budgetary aims of government, they may also act to the detriment of government’s long term capacity for service delivery (OECD, 2011). The effects of the economic and financial crisis and of downsizing public administration affected the functionality of the public function.

The performance of a public institution is linked with and influenced not only by modern management tools (such as strategic and project management), but also by other tools and factors because public sector organizations operate in a very complex environment, characterized by permanent changes and influenced by external and internal factors (such as political, economic and social factors, the legal framework, national governmental policies and European and other international responsibilities) (Profiroiu & Tapardel & Mihaescu, 2013).

Although Romania took measures for reorganizing public sector, the central and local administration is still weak and inefficient. Thus, it can be said that the problem facing public administration in Romania is not the number of employees, but rather overlapping the responsibilities, poor quality of provisions and poor results of the employees. The effectiveness of public institution was affected through reducing the number of employees because the public task are rarely being reduced. So, although public policies included activities for reducing the number of employees from public sector, the economic growth become less effective and the functional analysis on public administration made by World Bank’ experts in 2011, stressed that these measures had not the intended impact. One of the consequences is the reducing the number of staff from structures less efficient, and small financial savings from that.

The effectiveness is the indicator given by the ratio of the result obtained to the one programmed to achieve. Peter Drucker believes that there is no efficiency without effectiveness, because it is more important to do well what you have proposed (the effectiveness) than do well something else that was not necessarily concerned (Drucker, 2001:147).

The effectiveness of public organisations often largely depends on the way they collaborate with the other public organisations, with whom they form a kind of a service delivery chain, oriented to a common outcome. Cross-functional processes are common in public administration. It is vital to successfully integrate the management of such processes, since the effectiveness and efficiency of processes greatly depend on that integration (CAF, 2013: 38).

#### 4. Conclusions

Overall, public employment is changing as regards the size, structure, composition and status. The findings show that the economic crisis presented critical challenges to organizational performance both externally and internally, and that there is no design guarantee that a high-performing organization will continue to perform well during a crisis situation. The review of current and past measures that have or had an impact on the size and allocation of the workforce makes clear the need to consider the workforce implications of public service reform or innovation from the outset – both in terms of anticipated staff reductions or redeployment - so as to maintain the trust and morale of employees. (OECD, 2012).

After reviewing the measures carried out by Romanian government in order to face the economic challenges and the performance organisation, it can be draw that it is still unclear whether public employment reforms bring efficiency and productivity gains if tough austerity measures are implemented. In this sense, the workforce impacts of many structural, organisational and budgetary reforms remain under-analysed.

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