

Introduction to the Special Issue: The Impact of the Fiscal Crisis on Public Administration

Tiina Randma-Liiv and Riin Savi
Tallinn University of Technology, Estonia

The global financial, economic and fiscal crisis is undoubtedly the most important and urgent problem that Western states face today, and it will continue to be a challenging issue for several years to come. After the outburst of the crisis, governments all over the world have been challenged to react to and cope with the sharp economic downturn and related social effects. This has raised the question about the implications of the fiscal crisis on public administration on the research agenda, as many governments in Europe and elsewhere have initiated and implemented reform measures to cope with lower revenues. With the fact that the previous worldwide economic and fiscal crisis in the 1970s led to major public management reforms in many Western states as a background, it is intriguing to investigate the crisis-related dynamics in contemporary public administration. How governments, politics and administrations have responded to the global crisis and what impact the crisis has on public administration and governance is and will continue to be a challenging issue for years to come, because of the intricate linkages between states, markets and civil societies (Pollitt 2010; Thynne 2011).

Often notions such as global financial crisis, fiscal crisis, economic crisis, banking crisis, sovereign-debt crisis and lately also social crisis have been used hand in hand, at times even interchangeably. To solve the definitional confusion, the current journal issue is based on the approach of Kickert (2012), treating the global crisis as separate (consecutive) phases. First, *the banking crisis* is seen as the initial phase of the crisis where banks and other key financial institutions faced difficulties and governments undertook different support and rescue measures to save the financial institutions. Second, *the economic crisis* emerged after the financial crisis started to affect the real economy and led to drastic falls in GDP and employment, forcing the governments to undertake economic recovery measures (e.g. in the form of economic stimulus packages). Third, *the fiscal crisis* materialized when the governments' budget deficits (and accumulated gross state debt) turned excessive and governments started consolidating the budgets and undertaking cutbacks. Since 2010, the fourth phase of the crisis has erupted – the European sovereign-debt crisis, also called *the Eurozone crisis*. In countries with excessive national-debt levels and budget deficits coupled with lenders' increasing interest rates on state bonds, it became impossible to further finance their deficits and debt, which has ultimately led

to bail-outs of several European countries. (Kickert 2012; Posner and Blöndal 2012) The focus of this special issue is predominantly on the fiscal crisis, with a few articles also touching upon the Eurozone crisis.

The existing academic studies have provided a wide array of insights about the implications of the fiscal crisis on public administration. So far, the crisis has been treated both as a dependent and an independent variable in theoretical and empirical works addressing different policy areas and functions of public administration. For instance, several authors claim that the crisis has substantially redrawn the boundaries between the public and private sectors (Thynne 2011) by empowering the former (Moulton and Wise 2010). Also, the coordination mechanisms, failures and roles of the key regulatory institutions have been studied (Dabrowski 2009; Gieve and Provost 2012), and the shifting competencies of public servants have been looked at (Lodge and Hood 2012; Pollitt 2010). Peters, Pierre and Randma-Liiv (2011) and Peters (2011) have investigated the effects of the crisis on centralization, politicization and coordination. In addition, the issue of citizens' (declined) trust, (heightened) expectations and general attitudes towards government and the role of public leadership in managing the crisis have been addressed (Posner and Blöndal 2012; Raudla and Kattel 2011; Massey 2011). The results of the existing scholarly research demonstrate that the governments' responses to the crisis have been very different, there have been "as many responses as countries" (Peters 2011, 76) that often even diverge (e.g. Kickert 2012; Lodge and Hood 2012; Peters, Pierre and Randma-Liiv 2011; Pollitt 2010).

In order to elaborate a more specific focus on investigating the impact of crisis on public administration, the journal *Administrative Culture* and the European Union Seventh Framework project *Coordinating for Cohesion in the Public Sector of the Future* (COCOPS) called into being an academic conference in Tallinn on 3-4 May 2013. The aim of the conference was to focus on the dynamics of governmental decision-making processes and related shifts in patterns of public administration during the recent crisis in different European countries. The general goal of the conference was to discuss whether the fiscal crisis has invoked fundamental (systemic) changes or piecemeal incremental shifts in existing public administration patterns concerning management practices and modes of governance.

The special issue at hand presents selected papers from the above-mentioned conference. The six articles touch upon the impact of crisis at different levels of governance, ranging from the European to the nation state level, the latter addressing the central government level, the organizational level and the individual level.

The first paper, based on a keynote speech by Edoardo Ongaro, discusses the power shifts in the multilevel governance of the EU in light of the direct interventions by the EU institutions to the member states' administrative policies under the conditions of fiscal crisis. The author demonstrates how political actors in the Southern European countries have been faced with novel configurations, entailing changed roles and powers in decision-making processes, when managing the crisis. Given the increasingly imperative and coercive nature of the (prescribed) tools impelling policy change in the EU member states, he questions the sustainability of the current patterns of policy-making. By asking how to interpret what happened in terms of administrative reforms after the outburst of the fiscal crisis in

Eurozone countries, Ongaro also questions the utility of the existing theoretical frameworks and suggests a new research agenda in order to explain the new modes of governance.

In the second paper, Illimar Ploom responds to the challenge proposed by Ongaro and further elaborates on the emerging mode of governance in the EU by applying the analytical frameworks of policy transfer, Europeanization, supranational governance, global institutionalism and neoliberal imperialism. In particular, Ploom tries to ascertain the general impact of the interventions of the European Central Bank and the Troika of the International Monetary Fund, the European Commission and the European Central Bank on the identity of the EU. He claims that the coerciveness and the destructiveness of these measures are the key criteria for explaining the ongoing dynamics and the resulting impact on the EU identity. Ploom demonstrates that all of the proposed theoretical standpoints offer useful perceptions, but a paradoxical combination of neofunctionalism and neoimperialism serves best to comprehend the motives behind the austerity measures and their implementation and outcomes.

The third article by György Hajnal and Sándor Csengödi examines the dynamics in formal and informal mechanisms of political control at the central government level in Hungary before and after 2010. They demonstrate that the combination of a new majority government that took the seat in 2010 and the crisis context opened a window of opportunity for the government's repeated attempts to strengthen political control. The authors point to consistently increasing levels of both formal and informal political control and politicization (especially in HRM decisions) when comparing the pre- and post-2010 periods.

In the fourth paper Merilin Metsma tackles the issue of the impact of fiscal crisis on civil service training and development in Estonia. She points out that centrally taken retrenchment decisions of the government led to major cuts in the training budgets of individual public sector organizations. Interestingly, Metsma demonstrates that despite the decentralized nature of the Estonian civil service training system, curbing down the training budgets in order to cope with the diminished resources led to rather similar solutions at the organizational level. In most cases, training specific to the organization's core function was retained and general civil service training was more likely to be cut; also, the proportion of in-house training was increased at the expense of externally provided training.

The fifth paper, by Primož Pevcin, studies the governmental cutback measures and related dynamics in the governmental management practices in Slovenia from 2008 to 2012. Pevcin shows how two subsequent governments in power implemented rather different strategies (incremental and piecemeal vs. holistic approach) when applying the cutback measures. He argues that during the retrenchment period was mainly focused on reorganization and centralization in order to achieve increased technical efficiency.

In the last article, Riin Savi addresses the impact of crisis on individual-level policy actors by studying the role of the street-level bureaucrats in crisis-time policy-making in Estonia. Savi paints a picture of centralized cutback decisions coupled with "decentralized" solutions to crisis by investigating the service-delivery level. The article shows that very different individual-level coping strategies

emerged during the retrenchment period, in order to secure the delivery of public services in very complicated circumstances. The author concludes that these were the scarifications of street-level bureaucrats, at both the professional and the personal levels that in the end facilitated achieving the crisis-time policy goals set by the government.

This collection of articles further assures the variety of the features describing the implications of crisis on public administration in different countries but also within one country. The issue at hand elaborates on cross-country diversity by showing different ways how European countries address the fiscal stress and manage cutbacks. On the other hand, several articles also demonstrate that even within one country, conflicting tendencies may exist in parallel – most often this is seen in the centralization-decentralization dilemma in cutback management. Even if the across-the-board cuts are decided centrally, the decentralized implementation of such cuts can lead to a variety of approaches and tools used by individual public sector organizations. The collected papers also indicate substantial dynamics in the set of relationships of policy actors at different levels of governance as well as changes in the power relations triggered by the necessities of responding to the fiscal stress.

The previous financial-economic crisis in the 1980s resulted in a major reform movement in Western administrations called *New Public Management*. The puzzle today is, whether the current financial-economic crisis impels a specific administrative and managerial reform trend, as well. Although several countries report tendencies towards centralization and a strengthening of central control over financial and human resources, it is not yet possible to draw generalizations about crisis-related reform trends. In many European countries the fiscal-consolidation decision-making started only in 2010, and in several countries the stage of resolute cutback management was reached only in 2012. Consequently, long-term impacts are still far away; however, short-term impacts of the cutbacks are beginning to appear, as is also demonstrated in this journal issue. The popular saying calls for not wasting a good crisis and using it for carrying out long-awaited changes and even structural reforms. However, Schick (1988, 532) notes that because of the time pressure involved in curbing budget deficits, policy-makers' attention has been diverted from comprehensive and time-consuming preparation and implementation of structural reforms. Similarly, Cepiku and Savignon (2012) argue that due to the time pressures usually accompanying cutback management, the focus of the governments is likely to be on short-term measures rather than on structural reforms, although it is in fact the latter that could help the governments to achieve longer-term fiscal sustainability. Thus, there is a certain contradiction between the "windows of opportunity" for reform that crisis offers and the ability and the willingness of the politicians to seize that opportunity. The case studies presented in the special issue also show immediate government responses to cutbacks rather than structural reforms triggered by the crisis. However, although designing and carrying out substantial changes during the cutbacks can prove very difficult, the cutback environment is likely to contribute to "setting the scene" for the changes and reforms in the future when the immediate crisis is over, and there is more time, funds, focused attention and motivation on the part of politicians, public managers and civil servants to prepare and implement changes.

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TIINA RANDMA-LIIV, PhD, is a Professor and Chair of Public Management and Policy, Ragnar Nurkse School of Innovation and Governance, Tallinn University of Technology, Estonia. Her main research interests include civil service reforms, transitional administration, small states, coordination and performance management.

RIIN SAVI is Junior Research Fellow at Ragnar Nurkse School of Innovation and Governance, Tallinn University of Technology, Estonia. Her main research interests are comparative public policy, policy transfer and transitional societies and the impact of fiscal crisis on public administration. Correspondence: Tiina Randma-Liiv, Ragnar Nurkse School of Innovation and Governance, Tallinn University of Technology, Akadeemia tee 3, Tallinn 12618, Estonia; E-mail: tiina.randma-liiv@ttu.ee; riin.savi@ttu.ee.