Riin Savi. 2014. "Public Policy-Making in a Time of Cutbacks: The Role of the Street-Level Bureaucrats in Estonia." *Administrative Culture* 15 (1), 100-119.

Public Policy-Making in a Time of Cutbacks: The Role of the Street-Level Bureaucrats in Estonia

Riin Savi
Tallinn University of Technology, Estonia

Abstract

This paper addresses the impact of crisis on individual-level policy actors by studying the role of street-level bureaucrats in public policy-making during cutbacks in Estonia. To do so, the article makes use of two rivalling streams of theorizing, arguing for and against the increased role and importance of bureaucrats during retrenchment. The Estonian case confirms neither of these extremes, but refers to their complementarity by showing that in Estonia centralized cutback decisions were coupled with "decentralized" solutions to crisis at the very service-delivery level. It is demonstrated that the role and tasks of street-level bureaucrats were in flux and different individual-level coping strategies emerged during the retrenchment period in order to secure the delivery of public services in a situation where more had to be done with less. Still, it is concluded that in the end the scarifications of street-level bureaucrats, both at the professional and the personal levels, facilitated achieving the crisis-time policy goals set by the government, and therefore they were the key actors in crisis-time policy-making.

Key words: fiscal crisis; cutback management; street-level bureaucracy; coping strategies

1. Introduction

After the outburst of the recent economic crisis Estonia witnessed severe recession – following years of remarkable economic growth, in 2008 and 2009 its GDP turned negative, reaching -3.7% and -14.3% respectively. To cope with the crisis the Estonian government pursued fiscal discipline and applied immediate and radical consolidation measures three years in a row. As a result Estonia demonstrated the third lowest crisis-time budget deficit in the European Union (EU) and a low government debt rate; also it became a new member of the Eurozone despite the crisis. (OECD 2012) For this achievement the Estonian government and politicians were admired all over the world – their courage and decisiveness to take "quick, hard and right decisions" and fight the crisis without turning to foreign lenders was set as an example worldwide (see Raudla and Kattel 2011).

A noteworthy share of the "quick, hard and right decisions" taken at the central government level and related cuts addressed government agencies – the positions, salaries and privileges of the street-level bureaucrats (see Jõgiste et al. 2012; OECD 2011). Therefore at the service-delivery level the crisis context confronted the street-level workers with diminished resources, increased job and pay insecurity, often coupled with crisis-led increase in demand for the provision of services. Up to now little is known about how the crisis was absorbed at the agency level and what role the street-level bureaucrats played in the crisis-time policy-making that made Estonia the object of international marvel. In the academic literature two competing streams of argumentation exist about the role of bureaucrats during retrenchment – one of them arguing for their increased importance in public policy-making, the other claiming the opposite. Though Lodge and Hood (2012) and Pollitt (2012) have theorized on the shifting competencies and requirements of civil servants in crisis-time policy-making and Kogan (1981) has touched upon the implications of cutback environment for the discretion of the street-level workers, no systematic empirical research on street-level bureaucrats exists so far. Very often the role of street-level bureaucrats is overlooked in the public policy context due to the difficulty of examining and explaining their daily work (Meyers and Vorsanger 2003). Hereby the fiscal crisis provides a unique opportunity for comparing the before- and after-crisis dynamics at the service-delivery level. Finding out the crisis-impelled shifts in the role, tasks and service-delivery patterns of the street-level bureaucrats in Estonia is exactly the aim of this paper. Special attention is paid to coping mechanisms (cf. Lipsky 1980) applied at the street level to shed light on these dynamics.

The study applies a multiple-case-study approach to explore the process of crisis-time public service delivery at the agency level in Estonia from 2008 to 2010. The first part provides an analytical framework built around cutback management research (e.g. Dunsire and Hood 1989; Levine 1978; Peters et al. 2011) and street-level bureaucracy literature (e.g. Lipsky 1980; Nielsen 2006) and brings out two prevalent rivalling lines of argumentation about the role of bureaucrats in retrenchment. The empirical part aims to test these conflicting standpoints by looking at the main cutback measures undertaken and exploring the street-level service delivery in four Estonian agencies during the crisis – three government agencies under the Ministry of Social Affairs and one agency under the Ministry of Finance. The chosen agencies represent both regulatory and fund-transferring agencies that were strongly affected by the crisis context and expectedly demonstrate different patterns in the provision of public services during the crisis. The study makes use of twelve semi-structured expert interviews with relevant civil servants from the four agencies, policy documents and official press releases of the investigated institutions. The focus of the study is on the changes compared to the pre-crisis period.

2. Analytical framework

Typically, public policy-making is explained through the engagement of different policy actors in the policy process (Anderson 2000). During the crisis "the time to think, consult and gain public acceptance is highly restricted" (Boin et al. 2008, 11); therefore, decision-making, legitimation and implementation in the hands of official

policy actors becomes crucial. Moreover, the official policy actors are in the spotlight, because citizens look up to them with accelerated expectations and wait for them to terminate the crisis (Posner and Blöndal 2012).

Street-level bureaucrats as official policy actors are involved in public policy-making via the implementation of policies – they play a decisive role by being responsible for delivering public goods and services when interacting directly with citizens (Meyers and Vorsanger 2003; Winter 2002). Their daily work and behavior and consequently the outcomes of public policies are shaped by numerous factors, ranging from the complexity of the organizational and task environment and the level of political control to the ideology and professional norms of the street-level workers (Meyers and Vorsanger 2003, 247-249). During crisis the structural and systemic factors of public organizations are likely to be distorted, and power shifts in the (perceived) role of politicians and bureaucrats are likely to occur (see Kickert 2012; Peters and Pierre 2001; Peters et al. 2011). Hence, also the conventional tasks and established responsibilities of politicians and civil servants are expected to be in flux (Peters et al. 2011). Moreover, fiscal-crisis-related budget cuts tend to reinforce the notorious "problem of resources" – ever growing client demands and restricted resources (Lipsky 1980) that street-level bureaucrats are daily faced with. As a result it can be expected that fiscal crisis directly impacts the regular tasks and service-delivery patterns of the street-level actors and eventually has implications for their (commonplace) role in policy-making.

In the academic literature two main streams of theorizing can be found that address the dynamics in the role of bureaucrats in policy making during the retrenchment. Mostly the literature touches upon the inclusion and empowerment of the bureaucrats in decision- and policy-making more generally and discusses whether it is increased or restricted (e.g. Dunsire and Hood 1989; Kogan 1981; Pollitt 2010). The prevailing lines of argumentation are conflicting – on the one hand centralization and a diminished role of street-level workers can be predicted, on the other hand, decentralization and a stronger empowerment of the street-level bureaucrats can be conjectured as outlined in the following paragraphs.

Kogan (1981) claims that during retrenchment the action and discretion of the agency-level bureaucrats is most probably reduced due to the general centralization tendencies. Indeed, cutback management is predominantly about difficult political choices on priorities and strategies of the central government machinery (Wilks 2010, 105), hence financial decline triggers movement towards more mechanistic and hierarchy-based processes and procedures in organizations (Bozeman 2010; Peters 2011, 77; Stern and Sundelius 1997). Centralization tends to restrict the street-level action, as it is most commonly achieved either through general priority-setting and top-down processes from the top management, such as automatization, routinization or standardization of procedures, or by setting limits and ceilings to organizational spending and activities (Pollitt 2010; Wildavsky 2001).

More specifically, Dunsire and Hood (1989) and Lewis and Logalbo (1980, 187) demonstrate how centrally imposed principles and restrictions for delivering public services aimed at cutbacks directly "ease" the tasks and reduce the work load of street-level bureaucrats. They claim that central instruments, such as formalized access by clients, standardized forms and treatments for service delivery, increased service prices, reduced variety of service tasks, fixed quality of treatment, reduced

frequency of service provision, service hours or the number of service outlets, directly reduce the level of public services provided by the bureaucrats to the citizens (Ibid.; Dunsire and Hood 1989).

In addition, increased politicization, which is a likely response of governments in situations of rapid and extreme changes (see Rouban 2007; Peters and Pierre 2004; Schick 2009), is believed to cast bureaucrats aside from policy-making during retrenchment. Namely, during the crisis typically operational and political tasks are distinguished, the latter pointing to a greater share of responsibility, accountability and blame (Boin et al. 2008, 150). It is conventional that government leaders such as prime ministers and presidents take the political tasks and make strategic choices to alleviate crisis, but often even technocratic and operational decisions commonly in the responsibility of officials might move into the political arena during the crisis (Peters 2011). Furthermore, it is common that in the course of retrenchment "the career civil service" is distanced from the key actors, because as a rule cutback decisions are made in a small group of political leaders (Kickert 2012; Peters 2011; Peters et al. 2011). This is so because often public service is treated as part of the problem due to its resistance to changes (Peters and Pierre 2001). Street-level bureaucrats have been traditionally viewed as a troublesome counterpart in the policy process, whose discretionary decisions result from their personal interests and may lead to dysfunctional behavior, insufficient service delivery and divergent policy outcomes (Meyers and Vorsanger 2003; Nielsen 2006, 861).

From a different perspective, several authors (e.g. Ingraham and Barrilleaux 1983, 400; Levine 1978) claim that a bigger inclusion of the civil servants in cutback processes is relevant for achieving successful policy outcomes. More specifically, intensified engagement of expert knowledge from the "ground staff" is seen as an enabling factor for fast and more competent policy responses in unpredicted situations (Boin et al. 2008, 53-54). For example, a common practice applied during retrenchment speaking for empowering the bureaucrats is across-the-board cuts that delegate decisions on budget cuts to operational managers or even service providers (Pollitt 2010). Some authors have pointed to the fact that cutback management gives more power to civil servants, as it sets novel requirements to their skills and competences (e.g. bigger managerial responsibility, long-term view and professionalism) and their role in performing these tasks is of utmost importance in mitigating the crisis (Lodge and Hood 2012; Moulton and Wise 2010). Also Meyers and Vorsanger (2003, 247) argue for the empowerment of the street-level bureaucrats in cutback policy-making, claiming that the more unpropitious and complicated the task environment is, the more does coping with the changes of external environment depend on their discretionary judgment.

Meyers and Vorsanger (2003) further explain that a "crisis situation" inherently empowers the street-level bureaucrats, because adhering to the conventional standards and routines can prove difficult in crisis, and hence more room is left for their own interpretation. This is especially true during cutbacks, when service providers are facing a situation of trying to maintain standards when being denied the essential resources (Dunsire and Hood 1989, 1). A common manifestation of the street-level bureaucrats' discretionary power are specific coping mechanisms that enable them to manage workloads, solve unpredicted situations and make ad-hoc decisions when being confronted with diverse demands and restricted resources (Lipsky 1980;

Winter 2002). These mechanisms range from limiting information and access to clients and modifying program objectives to rationing the services provided by focusing on specific client groups or tasks (Meyers and Vorsanger 2003, 247; Nielsen 2006, 865) (see Table 1). Most commonly, the coping mechanisms are aimed at reducing the demand for service provision[1], and the use of these mechanisms would intensify under increased pressure (Meyers and Vorsanger 2003).

Table 1: **The main coping strategies on the street level**

Coping mechanism	Description
Posing psychological costs on clients	Limiting information provided to clients
	Limiting access
	Letting clients wait
Dominating clients	Modifying program objectives, developing cynical perceptions of clients
Rationing services	
Setting priorities among tasks	Concentrating on limited number of selected cases, clients, solutions
Setting priorities among clients	Standardizing and routinizing the client groups, stereotyping, e.g. "creaming" – choosing the "easiest" clients, using rules of thumb

Source: based on Lipsky 1980; Meyers et al. 1998; Nielsen 2006; Winter 2002

Still, a fact that deserves caution in relation to the empowerment of civil servants in cutback policy-making (*vis-à-vis* other official actors) is that it can serve the aim to obscure or shift blame (Boin et al. 2008, 151; Peters et al. 2011). Posner and Blöndal (2012, 29) claim that the delegation of hard choices to the agency level is a "time honored strategy" of scattering political responsibility. It is often driven by the governments' search for cheap, easy and handy solutions attractive in the context of difficult and complex problems (Adolino and Blake 2001; Pandey 2010).

3. Estonian case study

As a response to the fiscal crisis, the Estonian government imposed strict fiscal discipline by applying several consolidation measures across three negative state budgets within two years (first in 2008, two additional ones in 2009) and several one-off measures improving the state budgetary position by ca. 9% and ca. 6% of GDP in 2009 and 2010 respectively (OECD 2011, 99; see Appendix1). All three negative supplementary budgets applied extensive cuts in the operational expendi-

[1] Ironically, efforts to cope with limited resources may lead to either an inconsistent and particularistic treatment of similar clients or a routinized treatment of very dissimilar clients (Meyers and Vorsanger 2003, 247).

tures[2] of ministries together with agencies under their jurisdiction. To achieve these cuts the Cabinet set a fixed proportion across all ministries and their agencies that were in turn responsible for finding the specific "cutback items" to achieve the set cutback ceilings (Raudla and Kattel 2011). These across-the-board cuts were forced three times in a row ─ 7-9%[3] in June 2008, 7% in February 2009 and 7% in June 2009 (Estonian Ministry of Finance 2008, 2009). Thus the retrenchment reached the government agencies in 2008 with the first round of across-the-board budget cuts.

The agencies investigated in the current study belong to the area of governance of the Ministry of Finance – Estonian Tax and Customs Board (TCB) – and the Ministry of Social Affairs – Labour Inspectorate (LI), Estonian National Social Insurance Board (ENSIB) and the Unemployment Fund (UEF).[4] The agencies were chosen as a basis for the current empirical study, as these specific regulatory and social policy areas are considered to be directly and strongly affected by the crisis (e.g. higher unemployment, lower receipt of state-budget revenue) in terms of increased demand for services at the agency level (e.g. provision of unemployment services, solving labor disputes, requesting social benefits, tax collection and enforcement). Hence, there is ground to hypothesize about a large-scale change in the tasks and role of the street-level bureaucrats in these agencies. Furthermore, taking into account that ENSIB and UEF are agencies engaged with the transfer of funds, whereas LI and TCB are regulative agencies (Bouckaert and Peters 2004), differences in the dynamics of tasks, roles and coping strategies of street-level bureaucrats in these two groups of agencies are expected. The variation is assumed due to the stronger position of client groups materializing in lower demand for services (e.g. being inspected) in case of regulatory agencies (Winter 2002).

3.1 Responses at the agency and street level

The following part of the paper gives a brief overview of the cutbacks at the agency level in Estonia to illustrate what the problem of diminished resources actually meant and presents the patterns of service delivery during cutback policy-making in the four agencies. All the information presented is based on twelve semi-structured expert interviews conducted with heads of units and senior service-delivery officials engaged in cutback management and crisis-time service provision in the four agencies (for the list of interviewees see references) if not cited otherwise.

---

[2] Currently the cutback measures in operational expenditures are categorized after Raudla, Savi and Randma-Liiv (submitted) including personnel-related cutback measures (layoffs, cuts in wages, additional pay, training funds etc.) and administrative expenditure (spending limits or bans on maintenance, travel, supplies, utilities, equipment etc.).

[3] 7% applied to the Ministries of Education and Research, Ministry of Justice, Ministry of Economics and Communication, Ministry of Finance, Ministry of Internal Affairs and Ministry of Social Affairs. 9% was set as a compulsory target for the Ministry of Defence, Ministry of Environmental Affairs, Ministry of Cultural Affairs, Ministry of Agriculture and Ministry of Foreign Affairs (Estonian Ministry of Finance 2008).

[4] TCB, LI and ENSIB are government agencies without legal independence and under direct supervision of ministries. They implement policies by mainly fulfilling regulatory tasks and are covered by civil service legislation (Sarapuu 2011). UEF is a state agency (legal person in public law) and does not exercise public authority but is engaged in policy implementation and employs officials under general labor law applied also in the private sector. It reports directly to the ministry, but has independent managerial authority and budget (Sarapuu 2011).

3.1.1 Estonian Tax and Customs Board

To cope with the decreased budget different cutback measures addressing operational costs in turn directly influencing street-level bureaucrats were applied in TCB in 2008 and 2009. To achieve cuts in personnel costs the agency top management opted for layoffs, hiring freeze (hiring a new employee was only allowed with the permission of the head of the agency) and pay cuts (3-5% to non-managerial positions and 15% to the managerial position). In addition, cuts in administrative and maintenance-related expenditures occurred, ranging from cutting the number of official cars, requiring two-sided printing, to switching off the heating system in the office during the weekend or optimizing lighting in offices whenever possible. Furthermore, work-related accommodation and transportation compensations for employees (living far away from the boarder point or regional bureau) were abolished. Therefore employees had to take care of the rent payments themselves. Though alternative transportation schemes were offered by the agency's management to compensate the financial burden, immense inconveniences resulted in the daily lives of street-level workers.[5]

As commented by the interviewees, the cutback decisions in TCB were taken by the agency's top management and during the crisis decision-making was centralized (e.g. before the crisis heads of departments were free to decide upon hiring new employees). However, a regional unit head claimed that though it was centrally decided that personnel costs had to be reduced, it was the unit manager who had to decide upon exactly which employees had to be laid off.

According to the interviewees, the general workload in TCB during the retrenchment period rose in both its core activities – the implementation of national tax and customs policies. Still, as a rule, these modifications did not require the officials of TCB to work after office hours. The interviewees claimed that in relation to customs policies crisis-led increase in unemployment enhanced the mobility of workforce that in turn slightly affected the workload of the border guards. In addition, increased work load was impelled by layoffs and related modifications in the provision of services due to the shrinking workforce. Those who had kept their position had to assume new tasks and responsibilities (of those who had left) and therefore needed (more) time to adjust to the new tasks. For example, in two counties (Raplamaa and Läänemaa) the provision of customs services was cut down by half and added to the responsibility of officials previously dealing with tax claims. In addition, bureaucrats had to take on new tasks and responsibilities that were very remote from their profession (e.g. a tax-enforcement lawyer had to take up driving and take care of parking, refueling etc. when going to court; even more extremely, a customs official started to provide daily transportation to colleagues).

Besides bringing along entirely new tasks to the street-level bureaucrats of TCB,

[5] Instead of the accommodation or travel compensation, the workers now were offered a car for common use by the employer. One of the colleagues driving from the most distant location thus used the car provided to pick up others on the way to work/home. This meant that one person became responsible for the transportation of the others, and all the workers were very strongly interdependent in terms of arriving at and leaving the post. Even more, in some cases the colleagues that had to be picked up lived off the main route; hence the one who was driving had to start the day very early to be at the post in time.

the crisis-time work environment triggered a shift amongst the existing core tasks of tax enforcement lawyers. Namely, in terms of the tax policy implementation, during the crisis the TCB top management gave priority to the functions that helped ensure the receipt of state-budget revenue and maximize the tax accrual (e.g. tax control and enforcement). This priority was legitimized through quotas for tax enforcement lawyers setting a yearly number of enforced cases or "successful" cases (still no direct punishments or rewards were attached to the quotas). As a result, the officials became more engaged in *ex-ante* analysis and risk analysis to be able to focus on solvent clients and avoid dealing with unsuccessful cases. According to a tax-enforcement lawyer the strategy to maximize tax accruals as quickly as possible changed the former more personal approach to clients often based on compliance[6] and insisted on a more "standardized" service provision that forced them to adhere to rules and regulations more closely.

3.1.2 Estonian National Social Insurance Board

In ENSIB the crisis-related retrenchment curbed the salaries of all workers by 4% in 2009. In addition all staff was obliged to take 20 days of unpaid leave during 2010. Furthermore, the additional pay fund was sharply cut, one-time support schemes abolished, and costs on work-related training and transportation compensation were significantly reduced. Though in ENSIB the heads of bureaus were given an opportunity to choose between an additional cut in salaries or unpaid leave in 2010, the general engagement of the agency officials in the cutback decision-making was weak, thus suggesting that it was a rather top-down process. The head of the financial unit in ENSIB stated: "All the officials were informed that as of now we have to get by with fewer resources", the head of a bureau in ENSIB assured: "no one was consulted, we just received a directive from the agency's director general announcing the budget cut". Still, the cuts were accepted rather peacefully by the officials; according to a unit head everyone understood that the situation has to be solved.

The fiscal crisis increased the number of clients who registered as disabled in ENSIB to be eligible for social benefits. In addition, as the tasks of those on the obligatory unpaid leave were distributed among other street-level bureaucrats, fewer people had to manage the increased workload during the crisis. However, working overtime was not frequent, and no extreme situations occurred according to the interviewees.

3.1.3 Labor Inspectorate

In LI the crisis-related budget cuts induced pay cuts, cuts in additional pay funds and training funds, the abolition of several one-time support schemes (e.g. compensation for health-related activities, financial support for wedding) and also cuts in admin-

[6] A tax enforcement lawyer explained that as a rule she tried to set the pay schedule and period for paying back the debt as flexibly as possible, taking into account the needs of the client as much as possible. After the management announced increased tax accrual as essential (and set the quotas for tax enforcement lawyers) the priorities of service delivery changed, and a much more strict attitude towards the clients was taken.

istrative expenditures. Still, the pay cuts remained under 5%, because part of the personnel expenditures in LI were covered by allocations from the EU Structural Funds that, according to the priority set by the government, were not targeted during the crisis period (Estonian Ministry of Finance 2008, 2009). In addition, numerous cosmetic cuts were introduced, such as less color printing, no free coffee, etc. Though in general the budget cutbacks in LI materialized in a rather centralized setting, the heads of Inspectorates were invited to participate in a general discussion concerning the possible cutbacks.

The crisis context increased the number of labor disputes in Estonia by ca. 40% (Estonian Labor Inspectorate 2009) and hence straightforwardly increased the workload of street-level bureaucrats in LI, whose ordinary daily working hours were often extended by more than two hours and who occasionally had to work on weekends. Even though during the crisis all the tasks that could be postponed to after service hours (not requiring direct contact with clients) were deferred by the officials to provide services to a maximum number of citizens, the average time of processing the labor disputes grew by the factor of four – instead of the usual one month it took four months from submitting the application until the first court session (Estonian Labor Inspection 2009).

The sharp rise of work disputes insisted a shift between the two main functions of the LI (workplace health and safety and labor relations and disputes) as the top management decided to cut down on the number of site visits of the work inspectors (related to workplace health and safety) by adjusting their official work plan in order to direct more resources to dealing with work disputes. At the individual level, the legal advisors dealing with labor disputes encountered a shift in their tasks as they became more engaged in (phone) counseling than ever before (a legal advisor estimated a shift from 1/3 to 2/3 of the work time) and, as pointed to above, fulfilled technical tasks only after opening hours. The legal advisors claimed that as the aim was to counsel as many citizens as possible, they started to look for opportunities to optimize the consultation time. Hence citizens "with better command of using the computer and the Internet" were advised less, as they were believed to be able to look up the relevant information (e.g. concerning the submission of application for dispute) themselves. At the same time, the legal advisors claimed they were rather aligned to the existing regulations and instructions, because their counseling had to do with explaining highly technical details concerning layoffs and the legal rights of employers and employees.

3.1.4 Unemployment Fund

No substantial crisis-related budget cuts could be detected in UEF, because in May 2009 UEF and the Labor Market Agency were merged. Hence the reorganization of organizational structure, resources and budget was carried out earlier during the process. In addition, the merger with a state agency (previously a government organization) brought along independent managerial and budgetary authority for UEF, and therefore the across-the-board operational cuts by central government did not address the agency straightforwardly. Still, during the crisis a general mentality of increased efficiency and economy prevailed also in UEF, and thereby the expenditures on train-

ing, selected support schemas (e.g. one-time financial support for workers with school-aged children) and some maintenance costs were optimized by the management.

The crisis impelled a sharp rise in unemployment in Estonia from 5.5% in 2008 to 13.8% in 2009 (Eurostat 2011), thus significantly increasing the number of first-time clients to be registered as unemployed in UEF. As suggested by the interviewees, the magnitude of the crisis-led changes was best illustrated by the fact that on some days there was a queue of clients on the street. Consequently, the workload in UEF increased severely, and the ordinary eight-hour working days of the bureaucrats extended regularly to eleven hours and also to the weekends. According to a senior official in UEF the street-level workers were subject to extreme time pressure, and they had to establish a "service express" to manage the increased workload – during the crisis the officials spent on average 10 minutes on each client (instead of the usual 25-30 minutes). In spite of that, citizens were faced with longer waiting hours – in UEF the average waiting time for reception grew from the ordinary 20 minutes to up to four hours on some days. Often, clients were sent back on their arrival due to the overcrowded service hall.

Being faced with an ever growing number of clients in UEF all the officials (also the head of the office, information-desk official etc.) started to enroll the first-time clients, unless any strict deadlines concerning their main job had to be met. No official regulations, no new task profiles or rules were established for the new work arrangement, hence the formal job descriptions were ignored when basically all the officials started to fulfill the functions of a desk officer. A senior official from UEF claimed: "There was only one rule – you have to provide service to the customer." The officials claimed they acted on "common sense" but also relied on their "gut feeling" when dealing with the new situation. The information-desk official at the UEF "regulated" the action of front-line workers, as she decided upon which clients each bureaucrat had to receive by establishing a principle that "the less experienced officials" (those who officially were not engaged with registration of the unemployed) work with "easier" clients.[7] Even more, she straightforwardly influenced the duration of individual receptions by shouting when the waiting line had grown too long or people in line were getting nervous or just by sending a citizen to a bureaucrat who was "taking a breath".

Concerning the changed task profile more specifically, street-level bureaucrats faced with intense time pressure to register the new unemployed spent less time on counseling in UEF (the main tasks when registering a new unemployed are technical registration and consultation on possible training and job opportunities). According to the interviewees, the time dedicated to clarification and explanation during the consultation decreased vastly, thus consultations were often superficial because the main aim was to quickly register the unemployed to secure their financial benefits. Very often, instead of spending time on consulting the citizens, they were provided with the necessary information booklets or references to relevant webpages. The officials in UEF stated that the citizens with better computer skills were counseled less, as they were considered capable of searching job vacancies by themselves.

[7] The criteria for estimating whether a client is "easy" or not were based on the interpretation of the information-desk officer.

Table 2: **The main cutback measures applied during the crisis at agency level**

	ENSIB	LI	UEF	TCB
Cuts in operational expenditures				
Dismissals	+	+	-	+
Hiring freeze	+	+	-	+ hiring new personnel only with the permission of DG, allowed only if sb. left
Salary cuts	4% in 2009	less than 5% due to the financing from EU structural funds	-	3-5% non-managerial positions 15% managerial positions
Cuts in additional pay fund	+	+	-	+
Cuts in training fund	+	+	+	+
Compulsory unpaid leave	20 days during 2010	-	-	-
Cuts in one-time support schemas	+	+	+	+ living and travel compensation of boarder workers abolished
Cuts in administrative and maintenance expenditure	+	+	+	+

Legend: + Applied; - Not applied

4. Discussion

The case descriptions provided above demonstrated that the retrenchment strategy chosen by the Estonian government as a response to the fiscal crisis forced the investigated agencies to carry out large-scale cuts in their operational expenditures (with the exception of UEF, where only marginal cuts occurred). The study confirms the theoretical propositions about excluding civil service from cutback decision-making. It was shown that the cutback measures at the agency level were applied in a rather centralized manner, as the street-level workers were neither engaged nor consulted by the top management but were set aside when deciding on specific cutbacks concerning their salary and work-related benefits. Though in LI unit heads had a possibility to participate in an informative meeting on cutbacks, in general top-down processes prevailed in all agencies, and the workers were just informed (on paper) about the retrenchment decisions taken at the top. Thus, for the street-level workers the crisis materialized in the atmosphere of centrally imposed cutbacks and crisis-driven complexity in the work environment. As a result the street-level officials in the agencies investigated faced a situation where more had to be done with less. Though the depth of "more" and "less" varied strongly among agen-

cies, in all more public services had to be delivered at a more rapid pace, in a more complicated task environment with decreased salary and/or loss in benefits and lower job security.

Despite the overall centralized and exclusive cutback mentality, the degree of "centralization" in terms of formal instructions given from the agency top management for doing more with less in the unconventional situation did not prevail in the four agencies investigated. Only in TCB the management laid down a rather clear target and setup for the tax-enforcement lawyers that required to deal with a specific group of clients in a radical way. Though in LI a shift between the two core functions was officially established at the organizational level, neither in ENSIB, in LI, TCB (customs service) nor in UEF any formal guidelines whatsoever were given concerning street-level service delivery in the changed work environment. A further aspect speaking for a rather decentralized setting at the service-delivery level is the fact that the current study found no proof of either the central government or the agency-level top management making use of the possibility to "smooth out the inputs or level down the outputs" of public services (cf. Dunsire and Hood 1989) that would have reprieved the situation of the street-level officials as described in the analytical framework. Hence, it could be said that for coping with the crisis "decentralized" solutions had to be found at the very service-delivery level by the street-level bureaucrats, where, therefore, also the biggest pressures emerged. This is in line with the arguments of the authors who claim that the crisis context per se empowers the bureaucrats and presents rather opposite dynamics to the patterns proposed in the existing literature, according to which "harder" tasks are lifted from the shoulders of the bureaucrats and borne by the political elite during cutback policy-making. This, in turn, shows that the centralization/decentralization tendencies are rather concurrent and complementary, depending on the type of decision to be taken, not so much conflicting as put forth by the prevailing lines of argumentation in the existing literature.

As pointed to above, the real impact of the crisis and pressures that emerged at the street level differed considerably among the agencies investigated. In some agencies the front-line workers reported no significant variation in their daily work practices (ENSIB), in others rather extensive modifications in task profile and habitual work practices (LI, TCB, UEF) was encountered, ranging from a changed task profile to fulfilling duties and delivering services not provided before and not even related to the profession. What is more, differences occurred in different units inside individual agencies (TCB). The exceptionality of ENSIB seems to be explained by the fact that for this agency the demand for services increased only slightly when compared to the other agencies, and the (minor) modifications in work practices were mainly the function of implemented cutback measures (compulsory leave). Then again, in TCB, where large-scale changes occurred, the increased demand for providing services was comparable to neither LI nor UEF. Furthermore, in TCB the biggest changes in service provision that were triggered by intensified demand for service (tax enforcement) were induced not by external, but internal factors (contrary to LI and UEF), as increased tax accrual was a priority set by the agency management. In addition, in TCB the internal retrenchment decisions (layoffs, reduced staff, abolished support schemes) triggered the reorganization of functions and tasks, and

the modifications were more extreme in areas where cuts were more extensive (e.g. the abolishment of compensation for accommodation). The latter thus implies the explanatory power of the severity of the cutback measures. The cases of LI and UEF in turn do not confirm this, first of all, because in UEF no radical cuts occurred, and, secondly, in LI internal cutback decisions did not change the task profile of employees in any significant way. Rather, the sharp (external) increase in the demand for services from the target groups clearly impelled the changes in task profile and habitual practices of the street-level bureaucrats in LI and UEF. All in all, it seems that the combination of the severity of internal cutbacks and the severity in the increase of the external demand for services seems to shed light on the changed work profile of the street-level bureaucrats.

The agency case studies revealed that in agencies where crisis-led pressures occurred more explicitly (LI, TCB, UEF), the work environment during crisis forced street-level bureaucrats to use a range of coping strategies not applied on an everyday basis (at least not straightforwardly) to manage the workloads and novel situation, hence confirming the theoretical proposition about increased use of these mechanisms under pressure. This clearly also speaks for the empowerment of the street-level workers. The strategies ranged from posing (psychological) costs on clients, to setting priorities with regard to services, tasks and clients. As was demonstrated earlier street-level bureaucrats developed a more strict and impersonal attitude towards the clients (TCB); they also consciously limited information provided to the clients and expected the clients to look up the information themselves (LI and UEF). This practice was based on stereotyping the clients (LI and UEF) and setting priorities among target groups by addressing the most "promising" clients in order to achieve the policy outputs (TCB). Based on the information obtained from the interviewees, the coping strategies were aimed rather at rationalizing the demand and the services provided in order to increase the output (to provide services to as many citizens as possible; to increase the tax accrual) rather than decrease the level of demand (cf. Nielsen 2006). The rationing of services clearly brought out priorities in the crisis-time tasks – *ex-ante* analysis had precedence over straightforward enforcement activities (TCB), technical tasks were considered less important than the core services (LI, UEF), and securing the immediate financial benefits of the citizens was considered a first-rank priority (UEF). When rationing services was common in all three agencies, posing costs on clients occurred in LI and UEF, but not in TCB. This can probably be explained by the excessive demand for services faced by the street-level bureaucrats in LI and UEF. Interestingly, the changed task profiles that emerged in current case studies show that most of the "shifting" took place at the very agency level – among the existing tasks of individual bureaucrats and among tasks of colleagues in the same units and agencies. Besides UEF, where also the head of a unit started to enroll the unemployed, no other occasions occurred where bureaucrats from a higher hierarchical level or politicians took over tasks from the agency-level bureaucrats.

The current study exemplifies that in some cases dealing with the complicated environment and applying the coping strategies led to adhering to the set regulations more strictly (LI, TCB). In others, both the formal and informal regulations (job descriptions, principles on the duration and contents of consultation) were side-

stepped (LI and UEF), and hence significantly more discretion was exercised when compared to the pre-crisis period. Hence the prevailing understanding in the academic literature that coping strategies assume more discretion is not confirmed by the current study. It can be argued that the existence of the central guidelines for crisis-time service delivery from the management impacted the need for interpretation and discretion from the street-level bureaucrats' side. Namely, in TCB stereotyping the clients derived from clear criteria determined by the management (more tax accrual). On the other hand, in UEF categorizing the clients was largely based on the street-level bureaucrats' personal beliefs as to what is necessary and is best for the citizens (e.g. the priority of securing the unemployment benefits). Similarly, in both LI and UEF deciding upon the clients' command of computers was based on the interpretation of bureaucrats.

5. Concluding remarks

The retrenchment strategy opted for by the Estonian government during the recent fiscal crisis brought along proportional cuts in operational expenditures at the agency level. By applying these across-the-board cuts the government freed itself from political priority-setting, minimized unpopular cuts directly targeting the citizens and pushed the hard choices to the agency level. The current study confirmed similar patterns at the agency level where for the street-level workers the crisis materialized in the atmosphere of centrally imposed cutbacks and crisis-driven change in the work environment. Nevertheless, the study showed that centralization and decentralization tendencies were complementary, because in the situation where more work had to be done with less resources and in a more complicated and insecure environment prevailingly "decentralized" solutions had to be found by street-level bureaucrats to manage the emerging uncertainties.

The case study at hand demonstrated that the real impact of the crisis and related pressures at the agency and street levels differed noticeably among the agencies, but also in different units inside agencies. These differences are best explained by the severity of internal cutbacks and the severity of the increase of external demand for services at the agency level, rather than by the function of the agency (regulatory vs. fund-transferring) as proposed initially in the paper. In agencies where the crisis-related pressures strongly emerged, shifts in the traditional tasks of street-level bureaucrats occurred ranging from a changed task profile to fulfilling duties and delivering services never provided before and not even related to the profession. It has been shown that the crisis-time work environment forced the street-level bureaucrats to apply various coping strategies aimed most of all at rationing the services in order to increase the policy outputs.

Besides their self-denying action as professionals when delivering public services, a relevant share of coping with the crisis at the street level concerned bearing the burdens such as the loss of benefits and compensations, the loss of routine work time and rest time and sacrificing their own comfort. In addition, street-level bureaucrats facilitated the adoption of austerity measures by silent response, loyalty and commitment towards the government cutback goals and measures undertaken. By not questioning the necessity of cutbacks and accepting the decrease in pay, an

increasingly complex work environment and unconventional task profiles, they contributed to achieving the crisis-time policy goals set by the government. Hence it could be concluded that the price paid at the street level for mitigating the crises was very high, at both the professional and personal levels.

All in all it can be concluded that though the principal crisis-time decisions in terms of cutbacks concerning the state budget were taken either at the governmental or the agency top management level, excluding street-level bureaucrats, the centralized decisions did not lift burdens from the shoulders of bureaucrats, nor did it ease their work. Therefore, street-level bureaucrats were still the key actors in crisis-time policy making as they secured the delivery of public services in very complicated circumstances. Eventually the street-level bureaucrats took the responsibility, accountability and also blame when delivering the services. Paradoxically, their empowerment in public policy-making did not result from strategic steering and inclusion from the government level but from being left "on their own". The study exemplifies that bureaucrats can be part of the solution to the critical problems the public faces, and policy goals and outputs do not necessarily have to be superseded when the front-liners have to manage intense workloads and complex external environment.

Acknowledgements

The research leading to these results has received funding from the European Union's Seventh Framework Programme under grant agreement No. 266887 (Project COCOPS), Socio-economic Sciences & Humanities; the Estonian Research Council's institutional grant no. IUT19-13 and from the Estonian Science Foundation grant no. 9435.

The author is thankful to Jelena Paskevitsh, a master student in the Ragnar Nurkse School of Innovaton and Governance, Tallinn University of Technology for helping to conduct interviews in the TCB and to Ringa Raudla and Aleksandrs Cepilovs for their useful comments and remarks on the earlier version of the paper.

APPENDICES

Appendix 1: **Major consolidation measures in Estonia 2008-2010 (Millions of Euro)**

Measure	Description	Budgetary impact (% of GDP)		
		2009	2010	2011
1. Expenditure measures		**854.5 (6.2)**	**331.1 (2.3)**	**111.1 (0.7)**
1.1. Operational measures	Operational budget cuts, including personnel expenditures	100.7	57.8	-
1.2. Programme measures		454.5	113.5	111.1
1.2.1. Pension	Suspending the second pillar funded pension scheme	85.4	71.4	79.1
	Decreasing the raise in pensions (5% instead of 14%)	78.2	-	-
1.2.2. Social security	Reduction of health insurance costs	39.1	-	-
	Introduction of changes in employment act	49.1	-	-
	Reform of sick-note compensation scheme	19.9	-	-
	Decrease in the liabilities of health insurance fund	7.0	-	-
1.2.3. Defence	Defence expenditures	30.9	10.1	-
1.2.4. Construction	Road maintenance	52.1	-	-
1.2.5. Transfers to local governments	Decreasing the share of income tax to be transferred	38.3	-	-
1.2.6. Lending to local governments	Limiting lending to local government	32.0	32.0	32.0
1.2.7. Investments	Environmental investments	22.4	-	-
1.3. Other initiatives	Numerous measures (e.g. imposing overall spending limits and expenditure freezes at central government level)	299.3	159.8	-
2. Revenue measures		**417.3 (3.0)**	**578.3 (4.0)**	**484.4 (3.0)**
2.1. VAT	Increasing the VAT tax rate from 18% to 20%	51.1	111.8	119.9
	Increasing the lowered VAT rate	21.1	21.9	23.5
2.2. Personal income taxes	Abolishing additional basic allowance for the first child	-	46.1	45.3
	Excluding labour union fees and study loan interest from income deductions	-	-	3.0
	Creation of the investment account	-	-	-
	Excluding educational costs from the list of fringe benefits	-	-	-

2.3. Social security contributions	Raising unemployment insurance tax from 0.9% to 4.2%	50.2	112.7	124.7
	Increasing the social tax obligatory minimum to 100% of the minimum wage	21.0	23.0	23.0
2.4. Excise duties	Increasing excise on alcohol, tobacco, fuel, gas and electricity	33.2	103.9	111.1
2.5. Dividends	Additional dividends from state-owned enterprises	108.6	82	32
2.6. Property	Sale of real estate and land	75.9	64.9	-
2.7. Other	Other revenues	56.1	2.0	2.0
TOTAL		**1271.8**	**909.4**	**595.5**

Source: adopted from OECD 2012

References

Adolino, Jessica R. and Charles H. Blake. 2001. *Comparing Public Policies: Issues and Choices in Six Industrialised Countries*. Washington: CQ Press.

Anderson, James E. 2000. *Public Policy Making: An Introduction*. Boston/New York: Houghton Mifflin Company.

Boin, Arjen et al. 2008. *The Politics of Crisis Management: Public Leadership under Pressure*. Cambridge: Cambridge University Press.

Bouckaert, Geert and B. Guy Peters. 2004. "What Is Available and what Is Missing in the Study of Quangos?" In Christopher Pollitt and Colin Talbot (eds). *Unbundled Government: A Critical Analysis of the Global Trend to Agencies, Quangos and Contractualisation*. London: Routledge, 22-49.

Bozeman, Barry. 2010. "Hard Lessons from Hard Times: Reconsidering and Reorienting the 'Managing Decline' Literature." *Public Administration Review* 70(4), 557-563.

Dunsire, Andrew and Christopher Hood. 1989. *Cutback Management in Public Bureaucracies: Popular Theories and Observed Outcomes in Whitehall*. Cambridge: Cambridge University Press.

Estonian Labor Inspection. Available at http://www.ti.ee/index.php?page=820& (last accessed 5 March 2013)

Estonian Ministry of Finance. 2009. Memorandum on Second Supplementary budget of the year 2009.

Estonian Ministry of Finance. 2008. Memorandum on Supplementary budget of the year 2008.

Eurostat statistical database. Available at http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdec450&plugin=1t (last accessed 5 March 2013).

Ingraham, Patricia W. and Charles Barrilleaux. 1983. "Motivating Government Managers for Retrenchment: Some Possible Lessons from the Senior Executive Service." *Public Administration Review* (September/October), 393-402.

Jõgiste, Kadri, Peeter Peda and Giuseppe Grossi. 2012. "Budgeting During Austerity: The Case of Estonian Central Government." *Public Administration and Development* 32(2), 181-195.

Kickert, Walter. 2012. "State Responses to the Fiscal Crisis in Britain, Germany and the Netherlands." *Public Management Review* 14(3), 299-309.

Kogan, Maurice. 1981. "Education in 'Hard Times'." In Christopher Hood and Maurice Wright (eds). *Big Governments in Hard Times*. Oxford: Martin Robertson, 152-173.

Estonan Labour Inspectorate. 2009. Tänasest alustas tööd uus töövaidluskomisjon (As of today a new work dispute commission is in place). Available at http://www.ti.ee/index.php?article_id=1589&page=351&action=article& (last accessed 18 July 2012).

Levine, Charles H. 1978. "Organizational Decline and Cutback Management." *Public Administration Review* 38(4), 316-325.

Lewis, Carol W. and Anthony T. Logalbo. 1980. "Cutback Principles and Practices: A Checklist for Managers." *Public Administration Review* 40(2), 184-188.

Lipsky, Michael. 1980. *Street-Level Bureaucracy: Dilemmas of the Individual in Public Services*. New York: Russell Sage Foundation.

Lodge, Martin and Christopher Hood. 2012. "Into an Age of Multiple Austerities? Public Management and Public Service Bargains across OECD Countries." *Governance: An International Journal of Policy, Administration, and Institutions* 25(1), 79-101.

Meyers, Maricia K., Bonnie Glaser and Karin Mac Donald. 1998. "On the Front Lines of Welfare Delivery: Are Workers Implementing Policy Reforms?" *Journal of Public Administration and Management* 17(1), 1-22.

Meyers, Maricia K. and Susan Vorsanger. 2003. "Street-Level Bureaucrats and the Implementation of Public Policy." In B. Guy Peters and Jon Pierre (eds). *Handbook of Public Administration*. London: Sage, 245-255.

Moulton, Stephanie and Charles Wise. 2010. "Shifting Boundaries between the Public and Private Sectors." *Public Administration Review* 70(3), 349-360.

Nielsen, Vibeke Lehmann. 2006. "Are Street-Level Bureaucrats Compelled or Enticed to Cope?" *Public Administration* 84(4), 861-889.

OECD. 2012. *Restoring Public Finances*, *2012 Update*. Paris: OECD Publishing.

OECD. 2011. *Restoring Public Finances*. Special Issue of the *OECD Journal on Budgeting* 2011/2. Paris: OECD Publishing.

Pandey, Sanjay K. 2010. "Cutback Management and the Paradox of Publicness." *Public Administration Review* 70(4), 564-571.

Peters, B. Guy. 2011. "Governance Responses to the Fiscal Crisis: Comparative Perspectives." *Public Money & Management* 31(1), 75-80.

Peters, B. Guy and Jon Pierre. 2004. *Politicization of the Civil Service in Comparative Perspective: The Quest for Control*. London: Routledge.

Peters, B. Guy and Jon Pierre. 2001. "Civil Servants and Politicians: The Changing

Balance." In B. Guy Peters and Jon Pierre (eds). *Politicians, Bureaucrats and Administrative Reform*. New York: Routledge, 1-11.
Peters, B. Guy, Jon Pierre and Tiina Randma-Liiv. 2011. "Global Financial Crisis, Public Administration and Governance: Do New Problems Require New Solutions?" *Public Organization Review* 11, 13-27.
Pollitt, Christopher. 2010. "Cuts and Reforms: Public Services as we Move into a New Era." *Society and Economy* 32(1), 17-31.
Posner, Paul and Jon Blöndal. 2012. "Democracies and Deficits: Prospects for Fiscal Responsibility in Democratic Nations." *Governance: An International Journal of Policy, Administration, and Institutions* 25(1), 11-34.
Raudla, Ringa and Rainer Kattel. 2011. "Why Did Estonia Choose Fiscal Retrenchment after the 2008 Crisis?" *Journal of Public Policy* 31(2), 163-186.
Raudla, Ringa, Riin Savi and Tiina Randma-Liiv. "Cutback management literature in the 1970s and 1980s: Taking stock." *International Review of Administrative Sciences*, submitted.
Rouban, Luc. 2007. "Politization of the Civil Service." In B. Guy Peters and Jon Pierre (eds). *The Handbook of Public Administration*. London: Sage, 199-210.
Sarapuu, Külli. 2011. "Estonia." In Koen Verhoest et al. (eds). *Government Agencies: Practices and Lessons from 30 Countries*. Basingstoke: Palgrave Macmillan, 277-287.
Savi, Riin and Tiina Randma-Liiv. "Decision-Making in Time of Crisis: Cutback Management in Estonia". *International Review of Administrative Sciences*, submitted.
Schick, Allen. 2009. "Crisis Budgeting." *OECD Journal on Budgeting* 3, 1-14.
Stern, Erik K. and Bengt Sundelius. 1997. "Sweden's Twin Monetary Crises of 1992: Rigidity and Learning in Crisis Decision Making." *Journal of Contingencies and Crisis Management* 5(1), 32-48.
Wildavsky, Aron. 2001. *Budgeting and Governing*. New Brunswick/London: Transaction Publishers.
Wilks, Stephen. 2010. "Cutback Management in the United Kingdom: Challenges of Fiscal Consolidation for the Administrative System." *The Korean Journal of Policy Studies* 25(1), 85-108.
Winter, Søren.C. 2002. "Explaining Street-level Bureaucratic Behaviour in Social and Regulatory Policies." Paper presented at the XIII Research Conference of the Nordic Political Science Association held in Aalborg, 15-17 August 2002.

Interviews

Estonian National Social Insurance Board, Head of Bureau (3 July 2012)
Estonian National Social Insurance Board, Head of Bureau (23 July 2012)
Estonian National Social Insurance Board, Head of Financial Unit (2 July 2012)
Labor Inspectorate, Head of Inspection (20 June 2012)
Labor Inspectorate, Labor inspector – lawyer (22 June 2012)
Toll and Customs board, Head of Department (October 2013)
Toll and Customs board, Head of Regional Unit (26 August 2012)

Toll and Customs board, Head of Regional Unit (2 February 2013)
Toll and Customs board, Tax enforcement lawyer (20 July 2012)
Unemployment Fund, Case manager (21 June 2012)
Unemployment Fund, Case manager (26 June 2012)
Unemployment Fund, Head of Department (20 June 2012)

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: Riin Savi, Tallinn University of Technology, Ragnar Nurkse School of Innovation and Governance, Akadeemia tee 3, Tallinn 12618, Estonia; E-mail: riin.savi@ttu.ee.