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The Impact of Cutback Management on Civil-Service Training: The Case of Estonia

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Abstract

The focus of this paper is on the civil-service training during cutback management. The impact of the cutback management on civil-service training has not been thoroughly analyzed so far. The paper describes and explains the Estonian case and analyzes its implications for the theory. It is concluded that across-the-board cuts and a decentralized training system will lead to major cuts in training budgets. It is also found that in a cutback environment organizations prefer job-specific training over general civil-service training. Furthermore, in times of budget cuts organizations seek cost-effective training methods and thus provide in-house courses.

Key words: civil-service training; cutback management

1. Introduction

The recent economic crisis challenged governments all over the world to react to various economic and social effects. Estonia was one of the first countries to be affected by the global financial crisis and among the most strongly affected ones (Staehr 2010; Peters et al. 2011; Raudla and Kattel 2011). Government responses to the crisis were different in many other European countries. When most of the countries used discretionary measures or automatic stabilizers, the crisis management in Estonia was characterized by immediate and severe governmental expenditure cuts, public-service layoffs and also tax increases (Staehr 2010; Peters et al. 2011; Raudla and Kattel 2011, Jõgiste et al. 2012). Consolidation measures were taken already in 2008 and continued in 2009 when cuts in the budget were made on two occasions (Peters et al. 2011). The government adopted across-the-board cutback strategies which delegated the right to decide on cutback measures (layoffs, wage reductions, abolition of fringe benefits or other measures) to single governmental organizations (Raudla 2013).

Due to the severity of the crisis and governments' responses it is worthwhile to analyze the impact of these circumstances on the different aspects of public administration. A range of topics connected to the recent crisis have been examined already

(for example, see Kattel 2009; Staehr 2010; Raudla and Kattel 2011; Jõgiste et al. 2012; Kattel and Raudla 2013; Raudla 2013). The impact of the cutback management on human-resource management and more specifically on civil-service training has not been analyzed so far. The topic is interesting and novel not only in studies on fiscal crisis in Estonia but also in international literature. There are several studies on the impact of fiscal crisis on public administration (for example, see Onofrei and Lupu 2010; Pollitt 2010; Peters et al. 2011; Cepiku and Savignon 2012; Lodge and Hood 2012), yet the impact of the recession on training has received relatively little analytical attention. Furthermore, there are no comprehensive studies on the impact of cutback management on training in civil service, though there are a number of relevant studies conducted among private-sector companies (for example, see Majumdar 2007; Brunello 2009; Rao 2009; Mason and Bishop 2010; Felstead et al. 2012; Wickramasinghe and Perera 2012).

Training has many roles in civil service (Randma-Liiv et al. 2013). Firstly, it is related to the implementation of tasks and focuses on developing skills and competencies in order to fulfil objectives of the organization. Secondly, it is part of the motivation system and functions as an instrument to retain a high-quality and high-performing workforce. And thirdly, training is an instrument to raise civil servants' awareness of their role and responsibility and introduce shared values among civil-service staff. The crisis literature suggests that workforce training has never been more important than in challenging financial times (Cayer 1986; Carrel 2000; Rusaw and Rusaw 2008; Lodge and Hood 2012; Wickramasinghe and Perera 2012).

At the same time, training has proved to be vulnerable to the economic downturn (Felstead and Green 1994; Felstead et al. 2012). Many authors even note that the civil-service-training budget is often among the first items to be cut when fiscal stress hits (Cayer 1986; Maor 2000; Felstead et al. 2012; Lodge and Hood 2012). This has further implications for training programs and training methods as shrinking training budgets force organizations to prioritize training topics and seek more cost-effective ways of delivering training (Felstead et al. 2012). Since the fiscal crisis in Estonia resulted in radical cutback management, the paper at hand uses cutback management as a theoretical framework for the analysis. The following research question is posed: how has cutback management affected civil-service training in Estonia during 2006-2011? The analysis is operationalized by looking at three key elements of civil-service training: budget, content and methods.

2. Cutback management in public administration

Fiscal stress necessitates governments to impose spending cuts (Raudla et al. 2013). Most commonly, cutback strategies have been divided between across-the-board and targeted cuts (Pollitt 2010). With across-the-board measures operational managers and professional service deliverers are obliged to find ways of reducing their budgets in equal amounts or percentages (ibid.). Targeted cuts are assumed to identify and rank priorities and to allocate cuts based on these priorities (Levine 1979). Across-the-board cuts are believed to minimize the pain, help to maintain morale, build a good team spirit in organizations and involve fewer decision-making costs (Levine 1978, 1979). Yet, these cuts often do not reflect the public needs and prefer-

ences, tend to penalize efficient organizations, ignore varying needs of different units and may lead to decline in service levels and quality (Raudla et al. 2013).

There are several cutback instruments for dealing with cutting public expenditures. Different cutback instruments have been classified as follows: instruments for cutting operational measures (running costs), program measures (transfers and grants) and capital expenditures (investments) (Raudla et al. 2013). Reductions in operational expenditures, which are most relevant in the current paper, are further divided between personnel expenditures and non-personnel expenditures (ibid.). Decision makers faced with a crisis situation often focus on personnel costs to accomplish the cuts in government spending (Cayer 1986). So, the cutback management puts pressure on traditional public-service bargains in terms of reward, competency and loyalty (Lodge and Hood 2012). Indeed, reducing recruitment costs, freezing new recruitments, dismissal, freezing salaries and social benefits, cutting back public-sector wages, reducing pensions and increasing the retirement age (Cayer 1986; Lodge and Hood 2012; Onofrei and Lupu 2010; Pollitt 2010) have been popular instruments to cut expenditures. Non-personnel expenditure cuts restrict or ban spending on utilities, supplies, equipment, travel and communication (Wolman and Davis 1980 cited in Raudla et al. 2013).

Cutbacks in personnel and non-personnel expenditures create a conflict in public administration. At a time when public-sector staff is likely to bear various kinds of negative implications on their functioning (Pollitt 2010) there is an increasing need for professional and committed civil servants (Peters et al. 2011). Indeed, modern governments depend to a great extent on the work of national civil services and their employees (Onofrei and Lupu 2010). During the crisis, the role of the civil service and the permanent, professional components of the governance apparatus are highly important (Rusaw and Rusaw 2008; Peters et al. 2011). As Cepiku and Savignon (2012, 429) put it: "the role of the public sector is essential to overcoming the crisis, to fostering sustainable development, and for managing the equilibrium between public services supply and demand".

The changing environment and new challenges require new skills from civil servants. They may have to organize industrial bailouts and policies, steer nationalized companies, own global mega-banks and property portfolios of daunting complexity, try to find ways of making the best of their bad or doubtful loans and carry out cuts (Lodge and Hood 2012). At the same time, they have to continue their usual work (Cayer 1986), often under extreme time pressure and general uncertainty. Several authors note that human-resource training has an important role in tackling the changes stemming from cutback management (Cayer 1986; Carrel 2000; Rusaw and Rusaw 2008; Rao 2009; Lodge and Hood 2012). The next chapter addresses the role of training in civil service and the impact of cutback management on the key elements of training.

3. The impact of cutback management on civil-service training

3.1 The role of civil service training

Employee training is a key element of human-resource development. Training is "the planned and systematic modification of behaviour through learning events, programmes and instruction which enable individuals to achieve the levels of knowl-

edge, skill and competence needed to carry out their work effectively" (Armstrong 2003, 527). The role of training in civil service has been divided into three levels: the individual level, the positional/organizational level and the level of civil service as a whole (Randma-Liiv et al. 2013). On the individual level, training is part of the motivation system, as it provides civil servants with opportunities to move to new positions and develop their careers through developing their skills and competencies. On the positional/organizational level, training is related to the implementation of tasks and focuses on developing skills and competencies in order to fulfil the objectives of the organization. The performance of organizations and their ability to implement policies depends by and large on the qualities of their members and on the organizations' ability to learn and adapt. On the state level, training is an instrument for retaining a high-quality and high-performing workforce, raising civil servants' awareness of their role and responsibility and introducing shared values that contribute to cross-departmental cooperation and public-service ethics.

The key elements of civil-service training are training budget, content and methods.[1] The following subsections describe the potential impact of cutback management on the key elements.

3.2 Civil-service-training budget

Funding of civil-service training is a fundamental characteristic of a training system, as it affects both the quantity and the quality of civil-service training. In general, civil-service training systems are divided between decentralized and centralized systems, as the systems are determined by the funding scheme and the presence of the central coordinating institution responsible for training (Lucking 2003). In case of a centralized model, funds are allocated from a state budget to a central civil-service coordinator or a central training institution which then organizes training activities (Randma-Liiv et al. 2013). In a decentralized funding model, funds are allocated to individual organizations which administer the training budget for training and are thus free to decide on training provision (topics, methods, provider) (ibid.). In practice various combinations of these funding models are applied.

In academic discussions the training budget is often linked to the economic cycle of an organization. Felstead et al. (2012) claim that during an economic downturn organizations may increase, decrease or stabilize their investment in training. With increasing profitability organizations can afford to invest in training, while in turbulent times, training budgets are often the first savings targets (Cayer 1986; Vanhala 1995; Maor 2000; Felstead et al. 2012; Lodge and Hood 2012; Wickramasinghe and Perera 2012). Then again, some studies demonstrate that employers have avoided slashing budgets for training during the slump because they believe it is vital to their operations

[1] In general, training provision follows a systematic cycle (Torrington et al. 2002). The training cycle starts with the analysis of training needs, continues with planning and delivering the training and ends with training evaluation. This paper does not cover the topics of organization of training-needs assessment and training evaluation. Training-needs assessment is comprised in the analysis only in terms of training content, as training-needs assessment designs the training content. Training method is a component of planning and delivering training. The paper investigates training delivery in terms of training content and methods.

in the future, and some even increase training costs in the expectation that workers will be needed as businesses pick up (Felstead and Green 1994; Felstead et al. 2012). Some training topics are recession-proof, because a certain minimum level of employee training has to be carried out even during financially hard times (Felstead and Green 1994).

Academic literature offers some explanations to training budget cuts. Firstly, Lodge and Hood (2012, 84) and Felstead et al. (2012) note that there is a tendency of cutting activities with no immediate apparent payoff, such as staff training. Secondly, several authors (Paddock 1997; Maor 2000; Carrel 2000) point to the general view held by political executives and public officials that training is considered a cost rather than an investment. Both of these explanations convey general attitudes towards training. A third explanation derives from the system of training funding. In the case of across-the-board cuts the decentralized funding model leaves a great discretion to the organization level to decide on the size of the training budget (Freibert 1997; Paddock 1997; Maor 2000; Carrel 2000; Lucking 2003), whereas in a centralized system funds are allocated from the state budget, and this guarantees financial sustainability and a continuation of civil-service training activities in times of cutbacks (Randma-Liiv et al. 2013). Of course centralized training funding is recession-proof only in case the training budget is not a component of the targeted cuts.

3.3 Civil-service training content

The training topics covered in civil service demonstrate the areas in which civil servants are developing their skills and are thus expected to perform professionally or where they might lack knowledge due to the shortage of training. The content of civil-service training is divided into two: general civil-service training and job-specific training (Schiavo-Campo and Sundaram 2000; Bossaert et al. 2001; Randma 2002; Pollitt and Op de Beeck 2010). General civil-service training is provided in issues that have high priority for the public service as a whole and which require uniform understanding, know-how and principles of action to be adopted and implemented in different organizations in common areas (for example, policy-making skills, policy analysis, civil-service values and ethics).

Job-specific training is oriented around the needs and expectations of the administrative services, and it involves preparing public officials in the specific techniques of their posts (Bossaert et al. 2001). Job-specific training content involves development of knowledge and skills which are critical to the functioning of a specific organization. During the crisis and possible cutbacks organizations have to continue the execution of their tasks (Cayer 1986), so there is a continuing demand for job-specific training.

Both general civil-service training and job-specific training content reflect the challenges that a particular country is facing (Schiavo-Campo and Sundaram 2000). Crisis, catastrophes and international threats affect the functioning of civil service, forcing it to look for new and different working practices and require new skills from civil servants. In the recent financial-crisis context, Lodge and Hood (2012) argue for the need of specific competences in the civil service because public-sector staff has new tasks to fulfil in times of crisis.

During cutback-management training managers have to make reductions in the training amount, which in turn forces them to prioritize training programs (Felstead

et al. 2012). Human-capital theorists have come to the conclusion that during financially hard times organizations are reluctant to finance training that is not connected to specific organizational goals (Becker 1962; Swanson and Dobbs 2006). Empirical research by Felstead et al. (2012) among large and small enterprises in the United Kingdom serves as an example. The studied organizations adopted more systematic and parsimonious forms of administration of training resources in order to focus the training more tightly on organizations' core functions. This also resulted in reducing or losing "nice to have" training programs. In the civil-service context this would mean cutting general civil-service training and maintaining the development of knowledge and skills which are critical to the functioning of a specific organization.

3.4 Civil-service training methods

Besides prioritizing training content, reassessing the way training is delivered becomes equally important. This is a high concern of training managers because they are forced to seek more cost-effective ways of delivering training in times of cutbacks (Felstead et al. 2012). There are many methods of delivering training. A distinction between methods is usually made by the training provider and the location of training activities (Kitching and Blackburn 2002). Methods of training are usually divided into internal and external delivery training depending on the training provider and into on-the-job and off-the-job training depending on the location (see Table 1) (Schiavo-Campo and Sundaram 2000; Torrington et al. 2002; Jacobs 2010).

Table 1: **Training methods**

		Training location	
		On-the-job training	**Off-the-job training**
Training provider	**Internal delivery**	Training provided by supervisor or a skilled co-worker; coaching; mentoring; action learning; self-development; E-learning	In-house courses offered by one or more employee(s) to other staff in the same organization; E-learning
	External delivery	Coaching by external expert	Courses run by external experts at locations other than where the work is actually done; outdoor-type courses

Source: compiled by the author, based on Schiavo-Campo and Sundaram 2000; Torrington et al. 2002; Jacobs 2010

On-the-job training is the process in which knowledge and skills are acquired at the location of work; knowledge and skills are often passed down by one person (e.g. a supervisor) to another person (Jacobs 2010). It is believed to be cost-effective because there are no costs for travelling to the training site, and much of the learning is tacit

(Kitching 2008; Jacobs 2010). Yet, it has several disadvantages: its quality depends on the ability of the trainer and time available, it is time-consuming, and bad habits might be passed on (Torrington et al. 2002). Off-the-job training provides group-based learning opportunities on a variety of topics at a site other than where the work is actually done (Jacobs 2010). Depending on the training provider, off-the-job training can be delivered with relatively low costs in the case of in-house courses (Kitching and Blackburn 2002), yet it can be more expensive and superficial in the case of an external training provider (Torrington et al. 2002; Jacobs 2010). In-house units have the advantage of knowing policies, programs and the culture of the organization concerned (Schiavo-Campo and Sundaram 2000). On the other hand, the outside provider is more flexible and able to cater to a variety of training needs (ibid.).

Both on-the-job and off-the-job training methods serve well the various goals training has in civil service. Most commonly the motivational events (e.g. teambuilding) take place in the form of outdoor-type courses (Torrington et al. 2002). But as the theory suggests, any type of training functions as motivation (Bossaert 2008). New knowledge (e.g. new initiatives, developing time management and change in legislation) is best passed on in the format of classroom-type courses delivered by either an external or an internal provider (Torrington et al. 2002). Classroom-type courses embrace a big audience, which ensures that the target group gets the same information, and this also supports a common understanding of the topic. Job knowledge and skills are also passed on by on-the-job methods (coaching, mentoring); these methods are also good to accomplish change in employees' performance (Jacobs 2010) helping to fulfil the objectives of an organization, pass on values and support individual development (Torrington et al. 2002).

During cutbacks, organizations have to make use of methods which are affordable and yet effective. "Train smarter" and "doing more with less" become the catchwords (Felstead et al. 2012). Previous studies (Felstead et al. 2012; Vanhala 1995) have demonstrated that organizations shift from external to in-house and on-the-job training in time of retrenchment. Organizations have found that these methods cost less and are good ways to use in-house knowledge. The recent economic crisis also gave a boost to online and E-learning (Felstead et al. 2012). Organizations perceived E-learning to be a cheap, standardized, cost-cutting and highly flexible mode of training (ibid.).

4. The impact of cutback management on civil-service training in Estonia

4.1. Methodology

The paper aims to describe and explain the Estonian case and to analyze its implications for the theory. The following research question is posed: how has the cutback management affected civil-service training in Estonia during 2006-2011? The analysis is operationalized by looking at three key elements of civil-service training: budget, content and methods. The theoretical background derives from the cutback management and training literature. The empirical evidence is drawn from a qualitative analysis. The paper makes use of several information resources: official statistics of Ministry of Finance, analysis of public documents, public-service legislation, previous academic research on the Estonian public service and the findings of a research project

commissioned by the Estonian Ministry of Finance, where the author of this paper served as an analyst. The statistics presented in this paper reflects training in ministries, boards and inspectorates, constitutional institutions, county governments and local governments. In addition, all together 34 semi-structured interviews were conducted in May-June 2011 and in January 2013. The interviews addressed the training managers of ministries, boards and inspectorates, local governments and the Government Office, secretary generals, deputy secretary generals, county governors and experts in the field. 20 interviews were conducted with human-resource management/ training managers. 7 interviews were conducted with top civil servants. And the remaining 7 interviews were conducted with experts and interested parties. Interviews served as a means to triangulate the information that was gathered from documents.

4.2. Estonian public administration and civil-service training system

Estonia is a unitary state territorially divided into counties, rural municipalities and cities. As of 31 December 2011, there were 27,369 public servants in Estonia, forming 5% of the total work-force of the country. The Estonian public service involves both the civil service (central government) and the local-government service. Only the core of the public administration (ministries, government organizations and county governments) is covered by the open, position-based civil-service system established in 1995 by the Public Service Act. In the rest of the agencies, people work under the general labor law. A few branches within the civil service are career-based and are regulated by special statutes: foreign service, police service, border guard, the court system and a few institutions within the administrative area of the Ministry of Defence. In April 2013, the new Public Service Act was implemented, which restricts the 1995 institutionally-based definition of the civil service even more and re-orients the system towards differentiating between officials who are engaged in executing the public power and employees who do not have this function (Randma-Liiv et al. 2013).

After regaining independence from the Soviet Union in August 1991 Estonia inherited an institutionally fragmented administrative system with a high number of relatively autonomous individual organizations (Sarapuu 2011). A central trait of the Estonian administrative system is its reliance on ministerial responsibility. Although the eleven ministries are small, they form strong administrative actors that have considerable leverage over the issues (including the organization of people management) belonging to their areas of governance (Sarapuu 2012). Such a decentralized system is accompanied by weak and fragmented central coordination. There are a few government institutions which have specific responsibilities in coordinating administrative policy:

- The Ministry of Finance is responsible for the general development of public administration, the development of personnel and training policy, the development of remuneration policy in the civil service, the planning and implementation of civil-service training and development, the promotion of quality development in the civil service, the development of the strategic-planning system for the central government, the reform of budgetary procedures and financial management;

- The Government Office (formerly called State Chancellery) is responsible for coordinating the recruitment, selection and development system of civil-service top executives;
- The Ministry of Justice is responsible for general public-law development, including civil-service legislation;
- The Ministry of Interior is in charge of the development of regional and local administration.

Since the late 2000s, the increasing demand for better horizontal integration of policy sectors and for a whole-of-government approach has been acknowledged by the government (Sarapuu 2011). The general trend of reforms over the two decades has been towards aggregating the system and establishing mechanisms for steering, control and cooperation (Randma-Liiv et al. 2013). Yet, the central coordinating units in the system, such as the Government Office and the Ministry of Finance are equipped with restricted coordinating powers and, in addition, often constrained by limited resources. By 2013, there is neither a central human resource strategy (Järvalt and Randma-Liiv 2010) nor a clear and targeted top-down steering of the development of the civil service. No single institution at the central-government level has the power and the necessary resources to develop and implement the central-government-wide civil-service policy (Randma-Liiv et al. 2013).

In line with the general structure of public administration and public service, the training system is also decentralized in Estonia. The planning and implementation of training activities is largely the responsibility of the individual institutions. Deriving from the open position-based system, training is not a mandatory requirement of career development. The Public Service Act stipulates that public servants' training needs are decided by the manager. Every ministry, board and inspectorate, constitutional institution, county government and local government has its own training budget. A part of the training and development activities is centrally funded and coordinated. The Ministry of Finance (State Administration and the Civil Service Department) administers the central training budget. Since 2008 the amount of the central training budget is divided between the European Social Fund (85%) and own financing (15%). The central training budget is used to offer centralized training programs including training activities which are based on horizontal training needs.

As public organizations are in charge of a substantial part of the training budget, they are free to decide on the training content (job-specific and general civil-service training), training methods and choose training providers. For this reason throughout the years an open and very diverse training market has evolved. A research project of the Estonian civil-service training system (Sarapuu et al. 2011) concludes that most of the training providers offer similar (rather basic-level) courses based on private-sector experience. The Centre for Public Service Training and Development under the Ministry of the Interior is not an active partner to the Ministry of Finance. The Centre is not capable of fulfilling the role of central training institution in the way it is in most highly developed countries' civil-service training systems (ibid.).

Besides the Ministry of Finance, the two other central actors in the training system are the Government Office and the Ministry of Interior. The Government Office

is in charge of the development of top civil servants. A variety of development activities have been launched for slightly less than one hundred top civil-service executives (e.g. specially designed training and development programs, individual coaching and mentoring, development of future leaders). Similarly to the central training program the development of top civil servants is to a substantial part funded by the European Social Fund: 85% of the total funding comes from the EU and 15% from the Estonian state budget.

Although by statute the Ministry of Interior is responsible for the development of the local governments, a systematic approach to local-level training is lacking, as there are no long-term strategies, no overview of the target groups and no central analyses of training needs on the local-government level (Sarapuu et al. 2011). The division of responsibilities between the Ministry of Finance and the Ministry of Interior in developing a training system for local governments is not defined.

4.3. The impact of cutbacks on civil-service training

Estonia was one of the first countries to be affected by the global financial crisis and among the most strongly affected ones (Staehr 2010; Peters et al. 2011; Raudla and Kattel 2011). The GDP fell by 3.7% and 14.3% in 2008 and 2009 respectively (Kattel and Raudla 2013). Shortly after the outbreak of the crisis, the Estonian government turned to consolidation measures, which were taken already in 2008 and continued in 2009, when cuts in the budget were made on two occasions (Peters et al. 2011). The government adopted across-the-board cutback strategies which delegated the right to decide on cutback measures (layoffs, wage reductions, abolition of fringe benefits or other measures) to single organizations (Raudla 2013). Government operational expenditure was the main source for cuts, as the cuts made were 7% in 2008, 7% in February 2009 and 8% in June 2009 (Jõgiste et al. 2012; Kattel and Raudla 2013). As a result, the Estonian public service saw reductions in workforce, and consequently in 2011 there were 8.8% less civil servants than before the crisis in 2008. Moreover, civil-service salaries were sliced back by 10-20% (Peters et al. 2011). A detailed description of the cutback-management impact on training budget, content and methods will be given below.

4.3.1 Civil-service training budget

Training activities in the Estonian civil service were financed from different resources: the central training budget administered by the Ministry of Finance (including EU structural funds), training budgets of ministries, agencies, local governments and foreign aid (funding from smaller international projects) (Sarapuu et al. 2011). Characteristically to a decentralized system, most civil-service training was financed from the budgets of individual institutions. In 2010, the total training costs in ministries, boards and inspectorates, constitutional institutions, county governments and local governments were about 5 million Euros, while the budget of the central training program was 332,000 Euros (Statistics of Ministry of Finance).

The central training budget was used for horizontal training activities. The budget was divided into two parts: one part for a central training program targeted at all

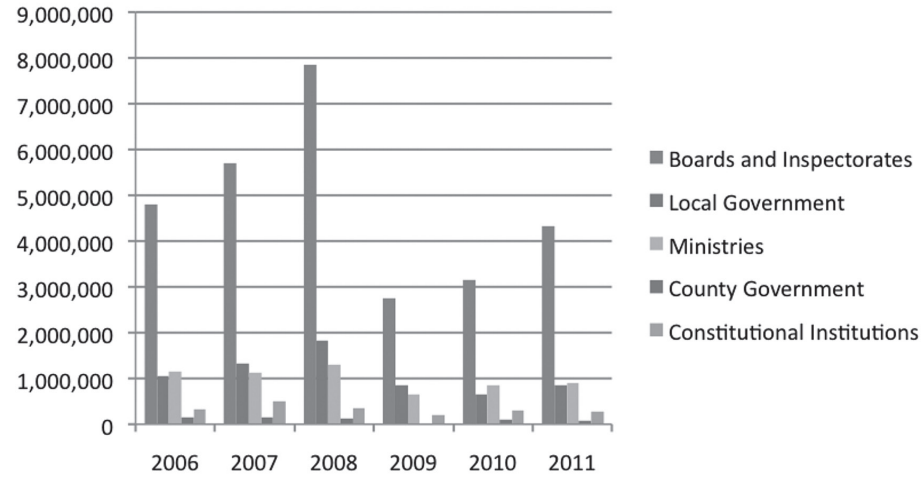
public servants and the other for the development of around 90 top civil servants. Since 2008, both sub-divisions were to a substantial part funded by the European Social Fund: 85% of the total funding came from the EU and 15% from the Estonian state budget, which made it possible to offer these training and development activities free of charge. As the budget of the central training program was funded by the European Social Fund and was already fixed for the period of 2010-2011 the cutbacks did not have an influence on the central training budget. Table 2 demonstrate that central training funds increased over the years.

Table 2: **Funding of central training (in Euros)**

Year	Total budget
2006	255,384
2007	165,017
2008	117,550
2009	703,027
2010	556,031
2011	819,000

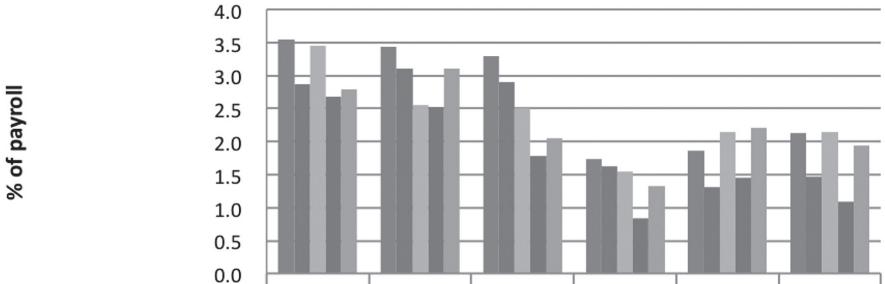
Source: Statistics obtained from Ministry of Finance

The impact of cutback management was the hardest at the level of ministries, boards and inspectorates, constitutional institutions, county governments and local governments. During 2006-2008 the training costs increased consistently. A drastic fall in training costs in 2009 was directly influenced by the austerity measures. The training costs decreased by 60.6% in public-sector organizations. Besides applying across-the-board cuts the government decision to abolish the requirement to spend 2-4% of the annual payroll on training was made as a consequence of the worsening economic situation in 2009 and increased the discretion of organizations by allowing them to substantially cut training costs (Randma-Liiv et al. 2013). After the abolishment the act stipulated that funds for professional education and training for employees and civil servants of state authorities shall be prescribed in case of available budgetary resources. A slight growth in training costs was evident in 2010 and 2011. Growth was possible due to more active use of foreign aid. In local governments the training costs still decreased in 2010.



Source: Statistics obtained from Ministry of Finance
Figure 1: **Training costs 2006-2011(in Euros)**

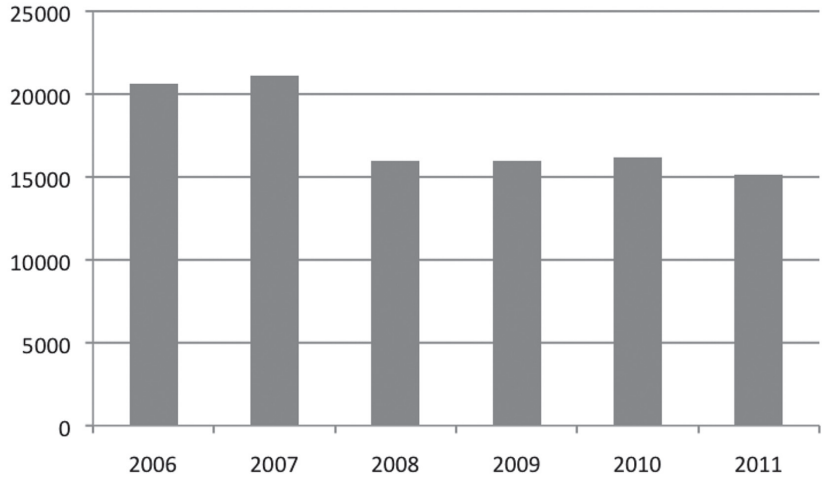
The influence of cutback management is also evident when looking at the share of training costs from the payroll in the period of 2006-2011 and the number of civil servants trained (see Figure 2 and Figure 3). Before the cutbacks in training budgets, the training costs constituted approximately 3% of the payroll. In 2009, the share of funds spent on training from the civil servants' payroll decreased to its lowest level constituting approximately 1.4% of the payroll. A small growth in training costs took place in 2010 and 2011 (training costs constituted approximately 1.8% of the payroll).



	2006	2007	2008	2009	2010	2011
Boards and Inspectorates	3.5	3.4	3.3	1.7	1.9	2.1
Local Government	2.9	3.1	2.9	1.6	1.3	1.5
Ministries	3.5	2.6	2.5	1.5	2.1	2.1
County Government	2.7	2.5	1.8	0.8	1.5	1.1
Constitutional Institutions	2.8	3.1	2.1	1.3	2.2	1.9

Source: Statistics obtained from Ministry of Finance
Figure 2: **Share of training costs from the payroll 2006-2011**

The number of civil servants who received training during 2006-2011 (Figure 3) is very expressive in describing the considerable drop in training opportunities. A drastic fall occurred in 2008 when the number of civil servants who participated in training dropped from 21,126 to 15,987 civil servants. In sum, statistics clearly demonstrates the drop in training budgets in the Estonian public sector. Due to the European Social Funds, the budget of central training did not change.



Source: Statistics obtained from Ministry of Finance
Figure 3: **The number of civil servants participating in training activities during 2006-2011**

4.3.2 Content of civil-service training programs

The Ministry of Finance addressed general civil-service training needs by administering the central training program targeted at all civil servants. The central training program was a basis for creating common practices, knowledge, skills and values across the civil service. For example, civil servants had horizontal training on civil-service core values and ethics, the Estonian language, policy-making skills, better provision of public services and human-resource-management skills. The Government Office offered various development activities to the top civil-service group on diverse subjects like innovation, leadership, strategic-management, policy-making, coordination, quality of public services etc.

Interestingly, the content of the central training program and the top civil-servants development program did not change during cutbacks. Program leaders did not introduce new topics to the curriculum, nor did they abolish planned training events. Although it has been discussed that crisis requires new competencies, new programs were not offered to the civil servants. One explanation for this is that the training programs were already confirmed for two-year periods[2], and so it was complicated

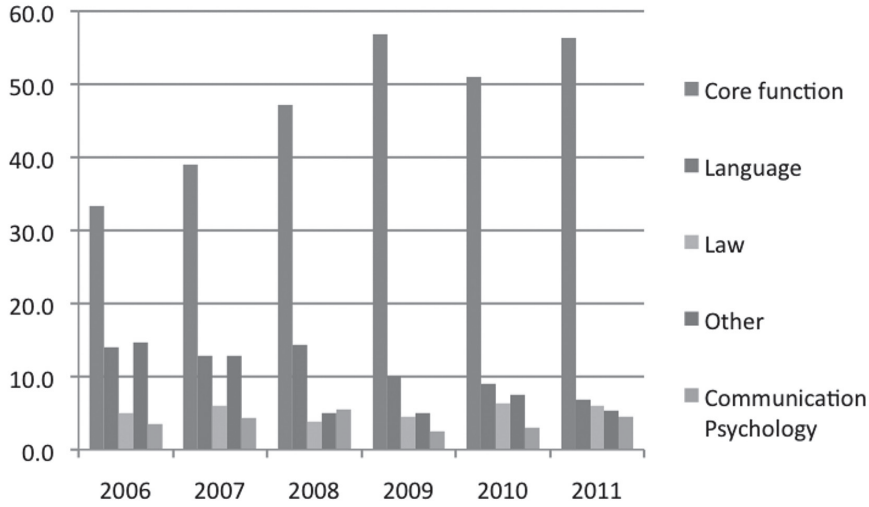
[2] Top civil-servants training and development programs were approved for the periods of 2008-2009 and 2010-2011; the central training program was approved for the periods of 2008-2009 and 2010-2011.

to introduce changes to the curriculum, though not impossible. Secondly, changes occurred rapidly so program leaders could not respond accordingly to the emerging needs. Evaluating horizontal training needs is a long process lacking a systematic approach and resulting eventually in the discretion and competency of a limited number of personnel in State Administration and the Civil Service Department (see Sarapuu et al. 2011). Thirdly, the interviews revealed that civil servants themselves did not show an interest in special training which would support them to cope with the then on-going changes. The same applies to top civil servants who were busy with dealing with the cutbacks without paying attention to their own development in the same sphere. It can be concluded that training topics resulting from specific competencies required in times of crisis did not get attention during cutbacks. These training needs were nor evaluated or targeted due to the lack of resources and interest. But on a more positive note, as the central training was financed by the European Social Fund all planned training events took place even during cutbacks.

The impact of the cutbacks on the content of training is clearly visible on the organizational level. The decentralized nature of the training system and across-the-board cuts left a great discretion to organizations in choosing training content. Cutbacks in training budgets forced training managers to prioritize training programs. Interviewees said that their organizations tried to retain job-specific training to guarantee the functioning of an organization, and the cuts were made at the expense of general training and so-called "motivational events". Interviewees also confirmed that in times of budget cuts, it was not possible to introduce new training topics because introducing a new topic requires a large amount of resources (time, money, and competencies).

Job-specific training was the most commonly used method already in 2006, but it peaked (57% of the total amount of training hours) in 2009. As a result general civil service-training decreased. Statistics show (see Figure 4[3]) that training specific to an organization's core function was followed by language courses, law courses, training on communication psychology and other training topics. The amount of language courses decreased during the period of 2006-2011 (approximately from 14% to 7%). There was a slight increase in law courses in 2007 (from 5% to 6%), yet a decrease in 2008 and 2009 (from 6% to 4%), and again a slight increase in 2010 and 2011 (6% in both years). From 2006-2008 communication-psychology courses constituted around 4% of the total amount of training hours. A drop occurred in 2009, when these courses formed around 2%. 2010 and 2011 witnessed a slight increase (3% and 4% respectively). In sum, as a reaction to the cutbacks in training budgets training managers prioritized training programs and chose to retain training specific to the core function of an organization in order to guarantee the functioning of an organization; the cuts were made at the expense of general training topics and motivational events. The Ministry of Finance and the Government Office continued providing general civil-service training as planned regarding the amount and the content.

[3] The statistics do not reflect training delievered from the central training budget.



Source: Statistics obtained from of Ministry of Finance
Figure 4: **Content of civil service training in 2006-2011 (% of total amount of training hours)**

4.3.3 Civil-service training methods

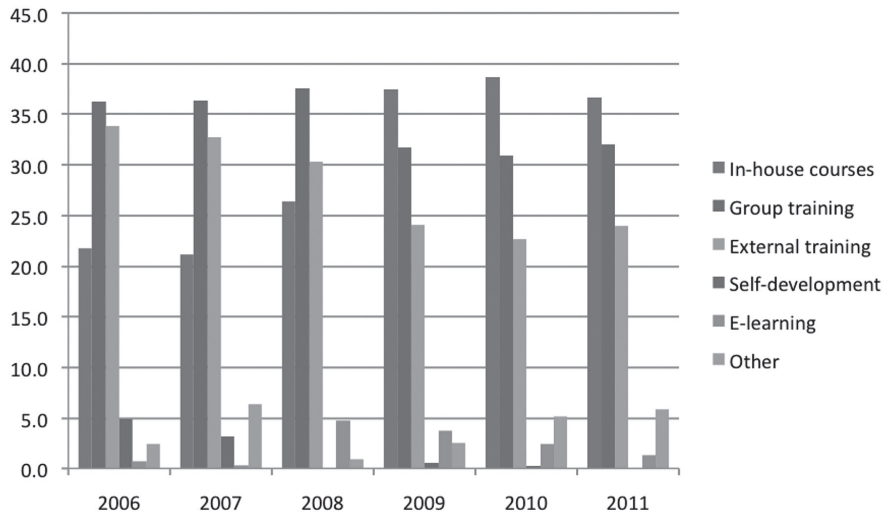
The Ministry of Finance collects data about in-house courses, outsourced group training, external training, self-development and E-learning. In-house courses are courses run by an employee from the organization; outsourced group training is offered by external expertise to staff from the same organization; external training is provided in a format of courses run by consultants or professional bodies for people from varying occupational backgrounds; E-learning is a learning activity which is supported by information and communication technologies; self-development is a learning activity in which the civil servant independently acquires knowledge and skills related to a specific purpose. In-house courses and E-learning are off-the-job training methods and delivered internally. Outsourced group training and external training are also off-the-job training methods with the difference that training is delivered by an external provider. Self-development takes place on the job and can be considered to be delivered internally.

Characteristically to a decentralized training system, the substance of Estonian civil-service training was almost entirely pending on what the training market could offer (Sarapuu et al. 2011). Outsourced group training bought in from the training market was the most frequently used training method from 2006 to 2008 (see Figure 5). The share of group training remained around 35% through these years. The second most often used method was external training, amounting to 34%. In-house courses formed about 22%. The share of self-development and E-learning remained modest.

The image of the most frequently used training methods changed substantially in 2009. The amount of in-house courses increased and became the most regularly used training method in the period of 2009-2011 (forming approximately 36%). The

amount of outsourced group training decreased (forming approximately 32% in 2009-2011) as did the amount of external training (forming approximately 24% in 2009-2011). These changes were directly influenced by the training-budget cuts. Together with focusing on organizations' core function training managers sought ways to be more cost-effective. So, cutbacks in budgets brought along the preference for in-house courses in order to make use of the expertise in the organization and to save money. Internal experts had the advantage of knowing the policies, programs and culture of the organization concerned. Also, organizing in-house courses was cheaper compared to outsourced group training, which was accompanied with high transaction costs and did not always fulfil the needs of an organization. Offering in-house courses entailed problems with motivating employees who were not interested in offering training courses to others because they were occupied with their daily work. Offering in-house courses also raised the question of civil-service ethics and conflicts of interest. However, interviews revealed that in smaller organizations (like local governments) where civil servants have very different tasks, the in-house courses were not so relevant.

Although E-learning and self-development methods are believed to be cheap, standardized, cost-cutting and highly flexible modes of training, these methods were not preferred even before the cutbacks, and their frequency of use did not increase after the cutbacks, either. The frequency of self-development decreased already before the cutbacks, remaining between 3% and 5%. E-learning decreased from 2009 on and formed approximately 1% of the training methods in 2011. These tendencies refer to under-utilization of alternative training methods in civil service. It can be argued that it is costly and time-consuming to introduce new training methods in times of budget cuts.



Source: Statistics obtained from Ministry of Finance

Figure 5: **Training methods used in 2006-2011 (% of total amount of training methods used)**

5. Discussion

There are no comprehensive studies on the impact of cutback management on training in civil service. Crisis literature briefly mentions cutbacks in civil-service training budgets without thoroughly analyzing what impact cutbacks have on training content and methods. However, a certain amount of relevant studies conducted among private-sector companies demonstrate the impact of the reductions on training budget, content and methods. Most of the studies reveal that the training budget is often the first saving target which leads to prioritizing training content and choosing cost-effective training methods. The current study indicates several other interesting points which explain the Estonian case and complement the existing knowledge about training during the cutbacks.

Firstly, the Estonian case revealed that the public-sector response to crisis is similar to the private-sector reaction in the sense that in times of financial difficulties training budgets are cut. The budget cuts in public organizations are, of course, determined by various decisions made on the central level. Based on the Estonian case it is possible to point to two decisions made after the burst of the crisis which smoothened the way for drastic cuts in civil-service training budgets. First, the central government decided to impose across-the-board cuts so organizations were free to choose the targets of cutbacks in their institution. Second, the government decision to abolish the requirement to spend 2-4% of the annual payroll on training increased the discretion of organizations by allowing them to substantially cut training costs.

Secondly, the civil-service training system itself influences the cutbacks in training budgets. The decentralized training system put the biggest training obligation to the individual organizations. As is noted by Lucking (2003) the decentralized training-funding model is vulnerable in financially hard times. Across-the-board cuts together with the decentralized civil-service training system increase the discretion of organizations by allowing them to substantially cut training costs. The decision to cut the training budget derives from decision-makers' attitudes towards training – for example from their belief that the benefits of training are doubtful. So, in the decentralized training system the impact of the cutback management on civil-service training is clearly visible at the organizational level. In the Estonian case the central training element remained unchanged. It was not due to the system but due to the source of the training funds, which leads to the third interesting finding.

Thirdly, closely linked to the previous argument, cuts in training budgets are influenced by the source of training funds. When the source of training funds is fixed, at least for some period, and is not the target of cuts (i.e. is not financed from the state budget), it is most probable that training activities will continue even in times of cutbacks. In the Estonian case, the central training program and the development of top civil servants were financed by the European Social Fund so the cutbacks did not have an effect on the central funding. Funding from the European Social Fund even increased over the past few years. As was already noted in the previous section, individual organizations carried the biggest burden of civil-service training. Interestingly, the cutback management points to the systematic problems of a training system. Although it has been a political decision to make use of EU funds as much as possible and external funding has undoubtedly been crucial in the provision

of central training activities and the development of top officials, especially during the crisis, a strong reliance on EU funding raises questions about the financial sustainability of centrally provided training (Randma-Liiv et al. 2013). Furthermore, many public-sector organizations turned to external funding in order to provide training in organizations' core function. These resources were definitely crucial for organizations, but it raises serious concerns about the sustainability of the training-funding scheme.

Fourthly, it appears that training specific to an organization's core function is more or less recession-proof. When under pressure to prioritize training programs organizations choose to maintain job-specific training. Prioritizing training content is undoubtedly beneficial, making it possible to perform professionally, but at the same time the decline in general civil-service training undermines the accomplishment of civil-service training goals (motivating civil servants, retaining a high-quality and high-performing workforce, raising civil servants awareness of their role and responsibility, introducing shared values that contribute to cross-departmental cooperation and public-service ethics).

Finally, cutbacks make it necessary to reconsider the ways in which training is delivered. Cutbacks in training budgets bring along the preference for in-house courses. In-house courses have the advantage of internal expertise and are relatively cheap. Yet, at least in civil service, offering in-house courses intensifies the need for developing unified principles because in-house courses entail problems with motivation, ethics and conflict of interest. Another interesting finding is that in times of cutbacks organizations are reluctant to introduce new (or previously underexploited) methods. It can be argued that taking up new methods of training would require high investments in terms of design time and other resources (e.g. hardware and software in the case of E-learning). At the same time, cutback management points to many shortages from which organizations can learn (for example, the need to develop on-the-job and in-house course practices).

6. Conclusion

The aim of the paper was to describe and explain the Estonian case and to analyze its implications for the theory. The Estonian case was remarkable as it was one of the countries hit hardest by the global financial crisis and because rather than pursuing devaluation and counter-cyclical fiscal policies, the government decided to cut public spending. The paper at hand demonstrated that central-level decisions and the decentralized training system led to major cuts in training budgets. The extent of cutbacks is different on the central and organizational level, depending on the source of training funding. The study also revealed that public-sector organizations retain training specific to an organization's core function and pay less attention to general civil-service training. They also obtain more cost-effective ways of delivering training.

It appears that cutbacks have positive and negative impacts on training. On the negative side, decreased training opportunities endanger the fulfilment of most of the training goals. On the positive side, cutbacks make it necessary to think about outcomes, priorities and saving costs. Furthermore, cutback management draws attention to many flaws in the system from which organizations can learn.

The current study opens up several avenues for further research. Firstly, as was demonstrated, the structure and sources of training funding are crucial elements of the civil-service training system – the decentralized nature of the training system leads to major cuts in training budgets. Still it would be useful to study cutback management's impact on the centralized civil-service training system. Secondly, it is known that crises provide the opportunity for adopting longer-term solutions and for undertaking reforms. Therefore, as the cutback management points to many systematic flaws in the training system, it would also be interesting to observe what kind of reforms, if any, cutbacks will initiate. This case study demonstrated that the decentralized training-funding model is vulnerable in financially hard times, so one could assume more centralization in the system.

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