Ringa Raudla, Tiina Randma-Liiv, Riin Savi. 2015. "Public Sector Financial and Personnel Management during Cutbacks: Looking back at the Literature of the 1970s and 1980s." *Administrative Culture* 16 (2), 117-140.

Public Sector Financial and Personnel Management during Cutbacks: Looking back at the Literature of the 1970s and 1980s

Ringa Raudla, Tiina Randma-Liiv, Riin Savi

Abstract

Given that the current era of austerity in the public sector is likely to bring about changes in the management practices of the public sector, it is worth taking a look back at the literature of the previous era of major cutbacks. This article examines what kind of changes to public sector financial and personnel management were proposed and adopted during the era of retrenchment in the 1970s and 1980s. The review of the literature shows that the previous cutback era triggered a search for increased flexibility and rationality both in financial management and personnel management to enable optimal cutback decisions and their implementation. It also indicates that the management of the finances and human resources during scarcity requires very difficult trade-offs.

Keywords: cutback management, fiscal crisis, budgeting, financial management, personnel management

1. Introduction

In response to the recent global financial and economic crisis, followed by fiscal crisis, many governments have carried out austerity measures in order to cope with the concurrent problems of lower revenues and high public debt. The need to deal with lower levels of resources has also brought the topic of cutback management back to the research agenda. It can be expected that the necessity to undertake cutbacks in the public sector would lead to changes in public management practices. In the normative discussions, various proposals are being discussed, with the specific focus on what kinds of shifts in management practices would be desirable during the current era of cutbacks (see, for example Marcel 2013; Robinson 2013). The empirical studies on the crisis show that up to now governments' responses to the crisis have been rather diverse (see for example Bideleux 2011; Kickert 2012; Kickert et al. 2015; Lodge and Hood 2012; Peters et al. 2011; Pollitt 2010), although more systematic and comprehensive comparative assessments of the impact of the crisis on public management practices are yet to be undertaken.

Given that the impacts of the global crisis and the subsequent retrenchment on public management is and will continue to be a challenging issue for several years to come (Coen and Roberts 2012; Pollitt 2010; Thynne 2011), it is worth taking a closer look at the *previous* era of major cutbacks (in the 1970s and 1980s) and to examine what kind of shifts in public management were brought about by fiscal stress and the need for retrenchment. Looking back in time can provide useful insights for dealing with the current challenges, either by offering solutions, providing negative lessons to be avoided or providing a basis for predicting future events (Dolowitz and Marsh 2000; Rose 2005). In many ways, the governments in the 1970s and 1980s faced similar challenges as the governments today: the combination of stagnant economic growth, increased demand for public services and taxpayer reluctance to tax increases created a so-called "scissors crisis" (Tarschys 1983). The need to "do more with less", in turn, imposed significant demands on public officials and called into question the existing practices of public management.

There are (essentially) two different ways to address the links between changes in the environment of the public sector organizations and shifts in management practices used by the organizations. First, one could study different reforms and attempt to trace them back to their origins and seek to identify the factors that triggered these reforms (with the benefit of hindsight) (see, for example, Pollitt and Bouckaert 2011). Second, one could examine the period of change in environmental conditions (for example increasing resource scarcity, pressures to implement cutbacks and curb public expenditures) and analyze what kind of changes were proposed and also observed in the academic literature at the time. This article follows the second route and seeks to uncover what kind of changes to public management practices were proposed and adopted during the era of retrenchment in the 1970s and 1980s, in the literature that discussed cutback management, cutback budgeting and the ways to cope with fiscal stress.

We do not analyze specific cutback strategies and instruments (for example the choice of across-the-board vs targeted cuts) here, as these have been thoroughly addressed by Raudla et al. (2015). Instead, we focus on the question of whether fiscal stress *brought about systemic changes* in management discourse and practices. However, we do not examine how well these changes were actually implemented or what kind of substantive impacts on policy outcomes these changes had.

Rather, the goal of the literature review is to provide analytical input for further comparative studies that would like to systematically compare public management responses to austerity and to explore variations and commonalities in such responses over time. This, in turn, would allow to contribute to our understanding of contextual factors in public management and policy-making. As emphasized by Pollitt (2013), there is an increasing awareness in studies of public policy and management of the various contextual variables that have to be taken into account when examining public sector changes. Alongside other elements − like features of the political system, national and organizational cultures and the state of technologies – he points to the economic and financial environment as a relevant contextual factor that can play a role.

Given the increased scarcity of resources during fiscal stress, the most critical "resources" the public sector uses – the "human resources" (that is the public ser-

vants) and the "financial resources" (that is the budget) − can be expected to be affected the most. Because of the central importance of these two resource domains, and also in order to keep the scope of the article manageable, we focus specifically on two areas of public management: budgeting (and financial management) and public personnel administration. Also, this article focuses on those public management practices which are "internally oriented" (that is directed at the inner workings of the public sector organizations) and leaves out reforms that are "externally oriented" (for example contracting out, privatization, co-production and so forth) or deal with inter-governmental relations (for example division of tasks and finances between the central, regional and local governments).

In taking stock of the literature, both theoretical and empirical studies addressing either the central or the local government level were made use of. The focus was primarily on the academic literature in the fields of public administration and public policy in 1970-1990. To compile the review, the search words of "cutback management", "fiscal crisis" and "fiscal stress" (and related terms) in conjunction with "financial management", "budgeting", "human resource management" and "personnel management" were used for identifying the relevant studies. In total, 119 studies are covered in this review. The cut-off year for including the studies was 1990, although a few studies published after 1990, which specifically analyze the cutbacks in the 1970s and 1980s, were also included. The review is not restricted to any particular country or group of countries. However, it should be noted that most of the empirical studies on cutback management were written about the US (especially about the US local governments) and the UK (focus on the retrenchment politics in Whitehall during the 1970s and Thatcherism). Substantially fewer studies of the 1970s and the 1980s addressed the Continental European countries. Appendix I provides a summary of the *empirical* studies that are covered in this paper.

2. Budgeting and financial management

Since budgeting is the main venue for decision-making about the allocation of (scarce) resources, it comes as no surprise that budgeting (and financial management) received a lot of attention in the cutback management literature of the 1970s and 1980s. While scarcity is endemic to any form of budgeting (Schick 1980), it can be expected that the significantly heightened scarcity of available resources – and the ensuing need to undertake cutbacks and cope with lower levels of revenues – is likely to have influenced budgetary practices and financial management.

Before looking at the more *systematic* shifts in budget practices during the era of cutbacks, it is worth mentioning that in order to deal with cutbacks in the midst of acute scarcity and severe fiscal crisis, more *ad hoc* adaptations in budgetary decision-making were also observed. In particular, it was found that coping mechanisms, such as repetitive budgeting (adopting a number of budgets during the fiscal year), sequestering and cash-flow budgeting, were deployed in order to address the gap between incoming revenues and expenditures (Caiden 1981; Caiden and Chapman 1982; Schick 1980; Wright 1981). As noted by several authors, *in the midst* of extreme scarcity, when a real sense of crisis prevails and immediate action is required with regard to curtailing expenditures, political actors find it difficult to entertain

systematic reforms of the budget process itself (Glassberg 1981; Rubin 1977, 1984; Schick 1980). In such periods, because of the "fixation on short-term gapmanship", budgeting would tend to "go back to the basics" and emphasize expenditure control (Schick 1980, 1988). However, if the level of fiscal stress is moderate and persists over a longer time period, the calls to reform the budgetary decision-making process are likely to enter the political and/or bureaucratic agenda. The two main dimensions of budget reform that were most extensively discussed in the cutback management and cutback budgeting literature are increased *centralization* of decisions over budgetary aggregates (in the form of top-down budgeting) and enhancing the *rationality* of budgetary decision-making.[1]

2.1 Top-down budgeting

In *top-down* budgeting (also called "entrepreneurial budgeting" and "expenditure control budgeting" by some authors), at the beginning of the budget cycle, the "guardians" (for example budget offices, ministries of finance) establish expenditure ceilings that have to be followed by the "spenders" (for example line ministries and agencies) when preparing their budget requests. That contrasts with a more bottom-up process, where the spenders formulate their requests without a prior "ceiling" (usually on the basis of the preceding year's budget), and budget negotiations are then focused on trimming down these requests. (Bozeman and Straussman 1982; Cothran 1993; Hendrick 1989; Schick 1986; Tarschys 1985) Another element that is usually seen as characteristic to top-down budgeting is the reduced line-itemization of the expenditure and the increased use of *lump sums* (or *global budgets* or *block grants*), meaning that although guardians exert more control over the *budget totals*, spenders have more flexibility in deciding exactly what to spend the money on (and also where to cut the expenditures) and in reallocating expenditures within the block appropriations.

The normative and positive discussions in the literature pretty much converged in their arguments about why such a shift towards top-down budgeting *should* and *would* take place.

First, as Schick (1986, 125) explained, in times of growth, public agencies can formulate their requests with limited prior guidance, but when the budget is "targeted for contraction or stabilization", an unconstrained, bottom-up process may lead to excessive conflict between demanders and constrainers when the former propose spending claims that would force the government to spend more than it prefers. Hence, in order to alleviate the levels of conflict and to make cutbacks feasible it was expected that the need to curtail expenditures would bring about pressures to shift the power – over the aggregates − back to the guardians by giving them more "agenda-setting" powers (in the form of sectoral or departmental budget ceilings) at the beginning of the budget cycle (Banner 1985; Tarschys 1983, 1985).

[1] Other shifts in budgetary practices that were induced by fiscal stress were: the adoption of fiscal rules, the introduction of medium-term expenditure frameworks, adjustments to cash-flow management, formula budgeting, development of more sophisticated forecasting techniques (for estimating future revenues and expenditures) (see, for example, Kraan 1984; Tarschys 1985; Wright 1981).

Second, it was expected that the targets established at the beginning of the budget cycle help to provide a focal point for subsequent negotiations between the finance ministry (or an equivalent) and the line ministries (and also between the budget office and other subunits within a single organization) (Hendrick 1989; Premchand 1981; Schick 1986; Tarschys 1985). Several authors emphasized that it would be very unlikely for the "spenders" (either the line ministries/agencies as a whole or subunits within organizations) to voluntarily propose cuts themselves (Behn 1980a, 1980b, 1985; Bozeman and Straussman 1982; Dunsire and Hood 1989; Levine 1979, 1985). As Levine (1979, 181) put it, calls for voluntary cutbacks would elicit "you first, then me" types of response, necessitating centralized imposition of specific cutback targets. Or, in Behn's (1980a, 619) words, "It would be a very unusual organization indeed that generated through a decentralized process … proposals for self-imposed cutbacks to match a significant decline in resources."

Third, it was argued that *in return* for accepting stricter control over budget totals (and the necessity to cut expenditures), the spenders would want (and are also granted) more flexibility in using the funds (Cothran 1993; Levine et al. 1982; Rubin 1980; Schick 1988; Tarschys 1986). In Tarschys's (1986, 20) words, such a reform entails "waiver of control over details in exchange for a better control over totals". Or, as Schick (1988, 531) put it, "more managerial flexibility can be an implicit quid pro quo for giving agencies less money."

Fourth, it was hoped that when granted more flexibility in managing their funds, organizations would "waste" less resources, increase their "productivity" and become more "innovative" in their activities (Bellone 1988; Cothran 1993; Dunsire and Hood 1989; Rubin 1991).[2] In addition, it was expected that when it comes to specific decisions about where the cutbacks should fall, the spenders within agencies/departments (and also within subunits) would be in a better position to make them, given their knowledge of the potential consequences of reducing different types of expenditures (Dunsire and Hood 1989; McTighe 1979).

Finally, as Schick (1988) and Tarschys (1985) noted, there could be political reasons for increasing the budgetary discretion of the line agencies (after the top-down ceilings have been imposed). Namely, by withdrawing from the details of expenditure, central authorities are less implicated in the details of cutbacks; instead, spending agencies are compelled to make hard choices and to refuse interest group demands.

Empirical studies for the most part appear to confirm the prediction that shifts towards *top-down* budgeting – in its genuine variant of combining centralized control over totals with decentralization of decision-making on the details – would take place. This was observed in a wide variety of settings, including the national governments of OECD countries (for example Bozeman and Straussman 1982; Hood and

[2] Any cursory glance at the cutback management literature of the 1970s and 1980s would indicate that concerns with productivity came to dominate the agenda of public management reforms, including budgeting (see, for example, Cope 1987; Havens 1983; Lauth 1987; Lee and Staffeldt 1977; O'Toole and Stipak 1988; Poister and McGowan 1984a, 1984b). While there were ongoing debates about what productivity in the public sector actually means and what kind of changes it would necessitate (see, for example, Ammons 1985; Dalton and Fitzpatrick 1985; Leathers 1979), it was generally hoped that "increasing productivity" would be one of the main solutions for coping with reduced resources.

Wright 1981; Lee 1981; Schick 1986, 1988, 1990; Tarschys 1983, 1985, 1986; Wright 1977, 1981),[3] state governments in the US (for example Lee 1991) and also local governments (for example Banner 1985; Cothran 1993; Hendrick 1989; Levine et al. 1981a; Wenz and Nolan 1982). Some studies, however, found that in some governments, instead of bringing about increased flexibility over the details of spending, fiscal stress induced more centralized control over the specific line items of the budget (for example Caiden and Chapman 1982; Levine et al. 1982; Massey and Straussman 1981; Schick 1988) in the hope that "if you watch your pennies, the dollars will take care of themselves."

2.2 Enhancing the rationality of budgetary decision-making

As the cutback management literature of the 1970s and 1980s demonstrates, besides top-down budgeting, an era of retrenchment also reinvigorated calls for more "rational" forms of budgeting, like performance-based budgeting, results-based budgeting, program budgeting, zero-base(d) budgeting and so forth.

In the *normatively* oriented literature, many authors writing on the topic recommended that more "rational" forms of budgeting can be helpful for coping with a reduced level of resources and for enhancing productivity, efficiency and effectiveness in the public sector. First, it was argued that more rational forms of budgeting would help to make the necessary cuts more selectively (and hence avoid potentially harmful across-the-board cuts) by shielding priorities, cutting low-performing programs and basing decisions on productivity-information (for example Garson and Brenneman 1980; Glennerster 1981; Havens 1983; Levine 1978; Levine et al. 1982; MacManus 1984; Pammer 1990; Rubin 1991; Shields 1988; Singleton et al. 1980; Straussman 1979; Tarschys 1981; Walker and Chaiken 1982). It was also hoped that if the budget cuts were made on the basis of priorities and program performance, they would become easier to "sell" to various stakeholders because this way they would appear more "objective" (MacManus 1984). Second, it was presumed that inserting productivity and performance information into the budget process would help to enhance cost-consciousness and hence help to use resources more efficiently and deliver "value for money" (see, for example, Dunsire and Hood 1989; Lauth 1987; O'Toole and Stipak 1988; Poister and McGowan 1984a; Premchand 1987; Rubin 1991; Schick 1988). Finally, it was hoped that the introduction of these more "rational" budgeting tools would (somehow) enhance the administrative capacity of the governments and this, in turn, would help them to cope with reduced levels of resources (Poister and McGowan 1984b; Poister and Streib 1989).

In making *positive* predictions about the extent to which such rationality-enhancing reforms would *actually* be adopted and implemented by the governments, the studies fall into two camps.

On the one hand, it was argued that fiscal squeeze can provide the necessary impetus for undertaking a reform (Botner 1989; Dunsire and Hood 1989; Glassberg 1981; Glennerster 1981; Levine et al. 1982; Poister and McGowan 1984a;

[3] Top-down approaches were adopted, for example, in Australia, Canada, Denmark, Ireland, the Netherlands, New Zealand, Sweden, and the UK (Cothran 1993; Schick 1986, 1988, 1990).

Straussman 1979; Walker and Chaiken 1982). It was conjectured, for example, that fiscal stress can equip the actors with good arguments for pursuing the reform (MacManus 1984; Straussman 1979) and that the need to impose cuts would make the rationality-oriented reforms (especially zero-based budgeting and its variants) more attractive to the budget actors (Glennerster 1981). Further, it was expected that in return for allowing the "spenders" to have increased discretion in using the budgetary resources, the "guardians" of the budget process would want to receive more information about the outputs and outcomes of the activities of public sector organizations (necessitating some forms of program and/or performance budgeting) (Botner 1989; Cothran 1993; Schick 1990). Finally, as Connelly and Tompkins (1989) argued, in order to exert more top-down controls over the budget and to gain more "power" in the budget process, the executives (especially the guardians of the public purse) would need the information generated by such rationality-enhancing reforms (for example performance information, program evaluations).

On the other hand, the more skeptical authors argued that the adoption of such rationality-enhancing budget reforms during fiscal stress would not be very likely. The arguments here fall into different categories. First, it was argued that during fiscal stress the budgeters would be more concerned with expenditure *control* rather than the planning or management functions of budgeting (see, for example, Schick 1980, 1988). Second, it was conjectured – in the light of the previous experiences with budget reform – that comprehensive attempts to rationalize budgeting are unlikely because of the inherent political nature and immense complexity of budgeting (see, for example, Lauth 1987; Wildavsky 1978). It was expected that the political dimensions of budgetary decision-making would become even more pronounced during the times of acute scarcity (Plant and White 1982), which, in turn, would make it hard for the more "technocratic" criteria to compete with the political preferences in resource allocation. Third, it was expected that because of the lower level of resources, governments may not have the necessary funds to finance the implementation of such reforms because they require investment in gathering, processing and analyzing information (Berg 1984; Glassberg 1981; Levine 1978; Levine et al. 1982; Poister and McGowan 1984a; Tarschys 1981). Like other "innovations", implementing such changes assumes the existence of "slack", which may not be available during retrenchment (Bozeman and Slusher 1979; Glassberg 1981; Levine 1978, 1979; Levine et al. 1981a; Poister and Streib 1989; Walker and Chaiken 1982; Wolman 1986). Furthermore, as pointed out by Levine (1978, 1979), the analytical capacity of public sector organizations – necessary for carrying out the evaluations and producing performance and productivity data – is likely to be the first "casualty" of budget cuts (see also MacManus 1984; Walker and Chaiken 1982). Fourth, it was argued that the rationality-enhancing budgeting systems may be better suited for environments of growth rather than retrenchment (Schick 1980). Several authors noted that some rationality-enhancing budget reforms – especially program and performance budgeting − tend to be biased towards expansion and hence difficult to use for achieving retrenchments (for example Tarschys 1981). Finally, it was argued that public managers may have disincentives to emphasize performance and productivity information during the era of cutbacks because such information may expose them to larger cuts (Klay 1987; Levine 1979; Straussman 1979).

The empirical literature about the extent to which the cutback era brought about rationality-enhancing shifts in budget practices points to somewhat diverging directions. On the one hand, a number of studies observed that fiscal stress did indeed motivate governments to adopt (or re-emphasize) budget reforms, like zero-base(d) budgeting (or its variant of target-base budgeting) (for example Greenwood et al. 1980a,b; Kraan 1984; McCaffery 1981; Pammer 1990; Poister and McGowan 1984b; Rubin 1980, 1991; Singleton et al. 1980; Straussman 1979; Wenz and Nolan 1982; Wright 1981), program budgeting (Botner 1985; Levine et al. 1981a; Pammer 1990; Poister and McGowan 1984b) and the insertion of performance and/or productivity information and policy evaluations into the budget process (Botner 1985, 1989; Cope 1987; Cope and Grubb 1982; Garson and Brenneman 1980; Glassberg 1978, 1981; Gray and Jenkins 1989; Greenwood et al. 1980a,b; Kraan 1984; Lee 1981, 1991; Levine et al. 1981a, 1982; McCaffery 1981; Poister and McGowan 1984b; Schick 1988, 1990; Tarschys 1985, 1986; Wright 1981).

At the same time, several authors noted that the rationality-enhancing budget reforms adopted during the period of cutbacks were more piecemeal, ad hoc, simple and selective – especially when compared to such comprehensive and ambitious reforms as PPBS had been in the 1960s (Cothran 1993; Dunsire and Hood 1989; Gray and Jenkins 1989; Hood and Wright 1981; Schick 1988; Tarschys 1983, 1985, 1986; Wright 1981).[4] Furthermore, a number of authors have also argued that even when investments were made in producing more information (for example on programs, performance, productivity), these did not necessarily lead to changes in the nature of budgetary decision-making, and this information was often not taken into account in allocation decisions; instead cutback decisions were made either incrementally or based on political preferences (for example Connelly and Tompkins 1989; Draper and Pitsvada 1981; Glassberg 1981; Lauth 1985, 1987; Lee and Staffeldt 1977; MacManus 1984; McGowan and Stevens 1983 Rubin 1980; Schick 1978, 1988; Wright 1981). Schick's (1986) empirical study of OECD countries shows, for example, that fiscal stress brought about the re-orientation of planning in the budget process: the "plans" were converted into spending controls and the multiyear budgets were used to "control spending rather than to plan programs" (see also Hood and Wright 1981; Kraan 1984; Wright 1977, 1980, 1981).

3. Public personnel management

Most writings on public personnel management during the fiscal stress looked for optimal cutback approaches in order to avoid or at least minimize a decrease in the value of the human organization. Several authors argued that personnel costs are either the very first expenditures to be cut (Downs and Rocke 1984; Glennerster 1981) or among the first cuts that public organizations need to implement (Dunsire and Hood 1989; Levine et al. 1981a, 1981b; Marando 1990). The literature of the 1970s and 1980s addresses the following measures used in cutting personnel costs:

[4] For example, in the case of the UK central government, Gray and Jenkins (1989) observed that fiscal stress led to a shift from top-down comprehensive systems of evaluation to more pragmatic (and bottom-up) concerns with performance measures and performance indicators.

reduced (over)time; furloughs; salary cuts; salary freeze or reduction in the rate of salary increase; slowdown of promotion; filling positions with less credentialed, lower-paid staff; reducing pay grades of vacated job lots; early retirement; reshuffling of staff; hiring freeze and layoffs (for example Cayer 1986; Downs and Rocke 1984; Dunsire and Hood 1989; Greenhalgh and McKersie 1980; Hood and Wright 1981; Levine 1978, 1985; Lewis 1988; Marando 1990; Rubin 1980; Wolman and Davis 1980; Wright 1981).

Personnel cuts inspired many authors of the time to address the issue of balance between benefits and burdens during the fiscal stress. Next to immediate challenges related to managing cutbacks, the era of fiscal stress also brought to the forefront more systemic challenges to merit practices, which occurred and/or intensified in the 1970s and 1980s.

3.1 Balance between benefits and burdens

The *normative* discussion in public personnel literature warned against the increase of burdens and neglecting benefits during the cutbacks, which may jeopardize the public sector's opportunities in attracting and retaining high-quality employees and keeping their loyalty towards public service. Public servants faced an erosion of their traditional privileges in terms of job security, pensions, secure salaries and civil service careers (Downs and Rocke 1984; Levine 1978, 1984; Lewis et al. 1983; McTighe 1979; Pfiffer 1983). As cutbacks produce a loss of confidence, greater fear and distrust, people become insecure and uncertain about their futures (Glassberg 1978; Holzer 1986; Levine 1984; Lewis et al. 1983; Rich 1986; Romzek 1985). Uncertainty, in turn, contributes toward a loss of understanding between employees and management, and between colleagues competing for priority under "zero sum" conditions (Cayer 1986; Curtis 1989; Greenhalgh and McKersie 1980; Holzer 1986). A declining organization loses prestige, its employees become physically and emotionally stressed, which, in turn, affects their organizational commitment (Curtis 1989; Holzer 1986; Ingraham and Barrilleaux 1983; Levine 1984; Romzek and Hendricks 1982). Many authors claimed that as a result of cutbacks, morale declines and remains at low levels, which jeopardizes investments in human capital (Behn 1980a, 617; Curtis 1989; Holzer 1986; Levine 1984; Lewis et al. 1983; Pfiffer 1983). Public servants may attempt to cut their losses by disinvesting from the organization and reducing their contributions relative to the organization's inducements (Greiner 1986; Levine 1984). A cutback environment was argued to lead to voluntary withdrawal from the organization and from the job (Brockner 1990; Pfiffer 1983), greater absenteeism, higher turnover, disability claims (Tombaugh and White 1990), hostility and aggression (Levine 1984), less concern for quality, scrap loss, and productivity drop (Cayer 1986; Curtis 1989; Greenhalgh and McKersie 1980; Levine 1984; Lewis et al. 1983; Pfiffer 1983). If such deterioration in the commitment of public employees occurs, it may lead to a vicious cycle of organizational decline (Levine 1984).

Such organizational decline was argued to occur especially in situations where top managers perceive the "retrenchment too important to be left to personnel managers" (Levine 1984), leading to the centralization of human resource decisions by

delegating them to some kind of centralized "emergency structures" (Curtis 1989), such as a top-level committee, a special "manpower czar" (Levine 1984), fiscal managers (Rich 1986) or external consultants (Curtis 1989) who may lack knowledge, skills and experience in personnel management and/or the specific context of a particular organization.

At the same time, the cutback environment imposes new competency demands on the surviving public servants both to carry out cuts on existing programs (and colleagues) and to deliver those services that remained in a different way. Civil servants are asked to take up the slack left by dismissed employees resulting in overload (May and Meltsner 1981; McTighe 1979; Rich 1983). This would assume relevant training programs and resources in place. However, during times of cutbacks, resources are not usually available for training programs (Cayer 1986; Greiner 1986; Klay 1983). Even more, training has been considered to be among the first items to be cut when financial stress develops (Cayer 1986).

Consequently, a retrenching organization can easily fall into the pattern of neglecting benefits while increasing burdens to make ends meet in the short term. The need for incentives to improve employee motivation has been claimed to be especially strong in an environment of tight resources and cutback management (Greiner 1986). As instrumental rewards become scarcer under retrenchment, public employers have been recommended to rely more heavily on intrinsic rewards (for example organizational involvement) (Romzek 1985). In order to alleviate potentially stressful relations between managers and public servants, several authors writing on the personnel cuts suggested *bottom-up* processes by increasing communication between top management and employees to clarify the cutback process, demystify the decisions to be taken, explain what the future holds for the organization, diffuse rumors and resulting tensions, and to build *esprit de corps* (Cayer 1986; Curtis 1989; Ingraham and Barrilleaux 1983, 400; Levine 1984; McTighe 1979; Tarschys 1985). Still, Levine (1979, 181) warned against the "participation paradox" by arguing that participation in the case of cutbacks is likely to elicit resistance and protective behavior by the participating actors. A few authors also indicated that the organizational capability to involve employees is diminished during retrenchment as most organizational energies are directed toward cutting back activities and programs (Cameron and Zammuto 1983; Ingraham and Barrilleaux 1983, 395).

Empirical studies also referred to signs of uncertainty and demoralization among public servants as a consequence of cutbacks (Greenhalgh and McKersie 1980; Greiner 1986; Lewis et al. 1983; Van Horn and Raimondo 1983). The complex relationships between changes in staffing level and organizational commitment caused distrust on the part of public servants and deterioration in labor-management relations (Saltzstein and Bott 1982). Disinvestment from the organization has been found to occur if the remaining employees become immobile for fear of losing seniority; if competent employees who are not at risk leave in anticipation of future cutbacks or in reaction to lower morale; if potential applicants turn elsewhere, thus shrinking the pool of available talent; if individuals are overqualified or under-motivated for positions they are forced to assume (Greiner 1986; Holzer 1986). Finally, relying on intrinsic rewards in motivating public servants is clearly not sufficient, and particularly so during the fiscal stress ─ the survey of more than 10,000 US federal manag-

ers carried out in two phases in 1979 and 1981 proved the significance of financial rewards and incentives as motivators in a cutback environment (Ingraham and Barrilleaux 1983).

3.2 Challenges to merit practices

The way how public organizations responded to cutbacks in the 1970s and 1980s called for a re-examination of the merit system with regard to employment security (Johnson 1983; Klay 1983). As argued by Johnson (1983, 189), the merit system had been twisted from its original intent — although it was not intended primarily to provide lifetime employment, but rather security from external pressures and job security as long as one's performance was satisfactory and conditions required one's services; in practice, however, the merit system gradually came to be viewed as granting permanent job security. Consequently, reductions in manpower suggest that greater value was given to monetary considerations than to the loyalty of employees who had worked for the public service for many years (Johnson 1983). A tradeoff between merit values and the need for cutbacks was reflected in the application of the seniority-principle in cutback decisions (Klingner and Nalbandian 1983; Rich 1983; Roberts 1981; Schachter 1983). The "last hired and first fired" principle was supposed to fix the order in which employees receive layoff notices (Roberts 1981). Civil service laws and union contracts often mandated reverse seniority as the sole criterion for determining layoffs (Roberts 1981; Schachter 1983; Spurrier 1986); "the union reluctantly concedes layoffs, but demands that the reductions must be made by seniority" (Rich 1983, 37). It was argued that seniority-based personnel cuts reduce the opportunity for arbitrary action and provide predictable results on which employees may rely in estimating their own employment security (Schachter 1983; Spurrier 1986). Also, it was expected that the "last hired-first fired" principle limits employee anxiety and helps to cut training costs (Schachter 1983, 80). The seniority-principle, however, created two types of puzzles in cutback management.

First, several authors (Klingner and Nalbandian 1983; Lovrich and Steel 1983; Rich 1983; Roberts 1981; Schachter 1983; Spurrier 1986) were concerned about the impact of cutback management on equal employment opportunities. The *normative* assumption was that if affirmative action programs were considered appropriate in recruitment and selection processes to achieve the goal of representative bureaucracy, similar programs needed to be in place during workforce reductions (Johnson 1983). However, Klingner and Nalbandian (1983, 9) argued that "the conflict between the values of social equity and administrative efficiency that is caused by affirmative action is tolerable so long as organizations have sufficient resources to 'waste', but cannot be maintained when cutback management makes resources scarce." Several authors indeed pinpointed the potential adverse effects of seniority systems on minorities and women during cutbacks (Johnson 1983; Rich 1983; Roberts 1981; Thomas 1978) by arguing that since minorities were the last hired, they had less seniority and were thus likely to become the first targets of layoffs (Rich 1983; Roberts 1981; Schachter 1983). Hood and Wright (1981, 211), in turn, claimed that dismissals caused the loss of "youthful talent", as firstly low-paid, short-service and younger workers were expected to get dismissed. In general, dis-

missal by reverse seniority was argued to perpetuate the effects of prior discrimination and erode organizational representativeness (Schachter 1983, 80).

Consequently, public sector managers face a conflicting mandate during the cutbacks to protect senior employees while maintaining representative workforce. Some writers of the time recommended alternative strategies to avoid layoffs and thus difficult tradeoffs with representative bureaucracy, such as salary reductions, shorter work weeks and work sharing (Johnson 1983, 193). The other set of authors (Roberts 1981; Schachter 1983; Thomas 1978) considered making affirmative action applicable to layoffs by abandoning the rule of seniority as the primary criterion for layoffs. For example, Schachter suggested "retroactive or constructive seniority", which would attempt to "identify a class of employees who have been the victims of discrimination and develop procedures for giving them the proximate place on the seniority list they would have if the agency had used job-related hiring criteria" (1983, 77).

A great majority of *empirical* studies confirmed that seniority was by far the most used criterion for personnel reductions and that cuts in personnel did not hit all groups of civil servants equally. Empirical evidence showed that a cutback process based on seniority had a built-in bias against women and minorities (Holzer 1986; Johnson 1983; Rich 1983; Roberts 1981; Rubin 1985; Thomas 1978) although Warner and Steel (1989) demonstrated the opposite case where budget cuts did not significantly affect the utilization rate of women as police officers. Moreover, Rich (1983, 37) claimed that city departments with successful affirmative action programs were the first to feel the effects of layoffs as they employed disproportionate numbers of officials with little seniority. In addition, layoffs were found to be imposed disproportionately on street-level personnel because labor turnover was considered traditionally higher in lower-level jobs (Thomas 1978). Dunsire and Hood (1989, 107, 199) concluded that during cuts in Whitehall from 1975 to 1985, blue-collar workers suffered more than white-collar workers and the highest and lowest ranks more severely than the middle ranks. Finally, retroactive seniority was only mandated by court order in particular cases in the US (Schachter 1983, 77).

Second, an equally controversial issue was related to the question whether performance or ability should play a role in personnel cutback decisions instead of or in addition to seniority. *Normatively* oriented literature argued that performance management should assume an important role in administering personnel cuts (Cayer 1986; Greiner 1986; Holzer 1986; Ingraham and Barrilleaux 1983; Levine 1984; Pfiffer 1983). It was claimed that performance evaluations were to be used as an integral part of cutbacks (for example in deciding upon layoffs) in order to safeguard the best performers (Cayer 1986; Levine 1984). It was feared that seniority-based cutbacks, combined with the lack of career opportunities, could lead to voluntary quitting of the most valuable and able employees (Behn 1980a; Greenhalgh and McKersie 1980; Levine 1984; Pfiffer 1983). In order to alleviate such a scenario, different authors proposed to strengthen individual performance appraisals, to develop performance-based monetary incentives as well as promotion opportunities and (one-time) performance bonuses to reduce fears and to indicate to personnel that the organization sufficiently believes in its future to invest time and resources in them (Cayer 1986; Greiner 1986; Levine 1984). Both Levine (1984) and Holzer (1986)

proposed the amendment of personnel rules and regulations to increase the importance of performance criteria vis-à-vis seniority in carrying out reductions.

Although the general attitude was overly positive towards performance management in the 1980s, several authors also recognized potential problems related to it. Greiner (1986, 89) argued pragmatically that expenditures related to the introduction of performance appraisal, including staff time needed to develop and properly implement a new initiative, expenses for training, record-keeping, data collection, data processing and auditing the performance data, might be hard to sell to public servants at a time when wages are being frozen and staff are being laid off. The cost-related argument was also used by unions who maintained that ability-based layoffs were too expensive to administer and inimical to worker morale (Rich 1986). Even more importantly, it was argued that performance-based layoffs could be manipulated by managers as ways of getting rid of unpopular employees (Dennis 1983, Holzer 1986). Holzer (1986) provided a thorough account of the integrity of cutback policies, which might be threatened by violations, for example "interpretations" and "discretionary decisions", intended to help particular individuals. Rich (1986), in turn, warned that "more flexible" layoff methods compared to seniority might increase the politicization of the public service by giving politicians more discretion over personnel cuts.

The *empirical* evidence of the use of performance information in deciding upon personnel cuts is scarce. In general, recommendations that layoffs be based on the performance and qualifications of the employees were tried by only a few public employers and met strong resistance from public sector unions (Johnson 1983). In one of the most informative academic papers, Holzer (1986) referred to the US Merit Systems Protection Board's study by demonstrating that allegations of prohibited personnel practices in the United States in 1981 involved issues related to management favoritism, including the awarding of inflated performance appraisal ratings based upon friendships. This led Holzer to conclude that the capacity of the performance appraisal process to measure performance for downsizing had not been adequately developed in practice.

All in all, the perceived rigidity of the seniority-rule led authors of the time to propose several structural changes in personnel regulations. The most widely cited cutback management author of the time, Charles H. Levine (1984), argued that the human resource capacity of an agency largely depends on the *flexibility* allowed by its personnel rules and regulations. Therefore, he recommended amending personnel rules and regulations in order to allow the use of part-time employees and volunteers alongside full-time professional public servants and to encourage working on a project basis. Johnson (1983, 193) reached a similar conclusion by arguing that "it is necessary for public organizations to make explicit their obligation, or lack of obligation, with regard to employment security, and to combat the perception of the merit system as providing lifetime employment." It was also claimed that the rigidity of government pay schemes hindered the use of rational cutback measures, especially in motivating the best-performing employees and public sector managers (Tarschys 1985, 46). By questioning the rationale of traditional job security in a cutback environment, such recommendations reinforced discussion on merit values in public service. For example, Klay (1983, 45) argued that merit was originally conceived

primarily in reactive terms to protect public servants against patronage, rather than a positive tool to enhance productivity. Several authors concluded that fiscal stress had forced officials to consider the merit protection function as a hindrance to productivity (Klay 1983; Nalbandian 1981; Smits 1982). Despite such criticism, one can argue that the fiscal stress in the 1970s and 1980s contributed to the long-term trend towards flexibility in public personnel administration and opened new avenues for finding an optimal balance between merit values and efficiency.

4. Conclusion and discussion

The goal of our paper was to give a systematic overview of cutback management studies from the 1970s and 1980s with the aim to uncover what kind of shifts in financial and personnel management were brought about by fiscal crisis, fiscal stress and austerity during that period. Our review of the literature from the previous era of austerity points to the following patterns:

First, the review indicates that meeting optimal cutback decisions and their implementation during the cutback era necessitated a search for increased *flexibility*. In financial management, this materialized in combining top-down and bottom-up budgetary procedures to address the cutback decisions and to find suitable trade-offs between control over spending limits and discretion over the use of resources. The personnel management literature revealed that the search for greater flexibility evoked proposals for structural changes in personnel regulations to enable more optimal personnel-related cuts (that would alleviate the burdens of a cutback environment to the value of human organization). Also a stronger focus on bottom-up procedures, bigger inclusion and communication about personnel-related cutback decisions and increasing managerial autonomy and discretion at the organizational level were emphasized.

Second, the literature demonstrates that managing "money" and "people" during fiscal stress triggered a search for greater *rationality* in management practices. Initiatives aiming at higher "cost-consciousness", "productivity" and "value for money" that paved the way for enhanced result orientation and high expectations related to *performance management* practices both in financial and personnel management could be observed. As a result, numerous "more rational" forms of budgeting (for example performance budgeting) were cast into the limelight. Similarly, the introduction of the use of performance information vis-à-vis seniority in carrying out personnel-related cutback decisions received attention.

Third, the overview of the literature clearly indicates that the management of the finances and human resources during acute scarcity requires very difficult *trade-offs* from public managers concerning the present and future capacities of the organization. When managing a contracting organization managers are faced with an array of dilemmas and paradoxical situations. On the one hand, acute scarcity makes the necessity of reform more visible and unavoidable. On the other hand, the scarcity of both financial and human resources significantly reduces opportunities for designing and implementing systemic changes in management and policy-making practices. Hence cutbacks bring about the need to change and innovate in an environment unsupportive of reforms.

Besides the similar traits of proposed challenges and expected changes in crisis-time managerial practices, it is interesting to note that in financial management the search for greater rationality led to rather straightforward reform proposals, whereas in personnel management, amendments to existing rules and regulations were treated more incrementally to maintain the foundations of the civil service system in the context of high uncertainty. This could be explained by the fact that besides coping with the cutbacks, human resource management has a crucial role in mitigating the negative impacts of crisis when tackling issues such as job security, loss of employee confidence and moral, absenteeism and withdrawal. Whereas in financial management the search for greater flexibility and rationality were mainly aimed at avoiding and alleviating possible conflicts to allow reaching the optimal spending cuts *per se*, human resource management aimed to alleviate the burdens imposed by the cutbacks more broadly.

All in all, fiscal crisis forced public managers to reconsider existing public management patterns, including the search for optimal trade-offs between control and discretion in decision-making, rigid regulation and flexibility, inclusion and exclusion of organizational actors, the use of incremental practices and performance information and the application of ingrained and novel organizational practices. The current overview of the literature also indicates that the government responses to the crisis of the 1970s and the 1980s paved way for a major reform trend in Western administrations — New Public Management — as governments were forced to increase their cost-effectiveness and cost-efficiency, which in the longer run led to the widespread introduction of models and techniques from the private business sector carried by the values which became widely accepted during the era of retrenchment: cost-consciousness, "getting more with less", performance-orientation and flexibility. The emphasis on these values, as shown in this paper in the cases of public sector financial and personnel management, did not necessarily lead to immediate reforms during fiscal stress, but the cutback environment certainly contributed to "setting the scene" for the changes and reforms in the aftermath of crisis.

Future comparative studies exploring the impacts of austerity on public management and policy-making practices in the public sector could use the patterns we have identified here as a starting point in assessing variations and commonalities in austerity-induced management shifts over time. It would be particularly fruitful to explore whether the contextual factor of *a fiscal crisis* leads to *similar* shifts in financial and personnel management practices as were observed in the 1970s and 1980s. If commonalities in such shifts can be observed, this would clearly reinforce the relevance of fiscal crisis and fiscal stress as potential contextual factors that need to be more systematically integrated into empirical studies of comparative public management and policy-making.

References

Ammons, D.N. 1985. "Common Barriers to Productivity Improvement in Local Government." *Public Productivity Review* 9(4), 293-310.

Banner, G. 1985. "Budgetary Imbalance and the Politics of Cutback Management in German Local Government." *Local Government Studies* 11(4), 43-61.

Behn, R.D. 1985. "Cutback Budgeting." *Journal of Policy Analysis and Management* 4(2), 155-177.

Behn, R.D. 1980a. "Leadership for Cut-Back Management: The Use of Corporate Strategy." *Public Administration Review* 40(6), 613-620.

Behn, R.D. 1980b. "How to Terminate a Public Policy: A Dozen Hints for the Would-Be Terminator." In: C.H. Levine (ed.) *Managing Fiscal Stress: The Crisis in the Public Sector.* New Jersey: Chatham House Publishers, 327-343.

Bellone, C. 1988. "Public Entrepreneurship: New Role Expectations for Local Government." *Urban Analysis* 9(1), 71-78.

Berg, B. 1984. "Public Choice, Pluralism, and Scarcity Implications for Bureaucratic Behavior." *Administration & Society* 16(1), 71-82.

Bideleux, R. 2011. "Contrasting Responses to the International Economic Crisis of 2008-2010 in the 11 CIS Countries and in the 10 Post-Communist EU Member Countries." *Journal of Communist Studies and Transition Politics* 27(3-4), 338-363.

Botner, S.B. 1989. "Trends and Developments in Budgeting and Financial Management in Large Cities of the United States." *Public Budgeting & Finance* 9(3), 37-42.

Botner, S.B. 1985. "The Use of Budgeting/Management Tools by State Governments." *Public Administration Review* 45(5), 616-620.

Bozeman, B. and E.A. Slusher. 1979. "Scarcity and Environmental Stress in Public Organizations: A Conjectural Essay." *Administration & Society* 11(3), 335-355.

Bozeman, B. and J.D. Straussman. 1982. "Shrinking Budgets and the Shrinkage of Budget Theory." *Public Administration Review* 42(6), 509-515.

Brockner, J. 1990. "Scope of Justice in the Workplace: How Survivors React to Co-Worker Layoffs." *Journal of Social Issues* 46(1), 95-106.

Caiden, N. 1981. "Public Budgeting amidst Uncertainty and Instability." *Public Budgeting & Finance* 1(1), 6-19.

Caiden, N. and J.I. Chapman. 1982. "Constraint and Uncertainty: Budgeting in California." *Public Budgeting & Finance* 2(4), 111-129.

Cameron, K. and R. Zammuto. 1983. "Matching Managerial Strategies to Conditions of Decline." *Human Resource Management* 22(4), 359-375.

Cayer, N.J. 1986. "Management Implications of Reduction in Force." *Public Administration Quarterly* 10(1), 36-49.

Coen, D. and A. Roberts. 2012. "A New Age of Uncertainty." *Governance* 25(1), 5-9.

Connelly, M. and G.L. Tompkins. 1989. "Does Performance Matter? A Study of State Budgeting." *Review of Policy Research* 8(2), 288-299.

Cope, G.H. 1987. "Local Government Budgeting and Productivity: Friends or Foes?" *Public Productivity Review* 10(3), 45-57.

Cope, G.H. and W.N. Grubb. 1982. "Restraint in a Land of Plenty: Revenue and Expenditure Limitations in Texas." *Public Budgeting & Finance* 2(4), 143-156.

Cothran, D.A. 1993. "Entrepreneurial Budgeting: An Emerging Reform?" *Public Administration Review* 53(5), 445-454.

Curtis, R.L. 1989. "Cutbacks, Management, and Human Relations: Meanings for Organizational Theory and Research." *Human Relations* 42(8), 671-689.

Dalton, T.C. and L.C. Fitzpatrick. 1985. "Productivity Measurement and the Public Organization." *Review of Policy Research* 4(3), 519-531.

Dennis, H.C., Jr. 1983. "Reductions in Force: The Federal Experience." *Public Personnel Management* 12(1), 52-62.

Dolowitz, D. and D. Marsh. 2000. "Learning from Abroad: The Role of Policy Transfer in Contemporary Policy-Making." *An International Journal of Policy and Administration* 13(1), 5-24.

Downs, G.W. and D.M. Rocke. 1984. "Theories of Budgetary Decision-making and Revenue Decline." *Policy Sciences* 16(4), 329-347.

Draper, F.D. and B.T. Pitsvada. 1981. *"ZBB-Looking Back After Ten Years." Public Administration Review* 41(1), 76-83.

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

Garson, G.D. and D.S. Brenneman. 1980. "Resource Rationing for State Agencies: The Management and Political Challenge of Productivity Improvement." *Public Productivity Review* 4(3), 231-248.

Glassberg, A. 1981. "The Urban Fiscal Crisis Becomes Routine." *Public Administration Review* 41, 165-172.

Glassberg, A. 1978. "Organizational Responses to Municipal Budget Decreases." *Public Administration Review* 38(4), 325-332.

Glennerster, H. 1981. "Social Service Spending in a Hostile Environment." In C. Hood and M. Wright (eds). *Big Governments in Hard Times*. Oxford: Martin Robertson, 174-196.

Gray, A. and B. Jenkins. 1989. "Policy Evaluation in a Time of Fiscal Stress: Some Reflections from British Experience." *Knowledge in Society* 2(4), 20-30.

Greenhalgh, L. and R. McKersie. 1980. "Cost-Effectiveness of Alternative Strategies for Cut-Back Management." *Public Administration Review* 40(6), 575-584.

Greenwood, R., B. Hinings, S. Ranson and K. Walsh. 1980a. "Incremental Budgeting and the Assumption of Growth: The Experience of Local Government." In M. Wright (ed.). *Public Spending Decisions: Growth and Restraint in the 1970s*. London: Allen and Unwin, 25-48.

Greenwood, R., B. Hinings, S. Ranson and K. Walsh. 1980b. "The Organizational Consequences of Financial Restraint in Local Government." In M. Wright (ed.). *Public Spending Decisions, Growth and Restraint in the 1970*. London: Allen and Unwin, 49-67.

Greiner, J.M. 1986. "Motivational Programs and Productivity Improvement in Times of Tight Resources." *Public Productivity Review* 10(1), 81-101.

Havens, H.S. 1983. "Integrating Evaluation and Budgeting." *Public Budgeting & Finance* 3(2), 102-113.

Hendrick, R. 1989. "Top-Down Budgeting, Fiscal Stress and Budgeting Theory." *The American Review of Public Administration* 19(1), 29-48.

Holzer, M. 1986. "Workforce Reduction and Productivity." *Public Administration Quarterly* 10(1), 86-98.

Hood, C. and M. Wright. 1981. "From Decrementalism to Quantum Cuts." In C. Hood and M. Wright (eds). *Big Governments in Hard Times*. Oxford: Martin Robertson, 199-227.

Ingraham, P.W. and C. Barrilleaux. 1983. "Motivating Government Managers for Retrenchment: Some Possible Lessons from the Senior Executive Service." *Public Administration Review* 43(5), 393-402.

Johnson, A.T. 1983. "Equity in the Public Workplace: Retrenchment, Employment Security and Alternative Placement." *Public Personnel Management* 12(2), 186-195.

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

Kickert, W., T. Randma-Liiv and R. Savi. 2015. "Fiscal Consolidation in Europe: Comparative Analysis." *International Review of Administrative Sciences*, accepted for publication.

Klay, W.E. 1987. "Management through Budgetary Incentives." *Public Productivity Review* 10(3), 59-71.

Klay, W.E. 1983. "Fiscal Constraints, Trust, and the Need for a New Politics/Administration Dichotomy." Review of Public Personnel Administration 4(1), 44-53.

Klingner, D.E. and J. Nalbandian. 1983. "Human Resource Administration and Cutback Management: A Symposium." *Review of Public Personnel Administration* 4(1), 1-11.

Kraan, D.J. 1984. "Towards More Flexibility of Government Expenditure: Some Recent Developments in the Netherlands." *Policy Sciences* 16(4), 413-427.

Lauth, T.P. 1987. "Budgeting and Productivity in State Government: Not Integrated but Friendly." *Public Productivity Review* 10(3), 21-32.

Lauth, T.P. 1985. "Performance Evaluation in the Georgia Budgetary Process." *Public Budgeting and Finance* 5(1), 67-82.

Leathers, C.G. 1979. "'Language Barriers' in Public Productivity Analysis: The Case of Efficiency and Effectiveness." *Public Productivity Review* 3(4), 63-68.

Lee, M. 1981. "Whitehall and Retrenchment." In C. Hood and M. Wright (eds). *Big Governments in Hard Times*. Oxford: Martin Robertson, 35-55.

Lee, R.D. 1991. "Developments in State Budgeting: Trends of Two Decades." *Public Administration Review* 51(3), 254-262.

Lee, R.D. and R.J. Staffeldt. 1977. "Executive and Legislative Use of Policy Analysis in State Budgetary Process-Survey Results." *Policy Analysis* 3(3), 395-405.

Levine, C.H. 1985. "Police Management in the 1980s: From Decrementalism to Strategic Thinking." *Public Administration Review* 45, 691-700.

Levine, C.H. 1984. "Retrenchment, Human Resource Erosion, and the Role of the Personnel Manager." *Public Personnel Management Journal* 13(3), 249-263.

Levine, C.H. 1979. "More on Cutback Management: Hard Questions for Hard Times." *Public Administration Review* 39(2), 179-183.

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

Levine, C.H., I. Rubin and G.G. Wolohojian. 1982. "Managing Organizational Retrenchment Preconditions, Deficiencies, and Adaptations in the Public Sector." *Administration & Society* 14(1), 101-136.

Levine, C.H., I. Rubin and G.G. Wolohojian. 1981a. "Resource Scarcity and the Reform Model: The Management of Retrenchment in Cincinnati and Oakland." *Public Administration Review* 41(6), 619-628.

Levine, C.H., I. Rubin and G.G. Wolohojian. 1981b. *The Politics of Retrenchment: How Local Governments Manage Fiscal Stress*. Beverly Hills, London: Sage.

Lewis, C.W., W.W. Shannon and G.D. Ferree, Jr. 1983. "The Cutback Issue: Administrators' Perceptions, Citizen Attitudes, and Administrative Behavior." *Review of Public Personnel Administration* 4(1), 12-26.

Lewis, G.B. 1988. "The Consequences of Fiscal Stress: Cutback Management and Municipal Employment." *State & Local Government Review* 20(2), 64-71.

Lodge, M. and C. Hood. 2012. "Into an Age of Multiple Austerities? Public Management and Public Service Bargains across OECD Countries." *Governance* 25(1), 79-101.

Lovrich, N.P. and B.S. Steel. 1983. "Affirmative Action and Productivity in Law Enforcement Agencies." *Review of Public Personnel Administration* 4(1), 55-66.

McCaffery, J. 1981. "Revenue Budgeting: Dade County Tries a Decremental Approach." *Public Administration Review* 41, 179-189.

McGowan, R.P. and J.M. Stevens. 1983. "Local Governments Initiatives in a Climate of Uncertainty." *Public Administration Review* 43(2), 127-136.

MacManus, S.A. 1984. "Coping with Retrenchment: Why Local Governments Need to Restructure their Budget Document Formats." *Public Budgeting & Finance* 4(3), 58-66.

McTighe, J.J. 1979. "Management Strategies to Deal with Shrinking Resources." *Public Administration Review* 39(1), 86-90.

Marando, V.L. 1990. "General Revenue Sharing. Termination and City Responses." *State and Local Government Review* 22(3), 98-107.

Marcel, M. 2013. *Budgeting for Fiscal Space and Government Performance beyond the Great Recession*. Paper presented at the fifth annual meeting of OECD parliamentary budget officials and independent fiscal institutions in Ottawa, Canada, 21-22 February 2013.

Massey, J. and J.D. Straussman. 1981. "Budget Control Is Alive and Well: Case Study of County Government." *Public Budgeting & Finance* 1(4), 3-11.

May, P.J. and A.J. Meltsner. 1981. "Limited Actions, Distressing Consequences: A

Selected View of the California Experience." *Public Administration Review* 41, 172-179.

Nalbandian, J. 1981. "From Compliance to Consultation: The Changing Role of the Public Personnel Administrator." *Review of Public Personnel Administration* 1(2), 37-51.

O'Toole, D.E. and B. Stipak. 1988. "Budgeting and Productivity Revisited: The Local Government Picture." *Public Productivity Review* 12(1), 1-12.

Pammer, W.J. 1990. *Managing Fiscal Strain in Major American Cities: Understanding Retrenchment in the Public Sector.* New York: Greenwood Press.

Peters, B.G., J. Pierre and T. Randma-Liiv. 2011. "Economic Crisis, Public Administration and Governance: Do New Problems Require New Solutions?" *Public Organization Review* 11(1), 13-28.

Pfiffer, J.P. 1983. "The Challenge of Federal Management in the 1980s." *Public Administration Quarterly* 7(2), 162-182.

Plant, J.F. and L.G. White. 1982. "The Politics of Cutback Budgeting: An Alliance Building Perspective." *Public Budgeting and Finance* 2(1), 65-71.

Poister, T.H. and G. Streib. 1989. "Management Tools in Municipal Government: Trends over the Past Decade." *Public Administration Review* 49(3), 240-248.

Poister, T.H. and R.P. McGowan. 1984a. "The Contribution of Local Productivity Improvement Efforts in a Period of Fiscal Stress." *Public Productivity Review* 8(4), 386-394.

Poister, T.H. and R.P. McGowan. 1984b. "The Use of Management Tools in Municipal Government: A National Survey." *Public Administration Review* 44(3), 215-223.

Pollitt, C. 2013. "Context: What Kind of Missing Link?" In C. Pollitt (ed.). *Context in Public Policy and Management: The Missing Link?* Cheltenham: Edward Elgar, pp. 415-421.

Pollitt, C. 2010. "Cuts and Reforms: Public Services As We Move into a New Era." *Society and Economy* 32(1), 17-31.

Pollitt, C. and G. Bouckaert. 2011. *Public Management Reform: A Comparative Analvsis: New Public Management, Governance and the Neo-Weberian State*. 3rd edn. Oxford: Oxford University Press.

Premchand, A. 1987. "Government Budgeting and Productivity." *Public Productivity Review* 10(3), 9-19.

Premchand, A. 1981. "Government Budget Reforms: An Overview." *Public Budgeting & Finance* 1(2), 74-85.

Raudla, R., R. Savi and T. Randma-Liiv. 2015. "Cutback Management Literature in the 1970s and 1980s: Taking Stock." *International Review of Administrative Sciences* 81(3): 433-456.

Rich, W.C. 1986. "Political Context of a Reduction-in-Force Policy: On the Misunderstanding of an Important Phenomenon." *Public Administration Quarterly* 10(1), 7-22.

Rich, W.C. 1983. "Bumping, Blocking and Bargaining: The Effect of Layoffs on Employees and Unions." *Review of Public Personnel Administration* 4(1), 27-43.

Roberts, R.N. 1981. "'Last Hired, First Fired' and Public Employee Layoffs: The Equal Employment Opportunity Dilemma." *Review of Public Personnel Administration* 2(1), 29-48.

Robinson, M. 2013. "Performance Budgeting." In R. Allen, R. Hemming and B. Potter (eds). *The International Handbook of Public Financial Management*. Palgrave Macmillan, pp. 237-258.

Romzek, B. and J.S. Hendricks. 1982. "Organizational Involvement and Representative Bureaucracy: Can we Have it Both Ways?" *American Political Science Review* 76(1), 75-82.

Romzek, B.S. 1985. "The Effects of Public Service Recognition, Job Security and Staff Reductions on Organizational Involvement." *Public Administration Review* 45(2), 282-291.

Rose, R. 2005. *Learning from Comparative Public Policy: A Practical Guide*. London, New York: Routledge.

Rubin, I.S. 1991. "Budgeting for Our Times: Target Base Budgeting." *Public Budgeting & Finance* 11(3), 5-14.

Rubin, I.S. 1985. *Shrinking the Federal Government: The Effect of Cutbacks on Five Federal Agencies*. New York: Longman.

Rubin, I.S. 1984. "Marasmus or Recovery? The Effects of Cutbacks in Federal Agencies." *Social Science Quarterly* 65(1), 74-88.

Rubin, I.S. 1980. "Universities in Stress: Decision Making Under Conditions of Reduced Resources." In C.H. Levine (ed.) *Managing Fiscal Stress. The Crisis in the Public Sector*. New Jersey: Chatham House Publishers, 167-179.

Rubin, I.S. 1977. "Universities in Stress: Decision Making under Conditions of Reduced Resources." *Social Science Quarterly* 58(2), 242-254.

Saltzstein, A. and V. Bott. 1982. "Personnel Policy Making in Times of Crisis: California Public Personnel Directors Face the Aftermath of Proposition 13." *The American Review of Public Administration* 16(2/3), 195-207.

Schachter, H.L. 1983. "Retroactive Seniority and Agency Retrenchment." *Public Administration Review* 43(1), 77-81.

Schick, A. 1990. "Budgeting for Results: Recent Developments in Five Industrialized Countries." *Public Administration Review* 50(1), 26-34.

Schick, A. 1988. "Micro-Budgetary Adaptations to Fiscal Stress in Industrialized Democracies." *Public Administration Review* 48(1), 523-533.

Schick, A. 1986. "Macro-Budgetary Adaptations to Fiscal Stress in Industrialized Democracies." *Public Administration Review* 46(2), 124-134.

Schick, A. 1980. "Budgetary Adaptations to Resource Scarcity." In C.H. Levine and I. Rubin (eds). *Fiscal Stress and Public Policy*. London: Sage Publications, 113-134.

Schick, A. 1978. "The Road from ZBB." *Public Administration Review* 38(2), 177-180.

Shields, P.M. 1988. "Less is Less: Fiscal Issues in Human Services." *Public Administration Quarterly* 12(1), 60-91.

Singleton, D.W., B.A. Smith and J.R. Cleaveland. 1980. "Zero-Based Budgeting in Wilmington, Delaware." In C.H. Levine (ed.). *Managing Fiscal Stress: The Crisis in the Public Sector*. Chatham: Chatham House Publishers, 179-193.

Smits, W.H. 1982. "Personnel Administration: A Viable Function of Government." *Public Personnel Management* 11(2), 91-103.

Spurrier, R.L., Jr. 1986. "Caveat Public Employer: Selected Legal Issues in Non-Federal Agency Reductions in Force." *Public Administration Quarterly 10(1), 60-85.*

Straussman, J.D. 1979. "A Typology of Budgetary Environments: Notes on the Prospects of Reform." *Administration & Society* 11(2), 216-226.

Tarschys, D. 1986. "From Expansion to Restraint: Recent Developments in Budgeting." *Public Budgeting & Finance* 6(3), 25-37.

Tarschys, D. 1985. "Curbing Public Expenditure: Current Trends." *Journal of Public Policy* 5(1), 23-67.

Tarschys, D. 1983. "The Scissors Crisis in Public Finance." *Policy Sciences* 15(3), 205-224.

Tarschys, D. 1981. "Rational Decremental Budgeting: Elements of an Expenditure Policy for the 1980s." *Policy Sciences* 14(1), 49-58.

Thomas, J.C. 1978. "Budget-Cutting and Minority Employment in City Governments: Lessons from Cincinnati." *Public Personnel Management* 7(3), 155-161.

Thynne, I. 2011. "Symposium Introduction: The Global Financial Crisis, Governance and Institutional Dynamics." *Public Organization Review* 11(1), 1-12.

Tombaugh, J.R. and L.P. White. 1990. "Downsizing: An Empirical Assessment of Survivors' Perceptions in a Postlayoff Environment." *Organization Development Journal* 8(2), 32-43.

Van Horn, C.E. and H.J. Raimondo. 1983. "Living with Less: New Jersey Copes with Federal Aid Cutbacks." *Public Budgeting & Finance* 3(1), 41-56.

Walker, W.E. and J.M. Chaiken. 1982. "The Effects of Fiscal Contraction on Innovation in the Public Sector." *Policy Sciences* 15(2), 141-165.

Warner, R.L. and B.S. Steel. 1989. "Affirmative Action in Times of Fiscal Stress and Changing Value Priorities: The Case of Women in Policing." *Public Personnel Management* 18(3), 291-309.

Wenz, T.W. and A.P. Nolan. 1982. "Budgeting for the Future: Target Base Budgeting." *Public Budgeting & Finance* 2(2), 88-91.

Wildavsky, A. 1978. "A Budget for All Seasons: Why the Traditional Budget Lasts." *Public Administration Review* 38(6), 501-509.

Wolman, H. 1986. "Innovation in Local Government and Fiscal Austerity." *Journal of Public Policy* 6(2), 159-180.

Wolman, H. and B. Davis. 1980. "Local Government Strategies to Cope with Fiscal Pressure." In C.H. Levine and I. Rubin (eds). *Fiscal Stress and Public Policy.* London: Sage Publications, 231-248.

Wright, M. 1981. "Big Governments in Hard Times: The Restraint of Public Expenditure." In C. Hood and M. Wright (eds). *Big Governments in Hard Times*. Oxford: Martin Robertson, 3-31.

Wright, M. 1980. *Public Spending Decisions, Growth and Restraint in the 1970*. London: Allen and Unwin.

Wright, M. 1977. "Public Expenditure in Britain: The Crisis of Control." *Public Administration* 55(2), 143-169.

Appendix 1

Author	Time period covered	Cases covered
Banner (1985)	1981-1985	30 German cities
Behn (1985)	Early 1980s	The US Federal Government
Botner (1985)	1984	US states
Botner (1989)	1982-1988	129 large cities in the United states
Bozeman and Straussman (1982)	Early 1980s	The US federal government
Caiden and Chapman (1982)	1981-1983	California
Connelly and Tompkins (1989)	1979-1985	State of Missouri
Cope (1987)	1980s	358 local governments in the US
Cope and Grubb (1982)	1970s-early 1980s	Texas
Downs and Rocke (1984)	Pittsburgh: 1943-1976; San Diego: 1949-1978	2 cities in the US: Pittsburgh (24 departments) and San Diego (25 departments)
Draper and Pitsvada (1981)	1970s	The US federal government
Dunsire and Hood (1989)	1975-1985	The UK, Whitehall
Garson and Brenneman (1980)	Late 1970s	North Carolina, Florida
Glassberg (1978)	1970s	New York City, the US
Glassberg (1981)	1970s	NYC
Glennerster (1981)	1970s	The UK, Social sector
Gray and Jenkins (1989)	1980s	The UK central government
Greenhalgh and McKersie (1980)	1970s	The State of New York
Greenwood et al. (1980)	1970s	UK local governments
Greiner (1986)	Early 1980s	17 Massachusetts cities and towns, US
Hendrick (1989)	1969-1987	1 city (Lansing, Michigan), the US
Hinings et al. (1980)	1970s	UK local governments
Ingraham and Barrileaux (1983)	1979, 1981	Over 10,000 US federal managers
Johnson (1983)	Early 1980s	Maryland's 9 largest counties, US
Kraan (1984)	Early 1980s	The Netherlands
Lauth (1985)	1982	The State of Georgia
Lauth (1987)	1970s-1980s	US state governments
Lee (1981)	1970s	The UK, Whitehall
Lee (1991)	1970s-1980s	US state governments
Lee and Staffeldt (1977)	1970-1975	state budget offices in the US
Levine (1985)	1976-1981	Police departments in 92 US cities (with population over 50 000)
Levine, Rubin and Wolohojian (1981a)	1970s	2 cities in the US: Cincinnati and Oakland
Levine, Rubin and Wolohojian (1981b)	1970s	3 cities, 1 county in the US: Cincinnati, Oakland, Baltimore, Prince George's county
Levine, Rubin and Wolohojian (1982)	1970s	New York City
Lewis (1988)	Early 1980s	154 large cities in the US
Lewis, Shannon and Ferree (1983)	Early 1980s	Stamford, Connecticut, US
MacManus (1984)	Early 1980s	10 local governments in Texas
Marando (1990)	1980s	153 cities in the US
Massey and Straussman (1981)	1980-1981	1 county in the US
May and Meltsner (1981)	Late 1970s	10 public service organizations in the State of California, US
McCaffery (1981)	Second half of 1970s	Q county

O'Toole and Stipak (1988)	1985-1986	546 US local governments
Pammer (1990)	1983	120 cities (large metropolitan cities) in the US
Poister and McGowan (1984a)	1982-1983	456 cities in the US
Poister and McGowan (1984b)	1982-1983	460 municipal jurisdictions
Poister and Streib (1989)	1987-1988	451 municipal governments in the US
Rich (1983)	1981	City of Detroit, US
Roberts (1981)	1970s	New York Policy Department, US, US court cases
Romzek (1985)	Early 1980s	Federal, state and local level in Kansas and Missouri, US
Rubin (1980)	1970s	5 universities and one city in the US
Rubin (1984)	Early 1980s	5 US federal agencies
Rubin (1985)	Early 1980s	The US, 5 federal agencies
Rubin (1991)	1980s	3 cities in the US
Saltzstein and Bott (1982)	Late 1970s	Calfornia public personnel directors, US
Schachter (1983)	1970s	New York City, US federal appeal court cases
Schick (1978)	1970s	US Federal Government
Schick (1986)	1970s-1980s	OECD countries
Schick (1988)	1970s-1980s	OECD countries
Schick (1990)	late 1980s	5 OECD countries
Singleton et al. (1980)	1970s	The state of Delaware
Tarschys (1983)	1970s-early 1980s	OECD countries
Tarschys (1985)	1975-1985	OECD countries
Tarchys (1986)	1970s-mid 1980s	OECD countries
Thomas (1978)	Late 1970s	City of Cincinnati, US
Van Horn and Raimondo (1983)	Early 1980s	19 counties and 91 municipalities in New Jersey, US
Warner and Steel (1989)	1978-1987	Over 280 municipal police departments, US
Wenz and Nolan (1982)	1982	The city of Cincinnati
Wolman and Davis (1980)	1976-1979	23 cities, 3 counties in the US
Wright (1977)	1970s	The UK central government.
Wright (1981)	1970s	UK central government

Ringa Raudla is Professor of Public Finance and Governance at Ragnar Nurkse School of Innovation and Governance, Tallinn University of Technology, Estonia. Her main research interests are fiscal governance, fiscal policy, public budgeting, institutional economics, public sector accounting, public management reforms, and constitutional political economy. **Tiina Randma-Liiv**, PhD, is a Professor and Chair of Public Management and Policy, Ragnar Nurkse School of Innovation and Governance, Tallinn University of Technology, Estonia. Her main research interests include civil service reforms, transitional administration, small states, coordination and performance management. **Riin Savi** is Junior Research Fellow at Ragnar Nurkse School of Innovation and Governance, Tallinn University of Technology, Estonia. Her main research interests are comparative public policy, policy transfer and transitional societies and the impact of fiscal crisis on public administration. Correspondence: Tiina Randma-Liiv, Tallinn University of Technology, Ragnar Nurkse School of Innovation and Governance, Akadeemia tee 3, Tallinn 12618, Estonia; E-mail: ringa.raudla@ttu.ee; tiina.randma-liiv@ttu.ee; riin.savi@ttu.ee.