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The Change in Governmental Organizations in the Context of the Economic and Financial Crisis. A Case-Study in Romania

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Abstract

Nowadays, taking into consideration the fact that the development of governmental organizations is varying from a country to other, from a period to other period, being the outcome of the growth of administrations' sizes—from the point of view of the employees – and of the diversification of their positions, the paper aims to analyse the relationship between some effects of the actual economic and financial crisis on the governmental organizations and the functionality of the civil service system. The analyses and examples aim the Romanian governmental organizations and the conclusions hold a high degree of generality.

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1. Introduction

Today, the debates about the organizational change in the governmental organizations under the terms of the economic and financial crisis, require, on one hand, the understanding of the governmental organizations' role in the democratic political systems and on the other hand, how to define management in those organizations (Matei & Lazăr, 2012). The relationship between state and citizens becomes a priority on the governments' agenda, being shaped also by the performance of governments, governmental organizations, addressing specific socio-economic needs.

The systemic approach of public administration (Matei & Matei, 2011) will represent the theoretical support in turning into account the research database, studies, based both on quantitative and qualitative analyses.

The sample comprises governmental organizations from Romania.

2. Theoretical framework

Public administration is set forth through a variety of organizational forms which imply the presence and the involvement of entire categories of people among which a series of specific relations will be established, depending on the various organizational levels (Matei, 2000, p. 156). The specialization of tasks leads to an increase in

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efficiency (Hood, 1991), in which case the governments have structurally broken down important monolithic organizations from the public sector into components of a smaller dimension, holding a certain level of autonomy (Laegreid & Verhoest, 2010, p. 1). From the late 1980s, this fact was clear in the increase of decentralization as well as in the visible expansion of the types and numbers of autonomous agencies.

These governmental organizations have been given varied descriptions: public un-departmental organisms, hybrid organizations, independent agencies, half-autonomous public organizations (Greve et al., 1999; Flinders, 2004). What a governmental organization is and what it does vary significantly according to the national and organizational cultures, as well as to the juridical systems and the political systems (Smullen, 2004; Christensen & Laegreid, 2006). In this paper the definition given by Pollitt and other authors to governmental organizations will be used (Pollitt et al., 2004; Pollitt & Talbot, 2004). Thus, the governmental organization is a structurally disaggregated organism, separated from the ministry, which deals with national level public tasks, in a permanent manner, employing civil servants, while being financed mainly by the state budget and answering to the public juridical procedures. Governmental organizations are autonomous from the ministry in terms of taking decisions regarding public, staff and financial policies.

Matei and Matei (2012) provide a framework for approaching the public administration reforms in the context of deepening the European integration, also adaptable to the description of the impact of the economic and financial crisis.

Pollitt and Talbot (2004) state that the benefits aimed at by these governmental organizations are not always reached and that there are always downsides to this form of organization. Among these disadvantages are the matters related to responsibility shared by the governmental organization and the line ministry and unwanted results, such as loss of control and poor coordination, corruption and weak performances (Pollitt & Talbot, 2004).

Such governmental organizations were also established in Romania, in very high numbers, starting with the year 2000, their existence being ensured by a legal framework specific to each one. Various names are given to this form of organizations, such as: agency, administration, centre, archive, committee, council, inspectorate, office etc.

The theoretical support for the analysis of these governmental organizations from Romania is ensured by the systematic approach of the public administration which has proven itself to be of great use in solving the complex issues related to people and the socio-economic environment (Matei, 2000).

3. The economic and social contexts

According to the data provided by the National Institute of Statistics, during 2000 – 2008, Romania’s GDP rose from 40, 2 billion euro to 136, 8 billion euro. From a technical viewpoint, Romania entered recession in 2009, when the GDP plummeted two consecutive trimesters, compared to the previous trimesters. In 2009, the GDP was 115, 9 billion euro, down by 7, 1% compared to 2008. The fall was determined by the reduction of the gross added value from all the sectors of activity (see Table 1.)

The year 2009 generated critical situations for all categories of structures and organizations of Romanian society. For the public administration, the effects of the crises manifested themselves through the budget changes of the public entities, through cuts, postponements or even renouncing some activity components.

Table 1. Evolution of economic growth between 2004 – 2011

YEAR	2004	2005	2006	2007	2008	2009	2010	2011
GDP (%)	8.4	4.1	7.7	6.1	7.1	- 7.1	- 1.9	2.5

Source: National Institute of Statistics, Romania

In this economic context, in 2009, the Romanian government signed a multilateral external financial agreement with the International Monetary Fund, The European Commission, the World Bank as well as other international financial institutions, receiving a loan of 19, 95 billion euro for a period of 24 months. The program assisted in changing the external deficit, ensuring an adequate external financing and improving the level of trust in the perspectives of Romanian economy.

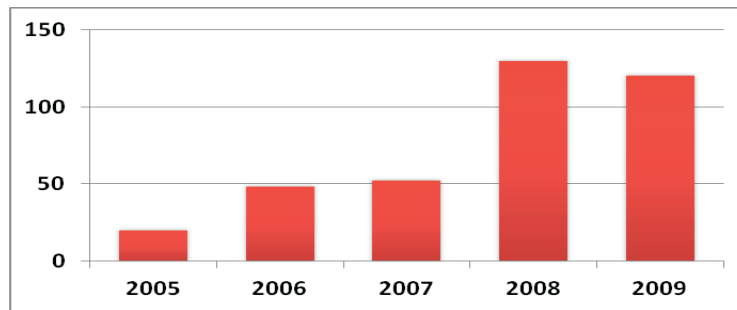
Regarding expenditures, the Stand-By agreement, 2009-2011, included the following measures:

- Rationalizing the number of employees in the public sector (more than 100.000);
- A reduction by 25% of the salaries from the public sector (partially compensated by a 15% raise given in 2011);
- Eliminating the holiday bonuses and the 13th salary.

Structural reforms included:

A reform in the salary system in the public sector, through which a harmonization of the salaries on ministerial level was achieved and the role of raises was significantly reduced.

Graph no. 1 shows the actual growth of salaries in the public sector in 2005 – 2009, justifying the measure regarding cutting salaries from the public administration.

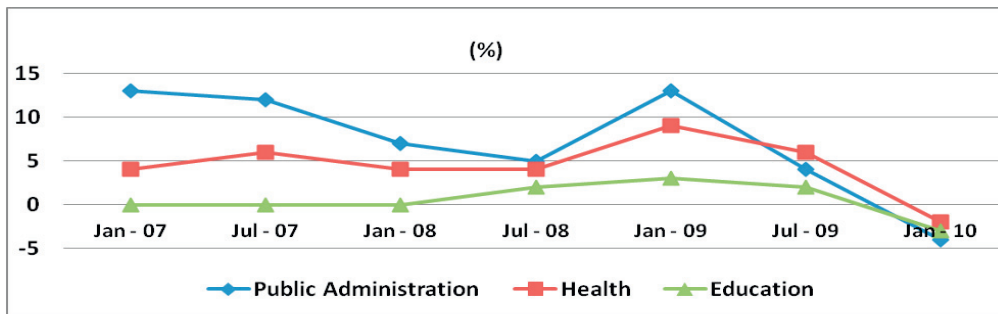


Source: Lungu, 2010, p. 11

Graph 1. The actual growth recorded in staff expenditures in public administration, %

These increases were much above the economic growth and they imbalanced the pay system within the public administration.

The recovery process being a slow and painstaking one, the social costs were quickly felt. Even though the height of the crisis was in 2009, the effects were felt more intensely in 2010 and 2011, in the public sector as well as in the private one. The unemployment rate reached a peak for the previous seven years in 2011. This amplified in 2010 with the process of letting go over 100.000 employees from the public system.



Source: Lungu, 2010, p. 16

Graph 2. The annual evolution of the number of employees in the public

Table 2. The evolution of the unemployment rate between 2002 – 2012

YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Unemployment rate (%)	7.5	6,8	8.8	7.2	7.3	6.4	5.8	6.9	7.3	7.4	7.1

Source: EUROSTAT

As we can notice from Table 2, in 2008 the unemployment rate reached 5,8 % an all-time low for the previous 17 years, and in 2010, in March, this had reached 7,3%, an abrupt increase in a matter of months.

The situation presented above illustrates the fact that an economic crisis can lead to a social crisis. The impact of the economic and financial crisis is emphasized by a drop in income, which leads to a reduction in the income destined for social protection, while at the same time increasing the expenditures for social protection. This is the source of the aggravation and the increase of the level of difficulty in solving social problems.

4. Change in governmental organizations

Based on the agreement with the IMF, The Romanian Parliament created the legal framework for all the requirements made in order to accomplish the planned actions. To this end, Law no. 329/2009 was adopted, regarding reorganizing public authorities and institutions, rationalizing public expenditures, sustaining the business environment and respecting the frame-agreements with the European Commission and the IMF.

In accordance with this, a part of the public authorities and institutions were restructured, through varied methods (Table 3).

Table 3. Measures of reorganizing public authorities and institutions

No.	Methods
1	Dismantling the public authority or institution as a result of the fusion through absorption and taking over of its activities by another existing public authority or institution;
2	Dismantling the public authority or institution as a result of the fusion through absorption and taking over of its activities by a newly created department within other public authorities or institutions.
3	Dismantling the public authorities or institutions as a result of the fusion through merger, and the establishment of a new juridical entity.
4	Dismantling the public authority or institution as a result of the division and taking over of its activities by two or more existing entities or entities that are thus created.
5	Reducing the staff numbers within the public authorities or institutions.
6	Changing the financing regime of the public authorities or institutions, through steering the income in the state budget and the financing of state budget expenditures.

Source: Law no. 329/2009, Chapter II, Article 3

As a result of the reorganizing of the institutions and authorities, in the year 2011, their numbers reached 179 (the Stand-By agreement) from the 245 estimated in 2008 (according to an inquiry made by Ziarul Financiar, 2008).

Analyzing Table 4, we can observe that the governmental organizations which suffered alterations within the coordination of the Ministry of Administration and Interior different structures: agencies, authorities, centres, archives, inspectorates, offices, institutes. These underwent, according to each case, dismantlement through fusion, through absorption, the reduction of work places and the dismantlement or taking over of their activities by newly founded institutions and changing their financing methods.

Table 4. Reorganising institutions/authorities from the coordination of the Ministry of Administration and Internal Affairs

No	Institution undergoing reorganisation/ financing source	Method of reorganisation	The resulting structure/ source of financing/ ministry/ coordinating authority	Staff before reorganization	Staff reduction/ Observations
1	National Administration of State Reserves (NASRSI) Financed fully via state budget, the budget of the Ministry of Administration and Interior	Dismantling through fusion with the Central Office for Special Issues and the setting up of a new entity, namely the National Administration of State Reserves and Special Issues, which will take over the activity of the two institutions undergoing restructuring.	The National Administration of State Reserves and Special Issues Financed fully via state budget, the budget of the Ministry of Administration and Interior	1085	40

2	The Central State Office for Special Issues Financed fully via state budget, the budget of the Ministry of Administration and Interior	Dismantling through fusion with the National Administration of State Reserves and taking over of its activity by the National Administration of State Reserves and Special Issues	The National Administration of State Reserves and Special Issues Financed fully via state budget, the budget of the Ministry of Administration and Interior	300	65
3	National Institute of Administration Financed through own income and subventions from the state budget, the budget of the Ministry of Administration and Internal Affairs	Dismantling through fusion via absorption and taking over of its activities by a new direction within the National Agency of Civil servants	New direction within the National Agency of Civil servants Financed fully via state budget, the budget of the Ministry of Administration and Interior	70	18 (central apparatus)
4	National Regulation Authority for the Public Utilities Community Services Financed fully by own income	Staff reductions	National Regulation Authority for the Public Utilities Community Services Financed fully via state budget, the budget of the Ministry of Administration and Interior	216	63
5	National Agency of Civil servants Financed integrally by the state budget, through the budget of the Ministry of Administration and Interior	Staff reductions	National Agency of Civil servants Financed integrally by the state budget, through the budget of the Ministry of Administration and Interior	120	20

Source: Law no. 329/2009, Annex, adapted by the authors

In Table 5 we present the organising and functioning structure of an institution that was set up through the fusion of other two institutions, serving as one of the models of how governmental organization takes place in conditions of economic and financial crisis.

The National Administration of State Reserves and Special Issues (NASRSI) was founded in November 2009 through the fusion of the National Administration of State Reserves and the Central Office for Special Issues, two governmental organisations that were dismantled.

NASRSI is organized and functions as a specialized organ of the central public administration, it has legal personality, and it is ancillary to the Ministry of Administration and Interior (MAI), being financed integrally through state budget, through the budget of the MAI.

Table 5. Foundation of the National Administration of State Reserves and Special Issues as a result of the economic and financial crisis

	National Administration of State Reserves	Central State Office for Special Issues	National Administration of State Reserves and Special Issues	
Regulatory document for foundation	Law no. 82/1992 regarding the state reserves, republished, with changes and subsequent addenda	Law no. 477/2003 regarding the preparation of state economy and the state territory for defence	Government Decree no. 1380/18.11.2009 regarding the foundation, organization, functioning and the attributions of the National Administration of State Reserves and Special Issues	
Mission	Applies the governmental program in the domain of the strategy for state reserves	Applies the governmental program in the domain of special issues	Applies the governmental program in the domain of special issues and the domain of the strategy for state reserves	
Total number of staff	October 2009 1085	October 2009 300	November 2009 1280 out of which own apparatus 166	July 2011 1100 out of which own apparatus 152

Source: The authors

The NASRSI received two areas of activities after the fusion of the two organisations: the area of state reserves and that of special problems.

In order to fulfil the attributions of the two areas, the NASRSI has the following functions: a) strategic; b) regulations; c) administration; d) representation; e) state authority; f) social; g) humanitarian; h) defence; i) implementing and following up the implementation of the *acquis communautaire*.

The staff of the two public institutions that were dismantled was taken over by the NASRSI was reassigned within the limits of the available jobs, as legally established. The end of the work contracts or the staff services through the emission of orders and/or decision was made by complying with the legal procedures which applied to this situation and to the legal provisions regarding social protection, respecting the criteria established by Law no. 329/2009.

The personnel of the NASRSI is made up of: civil servants, contract-based workers, special status civil servants and military personnel detached from the Ministry of State Defence, to which legislation specific to the domain is applied. The maximum number of personnel for the NASRSI as financed by the state budget after the restructuring from 2009 was of 1,280 people, and from this number, 309 positions were part of the own apparatus, excluding the president of the NASRSI.

It must be mentioned that the maximum number of positions, before the restructuring, from the structure of the National Administration of State Reserves, was 1085; and the maximum number of positions within the organizational structure of the Office was of 300, excluding the dignitaries. In the year 2011 several other positions were dismantled, and currently, the NASRSI has 1,100 positions, including the president of the institutions, whose apparatus contains 152 staff members. Until now, as we can observe from Table no. 5, the organizational chart contained 1,280 positions, excluding the president, whose apparatus contains 166 positions.

The effects of the economic and financial crisis affected the functionality of the public function within the NASRSI. According to the annual reports regarding the reform/ professional perfecting plan of the NASRSI, the activities in the human resources domain were targeted at:

- A. Advancing and promoting the class and the professional degree of civil servants;
- B. promoting the contract-based personnel;

Taking into account the insufficient budget for staff expenditures, these objectives were only partially reached:

1. After the adoption of Law no. 330/2009 regarding the unified salary of the personnel paid from public funds, a number of 40 positions was reduced from the National Administration of State Reserves and 65 positions from the Central State Office for Special Issues, for this reason and because the 2009 legislation suspended the recruiting activity, this could not be practically carried out.

2. For remaining within the budget limits, there were no permanent bonuses given out and the merit salaries for the personnel taken over from the National Administration of State Reserves were not handed out.

3. Most of the staff promotions were made after the 1st of December of 2010.

C. Perfecting professional training was an objective only partially reached through the participation of the staff in perfecting courses at a central as well as territorial unit level, especially in the domain of public acquisitions, because of insufficient funding.

5. Conclusions

Considering the consequences of the economic and financial crisis which were predicted for the start of the year 2009. Romania developed and applied a model of governmental organization change based strictly on economic reasons, which consisted in:

- reorganising the organizational structure for improving the efficiency of the activity, as a means to strengthening institutional capacity;
- redefining the attributions of various functions;
- reducing the public dignitary functions as well as the management and execution functions in order to cut down on the staff expenditures.

The reductions of 25% related to the expenditures with staff salaries from public administration as well as the staff reductions from 2010 in the public sector have created additional pressure within the labour market in Romania, leading to a social crises as well as an economic and financial crisis.

All the actions undertaken as a result of the crisis have had an impact on the system of public function management and on the civil servants, influencing the way in which activities specific to the public function system within governmental organisations are carried out.

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