

**INTER-AMERICAN DEVELOPMENT BANK**

**REGIONAL POLICY DIALOGUE**

**PUBLIC POLICY MANAGEMENT AND TRANSPARENCY NETWORK**

**Managing Public Sector Restructuring:  
Public Sector Downsizing and Redeployment Programs  
in Central and Eastern Europe**

**Wolfgang Drechsler**

Information valid as of 15 October 2003

Submitted on 26 October 2003

Presentation scheduled for 11 December 2003

## **A Summary**

The study starts with a review of the given task, defines the region, Central and Eastern Europe (CEE), and presents the countries selected for the case studies, Hungary, Estonia, and East(ern) Germany. Complexities of the task are explained and relevant data supplied, and the study focused according to task, difficulties, and data. The three key regional specifics of CEE are described: transition experience, European Union (EU) accession, and the role of the New Public Management (NPM) in the CEE context. The matter specifics of the study, public sector downsizing and retraining and redeployment, are then looked at. Against this background, the PA and Civil Service (CS) of the selected countries, and for each country, one or two downsizing and redeployment case studies, are presented. A brief outline of the method that can be best employed for utilizing the case studies, lesson-drawing, is then given. The study concludes with a summary of lessons and recommendations for Latin America and the Caribbean (LAC), and ends with some general remarks on CEE-LAC relations.

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## **C The Study**

### **1. Scope of the Study**

#### **1.1. Task**

In the context of the International Development Bank's Regional Policy Dialogue's Public Management and Transparency Network (IDB / RPD / PMTN), Civil Service (CS) reform was singled out as a focus, seeing that the "quality functioning of the region's CS systems constitutes one of the necessary conditions for achieving a competent, efficient, democratic State, which is essential for processes of regional development. Moreover, as the core of PA, the CS plays an important role in the consolidation of the Bank's institutional reform projects and in ensuring the projects' lasting influence in the region." (Terms of Reference)<sup>1</sup>

Public sector downsizing has often been a key part of CS reform, and accordingly, LAC governments have frequently introduced downsizing programs. The significant social and economic consequences of such changes have soon become very clear, however, and governments have therefore implemented redeployment and other programs to mitigate some of the negative impacts, which is especially important in lower-income countries that lack alternative employment opportunities and social safety nets. Exploring both the positive and the negative experiences of comparable countries from outside LAC is likely to enhance the understanding of downsizing and of the effects of such programs. The present study, therefore, looks at Central and Eastern Europe (CEE) and the relevant experiences of the countries of that region after the 1989/91 changes, focusing on possible lessons for LAC. (See Terms of Reference)

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<sup>1</sup> Abbreviations are introduced only once and then used throughout the study, including in quotations in which originally the spelled-out version was used.

## 1.2. Region and Country Selection and Civil Service Definition

There is no natural definition of CEE, and exclusion from the concept is seen as a political matter. That said, for the purpose of this study, CEE encompasses those European countries of the former Communist Block ('East of the Iron Curtain') that are holding, are in line for, or are seeking, membership in the European Union. They are Bulgaria, Croatia, the Czech Republic, Estonia, the former German Democratic Republic (East Germany), Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic, and Slovenia. All of them share structural similarities of the administrative transformation process. (See König 2003: 165) Albania and the formerly Yugoslavian countries of Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia, often called the Western Balkan region, are not as 'advanced' yet, and thus do not have CS systems in place that can be sensibly discussed in a reform context. Belarus, Georgia, Ukraine, and the Russian Federation belong to the Commonwealth of Independent States (CIS), another sphere altogether, to which one may structurally also count Moldova.

For this study, East(ern) Germany, i.e. the former German Democratic Republic (GDR) or East Germany and now the Eastern part of Germany, Hungary, and Estonia (the former Estonian Soviet Socialist Republic) have been agreed upon as case studies, because those three countries represent very well the more or less overall successful countries of CEE (only Slovenia would have been an alternative choice) – there is hardly anything to be learned, e.g., from Bulgaria, whose PA is in such a bad situation that it would only serve as negative benchmarking. (See T. Verheijen 1999c; Gregoriev 1999: 314) It also means that information about them is comparatively easy to gather and that statistics are less unreliable and scarce than on the CEE average.

East(ern) Germany is not very often included in a CEE sample; the advantage, though, is that the highly specific circumstances of optimal supply of financial and human resources make finding best practices more likely. (See Nunberg 1999: x, 3, 263-264) Estonia is a perfect Small State case study (it is the smallest of the EU acceding countries); Hungary is the most successful CEE country in many respects, partially because here and only here, reforms – including CS reform – were already begun towards the end of Soviet dominance.

Most importantly, the three countries cover the three main types of traditional spheres and different regional sizes of countries. They also represent the three main PA spheres in CEE, the three main types of Communist regimes and State forms, and the three main types of CS reform:

	CEE Sphere	Size	PA Sphere	Former Communist Regime	Former State Form	CS Reform
Hungary	Balkan	Medium	Austro-Hungarian	National	National SU Satellite	Carryover
Estonia	Northern	Small	Russian (now Scnd.)	Soviet	SU Republic	Mixed
East(ern) Germany	Central	Large (esp. Germany)	German	Imperative	Divided SU Satellite	Replacement

According to the definition employed for the RPD (IDB-Minutes 2001: 4), which is also the one used by the International Labor Office and by other RPD studies (see IDB-Bonifacio and Falivene 2002: 2-3), the CS is defined here as the whole entity of civil and public service in the sense of State employees fulfilling public tasks. Employees of State-owned companies and members of the former Communist/Socialist party structures are not encompassed.<sup>2</sup> Thus, unless stated otherwise, “CS” is henceforth employed, for those countries where this differentiation is made, to refer to the Civil Service proper and any other Public Service employees.

### 1.3. Difficulties and Data

Comprehensive and thorough research for this study has shown *that practices to mitigate the social effects of public sector downsizing practically do not exist in CEE*, and where they do, they are almost invariably not transferable. Only a very few cases could be found to begin with – all in redeployment rather than retraining. The main problem, however, is that, contrary to what one might assume, *the public service did not really retrench in CEE at all* beyond any natural attrition

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<sup>2</sup> It should be stated, though, that the Party structures often formed parallel administrations, frequently more influential than the CS. On East Germany, e.g., see Schikora 2002: 68-75.

(the non-replacement of retiring or quitting civil servants). For the short time-spans or small sectors where it did, specific retraining hardly happened, and redeployment occurred only on a very small scale – so that it was really more a form of outplacement –, as this was generally either left to the normal labor market institutions or even, in politically motivated cases, regarded as counterproductive.

To prove that the CS in CEE did not retrench, which is counter-intuitive even for most PA experts if they are not dealing with the region (although it is of course well-known locally), is surprisingly difficult, because of the particular paucity of relevant data in a field that is already characterized by empirical and theoretical problems: “CS reform operations suffer from a scarcity and low reliability of data for objective diagnosis of the situation at the outset. The available statistical sources are difficult to interpret, often inaccurate, and inconsistent with each other.” (IDB-Echebarría 2001: 7; see de Tommaso et al. 2001) One of the best methodological outlines of this conundrum has been given in the context of the PMTN itself (IDB-Payne and Carlson 2002: 3-4), where it is rightly stated that “existing studies ... rarely provide reliable statistical data on public employment that allows for quantitative measurement and cross-national comparison.” (1) The “dearth of research and readily available information remains a key obstacle to sound analysis in this area.” (2)

Briefly recapitulated, the main problem why basic data on the CS are missing even for those countries where statistics are doing well generally is that CS is a category that is defined completely differently in different countries – it goes, hence, beyond the old comparability problem of cross-country statistics in that categories cannot be standardized even if this is desired. Some of the differences can be alleviated, but due to the different CS laws, if the question is the size of the CS, the crux is that an agreement on who should be counted as civil servant would not even make sense, since it does make a difference whether certain categories of public or quasi-public employees (the military, teachers, maintenance staff, etc.) have CS status or not, because of the privileges that civil servants hold, or allegedly hold.

On the other hand, if the question is how much money is spent on State-directed activity – the most sensible way of looking at the question if overall efficiency and national expenditure are in



focus –, then contracting-out, outsourcing, and the like is frequently mere window-dressing, because it merely shifts public expenditure from personnel costs to other expenses.<sup>3</sup> As indeed often is the case: various governments' downsizing efforts led to the categorization of certain civil servants as something else, or moving them to public-owned companies, foundations, or agencies, only to impress International Finance Institutions (IFI's), other international organizations, or voters.

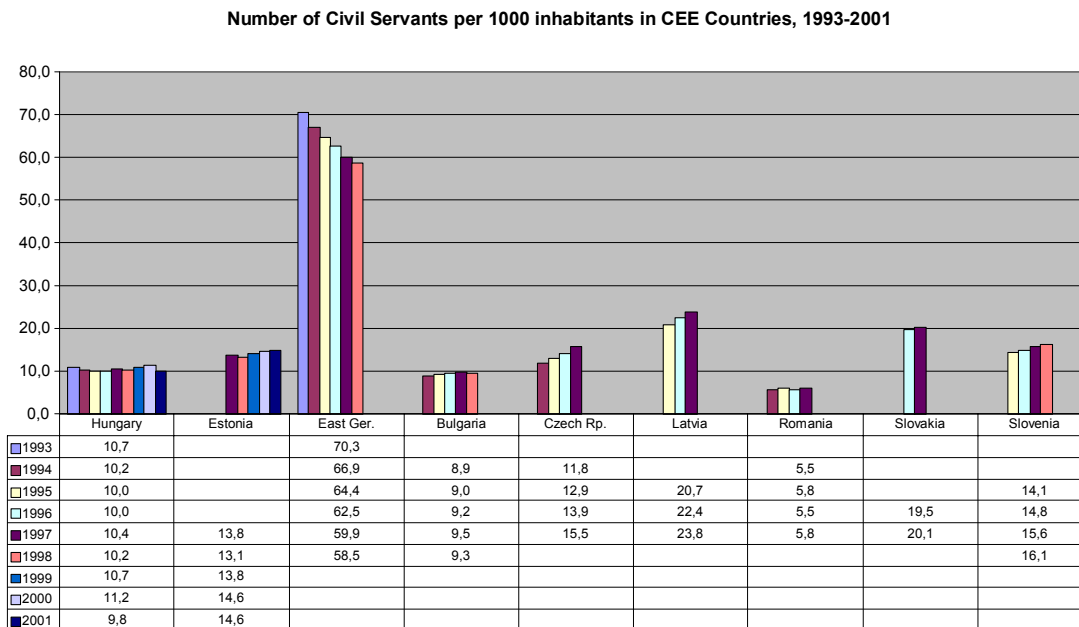
*A fortiori* is all of this true in CEE. The PMTN study's statistics for LAC, for instance, could not be duplicated for CEE at all, as there are no sufficient basic data. Hard data can not be gathered from the main PA surveys of the region, where they are either quite old (Nunberg 1999), not applicable to the current question (Nunberg 2000), or simply almost absent (Verheijen 1999a). And although this study concentrates on the three case study countries partially precisely because here, we have at least a chance to get halfway reliable data, there are all kinds of complexities as well. In Hungary, for instance, entire categories of civil servants were put out of the CS and back again during recent years, yet during the removal period, heavy recruitment in other categories was going on. (See below 29-32) Thus, the numbers for Hungary, standing by themselves, are absolutely unindicative of anything at all (and this might easily be true about any other country about which one does not have detailed information as well). For mid-2004 (not yet in any statistics, of course), the number will reach an all-time high. In addition, e.g., the overall CS number for the years 1998 and 1999 was inexplicably missing, and the Office of Public Service of the Hungarian Ministry of the Interior, which is in charge of these figures, asked for an official written request explaining why these extremely basic data were needed. (Data then given by Ferenc Dudás) Even in the German case, where one would expect the most accurate and detailed statistics almost to

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<sup>3</sup> The connex of public-directed tasks and public work has never been satisfactorily theorized, yet it is highly complex – Laux' table of those factors that have an influence on the relation between tasks and personnel expenditures lists 22 external and 26 internal factors (1993b: 258-260), and that is just beginning.

the level of irony, we have no reliable PA transition statistics (Trute 1997: 29-30; Schikora 2002: 66-67), and not only because of the Berlin problem.<sup>4</sup>

The data used are, in the case of the three case study countries, compiled directly from or based on those supplied by the respective national statistical offices, as well as from a 1999 SIGMA study that is outdated but still the best source available. (SIGMA 1999) The SIGMA figures have also been used for the other CEE countries listed. Based on these figures, the number of civil servants per 1,000 inhabitants during the respective year was calculated. (The exact data in Appendix I 69 below)



One must consider right away that all East German central government functions were taken over by Western ones, so that there was a radical decline in tasks as well. It also appears that the Eastern German CS definition is not compatible with the others. In any case, even these very prob-

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<sup>4</sup> The City of Berlin is a *Land* that was in itself reunited (the former East and West Berlin); it is thus really impossible to compare East and West German CS statistics, as Berlin belongs to both yet no longer kept differentiated statistics after Reunification.

lematic numbers support the statement that there is no tendency towards genuine CS retrenchment in CEE.<sup>5</sup>

#### 1.4. Focus

“Public management reform is usually thought of as a means to an end, not an end in itself.” (Pollitt and Bouckaert 2000: 6) This is also true for any sub-question. The goal of the present study is to see how and what LAC countries can learn from CEE ones in the area of public sector downsizing, with a focus on the mitigation of negative social effects. Seeing that CEE did not undergo any such serious downsizing, one of the first lessons, and maybe the most important, that LAC can draw from CEE is, then, begging the question: Why – or when – would public sector downsizing make sense to begin with? What assumptions stand behind it? After all, as the PMTN holds: “it is ... necessary to abandon the strict efficiency-oriented view of CS reform ... based only on staff reductions. We now have sufficient evidence that success in reducing government employment and containing salaries have been few, modest, and short-term; nor have they entailed improvements in the accessibility and quality of public services.” (IDB-Echebarria 2001: 6)

Indeed, downsizing makes no sense *as an automatism*, especially if the work stays the same and if there is no genuine overstaffing. One thus has to draw a crucial distinction between downsizing as a PA reform device employed in order to reduce expenditure on the one hand, and in order to increase the quality of PA on the other. (Rinne 2000) In the current context, the latter is aimed at, according to the IDB CS study that states, “Ideally, empirical studies serve as guides to ‘right-sizing’ the CS and fine-tuning wage policy in order to establish a motivated, professional bureaucracy that facilitates economic growth and the effective provision of public goods.” (IDB-Payne and Carlson 2002: 36)

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<sup>5</sup> Slovenia, mentioned above (6) as the fourth of the most successful CEE countries, has probably witnessed a slight increase of the CS as defined here as well (interview with Danica Fink-Hafner). The current numbers we do have (see *Slovenija ...* 2003: 30) seem to support this, although the definition of CS is once more unclear and the shifts in number not *prima facie* explainable.

At the same time, the social side must stay in focus, all the more because it is actually part of public (rather than private) sector efficiency but is usually not reflected in mere bookkeeping perspectives of CS reform. The World Bank has focused on the victims of downsizing for two reasons: poverty reduction and “increasing emphasis on social stability as a prerequisite for long-term economic growth. Evidence shows that most laid-off workers are politically vocal, and strong labor resistances to downsizing can slow down the reform process.” (Chen 2001: 2)

In doing so, based on tools such as Law & Economics analysis, as well as on commonsense, one has to constantly think about genuine effects, and not be deterred by ideological convictions that certain measures have certain predetermined effects. After all, although “many [PA] reforms are designed to cut costs, the end result of some of them might be quite the opposite.” (Wright 1997: 10) ‘Rightsizing’ – as long as it is not a mere euphemism for downsizing, as it all too often is – is then the guiding concept for the present study’s task.

## **2. Central and Eastern Europe Specifics**

### **2.1. Transition Experience and European Union Trajectory**

In all CEE, by now the reform impetus of 1989-1991 has subsided, and not only as regards State matters. Yet, one of the fundamental challenges to CEE is still that “these countries do share ... an insufficient development of the concept of State. While quite successfully introducing market reforms, it has often been forgotten that market economy does not function without a well-functioning state.” (Randma 1998: 17) Many if not most of the problems facing CEE right now are in fact related to questions of what the State is or should be.

This is the main reason behind the central CEE problem, which does not lie in structures, which are formally easy to replace, but in people, who are not. As has been said about the Baltic states, but as is certainly true about all CEE, “If the proverbial ‘wishes were horses’, that is, going on the basis of their CS statutes alone, [they] have indeed enacted administrative systems reflecting the state of the art in Western European democracies. Of course, laws, while a first vital step, are but

institutions which bec[o]me realities only upon their successful implementation.” (Vanagunas 1997; see A.J.G. Verheijen 2000: 24-26) The main problem in CEE, in other words, is the lack of well-qualified, motivated civil servants.

The problem is that good PA, a high-quality CS, and a good State concept are interdependent: if one element is bad, the other two will suffer as well. (Drechsler 2000: 5) PA requires a special virtue – loaded though that word is – on the part of its main protagonist, the civil servant, in order for the system to function well or even at all. This virtue can not be created artificially and is highly dependent on tradition. How, then, to get a good CS if there is neither good tradition nor ethos, which after all is generally the CEE situation? High CS pay would be an answer, but in most of CEE, the consensus seems to be that this can not be afforded – or that the CS is paid far too well already. Thus, the State must offer what the State can offer best: security, honor, stability, civility, and fulfillment. If the State does this, in turn it will become more prestigious to work in PA. Ideally, this would lead to a greater general faith in the State and the emergence of a decent State concept, which again will result in a higher CS prestige – and so forth, and so on.

This leads to the main transition conundrum in CEE CS study, the question of carryover vs. legitimacy. One position claims that one of the key features in CEE is the strong illegitimacy of the old PA. For example, Rose has observed, “The unique problem of East European governments is that they cannot draw lessons from their experience of the past four decades, because post-Communist regimes are founded on a rejection of a Soviet style regime.” (1993: 112) And in fact, during the first years of transition, high mobility and the de-emphasizing of formal qualifications were the rule. (Randma 2001: 128-129) The other position is well exemplified by Kotchegura’s claim that the continuity of bureaucrats, including the top *nomenklatura*, and of bureaucratic practices in CEE (and CIS), is as strong as had been feared. (1999: 10; see generally Vanagunas 1995)

Both views are very often heard; it is rarely realized, however, that the implied parallel existence of the complete deligitimization of PA and of the continuation of Soviet *nomenklatura* is oxymoronic: if it is not legitimate, how can there be a carryover? One solution might be that much of the reform and deligitimization is mere rhetoric, and that the old cadres are continuing to function within the PA. The matter is also highly country-specific: in Estonia, for example, only about a

quarter of the current civil servants served during Soviet times, while in Hungary, pre-Communist traditions actually were able to continue under Soviet dominance. And finally, within given countries, the question was institution-specific; not infrequently, some dismissed all civil servants, some none at all.

But not only in this respect is CEE PA not homogeneous; indeed, there are those who say that the differences are larger than the similarities. Part of the difference is due to the type of regime as conceptualized above. (7; Szabó 1993: 89-90) The difference is, for instance, very substantial as regards trade unions. While overall they are very weak in CEE, sometimes to the point of insignificance, they were quite strong in Hungary and of course Poland, especially during the very first years of transition. The other difference has been Eastern Germany, where the old and still very powerful West German trade unions were able to come in and corner the market. (See 47 below)

What is generally true for CEE overall as well, and of great importance for the phenomenon of no public sector downsizing, is that its countries “find themselves in the curious position of having too much and too little bureaucracy at the same time.” (King 200: 2) CEE PA before the 1989/91 revolutions was a cadre administration; members of the cadre “were professional administrators, but with politically and ideologically defined qualifications.” (König 1997: 215; see Glaeßner 1993: 67; Schikora 2002: 44-46) That means that their experience was and is not necessarily valid, and their competence might have been low. In addition, many fields of administration – from fiscal to municipal – were generally lacking. So, the question was not only, or even primarily, one of downsizing, but rather that to build, rather than reform, a functioning PA system, which is invariably costly. (A.J.G. Verheijen 2000: 41)

In addition to the transition experience, for the countries selected, as well as for all other acceding and accession countries, the EU trajectory is the second key feature (excepting East Germany, which became EU territory immediately via Reunification). The crucial point is that the increase of ‘administrative capacity’, that is, PA reforms geared towards high quality, is in CEE primarily EU-driven. It may well be that this administrative capacity of the CEE states vis-à-vis EU requirements is still highly deficient, and that “the EU has been far from consistent in the signals it has

sent to the candidate states.” (A.J.G. Verheijen 2000: 41) But to the extent that CEE PA looks as good as it does, this is overwhelmingly due to the EU trajectory.

Even before EU accession became realistic, the self-chosen PA models for CEE were often Germany or Sweden, not so much the United States, and certainly not Britain. (Rose 1993: 113-144) Therefore, it was not surprising to see that “Classic continental career systems appear to be the main source of inspiration for Central and Eastern European states. The German model is emerging, at the current time, as a dominant influence in most states. ... In general ..., there appears to be a clear tendency to return to the ‘continental roots’ of pre-1945.” (T. Verheijen 1999d: 330-331) Thus, often “the foundations are being laid to build an administrative elite shaping a weberian-style bureaucracy under the authority of elected politicians.” (Cardona 2000: 3)

## **2.2. Central and Eastern European New Public Management**

Seeing the frequent rule of neo-liberal governments in CEE states, and the power of the NPM creed in the 1990s, the dominance of Weberian systems in CEE requires some explanation. As this topic is also important for downsizing – which is a typical, though of course not an exclusive, NPM tool –, a brief look at NPM in CEE is now unavoidable. It should be stated at the outset out that NPM is assumed here to denote nothing more specific than the well-known PA reform attitude characterized by the transfer of business principles and management techniques from the private into the public sector, symbiotic with and based on a neo-liberal understanding of State and economy. (On the definition, see Drechsler 2003b; also König 1997: 219) This attitude was most prevalent during the 1980s and 1990s; in PA scholarship today, the question is more whether one favors post-NPM (anti-NPM) or post-post-NPM (synergy).

The most pertinent critique of NPM since the mid-1990s has probably focused on NPM's missing the fundamental differences between the public and private spheres;<sup>6</sup> mistaking the principle of efficiency (which is a relative concept based on context and appropriateness, rather than a synonym for "cheapness"); that NPM it is not based on genuine economics (such as market theory, which only works for real and not for quasi-markets; see König 2001a: 6-7); that humans do not maximize profits but, if anything, perceived benefits, and thus that all theory based on such models is fallacious;<sup>7</sup> and most fundamentally, that economic and administrative performance is culture-specific, yet NPM reforms "represent assumptions that one style of managing (whether in the public or the private sector) is best, and indeed is the only acceptable way." (Peters 2001: 164) Finally, there seems to be no empirical evidence that, with the exception of very specific agencies and modes of PA, NPM reforms have led anywhere to productivity increase or welfare maximization.<sup>8</sup>

On the other hand, it has become very apparent during the last half decade or so that the State is neither dead nor incapacitated (see, e.g., Weiss 1998); that Globalization does not make the State (widely understood as structured human consociation in space and time) obsolete, but rather more necessary than it was for a long time (see only Wehler 2001); that the recent past has shown a remarkable resilience even of the Nation State (since 1989, we have more states than ever; the breakup of the Soviet Union and Yugoslavia, as well as of Czechoslovakia, are striking examples from the wider CEE and CIS region); that the key economic and development issues of today – strongly promoted by the EU –, sustainability, dynamic markets, innovation, and technology, ac-

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<sup>6</sup> On the difference between the two spheres, the problem of transfer from one sphere to the other, and the use of badly understood or obsolete economic models, see the mid-1990s classics, Wilson 1994; Peters and Savoie 1994; Mintzberg 1996; König 1996; Kickert 1997b; also Edeling/Jann/Wagner 1998.

<sup>7</sup> See the recent summary by Falk (2003), who concludes that there is "evidence of controlled laboratory experiments which clearly indicates that contrary to the standard assumptions, reciprocity and fairness are central motives of human behavior." (172)

<sup>8</sup> König 1997: 214; Peters and Savoie 1994 – who make the point that even agencies with simple tasks in NPM reform contexts are not "more efficient today than they were 15 years ago": 424 –; van Mierlo 1998: 401 on OECD countries; see Verheijen and Coombes 1998 generally; Manning 2000, section "Did it work?", on global evidence.



tually foster the role of the State (see Reinert 1999), because the Schumpeterian, innovation-based world cannot be imagined without a capable State actor (see Burlamaqui 2000; IDB-Echebarria 2001: 2); and that it can now be claimed that “the Neo-Liberal ‘policy reforms’ have not been able to deliver their central promise – namely, economic growth,” and that the developing countries grew better under the ‘bad’ policies of 1960-1980 than under those implemented later under neo-liberal and NPM influence (Chang 2002: 128; see IDB-Echebarria 2001: 1)

However, all this is clearer in 2003 than it was in 1993. Why was not more NPM, a powerful and powerfully pushed creed, implemented in CEE? First, while PA reform in CEE was promoted by various international organizations, what made the difference was and is that SIGMA, the unit of the OECD to advise CEE on administrative reform and the most important agency dealing with the topic in the region (far more ubiquitous than the World Bank), took from the beginning a critical perspective towards NPM. Therefore, in spite of pressure from other organizations and the understandable urge by consultants and by those CEE people engaged in reform who had learned about NPM in summer schools and training seminars in the ‘West’ and thus wanted to promote it, the classical perspective could usually prevail. (See Speer 2001: 85-86)

Even more important was and is the explicit preference of the EU for classical PA. (T. Verheijen 1999d: 337) The European Administrative Space, definition and guideline for European and EU PA, is essentially ‘Weberian’.<sup>9</sup> Moreover, the EU, paradigm for times to come not only for CEE, is a State structure. There is a complex discussion about the legal ‘stateness’ of the EU (see, e.g., Folz 1999: esp. 36-51), but it certainly is if one uses our functional definition, which is what matters for PA. What is more, the EU is a Continental ‘state’, organized and working along Continental, *viz.* French and/or German, lines; it is not an Anglo-American structure, not least as

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<sup>9</sup> Very briefly put, for Weber, the most efficient PA was a set of offices in which appointed civil servants operated under the principles of merit selection (impersonality), hierarchy, the division of labor, exclusive employment, career advancement, the written form, and legality. This increase of rationality – his key term – would increase speed, scope, predictability, and cost-effectiveness, as needed for an advanced mass-industrial society. (Weber 1922: see esp. 124-130) This set of criteria is almost just a reformulation of the European Administrative Space’s main standards of reliability and predictability, openness and transparency, accountability, and efficiency and effectiveness (SIGMA 1998: 8-14), which are in some sense more ‘Weberian’ than Weber’s own.

regards its most powerful feature, the CS. Both the very direct demands by the EU towards CEE as regards administrative capacity and the trajectory of acceding into a self-satisfied, well-paid, working classic CS of enormous proportions with all the advantages and drawbacks would indeed make NPM reforms in CEE futile, even if they were desirable or desired.

But other than these ‘outside’ reasons, there are specific substantive ones why NPM is particularly unsuitable for CEE, and these lie in the transition experience more than in the EU trajectory, especially so, but not only, if one looks at those countries with a genuine PA tradition. (See Relevance... 1996) As Hesse puts it, “the introduction of business approaches in PA, as advocated by NPM concepts, may well prove disastrous in systems based on a continental European tradition in which either the preconditions may not be in place or where they may be rejected due to their inherent logic.” (1998: 176) NPM is particularly problematic if pushed upon transition and development countries because if it can make any sense, then it is only in an environment of a well-functioning democratic administrative tradition. After all, deregulating “the public service may not be viable before there is a set of values that will permit government to operate in an accountable and noncorrupt manner without the existence of formalized controls.” (Peters 2000: 167) Thus, “the lessons drawn from Western experience seem of little immediate use in trying to improve implementation in CEE. Western analyses have mostly focused on implementation in comparatively stable environments, whereas the normative frameworks in CEE are, of course, still undergoing a process of dynamic change.” (Hesse 1998: 175)

This is seen within CEE as well. A study based on interviews with civil servants in several CEE countries concluded that NPM “is also known for its tendency to re-establish political control over CS, which is exactly the opposite of what 100% of interviewees of this study considered desirable for their countries. So, in at least one very important aspect, i.e. the relations between CS and government, the NPM approach appears to be highly unsuitable, given the current needs.” (King 200: 4; see also Relevance... 1996) And as the keynote speaker of the last but one NISPAcee conference, CEE’s premier PA forum, has stated, NPM in CEE has led to very negative conse-

quences, “perhaps going as far as creating roadblocks in the development of individuals, communities, societies and the global community as a whole.” (Debicki 2003: 29)<sup>10</sup>

As it is the key State and specifically Democratic requirement of publicness that is one of the first victims of any form of NPM (Haque 2001), “frequently [NPM-defined] effectiveness and efficiency bring about a decrease in accountability and responsibility and in that way are ‘undemocratic’.” (Debicki 2003: 35) That, however, is nowhere more problematic than in countries where the establishment of a democratic State is the main order of the day, rather than cutting expenses. And what we do know from empirical studies is that NPM leads to “a general erosion of commitment in the public service.” (Samier 2001: 257; see Peters and Savoie 1994: 424)

Moreover, for CEE, the existence of a double revolution – both in technology and the rise of a global innovation-based economy, and in the political transition sphere locally – is precisely what makes NPM even worse. In the current techno-economic paradigm shift, “the managers and structures designed and acting within the tenants of the New School of Management are not and cannot be prepared to administer such a revolution.” (Debicki 2003: 36) The CEE lesson of the last decade is therefore precisely the necessity for a State role in economic and social affairs, not for the necessity to stay out and let well alone.

And finally, the counter-model for NPM, ‘Weberian’ PA, the *bête noire* of the NPM, seems to have become again a viable alternative for PA, and not only a tradition.<sup>11</sup> This is not limited to the ‘First World’. Ever since the study by Evans and Rauch of 35 developing countries (1999), we

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<sup>10</sup> See also the present author’s Alena Brunovská Award address at the NISPAcee conference one year before that, Drechsler 2001.

<sup>11</sup> The Weber label so-given is highly problematic, as NPM literature usually presents a caricature of it, and thus build up a paper tiger (Samier 2001: 237, incl. N4), which is why ‘Weberian’ is put into quotation marks here. Max Weber, the great German sociologist and PA theorist (1864-1920) to whom this refers, did not even particularly like the model of PA so described; he only saw it, rightly, as the most rational and efficient one for his time, and the one towards which PA would tend. That this is by and large still the case 80 years later if one looks at the model rather than at its caricature, is something that would have surprised him probably quite a bit.

also know empirically that “‘Weberian’ characteristics [of the PA] significantly enhance prospects of economic growth.” (748; see also Rinne 2000; cf. IDB-Payne and Carlson 2002: 1 N1; IDB-Echebarría 2001: 3) Merit selection is the key of these characteristics, which is the IDB’s perspective as well (37); that merit selection and a low corruption rate are correlated, needs hardly pointing out anymore.

### **3. Matter Specifics**

#### **3.1. Public Sector Downsizing**

With this background, one can now address public service downsizing generally, and retraining and redeployment as Active Labor (Market) Tools (AL[M])T or Programs (ALMP) for downsizing specifically. We have seen by now that because there was no CS retrenchment in CEE, there presumably wasn’t any significant purposeful downsizing either, nor any use of ALMT’s. There is also the strong connection to NPM, which we have seen is in any case unsuitable for CEE, because, again, downsizing is most frequently, though of course not exclusively, an NPM project. More often than not, the idea behind it is either to save money in the short run or to at least appear doing so, not infrequently either out of reasons of genuine ideological conviction or simply because this is a popular move. It is important to realize that the last reason is entirely immune from facts that speak against it, and therefore from any rational deliberation.

Since 1996, the World Bank generally lends for downsizing measures, and the IMF also favors it (Rama 1999: 2); the IFI’s are generally for downsizing because it matches their – in spite of the famous 1997 turn – basically still NPM-leaning (neo-liberal) proclivities. The World Bank has also taken the lead in the scientific accompaniment of downsizing. There is a (rudimentary) website on “Shrinking Smartly. The Public Sector Downsizing Clearinghouse. Helping Governments to Downsize Efficiently” (<http://www.worldbank.org/research/projects/downsize/>) and a special issue on “efficient public sector downsizing” of *The World Bank Economic Review (WBER* 13(1), January 1999) representing to a large extent the state of the art on the topic (<http://www.worldbank.org/research/projects/downsize/papers.htm>).

Ideally, downsizing is a Pareto-optimal move. (Rama 1999: 2) If it reduces expenditures to a greater extent than how high the costs are, then “downsizing has positive financial returns” (Rama 1999: 3) – though it does not mean that it has social ones. Yet even in pure financial terms, the main study of the World Bank shows that “a nontrivial fraction of the [downsizing] programs were clear financial losers.” More importantly, as it concedes, “although simple financial indicators are of obvious interest, they are inappropriate for evaluating the relative success of programs because they omit many of the potentially relevant private and social costs and benefits. Unfortunately, many of [these] are difficult to quantify.” (Haltiwanger and Singh 1999: 52) And thus, in fact, “reforms designed to improve PA ... are almost certain to produce losers as well as winners (i.e., they are not Pareto-optimal).” (Rinne 2000)

Thus, these kinds of PA reforms have been increasingly questioned; do they make government really work better? (Nunberg 1997) “It is universally recognized what is at stake: the development of a motivated, highly professional, politically impartial, reliable, efficient and responsive PA.” (Randma 1998: 20) Downsizing which leads to outsourcing may easily be counterproductive, and if public-directed work does not shrink, downsizing by outsourcing is a form of window-dressing. Realistically viewed, outsourcing is often inefficient. Cleaning is a perfect example: Cleaning firms often cost more and clean less well, but a committed local staff that sees the building as “their own” cannot be contracted from outside. Life in offices with contracted-out cleaning tends to be the opposite of Pareto optimal (excepting the owner of the cleaning business). Outsourcing can even be dangerous if it gives core competencies of the government away, as the blue-ribbon *Report of the National Commission on the Public Service* cautions for the United States. (*Urgent Business for America* 2003, recommendation no. 13: xi, 31)

Another problem of downsizing is that often the most qualified people leave. (Rama 1999: 5-6) Adverse selection is a serious problem, inasmuch as it is likely that the best public employees have the best chances in the private sector, which usually pays them more. (Jeon and Laffont 1999: 67) Jeon and Laffont have therefore designed a mechanism for the self-selection of the most appropriate candidates for outplacement (1999) that is highly interesting and can serve as a basis for further thinking on the subject.

The key to downsizing is of course the general social and labor safety net, as it is well developed – many would say, too well developed – in Germany. Fostering this has therefore been the focus of World Bank assistance in this field. (Chen 2001: 16-17) It is generally true, and is also stated in the present Terms of Reference, that “Social and political constraints limit the ability of the government to reduce employment levels ... especially in an environment of high unemployment. In this context, cutting public sector jobs risks popular criticism as a violation of the social contract.” (Abraham/Kaur/Tzannatos 2000: 8) If the natural antagonists of reform are “part of the government’s current support base” and/or “occupy any institution ‘veto gates’” (Rinne 2000), then there is naturally a problem. In Latin America, “Job cuts and salary adjustments have been accompanied by localized or general conflict, including demonstrations, decreased cooperation, and strikes to exert pressure and force revocation of measures adopted by the government.” (IDB-Bonifacio and Falivene 2002: 19)

In CEE, as in all Socialist countries, unemployment was a non-issue (as it was ‘hidden’), and especially in the public service there was complete job guarantee for anyone even halfway ‘deserving’ by the standards of the regime; thus, this is an area for which no infrastructure whatsoever was in place before 1989/91. As is said for Estonia is true in general: “It was almost impossible for a clerk to drop out of the system because of low performance. He/she could be transferred to another office with a comparable position, but that was it. Something more serious had to happen for the official to be discharged, either divorce, the marriage of a daughter to a foreigner or a son attending church and so on.” (Sootla and Roots 1999: 239) Therefore, the threat of unemployment was weighing heavily on CEE after the revolution. Optimistic predictions about the ability of the market or whatever to absorb the unemployed (see only Samorodov 1989: 361-363, 369-370) were grossly overoptimistic. In spite of recent measures to ameliorate this problem, it is still one of the most serious issues for CEE.

The problem is, of course, that hardly a single area of public policy is so complex and as expensive as this sphere of social policy. If a country has a working social insurance and retirement system in place and well-financed, then we need not really talk on – but only the very best-doing countries do, and here usually the problem is that these programs are seen as too expensive and as

sending wrong messages. For countries with financial difficulties, they are hardly something that makes sense to recommend.

Still, what can be done, specifically if one really wants to downsize for the right reasons (genuine overstaffing) and does not have a general, well-working social safety net in place? In the special *WBEP* issue, there is “A Practical Guide to Downsizing.” (Rama 1999: 16-19) A similar set of principles has been developed in a perhaps more easily accessible way by Abrahart, Kaur and Tzannatos (based on ongoing work at the World Bank by Devarajan, Petersen and Swaroop), focusing explicitly on a program dealing with over-staffing. It singles out the following principles (Abrahart/Kaur/Tzannatos 2000: 9-10):

1. no involuntary separations
2. targeting redundant workers only
3. avoiding over-compensation
4. allowing a choice between cash and training or other ALMP's
5. *ex ante* evaluation of gains
6. aligning public sector pay and benefits with the market
7. establishing management capacity through the creation of a modern, well-functioning computerized personnel management system
8. improving the process of selection, evaluation and advancement of highly qualified civil servants able to perform the tasks of a modern efficient public service

They also list policy recommendations for public sector downsizing:

1. create or identify a unit in charge
2. freeze recruitment or recruit for rare skills and identified needs
3. make public sector pensions portable
4. introduce separation packages
5. maintain labor market flexibility

In general, World Bank project analysis

seems to support a sequencing argument, that is, social insurance and labor redeployment programs are critical aspects of public enterprise restructuring, and should be in place before any large-scale layoffs. In other words, if a government carries out large-scale enterprise restructuring in the absence of labor market or social insurance programs, such action entails risk. Furthermore, experience has shown that countries that have labor market and social insurance programs in place recover more quickly from enterprise restructuring and encounter fewer labor difficulties than countries that do not. (Chen 2001: 22)

The Abrahart et al. paper thus suggests the following policy approach:

- If a country is going to institute labor market programs, a good practice is to start with modest programs.
- Sound impact evaluation techniques should be used to evaluate the instituted programs. ...
- Based on these evaluations, the programs should be tightly targeted at those for whom they are found to be the most cost-effective, or, if the evaluations point towards these programs being ineffective, they should be amended or discarded. (Abrahart/Kaur/Tzannatos 2000: 19)

Admittedly, these are to a large extent common-sense recommendations, but in such a field as PA reform, which suffers from the “absence of an adequate theory of context,” “a few well-worn general admonitions” (Pollitt and Bouckaert 2000: 187) such as those are all one can hope to come up with; they are neither worthless nor redundant for being stated so often.

### **3.2. Retraining and Redeployment**

The tendency for simple dismissal ‘just like that’ is rather rare in PA (see Aeberhard 2001: 32-36 for an international survey); naturally so, inasmuch as job security is and traditionally has been the key non-monetary incentive to become a civil servant (or even public employee), which allows PA to compete with the private sector for highly-qualified personnel. Hence, ALMP’s are needed to make downsizing possible or easier. In the public sector, where particularly vocal op-



position can be feared and where the scope is limited, retraining and redeployment often belong to the instruments of choice. They are classic topoi in labor relations, and there always has been a question of who should do the retraining. (See only Levine 1964) It is noticeable that redeployment is usually grouped with retraining, and that it is very difficult to separate from outplacement in our context; redeployment is perhaps the more extensive tool, and it perhaps focuses more on getting dismissed workers into new positions, whereas outplacement programs concentrate more on the individual victim.

However, it is unclear, both in the CEE region and generally, how effective such programs actually are. (Rama 1999: 2-5) Their track record is not too positive, although studies vary considerably (4-5); it seems to depend on the economic modeling involved. Programs may sound like a good idea at first, often depending on one's ideology, but only occasionally, and then very modestly, are they successful:

There are polar positions on the effectiveness of active labor market programs. ... Opponents of the programs tend to summarily dismiss these programs as a waste of public money with high opportunity costs to other social programs and labor market efficiency as a whole. Based on a thorough evaluation of evidence, [one can conclude] that some programs can be useful to some workers in some cases. (Abraham/Kaur/Tzannatos 2000: 18)

Differentiating, it is also stated in the same report that "Retraining for those laid off en masse usually has little positive impact and, as in case for the long-term underemployed, it is more expensive and no more effective than job-search assistance. Again, job search assistance may not be a direct substitute for retraining, as the target groups may be somewhat different." (17; see 20)

Other World Bank findings, too, are modest: Risks are great, and great caution should be applied. (Rama 1999: 20) Important in this context is a World Bank study on ALMP's which focused on the CEE countries of Hungary, Poland, and the Czech Republic, in addition to Turkey (Fretwell, Benus and O'Leary 1998). While not addressing public sector downsizing ALMP's in these countries, as none exist, the investigation shows that retraining programs did have a "small but positive impact on employment" (15), summarizing that training "can have a positive impact on employment and earnings" and that amongst the ALMP's, it is comparatively cheap. (31)

The most comprehensive comparative analysis, finally, has shown that “programs were much less likely to exhibit problems with rehiring if they used targeting on the basis of skills and age, multiple methods of employment reduction, and a combination of compensation packages that included enhancements of the safety net for assisting the reallocation of workers.” (Haltiwanger and Singh 1999: 52).

Hungary, like Poland, actually adopted policy measures in the early 1990s that included “nearly the full menu of active labor programs found in nations with developed market economies”, including retraining. (O’Leary 1995) Hungary has had retraining programs, especially early on (Samorodov 1989: 365), but none of these measures affected the CS and/or were continued after the immediate post-communist period.<sup>12</sup>

Summarizing, we can say that public sector downsizing hardly went on in CEE, but where it did, it was generally an ideologically biased and not necessarily efficient project, especially if it is aimed at cost cutting and not related to genuine overstaffing. Retraining and redeployment programs often seem like a good idea when the social effects of downsizing are to be mitigated, but their success record is mixed and modest, and there were no significant instances for it in CEE.

World Bank studies suggest some potentially best models available for redeployment. The following case studies present the respective countries, each followed by descriptions of the instances for which something could be found and the implications of these cases. As will be seen,

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<sup>12</sup> The Hungarian case study of a 1991-1992 Public Enterprise program (Haltiwanger and Singh 1999: 55, 56, 59) was exactly that, i.e. not targeted towards the CS, and it also seems to not have included retraining. Chen’s reports, e.g., that in CEE countries, the “worker safety net” was focused on, which often included “the stipulation of some form of training assistance” (2001: 21), and that the World Bank’s projects in CEE and CIS (Croatia, Hungary, Russia, and Ukraine) “also used severance pay to compensate displaced workers. In addition, ... retraining and relocation, unemployment insurance, labor-intensive public work programs, social insurance and retirement benefits, pension reform, vouchers, and micro credit support to individuals” (19), either must focus entirely on the private sector, or the respective programs were announced and either not or very ineffectively implemented, as in the Hungarian TARTINFO case (see below 33-35).

with the exception of a work redistribution (job-sharing) scheme and a particularly good program for politically motivated dismissal, all of them are redeployment cases.

## **4. Case Studies**

### **4.1. Hungary**

Hungary is the one CEE country where pre-revolutionary changes were already such that one could speak of gradual, rather than abrupt, change. This is even true for the CS; the 1989 CS Act, still passed under Communism, was more similar than dissimilar to the 1992 Act, still basically in effect today, if with major modifications. Hungary's 'outperformance' of other candidate countries, including in the PA area, is often credited to this running start. (But see Nunberg 1999: 97-154) The 1992 Act was strongly influenced in its genesis by academics and trade unions; lesson-drawing was very significant. (György 1999: 132, 147-148, 150-151) The CS Act changed the employment status of civil servants by creating the CS, but it did not create a group of highly trained professionals, as the selection and dismissal of civil servants was not regulated in detail. As the Hungarian CS Act is overall the most sophisticated and best-tried-out in CEE, it is worth looking at it in some detail.

In Hungary, there is a more or less classic 'Weberian' career system in place, if – as is typical in CEE – a decentralized one (that is, recruitment is done decentrally). Civil servants are selected and appointed by the employer, who is the administrative head of the respective public institution. To enter office at the first level of the career system, most civil servants must pass a basic administrative examination. Those who are to be appointed to executive positions must pass a further advanced administrative examination. The established career system fixes grades based on individual qualifications and years of experience. Competitive examination for filling positions is legally possible, but not compulsory. The CS Act and governmental decrees regulate general employment conditions, the application system, the appointment system, the probationary period, the compulsory announcement of vacant positions, and qualification arrangements. There are relatively few political appointments in the executive structure.

The salary of a civil servant consists of basic pay, and there are other legally defined conditions for supplements and bonuses. For example, civil servants employed by certain central and regional authorities receive supplements equal to 10-50% of their basic pay. Civil servants receive 14 (before 2003, 13) months' salary. The employer may support membership of the civil servant in a voluntary pension or health care scheme.

Civil servants in managerial positions receive supplements of between 10% and 120% of their salary, but these positions (head of section, head of department, etc.) are out of the CS career system. Civil servants appointed to managerial positions cannot be promoted. Their rank and salary are independent from the seniority system, determined by the position filled. If their managerial position is withdrawn, they are assigned to the appropriate category and grade in accordance with the general norms.

This design was validated after the first free elections, which showed a fragmented party landscape. "The idea of creating a CS based on political impartiality and stability became increasingly attractive in these conditions of political alternation. A coalition of politicians, academics and union representatives emerged which felt it was important to establish a stable, professional CS and to avoid the emergence of an American-style spoils system." (György 1999: 148)

Hungary's pension system is quite solid as well (see Gedeon 2000), which makes any further personnel initiatives easier; it is typical, however, that just here they are not so much pondered. The World Bank's influence in creating the pension system is credited with considerable importance, not only because of the money it gave, but also because of advice provided.<sup>13</sup> A good case study

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<sup>13</sup> The 1997-1998 World Bank's Hungarian Public Sector Adjustment Loan Project that is sometimes referred to in the literature was supporting the pension reform; it was not, as sometimes seems to be thought, a project to 'adjust the public sector'. See the project descriptions at <http://www.worldbank.hu/data/psallnk.html>, <http://www4.worldbank.org/sprojects/Project.asp?pid=P034082>, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK%3A20026261~menuPK%3A34471~pagePK%3A40651~piPK%3A40653~theSitePK%3A4607.00.html>, [http://www-wds.worldbank.org/servlet/WDServlet?pcont=details&eid=000009265\\_3980929095218](http://www-wds.worldbank.org/servlet/WDServlet?pcont=details&eid=000009265_3980929095218).

(Gedeon 2000: 29-37) argues generally that the Bank was able to push through its views in Hungary exactly where local players shared its ideology, and that in the end, a compromise with the local system that was alien to some of the Anglo-American-style reform proposals was reached.<sup>14</sup>

As for the development of CS law, a special group was recruited under the government of Viktor Orbán (1998-2002) whose members were chosen based on their expertise and experience in CS. The members of this group are called senior civil servants. They receive higher wages than other civil servants and cannot be dismissed during five years of their appointed period, only transferred to another position or to salaried stand-by status. The aim of the creation of such a corps was to promote the CS career, and to keep the best civil servants in the public sector (Népszabadság 18 December 2001), because the problem in Hungary is more retention than downsizing. (See Nunberg 1999: 135, 147)

In July 2001, the CS Act was amended for the same reasons and, among other measures, a life-career system service was introduced in order to promote public service careers and to attract young, highly educated employees. The major points, in addition to the 14<sup>th</sup> monthly salary, were:

1. A special minimum wage was installed for all civil servants with higher education. All public institutions have to grant at least this minimum wage for employees who satisfy the requirements.
2. Civil servants receive preferential terms for housing (construction or purchase).
3. By September 2002, the wages of public servants and civil servants were raised by 50% in order to facilitate convergence of wages between the private and the public sector.
4. From 2001, a long-service bonus was introduced for those civil servants who have completed 35 years of service as an additional element of recognition of the appreciation of the professional career.

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<sup>14</sup> This observation can also be generalized in CEE – the World Bank was an excellent scapegoat for politicians holding similar views, one that could take the flak and thus made the respective reform measures possible. (Nunberg 1997)

5. A 6 month recreational period (sabbatical) was introduced, which the civil servants can take after every ten years of work. (Kontrát 2001: 5; Figyelő 9 July 2003; Népszabadság 5 September 2002; 3 September 2002)

Clearly, the aim of these changes has not been a wholesale reduction in costs in the CS sector, but the creation of an enabled, competent CS. These measures are impressive; however, in Hungary one can hear that they still do not go far enough in securing a top-quality CS. (Interview with Sándor Kiss, President of the Trade Union of Civil and Public Servants) But in Hungary, probably the most self-assured of all CEE countries, it was clear early that “A cost-saving administration does not mean a cheap administration. Costs are only to be saved in those areas, where the reductions do not endanger effectiveness and efficiency. ... The cost-saving potential of such initiatives will rarely exceed a few percentage points of the total cost of PA; the larger questions concerning the administrative performance are not really addressed through cost saving.” (Verebélyi 1993: 120)

In Hungary, the CS Act specifies grounds of dismissal, such as retirement and lack of ability, but also the following:

- if the public administrative organ is dissolved and no successor organization is established;
- if the parliament, the government or the representative body of a local government authority orders a reduction of personnel;
- if the activity of the PA body in which the civil servant has been employed is terminated;
- if, due to a reorganization, the job of the civil servant is terminated. (György 1999: 138)

Of course, strictly speaking that means that we do not have a genuine ‘Weberian’ CS; one does not really join a corps (with the exception of the senior civil service). However, at least for “each of the above grounds for dismissal, a realistic and rational financial/economic reason must be provided. Many Hungarian PA experts think that these reasons should be deleted from the act. They believe that in a CS system aiming to create a high level of job security, the civil servant has a legal relation with the PA of the country itself, and not with an individual CS body.” It should also be said that “a civil servant can only be dismissed if there are no vacancies appropriate for the civil servant(s) concerned at the same division or a division under its control. If the civil ser-

vant is dismissed in the absence of such a position, he/she can claim severance pay totaling 12 months of salary.” (György 1999: 138)

Up to 2001, there were no significant changes in the number of civil servants in the past decade, except in 1995-1996, when the largely unsuccessful attempt was made to decrease the number of civil servants at the central government level by 15%. (See Nunberg 1999, 115-116 and 150 N13) In practice, this level of reduction was not really attained, or sustained if actually attained. (Gajduschek and Dethier 2003; Sándor Kiss; interview with Ferenc Várnai, Secretary General of the Federation of Public Service Trade Unions.) In reality, civil servants left the CS to the largest extent due to the following reasons (Ferenc Várnai):

1. Government changes (dismissals of political appointees and of those seen as such).
2. General restructuring of the PA. Not all dismissed civil servants were transferred from an abolished institution to another position or to a newly established agency. For instance, when the National Planning Agency was abolished, most civil servants were transferred to the Ministry of Finance, which took over most, but not all, of the functions of the NPA. (Bokros and Dethier 1998)
3. Constitutional change. For example, all civil servants who previously worked for the county level of PA (about 350-400 people per county) were dismissed when their functions were devolved to the local self government level, leaving work only for about 30-40 people per county. Most civil servants thus dismissed went to work at the municipal level.
4. Voluntary termination of the contract by the civil servant because of the declining wages and working conditions. As usual, this included some of the most competent people, and the overall change has not been helpful since it created a dearth of competence and experience.

Several civil servants dismissed or having left the service for the first three reasons given above found employment in the private sector. Most highly ranked employees could use either their qualification and/or their connections to receive good positions in private companies. All those who could not find a job were left to the general official training and employment system, which

was operated for all job-seekers with the theoretical exception of the TARTINFO program described below. (33-35)

The first considerable change in the number of civil servants took place in 2001 with the amendments to the CS Act. Until then, the system had differentiated among four categories of civil servants. Officials with at least a College degree were placed in Class I, officials with secondary school education in Class II, clerical workers, such as typists, in Class III, and manual workers in Class IV. Each class contained several grades. A civil servant was (and is) typically promoted to the next grade after three years of work.

The 2001 amendments stipulated that now only officials in Class I and II would be classified as civil servants and covered by the CS Act, while Class III and IV personnel (altogether about 19,000) would retain their jobs but would be (as before 1992) under the general Labor Code, as the old system had defined CS via the workplace and not functions. (Népszabadság 24 and 6 September 2001; Magyar Narancs 17 August 2000) This change affected the CS as defined by the Hungarian CS Act, but not as defined in this study, let alone the amount of State-directed activity.

The Medgyessy government (in office since May 2002), arguing that former Class III employees were indispensable for the operation of PA and thus needed to be taken back to the CS, accordingly amended the CS Act again this summer. By July 2003, these employees – about 10,000 – became civil servants again. The previous Class IV personnel remains ‘outsourced’. (Lamperth 2003; Népszabadság, 8 August 2003, 1 July 2003) Because of hiring in other categories in parallel with the changes in labeling, the number of Hungarian civil servants has actually modestly but gradually increased. Also, the wage increase of 50% granted last September led to an over-demand for CS positions and thus to the swift filling of vacancies. (Ferenc Várnai; Sándor Kiss)

There are two reasons why there have not been any overall training or similar programs for dismissed civil servants in Hungary. On the one hand, the number of public employees did not change significantly since 1990, but rather showed a slow growth. On the other hand, the State (central and local government alike) acted on the labor market just like a private company: in spite of the focus on building a high-quality, ‘Weberian’ CS, it used the labor force but paid no



attention to what happened to civil servants if they were dismissed. Perhaps those dismissed rather than quitting who did not find reemployment in the CS by themselves were considered to be the least qualified ones and thus those most easily missed.

#### 4.1.1. TARTINFO

As mentioned above, the Hungarian recruitment system of civil servants is decentralized. However, a central information system has existed since 2001 in which all the data of civil servants currently in standby-status are uploaded. Any potential public employer thus has the opportunity to search a central database system for employees who are already members of the CS, having passed the compulsory examinations, etc. This central database is called TARTINFO from the Hungarian abbreviation for *Tartalékállományba Helyezett Köztisztviselők Információs Rendszere* (Information System of Civil Servants in Stand-by Status). It is, however, a problem for the efficiency of the system that employers are not obliged to primarily use it when looking to fill a vacant position. The original intention of the Office of Public Administration and Public Service (Office), who is in charge of these programs within the Ministry of the Interior, was to mandate that all vacancies would be advertised and open for competition, but objections of some Ministers led to the weakening of the recruitment article, so that the advertisement of vacancies is now optional. Current practice is that the institutions rarely use the system, if at all. Within one year, there are only about 8 or 10 actual selections from the TARTINFO system. (Interviews with Lászlóné Kovács, Senior Advisor at the Office)

Other than TARTINFO, the Office mainly operates the countrywide system of CS registry KÖZIGTAD (*Központi Közszolgálati Nyilvántartás*, Central Database of the Public Service), as well as a separate registry of senior civil servants FÖTISZTAD (*Központi Főtisztviselői Nyilvántartás*, Central Database of Senior Civil Servants). For KÖZIGTAD, the Office handles the database (containing the data of 100,000 civil servants from 3,000 PA institutions) in cooperation with 21 data-collector organizations in KÖZIGTAD. Vacant positions and open job tenders as well as the personal data of civil servants in standby-status are registered and maintained in the same manner. (See also Nunberg 2000: 287-288)

If civil servants employed in a PA institution are dismissed, they are placed in standby-status during the dismissal period (6 months) in order to help them find a vacant position at another PA institution where their qualification and classification (grading) fulfils the requirements. The task of TARTINFO is to aid that search. The head of the potential employer institutions may decide on the employment of the civil servant offered by the central information system. The standby-status is terminated if the civil servant enters a vacant position, or upon their request.

The data-collector organization records the data of the civil servant placed in standby-status within 5 days after the dismissal of the civil servant, who has to agree to be registered in the system. When there is a vacant position at a PA institution, it puts the job out to tender by making this information public, as well as informing the central system. The system then sends back the data of the potential candidates (civil servants in standby-status).

Since its commencement in 2001 and until July 2003, 166 vacant positions and 170 open job tenders were registered in the system. During the same period, 253 civil servants were placed in standby-status. To date, 217 persons were already deleted from the system, which leaves 36 active job seekers on the list; there are also 51 job vacancies announced.<sup>15</sup> Being deleted from the system means that one either has found employment or that the six-month standby period has come to an end; it was apparently not possible to ascertain how many of the 217 fell into which of these two categories. (Lászlóné Kovács)

TARTINFO is a genuine redeployment program, not an outplacement one. Contrary to other schemes, it is continuous rather than short-term. But although the system is formally operational, it does not have a real effect in practice, because the recruitment process at the PA institutions is decentralized and they are not obliged to choose primarily from among the job-seekers registered in TARTINFO. In that sense, it fulfils a ‘negative benchmarking’ function: Such a registry may be a very good idea, but if it is not mandatory, it has little effect in a place that is an employers’

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<sup>15</sup> See

[http://web.b-m.hu/bmkkh/kkhweb.nsf/kozszol\\_cim/9CA522DE1EE51C47C1256CD3005097A2](http://web.b-m.hu/bmkkh/kkhweb.nsf/kozszol_cim/9CA522DE1EE51C47C1256CD3005097A2); direct information from the Office.

market. Hungary currently seems to be an employers' market for the CS, however, but even then the system has not worked. The positive lesson to be learned lies in the continuity of the program and its validity if one avoids the pitfalls as observed.

## **4.2. Estonia**

Estonia, a country of less than 1.5 million inhabitants, did not have self-government between 1227 and 1991, except for 20 years between the World Wars. It has little to do with the other Baltic states, Latvia and Lithuania, and is overall more 'advanced', although in the CS area, less so than in other ones. (See Vanagunas 1999: 214-215) The transition of Estonia from colony of a totalitarian empire to pluralistic free-market democracy during the last decade or so has been generally swift and successful. The currency has always been pegged to the Euro (formerly to the German Mark), which has led to low outer inflation. Membership in the EU is scheduled, as for Hungary, for 1 May 2004.

One of the most interesting features of Estonian PA is the emergence of small state theory in its context, almost single-handedly developed by Tiina Randma-Liiv (Randma 2001a, 2001b, 2002). As "problems of development can easily be confused with the specific characteristics of small states" (2001b: 49-50), they are of great importance for those less-wealthy LAC states that qualify as small states themselves, that is, mostly the Caribbean countries. Not only is the optimal size of the public sector different in small states than in larger ones, but small state specifics may also be the one reason that make a 'Weberian' CS not the optimal solution. (Randma 2002)

One of Estonia's most serious problems, making it different from Hungary, for example, is that the lack of a positive concept of State identification is particularly severe. Estonians generally identify with the Estonian nation in the sense of the Estonian people, i.e. with their fellow Estonians (usually excepting the national minorities), but hardly anyone – including judges, politicians, and intellectuals – identifies with the Republic of Estonia. This is not a surprising reaction given its colonial past: the State was excluded from the daily life of the Estonians, as it was an alien and hostile factor.

Soviet Estonia was a classical cadre administration; there was no continuity with the “first period of independence” (1920-1940) as “the top civil servants were exterminated and the medium-level clerks were sent to prison.” (Sootla and Roots 1999: 238) During Soviet Republic times, much of the administration had taken place directly in Moscow, which is why the respective level had to be created from scratch, rather than reformed.

The Estonian Public Service Act of 1996, together with some other laws, made all public employees civil servants, without any further examination or other filtering. (Randma 2001b: 43) It is not clear on which countries the system was modeled, but Finland is the main reference point. The system is sometimes described as a career system that allows entering at any possible level (Sootla and Roots 1999: 245), as “an open, position-based CS system” (Viks and Randma 2003), or as “a job system with a few elements drawn from a career system.” (Randma 2001b: 43) The latter definition is probably the most accurate.

Estonia is one of the CEE countries closest to NPM models; this development was possible because a large segment of the politico-administrative elite is neo-liberal in outlook – some radically so –, and those administrators (with a German-legal background) who promote the career system still share this basic ideology. In line with the lack of a State concept, this makes the existence of a job system likely. In addition, the physical and ethnic proximity of Finland, a country with a strong NPM rhetoric prevailing during the early Estonian transition times, and famously successful in such areas as ethics, education, and economic development (yet which also spends radically more money in such fields than Estonia would ever consider), aided this tendency.

“The development of PA has been neither rational nor consistent as political will for structural administrative reforms has been deficient.” (Randma 2001b: 43) Estonia has produced a veritable cottage industry of PA reform; there have been many announcements and many PA reform commissions but so far, very few coordinated results. (Viks and Randma 2003) The different commissions (see Lazareviciute 2003: 17) are ineffective to the extreme. This, however, is an Estonian tradition: advisory panels and the like are mainly employed to keep stakeholders busy talking and thus not influence policy. Since 1991, PA reform was usually focused on Local Government unit reform, a genuine worst practice in its field, as it is purely ideology-driven, without any previous

calculation of genuine effects, pilot projects, analyses, or the like. Fortunately for Estonia, none of these reforms have actually been implemented. (Randma 2001a: 123; see Drechsler 1999) Estonia is a classic case for the general CEE complaint that “The aim has been to establish rules rather than to achieve results and plan efficient ways of doing so.” (Randma 2001a: 124; A.J.T. Verheijen 2000 on the general problem) There has always been a strong downsizing rhetoric, based part on neo-liberal ideology and part on budget constraints. Nevertheless, the CS has actually increased in numbers in Estonia. (Randma 2001a: 125)

As stated above, the *nomenklatura* problem is not so severe for Estonia, as only about a quarter of the current civil servants already served during the Soviet times. (Viks and Randma 2003) Since the first freely elected, nationalist government of 1992 had introduced the slogan “A Clean Break with the Past!” which placed trust over (alleged) competence (Tallo 1995, 126), it has somehow been legitimate in the public perception to dismiss CS members.

The changes in personnel were impressive, especially during 1992-93. In the spring of 1994, 73% of Estonian top officials had held their positions for less than three years. Among the middle management of the ministries, the percentage was 45%. Altogether 37% of civil servants were replaced. But the process went on. At the same time, the percentage of young officials increased rapidly: in the staff of the Ministry of Foreign Affairs, 48% were under 30 years of age, in the Ministry of Finance this number was 31% and in the Ministries of Justice and Defense it was 28%. (Sootla and Roots 1999: 240)

The problem in Estonia was more that a decent CS or administrative elite was never created, rather than a carryover problem. “As a result, government organizations have substantially lost their capacity to steer and push forward processes, and instead, they are focusing on emergency situations and gaps that occur in the course of routine administration.” (252) The most recent SIGMA report, too, states alarmingly that “the Estonian administrative system may be considered to be on the brink of falling apart ... due to an Estonian politico-administrative ideology that is inimical to strengthening badly needed coordination and control mechanisms.” (2003b: 19; cf. Vanagunas 1997 on the “deep seated cynicism ... toward public servants, a major inhibition to CS reform.”)

The current technocrat-libertarian government, headed by young ex-bureaucrats often without any experience outside of PA but with some very traditional NPM beliefs, is in the process of cutting the flat income tax from 26% to 20%. It also plans substantial CS changes in the NPM direction, but it is unclear where this will go. Many, if not most, of the better administrative reforms in Estonia were and are EU-driven, and the EU trajectory will keep any neo-liberal experiments in check even now, especially as the government strongly supports Eurointegration.

#### **4.2.1. The Police**

In September 1999, the Estonian Minister of Internal Affairs, Jüri Mõis, announced that he wanted to radically downsize the Estonian Police force. In a country with a serious crime problem, including organized crime, this was an odd proposal indeed, and one that indeed shocked most of the citizens. Much of normal public safety insurance is already taken care of by private security firms – which both creates a security gap in favor of the wealthy and means that the State does not fulfill its primary function, peace within and without. Mõis, a successful and wealthy banker, was a libertarian who boasted that he had not read a book in seven years and promulgated a very simplistic ideology. He was appreciated by many ‘transition winners’ who saw him as a self-made man rather than someone who had merely been in the right place at the right time. The reasons behind the dismissal were both a general anti-State ideology on the part of the Minister and an assumed cost saving. For example, that good foreign direct investment (FDI) and inner security are more closely linked than FDI and low taxes was, as usual, not considered in such a context.

The downsizing was announced as necessitated by the following year’s low revenues and also as part of the reform in the Ministry of Internal Affairs. (Tarmo Loodus in Protocol of the Legal Committee No. 41) According to the Director General of the Police, Harry Tuul, dismissals were inevitable because the Police officers had been promised pay-raises, the postponement of which would impact the morale of the whole of the Police. (Kagge 1999) So the dismissal of some of the officers was the chosen step. Minister Mõis also argued that higher pay would enable the officers to better concentrate on their work, which would accordingly lead to better crime tackling. (Kagge

1999) The dismissal of unsuitable officers, a serious problem especially in Tallinn (*Eesti Päevaleht* 1999; Koit Pikaro in Protocol of the Legal Committee No. 41), might have been intended, if covertly.

The Minister and the Director General both pointed to the fact that the firing would primarily affect officers whose character of work was not directly attached to Police work, that is, clerks. The clerks who were hired as Police officers were supposed to be replaced with civilian ones. The firing also indicated that the Police intended to contract out some services. (Kagge 1999) In other words, the reforms were meant to consist mainly of window-dressing, as the work would remain the same.

As the result of the reform, 456 police officers out of 4,234 (slightly over 10%) were dismissed from the Police. (Klais 2003; Kagge 1999) Of these, 152 voluntarily accepted the status of civil servant inside the Police structures and 184 found CS positions outside the Police (e.g., in prisons). Of the remaining 120, 41 had started working for the Police again after three months, so that only 79, less than 2% of the actual Police force, left the civil service. Of these, 40 found a job in the private sector, and 39 retired. (Inna Velbaum, Estonian Police Board, Department of Personnel, 16 September 2003)

Since the officers to be dismissed were not at fault, their situation was found deserving of some attention. The Ministry of Internal Affairs thus decided to create an Information and Counseling Center in order to support the dismissed in finding another job – an outplacement redeployment program. The laid-off officers received a personalized letter from the Minister, which informed them about the Center, labor market services and social guarantees offered by the State.

The Ministry established the Information and Counseling Center in cooperation with the personnel counseling firm MPS Mainor AS. The Ministry entered into a contract with MPS Mainor to purchase outplacement services from the company. The Center was established in the rooms of MPS Mainor. It offered professional counseling, advice and information every day, as well as providing the use of telephone and PC. In addition, the Center held training-seminars in different regions all over Estonia, using rooms provided by local governments. The staff of the Center in-

cluded five MPS Mainor counselors and three Police psychologists. (Inna Velbaum, 12 August 2003) The Center was financed by the Ministry of Internal Affairs. The costs of the contract to establish the Center were below US\$ 15,000 for the two months during which it existed. (Leib 1999) The total number of persons who finally turned to the counseling center was 118, that is, almost all of those at least temporarily dismissed. (Klais 2003)

The second step intended to soften the position of the unemployed police officers was the initiation of a change of law by the Ministry of Internal Affairs to enable officers to find jobs in the private sector, especially as security guards or private detectives (Draft of the *Politseiteenistuse seaduse muutmise seaduse*). Previously, Police officers were not allowed to work in private companies that offer security or private detective services for three years after leaving the service. (Explanation to the change of law) According to the new Minister of Internal Affairs, Tarmo Loodus, who in November 1999 had taken over when Mõis had been elected Lord Mayor of Tallinn, and who apparently did not consider discontinuing the Police reform (Ideon 1999), the provision was considered no longer necessary. The rationale for its removal was based on the non-existent danger of information leaking from the Police since laid-off police officers were not top-ranking officials who held important information. (Protocol of the Legal Committee No. 41) That this implies that actual duty officers would be dismissed, rather than just clerks, was never mentioned.

But as the change of law went to Parliament, the *Riigikogu* (Stenographs of the first and second reading of the law), several questions and doubts about the change arose. It became apparent that the change would benefit the dismissed policemen at the moment, but it was not clear if the results would be beneficial for Estonia in the long run. It can be inferred from the discussions that at first the idea seemed like a good one, but that later after discussing it more thoroughly, many Members of Parliament became increasingly cautious and unsure about the advisability of change. This led to the idea that there should be an exception to the constraint for the sake of dismissed policemen during a certain period of time. (Stenograph of the second reading of the law) Finally, neither a change in the law nor any other measures other than the short-time consultation services for the policemen were actually implemented.



Interestingly, it was not possible to ascertain the success of the Information and Counseling Center. On the side of MPS Mainor, the claim is that they had “no right” to contact the contacted individuals after the Center’s closing, and that such a follow-up had been the task of the Ministry. The former head of the center said that the importance of the program was “that people were helped during their hard times,” since the center assisted them in writing their (first) CV’s and offered them the possibility to call a new possible employer. (Kristel Seema, MPS Mainor, Head of the Center during its existence). The Ministry, on the other hand, thinks that all follow-up and evaluation of the Center was indeed MPS Mainor’s task. (Inna Velbaum, 16 September 2003)<sup>16</sup>

As for the general results of the downsizing program, Minister Mõis, when initiating the downsizing, had pointed to the case of Finland, saying that Estonia should have the same number of officers per capita. But Finland has a totally different crime pattern – it is a ‘Western’ and very safe country. Even so, Mõis had not noticed that in Finland, the dismissal of officers had caused an increase in the crime rate and accordingly brought along large rehiring. (Berendson 1999) That the move sent the completely wrong message to the citizens and reduced the subjective feeling of safety was an issue that did not even come up.

Predictably, then, after the reform, an increase in the crime rate was also noticed in Estonia, as the workload of policemen increased remarkably. For example, the increase in crime in Tartu County amounted to an incredible 43.7%. (Aotäht 2001) Because of this and because it could not do its job anyway, the Police was soon again, and still is, in need of officers. Active rehiring has therefore been going on.

In sum, this instance of downsizing comes close to a ‘worst practice’. The reform as such was expensive and counterproductive. The revolving door effect, finally, makes it imperative to say that the reform was on no level successful but rather an unmitigated disaster. The small-scale, short-term redeployment measure was theoretically rather sensible, and perhaps presents a good model

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<sup>16</sup> If we disregard the ‘revolving door’ cases, and keeping in mind that almost all of the genuinely dismissed officers used the Center, then one could say that the success rate of the latter was around 50% (40 of 79). Of course, this does not say anything about the part of the Center in this success.

for similar programs, but as we do not have data on its actual success, one cannot really say. The accompanying long-term redeployment-focused law change that was to alleviate unemployment definitely failed, because it was not really thought through before it was submitted to Parliament.

#### **4.2.2. The Ministry of Education**

In 1997, the idea of moving the Estonian Ministry of Education from Tallinn to Tartu was initially generated by the Academic Council of the President when educational policy issues were being discussed. (Stenograph of the Riigikogu, 22 January 2001) Tartu is the second city of Estonia, both in size and eminence, after Tallinn, and is the main University town. Soviet practice, which tended to create water-heads in the regional capitals, made Tartu decline towards Tallinn, a trend that because of the lack of genuine regional development policy in Estonia has not since been alleviated.

Later the idea was picked up by market-radical/nationalist *Isamaaliit* party, especially by Tõnis Lukas, the former Lord Mayor of Tartu and future Minister of Education, who made it an attractive issue in the upcoming election campaign. In 1999, when the party became part of the government, *Isamaaliit* succeeded in pushing the idea into the coalition agreement. It was established as its own specific project and managed as such, called *Haridusministeeriumi Tallinnast Tartusse üleviimise projekt* (Ministry of Education Move from Tallinn to Tartu Project). At the end of 2000, the Ministry of Education started planning the relocation, and by July 2001, the project was completed with the opening of the Ministry in Tartu. The whole case attracted wide public attention, the concerns and objections centering mainly on the reasons for this move and the resulting benefits expected from the project.

The reasons behind the relocation were clearly political, but the main argument presented by Minister Lukas was the regional policy aspect. The move was also said to attempt to profit from local potential to advance the educational policy of Estonia in general, as most reputable Estonian scholars work in Tartu. Finally, the move was seen as a possibility to introduce organizational changes to the Ministry, to meet better the expectations of the society (Stenograph of the

Riigikogu of 22 January 2001) or, according to a Ministry spokesperson, to raise the quality of education administration in general. (Seaver 2000) As moving from Tallinn to Tartu and *vice versa* was and, to some extent, still is surprisingly rare due to commuting difficulties (the highly deficient road between the two cities is one of the biggest impediments for regional development in Estonia), it was expected that a considerable number of people would leave the Ministry. The issue that the main role of a Ministry of Education may be to lobby for funds for its field, something that is much more difficult to do when it is not located at the seat of the government, did not enter the discourse.

Regarding the details of the move and personnel issues, the Ministry planned so-called waves of dismissal. The first was carried out in June 2000 right before the Ministry's physical change of location. The second wave was due in December and concerned those public servants who had been available to assist the new ones in settling in the new environment. (Seaver 2000) This kind of plan, besides helping new public servants, also in a way mitigated the problem of employment for the previous ones. During the assistance and adjustment period, the civil servants who knew that they were about to lose their jobs had time to look around and find other employment opportunities while they were still engaged with their assignments. Since the Ministry of Education was not exactly known for the quality of its employees – a feature that has much improved in recent years –, the departure of staff was probably seen as helpful. (See Luts 2000)

The Ministry publicly announced its plan to achieve better organizational quality by reducing staff from 140 to around 100. (Seaver 2000) This conflicts with the actual figures that give 109 employees and that is the most credible source. (Tulemuslikkus 2003) The issue of staff change was also very topical at that time, but the main questions publicly raised centered around the number of public servants willing to change location and the issue of supporting the move or not. For example, the Minister accused the media of depicting all old employees as being against the relocation. (Pau 2000)

The number of public servants willing to change their location and those who were seen as appropriate to continue was 48. 61 old employees of the Ministry did not find a job at the new location, but not all of these were dismissed – 44 were offered a job in another agency under the supervi-

sion of the same Ministry located in Tallinn. (Tulemuslikkus 2003) The main agency to which they were transferred was the examination center. (Päärt 2001a) Accordingly, the number of persons dismissed was 17 at the outset of the relocation (mostly support staff; Leelo Muru, Head of the Ministry's Department of Personnel), which did not prove to be as big as was expected. For Tartu, 57 new people were hired.

Although the Ministry had promised to reduce the number of civil servants, it was not able to do this without increasing the number of staff in the subordinate agencies – the total number of administrators working under the Ministry rose by 16 by August 2001 (Päärt 2001b). And even the Ministry staff proper declined only by less than 4%, from 109 to 105, that is, by 4 people, so that overall, in the end, there were 12 new public employees, or 11% more than before.

It can be inferred from this case that there was no big problem of dismissal, or questions about a large number of civil servants being left unemployed. Although the newspapers might have created the view that several administrators were not willing to continue with the Ministry in the new town and that those administrators had to accept unemployment, the actual situation proved that the number of those whose situation worsened was not so large at all. The expansion of agencies at the time of reducing staff in the Ministry created simultaneous employment opportunities for several dismissed employees.

The Ministry of Education instituted a redeployment or outplacement program for those dismissed, which offered psychological counseling and practical advice concerning employment possibilities, compiling a CV, etc., similar to that used in the Police case. The program was carried out by the private company MPS Eesti AS/DBM – and by its employees only –, in rooms of the Ministry in Tallinn, but individual consultations were offered at MPS Eesti office. As the redeployment program was part of the Ministry relocation project, it was financed from the project's budget: overall costs (i.e., payments to MPS Eesti) were slightly less than US\$ 7,500. The program took place for two weeks, between 8 and 23 May 2001, and individual consultations were offered for one more month, until 25 June 2001 (Anu Ulp, Head of the Ministry's Personnel Work Group during the project)

Of the 17 people actually dismissed, the number of those who participated in the program was around ten. (Leelo Muru) The success of the program could not be determined, allegedly out of reasons of informational self-determination (i.e., that the further career of former employees was their private business), and apparently, the outsourced counseling through MPS Eesti meant that the Ministry did not follow up those cases, nor did it ask the company to provide respective data. (Anu Ulp) It is difficult to avoid the impression that the Ministry considered its job done with the contracting-out of the service but did not take a genuine interest in the fate of the dismissed.

In sum, the move of the Ministry of Education had and has its drawbacks – and a return to Tallinn is never off the agenda –, but it did achieve, on the personnel side, the desired result in quality improvement, if not in downsizing where the opposite was actually the case. It may even be argued that the move resulted in better results than were said to be aimed at. As in the Police case, a small-scale redeployment/outplacement program by an outside agency contracted. We do not know what the actual success was, but the outsourcing of the outplacement seems to have been at least partially a tool to ‘get rid of the problem’.

### **4.3. Eastern Germany**

The case study of East Germany, the German Democratic Republic (GDR), falls exactly at the point of German Reunification into that of Eastern Germany, that is, the Eastern part of the Federal Republic of Germany (FRG), which before Reunification was only West Germany but had the same official name as reunited Germany. Because of Reunification, the situation in Eastern Germany was completely different from that in any other CEE country. It is probably right to say that, while the German question was how to develop a parliamentary democracy, the other countries fought to have a democracy to begin with. (Jacobs 1992: 178) Perhaps not all CEE countries have fully succeeded yet – one may say that the acceding countries have, but the others are lagging somewhat behind. Thus, for both the GDR and Reunification historical cases we have much

better literature about it,<sup>17</sup> whereas everywhere else in CEE, the transition/transformation process is still under way.

Germany has always been associated with the strongest cliché in PA, both positively and negatively: that of a large, all-encompassing, ‘Weberian’ bureaucracy. The pejorative aspect of this association has always been fashionable within Germany as well – NPM-style critiques of it are over 150 years old and predate Weber himself. Yet, especially regarding the alleged laggard stuffiness of the bureaucracy and the tendency towards or support of non-democratic, autocratic, or even totalitarian governments, this is as traditional as it is wrong. (Laux 1993b: 330) It must be remembered that what “characterizes German PA since the 18<sup>th</sup> century is its early modernization relative to the political regime”, pushed forward by senior bureaucrats and not so much by outsiders, and a strong reliance on and trust in an evenhanded, solid, and impartial bureaucracy that make reforms somewhat not so urgent-seeming. (Seibel 1996: 74) Thus, the German PA’s continuity and solidity implies more adaptation than rigidity. (See Kickert 1997: 22) It might be well worth recalling that totalitarian systems do not like the State at all – a competitive structure vis-à-vis Party or *Führer* –, and that to be accused of “Hegelian State thinking” during Nazi times was dangerous indeed. Never was the State so weak in Germany, therefore, as under National Socialism or Communism.

That does not mean that Germany, too, has not had its share of PA reform along NPM principles. This reform is often associated with the concepts of *Neues Steuerungsmodell* and frequently at the local level (usually based on Dutch models); pushed mainly by senior bureaucrats, especially via the “Joint Local Government Agency for the Simplification of Administrative Procedures”. (See Kickert 1997b: 22-23; Löffler 2003: 1; 7-8) However, little enough was actually changed during the period of high NPM fashion (the early 1990s; Kickert 1997b: 31), nor was that necessary even from the more enlightened reform protagonists’ point of view. “Germany has implemented many

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<sup>17</sup> Next to the scholarly and reflective work, detailed and extremely useful legal dissertations from the last years regarding the CS exist (Schikora 2002, Catenhusen 1997, and Genthe and Hornauer 1998); as they are also covering the political spectrum (conservative, liberal/technocrat, and left, as far as this is still a useful distinction), they make it much easier to investigate these matters than anywhere else in CEE.

NPM elements in the past, if under another heading, and it has an institutional system ... that makes certain NPM reforms obsolete to begin with.” (Löffler 1997: 160; see also König 2001b: 194) But a need for general PA reform is supposed to be generally felt and thus supported by all political parties (Seibel 2001: 85-86), so that chances are that something will happen in the future in this field.

Germany has of course a classical ‘Weberian’ system, being as it is based on the Prussian model from which Weber abstracted his principles. A civil servant by German definition (*Beamter*) enters a corps at the entrance level of their category. *Beamte* are tenured and thus never dismissible (a good survey in English is Bundesministerium des Innern 2002; see Derlien 1999: 206-210 and Löffler 2003: 68 on the peculiarities). Even those public employees who by German law (but not by the CS definition used here) are not civil servants (i.e., *Beamte*) but just public employees (*Angestellte im öffentlichen Dienst*) are virtually undismisable. PA in Germany on the senior level is still a lawyers’ field.

The CS is highly unionized; the *Beamten* have a special relation of trust with the State and are therefore, for example, not allowed to strike. The East German overall trade union abolished itself in 1990; it had never been independent in any genuine sense but an agent of the party. So did the sub-trade unions, which recommended to their members joining their West German sister organizations. Some of them did this collectively, but in the public service, transfer had to be done individually, to allow for some screening. The public service union ÖTV (now part of the larger trade union Ver.di) founded a new union in East Germany and joined later with that one. Through Re-unification, the specific lobby group of the *Beamten* increased from 800,000 to one million members (proportional to the population), while the ÖTV, which had been losing members in the West, grew dramatically from 1.2 to over 2 million.<sup>18</sup>

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<sup>18</sup> It is not incidental for our context that, while this was partially an advantage for Eastern laborers, the Western ‘takeover’ of union representation also led to the dominance of Western trade union officials whose primary interest was – and still is, as inner-union quarrels about strikes in Eastern Germany in 2003 showed – the salaries in Western Germany, even at the cost of making Eastern Germany less competitive.

As almost nobody in West Germany had counted on reunification anymore, ignorance about the GDR was the rule. As far as PA was concerned, one just assumed that this basically productive industrial country, one of the leading ones in the world by standards of production, must have had a working CS, and so everyone was very surprised to see that this had precisely not been the case. First investigations (e.g., Bernet and Lecheler 1990; Reichard and Schröter 1993; see Derlien 1993: 195; Battis 1991: 109-110; Trute 1997: 15, 17-8) showed that the East German CS was nearly useless. As far as was possible to glean from the CS education curricula (which were partially secret and sometimes destroyed just before Reunification), they had consisted in ideological training only. (See Schikora 2002: 38-39, 294; Derlien 1999: 203-205; Seibel 1993: 487)

Equally problematic with the lack of competence was the mindset of the East German CS members, who had been socialized as cadres. The GDR had no CS Act on purpose, nor a public service one, because the dichotomy of public and private had been, programmatically, overcome. (Catenhusen 1999: 113; Schikora 2002: 28-29, 33) One of the reasons was of course that the State would be under the domination of the party (the fear of the independent State sphere by German totalitarian regimes has already been mentioned). Therefore, independent civil servants along ‘Weberian’ lines would have been a threat, and so, a competent administration could only develop in niches. (Battis 1991: 111-112) Perhaps this should not be underrated— out of the logic of things, certain things just *were* done —, and the problem was larger the higher one looked on the ladder, but it is probably true to say that if an East German civil servant was competent, then was almost so only by accident.

This situation was answered by the decision to have a new start where necessary – in most cases – and continuity where possible. (Trute 1997: 49) This is also the German historical model after transition cases, but as Seibel observes, reunification meant for the GDR that “for the first time in German history, the change of the political regime coincided with the change of economic system and the administrative order alike. PA had to be reconstructed in East Germany literally from scratch.” (1996: 78)

The unique German feature, as has been mentioned, is that this was actually possible due to almost unlimited financial resources and, arguably even more, the possibility of an elite transfer



from West Germany to East, completely different from the other CEE states. For several years, “borrowed” Western personnel, who were induced to become active in the East in a variety of ways, filled most leadership positions. (Schikora 2002: 257-268; 537-539)

The dismissal of the old CS members was seen as imperative for two types of reason: personal, incompetence or political problems; and institutional, redundancy and obsolescence in case of change of tasks and institutions. In the GDR, the constitutional right to work really meant that more people were employed than needed, so that general overstaffing was the norm. The figure usually given is that 7-8% of West Germans, but 12-14% of East Germans, were civil servants (König 2003: 169, Keller and Henneberger 1993: 179; Schikora 2002: 87-88; Derlien 1999: 217), but of course, here, definitional problems about the inclusion of the party and public company employees sets in. Still, this figure meant that, if balance were aimed at, 800,000-900,000 civil servants would have to be dismissed, which in 600,000 instances actually was the case. (Schikora 2002: 93; see Derlien 1999: 218 on additional figures) However, as the GDR did not have Municipal Autonomy (likewise something totalitarian regimes do not appreciate), there was too little PA there, as well as in the neglected areas of fiscal and labor administration, where 16,000 positions were created. (Schikora 2002: 89)

Before going into detail regarding dismissals, as this forms the first case study, it can be said that there may be “enduring East German peculiarities of administrative structures”, including that East German PA “will remain more centralized than its West German counterpart.” (Seibel 1996: 78) But in general, the logic of German Reunification, during which some of the good things of the GDR did get lost, was impossible to ignore: it simply was not an option to keep these achievements that did make sense. Reunification had to be lock, stock and barrel, according to the West German model that existed. (See Drechsler 1995)

The connections between the last wave of (NPM-like) PA reforms in (Western) Germany and German Reunification in the early 1990s are unclear. It is certainly true that they were fuelled by the perception that these reforms would save some of the money that had to be spent on Reunifi-

cation.<sup>19</sup> In a contrary move, Reunification forestalled some attempts to abolish the *Beamten-schaft*, since the Reunification Treaty cemented it just when it had been under discussion. The reason is probably that during times when the CS was really needed to work well, and did, it was not seen as appropriate to challenge its very foundations. After all, Eastern German PA reform or creation had been “a feat of creating order”, that is, of effectiveness; efficiency was secondary. (Seibel 2001: 84) And, in fact, in Eastern Germany “the welfare state administration’s achievements ensuing supplies for Eastern German population could well stand comparison with what market dynamism had accomplished there” (König 1997: 220) Thus, Reunification had underlined ‘classic German PA’s “structural merits: the flexibility of its centralized structure, the professionalism of its (West German) personnel, the dependability of the underlying legal system and the efficiency of its fiscal structures.” (Seibel 2001: 84)

#### **4.3.1. Redundancy Dismissals and Political ‘Cleansing’**

As the need for dismissing old GDR CS members had become very visible at the beginning of the Reunification process, the Reunification Treaty between West Germany and the somewhat reformed GDR already specified what would be done. Those employees working in functions taken over by the all-German Federal government or by the new *Länder* administration remained in office; all others were put “on hold”, that is, laid off temporarily with a compensation of 70% of their salary (average of the last six months). This period, the so-called “waiting loop” (*Warteschleife*), automatically ended after six months (nine months for those over 50), when those placed into it were automatically dismissed. At first, this happened without any regard to social and labor protection laws, but later, on intervention of the German Constitutional Court, some of them were put in place, such as maternity protection. (Schikora 2002: 104-105; Keller and Henneberger 1993: 178-179; Trute 1997: 14, 19-20)

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<sup>19</sup> Transfer from West to East was around US\$ 165 billion; this was only in part set off by the Federal Government’s seizing all of the “people’s assets” of the former GDR. (Seibel 1996: 78)

The loop as such was basically meant as a social protection measure for those employed in the public service of the GDR, but it also allowed the State to keep a pool of possibly qualified civil servants without committing itself. It is, however, true that in effect, this privileged the PA members of the GDR, although for this there was no reason. (Schikora 2002: 133) About 200,000-250,000 civil servants went into the loop; the Federal CS had 80,000 employees admitted, of which 26,000 were put there as well. (Schikora 2002: 129)

During the loop, after rehiring, as well as regarding those civil servants continuously employed,<sup>20</sup> employees could be dismissed either “regularly” or “irregularly” due to specific provisions of the Reunification Treaty and some subsequent laws and ordinances. “Regular” referred to the first case of personal reasons (lack of qualification or competence) and to all cases of institutional ones (lack of need of personnel, change or dissolution of place of work). The lack of need criterion was most problematic for the employer, because it required detailed proof of overstaffing. The place of work criterion, on the other hand, led to negative selection, as some qualified people were dismissed just because their institution was dissolved.

“Irregular” dismissals could take place in the second case for personal reasons, that is, political ones. These were divided into “substantial” actions against Humanity or the State of Law (*Rechtsstaat*), and membership in the East German secret service, the *Stasi* (*Staatssicherheit*), its Ministry, the MfS (*Ministerium für Staatssicherheit*), or some affiliate organizations. In the latter case, one could *prima facie* assume that continued employment should not happen; the *Stasi* has been rightly called “one of the most perfect repression machines in the world”. (Quoted in Genthe and Hornauer 1998: 139) Its mission and setup were, arguably, already directed towards the violation of Humanity and the State of Law. (Cf. Catenhusen 1999: 36-38) Apart from individual

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<sup>20</sup> Training for the civil servants remaining in their positions had started right away, but local training measures, out of the well-known reasons, did not have sufficient impact. (Derlien 1993: 193-194) One of the reasons was the lack of training capacities in the West; nor was training coordinated; the lack of competence on the side of the GDR CS had also been still underestimated. (A case study of the customs officials training at Schikora 2002: 446-463) It was therefore quite soon realized that longer, more selective training is better, and that spending one’s training the West was for the youngest members of the Eastern public service the best solution. (142, 144)

matters, this was a legitimacy problem of the State of Law of the reunited Germany: how could people possibly trust it if the worst and most cruel of the old oppressors remained its employees?

Importantly, membership in the MfS was not only, nor even mainly, a full-time job. Most of its many employees had been so-called IM's (*Informelle Mitarbeiter*), part-time spies against their own social environment, including often their own families, and for many in the opposition movement, these were almost the worst. The IM's had literally permeated East German society and the CS particularly so, and while figures are not quite clear, they are still impressive. One source speaks of 3-4 million *Stasi* employees over the years, 173,000 in 1988 (Catenhusen 1999: 32-33); another one (Schikora 2002: 174-175) of over 230,000 full-time and 500,000 to one million part-time ones. In addition, many of the full-time members had changed to other public service positions during the reform communist Modrow regime during the latter days of the GDR. The usual number for this is given as up to 14,000 (Catenhusen 1999: 32-33; Schikora 2002: 235), but this number seems much too small.<sup>21</sup>

The key to the German practice of political 'cleansing' of the CS was a two-level approach where a formal evaluation was followed up by an investigation into personal matters. An absolute requirement was followed by a relative one. It is this feature that makes the German process unique and, while such a procedure is long-winded and expensive, in the end most fair and less unsatisfactory than any other one, in spite of the point that the entire idea of the dismissal provisions in

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<sup>21</sup> A case study is the customs administration, of which we have fairly reliable reconstructed or real data. (Schikora 2002: here esp. 388-396, 542-543). In 1989, there were 8,237 officials; after restructuring in 1994, there were 8,200. But in the meantime, in 1990, in spite of the abolition of inner-German border controls and their offices, the number of officials had increased to 11,000 by taking over up to 3,000 MfS members, which were however soon dismissed. This would have been 20% of all MfS members 'redeployed' into the general CS alone, which is one of the reasons why the number of 14,000 seems too small. – It may be added that in October 1990, there were again 9,510 members; the goal in the beginning of reunification had been to reduce it to less than 7,500, but because of new tasks at the Eastern border, demand was in the end higher than that projection. Interestingly, as the EU changes projected for 1992 had led to less need of customs officials in the West, early retirement schemes with truly golden handshakes had been implemented there in 1990, so that people with key qualifications who were much needed in the East could retire in the West with a maximum pension at the age of 55.

the Reunification Treaty was to facilitate dismissals. (Catenhusen 1999: 137-138) This meant that even in the *Stasi* case, several criteria were developed that would serve as mitigating individual factors.

One of those personal criteria was that a former *Stasi* member's continued employment should be "*unzumutbar*" (insufferable) for the institution and its other employees. Likewise, it made a difference where the person in question was employed. (Catenhusen 1999: 163-171; see Trute 1997: 25-26) In addition, the Constitutional Court insisted on appropriateness (*Verhältnismäßigkeit*), while excluding pure social criteria (such as pending alimony payments). Coerced membership in the MfS was not much of a factor, because it had been, contrary to general assumption, atypical since the *Stasi* wanted committed spies because they would deliver better information. (Catenhusen 1999: 130-131; Genthe and Hornauer 1998: 139)

Among the negative features of this dismissal practice was that it differed from *Land to Land*. Brandenburg, dominated by old cadres, even allowed them in very senior management positions. It also differed over time; dismissal complaints before the courts were reviewed much more sympathetic during later years than closer to 1990. (Catenhusen 1999: 373; Schikora 2002: 488, 492-493, 561)

There was also a time limit to regular investigations into *Stasi* membership; as all were supposed to be over by 1996. Until the end of that year, former GDR civil servants could only become "civil servant on probation" for three years, and easier dismissal rules would still apply for them. However, if one had lied about MfS employment at first, this was grounds for later dismissal, even beyond 1996, as this would be lying about a relevant feature, which according to the general German labor law and the CS one always is. (Catenhusen 1999: 201; Schikora 2002: 501) As regarded the time-line, views in Eastern Germany differed – in the spring of 1995, 75% of the citizens there still did not want part-time *Stasi* spies in the CS, but 55% thought the time had come to 'draw a line' and 'get on with it'. (Catenhusen 1999: 374-375)

It is generally estimated that "only" 5-7% of all civil servants active today were former *Stasi* employees. (383; Schikora 2002: 240) Of Eastern German Police officers, 12% are estimated to be

former agents. Another estimate says that about 20% of the GDR public service presented or still present these grounds for dismissal. (Trute 1997: 30)

The key to understanding the political ‘cleansing’ of the East German CS was that even MfS members had, at the moment of Reunification, become German citizens (by West German Constitutional legal fiction, they had actually never ceased to be that). They were thus protected by the Constitutional Court and by a State of Law with highly self-conscious judges generally prone to uphold any citizen’s rights. On an ethical level, the issue is the balancing of the claims to justice by the victims of the old regime and the life perspectives of that regime’s henchmen, but the former is not something particularly emphasized by German law. So, it was less a question of retrospective personal guilt but of future-oriented employment –focused on former behavior, not on personal promise for the future. Criminal proceedings were a totally different matter. (Catenhusen 1999: 160-161, 167)

As regards non-*Stasi* members who had upheld the old regime, such as party functionaries, it was much more difficult to dismiss them, as here, individual guilt had indeed to be proven in a positivistic time when this is generally difficult. In addition, as one could not rely on public statements or writings, because in the GDR the “doublespeak” culture common in totalitarian regimes made them unindicative for someone’s views. (Battis 1991: 110) The perspective was that one accepted if civil servants had arranged themselves with the regime – otherwise, they would not have had that position to begin with –, but that they should not have been overexcited in promoting the regime. (Trute 1997: 22-23)

But that is the point of the State of Law: actions, not views, are what matters. Thus, institutional descriptors can not replace an individual check. (24) It is true that “The State of Law is a State of Distance that takes care to avoid pre-judices and generalizations, and it is one of Difference which takes the individual as it finds him, in his individuality, which is the substance of his human dignity.” (50) Thus, the double approach with its individual component was the nucleus of the entire screening procedure. And it certainly was successful regarding the matter of trust: With all its difficulties, already in the mid-1990s, trust in the Eastern German CS was about on par with the – very high – Western German level. (Derlien 1999: 228-229)

Whether the approach as taken in Eastern Germany served as a model for the other CEE countries, as has sometimes been argued (Catenhusen 1999: 384-385), may be doubted. However, it would be a model not only for other potential reunification countries such as South Korea (Schikora 2002: 4), and for those CEE countries where such ‘cleansing’ did not happen so far (Derlien 1999: 264), but also for certain LAC countries, if and when they would have a regime change of a similar kind, and if they would command the stability and resources to implement such a complex model. In the long run, this approach seems to be a best practice of how to implement political ‘cleansing’ of a CS with a minimum of disruption, alienation, and unfairness.

#### **4.3.2. The Coswig Model**

In East Germany, as is one of the impetus of this study, “The loss of perspective which had usually arisen after the loss of one’s workplace was named by many as the most disturbing what had occurred during Reunification in the area of work life.” (Genthe and Hornauer 1998: 277) The Coswig model, better called the Kroemer model, is based on the assumption that long-term unemployment is one of the most undesirable phenomena at all. It was invented in 1994 by the Deputy Mayor of the Saxon town of Coswig near Dresden, Bernhard Kroemer, a mathematician with no legal, economic, or bureaucratic background, but rather a genuine “bureaucratic entrepreneur” with a knack for unconventional solutions, for which he won a First Prize from the German School for Administrative Sciences in Speyer. Although designed for a very specific situation, many of its features are generalizable.<sup>22</sup>

The specific case concerns kindergarden teachers in an area of extremely high unemployment, who were all municipal employees in Eastern Germany. Both a decline of the birth rate and changes in the employment patterns (the GDR had given women the chance to work by providing full childcare for all, but it had also basically forced them to do so) made the dismissal of many of

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<sup>22</sup> See Genthe and Hornauer 1998: 221-257, with careful legal analysis, and Karsten and Mückenberger 1996 for documentation. The current case study is based on these and on an interview and correspondence with Bernhard Kroemer.

them necessary, although a future increase in demand was already foreseeable, as the birthrate was rising again.

The Coswig model is a job rotation program, but with unique features as compared to the usual Scandinavian models. It puts exactly one year of voluntary unemployment, stacked by one-third of the labor force, after each two years of employment. All employees dismissed already receive with their notification the new employment contract, beginning exactly one year after their dismissal. Also, all retirement and other benefits remain untouched. In addition, they receive a cash payment (US\$ 1,725), and they may, and even are encouraged, try out new jobs or go through some training during that year. Those who do find a new position, which would of course be helpful for the system, receive eight gross monthly salaries as severance pay.

The “sabbatical” gives to the employees the possibility to go through longer health treatments, take care of family members, etc. But the key benefit is that it mentally avoids the effect of (long-term) unemployment and all its negative consequences on the part of the women (as all of them were) involved. (See Genthe and Hornauer 1998: 223) And the seeking of new jobs can be done from a socially secure position. For the employer, the advantages are that the reservoir of qualified personnel is maintained, and that there will be no change in the average age of employees. The latter is a key point for kindergardens, as German social and labor laws would have forced the city to first dismiss younger employees, which means that the remaining ones would have been quite old (in 2000, none of them would have been below 50), which is not necessarily desirable both for the kindergarden children and for the kindergardens in light of the sustainability of qualified personnel.

The beauty of the Coswig system, mathematically modelled and tested by Kroemer himself, was that it was Pareto-optimal *under the threat of long-term unemployment*: all employees were assured of employment, benefits, and retirement benefits, and actually a higher income and pension than there would have been had one just used part-time employment. In fact, during a decade of work, it results in about US\$ 37,500 more. For the city, the high severance pay would not have to be spent (the 8-times gross monthly salary was still much lower). For the German Federal Labor Institution, the BA (*Bundesanstalt für Arbeit*), the fact that the unemployed had the



right to high benefits anyway, as well as to retraining measures that are, statistically, very often ineffective, led to the result that there were actual savings as well, so that the overall savings of the program amounted to well over US\$ 1 million. As regards Germany as a country, the education costs for new teachers which would have been needed later to replace the dismissed one would have amounted to another US\$ 650,000 from various other sources.

There were of course Coswig specifics, such as that the employees older than 50 voluntarily gave up their positions, which according to social law, they did not have to, and general strong social cohesiveness, which is not unknown in Eastern Germany (in Brandenburg, teachers agreed to a 20% salary cut to avoid dismissals; Schikora 2002: 109 N 370). For these women, it was not an optimal move, as long as they could have counted on not ever being dismissed – which might however not be the case –, and as long as they did not actually prefer lower but stable pay with more free time over the old arrangement. But while commentators usually see this as a limiting factor for transferability, it is not one in systems with less rigid legal and social structures than Germany. The model is in principle absolutely applicable, and still works very well, even for those concerned, even if they do not agree, though it assumes a working social safety net of some sort. One should note that every employee who wants to leave may do so with severance compensation; every employee who wants to check out a new job during the sabbatical year may do so and may then leave as well, likewise with compensation.

In the end, the model never became a reality, because it was shot down by the BA, which, as even many of its supporters have admitted, is one of the worst bureaucracies in Germany, mainly self-perpetuating and not genuinely interested in the mitigation of unemployment. The BA saw an illegal act in the Coswig Model and sued the city through several instances, although the model had been cleared with them. In no instance were the mathematical calculations, and thus the Pareto-optimality, challenged, let alone disproven; they were actually affirmed. The penultimate scandal was a letter by the BA's President at the time, Bernhard Jagoda (who had to leave his position some time later, mainly because of the glaring inefficiency and ineffectiveness of the agency), in which Deputy Mayor Kroemer was informed that, regarding the respective German law, the *Arbeitsförderungsgesetz* (AFG), as interpreted by the BA: "A kind of cost-benefit

analysis is alien to this law. Any maneuvering space for ‘unconventional acting’ does not exist.” (Cited in Karsten and Mückenberger 1996: 336)<sup>23</sup>

Still, the Coswig Model is highly applicable to wherever a reduction of the labor force in a specific area is required, but where all employees are basically regarded as qualified, where there is still the same, but less of a job to do, and where there is high unemployment in the respective sector. Naturally, it assumes that a respective social safety system is in place, and that advance calculations show that money is actually being saved. But in such a case, by mandatory sabbatical years, carefully stacked,

1. long-term unemployment with all its consequences is avoided;
2. human resources are maintained both present and future; and
3. money can be saved all around, making this a Pareto-optimal measure.

## **5. Method: Lesson-Drawing**

### **5.1. The Method**

Before we now look at what from these cases, systems, and theoretical deliberations can be specifically useful for LAC, the method for identifying the usefulness, and for the transfer, must be identified. This is not easy; as Tiina Randma has said, “Public administrators should first of all

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<sup>23</sup> The greatest scandal in this nightmare story was that the BA pressed criminal charges against Deputy Mayor Kroemer, and it is quite difficult not to interpret this as a blatant act of chicanery. (See Genthe and Hornauer 1998: 254 and N 726) In 1996, for a merely technical error in the process of this system, Kroemer was convicted – not before a court, but by the prosecutor’s office in Dresden – of fraud (then reduced to fraud in someone else’s interest) and sentenced to a fine of US\$ 17,250, then reduced to 14,500, which for an East German public employee and father of five was so much that he had to take out a bank loan. When the sentence became known, Kroemer received, however, more than US\$ 13,000 in private donations from many citizens and politicians to pay it back. He was popularly reelected as well, but in 2003 failed to win renomination by his own party in a move that leaves an extremely sour taste. Bernhard Kroemer, one of the outstanding innovators in German PA, is currently unemployed.

know how complicated any reforms are and how difficult it is to adapt other countries' experience" (Randma 1998: 20); and "Creative solutions are usually highly country-specific." (Rinne 2000)

So, a methodological approach should be chosen that it is appropriate to the subject matter at hand – if one starts with a tool, then the saying very quickly becomes true that if one has only a hammer, very quickly all problems will be looking like nails –, and it should guarantee maximal attention to circumstances and specificity. The options one therefore has are actually interrelated and only a matter of emphasis, but this emphasis might be important. *Prima facie*, they are benchmarking, best practice, lesson- drawing, and policy transfer. Benchmarking and best practice are directly related, lesson-drawing and policy transfer as well.

Benchmarking, according to the convenient International Public Management Association for Human Resources, is the "comparison of similar processes across public and private organization to identify best practices to improve organizational performance. The characteristics and attributes of benchmarking include measuring performance, systematically identifying best practices, learning from leading organizations, and adapting best practices as appropriate." (<http://www.ipma-hr.org/index.cfm?navid=128>) As regards the latter, although nicely advocated for the corporate side by Wilkins (2003), it is actually not better to refer to "good practices" (see also IDB-Bonifacio and Falivene 2002: 25), because "best" is actually more modest than "good", since best is a relative and good an absolute concept; the best is the enemy of the good and not the other way round.

Even so, methodologically, it is not without problems to single out and judge (or even award) best practices, as this always implies judgments that are ideologically based and usually go back to NPM precepts that might be less than helpful. (Cf. Löffler 1996 for a survey of such awards) "Simply labeling some type of reform as 'best practice' may make an innovation desirable for administrators, politicians, or both" (Peters 2001: 163) – even, implicitly, if it is not. In addition, the virtue of case-centeredness for which benchmarking and best practice were to a large extent developed is specifically under the current circumstances quite unproductive, since the CEE cases presented above are potentially interesting if their context is seen alongside with them; this also

includes, in the case of the redeployment tools, their scale.<sup>24</sup> In other words, benchmarking and best practice does not sufficiently allow for specificity and circumstances, and it carries a slight ideological burden as well, although the German cases may be actually said to constitute best practices.

These pitfalls can be to some extent avoided, and an – in result but not in theory – more sophisticated approach employed, if we use the less case-focused methodology of lesson-drawing, which only differs in emphasis from the concept of policy transfer (policy convergence and policy diffusion are similar concepts as well). Lesson-drawing, however, pioneered by Richard Rose (1993 is still the classic), is more practical and tool-oriented than the policy transfer approach, which is primarily one of British theoretical political science<sup>25</sup> and thus less important in our context, although it yields some helpful elements as well.<sup>26</sup> “Lesson-drawing is practical; it is concerned with making policy prescriptions that can be put into effect.” (Rose 1993: ix)

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<sup>24</sup> It may perhaps be even argued that this is why the fashion for best practices, although strongly promoted in CEE, has already subsided. Hungary even had a center for best practice research and diffusion (see Gáspár 2000); by now it has folded. The former director, Mátyás Gáspár, tells that “there weren’t any attractive, even noticeable developments in the best practice activity in the Hungarian public service field.” (Personal communication, 1 July 2003) A survey (Gáspár 2000) and a check in 2003 of the results and links shows that there is very little in this field in CEE in general, and that this tool, though widely promoted e.g. by LGI/OSI, the very important regional Soros organization funding such efforts, is really not coordinated or not used in a general sense.

<sup>25</sup> See Dolowitz and Marsh 2000; a useful matrix of their approach at 9; the theory-heavy mega-view already in Evans and Davies 1999; criticism for too little theory in the policy transfer approach in James and Lodge 2003; on the difference between lesson-drawing and policy transfer, 183; Page 2000: 2.

<sup>26</sup> While lesson-drawing obviously does make sense, and while it becomes more and more fashionable especially against the background of globalization (Dolowitz and Marsh 2000: 5-7; see Ladi 2001 for the theoretical link), there is again a normative and a coercive element here that must not be ignored. And Dolowitz and March have pointed out that lesson-drawing exercises coming from international organizations such as OECD, IMF, and UN are indicative of primarily coercive transfer. (2000: 11) As for our context, Peters has stated that “with international donor organizations and consulting firms responsible for the ideas being spread and adopted”, we have a “style of policy transfer ... more characteristic of the less developed countries and transitional regimes, which must trade compliance with what has become to be known as ‘good governance’ for loans and grants.” (Peters 2001: 163) Thus, the fact that Dolowitz and March have combined the question of perfect and bounded rationality as degrees of lesson-drawing and

An advantage of lesson-drawing and policy transfer for our context is, paradoxically, that “despite the jargon of some of the approaches to the study of policy transfer, it is generally fairly unsophisticated. This is not intended as a criticism; merely to say that descriptions of who, what, how, where and why policies were transferred do not generally require a previous intellectual investment in a set of complex concepts or a voluminous theoretical literature, but can be explained and grasped using commonsense terms and categories.” (Page 2000: 12)

The key advantage of lesson-drawing (and policy transfer) over benchmarking and best practice is that it is process-oriented; attention is paid to the process of transfer rather than only on the allegedly best practice somewhere else. This includes, realistically, the possibility of failure, and by doing so, it sharpens one’s attention to the original case’s limitations in transfer already when looked at. “Borrowing a program that is effective elsewhere is no guarantee of success.” (Rose 1993: ix) For the case of policy failure, Dolowitz and Marsh differentiate between uninformed, incomplete, and inappropriate transfer. (2000: 17)

Important for us is the list Rose draws up for the contingencies of lesson-drawing. He presents seven hypotheses (1993: 118-142): A program is the more fungible if there are

1. the fewer the elements of uniqueness
2. the more substitutable the institutions of program delivery
3. the greater the equivalence of resources between governments
4. the simpler the cause-and-effect structure of a program
5. the smaller the scale of change resulting from the adoption of a program
6. the greater the interdependence between programs undertaken in different jurisdictions
7. the greater the congruity between the values of policy-makers and a program’s values

Rose cautions that, as regards the circumstances, money, geographical, and ideological propinquity matter as regards the possibility of successful lesson-drawing. (1993: 96-97) In sum, the

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that of coercive and voluntary transfer into one very helpful continuum (2000: 13; a criticism just of that in James and Lodge 2003: 184-185, 190), comes in very handy.

more similar the ‘circumstances’ of a program are – from finances to ideology –, and the more modest the program is, the higher the possibility of successful transfer. Once again, these are to a large extent typical PA advice truisms (see Pollitt and Bouckaert 2000: 187), but as a concept, this is an approach that is the most helpful one in our context.

## **5.2. Lesson-Drawing from Central and Eastern Europe to Latin America and the Caribbean**

How possible is it, then, to draw lessons from CEE to LAC? Of Rose’s categories that are environment, rather than project, specific, while geography is very dissimilar indeed, resources and ideology are not necessarily different to begin with. In these areas, as well as regarding other features, it depends on the individual countries compared, but the region as such more or less overlaps. In Appendix II (70 below), Transparency International’s most recent Corruption Perception Index is given, locating the case study and other CEE countries together with some LAC and OECD ones. Since this is based on (expressed) perception, it is fairly easy to do and fairly reliable in its limited way. For our context, this simple table shows where, in this area of key importance for PA, LAC and CEE are similar. Both regions supply entries for almost the entire spectrum, excepting the top, but the leading LAC and CEE countries (to which the case study countries selected here belong) are on a level with the weaker OECD ones. This is one indicator that lesson-drawing in PA from CEE to LAC is probably possible.

However, what describes CEE is on the one hand the transition experience and on the other the EU trajectory. The latter especially has by now become the key feature for PA reform and CS improvement, and, as Nunberg observes, this “carrot” cannot be offered to other transitional or developing countries, including of course LAC. (1997) All EU-influenced programs would therefore not be easy to transfer. But in some sense, the characteristic of the transition experience, embedded to a large extent in the problem of a lacking State concept, makes certain policy transfers even more logical: “the post-democratic, de-statist transitions in Latin America and elsewhere, in addition to the daunting government-building requirements of newly emergent or postconflict states, also call for more fundamental and comprehensive governmental restructuring before a quality CS

can be plausibly developed.” (Nunberg 1997) Regarding this feature, however, the post-Communist legacy and all that it directly and indirectly implies, including the alleged complete rejection of the immediate past and its traditions, is only applicable to some of the LAC countries (it might become directly applicable to one of them very soon, though). All the more reason for the concept of lesson-drawing to be the right one for CEE-LAC policy transfer, because it cautions one regarding possible problems, but it makes the identification of possible lessons, which doubtless exists, easier.

## **6. Lessons and Recommendations**

### **6.1. Specific Lessons for Downsizing**

Before this background, the lessons from the individual case studies for LAC can be summarized as follows, keeping in mind the different circumstances, the overwhelming difficulties with generalizations and applications of such cases, and the requirement that downsizing actually has to be appropriate:

1. The Hungarian TARTINFO is in general a good idea, and it technically works: To avoid superfluous training and the waste of human resources, profiles of dismissed yet qualified civil servants are kept in a database together with open CS positions, which allows matching. A lesson of the Hungarian case is that such a system will not work well if it is not mandatory; however, in a decentralized system, to make this mandatory would defy the principle.
2. Although the Estonian Police case was an unmitigated disaster and the move of the Ministry of Education a mixed blessing as far as downsizing is concerned, in both cases, an adequate-seeming, short-term model of outplacement-like redeployment programs was used. A private firm was contracted that provided both group and individual sessions, the latter ones for a longer time-period than the former. Partially, these programs also provided job-search infrastructure; partially, qualified members of the agency involved staffed them. In

- the Police case, the fate of the law change that was designed to provide the dismissed officers with better employment chances clearly delivers the lesson that such measures should be in place before the actual firing.
3. In the end, the Hungarian and especially the Estonian cases – as the lack of any follow-up to check the success indicates – show a lack of interest in the actual redeployment, indeed fate, of those who finally are ‘falling through the system’. The main reason for establishing the redeployment program seems to be wishing to *appear* to care and to do something, both to the public and to the people dismissed. To a considerable extent, this also seems to have worked. However, the fact that it actually was possible to find out that the final success rate of the programs was not possible to ascertain is actually indicative of the ‘advancedness’ of Hungary and Estonia, since in most CEE countries, one would not even come close to finding out. This also makes a very strong benchmarking point: No redeployment program should be implemented with a serious and fixed requirement to do a substantial follow-up study that in detail traces the actual success of the program in the form of a description of the actual fate of those who went through it.
  4. The German concept of political ‘cleansing’ of the CS by way of a two-level approach where a formal evaluation was followed up by an investigation into personal matters may be costly and long. However, it presents even a best practice for similar procedures, because the inevitably negative consequences of any such ‘cleansing’ are reduced by attention to the individual and thus negative effects for society mitigated. Countries that use this model should however be aware that such an approach is not only expensive but also requires a very self-assured, widely supported government.
  5. The Coswig Model to reduce long-term unemployment through layered mandatory sabbaticals is highly applicable to LAC if a reduction of the labor force in a specific area is required, but where all employees are basically regarded as qualified; where there is still the same, but less of a, job to do; and where there is high unemployment in the respective sector. It does require a working and trusted social safety system, however. Where functioning, the Coswig Model does redistribute existing work at no additional cost to society,



employer side, or to the individuals in such a way that human resources are maintained both present and future. Therefore, this is potentially a Pareto-optimal measure, but the financing calculations for it have to be done very carefully in advance.

## **6.2. General Lessons for Downsizing**

But the main lesson for LAC from CEE regarding downsizing is indeed that in every case, one should ask the question of whether what is intended is not merely the implementation of NPM, particularly unsuitable for transitional and developing countries alike, because both share problems in the State area and indeed the need for PA reforms very different from those of the ‘Western’ countries for which NPM was developed.

It is not by accident that Guy Peters and Klaus König, as many would say the most eminent PA scholars of our time in the United States and Germany respectively, come to the same conclusion on PA reforms in transition and development countries. As Peters puts it,

Most governments in the world face pressures, either psychological or more tangible, to adopt the modern canon of administration in the form of NPM. For [CEE and Latin America], those pressures are likely to do more harm than good. Despite the appeal of ideas such as deregulation and flexibility, governments attempting to build both effective administration and democracy might require much greater emphasis on formality, rules, and strong ethical standards. The values of efficiency and effectiveness are important but in the short run not so crucial as creating probity and responsibility. Once a so-called Weberian administrative system is institutionalized, then it may make sense how to consider how best to move from that system towards a more “modern” system of PA. (2001: 176; see also 164)

König says that a lesson from East Germany for the other CEE countries is to have the creation of a classic continental PA system first, which answers the specific problems of deligitimization and other characteristic problems (2001b: 195-199):

The application of contract management in CEE makes it very difficult to build up a modern functional system of PA which contains basic qualities and ethical standards according to the Western model; negotiating and executing the contracts leads to high transaction costs... (197) Only when a well-educated public service with the basic values of administrative ethics is in place and if a system of clear responsibilities prevails, so that measures for good public performance can be defined and its costs are transparent, only then are the prerequisites created for the decision into which direction a reform process should go. ... It may be more important, depending on the local situation, to create legal certainty via a fixed order of responsibility, rather than to tap reserves of rationalization through simulated competition. (198)

Thus, again, one may still argue about the effectiveness and efficiency of NPM at all, or at least for specific areas of PA. But even if one would decide in favor of NPM generally, then it still is the wrong paradigm for CEE PA. The requirements there, due to transition and development features and the legacy of the past, are much better fulfilled by classical, ‘Weberian’ PA – with the possible exception of Small States, which might have to find their own appropriate system.

For the LAC countries, then, the question is for the general PA whether trust and civic involvement are seen as more important than apparent business efficiency or not. And “It would probably not be overstating the case to argue that elites, perceived as legitimate, professionally experienced, or both, are a necessary, although not sufficient, condition of growing trust in institutions.” (Derlien 1999: 229) But once we say that trust and involvement are more important, then we can also say, empirically validated by IDB studies, that at least the merit-based CS systems work much better, *also in achieving economic growth*. (IDB-Payne and Carlson 2002: 38-39) The RPD paper on the issue reminds us that the “basic principles of the CS in the constitutional State, merit and equality, are set forth in Article 26 of the Declaration of the Rights of Man and of the Citizen.” (IDB-Echebarría 2001: 2) And it makes sense all around, as merit fosters democracy and legitimacy as well. (Cf. also IDB-Bonifacio and Falivene 2002: 26)

Yet, once one agrees with that, and argues for, ‘merit with flexibility’, it is vital that one should notice that this is not a combination of classical PA and NPM, but rather a basically ‘Weberian’ system into which those NPM features have been integrated that do work in general, have been assessed to likely work in the specific circumstances, and are not alien to the ‘Weberian’ system

as a system.<sup>27</sup> Keeping this in mind, after the first-generation PA reform wave in LAC of the 1960s and 1970s and the second-generation NPM reforms since the 1980s (see IDB-Oszlak 2001: 43-46 for a sympathetic treatment), the lesson LAC could draw from CEE is that any current solid attempts at reform, certainly including those based on the IDB principles, should constitute third-generation reforms (synergetic post-post-NPM).<sup>28</sup>

### **6.3. Latin America and the Caribbean and Central and Eastern Europe**

It has been stated in a RPD study that

Life in Latin America continues to have many precarious, limiting, uncertain and frustrating aspects. A lack of safety in the streets, continuous violations of the right of individuals, and absence of justice and legal certainty, deficient education and health services, rampant pollution, insufficient infrastructure and regulatory entities which do not regulate, continue to characterize the daily functioning of many countries in the region. The limited offer of these and other public assets has been reflected in high costs for the overall quality of life for everyone, not just in the poorest sectors. (IDB-Heredia 2002: 36)

The similarities to CEE, especially if widely understood, and particularly if one pushes it towards the East, have it include CIS, and thus encompass the entire ‘Second World’, are rather obvious. However, the question poses itself why there is not more cooperation between the two regions. As a matter of fact, the current study is one of the very rare instances in which the two are linked. Not only regarding comparable experiences and possibilities of lesson-drawing, but also regarding the interaction with the OECD countries and IFI’s, where ‘Second World’ countries have paid dearly

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<sup>27</sup> Cf. Nunberg 1999: 265; this is also the problem with suggesting to CEE (or generally) a “‘problem-solving’, even pragmatic approach.” (Verheijen 1998: 416)

<sup>28</sup> Arguably, the actual implementation and realization of the Bresser Pereira reforms in Brazil, which originally were NPM-style reforms, are already part of this, and hence the success as far as it goes (and as far as it still exists); see IDB-Gaetani and Heredia 2002.

indeed (see only Reinert 2000 as a case study), both regions would however profit from greater communication and indeed cooperation. Why, then, has this cooperation been so rare?

The answer is partially lack of information, but for living in separate *Lebenswelten*, there are reasons as well. Personally, I would venture to guess, after looking for many years at both regions and trying to think about synergies, that there is a kind of superiority feeling on the side of the CEE countries (which cast themselves in European roles), and the image of a zero-sum game as regards aid from the OECD side on the side of LAC. CEE and CIS experts hardly ever speak Spanish, let alone Portuguese. LAC experts are usually only familiar with the ‘Second World’ if they have a Communist/Socialist background, and the others simply do not ‘like’ the region, which notoriously lacks in features that attracted them to LAC. And it is true that the CEE countries as defined here (acceding and accession countries to the EU, plus Eastern Germany) are more dissimilar to LAC than the other countries in the region and in CIS.

In that sense, it is particularly regrettable that the present study showed a paucity of concrete cases that would have underlined the lesson-drawing potential between LAC and CEE. However, the general very important lessons regarding the attitudes towards the State, PA, and the CS are even more important than any simple cases might have been. And in any case, the IDB is to be highly commended for commissioning such a study, just to tap the resources of the CEE experience and practice for LAC, and it is to be hoped that further, more general and perhaps more exploratory projects in the same vein can follow.

## 7. Appendix I: Civil Servants in Central and Eastern Europe, 1993-2001

Country		1993	1994	1995	1996	1997	1998	1999	2000	2001
Hungary	Pop.	10130	10290	10206	10193	10152	10114	10068	10043	10198
	General	108	105	102	102	106	103	108	112	100
Estonia	Pop.					1454	1454	1446	1371	1367
	General					20	19	20	20	20
East Ger.	Pop.	17818	17739	17675	17619	17557	17465			
	General	1253	1187	1139	1101	1052	1022			
Bulgaria	Pop.		8456	8411	8356	8312	8257			
	Cent+Loc		75	76	77	79	77			
Czech Rep.	Pop.		10333	10321	10315	10309				
	Cent+Loc		122	133	143	160				
Latvia	Pop.			2511	2502	2480				
	Central			52	56	59				
Romania	Pop.		22731	22681	22608	22546				
	General		125	131	125	130				
Slovakia	Pop.				5374	5383				
	Cent+Loc				105	108				
Slovenia	Pop.			1990	1959	1986	1982			
	Cent+Loc			28	29	31	32			
		1993	1994	1995	1996	1997	1998	1999	2000	2001

Numbers in 1000; rounded to 1000. Public Employment statistics: SIGMA 1999 (Bulgaria, Czech Rep., Slovakia, and Slovenia = Central + Local) except Hungary from the Hungarian Statistical Office, Ministry of Interior, and Ministry of Labor (1998 and 1999 official personal communication by the Director of the Office of Public Service and Public Administration, correspondence with Ferenc Dudás); Estonia from the Riigikantselei; Germany from Bundesministerium des Innern 2002: 31. Population statistics: University of Utrecht's population statistics site (<http://www.library.uu.nl/wesp/populstat/populhome.html>) supplemented by the missing figures for East Germany from the Statistisches Bundesamt, for which Berlin has been counted in. Figures only for those years for which reliable population *and* CS figures were available.

## 8. Appendix II: Corruption Perception in OECD, LAC, and CEE

Transparency International's most recent Corruption Perception Index

([http://www.transparency.org/pressreleases\\_archive/2002/2002.08.28.cpi.en.html](http://www.transparency.org/pressreleases_archive/2002/2002.08.28.cpi.en.html)), listing for orientation some OECD (■), LAC (●), and CEE countries (○), including the present **case studies**:

1	■	Finland
16	■	USA
18	■	<b>Germany</b>
27	○	Slovenia
29	○	<b>Estonia</b>
31	■	Italy
32	●	Uruguay
33	○	<b>Hungary</b>
	●	Trinidad & Tobago
36	○	Lithuania
40	●	Costa Rica
44	■	Greece
45	●	Brazil
	○	Bulgaria
	●	Jamaica
	●	Peru
	○	Poland
51	○	Croatia
52	○	Czech Republic
	○	Latvia
	○	Slovak Republic
57	●	Colombia
	●	Mexico
70	●	Argentina
71	○	Russia
77	○	Romania
81	●	Venezuela
98	●	Paraguay

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## **2. Interviews**

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- Sándor Kiss, President of the Trade Union of Civil and Public Servants, Hungary, 22 July 2003.
- Lászlóné Kovács, Senior Advisor at the Office of Public Service and Public Administration, Hungary, 16 July 2003.
- Bernhard Kroemer, former Deputy Mayor of Coswig, Eastern Germany, 1 August 2003 (and subsequent correspondence, 2 August, 12 September, and 18 October 2003).
- Mária Nagy, Administrator at the Ministry of Environment and Water Management, Hungary, 19 July 2003.
- Kaido Paabusk, Director, ATAC – the Estonian Center for Public Service Training and Development, Tallinn, Estonia, 1 July 2003.
- Éva Perger, Director of the Hungarian Institute of Public Management, Hungary, 18 July 2003.
- Magda Szabó, Administrator at the Office of Public Service and Public Administration, Hungary, 16 July 2003.
- Ferenc Várnai, Secretary General of the Federation of Public Service Trade Unions, Hungary, 23 July 2003.

## **3. Personal Communications**

- Ferenc Dudás, Director, Office of Public Service and Public Administration, Ministry of the Interior, Hungary, 22 September 2003.
- Mátyás Gáspár, former Director of the Hungarian Best Practices Center, Hungary, 1 July 2003.
- Knut Klais, Ministry of Internal Affairs, Internal Security Policy Department, Estonia, 15 July 2003.
- Leelo Muru, Ministry of Education and Research, Head of Department of Personnel, Estonia, 4 August 2004.
- Inga Põldma, Ministry of Foreign Affairs, Department of Press and Information, Estonia, 14 July 2003.
- Kristel Seema, MPS Mainor AS, Head of the Information and Counseling Center for the Police dismissals during the project, Estonia, 16 September 2003.
- Anu Ulp, Ministry of Education and Research, Advisor in the Administrative Field, Head of the Personnel Work Group during the Ministry's Tartu project, Estonia, 29 August and 8 September 2003.
- Inna Velbaum, Estonian Police Board, Department of Personnel, Estonia, 12 August and 16 September 2003.

## **E Acknowledgments**

The case studies for Estonia and Hungary were prepared by Laura Kirss (University of Tartu, Estonia) and Árpád Rózsás and his team (BUESPA, Hungary), respectively; Tarmo Kalvet (PRAXIS Center for Policy Studies, Estonia) very kindly calculated and designed the graphics. I thank them, the interviewees and correspondents – particularly Bernhard Kroemer –, Attila Ágh (BUESPA), and, for their help in preparing and editing this paper, Tiina Randma-Liiv (University of Tartu), Eugenie Samier (Simon Fraser University, Canada), the IDB internal reviewers, and especially Rainer Kattel (Tallinn Technical University).

## **F The Author**

Wolfgang Drechsler is Professor and Chair of Public Administration and Government at the University of Tartu, Estonia. BA Bridgewater College, MA University of Virginia, PhD University of Marburg, Diploma German Post-Graduate School of Public Administration Speyer. Professor Drechsler previously taught at the Universities of Marburg, Gießen, and Frankfurt/Main, all Germany, and as Visiting Professor in Lund, Sweden. He has served as Advisor to the President of Estonia for Administrative Organization, as Executive Secretary with the German *Wissenschaftsrat* during German Reunification, and as Senior Legislative Analyst in the United States Congress (with the old House Administration Committee). He is Vice Chairman of PRAXIS, Estonia's pre-eminent public policy think-tank; he also directs and co-directs several large-scale research projects. In consultancy and advice, Professor Drechsler's main fields are, next to administrative reform and organization, industrial policy and innovation; one of his main interests is the synergy between 'Second World' and 'Third World' experiences, projects, and development. Professor Drechsler received the 1997 Estonian National Science Award, Social Science category; the 2001 Alena Brunovská Award for Teaching Excellence in Public Administration, awarded by NISPAcee for all Central and Eastern Europe; in the same year, the Estonian Ministry of Education's *Tänukirj* (letter of gratitude) for the development of Public Administration in Estonia; and, in 2002, an Outstanding Alumnus Award from Bridgewater College.