

# Public sector reforms in the EU – Plaidoyer for reinforced value debates

Helfried Bauer

Because of the more or less depressed economic situation in several European countries different structural reforms are asked by supranational institutions like the European parliament, by the European Commission, the OECD as well as by national politicians. After a short look backward to past strategic decisions on the role of the public sector I will argue that coherent structural reforms depend widely on the role and the mandates of the public sector. For this value debates are essential to reorient policy making.

## **1. From demand oriented policy making towards supply-side strategies**

Looking back one may discern from the 1950es till the 1960es economic policies in different European countries being coined not only by reconstruction, but also by an economic revival - partly enhanced by the USA - directed at balanced growth, at generating savings to finance investment and towards a kind of social equilibrium. National economic policies in Austria and elsewhere have been in line with prior democratic and social values, legitimation of policy makers was not much contested as economic growth helped to stabilize the political system. A clear expansion of the welfare state, favoured by political consensus of socialdemocrats and conservative political parties was one of the consequences.

Beginning in the early 1980es a sharp change of economic policies took place first in the USA and UK before spreading over most of Western Europe. A new paradigm, an upheaval of goals and instruments, as well as a change in the public opinion has been introduced by President Reagan and by Primeminister Thatcher. They gave broad room to a supplyside-oriented economic policy following Friedrich Hayek and Milton Friedman. Emphasizing better conditions for economic growth and for improved productivity is the asserted goal of this policy. Deregulation and privatisation of state-owned companies, tax concessions for the rich and and - to cite just another aspect - the introduction of more flexibility to labour markets became essential strategies. Step by step the vision of social balance through the welfare state was replaced by the paradigm of a "lean" state driven by values such as autonomy, competition, less regulation, search for individual benefits. The state has to reduce ambitious social goals such as full employment or adequate social benefits and to withdraw at least partly from certain policy fields like preservation of health, effective land planning, public transport etc. because markets can regulate these concerns better than bureaucrats - markets are thus superior for the provision of some kinds of public goods and services.

The core states in the growing European Union of the 1980es and 1990es – a majority under conservative chancellors – and the European Commission (EC) itself adopted more or less these policies as well as the so-called Washington consensus – originally destined for Latinamerican countries. This credo was to be followed as well after the break down of the Soviet Union. The EU Commission and prominent European leaders prescribed or recommended to the *transformation states in Central and Eastern Europe* an opening up to the market forces and asked for application of supply- side oriented economic policies and the closing down of public utilities and state enterprises which were not fully competitive. Mass medias helped disseminate these recommendations and political positions by a kind of

brainwashing which changed the valuesystem of part of the political elites and of the electorate.

## **2. Growth to escape from crisis?**

I think it is not necessary to describe in detail what happened the last six years following the collapse of Lehman Brothers in Sept. 2008. The big crisis at the international financial markets swept into different other business sectors, led to a deep recession in southern european countries and finally resulted in economic turbulences all over Europe. But we do not have only an economic but also a *political crisis in the EU*, a crisis of credibility and of coherent policy making. Think of the new Europe 2020-Strategy which postulates "smart, sustainable and integrative growth". This vision sounded good and gave hopes for better balanced policy goals than before meanwhile implementation strategies remained mostly unchanged. They are based again on the well-known formulas confirming the supremacy of market mechanisms and on limitations for the public sector – by guidelines and measures in 2010 and 2011 the essence of EU policies have been directed at reducing state net deficits and rapid consolidation of national debts (this is the essence of the *new "economic governance" within the EU*). In contrast massive growth of unemployment in several countries seemed to be tolerable, no ambition was shown to concentrate on the social dimension of the EU equally.

In my opinion we can therefore speak ultimately of a *systemic crisis* concerning predominantly the part of the state in economy and society. Economists, sociologists and other experts as well as politicians put forward divergent opinions on the right strategies, we try to track the different reforms proposed by political parties, by social interest groups, by national and subnational governments in the EU with *growing uncertainties about the outcome*. Obviously there is *only one certitude*, i.e the future of the state in national and international policy-making is at stake. Without setting general regulations and conditions for private enterprise by national and supranational public institutions economic stability and progress will be impossible. The society also will not come along without adequate public goods and infrastructure, without different social services like education. This sounds to be pure propaganda, but it is built on sound arguments raised by economists like *Joseph Stiglitz, Paul Krugman, Thomas Piketty* and here in Austria by *Kurt Rothschild, Werner Steindl and Egon Matzner*. Furthermore the social state of today represents such an importance that it seems neither desirable nor realistic to get along with a significantly reduced state sector. At the other side it is not probable to expand the state to a share of perhaps 60 % of GDP or above. There is only one realistic option: to *modernise the state, revising mandates and procedures of policy making and management*. This is not achieved by applying ideological positions or by adopting new instruments but by thoroughly adapting the state and economic policy better to the needs of the population and the various groups and businesses, but also to foster innovation and cooperation between all actors.

## **3. Implementing Good Governance at all state levels**

Mature theories of management and governance for both the private sector and the state with its different public organizations have been developed by social sciences and proved already many times. Even if not all is yet done, helpful insights as well as innovative concepts and strategies are prepared for discussion and implementation.

Some *innovations and strategies of Good Governance* (cf. Bauer/Dearing 2013) useful for the pending public sector reform can be listed here:

- As a consequence of the crisis we now understand that the state is first of all responsible for *regulation and control of social and economic development*, i.e. it should manage basically all kinds of defined public sector outcomes and impacts to individuals. At the same time the state must not longer produce all the necessary outputs, all public goods itself. It has rather the responsibility for detecting problems and failures, for developing strategic visions and goals, for coherent planning and implementation,. We call this today: the state is accountable for *performance management*.
- *Shaping performance* is a matter of improved evidence-based decision making and of strategic agility, of transparency, participation of stakeholders and of innovation. These are essential elements of a *performance regime* at all levels of public activities (central state, local governments, public utilities) which is to be operative. For doing this the state is accountable for *conceiving and implementing an adequate performance model*, this means to decide on the dimensions of performance and their precise contents. Some public sector organizations already are using the Common Assessment model of the European Commission (CAF). An important new part of the performance model concerns the field of public planning and budgeting, namely developing outcome and impact goals and to link these goals to given or future resources that means performance budgeting.

#### **4. Linking the issue of values to public sector reform**

For this holistic performance management public discussions on values, innovation and flexible goals are essential, as „issues of of performance can not be divorced from values“ (Talbot 2011). This means that public mandates and procedures of implementation should be linked to values and to compromises in case of competing values.<sup>2</sup> Values represent a desirable status or conditions for living together in communities in a reasonable and secure way. They are based on knowledge, on attitudes, on experience and learning, therefore in case of new trends and changing conditions they should undergo discussion processes, leading if necessary to adaptations. The values are mainly defined in general terms, but may constitute however some background or basic elements for laws, for quality standards and other decisions on public output and outcomes. Democratic electoral laws are e.g. based on the value of equality, efforts for enlarged citizen participation are rooted as well in this value.

Public values represent only a subset of general values like human rights. Public values provide „normative consensus about rights, benefits, prerogatives to which citizens should be entitled, but also the obligations of citizens to the society, the state and the principles on which policies should be based“ (Bozeman 2007,p. 132); they are useful for individuals, for groups, for people in public sector organizations, for members of parliaments and so on, as well as for whole societies.

An overview on public values may be facilitated by a classification into some categories, theoretical models offering some help for this task. Following Bozeman and Talbot, we may distinguish the four categories in fig. 1. Under the headline in each box some single public values are listed. The enumeration is not exhaustive. Organizing the different values under these categories allows however further considerations. First, it can be discussed if the

---

<sup>2</sup> Talbot, Colin (2011, p. 215): „The evolution of the modern democratic state has – to some degree at least – been built and shaped by and sought to accomodate the competing public values of individuals, groups, and societies“.

single values have the same weight or importance; it may also be examined if a single value perhaps is ambivalent, if there are different facets leading to positive or negative considerations.

Fig. 1: Competing / complementary public values

<p><b>SOLIDARITY</b>          Redistribution (taxes, benefits, services),          coproduction,          social cohesion,          voluntary work for the collective</p>	<p><b>EQUALITY and EQUITY</b>          Fairness - equal treatment in equal circumstances,          consultation,          participation, co-evaluation standards,          entitlements</p>
<p><b>AUTONOMY</b>          choice,          competition,          citizen orientation in services,          personal benefit for individuals, groups</p>	<p><b>AUTHORITY</b>          Desire for order and stability,          reliability,          efficiency in delivering services,          enforcement of law and norms</p>

Sources: Talbot (2011), Bozeman (2007)

Further analysis may be directed at discerning different relations between the categories of values. One category might be in conflict to another, or there can be complementary relationships between two values. One example for competing public values exists always between *solidarity* and *autonomy*, another conflict may exist between *freedom for persons* (maximising individual benefits) and the *desire for law and order*. It might be clear to most of us that one person seeking freedom in his choice of, say outdoor physical activities may cause discomfort to other humans looking for tranquility. Therefore considerations would be helpful for public managers about what will be tolerable for a majority (or necessary for a minority) in a given public parkway or a leisure area, or for a specific age group etc. and what pattern of behaviour would be undesirable. Some similar trade-offs may appear between persons who need solidarity and help when they lose their job and other persons who want more autonomy for making profits. These conflicts should be made transparent and widely discussed as they give rise to compromises which will be important for political decision making. In the same way complementary values should be analysed: e.g. public health policies try to get more health literacy (linked to the value of autonomy) especially by those people that may become part of high risk groups (in need of solidarity and support). Health officers are therefore busy to create and support user groups for voluntary assistance to strengthen prevention for chronic diseases like diabetes. Competing values or other kinds of relationships will ultimately produce tension, drive, potential reflections. In some cases pressure for change will possibly arise, in case they are complementary they can be mutually beneficial.

**5. Final remarks**

The theory of public values is not yet finalised, but it is clear that different consequences may arise for specific public mandates and strategies about prior outcomes and output to the society. It is obvious that debates of values are quite different from simple collection of user observations and attitudes of citizens, or public opinion polls. Engagement for dialogue about

values seems to be useful for rebalancing economic policy and strengthening social ties. Dialogues should take place between politicians and public managers of all levels of government, as well as with individual persons or interest groups and stakeholders of civil sector organizations. This may bring about new aspects of values and preferences concerning e.g. citizen participation, transparency or about strengthening social cohesion. Perhaps new insights about shifts in patterns of values will be generated. Presumably today the importance of the value of solidarity is increasing because of growing disparities of income and property since the late 1980s which cause more and more social tension.

\*\*\*\*\*

#### References

- Bauer, Helfried; Dearing, Elisabeth: Bürgernaher aktiver Staat – Public Management and Governance. Wien 2013*
- Boozeman, Barry: Public Value and Public Interest. Counterbalancing Economic Individualism. Washington D.C. 2007*
- Piketty, Thomas: Das Kapital im 21. Jahrhundert. München 2014*
- Talbot, Colin: Theories of Performance – organizational and service improvement in the public domain. Oxford 2011*