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# Uvodnik

Spoštovani,

Pred nami je zadnja številka *Mednarodne revije za javno upravo* v letu 2016, v kateri so avtorji iz različnih držav Evropske unije analizirali zanimiva področja zasebnega in javnega sektorja na osnovi izvedenih raziskav.

Z analizo spletnih poslovnih poročil osemindvajsetih bank na Hrvaškem so avtorji ugotovili manjši interes bank za okoljsko problematiko in ravnanje z ljudmi. Močna konkurenca med bankami in prizadevanje za povečanje tržnega deleža zmanjšujejo njihove naložbe in skrb za širšo družbeno problematiko. Vse njihovo delovanje je očitno usmerjeno v pridobivanje novih strank in izboljšanje finančnih rezultatov poslovanja.

Ravnanju z ljudmi in njihovem zadovoljstvu po uvedbi organizacijskih sprememb v izbrani organizacijski enoti s področja zdravstva so se posvetili avtorji, ki so analizirali rezultate anket, izvedenih v letih 2013 in 2015. Poslabšanje organizacijske klime v skoraj vseh analiziranih elementih je očitno znak za napake pri pristopu in izvedbi organizacijskih sprememb, ki jih zaposleni niso sprejeli z odobravanjem in jih niso sprejeli. Zato bodo predlogi avtorjev dobrodošli za vodje, ki načrtujejo podobne spremembe v svojem okolju.

Obvezna predhodna razprava in presoja učinkov spremembe zakonodaje, ki vpliva na spremembo pogojev poslovanja ali pravic ter obveznosti občanov, sodi med pomembne elemente demokratičnosti sprememb pravne ureditve. Avtorji so analizirali omenjeni sistem na Madžarskem in poudarili njihovo dobro prakso ter potrebo po večji odzivnosti deležnikov. Podobno je analiza ankete o tristopetdesetih primerih javnozasebnega sodelovanja v lokalnih skupnostih odprla predvsem vprašanje premalo neodvisnih izvajalcev storitev in s tem manjšo učinkovitost postopkov.

Učinkovitost je bila tudi rdeča nit prispevka, kako se danes vsi zdravstveni sistemi soočajo z zahtevo po učinkovitem in pravičnem zdravstvu za vse državljane ob omejenih virih financiranja. Za doseg teh ciljev je potreben učinkovit sistem regulacije in nadzora izvajalcev zdravstvenih storitev. Za ta namen so avtorji v članku uporabili metodo DEA (*Data Envelopment Analysis*). Analiza avtorjev je razkrila pomembne razlike v učinkovitosti med analiziranimi enotami. Metoda je omogočila določitev virov in vrednosti neučinkovitosti. Za vsako neučinkovito enoto je bilo mogoče določiti vzroke neučinkovitosti in načrtovati velikost spremembe vložkov, ki bi izboljšali njihovo učinkovitost. Ugotovitve v članku bodo v pomoč tudi regulatorjem zdravstvenega sistema pri določanju bodočih ciljev poslovanja, ki jih bodo morale doseči premalo učinkovite enote.

Učinkovito delo, doseganje zastavljenih ciljev, dobre medsebojne odnose na delovnem mestu in osebno zadovoljstvo želim tudi vsem bralkam in bralcem naše revije v letu 2017!

Odgovorna urednica MRJU  
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# Online Corporate Social Responsibility Reporting in the Croatian Banking Sector<sup>1</sup>

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## ABSTRACT

In the past few decades, the concept of corporate social responsibility has been at the centre of interest in many areas of economic research, studies using different levels of analysis. This paper analyses corporate social responsibility at the level of organisation within the banking system, where the issue of corporate social responsibility disclosure comes under the spotlight with the emergence of the global economic crisis. The purpose of the study is twofold: to examine whether Croatian banks' online corporate social responsibility reporting depends upon their market share, and whether it focuses on community related information. Using website content analysis of all twenty-eight banks currently operating in the Croatian banking sector, corporate social responsibility disclosure is categorised in terms of themes (environment, human resources, customers and products, and community involvement). The research findings reveal that the level of Croatian banks' online CSR disclosure is largely dependent on banks' market share. On the other hand, results indicate that Croatian banks are mainly reporting on activities related to customers and products, followed by those, which imply community involvement. Human resources and environmental initiatives receive the least amount of attention. The results of the study can be used to more deeply comprehend and understand banks' corporate social responsibility as a business philosophy that contributes to organisational performance and building trust between market participants.

*Keywords: corporate social responsibility, online reporting, banks, Croatia*

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## **1 Introduction**

Corporate social responsibility (CSR) refers to companies taking responsibility for their impact on society. The recent economic crisis and political turmoil brought more pressure from stakeholders regarding information about companies' responsible behaviour (Orlitzky, Siegel, & Waldman, 2011; Pérez & Bosque, 2015), especially among banks which have a significant influence on economy and society through their role of financial intermediaries.

This has resulted in a growing number of empirical studies aimed at assessing corporate social responsibility reporting in the banking sector. Their findings revealed that the level of CSR reporting depends greatly upon bank size (Branco & Rodrigues, 2006; Gao, Heravi, & Xiao, 2005; Hossain, 2008; Kiliç, 2016). Also, regarding the nature of CSR reporting, the studies indicated that banks primarily disclose community related information, followed by employee related, environmental and other information (Branco & Rodrigues, 2006; Gao et al., 2005; Hinson, Boateng, & Madichie, 2010; Kiliç, 2016; Scholtens, 2009). However, although corporate websites have become the primary media for CSR disclosure (Moreno & Capriotti, 2009), there are few international studies that examine online corporate social responsibility reporting by banks (Kiliç, 2016, p. 551). Since domestic authors have been mainly focused on the largest banks (Cerović, 2016; Cerović, Šegota, & Maradin, 2016; Kundid, 2012), this study seeks to make a step forward, and include the entire Croatian banking sector.

The paper will try to answer the following questions: 'Is there a positive relationship between CSR reporting and bank size?' and 'Are banks primarily disclosing information regarding community involvement?' Using website content analysis of all twenty-eight banks currently operating in the Croatian banking market, corporate social responsibility disclosure is categorised in terms of themes (environment, human resources, customers and products, and community involvement).

The remainder of this study is organized as follows. The next section provides literature review on CSR concept, activities and reporting, followed by an extensive description of research methodology. The research results are discussed in the fourth section. The final part summarizes conclusions, implications and limitations of the study.

## **2 Literature Review**

### **2.1 Conceptual Framework of Corporate Social Responsibility**

The starting point for describing corporate social responsibility (CSR) is the stakeholder theory (Freeman, Wicks, & Parmar, 2004) which says that a manager's duty is to balance the shareholders' financial interests against the interests of other stakeholders inside and outside the company. Such a paradigm shift is in contradiction with profit maximization as the basic

business principle in traditional economic theory since Adam Smith, which in recent times is observed through the neoclassical perspective of Milton Friedman. Accordingly, the aim of corporate social responsibility is building reputation and achieving positive operating results. On the other hand, according to the legitimacy theory as another theoretical stronghold of corporate social responsibility, CSR reporting may be defined as the way organizations justify the reasons for their survival, profitability or actions, and build their reputation by paying a debt to society (Hinson et al., 2010). CSR reporting may be seen as a function of gaining and maintaining organizational legitimacy.

To date there is no generally accepted definition of the corporate social responsibility (Hyun, Yang, Jung, & Hong, 2016). A. B. Carroll (1999, p. 289) identifies four areas that make up a corporate social responsibility pyramid: legal, economic, ethical and philanthropic. Vogel (2005, p. 4) defines corporate social responsibility as policies and programs that go beyond legal obligations in response to pressure of growing public expectations and, therefore, this kind of information is often subjective and biased (Scholtens, 2009, p. 163). Aguinis (2011, p. 855) defines CSR as contextual conditioned organizational activities and policies that take into account stakeholders' expectations, and reporting on social, environmental and financial performance measures (triple bottom line). Such a definition is accepted as well by Aguilera, Rupp, Williams, and Ganapathi (2007) who advocate a multi-level approach in studying corporate social responsibility. The European Commission has previously defined CSR as 'a concept whereby enterprises integrate social and environmental concerns in their business activities and in their relationships with stakeholders on a voluntary basis'. Their 2011 definition says it is 'the responsibility of enterprises for their impact on society'.

Regardless of its definition, CSR implies voluntary activities of enterprises that have a strong influence on stakeholder behaviour (investors, employees, consumers) and local community, which is ultimately reflected in organizational success. By building trust among stakeholders, CSR has a positive effect on enterprise reputation (Brammer & Pavelin, 2006) and its operating results (Orlitzky et al., 2011; Porter & Kramer, 2011).

On the other hand, there are authors who are critical of corporate social responsibility in that it is being misused by organizations for the purpose of money laundering or disguising irregularities in operations (Martínez-Ferrero, Banerjee, & García-Sánchez, 2016).

## **2.2 CSR Activities by Banks**

Corporate social responsibility was for a long time considered through the prism of environmental protection. Banks, therefore, with minimal environmental impacts, were excluded from CSR studies (Branco & Rodrigues, 2006). However, there are valid reasons for their inclusion. Through financing,

banks may opt not to support industrial activity that causes environmental pollution. Also, banks and other financial institutions are large consumers of paper and energy, and produce waste. Banks can have a major influence on society through financing industries that support unethical activities such as smuggling of arms, diamonds and the like (Shen, Wu, Chen, & Fang, 2016). Also, according to Wu and Shen (2013), during the financial crisis, governments of many countries financed recovery of banks using public or state funds and the role of banks in corporate social responsibility is to compensate for the funds spent. Furthermore, in many countries banks are exempt from tax (VAT). Finally, corporate social responsibility role of banks is determined by their positive influence on building trust among customers and reputation (Shen et al., 2016) as well as achieving financial success (Nollet, Fillis, & Mitrokostas, 2016).

There are significant differences in the type of socially responsible activity depending on sector and national context (Gjølberg, 2009). A modern CSR practice in banks is focused on investment policy – as the external aspect of corporate social responsibility, and resource utilization policy – as an internal aspect. In doing so, financing policies tend to include activities such as respect for human rights, refusing to provide financial services to organizations and regimes that violate human rights and freedoms, or for controversial social activities (money laundering, terrorism, trafficking in drugs and weapons, tobacco products, pornography industry, animal testing, production and trade of fur, organizing fights between animals, unsustainable exploitation of forest reserves, inappropriate breeding of farm animals, genetic manipulation, production of nuclear energy); and fostering environmentally conscious behaviour and ethical business standards. Resource utilization policies tend to ensure equal opportunities and possibilities in the workplace; selecting environmentally and ethically conscious suppliers; employee education on environmental and ethical aspects of business; environmentally-driven printing; saving energy and water; reducing HFC emissions; recycling policy; reducing use of fossil fuels and increasing consumption of renewable energy sources; ensuring environmental financial products and services (Carrasco, 2006; Cerović et al., 2016).

A total of thirty-six activities identified in the study on CSR practices in Hong Kong, conducted by Gao et al. (2005), have been categorized into the following six groups: a) environment; b) energy, health and safety; c) human resources; d) community; and e) fair business. Branco and Rodriguez (2006), who investigated social responsibility of banks in Portugal, defined a total of twenty-three CSR activities and categorized them into the following four groups: a) environment; b) human resources; c) customers and products; and d) community. In this paper, we apply Branco and Rodrigues's approach (2006) as a reference CSR categorization used in recent studies (Hinson et al., 2010; Jizi, Salama, Dixon, & Stratling, 2014; Kiliç, 2016).

Bank size, measured by market share or number of country branches (Branco & Rodrigues, 2006; Gao et al., 2005; Hossain, 2008; Kiliç, 2016) is a key determinant of the level of CSR reporting. Along the lines of the stakeholder theory, this can be explained by pressures coming from a wider range of stakeholders, while the legitimacy theory suggests corporate social responsibility is the side effect of profitability and large organizations require a higher level of social responsibility, or at least a dialogue with the general public.

### **2.3 CSR Reporting**

Socially responsible activities undertaken by enterprises have a purpose only when disclosed and visible to interest groups and the general public. CSR activities may be disclosed through CSR reports that, given the voluntary basis, can testify about the company acting honestly and transparently, and that cares for the society in which it operates. CSR reporting can be defined as systematic communication of enterprises with stakeholders on their social and environmental impact not included in their financial statements (Schreck, 2013). Such a definition is in accordance with the triple bottom line reporting (Elkington, 1997). CSR reports are known under different names such as Environmental Report, Triple Bottom Line Report, Sustainable Development Report, Corporate Social Responsibility Report and other.

With growing expectations of interest groups regarding information on corporate social responsibility (Orlitzky et al., 2011), CSR reporting is continuously increasing both in terms of quantity and quality. In the 70's of the last century mainly environmental information was reported (Gatti & Seele, 2014), while today enterprises are reporting on their social, economic and environmental initiatives (Trevino & Nelson, 2010).

The process of globalization coupled with advances in information technology led to corporate websites becoming the primary media for CSR reporting (Moreno & Capriotti, 2009), particularly in large enterprises and multinational corporations (Esrock & Leichty, 2000). The advantage of the Internet or corporate websites over traditional communication channels (annual reports, brochures, television) is reflected in an interactive, efficient and rapid transmission of information (Hinson et al., 2010) to different groups of stakeholders at the same time (Esrock & Leichty, 2000).

## **3 Research Methodology**

As a research technique, the paper applies content analysis of banks' websites. The rationale behind using this method is the following: 1) the process of globalization coupled with advances in information technology led to corporate websites becoming the primary media for CSR reporting (Moreno & Capriotti, 2009); 2) banks' websites can disclose more information about CSR compared to annual reports as traditional communication channels

(Douglas, 2004); and 3) content analysis is the dominant method used to examine online CSR disclosure (Patten, 2002) allowing classification of CSR activities in different categories.

Content analysis is a research method that provides systematic evaluation of symbolic content of all forms of written communication (Bauer, 2000; Kolbe & Burnett 1991). Hsieh and Shannon (2005) define content analysis as a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns. According to Krippendorff (2004, p. 18), content analysis is 'a research technique for making replicable and valid references from data to their contexts'.

There are five basic steps in the content analysis process, adapted to website analysis according to guidelines offered by Krippendorff (2004) and McMillan (2000, p. 81): 1) formulating research questions and hypotheses; 2) selecting a sample; 3) defining coding categories; 4) coding the content; and 5) analysing and interpreting research findings.

### **3.1 Research Objectives and Hypotheses**

The paper analyses corporate social responsibility reporting in Croatia's banking sector. More specifically, it identifies and categorizes CSR information disclosed by banks, and measures the level of their online reporting.

Based on an extensive literature review, the following hypotheses have been formulated:

- H1 There is a positive relationship between corporate social responsibility reporting and bank size in terms of market share.
- H2 Banks are primarily disclosing information regarding community involvement.

### **3.2 Research Sample**

Research sample included websites of all banks belonging to the Croatian banking sector comprising of twenty-eight banks, of which one savings bank (Croatian National Bank, 2015). Due to their specific structure and role housing savings banks and the Croatian Bank for Reconstruction and Development were not included in the study.

Based on a market share criterion, the Croatian National Bank distinguishes between three types of banks - large, medium and small banks:

- Large banks with a market share above 5%;
- Medium-sized banks with a market share of between 1 and 5%; and
- Small banks with a market share of less than 1%.

Accordingly, the sample consisted of six large, three medium and nineteen small banks.

Given the websites' changing update frequency (Vilar & Simão, 2015), the research was carried out in the same period – August 2016.

### **3.3 Defining Coding Categories**

McMillan (2000, p. 81) defines two basic units of measurement in analysing the content of websites: coding units and context units. The coding units are the smallest segment of content counted and scored in the content analysis (e.g. words). The context units are the body of material surrounding the coding unit (e.g. paragraph, article, section), commonly named units of analysis.

In this research, coding units are related to CSR activities classified, according to Branco and Rodrigues's approach (2006), into four categories:

1. Environment (environmental policy, environmental management, lending and investment policy, conservation of natural resources and recycling activities, sustainability, energy conservation business practices);
2. Human resources (employee health and safety, employment of women or minorities, employee training, employee benefits and remuneration, employee profiles, employee share purchase scheme, employee morale, industrial relations);
3. Customers and products (product quality, customer satisfaction, provision for disabled and aged);
4. Community involvement (charitable donations, support for education, arts and culture and public health, sponsorship of sports and recreational projects).

Context units represent website sections that reveal accessibility or availability of CSR information. Information on CSR activities were searched under the following website sections: a) Home; b) About Us, c) Social Responsibility / Sustainable Development / Sustainability, d) Investor Relations, e) Career, f) Complaints. Namely, coding the entire website would be time-consuming and would introduce biases based on website size (Ho, 1997). Also, annual reports and financial statements were not taken into account. Lastly, as suggested by McMurtrie (2001), external links as well as links to various publications such as product catalogues were excluded from analysis.

### **3.4 Coding the Content**

The coding process was carried out using dichotomous scale with two values to determine the existence of category on the website: 0 = category does not exist and 1 = category exists. If a category appears in several locations, it is counted only once. If a category relates several activities, it counts more times (for each activity separately). Proceeding in this way,

based on previous research findings (Branco & Rodrigues, 2006; Hinson et al., 2010), a CSR reporting index was obtained. Assuming that each category is equally important, scores for each bank are added up and not weighted. It should be noted that the described system does not necessarily reflect the quality of CSR activities, but their frequency (Zeghal & Ahmed, 1990, p. 42).

### 3.5 Data Analysis and Interpretation

Data were analysed and interpreted using methods of descriptive statistics and correlation analysis. Data analysis was performed using *SPSS Statistics 23*.

Descriptive statistics was used to describe the research sample and determine the level of CSR reporting as well as proportions of CSR activities, which tested the hypothesis H2. Correlation analysis was used to examine relationship between the level of CSR reporting and bank size, which tested the hypothesis H1.

## 4 Research Findings

Not all banks in the Croatian banking sector are disclosing online information on corporate social responsibility. The content analysis revealed that 24 banks (85.71%) provided CSR information through their websites. Of these, only two banks (7.14%) published a separate report on corporate social responsibility.

Table 1. *Descriptive statistics*

	N	Minimum	Maximum	Mean	Standard deviation
CSR reporting (%)	28	0.00	75.86	20.32	24.78

Data presented in Table 1 show that online communication about CSR activities among banks varies considerably between banks, ranging from a minimum of 0.00% to a maximum of 75.86%, or 20.32% on average. The standard deviation (24.78) indicates a high dispersion within the sample.

A recently published comprehensive study on CSR practices of banks in forty-four developing countries (Hu & Scholtens, 2014) shows that CSR reporting in Croatian banking sector (15%) falls near the middle of the scale ranking 20th. Scholten's previous (2009) work revealed that developed countries had a much higher level of CSR reporting: from the highest in the Netherlands (85%), Germany (81%), France (80%) and the UK (80%) to the lowest in Japan (62%), Italy (61%) and Sweden (37%).

### 4.1 Levels of CSR Reporting

The content analysis identified a total of twenty-nine activities that form the basis for the calculation of the CSR reporting index.



Table 2 shows that the level of CSR reporting is determined by the size of the bank - as measured by its market share.

Table 2. CSR reporting index by bank size

Bank size	N	Mean	Standard deviation	Minimum	Maximum*
Large	6	13.50	7.53	6	21
Medium	3	15.33	8.33	6	22
Small	19	1.95	1.90	0	8
Total	28	5.86	7.19	0	22

\* The maximum theoretical value of the index is 29.

Calculated CSR reporting indexes indicate that medium-sized banks delivered the most CSR information (mean value of 15.33), followed by big banks (mean value of 13.50), while small banks disclosed least information regarding their CSR activities (mean value of 1.95). However, the greatest fluctuations were observed in the group of medium-sized banks with indexes ranging from 6 to 22 points. While only one medium-sized bank disclosed 22 CSR activities, the other two only reported 6 of them. On the other hand, in the group of big banks, half of them have indexes between 19 and 21.

Table 3. Correlation analysis

			Bank size	CSR reporting index
Spearman's correlation coefficient	Bank size	Correlation coefficient	1.000	.727**
		Significance (two-tailed)	.	.000
		N	28	28
	CSR reporting index	Correlation coefficient	.727**	1.000
		Significance (two-tailed)	.000	.
		N	28	28

\*\* Correlation is significant at 0.01 (two-way).

Correlation coefficient of 0.727 ( $p < 0.01$ ) shows a statistically significant, strong and positive relationship between online CSR reporting and bank size. This argument confirmed the hypothesis H1.

The results confirmed previous findings from related studies in domestic (Hernaus & Stojanović, 2015; Kundid & Rogošić, 2011; Rogošić & Kundid, 2012) and international literature (Branco & Rodrigues, 2006; Gao et al., 2005; Hossain, 2008; Kiliç, 2016), revealing that bank size is the determinant of social responsibility disclosure. The highest commitment of the largest banks may be explained by their nominal level of legitimacy, in response to rising

expectations coming from a wide range of stakeholders. The results of this study revealed that medium-sized banks delivered more CSR reports than the largest banks, which can be viewed as a step forward in terms of awareness of the possible outcomes of socially responsible behaviour.

## **4.2 CSR Activities by Banks**

A total of 29 socially responsible activities were identified by adding to Branco and Rodrigues's model (2006), which consists of 23 activities, 6 more activities specific to national context of the surveyed banks, namely: information on kindergartens and parental leave, employee recreation & sport (Human Resources); education for clients and citizens (Customers and products); student recruitment; caring for children and young people; and supporting local economic development (Community). As mentioned, all the activities are classified into four categories: 1) Environment; 2) Human resources; 3) Customers and products, and 4) Community involvement.

According to the research findings presented in Table 4, it can be concluded that the hypothesis H2 has not been confirmed. In other words, Croatian banks mainly (37.07%) reported on CSR activities focused on customers and products, followed by those which implied community involvement (17.24%), while human resources (14.73%) and environmental issues (14.94%) received the least amount of attention, to an almost equal extent. Croatian banks most often disclosed information related to product quality (75.86%) and customer satisfaction (58.62%). These research findings are in line with similar research on Croatian banks (Kundid (2012), Rogošić & Kundid, 2012).

In category 'Customers and products', two-thirds of banks (75.86%) reported on activities focused on product quality, and more than a half (58.62%) promoted customer satisfaction. The importance of helping clients build financial literacy has been recognized by 10.34% banks. Only one bank (3.45%) reported on provisions and benefits for the elderly and people with special needs.

Category 'Community involvement' reveals that banks are largely supporting humanitarian projects (31.03%) and those promoting sport (27.59%), arts and culture (27.59%), and education (20.69%), followed by activities which support caring for children and young people (10.34%). Less represented (6.90%) are public health activities, employment of students and development of local economy.

In category 'Environment', banks tend to report on environment policy and investment and financing policy (20.69%), sustainability (17.24%), conservation of natural resources, recycling and conservation of energy in business (13.79%), and environmental management (3.45%).

Table 4. Socially responsible activities by banks

Category	CSR activities	Number of banks	Proportion (%)
ENVIRONMENT	Environmental policy	6	20.69
	Environmental management	1	3.45
	Lending and investment policy	6	20.69
	Conservation of natural resources and recycling activities	4	13.79
	Sustainability	5	17.24
	Energy conservation business practices	4	13.79
	<i>Average</i>		<i>14.94</i>
HUMAN RESOURCES	Employee health and safety	4	13.79
	Employment of women or minorities	4	13.79
	Employee training	11	37.93
	Employee benefits	4	13.79
	Employees remuneration	5	17.24
	Employee profiles	0	0.00
	Employee share purchase scheme	0	0.00
	Employee morale	10	34.48
	Industrial relations	5	17.24
	Information on kindergartens and parental leave*	2	6.90
	Employee recreation & sport*	2	6.90
	<i>Average</i>		<i>14.94</i>
CUSTOMERS AND PRODUCTS	Product quality	22	75.86
	Customer satisfaction	17	58.62
	Provision for disabled, aged customers	1	3.45
	Education for clients*	3	10.34
	<i>Average</i>		<i>37.07</i>
COMMUNITY INVOLVEMENT	Charitable donations	9	31.03
	Support for education	6	20.69
	Support for arts and culture	8	27.59
	Support for public health	2	6.90
	Sponsoring sports or recreational projects	8	27.59
	Student recruitment*	2	6.90
	Caring for children and young people*	3	10.34
	Local economic development support*	2	6.90
	<i>Average</i>		<i>17.24</i>

\* Characteristic activities for the Croatian banking sector

In category 'Human Resources' the most numerous were activities focused on employee training (37.93%) and employee morale (34.48%), followed by those focused on rewarding employees and their relationships with industry (with the same percentage of 17.24). Further activities focused on employment of women and minorities and employee benefits (all 13.79%). Only two (large-sized) banks paid attention to work-life balance as well as organized sports and recreational activities of employees (6.90%). No information on employee share purchase scheme or employee profiles was found.

As can be seen from the foregoing, Croatian banks are mainly reporting on their CSR activities belonging in category 'Customers and products',

neglecting other dimensions of corporate social responsibility. This can be explained by the fact that banks which operate in Croatia, as a transitional country, still do not have enough knowledge about the long-term effects of (not) reporting on environmental issues, professional and personal development of employees, and community engagement.

International research findings reveal that the structure of a bank's practiced CSR activities considerably depend on a country's level of economic development. In developing countries (Hu & Scholtens, 2014) banks are focusing their CSR efforts on the community (58%), with environmental issues receiving much less attention (6%). In developed countries (Scholtens, 2009), banks are equally focused on contributing to the community (93.77%) and the environment (77.30%).

## **5 Conclusion**

The purpose of the study was to examine whether Croatian banks' online corporate social responsibility reporting depends upon their market share, and whether it focuses on community related information – as suggested by the relevant empirical research in the field. Using website content analysis of all twenty-eight banks currently operating in the Croatian banking sector, corporate social responsibility disclosure was categorised in terms of themes (environment, human resources, customers and products, and community involvement).

The research results affirmed previous studies that the level of online CSR reporting is positively related to bank size as measured by market share, thus confirming the first hypothesis. On the other hand, it was found that Croatian banks are mainly disclosing CSR information regarding customers and products, which resulted in rejection of the second hypothesis.

Limitations associated with the study are related to the characteristics of content analysis, sample size and the nature of online social responsibility reporting. Firstly, the dichotomous technique used to code content data does not necessarily reflect the quality of banks' CSR activities, but their frequency or visibility via the website. Furthermore, since there is no relevant legislation on CSR reporting, the research relied on self-reported information collected from the banks that is often biased. Finally, the results are limited due to the relatively small sample size which, however, does include all the banks in the Croatian banking sector.

A scientific contribution of the conceptual part of the paper is reflected in the development of scientific thought on corporate social responsibility - with particular reference to its application on the banking sector. Seen from empirical and applicability aspects, the paper which presents the main features of online corporate social responsibility reporting in the Croatian banking sector, offers recommendations and guidelines to banks' management

teams and all interested parties. By understanding and improving corporate social responsibility awareness and practice, banks will be able to reduce the possible negative impact that interest groups may have on their business, while raising reputation and financial performance.

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## POVZETEK

### 1.01 Izvirni znanstveni članek

## **Spletno poročanje o družbeni odgovornosti gospodarskih družb v hrvaškem bančnem sektorju**

Na družbeno odgovornost gospodarskih družb (DOGD) se je dolgo gledalo skozi prizmo varstva okolja. Zato so bile banke z minimalnimi vplivi na okolje izključene iz raziskovanja DOGD. Vendar so nedavna ekonomska kriza in politični nemiri prinesli več pritiska interesnih skupin glede informacij o odgovornem vedenju gospodarskih družb, zlasti bank, ki imajo znaten vpliv na ekonomijo in družbo s svojo vlogo finančnih posrednikov. To se je odrazilo v naraščajočem številu empiričnih študij, usmerjenih v doseganje poročanja o družbeni odgovornosti gospodarskih družb v bančnem sektorju. Njihove ugotovitve kažejo, da je raven poročanja o DOGD v veliki meri odvisna od velikosti banke. Prav tako v zvezi z naravo poročanja o DOGD študije nakazujejo, da banke najprej razkrijejo informacije, povezane s skupnostjo, čemur sledijo podatki, povezani z zaposlenimi, okoljem in druge informacije. Čeprav so spletne strani gospodarskih družb postale primarni medij za razkrivanje DOGD, obstaja nekaj mednarodnih raziskav, ki proučujejo spletno poročanje bank o družbeni odgovornosti gospodarskih družb.

Namen študije je bil dvojen: proučiti, ali je spletno poročanje hrvaških bank o družbeni odgovornosti gospodarskih družb odvisno od njihovega tržnega deleža in ali se osredotoča na informacije, povezane s skupnostjo. Z uporabo analize vsebine spletne strani vseh osemindvajsetih bank, ki trenutno delujejo v hrvaškem bančnem sektorju, je bilo razkritje družbene odgovornosti gospodarskih družb kategorizirano glede na teme (okolje, človeški viri, potrošniki in izdelki ter vključenost skupnosti).

Rezultati raziskave so pokazali, da vse banke v hrvaškem bančnem sektorju na spletu ne razkrivajo informacij o družbeni odgovornosti gospodarskih družb. Natančneje 24 bank (85,71 %) posreduje informacije o DOGD preko svojih spletnih strani. Med temi samo dve banki (7,14 %) objavljata ločeno poročilo o družbeni odgovornosti gospodarskih družb. Z drugimi besedami: spletna komunikacija o aktivnostih DOGD se znatno razlikuje med bankami in sega od najmanj 0,00 % do največ 75,86 % oziroma 20,32 % v povprečju.

Poleg tega je korelacijska analiza potrdila statistično znatno, močno in pozitivno povezavo med spletnim poročanjem o DOGD in velikostjo banke in s tem potrdila predhodne raziskave. Izračunani indeksi poročanja o DOGD nakazujejo, da so srednje velike banke objavile največ informacij o DOGD (srednja vrednost 15,33), ki so jim sledile velike banke (srednja vrednost 13,50), medtem ko majhne banke razkrijejo najmanj informacij v povezavi z aktivnostmi DOGD (srednja vrednost 1,95). Vendar so bila največja nihanja

opažena v skupini srednje velikih bank z indeksi med 6 in 22 točkami. Samo ena srednje velika banka razkrije 22 aktivnosti DOGD, drugi dve pa poročata o 6 izmed njih. V skupini velikih bank ima polovica od bank indekse med 19 in 21.

Po drugi strani pa je bilo s pomočjo analize vsebine spletne strani ugotovljeno, da hrvaške banke primarno ne razkrivajo informacij o DOGD v povezavi z vključitvijo skupnosti, kar je v nasprotju s prej omenjenimi študijami. Hrvaške banke namreč večinoma (37,07 %) poročajo o aktivnostih DOGD, ki se osredotočajo na potrošnike in izdelke, čemur sledijo informacije, ki nakazujejo vpletenost skupnosti (17,24 %), medtem ko človeški viri (14,73 %) in okoljska vprašanja (14,94 %) v skoraj enaki meri prejemajo najmanj pozornosti.

Omejitve, povezane z raziskavo, so povezane z značilnostmi analize vsebine, velikostjo vzorca in naravo spletnega poročanja o družbeni odgovornosti gospodarskih družb. Dihotomna tehnika, ki se uporablja za kodiranje podatkov vsebine, ne odraža nujno kakovosti aktivnosti DOGD bank, ampak njihovo frekvenco ali prepoznavnost prek spletne strani. Poleg tega, ker ne obstaja ustrezna zakonodaja o poročanju o DOGD, se je raziskava naslonila na informacije samoporočanja, ki so jih posredovale banke in so pogosto pristranske. Na koncu pa so rezultati omejeni zaradi relativno majhnega vzorca, ki vključuje vse banke v hrvaškem bančnem sektorju.

Znanstveni prispevek konceptualnega dela članka se odraža v razvoju znanstvene misli o družbeni odgovornosti gospodarskih družb, s posebnim poudarkom na njeni uporabi v bančnem sektorju. Z empiričnega vidika in z vidika uporabnosti ta prispevek ponuja priporočila in smernice v povezavi s spletno komunikacijo o družbeni odgovornosti gospodarskih družb. Z razumevanjem in izboljšanjem prakse razkrivanja DOGD bodo banke lahko zmanjšale mogoč negativni vpliv, ki ga lahko imajo interesne skupine na njihovo poslovanje, medtem ko bodo dvignile ugled in finančno uspešnost.

# Measuring the Efficiency of Public Health Services by DEA<sup>1</sup>

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## ABSTRACT

Efficiency is one of the most important principles in public health services due to the strive for rationality and, at the same time, the need to strengthen quality. The aim of this research is to explore and analyse the suitability of DEA to measure the efficiency of a range of different services offered by institutes of public health in Croatia. DEA is a technique that is used to measure relative efficiency. It is traditionally used for non profit organizations. This technique has so far mostly been used in assessing solely the efficiency of hospitals and not other public health preventive services. For that reason, the objective of this study is to identify units within one department of public health services that are relatively inefficient and to set targets for them based on the activities of units classified as efficient. We used data for 12 units (DMUs) for the period of two years, defining common inputs and outputs. The results obtained show projections of efficient and inefficient DMUs, projection of inefficient units at efficient frontier allows comparison between most similar units by efficiency and provides information on controllable inputs and outputs. This research has proven that relative efficiency obtained with DEA can be a useful tool in assessing efficiency of public health services on level of one institution and could support management decision-making process.

*Keywords: public health services, performance measurement, efficiency, DEA*

*JEL: H51*

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## 1 Introduction

The World Health Report 2000 called attention to the importance of efficiency in all functions of a health system and in ultimately achieving the goals of health improvement, responsiveness and fairness in financing. Technical efficiency refers to the extent that resources are being wasted. It measures the degree of producing the maximum amount of outputs from a given amount of inputs or, conversely, using the minimum amount of inputs to produce a given output. Almost everywhere public health system is complex because of many different stakeholders – patients and other types of users and providers, regulators, government and others linked by accountability relationship. This requires individual responsibility and accountability in managing funds and provision of information.

Public health was first defined by Yale Professor Winslow as ‘the science and art of preventing disease, prolonging life and promoting health through the organized efforts...’ (1920, p. 183). This indicates its basic feature that is prevention, not treatment, as well as addressing health problems on the community level, not at the individual level. Today all modern systems of health are faced with the problem of how in condition of limited resources to ensure efficient, effective and equitable health care for all citizens. In order to satisfy this statement the way of financing and accountability in funds managing is essential. Usually health care reforms are conducted with the objectives to rationalise costs in order to make health services available to everyone but not to reduce quality of health services. It is well known that the public sector and the state as the greatest consumers of public revenues (Thornhill, 2006) are constantly subject to pressure to increase rationality. In this process, improvement of efficiency and raising the quality of public services is constantly pointed out (Webb, 2010), so that market principles are introduced into the public sector.

This paper deals with public health services whose objectives are improvements of population’s health. Improvements should be measured and therefore include a series of efficiency indicators although still not much effectiveness measures. The health system is still in the early days of performance measurement and there remains an enormous agenda for improving its effectiveness (Smith et al., 2012). In the public health services the efficiency will be expressed as relationship between specific products or services and resources that are used for them. Departments of the public health institutions will be efficient if they can achieve the maximum result (output) with available resources (inputs) or reduce investments in order to achieve a given result.

For that reason in this study we investigate the efficiency of department within the institution dealing with public health services in Croatia. We chose one of the Croatian Institutes of Public Health whose primary tasks are monitoring, analysis, and evaluation of the health of the population,

as well as planning, proposing, and implementing measures for the preservation and enhancement of the population's health. These tasks are accomplished through activities undertaken on the state and county levels, by way of cooperation of county-level institutes of public health. Institutes of public health (the Croatian Institute of Public Health and 20 county-level institutes) carry out specific tasks with the goal of implementing healthcare politics and a new healthcare system. Their role is to act as a point of contact between the Croatian healthcare services and international institutions, to ensure the implementation of new knowledge and technologies in practice, and to transfer knowledge, accomplishments, and information about health and health protection to the international community as well (e.g. to the World Health Organization, UNICEF, and OECD).

The aim of this research is to investigate whether by using the DEA the public health services efficiency could be improved. The research is empirical – conducted in the Institute of the public health in one of the Croatian counties which has various departments (epidemiology, ecology, social medicine, microbiology, etc.). For the purposes of the study, Data Envelopment Analysis (DEA) was applied in the Department of Ecology, which has 12 units. We put the following research question: could the results obtained by DEA, which has been confirmed as very useful by numerous previous researches, be applicable to the units within public health services?

For a long time mostly all researches using DEA method have been applied in health-care i.e. hospitals. The first empirical test was given by Sherman (1984) who applied DEA to a group of teaching hospitals. Also others like Morey, Fine and Loree (1990) compare and analyse efficiency in 60 hospitals, and Finkler and Wirtschafter (1993) in 9 hospitals. Lynch and Ozcan (1994) used DEA to construct efficiency index. So, DEA has been proved as a useful tool for efficiency and effectiveness measures (Szczepura, Davies, Fletcher, & Boussofiane, 1993). However, there is no research or it is very rare, about applying DEA to other health services concerning prevention.

This empirical research is the first one in Croatia and elsewhere that explores the efficiency of the public health services within Institute of public health by using DEA. So far, the DEA has been used only for testing the relative efficiency in hospitals (Rabar, 2009, 2010). The results of this research are valuable for overall performance evaluation regarding strategy and targets and could be applicable to the other 20 institutes of public health in Croatia.

The paper is organized as follows: we first briefly introduce the concept of public health services, part two explains the problem of measuring the efficiency due to the diversity of services, part three is methodology with explanation of two used models of DEA, part four is empirical analysis using DEA method where we explain the obtained results, part five is conclusion where we summarize the contribution of the paper.

## 2 The Problem of Measuring the Efficiency of Various Public Health Services

Public health services are usually conducted by institutes or agencies which as professional prevention facilities organise activities for protection and improvement of population's health, for reduction of mortality, premature death, and disability. Because of their role in the society, method of financing, variety of users and stakeholders their performance should be measured. Fundamental role of performance measurement is to 'monitor, evaluate and communicate the extent to which various aspects of the health system meet key objectives' (Smith, Mossialos, Papanicolas, & Leatherman, 2009, p. 3), because 'assessment, policy development and assurance are the core functions for public health agencies' (Lesneski, 2009, p. 16). Performance measurement system comprises a wide range of data depending on convenience, accessibility and reporting system needed. Usually financial reporting is most common due to the availability of data and rationality requirements. But the rationality in spending funds along with the need to increase the quality of services requires developed performance management and measurement system. In other words, the prerequisite is developed strategic planning, i.e. existence of setting measurable goals, defined targeted measures and relevant indicators.

The rationality as a principle in performing is measured by many efficiency indicators which have to be properly chosen. Due to the various activities and different services the problem of measuring the efficiency in the public health sector is complex. Because, in order to improve the health services the first issue should be meeting the needs of users, responsible management of resources and staff and efficiently organizing business processes. This requires measurement of the variables that describe true nature of service production (Ozcan, 2014, p. 14). Therefore the second problem is diversity of 'input', 'output' and 'outcome' expressions. Input resources are generally referred to as physical, human, and financial. Many measures mostly used in public sector organisations are based on input-oriented perspective (economy), usually expressed in terms of cost, budget and stuffing tools (Boland & Flower, 2000). Comparison can be made with similar types of organisations or units using specific measures such as cost per program, unit cost per employee, used resources per program, etc. Any change in these performance measures reflects 'economy' with which the organisation uses its resources. But this allows little information about the operational process within the organisation, except for some benchmarking analysis. Output measures are easily measured in quantitative terms such as number of resolving medical problems, number of educational programs, number of obese children, degree of air pollution, price of some prevention programs and others. Organisations usually use calculation of output/input ratio to measure how efficiently an organisation converts its inputs into outputs. This provides very little information on effectiveness or value of these outputs.

DEA method we used in the research required performance measures classified into inputs and outputs in order to compare the efficiency of a set of units. The efficiency score of each unit is represented as a ratio of the total weighted outputs to the total weighted inputs. The most difficult step in the research was to select inputs and outputs which are equally important in order to claim that a unit is relatively efficient. The aim was to analyse relative efficiency of 12 units within the department of Ecology in order to identify inefficient units and improve their performance, using the best one as benchmark.

### **3 Methodology**

The efficiency evaluation is vital for success of any reform program. Data Envelopment Analysis (DEA), since its invention in 1978, has been one of the most widely used decision-making tools. Since DEA requires very few assumptions about converting inputs into outputs it has opened up the possibilities for use in various areas such as banking, engineering, management, health care, education, sports, retailing and so on. Researchers in a number of fields have quickly recognized that it is excellent and easily used methodology for modelling operational processes for performance evaluations.

‘The increasing efforts of rich and developing countries to improve the quality and quantity of health services call for an objective and accurate assessment of the performance of their health systems. Both policy makers and citizens demand the best possible outcomes from the health system, given the considerable amount of resources devoted to it’ (González, Cárcaba, & Ventura, 2010, p. 338).

Data envelopment analysis is nonparametric method that ‘envelops’ observations in order to identify a ‘frontier’, which contains the ‘best’ entities that are to be evaluated. It is a mathematical programming method for evaluating the relative efficiency of different units which operate in similar conditions and convert inputs into outputs. It identifies the sources and amounts of inefficiencies and shows for inefficient unit how some of inputs and outputs can be improved to become relative efficient. DEA is an excellent methodology for modelling operational processes when we do not know the functional form of converting inputs into outputs. Its empirical orientation and minimization of a priori assumptions has resulted in its use in a number of studies involving efficiency of health systems in different countries: Iran (Ghotbuee, Hemati, & Fateminezhad, 2012), India (Partha, Dhar, & Bhattacharya, 2012), Italy (De Nicola, Gitto, & Mancuso, 2011; Nuti, Daraio, Speroni, & Vainieri, 2011), Malta (Ebejer & Mandl, 2009), South Africa (Ngoie & Koch, 2005).

There are two basic models of data envelopment analysis for measuring the efficiency of a DMU (decision making unit: organizations subject to evaluate as departments in our case) relative to similar DMUs in order to estimate

a 'best practice' frontier: CCR (constant returns to scale) and BCC (variable returns to scale). BCC-input-oriented model seems to be more appropriate than CCR because of variable returns to scale permission and also because we were interested to investigate possibilities of reduction the input amounts by as much as possible while keeping at least the present output level. Input orientation also assumes health care managers have more control over the inputs than over the total revenue. Within the framework of the current policy which fosters rationality through reduced expenditures, we estimate that the input orientation would be more appropriate.

### 3.1 BCC (Variable Returns-to-Scale) Model

Suppose there are  $n$  decision making units:  $DMU_1, DMU_2, \dots, DMU_n$  converting inputs (resources) in outputs (outcomes). If we select  $m$  inputs and  $s$  outputs for  $DMU_j$  then the input and output data can be represented as:  $(x_{1j}, x_{2j}, \dots, x_{mj})$  and  $(y_{1j}, y_{2j}, \dots, y_{sj})$ . We solve the linear programming problem to obtain values for the input 'weights' and output 'weights'. Given the data we measure the efficiency of each DMU once and need  $n$  optimizations. The following DEA model is an input-oriented BCC model where the inputs are minimized and the outputs are kept at their current levels. The BCC model evaluates the efficiency of  $DMU_o$  ( $o = 1, 2, \dots, n$ ) by solving following linear program (Cooper, Seiford, & Tone, 2007; Banker, Cooper, Seiford, & Zhu, 2011; Zhu, 2014):

$$\text{Min } \theta = \frac{u_1 y_{1o} + u_2 y_{2o} + \dots + u_s y_{so}}{v_1 x_{1o} + v_2 x_{2o} + \dots + v_m x_{mo}}$$

subject to

$$\sum_{j=1}^n \lambda_j x_{ij} \leq \theta x_{io} \quad i = 1, 2, \dots, m$$

$$\sum_{j=1}^n \lambda_j y_{rj} \geq y_{ro} \quad r = 1, 2, \dots, s$$

$$\sum_{j=1}^n \lambda_j = 1; \lambda_j \geq 0 \quad j = 1, 2, \dots, n$$

Where  $DMU_o$  represents one of the  $n$  DMUs under evaluation,  $x_{io}$  and  $y_{ro}$  are the  $i$ th input and  $r$ th output for  $DMU_o$ , respectively. Input weights are  $v_i$  ( $i = 1, 2, \dots, m$ ) and output weights are  $u_r$  ( $r = 1, 2, \dots, s$ ). The optimal value is  $\theta^* \leq 1$ . If  $\theta^* = 1$  then the current input levels cannot be reduced, otherwise, if  $\theta^* < 1$ , then  $DMU_o$  is dominated by the efficiency frontier.  $\theta^*$  represents the input-oriented efficiency score of  $DMU_o$ .



Definition of efficiency says that DMU is BCC-efficient if efficiency score equals 1 and all slacks are equal to 0. Slacks  $s^{-*}$  and  $s^{+*}$  represent the maximal input excesses and output shortfalls. In order to calculate and assess the returns to scale (RTS) we need to sum the  $\lambda_j$  weight values. If  $\sum \lambda < 1$  then DMU exhibits increasing returns to scale (rates of return) (IRS): it means that proportional increase in one or more inputs cause greater than proportional increase in outputs. If  $\sum \lambda > 1$  then DMU exhibits decreasing returns to scale: (DRS) proportional increase in one or more inputs cause less than proportional increase in outputs. Constant returns to scale (CRS) will have DMUs with  $\sum \lambda = 1$  when proportional increase in one or more inputs cause proportional increase in outputs. For inefficient DMUs it is possible to find targets by projection values: these targets are the results of respective slack values added to proportional reduction amounts. To calculate the target values for inputs, the input value is multiplied with an optimal efficiency score, and then slack amounts are subtracted from this amount. If the DMU is inefficient it is possible to observe the benchmark DMUs: efficient units in reference set.

#### **4 Implementation of DEA in the Croatian Institute of Public Health – An Empirical Study**

The main objective of the health care reform in Croatia is raising quality and availability of health care, prolongation of the expected life span and improvement of general health condition of the population (*National Strategy of Health Care Development 2012–2020*). Healthcare activities are organized into several levels of health protection: primary, secondary (county-level institutes of public health), and the level of healthcare institutes (Croatian Institute of Public Health). Croatian Institute for Public Health as organization on the national level together with 20 county-level institutes carry out specific tasks with the goal of implementing healthcare politics and a new healthcare system.

Data Envelopment Analysis (DEA) is a non-parametric technique used to measure the efficiency of decision making units (DMUs), converting the multiple inputs into multiple outputs. Widespread application of DEA has been seen in the health care (Boland & Fowler, 2000; Alexander, Busch, & Stringer, 2003; Cooper, Seiford, & Zhu, 2004; Afonso, Schuknecht, & Tanzi, 2006; Chyhan & Benneyan, 2008; Mirmirani, Li, & Ilacqua, 2008; Azizi, Behzadian, & Afshari, 2012).

In the research we have used DEA which allows determining the relative efficiency of each organizational unit within the department. We used data for the period of two years 2014 and 2015 which were collected in the department of controlling and internal audit. We decided to take the data for the two-years period because some inputs like investments give the effects in the coming years. Selected data i.e. inputs and outputs are reliable and comparable for all units within the department which is a prerequisite for DEA.

For the purpose of proving the possibility of measuring the efficiency of the public health institutions DEA method was carried out. We based our study on the example of the Institute of Environmental Health-Department of Ecology. This department provides for the prevention of people's health related to different environment factors (water, air, food, soil). The department has 12 units: Department for quality control of outdoor air (ZEKZ), Department for control of drinking water and water in nature (ZEKV), Department of waste control and waste water (ZEKOV), Department of food control (ZEKN), Department for control of physical environmental factors (ZEKFO), Department for control of air emissions (ZEKEZ), Department of improving nutrition (ZEKP), Department of microbiology environment (ZEKO), Department of common analytical techniques (ZEAT), Department of biological monitoring and exposure (ZEKBM), Department of Ecotoxicology (ZEKE), Department for sampling of environmental samples (ZEKOU). Each of these departments has its own specific programs and projects that are financed in whole or in part from the budget and partly from the income earned by the Department of quality control of water to drink and water in the nature for market. Given to the variety of programs the primary task was to select inputs and outputs comparable and indicating the efficiency of each unit. We selected the following inputs and outputs:

- INPUTS: salary of employees, direct cost, investments, number of samples.
- OUTPUTS: total revenue, number of analysis.

Salary, direct cost, investment and revenue are expressed in monetary units and are comparable for all units in financial terms. Salaries are paid in accordance with the Colective agreement for health, direct costs include material costs, energy, transportation, various services and other costs. Investments are related to space, laboratory and medical equipment, measurement and control devices, computerization and other expenditure. But for the purpose of measuring efficiency it was valuable to have natural expression of some inputs and outputs. For example, the number of samples is related to the different sort of material (water, air, food, blood etc.) The analysis considers the process of different type of tests over material.

We designed two models of Data Envelopment Analysis to estimate the relative efficiency of each of 12 units within Institute of public health services, because we wanted to take into account two different perspectives of efficiency measurement. Furthermore, due to the limited number of inputs and outputs as a result of relatively small total number of units, we proposed two models with different combinations of inputs and outputs. Management of Institute helped us with their knowledge to include the factors (inputs and outputs) which provide the essential components. Namely, 'The common way to determine the input and output items for the DEA model is to interview with organization officers and then to analyze the organization and management objectives and experiences' (Lan, Chuang, & Chang, 2007).

#### 4.1 BCC Model 1 (3 Inputs and 1 Output)

At first, we used data for year 2014 and 2015 as follows: inputs were salaries of employees, direct costs and investments while the only output was total revenue. To be sure that selected inputs and outputs were relevant we estimated correlation between inputs and output. As presented in the Table 1, there exist positive correlations between each input and output which is the basic assumption of Data Envelopment analysis and their values approved appropriate selection of inputs and output. For example salaries and total revenue in 2014 are correlated approximately 81%, direct costs and total revenue are correlated approximately 92% while investments and total revenue approximately 63%. Table 1 contains coefficients of correlation of data in 2014 and 2015.

Table 1. Coefficients of correlation in 2014 and 2015

	2014				2015			
	Salaries	Direct costs	Investments	Total revenue	Salaries	Direct costs	Investments	Total revenue
Salaries	1	0.59	0.40	0.81	1	0.61	0.17	0.81
Direct costs	0.59	1	0.46	0.92	0.61	1	0.26	0.92
Investments	0.40	0.46	1	0.63	0.17	0.26	1	0.16
Total revenue	0.81	0.92	0.63	1	0.81	0.92	0.16	1

Source: Author's calculations

Coefficient correlations expressed by the above table approved appropriate selection of inputs and output which is the first and very important step of analysis. More precisely it means that increasing amounts of inputs lead to increasing output.

The next tables contain relative efficiency scores obtained by BCC input-oriented model for 2014 and 2015 year respectively.

Table 2. Relative efficiency scores by BCC

Unit	2014			2015		
	Efficiency score	Rank	Referent unit	Efficiency score	Rank	Referent unit
ZEKZ	1	1	ZEKZ	1	1	ZEKZ
ZEKV	0,99	9	ZEKZ	1	1	ZEKV
ZEKOV	1	1	ZEKOV	0,60	12	ZEKV
ZEKN	0,74	11	ZEKZ	0,88	9	ZEKV
ZEKP	1	1	ZEKP	1	1	ZEKP
ZEKFO	1	1	ZEKFO	1	1	ZEKFO
ZEKEZ	1	1	ZEKEZ	1	1	ZEKEZ
ZEKO	1	1	ZEKO	1	1	ZEKO
ZEKAT	1	1	ZEKAT	1	1	ZEKAT
ZEKBM	0,62	12	ZEKOV	0,88	10	ZEKFO
ZEKE	0,95	10	ZEKFO	0,61	11	ZEKV
ZEKOU	1	1	ZEKOU	1	1	ZEKOU

Source: Author's calculations

Every unit with efficiency score equal 1 is 100% efficient if all slacks are equal 0. Those departments with efficiency score less than 1 are relatively inefficient. For example unit ZEKBM achieved 2014 approximately 62% efficiency of the efficient referent unit ZEKOV. Referent unit means relatively efficient unit that represent 'ideal' for inefficient one. The average efficiency of 12 departments in 2014 is approximately 94%, while the minimum equals approximately 62%. The next year the average efficiency is approximately 92% while the minimum equals approximately 60%.

Table 3. Efficiencies in 2014 and 2015

	2014	2015
Average efficiency	0.94	0.92
Max efficiency	1	1
Min efficiency	0.62	0.60
ST Dev	0.13	0.15

Source: Author's calculations

The next two tables contain slacks associated with inputs and output in 2014 and 2015. Each slack different from zero means the input excesses or output shortfalls.

Table 4. Slacks associated with inputs and outputs in 2014 and 2015

No.	Unit	Efficiency score		Slack							
				Salaries		Direct costs		Investments		Revenue	
		2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
1	ZEKZ	1	1	0	0	0	0	0	0	0	0
2	ZEKV	0.99	1	0	0	0	0	0	0	0	0
3	ZEKOV	1	0.60	0	0	0	0	0	411354	0	0
4	ZEKN	0.74	0.88	0	0	0	0	0	0	0	0
5	ZEKP	1	1	0	0	0	0	0	0	0	0
6	ZEKFO	1	1	0.20	0.75	0	0	0.03	0	0	0
7	ZEKEZ	1	1	0.38	0	0	0	0	0	0	0
8	ZEKO	1	1	0	0	0	0	0	0	0	0
9	ZEKAT	1	1	0	0	0	0	0	16.15	0	0
10	ZEKBM	0.62	0.88	0	11874.8	26400.8	20654.9	34701.2	0	0	0
11	ZEKE	0.96	0.61	0	0	39901.6	0	0	1876.17	15849.8	0
12	ZEKOU	1	1	0	0	0	0	0	0	0	0

Source: Author's calculations

We can conclude that in 2014 units ZEKZ, ZEKOV, ZEKP, ZEKO, ZEKAT and ZEKOU are relatively efficient while units ZEKFO and ZEKEZ are inefficient because their slacks are different from 0. For example unit ZEKEZ has efficiency score equal to 1 but input (Salaries) slack is equal 0,381. It means that unit ZEKEZ has excess of input salaries. Departments ZEKV, ZEKN, ZEKBM and ZEKE are relatively inefficient because of efficiency score less than 1. The next year six units (ZEKZ, ZEKV, ZEKP, ZEKEZ, ZEKO and ZEKOU) are relatively efficient and six are relatively inefficient (ZEKOV, ZEKN, ZEKFO, ZEKAT, ZEKBM and ZEKE). The next table contains type of returns to scale for all 12 units in 2014 and 2015.

Table 5. Return to scale in 2014 and 2015

Unit	Returns to scale	
	2014	2015
ZEKZ	Constant	Constant
ZEKV	Decreasing	Constant
ZEKOV	Increasing	Increasing
ZEKN	Decreasing	Decreasing
ZEKP	Constant	Constant
ZEKFO	Increasing	Increasing
ZEKEZ	Increasing	Constant
ZEKO	Decreasing	Decreasing
ZEKAT	Constant	Decreasing
ZEKBM	Increasing	Increasing
ZEKE	Increasing	Increasing
ZEKOU	Constant	Constant

Source: Author's calculations

Information about the type of returns to scale for each of unit is very important in case of considering potential investments. Namely, if returns to scale of units are increasing we can expect that increasing input leads in more than proportional increasing output which shows that units have the possibility to improve efficiency by scaling up their activities. In both years, this is only possible in four units (ZEKOV, ZEKFO, ZEKBM, ZEKE).

For every inefficient unit we have a formula for improvement, the BCC-projection, which enables movement of inefficient unit on efficient frontier. BCC-projection determines sources and amounts of inefficiency which in 2014 for unit ZEKN means reduction of all inputs for approximately 26%, while in 2015 means reduction for approximately 12% (Table 6).

Table 6. BCC projection for inefficient DMU in 2014 and 2015

2014	Salaries			Costs			Invest.			
	DMU	Data	Projec-tion	Diff.%	Data	Projec-tion	Diff.%	Data	Projec-tion	Diff.%
	ZEKV	972469	971261	0.12	557867	557174	0.12	80532	80431.9	0.12
	ZEKN	811514	604354	25.5	213322	158866	25.53	16694	12432.4	25.53
	ZEKBM	277018	172211	37.83	77424	21730.7	71.93	68195	7692.99	88.72
	ZEKE	316561	303117	4.24	77041	33867.6	56.04	3892	3726.71	4.25
2015	Salaries			Costs			Invest.			
	DMU	Data	Projec-tion	Diff.%	Data	Projec-tion	Diff.%	Data	Projec-tion	Diff.%
	ZEKOV	724821	436885	39.72	213791	128862	39.72	692914	6299.92	99.09
	ZEKN	770935	682211	11.5	221525	196030	11.5	7563	6692.6	11.5
	ZEKAT	1315225	1315166	0.004	1350033	1349973	0.004	229074	229048	0.012
	ZEKB	285670	240820	15.7	83249	52984.6	36.35	298	263.601	11.54
	ZEKE	372461	227434	38.93	114073	69655.7	38.93	4746	1021.85	78.46

Source: Author's calculations

## 4.2 BCC Model 2 (2 Inputs and 2 Outputs)

We continued with DEA on the same set of units and the same period of time, but with different selection of inputs and outputs. Total costs and number of samples were now inputs while the number of analysis and total revenue were selected as outputs. To be sure that we selected relevant inputs and outputs we started with correlation estimation. The next table with correlation coefficients shows that selected inputs and output are highly correlated in 2014 and in 2015. For example in 2014 total costs and total revenue are approximately 97%, number of samples and total revenue approximately 70%, total costs and number of analysis approximately 61% while number of samples and number of analysis approximately 53%. In 2015 coefficients of correlation values also approved the relationship between selected inputs and outputs: total costs and total revenue are correlated approximately 93%, number of samples and total revenue approximately 69%, total costs and number of analysis approximately 65% while number of samples and number of analysis approximately 51%.

Table 7. Coefficients of correlation for 2014 and 2015

	2014				2015			
	Total costs	Number of samples	Number of analysis	Total revenue	Total costs	Number of samples	Number of analysis	Total revenue
Total costs	1	0.63	0.61	0.97	1	0.69	0.65	0.93
Number of samples	0.63	1	0.53	0.70	0.69	1	0.51	0.69
Number of analysis	0.61	0.53	1	0.62	0.65	0.51	1	0.83
Total revenue	0.97	0.70	0.62	1	0.93	0.69	0.83	1

Source: Author's calculations

We continued with applying BCC- input oriented model and we obtained the following results of relative efficiency and reference unit for 2014 and 2015.

Table 8. Efficiency scores and referent units for 2014 and 2015

Unit	2014		2015	
	Referent unit	Efficiency score	Referent unit	Efficiency score
ZEKZ	ZEKZ	1	ZEKZ	1
ZEKV	ZEKV	1	ZEKV	1
ZEKOV	ZEKZ	0.903	ZEKN	0.693
ZEKN	ZEKN	1	ZEKN	1
ZEKP	ZEKP	1	ZEKP	1
ZEKFO	ZEKFO	1	ZEKFO	1
ZEKEZ	ZEKP	0.912	ZEKV	0.888
ZEKO	ZEKZ	0.719	ZEKV	0.639
ZEKAT	ZEKAT	1	ZEKAT	1
ZEKBM	ZEKZ	0.574	ZEKV	0.720
ZEKE	ZEKZ	0.737	ZEKV	0.609
ZEKOU	ZEKZ	0.91	ZEKV	0.742

Source: Author's calculations

From 12 units 6 units are assessed in 2014 as relatively efficient: ZEKZ, ZEKV, ZEKN, ZEKP, ZEKFO and ZEKAT. In 2015 there are 4 efficient departments: ZEKV, ZEKN, ZEKP and ZEKFO.

The average efficiency score in 2014 is 90% while the minimum efficiency score is approximately 57%. The next year the average efficiency score is 86%, while minimum efficiency score is 61%.

Table 9. Efficiencies in 2014 and 2015

	2014	2015
Average efficiency	0.8962	0.8574
Max efficiency	1	1
Min efficiency	0.5743	0.6094
ST Dev	0.1432	0.1629

Source: Author's calculations

The next two tables contain, among other values, slacks associated with inputs and output in 2014 and 2015. As we already mentioned each slack different from zero means the input excesses or output shortfalls. For example unit ZEKEZ is relatively inefficient and has excess of total costs and also shortfall of number of analysis.

Table 10. Slacks associated with inputs and outputs in 2014 and 2015

No.	Unit	Efficiency score		Slack							
				Total costs		Number of samples		Number of analysis		Total revenue	
		2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
1	ZEKZ	1	1	0	0	0	2.414	0	4.705	0	0
2	ZEKV	1	1	0	0	0	0	0	0	0	0
3	ZEKOV	0.90	0.69	0	475413	0	0	0	0	0	0
4	ZEKN	1	1	0	0	0	0	0	0	0	0
5	ZEKP	1	1	0	0	0	0	0	0	0	0
6	ZEKFO	1	1	0	0	0	0	0	0	0	0
7	ZEKEZ	0.91	0.89	15388.1	0	0	0	0	244.16	0	0
8	ZEKO	0.72	0.64	0	0	2095.92	21892	0	31331.4	0	0
9	ZEKAT	1	1	0	84.4	0	0	0	6.86	0	0
10	ZEKBM	0.57	0.72	0	0	0	220.04	0	3375.46	0	0
11	ZEKE	0.74	0.61	0	0	0	0	0	3967.92	0	0
12	ZEKOU	0.91	0.74	0	0	0	1563.5	0	6975.41	0	0

Source: Author's calculations

The next table contains type of returns to scale for all 12 departments in 2014 and 2015.



Table 11. Return to scale in 2014 and 2015

Unit	Returns to scale	
	2014	2015
ZEKZ	Constant	Decreasing
ZEKV	Constant	Constant
ZEKOV	Increasing	Constant
ZEKN	Constant	Constant
ZEKP	Constant	Constant
ZEKFO	Constant	Constant
ZEKEZ	Constant	Increasing
ZEKO	Increasing	Increasing
ZEKAT	Decreasing	Decreasing
ZEKBM	Increasing	Increasing
ZEKE	Increasing	Increasing
ZEKOU	Increasing	Increasing

Source: Author's calculations

According to this model again only 4 units (ZEKO, ZEKBM, ZEKE, ZEKOU) have increasing return on scale in both years. Both models suggest that only three units (ZEKBM, ZEKE and ZEKOV) with increasing scale in both years have the possibility to improve efficiency by scaling up their activities.

BCC projection which determines sources and amounts of inefficiency for each inefficient unit is expressed in the next table for 2014 and 2015 year.

Table 12. BCC projection for inefficient DMU in 2014 and 2015

2014	Costs			Number of samples		
	Data	Projection	Diff. %	Data	Projection	Diff. %
ZEKOV	556750	502816	9.7	726	656	9.7
ZEKEZ	375589	327235	12.9	104	95	8.8
ZEKO	2524023	1814013	28.1	42180	28219	33.1
ZEKBM	422637	242709	42.6	537	308	42.6
ZEKE	397495	292839	26.3	650	478.862	26.33
ZEKOU	807927	734579	9.08	4025	3659.59	9.08
2015	Costs			Number of samples		
	Data	Projection	Diff. %	Data	Projection	Diff. %
ZEKOV	1631527	652463	60.01	777	537.14	30.87
ZEKEZ	407520	361763	11.23	171	151.8	11.23
ZEKO	2469507	1578703	36.07	42526	5293.92	87.55
ZEKAT	2894332	2894222	0.004	6910	6909.94	0.001
ZEKBM	369216	265705	28.04	775	337.69	56.43
ZEKE	491281	299380	39.06	612	372.94	39.06
ZEKOU	826324	612984	25.82	4330	1648.58	61.93

Source: Author's calculations

Reduction of all inputs of the unit are not always proportional as we can see from the example ZEKO where projected reduction of costs in 2015 is 36%, while reduction of number of samples is approximately 88%, which should be subject of detailed analysis.

The next table expresses efficiency score of units under two different models during 2014 and 2015 and average values of relative efficiency.

Table 13. Efficiency scores for two models

1. MODEL				2. MODEL			
2014		2015		2014		2015	
Efficient unit	Inefficient unit	Efficient unit	Inefficient unit	Efficient unit	Inefficient unit	Efficient unit	Inefficient unit
ZEKZ	ZEKV	ZEKZ	ZEKOV	ZEKZ	ZEKOV	ZEKV	ZEKZ
ZEKOV	ZEKN	ZEKV	ZEKN	ZEKV	ZEKEZ	ZEKN	ZEKOV
ZEKP	ZEKBM	ZEKP	ZEKBM	ZEKN	ZEKO	ZEKP	ZEKEZ
ZEKO	ZEKE	ZEKEZ	ZEKE	ZEKP	ZEKBM	ZEKFO	ZEKO
ZEKAT	ZEKFO	ZEKO	ZEKFO	ZEKFO	ZEKE		ZEKAT
ZEKOU	ZEKEZ	ZEKOU	ZEKAT	ZEKAT	ZEKOU		ZEKBM
							ZEKE
							ZEKOU
Average efficiency 94%		Average efficiency 92%		Average efficiency 90%		Average efficiency 86%	

Source: Author's calculations

We can see from above table that the number of relatively efficient departments in the first model is the same as the number of inefficient departments in 2014 with average efficiency 94% and 2015 year with average efficiency 92%. The second model showed greater variability of efficiency results between year 2014 and 2015 and also decreasing average efficiency from 90% in 2014 to 86% in 2015. The tendency of decreasing the average efficiency is a good support for future decision making process.

Among all twelve units the only relatively efficient one by both models was ZEKP which could be considered as the efficient unit representing best practise. The efficiency of ZEKP unit (Department of improving nutrition) can serve as an example because with the same cost the number of public health programs impacting revenue growth increase. ZEKE and ZEKBM units were relatively inefficient by both models and they could be considered as units which do not operate in the best possible way. Inefficient units (Department of Ecotoxicology and Department of biological monitoring and exposure) are new units and still investing so that the effects expressed in revenue will be visible in the future.

These results would be very valuable for the strategy implementation and in general decision making process. The head of the Institute and the management will consider and analyse in detail the reasons for less efficiency of the two units and compare them with the best one. Evaluation of relative

efficiency by DEA is a first step in order to implement Balanced Scorecard (BSC) as an effective tool for performance management system.

## **5 Conclusion**

Nowadays, all the contemporary health care systems face the problem how to ensure efficient and equitable health care for all citizens when sources of funding are limited. The task of public health services is to improve population's health and they therefore comprise a series of improvement measures. This research seeks to assess the usefulness of DEA in measuring the efficiency of a set of comparable units within the Institute of public health in a Croatian county. We have not found such study using DEA in the public health services yet, because most of the research has been focused on health care, i.e. hospitals. Surely ours is the first study that has used DEA in the public health services system in Croatia and Region.

According to the results of our research we can conclude that Data Envelopment Analysis can provide top managers with valid technique to measure efficiency of units within Institute of public health services. The first and crucial step is the selection of some common inputs and outputs that reflect the analyst's interest: we used the data from the Institute management. They cooperated in the research selecting inputs and outputs considered in the BCC model and their valuable knowledge was incorporated in the model, which is very important in order to make results accepted. Both models reveal significant differences in efficiency among analysed units. We found sources and amounts of inefficiency (projection values), best practise as benchmark for other units (unit in reference set), units with investment potentials (units with increasing returns to scale) and we can conclude that DEA is a valuable tool for managers who understood usefulness and possibilities of DEA. In summary, our analysis provided managers the tool to assess their unit's relative performances, identify top performance among them and identify ways to improve their performance. Unfortunately DEA does not identify the actions that need to be carried out. DEA only measures efficiency relative to best practice within the particular sample. This study has limitations in the number of units and number of inputs and outputs. Further analysis will expand their number and also investigate the difference in importance of specific inputs and outputs which will be included into the BCC model. Still, this reserach has confirmed that it is possible to measure the efficiency of public health services by DEA.

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## POVZETEK

### 1.01 Izvirni znanstveni članek

## **Merjenje učinkovitosti storitev javnega zdravstva z metodo DEA**

Danes se vsi sodobni zdravstveni sistemi soočajo z zahtevo, zagotoviti učinkovito in pravično zdravstvo za vse državljane ob omejenih virih financiranja. Naloga javne zdravstvene politike je zagotavljanje enakopravnosti in pravičnosti pri dostopu do zdravstvenih storitev ter izboljšanje njihove kakovosti. Za doseg te ciljev je potreben učinkovit sistem regulacije in nadzora izvajalcev zdravstvenih storitev. Za raziskavo smo uporabili metodo DEA (*Data Envelopment Analysis*) in izbrali organizacijske enote Instituta za javno zdravstvo (Hrvatski zavod za javno zdravstvo) na Hrvaškem v letih 2014 in 2015. Uporabili smo podatke za izbrane vložke (plače zaposlenih, neposredni stroški, investicije, število vzorcev) in izloške (skupni dohodek, število analiz) v letih 2014 in 2015 ter dva modela analize DEA z različnim številom spremenljivk.

Oba modela sta razkrila pomembne razlike v učinkovitosti med analiziranimi enotami Zavoda za zdravstveno varstvo in njihovo razvrstitev med učinkovite oziroma neučinkovite. Metoda je omogočila določitev virov in vrednosti neučinkovitosti s projekcijo vrednosti. Za vsako neučinkovito enoto je bilo mogoče določiti vzroke neučinkovitosti in načrtovati velikost spremembe vložkov, ki bi izboljšali njihovo učinkovitost.

Ugotovili smo najboljše prakse kot merilo za druge enote z izbiro referenčne enote. Določili smo lahko enote z investicijskim potencialom. Uporaba metode DEA je dragoceno orodje za vodje, ki želijo poznati učinkovitost svoje enote v primerjavi z drugimi enotami. Ocena učinkovitosti in izbira najboljše, referenčne enote omogoča vodjem, da načrtujejo dosegljive cilje in spremembe v poslovanju z uporabo dobrih praks iz najboljših enot. Slabost metode DEA pa je, da ne opredeli ukrepov, ki jih je treba uvesti za izboljšanje stanja. Odločitev o izbiri metod za doseg višjih ciljev je prepuščena vodjem.

Ugotovitve v članku bodo v pomoč tudi regulatorjem zdravstvenega sistema na Hrvaškem pri določanju bodočih ciljev poslovanja, ki bi jih morale doseči premalo učinkovite enote.



# Procurement at Local Government Level – Issues and Controversies<sup>1</sup>

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## ABSTRACT

Local government, as administrative units, performs a broad range of services that require to establish relations with outside partners, including those belonging to the private sector. Public procurement, due to the size of the involved financial flows, is government activity especially exposed to inefficiencies, corruption and dishonesty. There is an everlasting discussion on the ideal size and the range of services to be kept 'in-house' of local government units (LGUs). Transaction Costs Economics (TCE) represents a theoretical paradigm specially designed to interpret the issue of efficiency in inter-institutional relations. However, even though TCE might be envisaged as a tool for building better systems and institutions, practical experience suggests that efficient organization of complex multi-institutional systems is still a goal to be met. Therefore, public procurement procedures at LGU level are suitable to analyze the transaction costs. In an attempt to determine the main organizational features of the existing scope of institutions/entities involved in delivering services to citizens, we provided an overview of the complexity of inter-organizational relations at LGU level.

In this paper, we present results of an empirical research of public procurement procedures from the perspective of LGUs in Croatia. Picking up on questionnaire responses from 200 LGUs that reported having held over 350 cases of providing services through contract agreements with 'independent' service providers, we formed an opinion of what could be the consequences of developing more structured public procurement procedures.

*Keywords: economic efficiency, local government units, public procurement, public administration, transaction costs*

*JEL: H57, H83, L14*

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## **1 Introduction**

Economic theory explains organizational arrangements as the results of efficient choices. Our motive in this paper was to test this hypothesis on a real life sample.

For at least a decade reforming (reorganizing) the public administration of Croatia has been one of the most often mentioned phrases appearing in national government election campaigns in Croatia, accompanied by the idea of increasing efficiency/quality outcomes of public services. A third noticeable impulse from the electoral campaign rhetoric was the accented bias towards restructuring the public administration system at regional and local level as opposed to a more integrative top-down approach.

However, in all these discussions, as it often happens in political discourse, little evidence (data) has been laid down for the public to come out with their own conclusions; both in terms of the appropriate scope of restructuring (whether just diminishing number of units or employees, or more relevantly redesigning the scope of activities/jurisdiction of LGU) and in terms of expected outcomes. Rather, the impression was that parties were trying to provide slogans that appear as quick-fix solutions. But, once the box was opened and analytical discussion started, dissonant tones appeared and radical changes no longer seem likely.

This research tried to track down data that would provide some evidence of local government organization/management/performance issues. The idea was that a more precise, process-specific oriented empirical analysis would shed more light into the organizational efficiency of local governments, allowing us to assess the scope of activities, human capacity and thus question the existing size of local government units and distributional arrangements (allocation) of tasks and resources. Searching for a representative object to focus our research interest we chose to look at the process of public procurement at local government level.

Public procurement seemed particularly adequate for introducing issues of capacity, efficiency, service quality (quality of life), functional and dysfunctional behaviour; and particularly, as an appropriate activity to try interpreting existing organizational practices through the lens of TCE. In addition, as we had recently been running a questionnaire on public procurement processes at local government level, we believed our questionnaire results could provide some insight into the capabilities and shortcomings of local governments.

Another rationale for picking up public procurement was that public procurement represents important aspect of public administration functioning. Savings in this area should be treated as a contribution to increasing both economic efficiency and the quality of public services.

According to OECD, efficiency of procurement can be measured using transaction costs and time required for procurement procedures. Efficiency can also be measured by observing the existence of specific practices, such as the use of e-procurement and of aggregation vehicles like framework agreements and consolidated contracts (OECD, 'Procurement – Key Performance Indicators').

According to European Commission: 'Every year, over 250 000 public authorities in the EU spend around 14% of GDP on the purchase of services, works and supplies. In many sectors such as energy, transport, waste management, social protection and the provision of health or education services, public authorities are the principal buyers. Public procurement refers to the process by which public authorities, such as government departments or local authorities, purchase work, goods or services from companies.' (European Commission, 'Public Procurement')

The European Public Procurement Strategy promotes inquiries into the existing organization of public procurement processes: 'By rethinking the entire approach to purchasing, professionalizing public buyers, cutting red-tape, and capitalizing on the benefits of the digital revolution, public administrations can be made more efficient, more effective, and more citizen and business-friendly. Improved governance, the simplification of procedures and the greater use of electronic tools in public procurement are also important instruments in the fight against fraud and corruption. Finally, as the biggest single spender in the EU, the public sector can use procurement to drive key EU 2020 horizontal policies, such as those aimed at creating a more innovative, green and socially-inclusive economy.' (European Commission, 'Public Procurement Strategy')

## **2 Theoretical Concerns**

Our basic assumption is that efficiency, being a theoretical concept, is a concept subject to interpretation. Basically, being efficient means doing the right things in the right way. However, what a particular person or community engages in establishing efficient organizational practices, their concepts of efficiency may vary in conformance with underlying theory. This is especially questionable when it comes to interpretations of real life-organizational arrangements and reform efforts.

In the following lines, we try to put down some lines of thought guiding our perception of the issues present in choosing adequate organization frameworks. Under our first subtitle, we take into consideration simple definitions, expressed by public sources, and look at their implications and the alignment of these statements with public discourse on government reforms in Croatia. Under the second subtitle, we dwell on policy statements issued by European authorities. Here again, we try to point to the directions

that a simple choice of words will imply for the choice of correct measures to be taken in reforming Croatian public administration.

## 2.1 A Note on Economic Efficiency

Economic efficiency is defined in terms of input-output ratios; a more efficient practice is the one requiring fewer resources for achieving a predefined outcome.

The definition above is mainly a 'technical' definition, suitable for textbooks, but requiring additional ramifications and assumptions in order to fit real-life cases. The organizational implication would suggest that a task should be designed and then allocated to the organization unit/organizational level best capable of acquiring and possessing the most adequate bundle of resources. Considering the set of activities needed in public procurement to be more or less stable, the question of how to allocate tasks in a national system of public procurement to become an issue of capacity (Askim, Christensen, Fimreite, & Læg Reid, 2010), particularly human; implying that LGUs that are smaller in size are incapable of providing minimum capacity levels and should thus be considered inefficient. Accordingly, the present public discussion on the size of the Croatian local government sector, with the suggested take of inefficiency being an issue related to an excessive division and stratification of administrative units, appears to be the correct answer to problem of local government efficiency.

Yet, according to our standing, the concept of efficiency is more complex. It is more than just a question of task description, establishing minimum capacity and allocation choices. Considering the passage below, representing the often cited explanation by Nicholas Barr, the perception of efficient practices may be 'contaminated' by actors' involvement (theory will call it strategic behaviour of interested parties). Therefore, we should consider the existence of more than just one aspect of efficiency. The first sentence explains the technical aspect, while the second part of the quote widens the efficiency perspective:

'Economic efficiency is about making the best use of limited resource given people's tastes. It involves the choice of an output bundle  $X^* = (X_1, X_2, \dots, X_n)$  where  $X_i$  is the output of the  $i$ th good, with the property that any deviations from this quantities will make at least one person worst off. (...) In broader definition of efficiency, three conditions must be hold simultaneously. 1. Productive efficiency means that activity should be organized to obtain the maximum output for given input. This is what engineers think when they speak about efficiency. (...) This is not enough for allocative efficiency which requires two additional conditions to hold. 2. Efficiency of the product mix means the optimum combination of goods should be produced, given existing production technology and consumers taste. (...) 3. Efficiency of consumption means that a person's consumption choices should maximize her or his utility – in formal terms the marginal rate of substitution must be equal for all individuals.' (Barr, 2012, p. 44)

We can assume that specific manifestations of economic activity, that is, in time and place specific cases of organizational arrangements, attitudes towards efficiency are even less amenable to simple interpretations regarding the reached level of efficiency, let alone estimating the prospective or optimizing level of efficiency.

The problem of simplifying the efficiency dilemma is somehow taken up by TCE. TCE maintains that organization forms, or precisely formal institutional boundaries, matter when it comes to efficiency. Basically, TCE reduces the problem of adequate organizational arrangements to the estimation of information requirements required to efficiently govern a transaction. In fact, TCE rearranges our perception of the efficiency issue by stressing the costs (and risks) of information gathering in markets. Market contexts that have become 'contaminated' by market concentration or external factors, such as government interventions, produce higher transaction costs and therefore require more planning, i.e. higher administrative costs.<sup>2</sup> In short, every transactional relationships demands planning and monitoring thus causing administrative costs. The difference among specific transactions' governing models lies in the amount and pre-planning (formalization) involved.

Thus, alternative organizational forms can vary from very loose normative arrangements that demand little administrative costs, up to fully institutionalized control mechanisms achieved by establishing ownership rights. The standard phrasing would denote that the arm's length relationship is the organizational arrangement most suitable for competitive market situations. A more demanding, and more elaborate arrangement would comprise formal contracting. Ownership relations, that imply the highest sophistication of planning, would represent the best fit for situations involving long-term partnerships, environmental insecurity, institutional insecurity, etc. Efficiency is achieved when the optimal institutional arrangement is chosen for a specific situation. The efficient organizational arrangement will be defined as the one providing the lowest possible level administration costs that can still adequately control for a specific situation; or in organizational terms, efficiency is achieved when the level of imposed behavioural rules (formal organizational arrangements) is kept at minimum level necessary that prevents uninformed (=misguided) decision making. Therefore, efficient organizational arrangements are the least complex sets of norms that can still maintain an adequate level of control over the resource or transaction at stake.

Likewise, the efficiency of the procurement process can be addressed in terms of transaction costs theory and the duration of procurement procedures.

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<sup>2</sup> Administrative costs can be understood as a redirection of resources towards main purpose (or operational activities) of an organization. In terms of efficiency, as internal, information processing, activities increase their share in total available resources, a reduced supply of goods and services results as a consequence.

In conclusion, conformance with transaction costs theory, establishing a system of controls (processes, institutions and standards) over public procurement requires setting up measures and procedures that do cause administrative costs, yet these 'investments' can save on the 'costs of using the market'. Efficiency is achieved by balancing the two cost sides. In addition, there is the presumption that to be efficient, control systems should be based on the specific circumstance under which each institution/relationship operates. Therefore, established measures should be pertinent to the activity being controlled, but also conform to the specific administrative capacity of the government unit applying a specific system of controls.

Another pertinent issue, to be kept in mind while developing our research design/arguments, is the ongoing discussion on the adequate size of local government in Croatia that tends to heat up during pre-election times. In consequence, as the public becomes more sensitized to the issue of shaping local government, new facts and data become publicly available and researchers are more likely to get cooperative respondents.

## **2.2 Applying Theory to Understanding Implications of Advice on Public Procurement Improvement**

Under this topic, we depict some lines from the *European Public Procurement Strategy* (EPPS) that carries influences for organizational structuring. Mainly the EPPS points to the importance of public procurement and advises new procedures (transparent web-based system) will have a beneficial effect on the business sector:

'...public procurement is critical to the European economic recovery. Transparent, fair and competitive public procurement across the Single Market creates business opportunities for European enterprises and contributes to economic growth and job creation...'

On January 5, the European Commission adopted the *European Single Procurement Document* (ESPD) that will considerably reduce the administrative burden for companies, in particular small and medium-sized enterprises (SMEs), who want to have a fair chance at winning a public contract... Today's simplification of the tender procedure is one of the major elements of public procurement reform which will enter into force on 18 April 2016 ... Under the new system, suppliers must state that they are able, upon request and without delay, to provide the supporting documents necessary to prove compliance, unless they are already accessible via public registers.

As explained by the European Commission's Public Procurement Strategy, a web-based system should be established based on a data model that was developed in cooperation with a wide range of stakeholders active in the field of standardization. Funding from the Connecting Europe Facility (CEF) will be made available to facilitate integration of the ESPD into existing electronic procurement solutions. The ESPD will allow for the reuse of data

filled in by businesses in previous procurement procedures. It is also the entry point for the digitization of the qualification phase of public procurement (European Commission, 2016).

The underlined parts of the sentences above have direct implications on how efficiency will be interpreted in practice. Neutral, well-intended statements point to the fact that a simple/exact factor, such as form of disseminating information or integrated European electronic-procurement solutions, will produce desirable results, from standardized procedures, transparency, reuse of data, up to economic growth and job creation. The recommendations, in fact, fit very well with the theoretical definition of efficiency as a technical term suggesting scale economies, the requirement being that tasks should be designed and then allocated to the best fit organization unit/organizational level. However, by suggesting that efficiency can be measured through the 'aggregation vehicles like framework agreements and consolidated contracts' (OECD, 'Procurement – Key Performance Indicators'), might also lead to pronounced redistribution effects comprising the redistribution of authority/activities among levels of government, redistribution of business opportunities between smaller and larger businesses, as well as spatial redistribution of economic activity; all having a much broader socio-economic impact than achieving scale effects in distinct procurement processes.

On first tentative consideration of additional administrative costs, incurred as preparations for the implementation of the above recommendations, we can perceive several 'new investments', such as:

1. The establishment of national or supranational level body authorized to design procedures, set standards, to provide monitoring and eventually undertake coordination activities (a standing body or a coordination procedure);
2. The analysis of the present system of capacity at LGU level, a redesign of LG staff positions and regulations;
3. A review of exiting regulation of LG authority, responsibilities and special laws and regulations;
4. An analysis of the impact on local suppliers. As can be seen from the Strategy, the aggregation of public purchasing is evident<sup>3</sup>. Upon looking at specific public procurement issues such as thresholds, it becomes apparent that local small businesses are not being considered. Only under the presumption that procurement cases

<sup>3</sup> The aggregation of public purchasing has started to take hold across the EU. Demand aggregation refers to contracting authorities or others operating through Central Purchasing Bodies (CPBs) which act as wholesalers or intermediaries. Because aggregators manage increasing shares of public procurement markets, they are becoming indispensable players in promoting public procurement reform. Moreover, given their different mandates at political, policy and market level, CPBs are uniquely positioned to implement strategic or innovative procurements. Their role in the standardization of public procurement processes and market insight also play an important role for the professionalization of public administrations. The Commission intends to support the dissemination of good practice and promote the use of innovative procurement by CPBs and other forms of aggregation of demand.

with values below thresholds will not be required to follow strictly standardized procedures, there would be some space left to accommodate 'local content';

5. An analysis of redistribution of the cost burden. Namely, even though the European Single Procurement Document (ESPD) states that 'considerable reducing of the administrative burden for companies' is expected, there is a possibility that the effect to be achieved is a redistribution of the tax burden of financing public procedures from larger firms to smaller ones. The general public, including small businesses, will finance public expenses, but the changes will benefit the larger companies that are better equipped for entering the electronic bidding process.

In conclusion, with or without explicit intent, organization arrangements appear to be developing towards administratively more and more complex forms. In this area, our primary concern relates to existing administrative capacity at country level. Another concern addresses the redistribution of shares of economic activity inside national boundaries. Namely, the direction towards authority centralization, rather than decentralization, that seems to prevail, suggests a shift of government jobs from local towards central governments. We are concerned that a shift may be imposed by the redistribution of contracts from smaller towards larger firms,<sup>4</sup> possibly more important for Croatia, than elsewhere in Europe. Finally, we would be interested in analysing the impact of the whole process for the spatial redistribution of levels of economic activity.

### **2.3 A Note on Preventing Corruption**

Corruption is a common concern treated in policy documents requiring standardization and professionalization of public procurement practices.

OECD estimates corruption to take away between 20 and 25 per cent of national procurement budgets worldwide (OECD, 2015). They also advocate e-procurement as a measure to fight corruption and offer Korea as an example of good outcomes from obtained by switching to e-procurement.<sup>5</sup>

No one will argue against process analysis that can bring about transparency and time savings. We are in favour of standard, better-structured procurement processes. However, we would also be in favour of researching the wider context that will allow for a better appraisal of the local community outcomes that might (unintendedly) result from the process of establishing new public

<sup>4</sup> By keeping high thresholds and demanding staff, equipment, information requirements, smaller firms will be brought into an even more unfavorable position towards larger enterprises competing for bids.

<sup>5</sup> The case refers to South Korea's e-procurement system KONEPS that is reported to have saved the public sector 1.4 billion US\$ in costs and the private sector 6.6 billion US\$ compared to the previous paper-based system. The time it took to process the bids dropped from an average of 30 hours to just 2.



procurement models; such as the aggregation of procurement. However, according to a recent study (European Parliament, 2016, p. 58), Croatia, with a high relative corruption risk, has relatively low costs of corruption because of its low overall value of contracts.

To our understanding, the aggregation of public purchasing is not a measure to fight corruption per se. Aggregation may lead to projects becoming excessively complex or excessively demanding for smaller scale businesses, thus causing a market displacement effect and reducing competition. Concentration on the supply side of the market is a theoretical precondition for raising prices and possibly collusion. The (theoretical) consequence would be higher pricing, so even though payoffs may become less likely (an assumption that deserves to be questioned), the impact government spending will still be negative. Aggregation is also likely to lead to further centralization of decision-making; and therefore, to concentration of authority. We see no argument why officials and staff at higher government levels (and managing larger expendable funds) should be expected to be less susceptible to corruption than those at lower levels of government. Rather, theory would expect the opposite (Yilmaz, Beris, & Serrano-Berthet, 2008); those that are not controlled by higher levels of authority, those that have more to win by bending, would be expected to fall more easily into temptation.

### 3 Public Procurement at LG Level in Croatia

Local government units in Croatia are, among other state bodies, obligated to follow procedures of public procurement for procurement that exceeds 200,000 HRK in goods and services, or 500,000 HRK in procurement of works (Law on public procurement, NN 90/2011, Amendments of the Law on public procurement, NN 143/2013).

Table 1. LGU types by population and economic power

	Municipalities	Cities	Counties	Zagreb
Average population	2,957	17,668	174,744	790,017
Average LGU Budget (2013) in 000 HRK	7,662	120,620	182,237	7,106,427
Average LGU Budget per capita	2,903	5,723	1,078	8,995
Sum budget (2013) in 000 HRK	3,287,159	15,198,153	3,644,694	7,106,427
Sum budget as a % of GDP (2013)	1.01%	4.65%	1.12%	2.17%

\* Zagreb, as a state capital formally has a status as a city and a county) is because of its size and economic power, and in therefore excluded from LGU averages and shown in a separate column.

Source: Ministry of Finance (budgets); Ministry of Public Administrations (population); Statistical Yearbook (GDP)

On the first level of territorial structuring, Croatia consists of 557 cities and municipalities, which together with 20 counties on second structuring level, make up a total of 577 LGUs. However, as it can be seen in Table 1 a vast number of small units are financially rather small in economic power.

Consequently, on the national scale, the amount of funds used up by public procurement at local government is small.

### 3.1 Research Methodology

Transaction costs economics (TCE) maintain that organizational arrangements saving on the combination of *ex-ante* and *ex-post* transaction costs should be considered economically superior. *Ex-ante* costs are defined as costs occurring during preparation to contracting or by setting-up a behavioural norms and pattern, that is, *ex-ante*. Mainly these costs are the costs of gathering and processing information and 'bargaining' until a decision is reached. *Ex-post* costs are considered to be costs of unintended consequences of wrong decisions, including costs of remediating bad outcomes, such as bearing losses, costs of turning to reverting to less favorable (previously discarded) alternatives, switching partners, renegotiating agreements, engaging in dispute settlements arrangements.

Because *ex-ante* costs are expected to be happening at the present time and since they have a direct, intuitive, influences on activity levels, *ex-ante* costs are easier to estimate. Likewise, in our research questionnaire *ex-ante* costs received a more extensive set of questions inquiring into the time and costs that lead into a partnership agreement. *Ex-post* costs were accessed mainly by inquiring into the number of complaints following a public-procurement process, solicited legal advice and delays caused by disputes.

Basically, organizational arrangement in TCE represents levels of control that can be achieved in a range of interpersonal/interinstitutional relationships.<sup>6</sup> More complex contractual arrangements are expected to require higher 'set-up' costs for building up safeguards against future, *ex-post* disruptions in functioning of a planned activity. In our research, the typical organizational arrangements ('levels of control') were represented by:

- short-term contractual arrangement (corresponding to arm's length relationships)
- long-term contractual arrangement (corresponding to long term contractual relations – partnerships)
- ownership (corresponding to 100% ownership stake or joint ownership with other LGUs)

All three types of organizational arrangements for service delivery exist at LG level in Croatia. Public tendering is considered for cases of short-term contracts and long-term contracts.

<sup>6</sup> In O. Williamson's words (1985): 'Progressively increasing the "duration and complexity" of contracts has thus resulted in the displacement of even neoclassical adjustment processes by adjustment processes of a more thoroughly transaction-specific, ongoing administrative kind.'

As asset specificity (or partner specificity) according to Williamson (1985, 2002) represents a factor that would suggest the desirable level of control over a transaction, we substituted the degree of asset specificity by a functional identification of the contracting object. Respondents were asked to specify the number of deals by each activity area. The offered activity areas were: insurance, parks and green areas maintenance, road maintenance, building and maintenance of educational and sport facilities, and other communal services.

### 3.2 Research Sample and Data Gathering Process

A questionnaire containing 29 questions (some composite) was run in the December of 2014 and addressed to all 577 LGUs in Croatia (municipalities, cities and counties). LGUs could access the questionnaire anonymously by web application. The questionnaire was accessed by 201 respondents. However, the number of respondents on specific questions varied. Among the 201 respondents, 98 identified themselves as municipalities, 81 as cities, and 7 as counties.

It should be noted that the average number of employees employed by the responding LGUs was 63 (mode 4). Further on, they have an average of 4 organizational subunits (mode 1), and 4 employees, on average were included in public procurement procedures (mode 1).

### 3.3 Research Findings

The number of relationships established with other institutions, whether fully owned by LGUs or as partners engaged in a contract arrangement is presented in Table 2.

Table 2. Number of relationships by type

TYPE	Ownership		Long-term partnership		Arm's length relationship	
Number of reposted relationships	103		78		60	
Number of partners	average	mode	average	mode	average	mode
	3.19	1	3.96	0	7.15	0

In 241 reported partnerships, fully or partially owned firms appear as the most common organizational arrangement for communal services delivery. However, there were still other 138 cases of contracts which might have been established though public procurement. It is interesting to note that the majority of LGUs did not report to 'outsource' service providing at all (Therefore the mode=0).

More analytically, using a question designed to get insight into the complexity, or homogeneity, of transactional relationships, respondents were asked

to report on the number of public procurement procedures carried out in the past year. The optional answers provided covered common activity areas, such as:

- maintenance of green areas;
- roads maintenance;
- maintenance of schools and educational facilities;
- maintenance of sports, cultural facilities;
- insurance and;
- other communal services.

The answers obtained are presented in Table 3.

**Table 3.** *Number of public-procurement procedures run in 2013 by area of activity*

Activity area	Number	Mode	%	Average
Green areas	27	0	10.96	0.30
Roads	42	1	17.07	1.55
Education facilities	45	1	18.29	1.07
Culture & Sports	48	1	19.51	1.33
Insurance	31	0	12.60	0.42
Other activities	54	1	21.95	9.09
<b>Total reported</b>	<b>246</b>			

We were also interested in the influence of repeated contracting with same partners on transaction costs, as there was a 68% of positive answer to the question on whether there were savings to be achieved in repeated bargaining. Therefore, we tried to compare long-term and short-term partnerships; yet comparing only total sums, we found no evidence of preferences towards either long- or short-term partnerships. As can be seen in Table 4, the number and structure of long-term and short-term (arm's length) were reported to be at similar level of activities for both types of contract arrangements for management of green areas. Infrastructure maintenance, expectedly, relied more on long-term partnerships, while unnamed (the answer chosen being: other activities) demonstrated a higher proportion of short-term arrangements.

**Table 4.** *Number of long-term and short-term contract relations with partner firms (2013)*

Activity area	Long-term		Short-term	
	number	average	number	average
Green areas	33	0.36	32	0.38
Roads	46	1.09	42	0.79
Water management	37	0.49	30	0.27
Waste management	43	0.60	30	0.27
Other	36	2,03	37	4.70
<b>Total sum</b>	<b>195</b>		<b>191</b>	

Summing up long-term and short-term contractual agreements, we get a number of 386 partnerships reported with just a little above the number of partnerships existing between LGU and firms held under their ownership (listed in Table 5).

Table 5. Number of relations with partner firms in LG ownership (2013)

Activity area	Owned	Average	Mode	%
Green areas	82	0.94	1	23.91
Roads	51	0.82	1	14.87
Water management	80	1.04	1	23.32
Waste management	81	1.07	1	23.62
Other	49	2.61	1	14.29
Total sum	343			

This could suggest that in Croatia a large proportion of local services (here estimated only by number, not value) are performed by publicly owned firms. This is consistent with a mode value of 1 suggesting that forms of service providing requiring stability in quantities and service quality (water and waste management) were served by firms held in ownership relations. However, and such is the case of smaller LGUs, it is also quite common to have supplementary works arranged for service provision (maintenance) with independent contractors. It would be interesting to compare the value/costs ratios of services being performed under different organizational arrangements. However, at this time we did not have the necessary financial data at our disposal.<sup>7</sup>

The problem of transaction costs estimation was addressed by establishing the duration of different stages of procurement process. Our respondents ( $n = 71$ ) on average estimate of the total duration of a public procurement procedure, from opening the bidding process the picking up the contracting party, to be 49.25 days. As a rule, for each tender there were 3 offers, with the average number of tender offers being estimated at 3.46. This suggests that we should consider the number of bidders to be influenced primarily by legal requirements, not so much by some different pricing strategies being exerted by bidders, because of which LGUs will be interested in carrying out analytical research into price/value ratios of submitted proposals.

Again, the comparison of average duration of procedures by stages, suggests very similar time structures independent of contracting object. Again, we suspect the common reason for these similarities to be the legal requirements.<sup>8</sup> *Ex-ante* activities, from starting tender preparations to running tender procedure were estimated to last on average a little bit

<sup>7</sup> We would need to map cost/value relations under different organizational arrangements and see whether shifts occur between costs borne by different constituencies, between administration and operation costs and between *ex-ante* and *ex-post* costs.

<sup>8</sup> On the other hand, there is also the fact that the mode for the number of persons involved in public procurement process at the LGU side to be 1 (average = 4), so that we could also reason that once a person establishes a routine, he will stick to it. Still this is less likely.

over the duration required by legal requirements. Again, we tried to get data on eventual differences in time structure depending on type of service activity. The figures are demonstrated in Table 6.

**Table 6.** Duration of public procurement by process stage for different types of services (days)

Communal services (excluding water, sanitation and waste management)	Preparation of documentation		Submission of tender proposals	
	average	mode	average	mode
	31.34	30	30.36	10
	Extension of bidding process		Processing proposals and making choice	
	average	mode	average	mode
	6	5	23.71	20
Maintenance of educational, cultural and sport facilities	Preparation of documentation		Submission of tender proposals	
	average	mode	average	mode
	32.04	30	28.04	20
	Extension of bidding process		Processing proposals and making choice	
	average	mode	average	mode
	7.28	10	25.58	20
Building and maintenance of business infrastructure	Preparation of documentation		Submission of tender proposals	
	average	mode	average	mode
	33.52	30	25.94	10
	Extension of bidding process		Processing proposals and making choice	
	average	mode	average	mode
	7.41	10	25.19	20

### 3.4 Remaining Issues Related to Research Results

It was very interesting to read the free written comments of respondents. Respondents, being personally involved in public procurement processes suggested correction could be made in the public-procurement process in terms of duration of certain process-phases, penalizing unreasonable complaints (complaints that one person described as being stated solely in order to boycott the process or competitors). In fact, out of 13 written comments, 6 pointed to the need to further regulate the bidders' complain process.

Four respondent inputs stressed the problem of selecting bidders upon price; what is commonly criticized is the legal definition of 'best offer' as being the lowest cost offer and the consequent 'implied guilt' for acting in favour of specific bidder every time the object of transaction is *ex-ante* specified in more details.

The respondents' reasoning is conformant with theory expectations. For instance, according to Raiffa (2007, p. 178), in negotiations with multiple bidders, with competitive sealed bids, the lowest price will be reached when bidders believe that other bidders will offer selling at a lower price. Because of information asymmetry, bidders are, or can be, unaware of the number of other competitors and therefore psychologically persuaded to offer low price even when they are the only interested seller.

Along this same line of reasoning, that *ex-ante* costs are incurred in order to control *ex-post* costs, theory would, in fact, suggest that as object or relationship sophistication increases, the more structured should be the bidding process and more elaborate the contract items. When the object of procurement is standardized, public procurement should prove beneficial in reaching the best price, but problems could arise when procuring goods or services with higher level of complexity. For example, complexity can arise in a form of questionable quality of future product or provided service. Even when LGUs devote significant effort into including as many quality and other requirements in their tender documentation, thus generating higher *ex-ante* costs, some problems can still be overseen and might create future *ex-post* cost. Therefore, more complex contractual arrangements could be better fitted for private-ordering deals rather than public procurement.

Public procurement can be seen as a way to reach impersonal exchange. In that kind of relations everyone is treated the same whether they are personally known to each other or not (Wallis, 2011). However, although impersonality is, from perspective of institutionalism, important concept in economic development, it is still highly theoretical. To avoid ambiguity economic subjects are aiming to know at least social identity of their counterparts, which, as they believe, should make future disputes less likely and easier to solve. Moreover, Halonen-Akatwijuka and Hart (2015, p.4) argue that using continuous contracts instead of arm-length ones might prove beneficial. In their own words, with continuing contracts 'there is no obligation to trade in the second period but if there are gains from trade the parties will bargain using the first period contract as a reference point.' Therefore, by using private ordering, quality concerns and other ambiguities could be avoided or easier to handle. That perhaps comes only at risk of not reaching the best price or opening extra space for corruption activities.

#### 4 Conclusion

Local government performs a broad range of services that require LGUs to establish relations with 'outside' partners, including those belonging to the private sector. Therefore, they represent a suitable unit of analysis when treating transaction costs. In an attempt to determine the main organizational features of the existing scope of institutions/entities involved in delivering services citizens, this paper provides an overview of the complexity

of inter-organizational relations at LGU level. The findings are based on data collected through anonymous questionnaires sent to all Croatian LGUs. Transaction costs were addressed indirectly, mainly by establishing the hardships of establishing and maintaining a transaction relationship.

LGU units accomplish an important share of their activities by engaging in contractual relationship with private sector companies. Since the nature of these relationships may have long terms implications for service quality and costs to be born by society, there are benefits that can be expected from a well-designed system or regulating a common and reiterating activity. However, the dilemma exists concerning the appropriate level of standardization, as well as the attributes of the transaction 'deserving' to be streamlined in order to optimize cost (and process time) during planning activities and during implementation.

Our research demonstrated conformity of procedures and organizational arrangements that surpass the expectations of economic theory reasoning on efficiency. Mainly, the same patterns of contracting existed for smaller and larger financial capacity and any other distinctive feature that might have been expected to imply different distribution of tasks. In fact, even the time frame of individual process stages was very uniform across our whole sample, and vaguely depended on field of activity (which, in theory, would have corresponded to variables of task complexity, duration, market transparency, partner dependency, etc.).

Precisely, transactions have been observed to occur in two separate categories: a) transactions of LGUs with wholly owned communal firms and b) transactions with private entities occurring in regular public procurement bids. Our rationale was that even though the first relationship represents a stable system formally controlled by the LGU, therefore theoretically less exposed to transaction risks/costs, both systems are administered by the same personnel, suggesting that both sorts of transactions are covered by the same (scarce) administrative capacity.



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## POVZETEK

### 1.01 Izvirni znanstveni članek

## **Naročila na ravni lokalne samouprave – težave in polemike**

Javna naročila so pogosto prepoznana kot aktivnost, v katero so vključeni znatni finančni tokovi, velikokrat pa so tudi predmet slabega vodenja, celo goljufij. Zato javna naročila urejajo številni zakoni in standardi.

Po mnenju OECD je učinkovitost naročila mogoče izmeriti z uporabo transakcijskih stroškov in časa, potrebnega za postopke naročanja. Učinkovitost je mogoče izmeriti tudi z opazovanjem obstoja določenih praks, kot sta uporaba e-naročanja in združevanja orodij, kot so okvirni sporazumi in skupinske pogodbe. Ekonomija transakcijskih stroškov (ETS) predstavlja teoretično paradigmo, posebej oblikovano za interpretacijo vprašanja učinkovitosti v medinstitucionalnih odnosih. Čeprav je ETS mogoče videti kot orodje za izgradnjo boljših sistemov in institucij, praktične izkušnje kažejo, da je učinkovita organizacija kompleksnih večinstitucionalnih sistemov še vedno cilj, ki bi ga bilo treba doseči. Takšno stališče je podprto s Tematskim ciljem EU 11, ki poudarja potrebo po ustvarjanju stabilnih, vendar fleksibilnih organizacijskih ureditev, ki zagotavljajo javne storitve kot enega izmed prihodnjih ciljev. V skladu s teorijo transakcijskih stroškov zahteva vzpostavitev sistema nadzora nad procesom javnega naročanja vzpostavitev sistema ukrepov (proces, institucije in standarde, ki delujejo povezano, je mogoče razumeti kot sistem nadzora). Predpostavka učinkovitosti mora temeljiti na določenih okoliščinah, v katerih deluje vsak specifični sistem/institucija/odnos. Zato se mora sistem ukrepov nanašati na nadzorovano dejavnost (specifično funkcijo ali storitev), vendar mora biti tudi skladen s specifično administrativno zmogljivostjo enote, ki izvaja sistem nadzora. Namen tega članka je prispevati k razvoju učinkovitega javnega sistema s proučevanjem konteksta določene situacije na ravni lokalne samouprave na Hrvaškem.

Drugo relevantno vprašanje je sedanja razprava o velikosti lokalne samouprave na Hrvaškem in o njenih pristojnostih. Razprava o idealni velikosti in številu enot lokalne samouprave postane zlasti aktualna v predvolilnem času. Široki razpon storitev administrativnih enot lokalne samouprave, ki zahteva vzpostavljanje odnosov z zunanjimi partnerji, vključno s tistimi, ki pripadajo zasebnemu sektorju, pomeni primerno osnovo za analizo pri obravnavi transakcijskih stroškov. Ta raziskava poskuša določiti glavne organizacijske značilnosti obstoječega nabora institucij/enot, ki so vključene v zagotavljanje storitev za državljane, in tako omogoča pregled kompleksnosti odnosov med organizacijami na ravni lokalne samouprave.

Ugotovitve raziskave temeljijo na podatkih, zbranih z anonimnimi vprašalniki, ki so bili poslani na naslov vseh hrvaških enot lokalne samouprave. Na podlagi izbora odgovorov 200 respondentov, ki so poročali o 350 primerih zagotavljanja storitev prek pogodb z neodvisnimi ponudniki storitev, se je oblikovalo mnenje o posledicah razvoja bolj strukturiranih postopkov javnih naročil. Transakcijski stroški so bili obravnavani posredno, predvsem z razkritjem težav pri vzpostavljanju in vzdrževanju transakcijskega razmerja. Transakcije so bile opazovane kot dve ločeni kategoriji: a) transakcije z občinskimi podjetji v polni lasti in b) transakcije z zasebnimi enotami, ki se pojavljajo pri rednih ponudbah v javnih naročilih. Čeprav prvi odnos predstavlja stabilen sistem, ki ga formalno nadzoruje enota in je tako teoretično manj izpostavljen transakcijskim tveganjem/stroškom, oba sistema upravlja isto osebo, kar pomeni, da sta obe vrsti transakcij pokriti in omejeni z enako administrativno zmogljivostjo.

Raziskava je poudarila izrazito skladnost postopkov in organizacijskih ureditev s pričakovani ekonomskih teorij. Enaki vzorci sklepanja pogodb so obstajali za posle manjšega in večjega obsega ter katerekoli druge razločevalne značilnosti, za katere se bi pričakovala drugačna razdelitev nalog. Dejansko je bil v celotnem vzorcu tudi časovni okvir individualnih faz procesa zelo enoten in je bil le malo odvisen od terenske dejavnosti (ki bi v teoriji ustrezala spremenljivkam kompleksnosti naloge, trajanju, tržni transparentnosti, partnerski odvisnosti itd.).



# Comparison of Organizational Climate in the Regional Unit of the National Institute of Public Health Before and After Reorganization

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## ABSTRACT

Organizations have been focused on organizational climate (OC) as one of the influencing factors, which has an impact on organizational outcomes, attaining organizational goals and employee satisfaction. Our research focuses on the regional unit of the National Institute of Public Health in Slovenia and the comparison of the OC before (2013) and after reorganization (2015). We used a modified SiOK (Slovenian Organizational climate) questionnaire to shed light on employees' perception of OC. OC and reorganization are closely connected on account of the relationship between management and employees; if OC is positive, we can expect less complicated process of reorganization as it can be if it is negative. The research revealed misfired attempt of OC improvement in all dimensions, though we expected ameliorated results in the three worst assessed OC dimensions before reorganization. Further, in the paper several recommendations are suggested to managers facing reorganization.

*Keywords: organizational climate, reorganization, public sector, human resource management*

*JEL: O15*

## 1 Introduction

Changes in business world on account of economic, political and cultural modifications often make it difficult for organizations to adapt to new circumstances (Soriano, 2012). Nowadays, significance of employees is the core and the driving force of any organization (Bakir Arabaci, 2010; Jordan, 2014). Organization is a live, social and dynamic system with a group of people inside with different mental, economic, social and cultural backgrounds who use interaction to work together. In order to achieve common goals they have to embody each member of the organization (Alipour, 2011). Organizational climate (OC) is one of the crucial elements affiliated with the organization (Isaksen & Lauer, 1999) and closely linked to all other processes and actors in the organization.

OC is affected by many factors inside organization and has an effect on organizational and psychological process (Samad, 2010). Any new activity or development has an effect, which is reflected in all other areas of the organization with a strong impact on employees. It is very important for the employees to feel loyal to the organization and to identify with its objectives. Leaders must strive to maximize employees' motivation, because by that they will be more receptive to the introduction of innovations, additional work and the quality of the work. Managers often find it wise to take measurements of OC as one of crucial steps in organizational analysis (Thumin & Thumin, 2011).

Reorganization is a widespread notion. It is the process of organizing something again in dissimilar practice. Organization refers to the new company, while the reorganization relates to an already existing business. The creation of the enterprise is determined by basic organization, but if it subsequently reveals the need for the change of basic organization; the change is called reorganization (Bergant, 1996).

The object of research in this paper was the comparison of OC in the regional unit of the National Institute of Public Health before and after reorganization. The institute as part of the Slovenian public sector was established in 1990s, and it has been growing since then (Boštjančič, 2010). Reorganization included change of headquarters, because the institute merged with another one. That brought different top management and many administrative alternations (name of the institute, new working forms, new information system etc.). In 2008, a new salary system was set by law, which brought decrease in payment for all employees in public sector (Drašler & Boštjančič, 2015). It has been found that the OC before reorganization was at an average level, but there were two dimensions of the OC at a rather low level. The best-rated dimensions before reorganization were dimensions *Attitudes towards quality* and *Innovation and initiative*, and the worst assessed were *Remuneration and Career development*.



## **1.1 Organizational climate (OC)**

Nowadays, the commonest management issue faced by organizations is search for creative flexible work environment that promotes job satisfaction and innovation (Permarupan, Saufi, Kasim, & Balakrishnan, 2013). Although there are numerous studies in the field of OC a general definition is still indefinable (Eustace & Martins, 2014) and it is a researcher's perspective which orientates the definition of the concept (Heyart, 2011). OC is employees' perception of policies, practices and procedures (Schulte, Ostroff, & Kinicki, 2006; Ancarani, Di Mauro, & Giammanco, 2009; Imran, Saeed, Anis-Ul-Haq, & Fatima, 2010; Kallestad, 2010; Benzer et al., 2011; Schneider, Ehrhart, & Macey, 2012; Barbera & Schneider, 2014) and the behaviours they notice by getting rewarded, supported and expected (Schneider, Salvaggio, & Subirats, 2002; Zohar & Luria, 2005; Barbera & Schneider, 2014).

OC captures employees' perception of the work practices that affect their daily interactions, which is a potential advantage for organization (Cafferkey & Dundon, 2015). OC is creation and influence of social context in organization (Açıkgöz & Günsel, 2011). OC is defined as a psychological and aggregate construct, a system that defines the current characteristics of the organization; it is expressed through the perception of employees how their work environment impacts their own psychological well-being and functioning; it contains soft dimensions of personality of the business system and individuals (Glisson et al., 2012).

The OC is an important and widely explored psychological construct that refers to the perceptions, feelings, experiences and attitudes developed by people with regard to their working environment: it is a collective perception of the organization, norms and values that manifests itself through socio-psychological dynamics characterizing the group and it has positive or negative influence on individual's behaviour (Ancarani et al., 2009; Castro & Martins, 2010; D'Alleo & Santangelo, 2011).

OC is an important organizational concept. It should be studied scientifically and carefully, looking for crucial elements, which influence it due to impact on organization's effectiveness and defining organizational goals (Organ, Podsakoff & MacKenzie, 2006). OC is a cognitive interpretation of an organizational situation on the individual level (Çekmecelioğlu & Günsel, 2013). OC is defined as member's perception of the characteristics that define and differentiate it (Saungweme & Gwandure 2011; Villamizar Reyes & Castañeda Zapata, 2014). They are comparatively durable and are inclined to influence the employees' behaviour (Liou & Cheng 2010). It is a cluster of elements in organization which is perceived by the employees directly or indirectly and it is presumed as a major factor in influencing employees' behaviour; it has different forces from individual's perspective that characterize each organizational work unit at the same time (James et al., 2008; McMurray, Pirola-Merlo, Sarros, & Islam, 2010; Alipour, 2011). OC is what employees

of the organization experience and reflects their values and organizational culture (Sokol, Gozdek, Figurska, & Blaskova, 2015).

Exploring the OC is one of the basic approaches to the understanding of the working environment in companies and organizations (Ehrhart & Kuenzi, 2015). Without knowing the level of your organization's climate, you cannot be a successful manager and you cannot be one of the best in your business. Positive OC is consequence of good working relationships between management and employees (Pyman, Holland, Teicher, & Cooper, 2010). The fundamental elements that affect the complete system of OC within the organization are human interaction, satisfaction, loyalty, being at work, cooperation, solidarity, public awareness and autonomy (Mihalič, 2007). OC refers to the shape of the existing conditions and the nature of organizational life that is perceived by employees (Taştan & Güçel, 2014) and indicates the way things are done in a specific work environment (Villamizar Reyes & Castañeda Zapata, 2014).

OC is a multidimensional feature of an organization, ensuing from synergic amalgamation of several vague assets, related to human, relational and structural dimensions of the organization (Carlucci & Schiuma, 2012, 2014). The working environment that improves the knowledge, skills, abilities and motivation of employees, has a large impact on the performance of the organization (Seghieri, Rojas, & Nuti, 2014). Each member is a significant part in creating appropriate OC, which fits in organization's strategy and helps to develop human capital for a better social system (Hashim, Ishak, & Hilmi, 2015).

## **1.2 OC's outcomes**

OC has a significant impact on employees' performance and personal well-being so it can be used as predictor of employees' motivation enhancement (James et al., 2008; Rusu & Avasilcai, 2014). Positive OC has strong influence on employees' sense of belonging; they adopt the characteristics of it on individual level, which reflects in variety of employee behavioural outcomes (Taştana & Güçel, 2014). OC is regarded as important in motivating employees; motivated employees will be more productive, having greater passion for business and better relationship with customers (Permarupan et al., 2013). When employees identify encouraging OC, they show positive behaviours and identification and when they identify uncomfortable working conditions, they incline to commit counterproductive behaviour (Taştan & Güçel, 2014). OC has a strong influence on employees' behaviour at work and plays a crucial role in any organizational process improvement required by big organizational changes (Carlucci & Schiuma, 2012, 2014).

Characteristic of negative OC are strict checking of completed work tasks, lack of trust and punishment for insignificant errors (Torka, Schyns, & Looise, 2010). OC reflects the core of organization; it has been described in words

as open or closed, positive or negative, personal or impersonal, formal or informal. It can attract individuals without any big effort if it is positive (Mohammadi & Youzbashi, 2012). OC measures individual's perceptions or feeling about organization (Meyer & Allen, 1993; Vanaki & Vagharseyyedin, 2009). OC cannot be changed quickly, because it is a lengthy process (Ceyda & Sevinc, 2012).

### **1.3 SiOK (Slovenian OC)**

At the beginning of 2001, at the initiative of some prominent Slovenian companies, a group of consulting firms under the auspices of the Slovenian Chamber of Commerce prepared a project of research and monitoring OC in Slovenian organizations named SiOK (Slovenian OC). Now the project is carried out under the auspices of consulting firms rather than in conjunction with the Chamber of Commerce. The guiding idea of the project is a comparative exploration of the OC and employee satisfaction in order to increase awareness about the importance of climate and learning about appropriate methods for its development. The basic principles of measuring OC are comparable, periodical and quantitative results. The project is in line with the needs of member organizations on the one hand and with the standards of the profession, on the other hand.

In the last three years more than 100 of the most prominent Slovenian organizations and some organizations from abroad participated in the project. Specifically, the project came to life in Croatia, where it has been constantly carried out since 2003 under the name HrOK. A large number of assignments, BA and MA theses were written about this project (Biro Praxis, 2013). According to Draškovič & Erjavšek (2009), the advantages brought by the measurement of OC are better involvement of employees, increased operating efficiency, improved communication among employees, proactive management and the ability to compare with other organizations.

Since 2003, the research of OC and job satisfaction has always used the same questionnaire. It is possible to compare the average OC in Slovenian companies. Ten years of SiOK practice is empirically proven to be a worthwhile story and should be further developed and used in enterprises. This is mainly reflected in the data of the participating organizations, the number of investigations undertaken and the number of employees involved. At the same time, the participants clearly expressed their desire for the project to develop and live on (OCR Svetovanje in raziskave, 2013). An organization, which chooses to measure the OC, must be prepared for positive or negative results (Draškovič & Erjavšek, 2009).

## 2 Research Methodology

### 2.1 Research Setting and Sample

OC plays an important role in every organization. It has a big influence on employees' behaviour and their work performance. Due to that, managers should be checking OC regularly in order to constantly have motivated and satisfied employees who are the heart of organization. In line with the literature review, the following research question is proposed:

*RQ: Has OC in the regional unit of the National Institute of Public Health been improved after reorganization?*

To get the answers to the research question, empirical research using the survey instrument was undertaken. A modified SiOK questionnaire was used to estimate OC in the regional unit of the National Institute of Public Health. The questionnaire comprised 60 statements, 5 statements for each of 12 dimensions, using four-point Likert-type scale (ranging from 1 = 'I strongly disagree', 2 = 'disagree', 3 = 'agree' to 4 = 'I strongly agree'), asking employees to rate their perception about OC. The same questionnaire was used in 2013 and 2015. Respondents were all employees of the Institute. The questionnaire had not been tested, as it had been used for more than 10 years in Slovenia.

The research was founded on two surveys. The first survey was conducted in 2013 before reorganization. The second survey was done in 2015, just after reorganization was fully completed. The advantage of this research is the time period, which enables insight in OC just before and after the process of the reorganization was completed. The questionnaire was distributed to employees via e-mail, using electronic form (<https://www.1ka.si>) which was accessible only by a specific password to ensure complete anonymity. A total of 40 out of 63 employees from the regional unit of the National Institute of Public Health returned properly completed questionnaire in 2013, and 41 out of 63 in 2015. The response rate was 63.5% in 2013 and 65.1% in 2015.

The collected data was analysed using IBM's Statistical Package for Social Science (SPSS) version 23. Firstly, descriptive statistics were used to calculate means and standard deviations. Secondly, a paired-sampled t-test was carried out to determine if there were statistically significant differences between OC in the regional unit of the National Institute of Public Health before (2013) and after reorganization (2015).

### 2.2 Analysis and Results

The sixty statements were used to measure OC in regional unit of the National Institute of Public Health before (2013) and after reorganization (2015). The interpretation of t-test results was done at 5% level of significance (statements with significant difference are marked with \*). Results in tables below demonstrate that general level of OC is not good. High standard deviations show differences among respondents. The t-test results

in Table 1 show that there is significant difference in setting clear goals for standard and quality, dropping from 2.88 in 2013 to 2.20 in 2015.

**Table 1.** *OC dimension Attitude to quality in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

1. ATTITUDE TO QUALITY	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
As employees, we feel responsible for the quality of our work.	3.63	.581	3.40	.744	1.580	.118
As employees, we contribute to the achievement of quality standards as much as it possible	3.56	.634	3.40	.744	1.049	.298
Quality and quantity of work are equally important.	2.95	.805	2.83	.844	.689	.493
Our departments have set clear goals for standard and quality.*	2.88	.842	2.20	.883	3.537	.001
We consider our co-workers and other departments as our appreciated customers.	2.90	.860	2.58	.958	1.620	.109

The t-test results in Table 2 show that there is significant difference in appreciating employees' good job performance of leaders, dropping from 2.66 in 2013 to 2.25 in 2015. That can indicate different views on job performance of employees and leaders. Problems can be in communication between top, middle and lower management, so that the demanding job performance is not presented to all employees as should be, resulting in unsatisfied employees and management.

**Table 2.** *OC dimension Motivation and commitment in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

2. MOTIVATION AND COMMITMENT	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
Everybody in our organization is ready for additional effort if it is necessary due to work.	2.59	1.048	2.83	.931	-1.087	.280
We have high job performance standards in our organization.	2.85	1.014	2.70	.883	.727	.470
Employees in our organization are committed to their work.	3.10	.664	3.18	.747	-.494	.623
In our organization, leaders appreciate good job performance.*	2.66	.855	2.25	.954	2.031	.046
In our organization, good working results are quickly noticed and praised.	2.02	.935	1.73	.751	1.587	.117

The t-test results in Table 3 show that there is significant difference in constant product and services improvement, dropping from 3.10 in 2013 to 2.58 in 2015. This is worrying, because innovativeness is something that gives an organization competitive advantage. Innovation and creativity

in the public sector are nowadays even more of great importance due to current financial and economic crisis; therefore, countries should focus on prompting innovation (Setnikar Cankar & Petkovšek, 2013). Unfortunately, a significant difference is found for expecting suggestions from everybody in organization from 3.17 in 2013 to 2.13 in 2015 and accepting mistakes during testing new ways of working from 2.68 in 2013 to 2.28 in 2015. It is clear that superiors are not open to any comments or suggestions, therefore it is not surprising that they are not accepting any mistakes during testing.

**Table 3.** OC dimension Innovativeness and initiative in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization

3. INNOVATIVENESS AND INITIATIVE	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
Employees in our organization are well aware of need for change.	2.93	.848	2.78	.733	.861	.392
We are constantly improving our products and services.*	3.10	.735	2.58	.712	3.249	.002
In our organization is expected to get suggestions for improvements from everybody – not only from our leaders.*	3.17	.863	2.13	.791	5.682	.000
As employees, we are willing to take risk to enforce our initiative.	2.51	.952	2.53	.716	-.068	.946
Mistakes during testing new ways of working are acceptable in our organization.*	2.68	.907	2.28	.877	2.058	.043

The t-test results in Table 4 show that there is significant difference in superiors' openness to sound comments about their work with alarmingly second biggest drop from 2.56 in 2013 to 1.80 in 2015. That can indicate fear among superiors after reorganization was done, predicting that the process is not over yet and there is going to be downsizing. If that is not the case, they are just too arrogant or too afraid of complaints from their subordinates, and they do not want that their superiors will find it out.

**Table 4.** *OC dimension Leadership in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

4. LEADERSHIP	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
Employees are independent at work.	3.17	.738	2.90	.778	1.607	.112
Leaders are communicating with subordinates about work results.	2.88	.872	2.55	.783	1.781	.079
Leaders are encouraging us to take more responsibilities for our work.	2.63	.994	2.45	1.061	.806	.422
In our organization, we are eliminating bossy leadership.	2.63	.968	2.38	.979	1.198	.235
Superiors are open to sound comments about their work.*	2.56	.976	1.80	.911	3.625	.001

The t-test results in Table 5 show that there is significant difference in how proud employees are to be employed in this organization, dropping from 3.22 in 2013 to 2.65 in 2015. It is connected with organization's big reputation in the area with significant difference dropping from 3.07 in 2013 to 2.63 in 2015 and with alarming drop of employees' decision to leave the organization due to decrease payment because of business problems from 2.46 in 2013 to 1.78 in 2015.

**Table 5.** *OC dimension Organization affiliation in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

5. ORGANIZATION AFFILIATION	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
As employees, we talk about our organization positively.	3.17	.738	3.00	.847	.968	.336
We are proud to be employed in our organization.*	3.22	.571	2.65	.802	3.689	.000
Our organization has a big reputation in the area.*	3.07	.565	2.63	.774	2.981	.004
Employment in our organization is secure and ensured.	2.29	.844	2.30	.853	-.039	.969
Employees would not leave the organization due to decrease in payment because of business problems.*	2.46	.925	1.78	.768	3.641	.000

The t-test results in Table 6 show that there is significant difference in employees understanding what organization's expectations are about their work performance, dropping from 2.90 in 2013 to 2.40 in 2015. The lamentable t-test results show significant difference in employees' understanding of their place in organizational scheme, dropping from 3.10 in 2013 to 2.43 in 2015, defined assignments with average of 2.78 in 2013 dropped to 2.28 in 2015 and with alarming drop of leaders' decision-making on time from 2.37 in 2013 to 1.68 in 2015.

**Table 6.** *OC dimension Organization in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

6. ORGANIZATION	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
Employees have a clear idea what are organization's expectations about their work performance.*	2.90	.860	2.40	.982	2.451	.016
As employees, we understand our place in organizational scheme.*	3.10	.860	2.43	.958	3.326	.001
We have clear defined assignments in our organization.*	2.78	.962	2.28	.933	2.399	.019
Our leaders are making decisions on time.*	2.37	.915	1.68	.829	3.558	.001
Authorities and responsibilities are balanced at all aspects of organizations.	2.22	.909	1.85	.770	1.973	.052

The t-test results in Table 7 show that there is significant difference in mutual learning among employees, dropping from 3.15 in 2013 to 2.65 in 2015. There is a significant difference in offered needed qualifications for good work performance for the employees from organization with dropping from 2.76 in 2013 to 2.25 in 2015. It is worrying that results show a significant difference in quality of qualification system with dropping average from 2.61 in 2013 to 2.05 in 2015 and that organization employs only qualified people with dropping average from 2.63 in 2013 to 2.05.

**Table 7.** *OC dimension Professional qualification and learning in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

7. PROFESSIONAL QUALIFICATION AND LEARNING	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
As employees, we are learning from each other.*	3.15	.654	2.65	.864	2.920	.005
Organization offers to the employees needed qualifications for good work performance.*	2.76	.860	2.25	.899	2.590	.011
Qualification system is good.*	2.61	.891	2.05	.749	3.056	.003
We had employed only qualified people.*	2.63	.888	2.05	.876	2.981	.004
At professional qualifications, employees' wishes are considered.	2.51	.779	2.23	.800	1.637	.106

The T-test results in Table 8 show that there is significant difference in organization's clear definition of mission, dropping from 2.80 in 2013 to 2.23 in 2015. We also found significant difference in understanding politics and organizational goals dropping the most among all statements from 2.66 in 2013 to 1.88 in 2015 and employees' exclusion when goals



are set with dropping average of 2.27 in 2013 to 1.73 in 2015. We assume that no explanations were done to all employees after the reorganization, resulting in the following numbers.

**Table 8.** *OC dimension Mission, vision and goals in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

8. MISSION, VISION AND GOALS	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
Our organization has clear defined mission – long-term reason for existence and working.*	2.80	.954	2.23	.862	2.867	.005
As employees, we accept organization's goals for our goals.	2.76	.888	2.43	.844	1.719	.090
Set goals, which we have to accomplish, are achievable.	2.63	.968	2.35	.802	1.436	.155
Politics and organizational goals are understandable to all employees.*	2.66	.911	1.88	.516	4.746	.000
Goals are not set just by leaders, other employees are also included in decision-making.*	2.27	1.001	1.73	.751	2.759	.007

The t-test results in Table 9 show that we did not find any significant difference. It is rather interesting that we did not find any significant differences, even though there are drops in results. That indicates strong connection among employees, even in hard times, which can be a result of living in socialism, where the failure or success were public and individualism was something bad.

**Table 9.** *OC dimension Internal relations in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

9. INTERNAL RELATIONS	Before reorganization		After rganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
In our organization, we appreciate our co-workers' work.	2.83	.803	2.58	.874	1.364	.176
Relations between employees are good.	2.98	.689	2.90	.632	.514	.609
In our organization, we more collaborate then compete.	2.92	.850	2.85	.736	.395	.694
We solve conflicts for everyone's benefit.	2.71	.898	2.55	1.011	.740	.462
People trust each other.	2.53	.830	2.23	.920	1.517	.133

T-test results in Table 10 showed that there is significant difference in measuring employees' success by arranged goals and standard, dropping from 2.32 in 2013 to 1.80 in 2015 and inappropriateness of given penalties dropping from 2.11 in 2013 to 1.53 in 2015. If the goals and standards are not set, employees cannot reach them, so they are penalized. In our opinion

the biggest problem is in the communication between the institute's management and employees. Use of vertical communication along with not paying attention to horizontal one is a common fault in public administration (Hintea, Ringsmuth, & Mora, 2006).

**Table 10.** *OC dimension Rewarding system in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

10. REWARDING SYSTEM	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
Employees' success is measured by arranged goals and standards.*	2.32	1.093	1.80	.687	2.509	.014
If tasks are not done correctly, appropriate penalty follows.*	2.11	.924	1.53	.640	3.238	.002
As employees, we receive payment, which is equal to payments on market.	2.03	.972	1.88	.853	.732	.467
Those with more tasks are stimulated appropriately.	1.45	.724	1.35	.662	.620	.537
Proportions between employees' payment are appropriate.	1.32	.574	1.55	.677	-1.643	.105

The t-test results in Table 11 show that there is significant difference in regular working meeting, dropping from 2.95 in 2013 to 2.43 in 2015. If we have a bad communication and we are not willing to sound comments about our work as leaders, it is obvious that we are not interested in meetings every week, because people do not want to hear a lot about their mistakes.

**Table 11.** *OC dimension Internal communication and informing in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

11. INTERNAL COMMUNICATION AND INFORMING	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
Working meetings are regular.*	2.95	.899	2.43	1.010	2.408	.018
In our organization, leaders and employees have relaxed, friendly in equally conversation.	2.84	.886	2.83	.712	.094	.925
Our superiors give us enough information for doing our job correctly.	2.55	1.032	2.75	.776	-.958	.341
Leaders are passing information to their employees in understandable way.	2.84	1.079	2.63	.838	.996	.323
We receive enough information about happenings in other units.	1.89	.994	1.55	.677	1.775	.080

The t-test results in Table 12 show that there is significant difference in raising successors by our leaders, dropping from 1.71 in 2013 to 1.20 in 2015 with the lowest average among all statements. Raising successors is a big responsibility and also a duty, if we want to continue working when

we are not going to be around. There should be always more candidates competing for one working place, to be insured in case of turnover, disease, death or employee's bad job performance.

**Table 12.** *OC dimension Career development in the regional unit of the National Institute of Public Health before (2013) and after (2015) reorganization*

12. CAREER DEVELOPMENT	Before reorganization		After reorganization		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
As employees, we are pleased with our personal development up to this point.	2.38	.861	2.00	.847	1.942	.056
Promotion's criteria are clear to everyone.	2.14	.855	2.00	1.062	.612	.542
Employees at all levels have realistic chances for promotion.	1.62	.828	1.63	.807	-.018	.986
Our leaders are raising successors.*	1.71	.926	1.20	.516	3.019	.003
We have promotion system, which enables to the best employees to take the best positions.	1.44	.773	1.43	.636	.120	.905

### 3 Discussion and Implications

Employees are bio-cultural and social beings (Bakir Arabacı, 2010) and on day-to-day basis, their interaction with the organization, its structures and processes create the attitudes, feelings and behaviours that constitute the climate (Arvidsson, Johansson, Ek, & Akselsson, 2006). Due to that fact, leaders should be in constant contact between each other and their subordinates. They have to have insight on quotidian process, procedures and interactions, which can affect employees or their behaviour. Our research question was if the *OC has been improved after reorganization in the regional unit of the National Institute of Public Health?* According to our results, almost no improvement was done, expecting few statements where we did not find significant difference. That indicates lack of collaboration between leaders and their employees, which is necessary for quality implementation of any change of system. Results show that the employees have lack of trust and their not-involvement in the process of the reorganization has clearly influenced their perspective of the organization. We can conclude that there should be more significant involvement of employees in the process of reorganization and also more significant involvement of management which should be more collaborative with employees before the process starts, during and after when it has been finished.

Research has shown that OC is often considered as an effective element for motivation, attitude and job satisfaction, but managers do not pay much attention to it. Despite the increasing agreement of its importance, there is still an on-going debate on how the concept should be defined and measured, although it is one of the organization's basics (Alipour, 2011; Hannevik, Lone,

Bjørklund, Bjørkli, & Hoff, 2014). In our case, it has been clearly shown that neglecting results of OC measurements leads to less satisfied employees, which has already affected their motivation for work and will also affect their attitude towards work in a long run, if leader's approach will not be changed. OC can be helpful for performance monitoring, assessment and for identifying areas of improvement; companies should focus on internal environment and organizational processes which are influenced by economic conditions nowadays, because by striving for implementing necessary changes and motivating employees they have to stand out performance with limited resources or/and limited staff at the same time (Koles & Kondath, 2015).

The first step after getting measurements is identification of problematic areas; the second step is even more important, because at that point, leaders should make a task list, which should be improved till specified due date, so we can track progress. All employees have to be involved in those activities and mixed teams of leaders and their subordinates should be formed to improve targeted problematic areas on account of different perspective. Acting like this would improve exchanging of ideas within personnel and management along with improvement of difficulties with suggesting to superiors and commenting their work if necessary. We found out that internal environment is good according to dimensions of internal communication and informing together with internal relations which should be a good foundation for the process of reorganization. Due to importance of OC, managers should consistently observe it. Appropriate OC causes innovations and inspiration and has a positive influence on attaining organizational goals (Bahrami, Barati, Ghoroghchian, Montazer-alfaraj, & Ezzatabadi, 2016).

A significant drop in constant improvement of products and services is worrying since it is highly important in today's competitive world. If the employees' innovativeness is not encouraged, the organization will be stagnating and its competitiveness will drop significantly, potentially causing job turnover and losing qualified workers. Surveys for analysing OC have been recommended and widely described over a last three decades, helping to assess organization's performance, comparing performance against other organizations and evaluating relationship between work practice and outcomes (Dawson, Gonzalez-Roma, Davis, & West, 2008). Nevertheless, analysis has no value if results are not taken in consideration and are not used to improve problematic areas. Analysis should be done by professionals, however many organizations make them by themselves due to costs and often they falsify collected data. Acting this way can completely devalue OC analysis. Managers should pay attention to their employees' experience and the environment they work in to make sure that there is alignment between desired OC and organizational objectives (Eustace & Martins, 2014).

Managers have to set achievable goals with due date and prioritize them so that they can track progress and tasks done or tasks which should have been done. Because of that, they need to analyse their perception of OC frequently

and take requisite measures to rectify any misperception (Eustace & Martins, 2014). Generally, measurements are done once a year in specific time, yet employees' perception can differ in different times of the year. It can be affected by several of circumstances, such as year ending, personal problems or problems within organization, being new to the job or any factors, which can influence employees' behaviour, attitude and motivation. Assessment approaches can include field studies, measurements of employees' perceptions of organization, observation of objective organizational properties and experimental variations in organizational properties (Eustace & Martins, 2014).

OC depends on organization's wishes and how they are going to use results. If they are planning a project team, they can either measure employees' compatibility by validated measurements or experiment by observing them, if they have enough time and resources. An organization should combine as much approaches as possible to get the most optimal insight in their employees' perceptions and behaviour. Relating OC, the influence of organizational factors on organizational goals has been identified; they have a big impact on employees' attitudes, performance, work motivation, work engagement and work satisfaction (Schyns, Van Veldhoven & Wood, 2009). OC will have significant role in shaping employees' behaviour and positive impact on performance and other outcomes (Chen & Lin, 2004; Long, 2000; Sveiby & Simons, 2002; Dawson et al., 2008). Every individual within the organization has his own anticipations of attributes that narrate the overall pattern of organizational activities in the concept of OC, which represents the multi-dimensional work environment with presumed influence on personal motivation and behaviour (Jaw & Liu, 2003; Kaya, Koc & Topcu, 2010).

We are aware that is impossible to employ people whose values and attitudes are completely in accordance with organization's values and attitudes, nonetheless both sides should try to have quality relationship and satisfying outcomes for which they are looking for. Bearing in mind diversity of employees, with proper procedures and motivation we can establish a strong connection between them and organization, resulting in successful employees and successful organization. In an organization with a supportive climate we can identify positive behaviours, employees' identification with it and it enhance positive relationships, work environment and satisfaction; if climate is not supportive, employees recognize it as irritating, dissatisfying and incline to commit counterproductive behaviours (Kanten & Ülker, 2013; Licciardello, Di Marco, & Mauceri, 2013; Taştana & Güçel, 2014). The biggest fear organization can have is turning the dissatisfied employees against, which can lead to internal relationship problems, poor product and customer service, job turnovers and bad reputation among competition as well as in local area.

Employees' productivity and satisfaction depend on support given by their organization (Shih, Lie, Klein, & Jiang, 2014). Therefore, it is leaders' duty to be a role model to their employees. He should be motivating them, helping them and/or punishing them if needed. OC generates a cyclical system of positive feedback: employees who highly care about customers' opinion are constantly considering how to improve their services and maximize customers' satisfaction, and by their positive experience customers are inclined to give back positive opinions, which effects employees' behaviour and work experiences (Lin & Lin, 2011).

Management has a very important role in influencing and shaping the climate to get the most out of the human capital, which will strongly affect whole organizations and outcomes (Arvidsson et al., 2006; Hannevik et al., 2014). Management should be supportive and cooperative with employees regardless of their ranks showing respect for everybody and making them feel appreciated. We cannot have harmony among our employees, if management misconceives their own role: leading their employees and being a role model to them. In order to meet the new conditions and successfully adapt to the future changes, the organization has to present novelties to every employee, so that he will be able to cope with new demands of the new OC (Arvidsson et al., 2006; Jordan, 2014). It has to be done publicly, so that anybody can reply to proposed changes and play a part in their implementation. By contributing to the organization, employees feel more loyal and they are proud of being employed in the organization.

If we want to manage changes correctly and have a successful organization in today's ruthless environment, we need a change agent whose knowledge about trends in business is up to date to provide customers the newest products and services, which is necessary for successfulness (Iljins, Skvarciany, & Gaile-Sarkane, 2015). Changes are always difficult and demand professionals to cope with them for optimal result. Our study focuses on reorganization, which is a huge change for organization, not mentioning how stressful it is. Because of this, the organization should find an expert with successful history dealing with the process of reorganization, to prepare employees and organization itself for coming events. With that approach, the results of OC in the regional unit of The National Institute of Public Health would be definitely better than results are showing; they could be even improved.

To achieve organizational goals, the analysis of organizational climate should ease strategic plan implementations to advertise environmental changes, increase job satisfaction, professional development, efficiency and quality results (Garcia-Garcia, Benitez Ramos, Cobos Serrano, Ramos Cobos, & Souza, 2011). Organizations should not just monitor their OC, they should take advantage of the results to add selected steps to their yearly plan. They should put an extra effort to improve OC dimensions, which did not reach their minimum level and continue with dimensions, which were assessed satisfactorily. OC has a big significance in comprehension how an organization

works and creates values; consequently, we can conclude that it can have a significant positive or negative effect on an organization and its performance (Carlucci & Schiuma, 2012, 2014).

Our study indicates a high importance of measuring OC in public institutions before and after reorganization. Employees in the public sector need an optimal OC (Creta & Şandor, 2011), as do all employees. There is a variety of different employees with different perceptions about their work, which makes measuring even more important. When you face a process as stressful as reorganization, you should pay attention to OC since it can reveal atmosphere before such a big project. The results have shown that OC was at average level before reorganization, when dimensions relating reward system and career development were worst assessed (Jordan, Miglič, & Pintar, 2016). Even though the management had been informed about the situation, no improvements were made. We measured OC right after the process was finished and results have shown a decrease in all statements after the t-test was done. That indicates the great importance of preparing employees and management for forthcoming changes, explaining them the whole process, so they would not feel like they are not a part of the organization.

For further research, we recommend to explore OC relating to other constructs, such as organizational outcomes, ethical climate, organizational commitment, job satisfactions and psychological empowerment in organizations and within the organizations' departments if they are large enough. We also recommend comparison with other organizations in Slovenia and abroad.

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## POVZETEK

### *1.02 Pregledni znanstveni članek*

## **Primerjava organizacijskega vzdušja pred reorganizacijo in po njej v regijskem nacionalnem Zavodu za zdravstveno varstvo**

Zaposleni so biološka, kulturna in socialna bitja in so vsak dan v stiku z organizacijo. Organizacijska struktura in procesi ustvarjajo odnose, občutke in vedenja, ki tvorijo vzdušje ter so bistvo in gonilo vsake organizacije. Organizacija je živ, družaben in dinamičen sistem s skupinami ljudi, ki imajo različna duševna, ekonomska, socialna in kulturna ozadja in sodelujejo v medsebojnih stikih za doseganje skupnih ciljev, ki so dosegljivi le z vključitvijo vsakega posameznika v organizaciji.

Organizacijsko vzdušje je eden od ključnih elementov delovanja organizacije in je tesno povezano z vsemi procesi in deležniki v njej. Ima velik vpliv na oblikovanje vedenja zaposlenih ter pozitivno vpliva na učinkovitost. Zaposleni prepoznajo pozitivno organizacijsko vzdušje in vedenje povezano z njim, kar se kaže v dobrih medosebnih odnosih, pozitivnem delovnem okolju in zadovoljstvu z delom; v nasprotnem primeru pa so razdraženi, nezadovoljni in nagnjeni h kontraproduktivnemu vedenju. V kolikor želi vodstvo popolnoma izkoristiti potencial zaposlenih, mora sooblikovati organizacijsko vzdušje in vplivati nanj, kar vpliva na celotno organizacijo. Produktivnost in zadovoljstvo zaposlenih sta odvisna od podpore v organizaciji.

Organizacijsko vzdušje vpliva na organizacijske ter psihološke procese, nanj pa vplivajo številni dejavniki znotraj organizacije. Vsaka sprememba v organizaciji se odraža v vedenju zaposlenih, v njihovi motiviranosti in pripadnosti. Ekonomske, politične in kulturne spremembe v poslovnem okolju organizacijam pogosto otežujejo prilagajanje na novonastale okoliščine. Zato menedžerji vidijo meritve organizacijskega vzdušja kot enega od ključnih korakov pri celostni analizi organizacije.

Vprašalniki, namenjeni analiziranju organizacijskega vzdušja, se uporabljajo že več kot tri desetletja, saj omogočajo vpogled v njegovo stanje ter primerjavo med oddelki in drugimi organizacijami. V raziskavi smo uporabili prilagojeni SiOK-ov vprašalnik za merjenje organizacijskega vzdušja, ki je v uporabi v Sloveniji že dve desetletji.

Cilj raziskave je bila primerjava organizacijskega vzdušja v regionalni enoti Zavoda za zdravstveno varstvo pred reorganizacijo in po njej. Reorganizacija je proces organiziranja nečesa že obstoječega, vendar na drugačen način. Zavod, ki je bil ustanovljen v 90ih in kontinuirano raste, je del javnega sektorja. V današnjem zahtevnem okolju je za vpeljavo sprememb potrebna oseba, ki ima

znanja s področja delovanja; le tako bo organizacija še naprej delovala uspešno ter bo lahko svojim strankam nudila ustrezne izdelke oziroma storitve.

Reorganizacija zavoda je vključevala spremembo vodstva, saj je prišlo do združitve z drugim zavodom, prav tako je prišlo do zamenjave na vodilnih položajih skupaj s številnimi administrativnimi spremembami (poimenovanje zavoda, delovni obrazci, informacijski sistem itd.). Treba je omeniti, da je leta 2008 stopil v veljavo nov plačni sistem, s katerim so se plače zaposlenih v javnem sektorju znižale.

Naše raziskovalno vprašanje je bilo *Ali je prišlo do izboljšanja organizacijskega vzdušja po reorganizaciji v regionalni enoti Zavoda za zdravstveno varstvo?* Rezultati so pokazali, da pri nobeni dimenziji organizacijskega vzdušja ni prišlo do izboljšanja, zadeve so se le poslabšale. To nakazuje na pomanjkanje sodelovanja med vodstvom in zaposlenimi, ki je izjemnega pomena pri vpeljavi novosti ali sprememb. Raziskava je pokazala, da zaposleni ne zaupajo vodstvu in so se počutili premalo vključeni v proces reorganizacije. Zaradi tega niso imeli možnosti sodelovanja pri vpeljavi sprememb ter so bili posledično manj fleksibilni, saj niso vedeli, kaj naj pričakujejo.

Predhodne raziskave so pokazale, da organizacijsko vzdušje vpliva na motivacijo, odnos in zadovoljstvo zaposlenih, vendar mu menedžerji, čeprav se strinjajo o pomembnosti njegove vloge, še vedno ne posvečajo dovolj pozornosti; največja težava se kaže v pojmovanju in merjenju konstrukta, kljub temu da gre za enega izmed gradnikov organizacije. Če se rezultati merjenja organizacijskega vzdušja podcenjujejo, lahko to vodi k nezadovoljstvu, manjši motiviranosti in dolgoročno tudi poslabšanju odnosa do dela zaposlenih, v kolikor ne bi prišlo do spremembe stila vodenja.

Po opravljenem merjenju organizacijskega vzdušja je najprej potrebna identifikacija problematičnih področij. Naslednji korak je še pomembnejši, in sicer narediti je treba načrt, kaj se bo opravilo in do kdaj. Razvoj in napredek delovanja je treba stalno spremljati. V ta proces morajo biti vključeni vsi zaposleni, najbolje v mešanih timih (sestavljanih iz zaposlenih na različnih nivojih), saj se s tem dobi različne poglede na reševanje težav, izmenjavo idej ter znanja. Rezultati so pokazali, da je v zavodu stopnja notranje komunikacije in izmenjave informacij dobra, kar bi moral biti dober temelj za uspešen proces reorganizacije. Pozitivno organizacijsko vzdušje pozitivno vpliva na inovativnost in navdih ter pozitivno vpliva na doseganje organizacijskih ciljev.

Zaposleni v javnem sektorju potrebujejo optimalno organizacijsko vzdušje, zato je pomembno merjenje organizacijskega vzdušja pred reorganizacijo in po njej. Omejitev naše raziskave je bila v majhnosti vzorca, saj smo analizirali le en javni zavod v postopku reorganizacije; za primerjavo podatkov bi bilo primerno narediti analizo tudi z drugimi zavodi. Za nadaljnje raziskave predlagamo raziskovanje organizacijskega vzdušja v povezavi z etičnim vzdušjem, organizacijsko pripadnostjo, zadovoljstvom z delom in s psihološkim opolnomočenjem. Predlagamo tudi primerjavo z zavodi v tujini.



# Transition d'un système de carrière à système d'emploi au travers d'un modèle hybride (Modernisation de la fonction publique en Hongrie)

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## RÉSUMÉ

La modernisation de la fonction publique hongroise, démarrée en 2010, se fonde sur une approche stratégique et complexe ainsi que sur un compromis entre les anciennes et les nouvelles valeurs. L'objectif stratégique est d'une part, *le développement d'une carrière prévisible et attractive*, et d'autre part, *la mise en place d'une gestion des ressources humaines basée sur l'emploi*. À première vue, les valeurs du modèle de carrière et celles de la gestion moderne des ressources humaines pourraient paraître contradictoires. Cependant, le *système hybride* caractérisant le régime juridique de la fonction publique hongroise peut combiner ces différentes valeurs *en mettant l'emploi au centre de la gestion des ressources humaines*. Par ailleurs, « l'hybridation » est non seulement l'une des spécificités de la fonction publique hongroise mais aussi celle de l'évolution du contexte international.

*Mots-clés: système hybride, système d'emploi, gestion des ressources humaines, fonction publique hongroise, fragmentation*

*JEL: M54*

## 1 Introduction

### 1.1 Contexte international

De nos jours, l'évolution de la fonction publique est caractérisée au moins par deux phénomènes. D'une part, les pays dotés d'une fonction publique à carrière se préoccupent souvent d'adopter dans leur fonction publique les techniques typiques du secteur privé, et de rendre plus flexibles les conditions de travail (rémunération en fonction de la performance, heures de travail flexibles, etc.). D'autre part, les gouvernements exigent non seulement une plus grande flexibilité et une meilleure efficacité, mais favorisent également le renforcement des valeurs wébériennes comme l'intégrité, la régularité, le professionnalisme, la non-discrimination ainsi que l'aversion au risque.

La question se pose régulièrement de savoir *si la législation* traditionnelle représentant les valeurs bureaucratiques basées sur les carrières peut être mise en conformité avec les processus de RH imprégnés de valeurs managériales qui placent l'emploi au centre de la gestion des ressources humaines. Selon certains auteurs, les deux facteurs peuvent évoluer en s'adaptant l'un à l'autre ou en se distinguant l'un de l'autre, voire dans des directions opposées (van der Meer, van der Berg et Dijkstra, 2013, pp. 95–113). Les valeurs traditionnelles et la gestion moderne des ressources humaines ne se contredisent pas, car si les premières fixent les cadres, la deuxième détermine les processus, les outils et les méthodologies à utiliser à l'intérieur de ces cadres (Moniolle, 2010, pp. 234–240).

L'emploi contractuel est étroitement lié à l'importance croissante du droit du travail et du nouveau management public (NPM) qui ont mis à l'ordre du jour la révision de la réglementation traditionnelle du droit public dans plusieurs pays européens. Cela peut même être considéré comme une caractéristique commune parmi ces pays. D'après certains auteurs, on peut différencier les pays selon les réponses qu'ils ont apportées aux questions posées par la flexibilisation (van der Meer et al., 2013, pp. 95–113). Certains pays visent à maintenir le statu quo actuel où, même si des mesures ont été prises pour l'introduction des outils de RH permettant une plus grande flexibilité, les réformes mises en œuvre n'ont pas dépassé les cadres traditionnels du droit public. C'est le cas, entre autres, *en Allemagne, en Belgique et en France*. Dans d'autres pays, on peut observer un retrait de la réglementation spécifique. C'est le cas des *pays scandinaves, de l'Italie et de la Suisse*. Et, finalement, on peut distinguer les pays qui ont été particulièrement ambitieux ces dernières années, et ont mis en place ou renforcé la réglementation webérienne. Ce sont *les pays d'Europe centrale et orientale, et la Grande-Bretagne*.

À mon avis, cette catégorisation semble un peu trop simpliste, et l'analyse de la situation devrait être nuancée. En ce qui concerne la sauvegarde des cadres traditionnels du droit public, on peut observer des phénomènes allant justement dans des directions opposées. Par exemple, en France, qui a des bases fortes en droit public, l'obligation de la transposition des directives européennes en matière de service public ainsi que l'approche contractuelle de la réglementation communautaire font que la diminution de l'importance du droit de service public est à l'ordre du jour, ainsi que la mise en cause du bien-fondé de la réglementation spéciale (Bourdon, 2005, pp. 284–288 ; Wolikow, 2010, pp. 172–179 ; Touzeil-Divina, 2010, pp. 228–233). Toutefois, la « privatisation » du statut devrait aussi être évaluée d'une manière plus précise. Selon une étude comparée, en dépit du retrait de la réglementation spécifique, aucun pays n'a totalement délaissé le statut de droit public (Demmke et Moilanen, 2012, pp. 2–3). Néanmoins, le concept du statut uniforme est en voie de disparition, plusieurs catégories de statuts existent dans le droit public. La réglementation devient de plus en plus fragmentée. Le statut relevant du droit public se limite au noyau de la souveraineté de l'État,

au personnel des ministères, de la police ainsi que de la justice, alors que l'importance du statut du droit public diminue dans le domaine de la santé, de l'enseignement, etc. Si la dichotomie du droit public/privé est présente dans presque chaque État membre, la proportion de personnel statutaire est en baisse. Dans les pays appartenant au système dichotome, l'agent public peut être recruté par nomination ou contrat dans le même emploi.

D'après moi, ces précisions ne changent pas la direction de l'évolution mais complètent plutôt une image complexe. En tout cas, il semble clair que l'avenir du droit public constitue un sujet primordial de débat professionnel dans presque tous les pays européens, comme en Hongrie.

## **1.2 Contexte national**

À titre liminaire, penchons-nous sur le nombre d'agents travaillant dans la fonction publique au sens large. Ce chiffre était proche de 900 000 en 2015.<sup>1</sup> Plus exactement, en 2015, 886 000 personnes ont obtenu un salaire qui provenait du budget public. En 2013, l'effectif des fonctionnaires *en pourcentage de la population active* était de 23,9 %. Cette proportion dépassait le taux moyen des pays de l'OCDE (OECD, 2015a, p. 85).

En 2012, en Hongrie, les *dépenses des administrations publiques en pourcentage du PIB* étaient de 48,7 % ce qui dépassait la moyenne (43,3 %) des pays d'Europe centrale et orientale (PECO) et la moyenne de l'OCDE (45,1 %) (OECD, 2015b, p. 31). Cependant, ces dépenses montrent une tendance à la baisse. En effet, depuis le début de la crise financière, elles ont diminué de 2 points contrairement à la plupart des pays voisins ou à ceux de l'OCDE dont les dépenses publiques ont augmenté pendant la même période.

Les rémunérations en pourcentage des dépenses de l'administration publique, en 2012 ont baissé à 20,3 %, ce qui est semblable au pourcentage des pays voisins mais est inférieur à la moyenne de l'OCDE (OECD, 2015 b, p. 46). La diminution est imputable à plusieurs décisions. Depuis 2008, l'indexation salariale est gelée. Par ailleurs, plusieurs allocations ont été supprimées, dont la prime de fin d'année correspondant au salaire du mois de décembre. L'effectif de la fonction publique a également subi plusieurs baisses.

En Hongrie, la réglementation relative au statut des agents publics n'est pas uniforme, mais fortement différenciée. En effet, différentes lois réglementent les différentes catégories d'employés de la fonction publique. Par conséquent, les différents groupes d'agents publics se retrouvent dans des statuts distincts. Une dizaine de lois différentes codifient les différents statuts de la fonction publique mais aucun *cadre réglementaire ne les harmonise*. Du fait de cette fragmentation, la mobilité entre les différentes catégories des agents publics est fortement limitée. Toutefois, l'obstacle à la mobilité n'est pas seulement juridique. Les différentes rémunérations

<sup>1</sup> Source : Ministère de l'Économie nationale (ci-après : MEN)

et pratiques dans le domaine de ressources humaines (ci-après les RH), l'hétérogénéité des cultures d'organisations, les styles managériaux typiques à chaque statut, la diversité des exigences, ainsi que les multiples systèmes d'intéressement empêchent aussi la mobilité.

## 2 Les objectifs de la réforme de la fonction publique hongroise

En 2010, le gouvernement a entamé une réorganisation étatique dans le but de se rapprocher des objectifs d'un « État fonctionnel ». En effet, le gouvernement souhaitait non seulement modifier quelques éléments de l'administration publique mais aussi changer profondément le fonctionnement de l'État. Les réformes relatives à la justice, aux collectivités locales et à l'administration publique ont été entamées. Cette dernière touchait tous les éléments de l'administration publique, y compris la fonction publique. Elle suivait à la fois une approche *stratégique* et une approche *complexe*.

Ces deux approches devraient être mises en avant pour deux raisons. D'une part, en Hongrie, les grandes questions de la fonction publique ont été traitées *sans approche stratégique* pendant plusieurs cycles gouvernementaux. Cela a eu *deux conséquences*. Premièrement, les décisions concernant la politique de gestion du personnel ont souvent été soumises aux objectifs budgétaires du moment poursuivis par le gouvernement. Deuxièmement, les questions relatives à la réglementation ont été traitées en priorité au détriment des problèmes de gestion des ressources humaines. Par conséquent, la modernisation de la fonction publique *s'est limitée à des modifications* de la législation. D'autre part, en Hongrie, de manière générale, on peut relever une tendance à surestimer le rôle de la réglementation, à l'image du modèle russo-allemand, doté traditionnellement d'une *approche juridique*. Néanmoins, le contexte social de la fonction publique change et la société exprime de plus en plus fort sa volonté que l'administration publique financée par les contribuables fonctionne le plus efficacement que possible.<sup>2</sup>

Compte tenu de l'importance de l'approche stratégique et complexe, le *Programme de développement de l'administration publique* « Zoltán Magyary » (ci-après : le Programme Magyary) a donc été adopté pour servir de base à la modernisation de la fonction publique. Selon le *Programme Magyary*, un État ne peut s'adapter rapidement et de manière flexible aux changements en mettant en avant les intérêts nationaux que si la fonction publique intègre non seulement les valeurs du modèle de carrière mais aussi les valeurs de la gestion moderne des ressources humaines fondées sur l'efficacité et la performance. Pour ce faire, il a défini comme objectif stratégique d'une part *le développement d'une carrière prévisible et attractive*, d'autre part la mise en place d'une *gestion des ressources humaines basées sur l'emploi*. Il a ainsi

<sup>2</sup> Source : Ce changement s'explique aussi par le fait que le crédit budgétaire alloué aux ressources humaines représente 6,8 % du PIB de la Hongrie. Ministère de l'Économie nationale (ci-après : MEN) (2013)

défini en même temps deux directions de développement qui pourraient sembler contradictoires. L'une exige le renforcement du système de carrière tandis que l'autre suppose un système plus ouvert. Un *système hybride* est mis en place non seulement pour ce qui est du régime juridique de la fonction publique hongroise mais aussi pour certains statuts plus particuliers, ce qui devrait permettre de combiner des éléments appartenant au nouveau système, comme la flexibilité et la recherche de performance, avec les valeurs traditionnelles du système de carrière.

### **3 « L'hybridation » du régime juridique**

#### **3.1 Statut des « fonctionnaires civils »**

La loi dite « Kttv. » est applicable aux « fonctionnaires civils » travaillant dans les ministères, aux services déconcentrés, aux collectivités locales, etc. En 2015, leur effectif était de 114 000 personnes (12 % du secteur public).<sup>3</sup> Ce sont eux qui exercent le pouvoir public au nom de l'État. La structure de leur statut ressemble à celui du système de carrière traditionnel. Leurs droits et obligations sont prévus par la « Kttv. » et autres règlements d'exécution, ce qui fait que le contenu de leur statut est défini par l'État de manière unilatérale, générale et impersonnelle (*situation statutaire*). Cela signifie que le législateur peut, à tout moment, changer les règles, modifier les droits et les obligations, et ceci sans le consentement des fonctionnaires. Ce mécanisme garantit également que l'emploi puisse être modifié conformément à l'évolution des intérêts du service ou de l'organisation (Bonnard, 1943, pp. 446–447). Ce point doit être d'autant plus souligné qu'il est dans l'intérêt général que le fonctionnement continu de l'administration publique soit assuré (*principe de la continuité du service public*) (Duguit, 1907, p. 416).

Cependant, la loi « Kttv. » a perdu beaucoup de caractères du système de carrière au cours des années, à la suite de la politique budgétaire d'*austérité centrale*, qui a rendu plus flexible le statut des « fonctionnaires civils ». Cette évolution concernait *les garanties d'emploi et la rémunération*.

En ce qui concerne *l'affaiblissement des garanties d'emploi*, aux termes de la loi, non seulement le Parlement, mais aussi tout employeur, peut décider de la réduction des effectifs. Dans ce cas, les « fonctionnaires civils » peuvent être licenciés pour des raisons structurelles, par exemple la suppression de leur poste. À partir de 2011, une modification permet aux employeurs de licencier les « fonctionnaires civils » en raison d'une « perte de confiance ». Dans ce cas, « la flexibilisation » de la garantie de l'emploi n'est pas liée au maintien de l'équilibre du budget central mais au renforcement de « l'esprit de corps ». En effet, l'employeur ne peut en décider que s'il n'a plus confiance dans le « fonctionnaire civil ». Cette décision doit être motivée par un comportement qui porte atteinte aux valeurs professionnelles de l'employeur, par exemple

<sup>3</sup> Source : MEN (2015)

dans l'hypothèse où « le fonctionnaire civil » critique publiquement une décision quelconque émanant de son dirigeant.

La flexibilité peut être détectée même dans le domaine de la *rémunération*. À partir de 2001, une grande partie (au plus 30 %) de la rémunération est fixée par l'employeur, en fonction du résultat de l'évaluation de la performance. Il convient de souligner que la Hongrie a instauré le système d'évaluation le plus rigoureux des pays de l'Europe de l'Est.

En 2006, plusieurs initiatives inspirées du concept de *nouvelle gestion publique* avaient été adoptées, mais ont été en grande partie abolies, en 2010, à la suite du changement de gouvernement et de l'adoption du Programme Magyary, inspiré par des idées néo-wébériennes. L'une d'entre elles prévoyait l'établissement d'une rémunération basée sur l'emploi. En 2008, un projet a été élaboré en vue de remplacer le système de traitement basé sur l'ancienneté de l'emploi, ce qui signifie que la rémunération du « fonctionnaire civil » ne se calculait pas en fonction de son classement mais du résultat de l'évaluation de son poste. Pour préparer la mise en place de ce projet, chaque emploi a été évalué auprès des ministères et intégrés dans un système de récompense basé sur le classement des emplois. Le projet a cependant échoué avant 2010 en raison du manque de soutien politique et de la résistance de la bureaucratie. Paradoxalement, l'idée du système de l'emploi s'est réincarnée dans la mise en place d'une gestion des ressources humaines basée sur l'emploi, prévue par le nouveau gouvernement dans le Programme Magyary.

En 2008, le gouvernement a instauré une nouvelle manière de recruter. En effet, la sélection des fonctionnaires aux postes de dirigeant a été centralisée. Seul un centre de gestion du personnel pouvait examiner les compétences de chaque candidat. Compte tenu des résultats de cette façon de procéder, une liste uniforme de classement des candidats a été établie pour les employeurs décidant des nominations. Ainsi, la sélection se faisait sur les compétences définies préalablement pour chaque poste à repourvoir. De plus, un concours a été prévu comme condition préalable au recrutement. En 2010, les deux modifications – la sélection basée sur les compétences et le concours – ont été supprimées. Ainsi, les employeurs gèrent actuellement leurs recrutements de nouveau de façon autonome, sans qu'aucune règle ne les contraigne à examiner la capacité des candidats. Par conséquent, pour l'instant, ils disposent d'un pouvoir discrétionnaire pour décider des nominations.

Ce n'est pas par un hasard si la Hongrie, quelques années après son adhésion à l'Union Européenne, a été classée parmi les pays « [...] qui ont progressé dans certains domaines de la gouvernance de la fonction publique mais dont la conformité aux principes européens a diminué dans d'autres ». En général, son système de fonction publique démontre un niveau intermédiaire de conformité aux principes européens d'administration (Meyer-Sahling, 2009, p. 6).

En 2011, la loi « Kttv. » est devenue une *réglementation dichotome*. Une modification a confirmé qu'il était désormais possible de conclure un contrat de travail pour des missions non directement liées à l'exercice de prérogatives de pouvoir public, de compétences de direction, de contrôle et de surveillance. Elle a plafonné à 10 % l'effectif pouvant être ainsi employé, tout en précisant que cette limite pouvait être dépassée dans des cas bien motivés avec l'autorisation du ministre chargé de la politique du personnel. Il s'ensuit que le personnel n'est pas homogène, il se compose d'*agents statutaires* et *non statutaires*. En tant qu'acte de droit public créant le rapport juridique du travail entre l'administration publique et l'individu, la nomination est prédominante dans la fonction publique. Cependant, le nombre de « travailleurs » employés par un contrat est de plus en plus important, même dans la fonction publique hongroise. Leur taux (11,8 %)⁴ semble élevé même s'il reste inférieur à celui des pays ayant un système de carrière (17,2 %).⁵

La *progression du nombre d'agents contractuels* peut être expliquée par la recherche de plus grandes flexibilités. C'est-à-dire que le statut basé sur le système de carrière ignore le marché du travail et ses contraintes, et n'est pas apte à faire coïncider les compétences des fonctionnaires aux exigences professionnelles des postes qu'ils occupent. En outre, le système de carrière limite la mobilité externe, et ne permet pas aux agents venant du secteur privé et arrivés à mi-carrière de s'intégrer dans la fonction publique. En raison de la rigidité du système de carrière, le classement des agents publics ne peut pas garantir, dans certains postes, et notamment dans les postes « intellectuels », un salaire compétitif, et ne récompense pas les hautes études spécialisées avec une rémunération plus élevée. Les salariés du secteur privé bénéficient d'une rémunération bien plus élevée (d'environ 100 000 forints bruts) que les agents publics employés dans des postes similaires.

*En résumé*, le statut des « fonctionnaires civils » est en pleine mutation, sa réglementation basée sur le système de carrière devient de plus en plus « ouverte », tant sur le plan du recrutement que du licenciement. Il n'est ni un pur système de carrière, ni un pur système d'emploi, mais *un système hybride* qui évolue vers le régime de droit privé. C'est le statut contractuel qui pourrait faire valoir une flexibilité de plus en plus importante, exigée par la politique.

### **3.2 Statut des « employés publics »**

Une autre loi dite « Kjt. » règle le statut des « employés publics », qui sont des prestataires de services publics sans pouvoir public. Ce sont les employés qui travaillent dans les institutions financées par le budget public, comme les hôpitaux, écoles et musées, etc. La Kjt n'est applicable auxdites entités que si le pouvoir public, État ou collectivités locales, les gère. Le personnel des institutions détenues par l'Église ou les fondations n'est pas concerné, leur régime juridique relève du droit privé (Code du travail).

4 Source : MEN (2013)

5 P.ex., le service public français (DGAFP, 2012, p. 289)

En 2015, l'effectif des « employés publics » rassemblait 457 800 personnes (soit 51,7 % du secteur public).<sup>6</sup> La réglementation qui régit cette question est différente de celle de la loi « Kttv. ». Si les règles de la loi « Kttv. » sont impératives pour les deux parties, l'employeur et le « fonctionnaire civil » ne pouvant y déroger par une quelconque convention, la loi « Kjt. », dans certains cas permet à l'employeur et à « l'employé public » de conclure une convention collective et ainsi de déroger à la loi. En outre, la « Kjt. » prévoit même l'application subsidiaire du Code du travail, c'est-à-dire que la réglementation du Code du travail fait partie *ex lege* du statut des « employés publics » à condition que la loi « Kjt. » n'exclue pas *expressis verbis* l'application du Code du travail. Ainsi, bien que le statut des « employés publics » soit défini unilatéralement par une loi, leur régime réglementaire est à la fois impératif et dispositif. Donc, il s'agit d'une *réglementation mixte* qui se trouve, à cheval entre la loi « Kttv. », qui se fonde exclusivement sur la réglementation publique unilatérale, et le Code du travail qui permet en général aux parties de définir librement le contenu de l'emploi par un contrat en respectant quelques règles fondamentales.

### 3.3 Statut des « agents du maintien de l'ordre public »

Une autre loi distincte, dite « Hszt. », s'applique aux « agents du maintien de l'ordre public », par exemple, les agents de police, les sapeurs-pompiers, le personnel pénitentiaire, etc.

Même si le Programme Magyary a prévu la mise en place d'un système d'emploi, le gouvernement voulait maintenir quelques éléments du système de carrière dans certains secteurs de la fonction publique. C'est-à-dire qu'il est d'autant plus nécessaire de sauvegarder les éléments du système de carrière que les valeurs traditionnelles wébériennes déterminent le fonctionnement du secteur. C'est la raison pour laquelle on a fait la différence entre le statut des « fonctionnaires civils » et celui des « agents du maintien de l'ordre public ». Pour les services du maintien de l'ordre public un système plus fermé a été adopté. Ses caractéristiques sont les suivantes :

- Il y a 5 catégories d'emploi, et les agents sont classés dans l'une des catégories en fonction de leur poste, mais leur avancement professionnel se déroule en fonction de leur ancienneté.
- Les conditions de leurs avancements sont fixées par la loi. Par exemple, l'agent est tenu de recueillir un certain nombre de points au cours de formations continues ou de réussir un examen pour obtenir un grade supérieur.
- Le recrutement de l'extérieur est fortement limité, ce qui veut dire que les postes vacants sont souvent pourvus en interne. Le concours est publié à plusieurs niveaux. Au premier niveau, le poste vacant est publié à l'intérieur de l'organisation. Si la procédure ne permet pas

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<sup>6</sup> Source : MEN



de sélectionner un candidat, le cercle des personnes ciblées est élargi et le poste est proposé aux agents d'autres organisations du maintien de l'ordre public ainsi que de l'administration publique. Une personne extérieure n'ayant pas de statut en tant qu'agent du maintien de l'ordre public ne peut être recrutée à ce poste que si les deux sélections précitées ne conduisent pas à une nomination. L'avancement des dirigeants est plus fermé. Ils ne peuvent monter à un grade plus élevé que s'ils avaient déjà passé au moins 3 ans dans une fonction inférieure. Partant, une personne qui n'a pas d'expérience auprès des services du maintien de l'ordre public ne peut pas être nommée à un poste de dirigeant.

On peut dire que ce statut relève aussi du système mixte, toutefois il est plus proche du système de carrière.

Pour résumer, les lois dites « Kttv. », « Kjt. », « Hszt. » ne suivent pas le même modèle. La loi sur le statut des agents du maintien de l'ordre public se fonde plutôt sur le système de carrière, fermé, tandis que le statut des « fonctionnaires civils », et celui des « employés publics » sont plus proches du système ouvert, du droit de travail. Donc, « l'hybridation » se manifeste non seulement dans l'une ou l'autre loi mais aussi dans le régime juridique complet de la fonction publique où on peut distinguer les lois des statuts selon les modèles qu'elles suivent.

#### **4 La transformation de la gestion des ressources humaines**

L'évolution de l'effectif de la fonction publique montre qu'en dépit de plusieurs réductions du personnel, le nombre de fonctionnaires *n'a quasiment pas changé*. Pour trouver la raison de ce phénomène, les chercheurs ont mené une étude scientifique analysant de manière complexe l'effectif de la fonction publique, identifiant ainsi les caractéristiques du secteur des RH.<sup>7</sup> A la suite de l'analyse, un bilan des *lacunes* et des *progrès* a été établi par le biais des processus des RH.

Le résultat de cette étude permet de constater qu'en Hongrie, de manière générale, la gestion des ressources humaines au sein des organisations étant fortement réglementée, elle est essentiellement dominée par l'administration et la bureaucratie. Les spécialistes des RH passent la plupart de leur temps, d'une part, à s'occuper de tâches juridiques et administratives portant sur le statut des fonctionnaires, d'autre part à fournir les données et les statistiques demandées par leur hiérarchie. Partant, ils sont chargés avant tout de résoudre les problèmes juridiques, administratifs, tandis qu'ils

<sup>7</sup> C'était en 2013, dans le cadre de la réforme de la fonction publique, qu'a été prévue la possibilité d'effectuer des recherches pour examiner les changements survenus dans la gestion du personnel et trouver des possibilités d'amélioration de la gestion des ressources humaines. Les résultats des recherches sont contenus dans l'étude. Les données évoquées dans cette partie sont tirées de ces recherches. Lorsque ce n'est pas le cas, la source des données est signalée entre parenthèses.

n'ont pas suffisamment de temps pour s'occuper des individus en tant que professionnels considérés sous l'angle des RH.

Les lacunes et les progrès enregistrés se présentent comme suit.

#### **4.1 La planification stratégique**

##### **Lacunes**

La gestion des ressources humaines *manque d'approche stratégique*. Là où la stratégie humaine existe, elle n'est pas toujours liée à la stratégie organisationnelle, ou à celui d'autres secteurs (financier, informatique, communication, etc.). Une gestion prévisionnelle des effectifs, des emplois et des compétences n'est pas mise en place. Les ministères n'ont pas d'appui technique pour gérer leur personnel à long terme. Ils ne disposent pas de statistiques appropriées et fiables pour mieux connaître quantitativement et qualitativement leurs fonctionnaires. Il manque aussi une instance gouvernementale chargée d'accompagner les ministères tout au long du processus de la planification et d'assurer la nécessaire coordination interministérielle. Le manque de « réflexion stratégique » est évoqué par une analyse de l'OCDE qui révèle aussi qu'en Hongrie, les pouvoirs publics n'ont quasiment pas recours aux instruments de la gestion stratégique (OECD, 2013, p. 97). Son index composite (0–1) dépasse à peine 0,1 tandis que la valeur moyenne de l'OCDE est de 0,5. Avec ce résultat, la Hongrie est au dernier rang des pays examinés.

##### **Progrès**

Certes, de manière isolée, il existe des organisations (par exemple quelques ministères) qui ont recours à des stratégies et processus humains et qui utilisent les fonctions humaines de façon intégrée. La planification s'y fait sur la base des compétences. Les fonctionnaires sont ouverts au changement, ils jugent que leur situation serait fondamentalement influencée et améliorée si la planification des forces de travail, la gestion de l'effectif, le développement des RH (formations) se faisaient sur la base d'un management tenant compte du rendement. De manière moins paradoxale, 60 % des fonctionnaires en place dans le système de carrière se déclarent favorables à un système plus ouvert, ou plutôt à un système alliant les aspects positifs des systèmes ouverts et fermés.

#### **4.2 Système d'organisation du travail**

##### **Lacunes**

Le cahier des charges des postes n'est pas établi du tout, ou seulement de manière très lacunaire. Près de 40 % des fonctionnaires ne sont renseignés précisément sur les tâches à accomplir qu'après leur nomination. Dans 30 % des services, les dirigeants attendent plus, en qualité et en quantité, que ce qui est prévu dans la description des postes. L'utilisation des cahiers des charges

est sporadique, et même si ceux-ci existe, ils sont incomplets. Par conséquent, il manque des profils de poste identiques qui correspondent aux différents services. Les formes de poste atypiques (travail à temps partiel, à distance, en temps partagé, etc.) ne sont introduites que marginalement. Les activités de monitoring et de contrôle en matière de RH sont quasiment inexistantes.

### **Progrès**

L'analyse et l'évaluation des postes ont débuté. Jusqu'à présent, environ 15 000 emplois ont été soumis à une évaluation. Une loi a été votée concernant les services de maintien de l'ordre public qui met en place un système de RH basé sur l'emploi. Une proposition similaire est en préparation pour les fonctionnaires civils. Les descriptions de poste sont devenues uniques. Le système d'organisation du travail fonctionne convenablement (temps de travail, temps de repos, congés).

## **4.3 La gestion des flux**

### **Lacunes**

Des planifications en matière d'effectif fonctionnent. Cependant, elles ne s'adaptent pas à la stratégie organisationnelle ou à la stratégie humaine, mais plutôt aux exigences sur une période d'un an, donc sur le court terme. Pour la planification, les éléments du marché (salaire, offre-demande) ne sont que très peu pris en considération, ce qui s'explique par la non-flexibilité du système de carrière.

Il est évident que le marché du travail influence la fonction publique, étant donné que c'est sur ce même marché que l'administration publique recrute de ses agents qualifiés. Toutefois, en Hongrie, selon certains auteurs, l'impact du marché du travail *se manifeste différemment* dans la fonction publique que dans le secteur concurrentiel. Ils disent que l'administration publique est obligée de composer avec *un marché du travail dominé par l'offre*, dans le sens où l'administration publique emploie en masse des personnes licenciées du secteur privé ou des personnes qui ne peuvent pas trouver un emploi dans le secteur privé. Selon lesdits auteurs, « l'administration publique accueille, en tout cas en partie, ces personnes, qu'elles aient, ou non, besoin d'elles, tout en leur payant une rémunération d'un niveau bien plus élevé que celui qui serait justifié » (Gajduschek, 2010, p. 25). « L'administration publique a perdu son avantage sur le secteur privé à cause de son régime des carrières et se trouve maintenant dans la position du perdant » (Gajduschek, 2010, p. 23).

En ce qui concerne l'évolution de la rémunération, on peut dégager *deux tendances*. La première montre que l'évolution du salaire net moyen de la fonction publique suit généralement celle du PIB. Si le PIB diminue, les salaires baissent aussi. Toutefois, la diminution du salaire net moyen de la fonction publique est *plus importante* que celle du PIB et que celle du salaire net moyen dans le secteur privé. Par exemple, entre 1989 et 1996 le salaire net moyen a baissé de presque 40 % dans la fonction publique, tandis que

le PIB et le salaire net moyen du secteur privé ne diminuaient respectivement que de 15 % et 23 %<sup>8</sup>. La *deuxième tendance* montre que si l'évolution du PIB s'est inversée et s'est mise à augmenter, le secteur public en a davantage profité que le secteur privé. Pourtant, entre 1996 et 2006, le salaire net a augmenté tant dans le secteur public que dans le secteur privé, le niveau du salaire net moyen du secteur public a rattrapé celui du secteur privé. Au cours des dernières années, la différence salariale entre secteur public et secteur privé est devenue de plus en plus importante. C'est la raison pour laquelle plusieurs décisions récemment prises visent à augmenter les rémunérations de certaines branches de la fonction publique, comme l'enseignement public ou le maintien de l'ordre public.

La concurrence de marché est jugée particulièrement négative dans le secteur du maintien de l'ordre public. En effet, le secteur privé attire de plus en plus les professionnels du secteur du maintien de l'ordre public. C'est la raison pour laquelle ce secteur fait face à une pénurie de jeunes. L'exode du secteur public a atteint un tel niveau qu'il empêche les organisations publiques d'accomplir leurs tâches de manière efficace.

Il n'existe pas de politiques et de modes de recrutement aboutis. En dehors des curriculum vitae, lettres de motivations et entretiens directs, les modes de recrutement plus ciblés ne sont pas utilisés (formulaire sur le trajet de vie, entretien structuré, test de stress, évaluation à 360 degrés, évaluation AC/DC et centre de développement, divers tests de compétence et de personnalité, examen des références).

Au sein de la plupart des organisations, l'intégration des nouveaux employés (apprentissage sur le lieu de travail) n'est pas réglementée et est laissée à la discrétion des dirigeants, qui déterminent la manière de procéder.

### Progrès

C'est dans le cadre de ce processus que l'on constate le plus d'innovation et d'indicateurs de points de vue proactifs (existence de banques de données, renouvellement des cadres et des dirigeants, programmes d'entretien des talents). Dans ce secteur, on retrouve également des activités qui représentent, pour la plupart, des charges administratives considérables et sont assurées par des professionnels en matière de RH. Par exemple, on trouve la gestion des affaires juridiques et administratives portant sur la nomination, les départs au sein d'une administration ou les mouvements entre administrations, le détachement, la reconnaissance sur la base du mérite, la gestion des procédures disciplinaires et liée au dédommagement, la formation et la formation professionnelle, ainsi que la gestion de cette dernière, les changements de statuts, les questions relatives à la retraite.

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<sup>8</sup> Source : MEN

## **4.4 Le développement des RH**

### **Lacunes**

La formation continue est en grande partie financée par des fonds européens. Il s'ensuit qu'avec l'arrêt de nombreux financements européens, il faudra mobiliser des ressources nationales considérables. En ce qui concerne le développement du personnel directement lié au travail (angl. *on-the-job*), les progrès sont minimes. Le monitoring et le coaching sont à l'état embryonnaire. Par ailleurs, les données montrent qu'une part considérable des dirigeants accepterait d'accorder une place plus importante au coaching (maintien de l'ordre 19,6 %, administrations locales 40 %, administrations d'État 24,3 %).

Il manque des solutions de gestion de la connaissance et de partage du savoir entre les différentes entités administratives. Les programmes de période d'essai, les bourses ou autres stages ne sont pas suffisamment promus.

### **Progrès**

De nombreuses innovations sont à noter pour ce qui est des formations extérieures au travail (angl. *off-the-job*). On note une progression considérable des différentes formes de développement indépendant de la connaissance : *e-learning* et *blended learning*. L'Université nationale de service public propose 300 formations professionnelles dont 223 se font en e-learning. Un système informatique destiné à la gestion de la formation professionnelle, nommé « Probono » permet non seulement de rechercher des formations, mais aussi aux administrations de préparer le plan annuel de formation des fonctionnaires, et donc l'exécution de ce plan.

## **4.5 La gestion de la performance**

### **Lacunes**

La culture de l'évaluation est rudimentaire. L'évaluation de la performance est considérée comme une obligation juridique formelle. Environ la moitié des organes de l'administration publique gère les évaluations de performance uniquement sur papier. Cela signifie que les fonctionnaires reçoivent des formulaires d'évaluation pré-remplis, sans discussion préalable, ou pire encore, ils se les remplissent eux-mêmes. L'évaluation à 360 degrés n'est pas utilisée. L'évaluation de groupe ou d'une administration tout entière est peu utilisée. À cause des changements rapides de la structure administrative et de son fonctionnement, il est impossible de prévoir, même un an à l'avance, des objectifs de performance. Par ailleurs, les dirigeants sont dans l'incapacité de prévoir chaque année de nouveaux objectifs pour chaque tâche et chaque poste particulier. L'individualisation des objectifs à poursuivre au niveau des organes est un élément particulièrement problématique pour les dirigeants.

Les administrations n'utilisent que sporadiquement des instruments de mesure et indicateurs de performance. Les évaluations ne sont pas mises en relation de manière adaptée avec le développement, la motivation

et la gestion de carrière. Les résultats des examens de satisfaction internes et les enquêtes d'opinion sont à peine utilisés pour développer les administrations, transformer la culture organisationnelle ou évaluer le niveau des activités de direction. Cependant, les administrations de maintien de l'ordre public constituent une exception car ils réalisent des enquêtes d'opinion ayant trait au jugement que porte la société sur la police.

### Progrès

En 2002, l'évaluation de la performance individuelle au sein de la fonction publique a été lancée. Grâce à cette initiative, de nombreuses expériences positives ont déjà été obtenues. Pour certains secteurs, l'évaluation de la performance basée sur la compétence a déjà eu lieu dès le lancement de ce système et cette initiative a été élargie à l'ensemble de la fonction publique en 2006. L'évaluation de la performance est devenue régulière dans la gestion des RH. La majorité du personnel accepte et juge les évaluations nécessaires. Certaines organisations de l'administration publique ont commencé à mettre en place des évaluations de groupe et d'organes tout entier.

Pour conclure, la performance de la fonction publique ne peut être améliorée que si le remaniement de l'administration publique est accompagné du renouvellement de la gestion des RH. Par conséquent, la *réserve d'efficacité* du système réside essentiellement non pas dans la réduction de l'effectif, mais dans la mise en place d'une gestion intégrée des ressources humaines, basée sur l'emploi et la stratégie, qui permette de transformer les opportunités concernant l'intégration organisationnelle en des résultats concrets.

## 5 Conclusion

*Pour résumer*, on peut dire que la fonction publique hongroise est en train de se transformer profondément. Les grandes questions de la fonction publique sont abordées selon *une approche stratégique*. Le Programme Magyary sert de base à sa modernisation. Les changements prévus touchent à la fois la réglementation et la gestion des ressources humaines. Les préoccupations liées à l'adoption de techniques de RH empruntées au secteur privé et au placement de l'emploi au centre de la gestion des ressources humaines, se mettent à transformer le régime juridique basé traditionnellement sur la carrière. La sauvegarde des valeurs traditionnelles reste toutefois une préoccupation. Pour satisfaire à la fois les exigences de plus grande flexibilité et de sauvegarde des valeurs traditionnelles, deux initiatives ont été prises : d'une part, la mise en place d'un *système hybride* qui intègre à la fois des éléments de flexibilité et de performance, et le maintien, du moins en partie, des principes de la carrière, et d'un autre côté *la gestion des ressources humaines basées sur l'emploi*.

Pour atténuer les effets négatifs des cloisonnements consécutifs à la fragmentation de la réglementation, d'autres orientations de la réforme de la fonction publique visent à promouvoir la mobilité transversale.

Le remaniement de l'administration publique ne peut être efficace que s'il est accompagné par une gestion intégrée des ressources humaines fondée sur la stratégie.

Une approche stratégique, une flexibilité et une mobilité accrues, une gestion stratégique basée sur l'emploi permettraient d'accroître la compétitivité de la fonction publique.

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POVZETEK

*1.02 Pregledni znanstveni članek*

**Prehod s kariernega sistema na sistem zaposlovanja prek hibridnega modela (posodobitev javne službe na Madžarskem)**

Posodobitev madžarske javne službe, ki se je začela leta 2010, temelji na zapletenem strateškem pristopu ter na kompromisu med starimi in novimi vrednotami. Strateška cilja sta razvoj predvidljive in privlačne kariere na eni strani ter vzpostavitev upravljanja človeških virov na podlagi zaposlovanja na drugi. Vrednote kariernega modela in sodobnega upravljanja človeških virov se na prvi pogled morda zdijo protislovne. Vendar pa lahko hibridni sistem, ki je značilen za pravno ureditev madžarske javne službe, združuje različne vrednote, tako da zaposlovanje postavlja v središče upravljanja človeških virov. Poleg tega »hibridizacija« ni le ena od posebnosti madžarske javne službe, ampak tudi posebnost spreminjajočega se mednarodnega okolja.

# The Public Participation in the Drafting of Legislation in Hungary

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## ABSTRACT

The legitimacy of legislation is crucial for modern democracies. This paper provides a brief but detailed description and legal, quantitative analysis of this process, drawing attention to the most significant Hungarian techniques. According to the main provisions of Act CXXXI of 2010 on public participation in the drafting of legislation, public consultations are to be carried out within the framework of general or direct consultations. The general consultation is mandatory and open for the public, all draft bills, governmental decrees and ministerial decrees drafted by ministries are to be published on the Government's webpage. The direct consultation is based on strategic partnerships between the relevant ministries and stakeholders, outstanding organisations. In Hungary, it is the responsibility of the minister competent to draft the legislation to open and conduct public consultation and to process the received comments. These mandatory and optional processes strengthen the legitimacy and the acceptance of legislation. As a consequence of this the legal provisions meet with the social requirements, and they can be applied as a best practice for other countries.

*Keywords: public participation, legislation, law making, drafting, public consultation*

*JEL: K23*

## 1 Introduction

The public participation in the drafting of legislation is one of the key elements in the legitimacy and the acceptance of legislation. In connection to the topic, the question is, whether and how can the state strengthen this, and how can it involve the populace more efficiently into the drafting of legislation procedure. The main hypothesis can be formulated as follows: are the legal obligation of public participation and mandatory public consultations capable to improve the legitimacy of legislation. Another question is whether the existing legislation provides an appropriate framework to involve the civil society organizations, NGOs, and the populace – by using their advisory power – into the process of legislation. The main objective of this paper is to present and analyse the public participation process, drawing attention

to the most significant Hungarian techniques, and evaluate the results. One of the goals is, to show whether the rules work in the practice, and whether they are in accordance with the desirable political and social, legal aims. Another purpose is, to draw the attention of the decision and policy makers to this technique, which could be applied as a best practice for other countries.<sup>1</sup>

The research is mainly based on legal methodology with quantitative approach. The legal method is based on the classical interpretation types: grammatical, historical, logical, systematic, which are completed by the teleological and constitution conformity. Furthermore, the analysis takes into consideration not just the letter of the law, but the intentions of the lawmakers and opinions of the involved and relevant law appliers and practitioners. For comparison, the EU regulations are an important initiation. Besides the legal methodology, the study employs the quantitative approach. The paper contains some statistics to evaluate the results in figures. Based on the analysis of the relevant EU and Hungarian law sources and data, conclusions and critique can be drawn up.

## 2 Public Participation

All modern constitutions and fundamental or basic laws contain and declare the concept and principle of popular sovereignty, which essentially means that the people are the ultimate source of public power or government authority. The concept of popular sovereignty holds simply that in a society organized for political action, the will of the people as a whole is the only right standard of political action (Peters, 1978, p. 1). In our topic, it can be regarded as an important element in the system of the checks and balances, and representative democracy. Therefore, the people are implicitly entitled even to directly participate in the process of law making. This role of linking citizens and their government and legislators is closely related to the concept of legitimacy. According to the Regional Environmental Centre for Europe: 'Openness should be a rule in a democracy, and secrecy an exemption'. From this point of view, the principle of more-public-involvement-better-results could equally apply to the linkage and legitimation functions of legislatures in a democracy. The linkage between citizens and their government is obviously strengthened when the public has ample opportunity to have their concerns heard by the legislature (Kurtz, 1997, p. 2), and there is no consistent link between citizen knowledge and the support of legislatures (Baker, Bennett, Bennett, & Flickinger, 1996). The exercise of democratic control over the legislative system and the policy-making process can occur even when the public has only an elementary understanding of the national legislative institution and its membership. Civic education is a vital strategy for strengthening public participation and confidence in the legislative process (Kurtz, 1997, p. 13).

<sup>1</sup> The author was involved in the Regional Convention on European Integration of Serbia in 2015, where the topic was the cooperation between state and civil sector, and several national practices were shown to form a best and suitable practice for the candidate countries, even in the field of legislation.

Public participation is an all-encompassing label used to describe the various mechanisms that individuals or groups may use to communicate their views on a public issue (Pring & Noé, 2002, p. 15). Legislatures use various methods to provide information to the public about the legislative process and to bypass the media and communicate directly with the public. The following options as mediums can be utilised and operated for sharing information and facilitating public participation: newspapers, parliamentary publications (such as the debate), wide circulation of parliament order papers, radio, television, fax broadcasting, electronic mail (e-mail) and the internet or other IT devices.<sup>2</sup> For each option, it is important to examine the advantages and disadvantages, requirements for the successful implementation and utilisation, financial and technical implications, accessibility by the general public, sustainability; cost and benefit analysis, and the level and quality of public participation facilitated by each medium.<sup>3</sup> In brief, none of these options are in themselves a perfect fit for public participation initiative. On that basis, it is recommended that a combination of a few practical options should be considered to facilitate primarily information flow and thereafter provide public access to the drafting of legislation. In most cases, the electronic mail and the direct involvement of the stakeholders are the most expedient solutions. The ultimate form of public participation in the legislative process is direct democracy through referenda or initiatives. However, it also needs to be noted, that the ideal situation would be to engage every member of the public in discussions during the legislation, but according to experience this is unrealistic and practically impossible. Political parties and election campaigns perform a vital role in providing voters with opportunities to express their public policy preferences and in shaping the positions of their elected representatives.

The Charter of Fundamental Rights of the European Union brings together in a single document the fundamental rights protected in the EU and it is based on the principles of democracy and the rule of law. According to Article 41 (Right to good administration), every person may write to the institutions of the Union in one of the languages of the Treaties and must have an answer in the same language. Article 44 defines the right to petition, any citizen of the Union and any natural or legal person residing or having its registered office in a Member State has the right to petition the European Parliament. But the public participation in legislation is not included. The right of petition is open to any EU citizen and in order to be admissible, petitions must concern matters which fall within the EU's fields of activity and which affect the petitioners directly (Marzocci, 2016). The procedure for dealing with petitions is laid down in Rules 215 to 218 of, and Annex VI (XX) to, Parliament's Rules of Procedure, which confer responsibility on a parliamentary committee, currently the Committee on Petitions. It is important to mention, that the EU Directive 90/313 of 7 June 1990 on the freedom of access to information

<sup>2</sup> For example the Rio Grande do Sul State Legislative Assembly in Brazil provides a touch screen computer terminal that helps people learn about their legislators and the legislative process.

<sup>3</sup> For details see Mijiga (2001).

on the environment,<sup>4</sup> is one of the first binding pieces of European legislation that deal with public participation. A recent and very important development concerning public participation is the recognition of it as a basic human right. And this was the central theme of the Århus Convention (1998). This Convention guarantees people the right of access to information, public participation and the right to justice.

The implementation of the Charter of Fundamental Rights of the European Union is obligatory for all the member states of the EU, but they are entitled to adopt and enact more rights. Article VI of the Fundamental Law of Hungary states that everyone shall have the right to the protection of his or her personal data, as well as to access and disseminate data of public interest. In accordance with the EU law, Article XXV of the Fundamental Law of Hungary declares that everyone shall have the right to submit, either individually or jointly with others, written applications, complaints or proposals to any organ exercising public power. This right of petition can be exercised by anybody, who is entitled by rights from the Fundamental Law and is entitled to participate in public affairs.<sup>5</sup> The right to submit an application, complaint or proposal demands that the organs exercising public power do not prevent or hamper such submission. Accordingly, if the competent organ denies accepting a complaint, the right would be violated. The addressee can be any organ (state or municipal alike) exercising public power and not only those that bear the function under a separate legal regulation to examine and adjudge complaints (Csink, Schanda, & Varga, 2012, pp. 192–193).

### 3 Drafting of Legislation

Under the concept of the Rule of Law or the *Rechtsstaat*, all the state interventions and actions need to be regulated and prescribed by the law. In the most relevant issues, acts have to be adopted, but other regulations of the executive branch (government, ministers, and local governments) e.g. decrees are equally relevant. One of the most important informal functions of the legislature is to provide legitimacy to government actions. According to the above-mentioned public legitimacy, public-involvement (can) strengthen the level of the checks and balances.

In Hungary, at the end of the 1980's even some provisions on public participation could be found, but they were not relevant in the practice and were originated from the political transformation. The former Act XI of 1987 on Legislation contained the possibility of the public consultation, and declared the compulsory involvement of the law enforcement agencies, civil organizations and representative bodies. But these were just formalities, there were no official practice or forums for the people or stakeholders to become acquainted with the drafts or express their opinions, recommendations

4 This directive is amended by Directive 2003/4/EC.

5 This means every natural person without prejudice to their nationality and residence.

(Fridli & Paskó, 2000). Currently the Act CXXX of 2010 on Legislation defines precisely the most important requirements of law making: scope of the act, amendments, prohibition of retroactive validity, sufficient date of entry into force, preparation of legislation, constant review of the legal system, promulgation and publication, official and non-official legal databases. In our case, the paper will focus on the preparation section. Furthermore, the Act CXXXI of 2010 on public participation in the drafting of legislation contains the relevant details, the mandatory and optional forms, possibilities and the guarantees (e.g. disclosure, data protection).

During the preparation process, it is the duty of the minister responsible for drafting the legislation to develop the professional content of the legislation. The most important requirements are the following: meeting the form and content conditions under the Fundamental Law, fitting in the unity of the legal system, meeting the obligations under international law and European Union law, and meeting the professional requirements of the legislation.

The preparer of the legislation attaches an explanation (statement of reasons), which describes the social, economic and professional reasons and goals that make the proposed regulation required, and also describes the impacts of the legislation. If under the EU treaties or according to the legislation of the European Union, this is compulsory, the draft shall be sent to the certain institutions of the European Union and the Member States of the European Economic Area for prior notification and commenting. If the law provides expressly the right of a state or local government or other organizations to express an opinion and evaluation on the drafts, the preparer of the legislation must ensure that the body shall be allowed to exercise this right. The preparer of the legislation ensures that the drafts are available for the public and comments can be submitted. The details of public participation in drafting of legislation are defined by a separate act.

The Decree No. 12/2016. (IV. 29.) of the Minister of the Prime Minister's Office on Ex-ante and Ex-post Impact Assessment prescribes the requirements pertaining to the *ex-ante* and *ex-post* impact assessment of the bills to be put forward by the Government, as well as the draft government decrees and ministerial decrees. The impact assessment is an information collection and analysing procedure, the fundamental objective of which is to increase the efficiency of regulations. It includes the analysis of the expected consequences of the regulation aligned to the details of and carried out in a period relevant to the assumed impacts of the regulation, followed by the summary of findings to support sound decision-making.<sup>6</sup> The impact assessment sheets contain the relevant social dimensions, public health, competitiveness, fiscal and budgetary, administrative cost, environmental, and employment and labour market impacts. Not all sheets investigate impacts with the same degree of detail and thoroughness. Further assessment sheets cover methodologies

<sup>6</sup> Decree No. 12/2016. (IV. 29.) of the Minister of the Prime Minister's Office on Ex-ante and Ex-post Impact Assessment, Article 2 2.

to address benefits and costs and how to account for risk, as well as post-implementation evaluations (OECD, 2015, p. 83). The summary of the *ex-ante* impact assessment needs to be made public on a website and available for public participation.

#### 4 Public Participation in the Drafting of Legislation

The National Assembly adopted on 22nd November 2010 the Act CXXXI of 2010 on public participation in the drafting of legislation<sup>7</sup>, to foster within the framework of good governance the engagement of the widest possible range of social segments in developing legislation, laying the foundations of broad-based legislation to serve the public good, and thus improve the quality and enforceability of legislation, which together constitute the indispensable prerequisites of the Good State.<sup>8</sup> The Act entered into force on 1st January 2011, and contains detailed rules for the public consultation process with the public applicable to legislative drafts.

The scope of this Act does not extend to the decrees of local governments. In the case of municipalities, the Act CLXXXIX of 2011 on Local Governments in Hungary also does not contain any provisions on the public participation. Therefore, it depends on the decisions of the councils (body of representatives) of the local government to lay down in a by-law the rules of public participation in developing its by-laws in accordance with local conditions. Usually public hearing is an often-applied good practice. Public hearings, by definition, are open to the public, the only exceptions are generally for individual privacy matters (such as personnel decisions) (Kurtz, 1997, p. 7), and local government issues of business interest.

The publicity of the so-called Legislative Plan and Legislative Brief are two other guaranteeing elements stipulated in the Act CXXXI of 2010. These documents can be regarded as short-term legislative programmes, which contain the necessary main directions and key topics for law making. According to the relevant provisions the Legislative Plan of the Government – in view of international obligations; requirements in relation to alignment with European Union obligations; the decisions of the National Assembly and the Constitutional Court; and the objectives of the Government's agenda – is determined by resolution adopted by the National Assembly in the course of its ordinary sessions. This reinforces the public control via the National Assembly due the indirect democracy.<sup>9</sup> Furthermore, it is the duty of the minister responsible for drafting the legislation, to publish his or her Legislative Brief in respect of the legislative planning period of the Government on a designated website. The legislative brief of the minister competent to draft the legislation includes the titles of the legislative drafts to be prepared

7 In other translation, it can be found as Act CXXXI of 2010 on Public Participation in Developing Legislation.

8 Act CXXXI of 2010 on Public participation in the drafting of legislation, Preamble

9 Act CXXXI of 2010 on Public participation in the drafting of legislation, Article 3



by him or her, a short summary of their contents, and the scheduled dates of making public the legislative drafts.<sup>10</sup> Published ministerial legislative briefs may not be removed from the website for one year from their publication.

The primal instrument of public participation in the drafting of legislation is public consultation. The terminology 'public consultation' is defined by the Act as any kind of comments by natural persons and non-governmental and non-municipal organisations of legislative drafts prepared by the ministers. The scope of subjects is really wide, the commentators can be any single natural person, and – maintaining their independence – non-governmental and non-municipal organisations: associations, foundations, chambers, public bodies, interest representative bodies, trade unions, human rights defenders, other stakeholders. Even business and commercial companies are entitled, but for them the public bodies, interest representative bodies, the Chamber of Commerce and Industry are the more suitable possibility.

The scope of the Act extends to the above-mentioned narrow sense of public consultation, but also extends to regulatory concepts serving as the basis of legislative drafts prepared by the ministers.<sup>11</sup> The provisions do not affect the rights to comment and to consultation specified in other legislation or in other public law organisation governing instruments. The scope of the act does not extend to the drafting of legislation on states of emergency, hazard situations and pre-emptive protection measures.<sup>12</sup> According to the Fundamental Law the Government is not authorised to draft legislation, it bears solely the power to adopt government decrees, and – pursuant to Article 6 – propose bills. Ministers – if they are not MPs – are not entitled to propose bills directly to the National Assembly.<sup>13</sup>

Because of legal policy considerations, the Act enumerates some exceptions: legislative drafts on payment obligations, state subsidies, the Budget and its execution, funding received from the European Union and international sources, the promulgation of international treaties, and the establishment of organisations and institutions.<sup>14</sup> In the cases of these topics, the draft is not required to be submitted for public consultation. Another reasonable list: a draft or concept may not be submitted for public consultation in the event that such consultation compromises the protection of particularly important defence, national security, financial, foreign, nature

<sup>10</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article 4

<sup>11</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article 1

<sup>12</sup> According to the Fundamental Law of Hungary, the special legal orders are the followings: state of national crisis (Article 49), state of emergency (Article 50), state of preventive defence (Article 51), terror threat-situation (Article 51/A), unexpected attacks (Article 52) and state of extreme danger (Article 53).

In addition, decrees of the National Defence Council adopted during a state of national crisis and decrees of the President of the Republic adopted during a state of emergency shall also be rules of law. In the other special legal orders the Government adopt decrees.

<sup>13</sup> Fundamental Law of Hungary, Chapter Government and Article 6

<sup>14</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article 5

conservation, environmental, or heritage protection interests of Hungary.<sup>15</sup> Finally, a legislative draft shall not have to be submitted for public consultation in the event that a prevailing public interest warrants its rapid passage.

First the common rules are defined, which are followed by the specific provisions, because the Act distinguishes two forms of public consultation: general consultation and direct consultation. The Act declares three fundamental principles in connection with public consultation. In the course of public consultation and drafting legislation

- the widest possible range (in particular those of socio-economically marginalised and disadvantaged groups) of comments are ensured, and these are made public;
- the transparency and maximum publicity of consultations need to be provided;
- the participants are obliged to act in cooperation.<sup>16</sup>

In accordance with the scope of the act the draft and the explanation of the acts, government decrees, and ministerial decrees (hereinafter jointly referred to as draft) need to be submitted for public consultation. Prior to submitting a draft for public consultation, the concept of the draft may also be submitted for public consultation subject to the competent minister's decision.<sup>17</sup> It is the responsibility of the minister competent to draft the legislation to open and conduct public consultation and to process the comments received. For reasons of clarity in the event that the published legislative draft is aimed to amend more than one fifth of the provisions of other laws, the amended and consolidated text of the effective legislation together with the proposed amendments separately marked shall be published on the website.<sup>18</sup> The minister responsible for drafting a given bill is also responsible for publishing the draft and for holding a public consultation.

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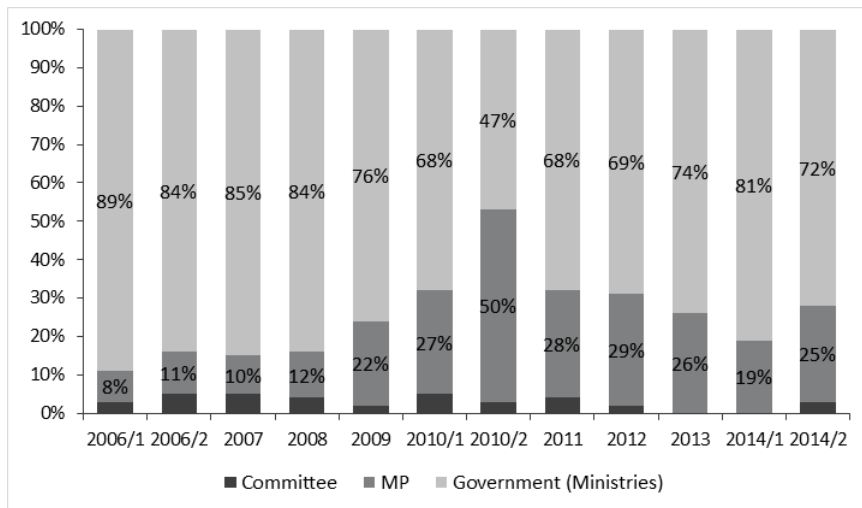
15 Act CXXXI of 2010 on Public participation in the drafting of legislation, Article 5 and 6

16 Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 2

17 Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 5

18 Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 6

Figure 1. The ratio of published laws by type of submitter per year



Note: When data concerning one year are represented in two parts, an election took place or the prime minister was changed.

Source: Corruption Research Centre (CRC, 2015)

The statistics of Corruption Research Centre show that usually more than 75–80 percent of the bills submitted by the Government were drafted exclusively in the ministries. So, in most of the cases the public consultation is necessary. Since 2010 a higher number of bills submitted by members of the National Assembly have been passed compared to the former governmental period, which also translates into a considerably higher proportion of these laws under the second Orbán government compared to the previous governments. The share of bills submitted by MPs of the ruling parties also reached a peak in 2010, until the first year of the second Orbán government. A probable cause of this is that in the first months after the change of government the bureaucracy was not altered (CRC, 2015, p. 43). In 2011 there was a sharp decline regarding this rate, however it remained high compared to the period before 2010.

According to the methodological guidelines of the Office for National Economic Planning (Nemzetgazdasági Tervezési Hivatal – NTH) the following rules and regulations, among others, must be followed in a general public consultation (NTH, 2012):

- the consultation must be carried out at such point in the law-making process that it may influence the opinions of lawmakers;
- the planned legislative timeframe must leave room for the public to formulate useful opinions and suggestions. Experience shows that the more time is allowed, the better the feedback. (However, a legal minimum is not defined.);

- the documentation released in conjunction with a public consultation should be easily understandable, concise and jargon-free;
- the framework must help the people quickly recognize and decide whether a specific consultation and the associated published documentation are relevant to their lives. To this end, the creation of a public information table summarizing the different consultations is necessary.

The forms of public consultation are the following: making comments via the link available on the website (hereinafter referred to as general consultation), and comments made by persons, institutions and organisations engaged by the minister competent to draft the legislation (hereinafter referred to as direct consultation).<sup>19</sup> The main difference between the forms is that, while general consultations are mandatory, direct consultations are optional. But this is not a closed, exhaustive list, because the minister responsible for drafting the legislation – upon the authorisation of this Act – may in addition use other forms of consultation.

#### 4.1 General Consultation

Holding a general consultation is mandatory in the course of public consultation in all cases. The draft or concept submitted for public consultation needs to be public and available on the website. In addition to the draft, the summary of the ex-ante impact assessment – as set forth in the Act on Legislation – needs to be uploaded.<sup>20</sup> Even drafts not submitted for public consultation should also be made public on the website. On every homepage of the Hungarian ministries (via <http://www.kormany.hu>), a link can be found with the title of 'general consultation'. On this link, there is a long list of the relevant drafts, where the topic, the full text with the explanation in PDF form, the upload date, the commenting deadline and the official receiving e-mail address are located. The published drafts may not be removed from the website for one year from publication.

Everyone is entitled to make comments on the draft or concept submitted for public consultation via the electronic mail address provided on the website. Using the e-mail address published on the webpage, people may express an opinion on the draft or concept subject to public consultation. Return receipts are sent on the comments received. To ensure that the general consultation bears enough importance the comments received anonymously are ignored and deleted. The names and electronic addresses of commenters – for purposes of sending return receipts, publishing a summary and the list of commenters, and making subsequent comments – are handled by the minister competent to draft the legislation for no longer than

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<sup>19</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 7

<sup>20</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 7 and 8

one and a half years from the entry into force of the commented legislation.<sup>21</sup> In the event that the commented legislation does not enter into force the name and electronic address of the commenter are deleted within no longer than one year of the receipt of the comment. The personal data of the commenters are handled in accordance with the Act CXII of 2011 on Informational Self-Determination and Freedom of Information (Privacy Act). To facilitate the access to the general consultation the consent to handling the personal data of the commenter is considered to be granted pursuant to the presumption in the Privacy Act.<sup>22</sup> The commenter's attention needs to be drawn clearly to this fact and to the rules of data handling with regard to the commenter's data before the comment is made.

**Table 1.** *The feedback and views of participants on electronic mail (e-mail)*

E-mail	
<b>Advantages</b>	Very fast and can handle large volumes of paper. Public e-mail facilities are also available in public institutions (e.g. universities, libraries), and the feedback from everyone can be instant and guaranteed.
<b>Disadvantages</b>	The average undereducated and elderly people do not have e-mail and computer skills to access electronic mail. Also people particularly in rural areas might have no access to computers.
<b>Costs vs. Benefits</b>	The cost of data transferring and processing are low, the preparation of the evaluation, the summary and the feedback are fast and easy. Also publishing is more efficient and timely via email and has a minimal cost.
<b>Impact on Legislation</b>	Internet and e-mail provide an important tool for the sharing of information and also makes closer the communication gap between the populace and the persons competent to draft the legislation.

Source: Based on Mijiga (2001)

The draft, which is submitted for concurrent consultation with government agencies, needs to be published – in line with the objective and entry into force of the draft – in a way to allow sufficient time for the substantive appraisal of the draft, as well as for expounding opinions and considering the merits of the received comments.<sup>23</sup> The deadline for making comments is the same as that set in the course of submitting the draft for consultation with government agencies; in an exceptional case, the minister competent to draft the legislation may determine a different deadline. These deadlines are often very tight, the average number varies between a couple of days and 10 days, which depends on the length, contents and the importance (new act or just a simple, technical amendment) of the legislation. This practice is not against the law as there is no legal minimum defined for the period of submitting opinions, but it definitely limits the possibility to draw up and submit opinions.

<sup>21</sup> In accordance with the provisions of Act CXII of 2011 on Informational Self-Determination and Freedom of Information and Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 9

<sup>22</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 9

<sup>23</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 10

**Table 2.** *Main statistics of public consultations' deadlines (the number of days between date of package and deadline for submitting views) 2011–2014*

	Number of preparatory packages	Mean	Median (days)	Min–Max	Average days between introduction and publication of a bill
2011	65	7.66	6.00	0–35	41.8
2012	66	6.94	5.50	1–43	46.3
2013	74	7.19	6.00	0–31	40.8
2014	13	4.38	5.00	0–12	51.1
<b>Total</b>	<b>218</b>	<b>7.09</b>	<b>6.00</b>	<b>0–43</b>	<b>45.0</b>

Source: Corruption Research Centre (CRC, 2015)

After the deadline, the minister responsible for drafting the legislation considers the received comments and prepares a general but typified summary on them, and, in the case of rejected comments, on the reasons for rejection, which shall be published together with the list of commenters on the website.<sup>24</sup> The minister competent to draft the legislation stands under no obligation to respond individually. The summary to be prepared in the case of a law needs to be published after submission to the National Assembly, and in the case of a government or ministerial decree, after the promulgation. At the request of the parliamentary committee discussing the proposed legislation, comments received on the published legislative draft are made available to the committee. Probably partly because of the tight deadlines and the passive way the ministries solicit feedback, the number of these summaries is very low. Between 2011–2014, only 22 document packages included a summary of the public consultation a total of 8.5% of all packages (CRC, 2015, p. 26).

On the website, contacts are available for at least sixty days to allow any person to make comments, raise problems and make recommendations to the drafters of the legislation

- concurrently with the subsequent impact study, subject to the decision of the minister competent;
- following entry into force in the case of a law, as necessary but after at least one year has passed, in the case of a government decree and ministerial decree, subject to the decision of the minister competent.<sup>25</sup>

All persons who have made comments in the course of the preliminary consultation of the draft legislation are notified by electronic means of the possibility of making comments – except for subsequent comments made concurrently with the subsequent impact study – related to its entry into force.

<sup>24</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 11

<sup>25</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 12

## **4.2 Direct Consultation**

Organized interest groups can play a vital role in communicating between the public and legislation (Kurtz, 1997, p. 15). The direct consultation is based on strategic partnerships between the relevant ministries and stakeholders, outstanding organisations. The minister responsible for drafting the legislation may decide to form a strategic partnership and hold working groups or agree on other forms of consultation with the partners.<sup>26</sup> The minister competent to draft the legislation creates strategic partnership agreements with representatives of the stakeholders. By means of such agreements the minister establishes close cooperation with those organisations which are prepared to engage in mutual collaboration and which represent a wide range of social interests in drafting legislation, or carry out scientific activities, in the particular areas of law (hereinafter referred to as strategic partner).

The strategic partners can be non-governmental organisations, recognised churches, professional and scientific organisations, national minority self-governments, interest representation organisations, public bodies, and higher educational institutions. The minister responsible for drafting the legislation may also involve others than the strategic partners, in a direct consultation held on a given draft law. The minister creates strategic partnership agreements with those churches in respect of which the Government has previously determined the framework of cooperation by way of legislation or an act regulating public law organisations. The previous Act LXV of 1990 on Local Self-Governments was rendered null and void by the new Act on Local Governments in Hungary. Its definition was useful and helpful for the Government and the minister to identify a stakeholder partner in the field of local governments. According to the provisions of the previous legislation,<sup>27</sup> an organisation shall be considered as a national self-government interest representation organisation in a case where

- the association representing the interests of county self-governments includes at least 13 county self-governments in its membership,
- the association representing the interests of cities vested with county rank includes at least 15 local self-governments of cities vested with county rank in its membership,
- the association representing the interests of the Metropolitan Self-Government and metropolitan district self-governments includes the Budapest Metropolitan Self-Government and at least 15 metropolitan district self-governments in its membership,
- the association representing the interests of local self-governments functioning as district centres includes at least two thirds of such local self-governments in its membership, and

<sup>26</sup> Compare with European Commission (2015)

<sup>27</sup> Act LXV of 1990 on Local Self-Governments Section 103/C (It has been repealed)

- any other organisation (association) representing the interests of local self-governments includes at least 800 local self-governments in its membership and has at least 11 regional (county) organisations in operation.

In calculating the ratios, one local self-government may be counted as a member of one interest representation association only.

The terms, conditions and framework of cooperation are laid down in an agreement between the strategic partner and the minister which shall remain in force for a fixed term but no longer than the end of the Government's term of office.<sup>28</sup> The agreements can be accessible to all on the website. The agreement includes in particular the purpose of cooperation, the subject areas covered by the legislation for the drafting of which cooperation is established, the form of contact, the rules of access to information necessary for making comments, and the duration of the agreement.

The strategic partner has an obligation also to represent in the course of direct consultation the opinions of those organisations which are not engaged in the strategic partnership but specialise in the particular area of law.<sup>29</sup> The minister competent to draft the legislation may also engage others, besides the strategic partners, in direct consultation on the legislative draft concerned and, upon request, allow participation in commenting on the particular legislation. At the request of the parliamentary committee discussing the proposed legislation, written comments made by the strategic partners in the course of direct consultation need to be made available to the committee.

In the event of consultation with personal attendance the parties are needed to be notified in writing about the time of the meeting in due time for preparation.<sup>30</sup> A summary is made of the consultation with personal attendance, which shall be made public on the website. The summary contains the positions represented by the strategic partners and their rationale.

It is important to highlight that if the law provides expressly the right of a state or local government or other organizations to express an opinion and evaluation on the drafts, the preparer of the legislation must ensure that the body must be allowed to exercise this right. It shall be the responsibility of the minister competent to draft the legislation to open and conduct public consultation and to process the comments received.

## 5 Summary and Conclusion

The regulatory background demonstrates that a wide range of public participation possibilities is offered both for individuals and to civil society

<sup>28</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 13

<sup>29</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 14

<sup>30</sup> Act CXXXI of 2010 on Public participation in the drafting of legislation, Article, 15



organisations in the public-decision making and law-making processes in Hungary. The framework of the legal guarantees is laid down in the Fundamental Law in accordance with the EU law, and defined precisely in the relevant law sources: Act CXXX of 2010 on Legislation and Act CXXXI of 2010 on public participation in the drafting of legislation. According to these principles in the course of public consultation and drafting legislation the widest possible range of comments need to be ensured, and those need to be made public; the transparency and maximum publicity of consultations need to be provided; the participants are obliged to act in cooperation. It is the responsibility of the minister competent to draft the legislation to open and conduct the public consultation and to process the comments received. The forms of public consultation are the following: making comments via the link available on the website (general consultation), and comments made by persons, institutions and organisations engaged by the minister competent to draft the legislation (direct consultation). The general consultation is mandatory and open for the public, all draft bills, governmental decrees and ministerial decrees drafted by ministries are to be published on the Government's webpage (GRECO, 2015). Everyone is entitled to make comments on the draft or concept submitted for public consultation via the electronic mail address provided on the website. This right of petition can be exercised by anybody, who is entitled by rights from the Fundamental Law and is entitled to participate in public affairs, which means every natural person without prejudice to their nationality and residence. The direct consultation is based on strategic partnerships between the relevant ministries and stakeholder, outstanding organisations. This form provides and guarantees that the relevant stakeholders can express their opinions and demands in a formal way.

According to the above mentioned, it is clear that after 2010 the drafting of legislation has become disclosed and public. The availability of the drafts is easy either for the interested members of the populace or for the relevant stakeholders, law enforcement agencies, civil organizations and representative bodies. Thanks to the public participation and consultations, the governmental public policy making is getting closer and closer to the public demands. For a significant good example, tripartite negotiations can be found between the government, the stakeholders of the employers (Confederation of Hungarian Employers and Industrialists, National Association of Entrepreneurs and Employers, Hungarian Industrial Association etc.) and the representative bodies of employees (trade unions, public bodies) on the following matters: amount of minimum wages, burdens and social contributions on salaries, or the ratio of the income tax. But as a guarantee, according to the applicable legal provisions, opinions can be expressed on the final drafts by any other person, who has different concept. Finally, it can be concluded, that the legal background set up a well-functioning framework for the participation in the drafting of legislation, which guarantees and strengthens – by mandatory and optional processes – the legitimacy and the acceptance of legislation.

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## POVZETEK

### *1.04 Strokovni članek*

## **Javno sodelovanje pri pripravi zakonodaje na Madžarskem**

Javno sodelovanje pri pripravi zakonodaje je eden ključnih elementov pri legitimnosti in sprejemanju zakonodaje. V povezavi s temo se pojavlja vprašanje, kako lahko država to okrepi ter kako lahko državljane učinkoviteje vključi v postopek priprave zakonodaje. Glavno hipotezo je mogoče oblikovati kot vprašanje, ali lahko pravna obveznost javnega sodelovanja in obvezna javna posvetovanja izboljšajo legitimnost zakonodaje. Naslednje vprašanje je, ali obstoječa zakonodaja zagotavlja primeren okvir za vključitev organizacij civilne družbe (OCD) in ljudstva, z uporabo svetovalne moči, v zakonodajni postopek. Glavni cilj tega prispevka je predstaviti in analizirati proces sodelovanja javnosti, pritegniti pozornost na najpomembnejše madžarske tehnike in oceniti rezultate. Eden izmed ciljev je pokazati, ali pravila v praksi delujejo in ali so skladna z želenimi političnimi in družbenimi prizadevanji. Naslednji namen je pritegniti pozornost politikov na to tehniko, ki jo je mogoče uporabiti kot najboljšo prakso za druge države. Raziskava temelji predvsem na zakonodajni metodologiji s kvantitativnim pristopom.

Vse sodobne ustave in temeljni zakoni vsebujejo in razglašajo koncept in princip suverenosti, kar dejansko pomeni, da so ljudje končni vir javne moči in vlade. Zato imajo ljudje implicitno pravico, da neposredno sodelujejo v procesu priprave zakona. V skladu z 41. členom Listine o temeljnih pravicah Evropske unije lahko vsaka oseba piše institucijam Unije v enem izmed jezikov Pogodb ter mora prejeti odgovor v istem jeziku. 44. člen opredeljuje pravico do peticije. Vsak državljan Unije in vsaka fizična ali pravna oseba s prebivališčem ali sedežem podjetja v državi članici ima pravico do peticije v Evropskem parlamentu. Vendar sodelovanje javnosti pri pripravi zakonodaje ni vključeno. Za izvajanje teh določb VI. člen Temeljne zakonodaje Madžarske navaja, da ima vsak pravico do zaščite osebnih podatkov ter dostopa in posredovanja podatkov, ki so v javnem interesu. V skladu z zakonodajo EU XXV. člen Temeljne zakonodaje Madžarske navaja, da ima vsak pravico predložiti, sam ali skupaj z drugimi, pisne vloge, pritožbe ali predloge kateremu koli organu, ki izvršuje javna pooblastila. Pravico do peticije lahko uporabi vsakdo, ki ima pravico iz Temeljne zakonodaje in lahko sodeluje v javnih zadevah.

Ob koncu 80. let je na Madžarskem mogoče najti nekatere določbe javnega sodelovanja (Zakon XI iz 1987 o zakonodaji), vendar v praksi niso bile uporabljene ter so izhajale iz politične preobrazbe. Trenutno zakon CXXX iz leta 2010 o zakonodaji natančno opredeljuje najpomembnejše zahteve priprave zakona, vendar se bo v našem primeru prispevek osredotočil na pripravo. Državni zbor je 22. novembra 2010 sprejel zakon CXXXI iz

leta 2010 o javnem sodelovanju pri pripravi zakonodaje za spodbujanje vključenosti najširšega mogočega obsega družbenih segmentov pri razvoju zakonodaje znotraj okvira dobrega upravljanja, s čimer je postavil temelje široki zakonodaji, ki bo služila javnemu dobremu ter tako izboljšala kakovost in izvršljivost zakonodaje, ki skupaj tvorita nepogrešljive pogoje dobre države. Primarni instrument javnega sodelovanja pri pripravi zakonodaje je javno posvetovanje. Terminologija javnega posvetovanja, ki je opredeljena z Zakonom kot kakršni koli komentarji fizičnih oseb ter nevladnih in neobčinskih organizacij o zakonodajnih predlogih, ki jih pripravijo ministrstva. Obseg tem je zares širok. Komentatorji so lahko posamezne fizične osebe ter (z ohranjanjem neodvisnosti) nevladne in neobčinske organizacije: združenja, fundacije, zbornice, javni organi, interesni predstaviški organi, sindikati, zagovorniki človekovih pravic, druge interesne skupine ter tudi poslovne in gospodarske družbe. Oblike javnega posvetovanja so naslednje: komentiranje preko povezave na spletni strani (v nadaljnjem besedilu splošno posvetovanje) in komentarji oseb, institucij in organizacij, ki jih aktivira minister, pristojen za pripravo zakonodaje (v nadaljnjem besedilu neposredno posvetovanje).

Splošno posvetovanje je v okviru javnega posvetovanja obvezno v vseh primerih. Osnutek ali koncept, ki je predložen v javno razpravo, mora biti javen in dostopen na spletni strani. Poleg osnutka je treba predložiti povzetek predhodne ocene učinka. Na vsaki domači strani madžarskih ministrstev (<http://www.kormany.hu>) je mogoče najti povezavo z naslovom »splošno posvetovanje«. Na tej povezavi je dolg seznam ustreznih osnutkov, kjer se nahajajo tema, popolno besedilo s pojasnilom v obliki PDF, datum objave, rok za oddajo komentarjev in uradni naslov elektronske pošte za prejem. Vsakdo ima pravico komentirati osnutek oziroma koncept, predložen v javno razpravo, preko elektronskega naslova na spletni strani. Z uporabo elektronskega naslova, objavljenega na spletni strani, lahko ljudje izrazijo mnenje o osnutku ali konceptu v javni razpravi. Da bi zagotovili dovolj velik pomen splošnega posvetovanja, anonimni komentarji niso upoštevani in so izbrisani. Osnutek, ki je predložen za sočasno razpravo z vladnimi agencijami, mora biti objavljen na način, ki dovoljuje dovolj časa za vsebinsko presojo osnutka ter pojasnjevanje mnenj ter presojo utemeljenosti prejetih komentarjev. Po preteku roka minister, odgovoren za pripravo zakonodaje, pregleda prejete komentarje in pripravi njihov splošni povzetek ter v primeru zavrženih komentarjev tudi razloge za zavrnitev, kar se skupaj s seznamom komentatorjev objavi na spletni strani. Povzetek je treba pripraviti v primeru, da je treba zakon objaviti po predložitvi v Državni zbor, ter v primeru vladnega ali ministrskega odloka po razglasitvi.

Neposredno posvetovanje temelji na strateškem partnerstvu med pristojnimi ministrstvi in interesnimi skupinami, izjemnimi organizacijami. Strateški partnerji so lahko nevladne organizacije, priznane cerkve, strokovne in znanstvene organizacije, nacionalne manjšinske samouprave, organizacije interesnih predstavnikov, javni organi in visokošolske institucije. Minister,

odgovoren za pripravo zakonodaje, lahko v neposredno posvetovanje o osnutku zakona vključi tudi druge partnerje, ki niso strateški partnerji. Minister ustvarja strateške partnerske sporazume s tistimi cerkvami, za katere je vlada že prej določila okvir sodelovanja na podlagi zakonodaje oziroma zakona o organizacijah javnega prava. Pravila in pogoji ter okvir sodelovanja so določeni v sporazumu med strateškim partnerjem in ministrom, ki morajo ostati v veljavi določeno obdobje, vendar ne dlje kot do konca mandata vlade. Sporazumi so vsem na voljo na spletni strani. Sporazum vključuje zlasti namen sodelovanja, vsebinska področja, ki jih pokriva zakonodaja za pripravo osnutka, za katero je vzpostavljeno sodelovanje, obliko stika, pravila dostopa do informacij, ki so potrebne za komentiranje, in trajanje sporazuma. Strateški partner mora v procesu neposrednega posvetovanja zastopati tudi mnenja organizacij, ki niso vključene v strateško partnerstvo, vendar so specializirane za določeno področje prava. Povzetek je narejen iz posvetovanja z osebno udeležbo in mora biti javno dostopen na spletni strani. Povzetek vsebuje stališča, ki jih zastopajo strateški partnerji, in njihove razloge. Pomembno je poudariti, da če zakon izrecno zagotavlja pravico države ali lokalne samouprave oziroma drugih organizacij do izražanja mnenja in ocene osnutkov, mora pripravljavec zakonodaje zagotoviti, da lahko organ to pravico izvaja.

V skladu z zgoraj omenjenim je jasno, da je po letu 2010 priprava zakonodaje postala razkrita in javna. Dostop do osnutkov je enostavnejši za zainteresirane člane ljudstva ali ustrezne zainteresirane strani, organe kazenskega pregona, civilne organizacije in predstavniške organe. Zaradi javnega sodelovanja in posvetovanja so vladne priprave zakonodaje vedno bliže javnim zahtevam. Izjemno dober primer so tristranska pogajanja med vlado, zainteresiranimi skupinami delodajalcev (Združenje madžarskih delodajalcev in industrialcev, Nacionalno združenje podjetnikov in delodajalcev, Madžarsko industrijsko združenje itd.) in predstavniškimi organi zaposlenih (sindikati, javni organi) o naslednjih zadevah: višina minimalnih plač, obremenitve in socialni prispevki iz naslova plač, razmerje davka od dohodka. Toda kot jamstvo v skladu z veljavnimi predpisi lahko mnenje o končnih osnutkih izrazi tudi oseba z drugačnim konceptom. Na koncu je mogoče ugotoviti, da pravno ozadje vzpostavlja dobro delujoč okvir za sodelovanje v pripravi zakonodaje, ki zagotavlja in krepi (z obveznimi in izbirnimi postopki) legitimnost pri sprejemanju zakonodaje.





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1. Uredništvo lahko še pred recenzijo zavrne objavo članka, če njegova vsebina ne ustreza najavljeni temi, če je bil podoben članek v reviji že objavljen, ali če članek ne ustreza kriterijem za objavo v reviji. O tem uredništvo pisno obvesti avtorja.
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5. Avtor prejme rezultate recenziranja praviloma v treh mesecih od oddaje članka.

### **Oblikovanje članka:**

1. Naslovu prispevka naj sledi: a) polno ime avtorja/avtorjev, b) naziv institucije/ institucij in c) elektronski naslov/naslovi.
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5. Slike in tabele, ki jih omenjate v članku, vključite v besedilo. Opremite jih z naslovom in oštevilčite z arabskimi številkami. Revijo tiskamo v črno-beli tehniki, zato barvne slike ali grafikoni kot original niso primerni. Če v članku

#### **1 Članke razvrščamo po tipologiji COBISS:**

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**1.02 Pregledni znanstveni članek.** Pregledni znanstveni članek je pregled najnovejših del o določenem predmetnem področju, del posameznega raziskovalca ali skupine raziskovalcev z namenom povzemati, analizirati, evalvirati ali sintetizirati informacije, ki so že bile objavljene. Prinaša nove sinteze, ki vključujejo tudi rezultate lastnega raziskovanja avtorja.

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**1.08 Objavljeni znanstveni prispevek na konferenci.** Predavanje, referat, načeloma organiziran kot znanstveni članek.

**1.19 Recenzija, prikaz knjige, kritika.** Prispevek v znanstveni ali strokovni publikaciji (reviji, knjigi itd.), v katerem avtor ocenjuje ali dokazuje pravilnost/nepравilnost nekega znanstvenega ali strokovnega dela, kriterija, mnenja ali ugotovitve in/ali spodbija/podpira/ocenjuje ugotovitve, dela ali mnenja drugih avtorjev. Prikaz strokovnega mnenja, sodbe o znanstvenem, strokovnem ali umetniškem delu, zlasti glede na njegovo kakovost.

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uporabljate slike ali tabele drugih avtorjev, navedite sklic pod sliko, tabelo ali kot sprotno opombo. Enačbe oštevilčite v oklepajih desno od enačbe.

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7. Članku dodajte kratek življenjepis avtorja/avtorjev (do 8 vrstic).
8. V besedilu se sklicujte na navedeno literaturo na način: (Novak, 1999, str. 456).
9. Na koncu članka navedite literaturo po abecednem redu avtorjev in vire, upoštevajoč APA standard, po naslednjem vzorcu:

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Boldrin, M., & Levine, D. K. (2013). The Case against Patents. *Journal of Economic Perspectives*, 27(1), 3–22. doi:10.1257/jep.27.1.3

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**Prispevek na konferenci:**

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**Disertacija:**

Richmond, J. (2005). *Customer expectations in the world of electronic banking: a case study of the Bank of Britain* (doktorska disertacija). Chelmsford: Anglia Ruskin University.

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3. An article classified as 1.04, 1.05 or 1.08 must also have a summary in English, 3 pages in length. The summary should offer a translation of the title and present the content of the article (define the argument and findings). For foreign authors, the translation of the article summary into Slovene will be arranged by the editorial board.
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#### 1 Articles are classified according the COBISS typology:

**1.01 Original scientific article** – first publication of original research results in a form that allows the research to be repeated and the findings verified. In general it must be organised according to the IMRAD structure (Introduction, Methods, Results And Discussion) for experimental research or in a descriptive manner for descriptive academic areas.

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**1.08 Published scientific conference contribution** – lecture, presentation, organised in principle as a scientific article.

**1.19 Review, book review, critique** – a contribution in a scientific or professional publication (journal, book, etc.) in which the author evaluates or demonstrates the validity or otherwise of a scientific or professional work, criterion, opinion or finding and/or disputes, supports or evaluates the finding, work or opinion of other authors. The presentation of an expert opinion, a critique of a scientific, professional or artistic work, particularly in terms of its quality.

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7. A short CV of the author or authors should be added to the article (up to 8 lines).
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Katzenbach, J., & Smith, D. (1993). *The wisdom of teams*. Cambridge, MA: Harvard Business School Press.

**Book with editor:**

Keene, E. (Ed.). (1988). *Natural Language*. Cambridge: University of Cambridge Press.

**Conference contribution:**

Bugarič, B. (2002). Od hierarhične k participativni (odprti) javni upravi. IX. dnevi slovenske uprave. Portorož (pp. 23–29). Ljubljana: Visoka upravna šola.

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