

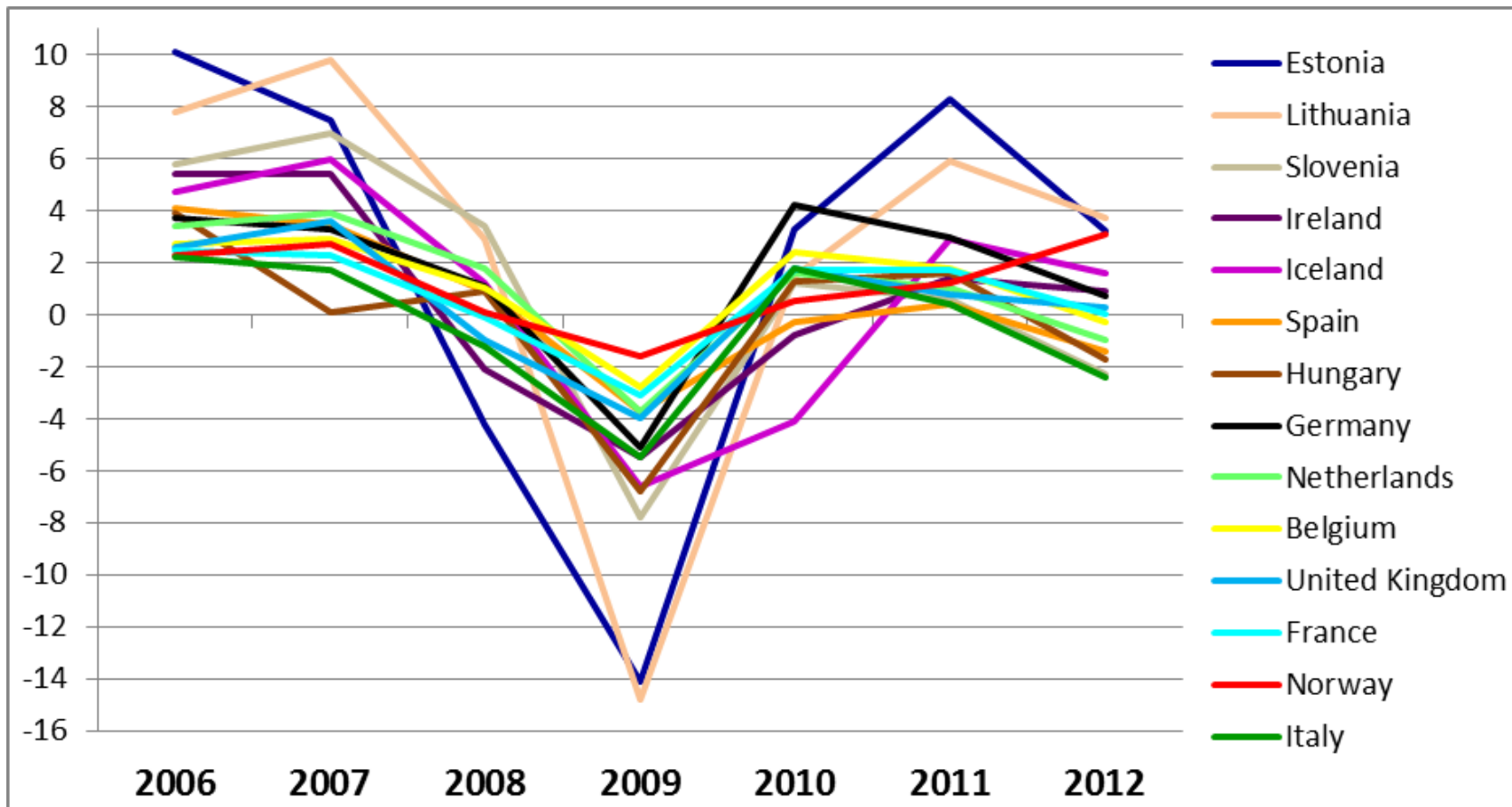
Government responses to the fiscal crisis in Europe

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Introduction

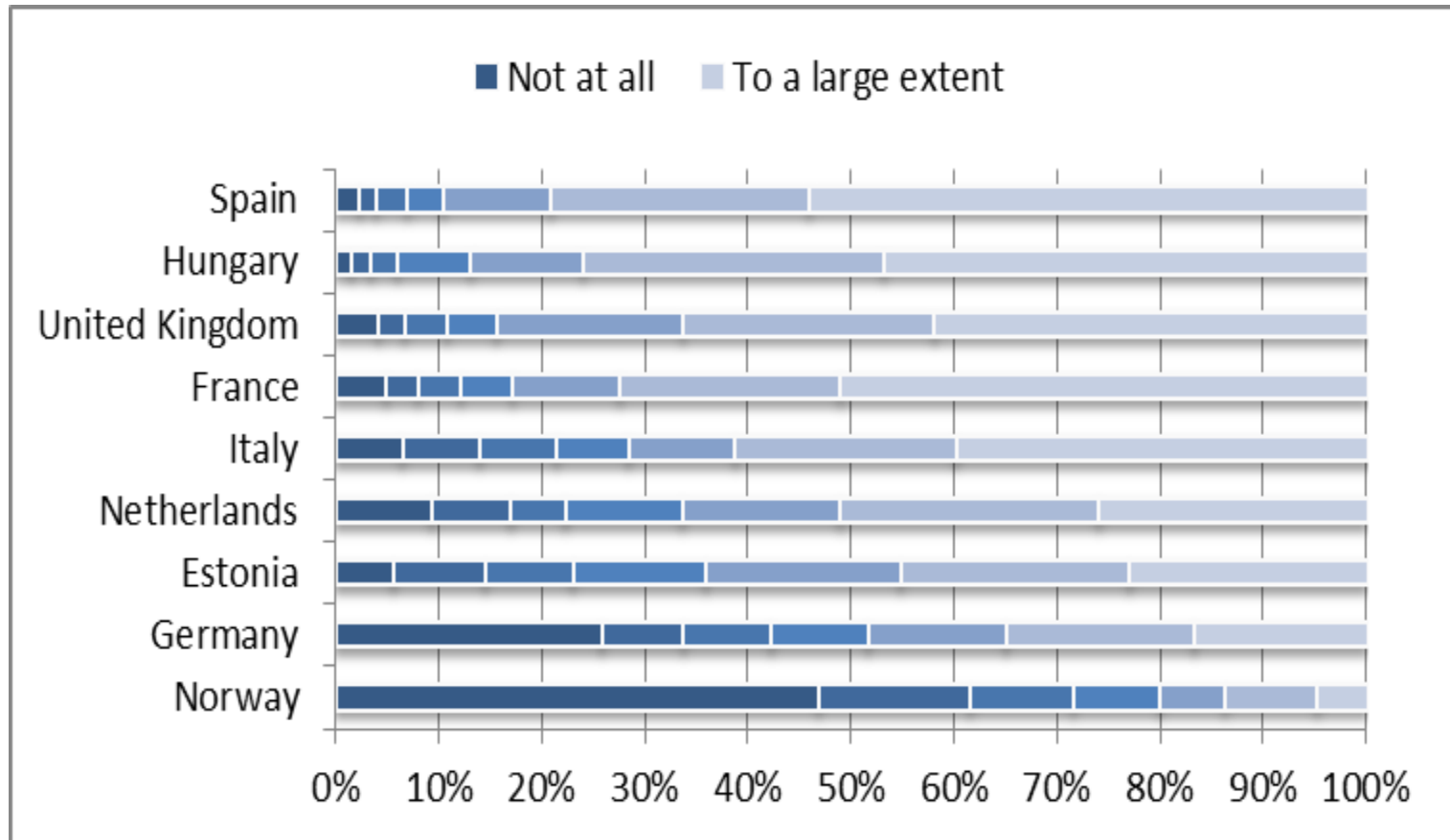
GDP growth 2006-2012 (Eurostat)



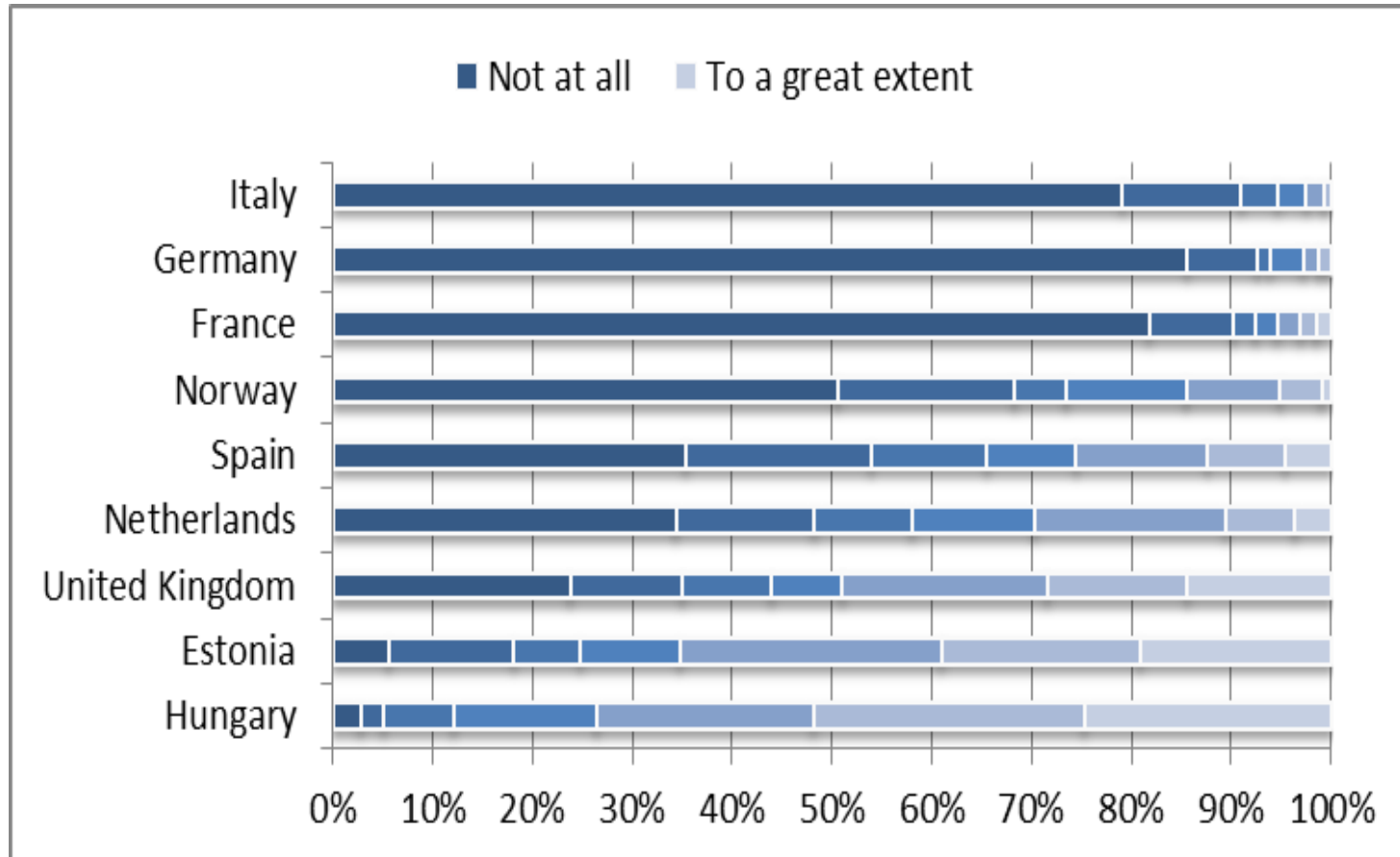
1. Consolidation measures

	BE	DE	EE	ES	FR	HU	IE	IS	IT	LT	NL	SI	UK
Expenditure measures													
<i>Operational measures</i>													
Hiring freeze	+	+	+	+	+	+	+	+	+	-	+	+	n/a
Wage reduction	-	-	+	+	-	+	+	n/a	n/a	+	-	+	n/a
Pay freeze	-	-	+	+	+	+	+	+	+	+	+	+	+
Staff reductions	+	+	+	+	+	+	+	n/a	+	+	+	+	+
Reorganisation	-	+	+	+	+	+	+	+	n/a	+	+	+	+
Efficiency cuts	+	+	n/a	n/a	+	n/a	+	n/a	n/a	+	+	+	+
<i>Programme measures</i>													
Health	+	-	+	+	+	+	+	+	+	+	+	+	+
Education	n/a	-	-	+	+	+	+	n/a	n/a	+	+	+	+
Pensions	+	+	+	+	-	+	+	n/a	+	+	+	+	+
Unemployment	-	+	+	+	-	n/a	+	+	n/a	+	+	+	+
Other social security/welfare	+	+	+	+	+	+	+	+	+	+	+	+	+
Infrastructure	+	-	n/a	+	+	n/a	+	+	n/a	n/a	n/a	+	n/a
<i>Investment reductions</i>	+	-	n/a	n/a	-	n/a	+	n/a	n/a	n/a	+	+	n/a
Revenue measures													
VAT	-	-	+	+	+	n/a	+	+	+	+	n/a	+	+
Consumption tax: e.g. alcohol, tobacco, energy	+	+	+	+	+	n/a	+	+	n/a	+	+	+	+
Income tax	+	-	+	+	+	n/a	+	+	n/a	Re.	+	+	+
Corporation tax (bank bonuses)	-	-	n/a	n/a	+	n/a	-	+	n/a	+	+	Re.	n/a
Non-fiscal revenues	+	+	n/a	n/a	n/a	n/a	+	n/a	n/a	+	n/a	n/a	n/a

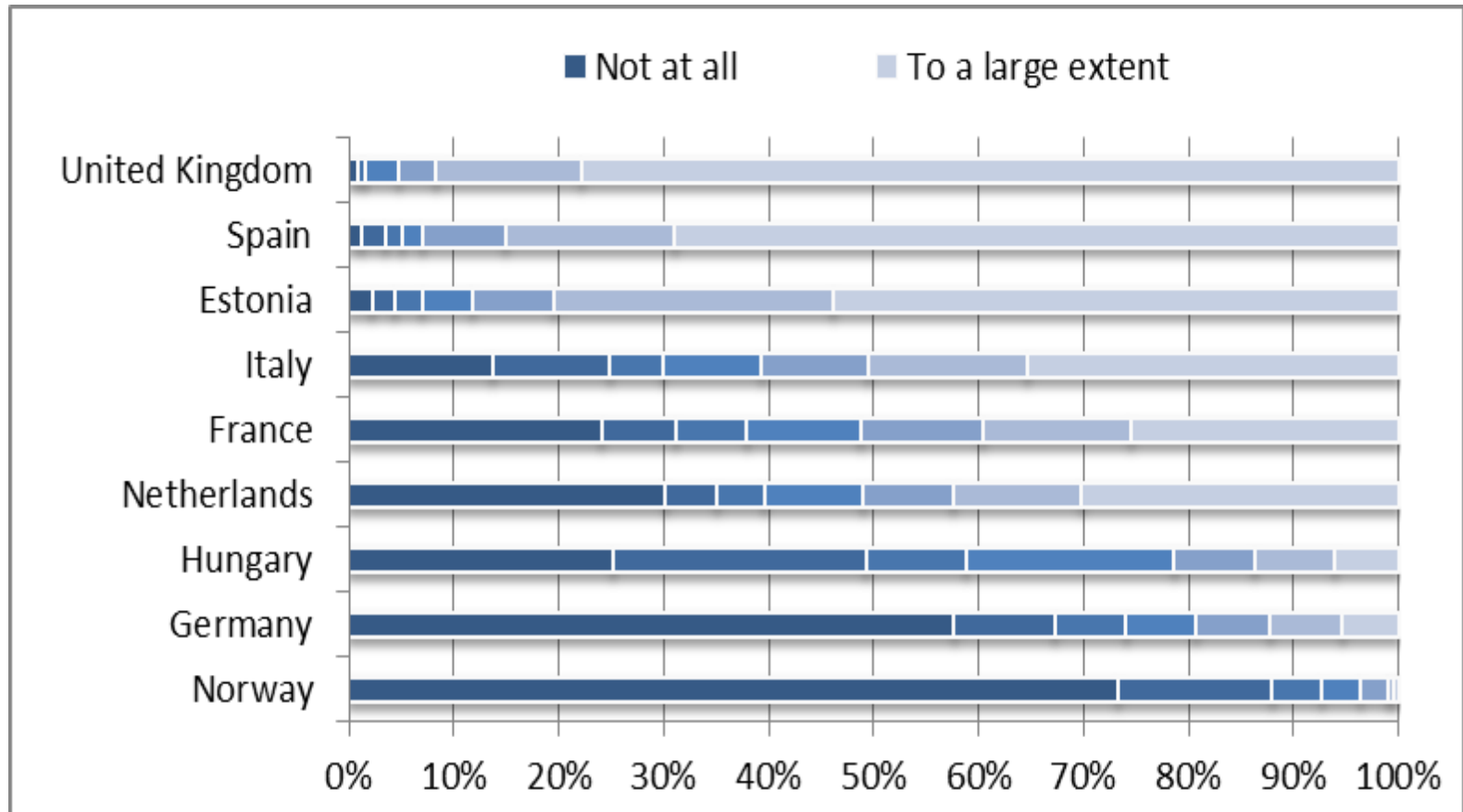
Hiring freeze



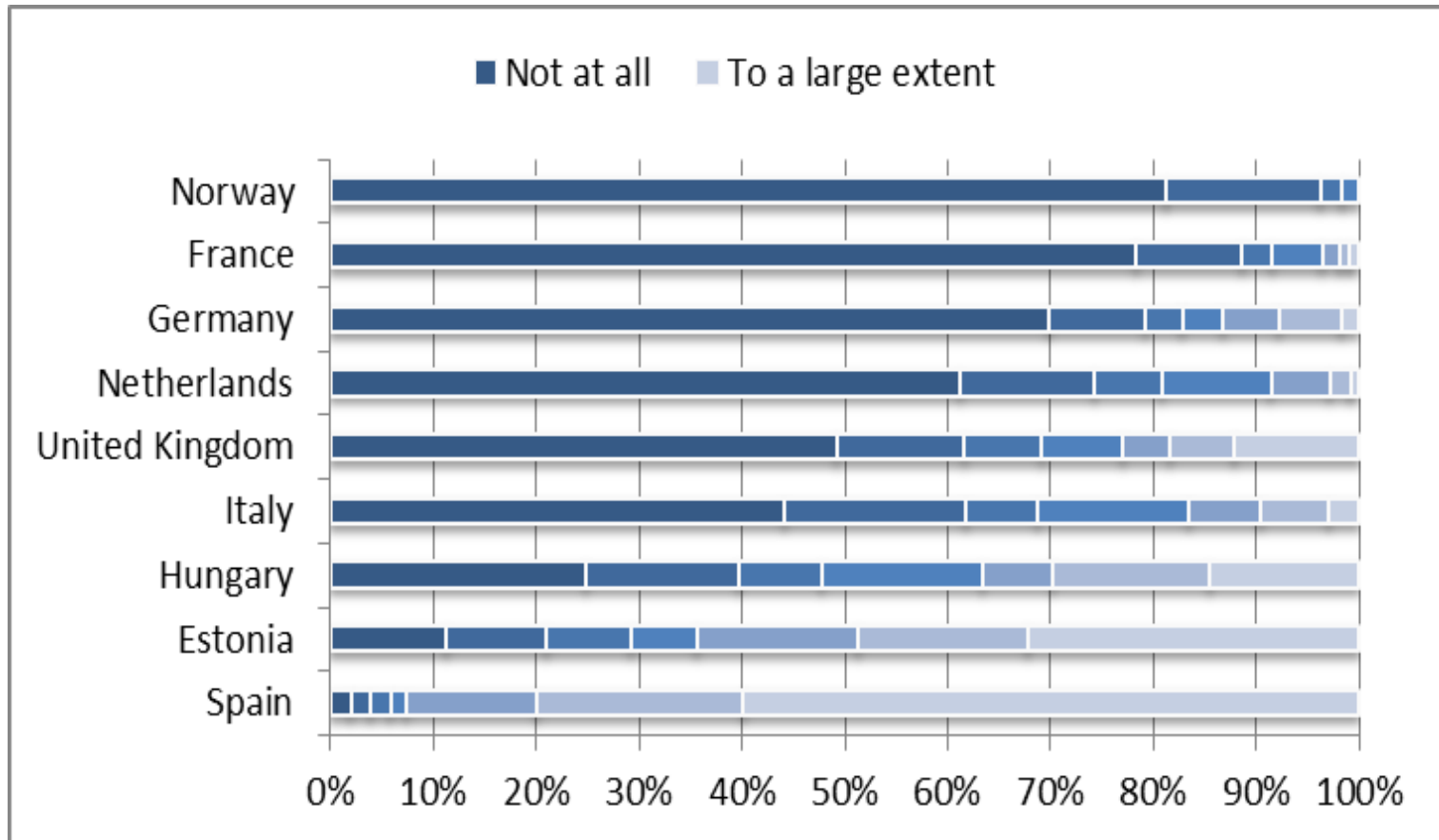
Staff layoffs



Pay freeze



Pay cuts



Consequences of cutbacks to public administration

2. Cutback decision-making

Stages of cutback decision-making

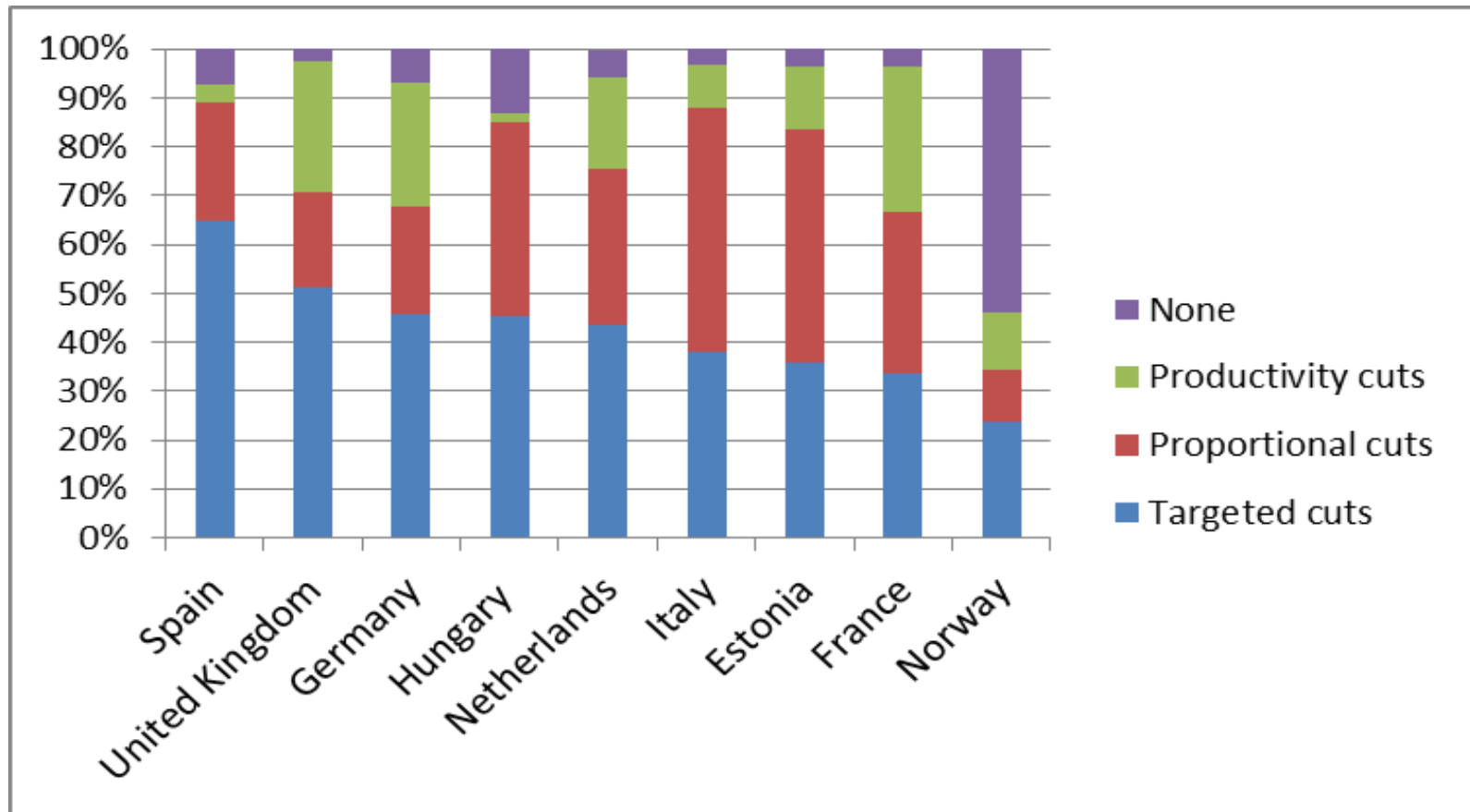
<i>Stages of cutback decision-making</i>	<i>Types of cutback measures</i>
Denial. Defend advantages of present situation. Unconvinced of gravity and duration of crisis.	Temporary small measures. Moderate adjustment to status quo. Cuts postponed or planned for later years.
Compliance with the need for cutbacks.	First attempt at serious cutbacks.
Internalised need for cutbacks. Action. Resolute cutback decisions.	First across-the-board and efficiency cuts. Later targeted downsizing and cuts of public tasks. Ultimately fundamental political priority-setting.



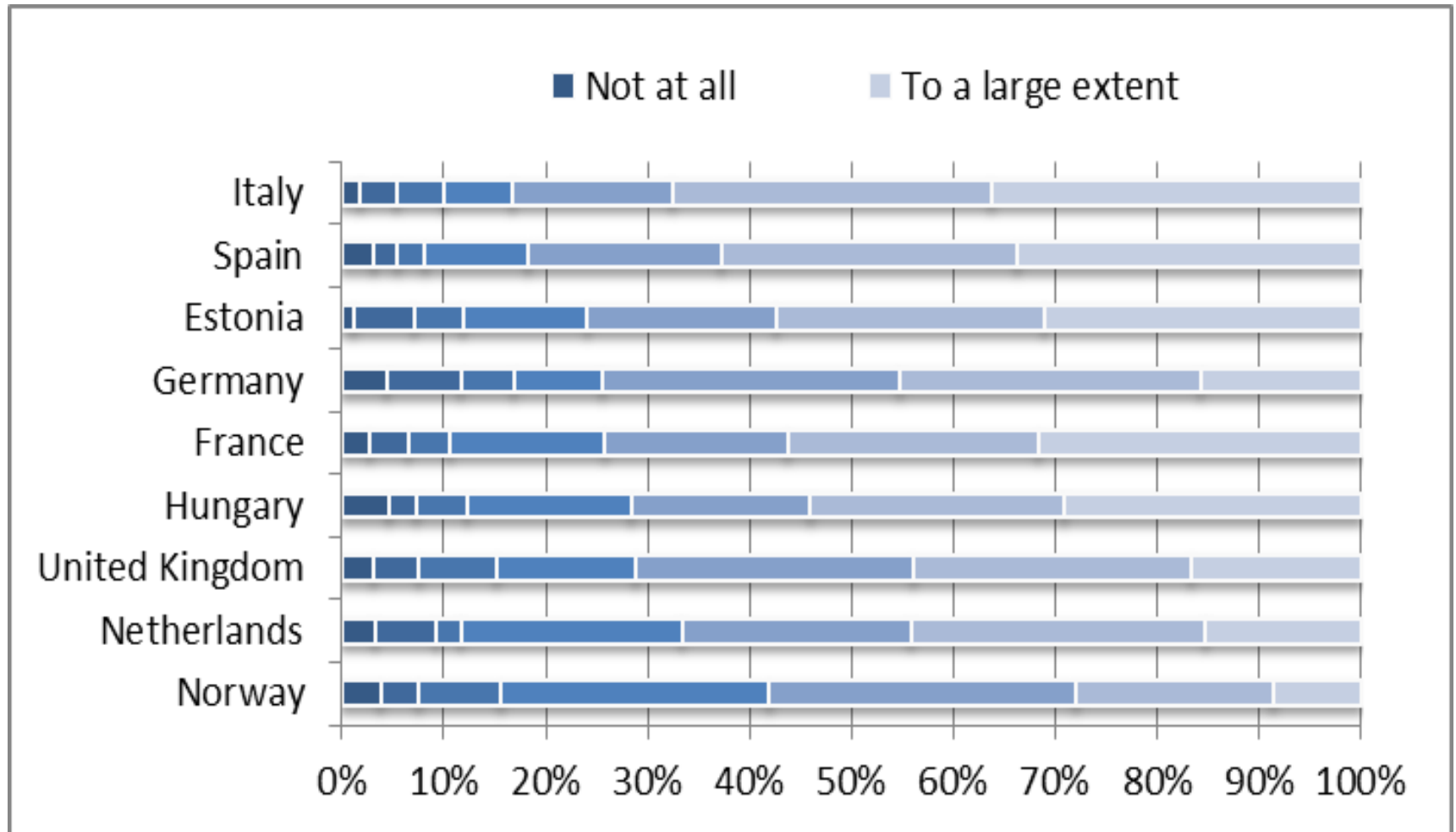
Cutback decision-making in Europe

	BE	DE	EE	ES	FR	HU	IE	IS	IT	LT	NL	SI	UK
Temporary small measures	2009	-	-	-	-	-	Oct 2008	2009	2009	-	Feb 2009	Feb 2009	2009
Moderate adjustments	2009-11	-	-	-	-	-	Dec 2008	-	2009	-	Feb 2009	Apr 2009	2009
First attempts at cutbacks	2009	-	-	June 2008	2010	-	April 2009	2009	2010	-	Oct 2010	Apr 2009	2009
Resolute cutback decisions	2012-	June 2010	June 2008	May 2010	2012	June 2010	Dec 2009	2009 2010	2011	Dec 2008	Oct 2012	May 2012	2010
Fundamental priority-setting	-	-	-	Dec 2011	-	-	Dec 2010	2009	-	-	Oct 2012	May 2012	2010

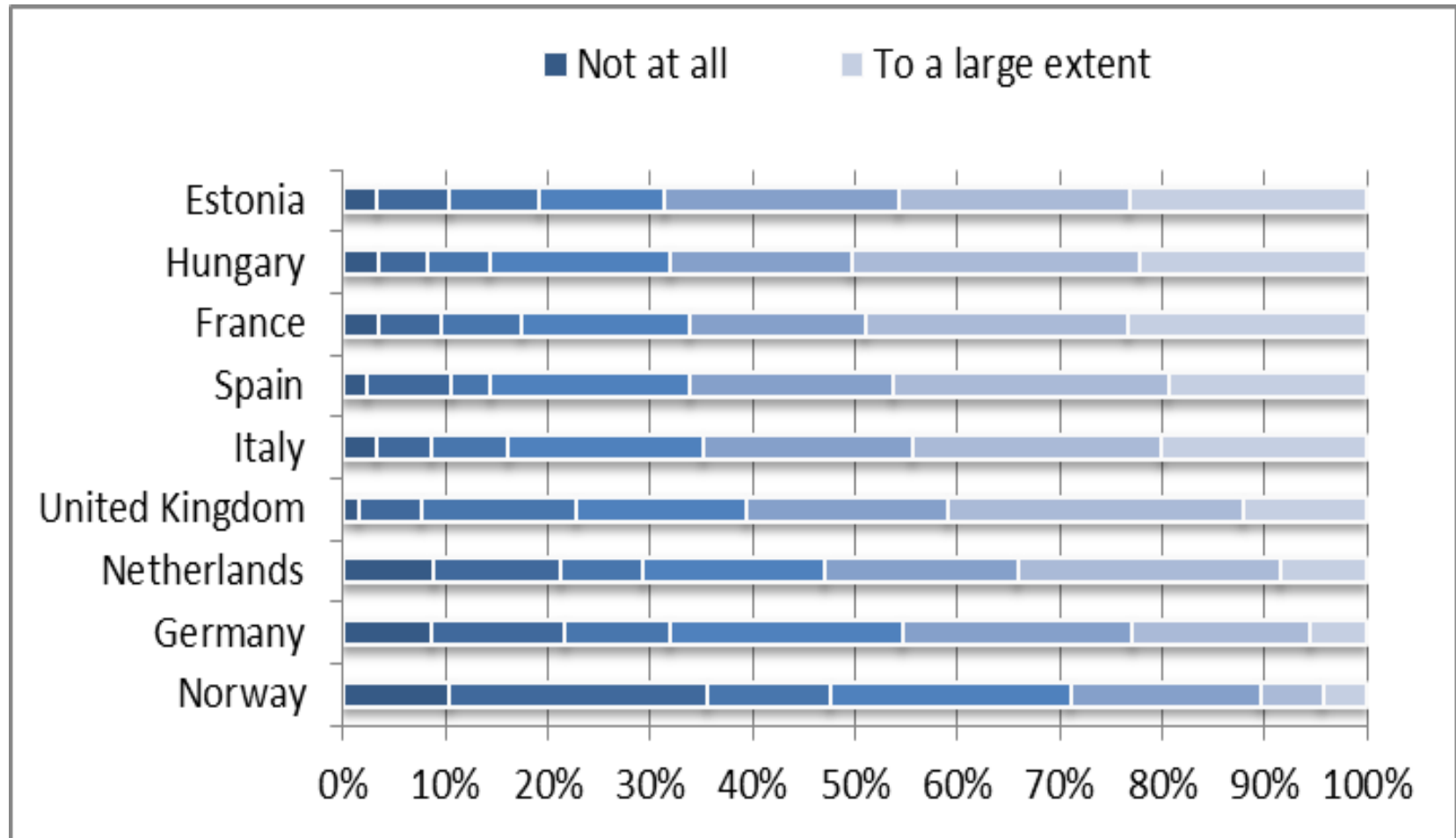
Perceived types of decision-making by European public sector executives



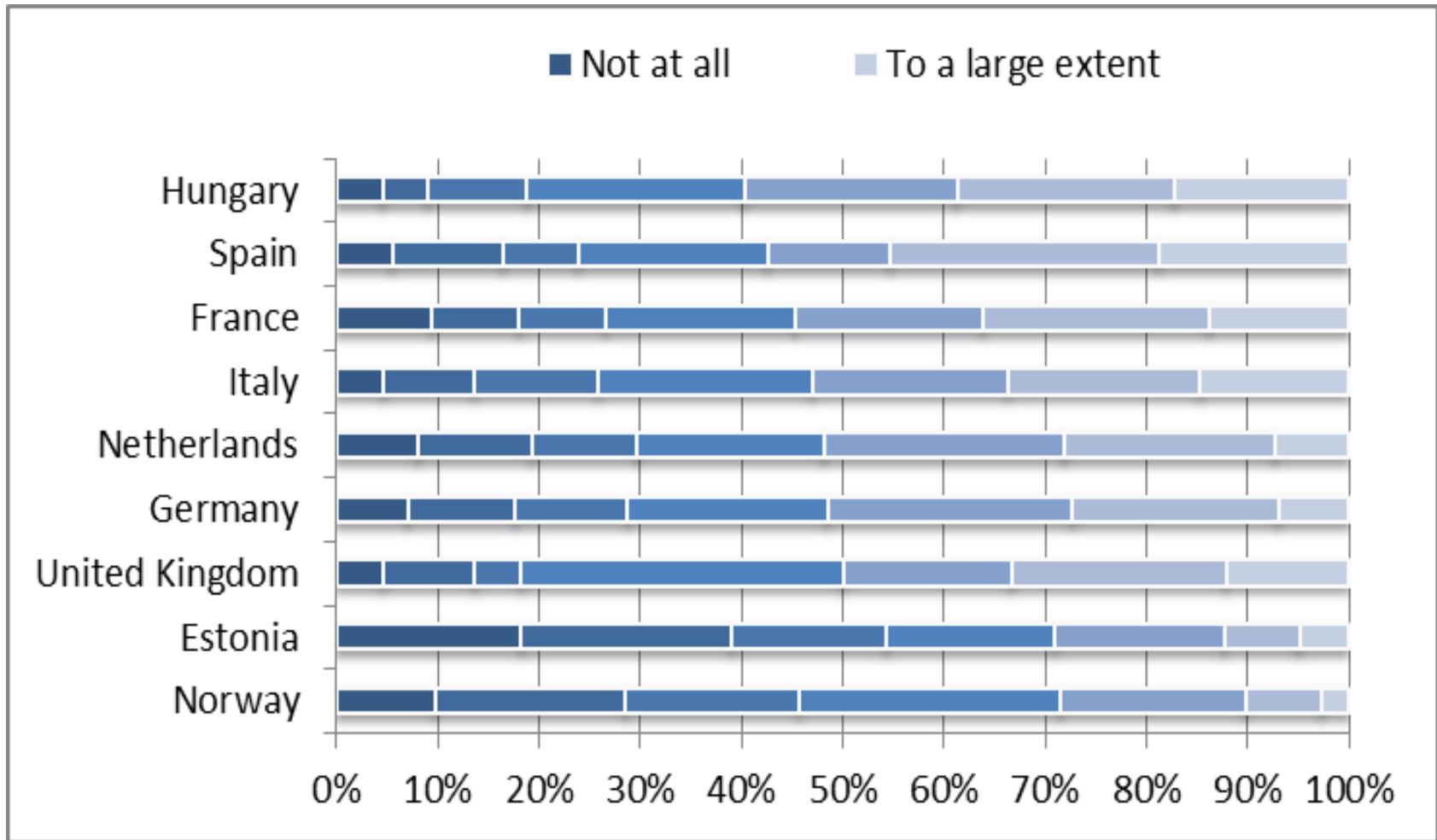
Increase in the power of Ministry of Finance



Centralization of decision-making in organization



Increase in the power of budget planning units



3. The impact of fiscal crisis on public administration

Relations between fiscal crisis and administrative reforms

	BE	DE	EE	ES	FR	HU	IE	IS	IT	LT	NL	SI	UK
Crisis caused new reforms	-	-	-	+	-	+	+	+	+	+	-	+	+
New reforms planned	-	-	-	+	+	+	+	+	+	+	-	+	+
New reforms carried out	-	-	-	+	-	+	+	+	-	+	-	+	+
Crisis boosted existing reforms	-	+	+	+	+	+	-	-	-	+	+	-	+
Crisis hindered existing reforms	+	-	-	-	-	-	+	-	-	-	-	-	-
Postponement of existing reforms	n/a	-	+	-	-	-	-	-	-	-	-	-	+
Cancellation of existing reforms	n/a	-	-	-	-	-	+	-	+	-	-	-	+
Crisis and reforms were unrelated	-	-	-	-	+	-	-	-	-	-	-	-	-



Some reform practices

Country clusters

- 1) **No crisis.** *Norway*
- 2) **Countries which had to seek external financial assistance.** Swift and very centralised cutback decision-making leading to radical cutback measures and targeted cuts. *Iceland, Ireland, Italy, Spain*
- 3) **Continental Europe.** Modest size of the fiscal crisis. Postponement of cuts, gradual approach to cutbacks (from small to large, from across-the-board to targeted). *Belgium, France, Germany, the Netherlands, Slovenia*
- 4) **The Baltic states.** Hardly hit by the crisis. Swift and large-scale consolidation measures at the early stage of the crisis. *Estonia, Lithuania*
- 5) **The United Kingdom.** No cuts done by the majoritarian single-party cabinet, but unprecedented massive cutback decisions by the two-party coalition cabinet.

Feasibility of reforms during the crisis

Public managers, more than ever, have to be leaders during the time of retrenchment, as besides straightforward cutback issues they are faced with rediscovering and rebuilding values, integrity, legitimacy and trust in government and its institutions.