doi: 10.15678/ZP.2016.36.2.02

Zarządzanie Publiczne
Nr 2(36)/2016
ISSN 1898-3529

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Public administration in Europe

Why do some public administrations perform better than others? This is an important question because the performance of public administration is an important factor of a country's competitiveness and economic outcomes. Our *outcome* index for public administration captures 'good governance', which includes the six components of the World Bank index, representing responsiveness, effectiveness, and legitimacy of governments. Northern Europe scores especially well on good governance, followed by Oceania, Western Europe, Northern America, and Eastern Asia. Central, Eastern, and Southern Europe obtained the lowest scores in the public administration outcome index. Professionalism (as a dimension of the quality of public administration), freedom of the press, the degree of decentralization, and intensity of ICT expenditure were significantly positively correlated with good governance. Spending on tax administration, on the other hand, was significantly negatively correlated with good governance.

Keywords: public administration, good governance, Europe.

Public administration: Theory and definition

Public administration encompasses all public activities directed at policymaking, legislation and management of the public sector as well as civil services meant to ensure legal participation of citizens in society. In the "Britannica", public administration is defined as the implementation of government policies, and the body of public administrators is called the civil service. Other bodies serving the state directly, such as the military, the judiciary, external affairs and diplomacy and the police, are generally not considered to be part of public administration. Services supplied to individual citizens, like health care and education, do not belong to the domain of public administration. In practice the demarcation between public administration and other public sector activities is not easy to draw. Consequently, most definitions of 'public administration' are rather vague and general. Chandler (2014) describes 'public administration' as "the study of the development and maintenance of policy by members of governments, public agencies and public sector employees and the practice of implementing the authoritative decisions they have made." According to one of the eldest and most often cited definitions, public administration (Waldo, 1968: 449) is "…the management of men and materials in the accomplishment of the purposes of the state." Public administration is engaged in bureaucratic activities by the central or local government. Globally we can distinguish two main activities: elaborating primary laws and supplying civil services. Therefore, public administration regulates the relation between the state and the society. Laws are translated into administrative rules and services are provided to citizens to participate in society (Peters & Pierre, 2012).

Public administrations are usually typified by legal origins and administrative cultures (European Commission, 2012). Basically, a distinction can be drawn between common law tradition and civil

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law tradition. The former has Anglo-Saxon roots, with passive regulation and steering and less state ownership and control; the latter has continental roots, with high public intervention, active regulation and steering and more state ownership and control. The civil law tradition can be further subdivided along the lines of the strength of the legalistic focus and level of centralization (Loughlin, 1994). However, there is no evidence that differences in administrative culture should affect administrative and economic outcomes. The distinguishing elements of performance have to match the policy issues that play a role in the modernization and improvement of public administrations. According to the European Commission, to promote economic growth and economic competitiveness, we have to improve the efficiency, judicial capacity and legal certainty of public administrations (European Commission, 2014: 52).

Measuring outcomes of public administration

It is rather difficult to measure the outcome of public administration. *First*, solid comparative evidence is not available to compare public sectors across countries. For the government in general or the bureaucracy, in other words 'public administration', suitable comparative information is even more scarce (Van de Walle, 2008: 3). *Second*, all kinds of definition problems exist. The apparently simple question 'What is government?' cannot be answered. How does one define 'government'? How are boundaries drawn? Is an NGO mostly funded by the government a part of the government or not? Is a compulsory national health insurance system an example of public or private money? Etcetera. *Third*, competing values make it difficult or even impossible to distinguish clear, measurable and uncontroversial outcomes for public administration: '*there is no best way of organizing public administration so that it is always most helpful for citizens*' (Olsen, 2004: 69).

One possibility to evaluate outcomes of public administration is to look at the *quality* of its *processes*. The assumption is that these processes are exemplary for the entire public administration in a country, even though they only cover a certain part of public administration. A closely related concept is 'quality of government', which is broken down by Rothstein et al. (2013) into four pillars: corruption, bureaucratic effectiveness, rule of law, and strength of democratic institutions. A related option is to look at the *quality of its bureaucracy*. The idea is that high-quality bureaucracy will function better, be more efficient and will therefore result in better outcomes in society. The quality and size of the personnel working in public administration may reflect the quality of the bureaucracy.

A second way of measuring outcomes of public administration is to look at *aspects of good governance*. Although there exists no universal definition of good governance and some authors argue that the concept itself is essentially political (Van de Walle, 2008: 8), "there is a significant degree of consensus that good governance relates to political and institutional processes and outcomes that are deemed necessary to achieve the goals of development" (United Nations, 2014). According to the World Bank, good governance is generally defined in terms of the mechanisms needed to promote it. So good governance has been associated with democracy and civil rights, with transparency, with the rule of law, and with efficient public services. Different dimensions have been used to formulate several codes of good governance (i.e. by the World Bank,[1] the United Nations,[2] the Council of Europe,[3] and the Dutch Ministry of the Interior).[4]

A third way would be to look at the *fundamentals of a well-functioning society*. Several studies have shown that (economic) performance of countries is strongly related to the presence (or absence) of strong and independent institutions, such as the independent judiciary, consumer protection agencies, an independent Central Bank and independent regulators (Knack & Keefer, 1995). Acemoglu & Robinson (2012) argue that sustainable economic growth can only be achieved if both inclusive economic institutions and inclusive political institutions are present.

1 Kaufman et al. (2008).
2 UNESCAP (2007).
3 Pratchett and Lowndes (2004).
4 Ministerie van BZK (2009).

Examples of inclusive economic institutions are secure property rights, law and order, business friendliness and open access to education (Acemoglu, 2012). Inclusive political institutions allow for broad participation, place constraints and checks on politicians and secure the rule of law. However, inclusiveness remains a rather elusive concept. Especially the thesis that inclusive (democratic) political institutions are a prerequisite for sustainable economic growth has recently come under criticism (Fukuyama, 2012; Crook, 2012; Boldrin, Levine & Midoca, 2012).

From a practical perspective, the most fruitful approach seems to be the Good governance Index of the World Bank (WGI), offering a good starting point to measure good governance, because the indicators are available for almost all countries and they cover a long time period.

In the paper, we will try to answer the following research questions: what is good governance, why do we need good governance and why do some public administrations perform better than others? To find answers, we will not only refer to the existing literature on this subject, but also use and analyze a wide array of data sources collected by different international institutions such as the World Bank, the UN, and OECD. First and foremost, we want to describe and compare public administrations in different countries using these data sources. Secondly, we tentatively want to explore possible factors that may explain the existing differences in good governance between countries.

How to measure good governance?

When measuring the performance of public administration, whose outcome is also called 'good governance', there are many ways of presenting outcomes. The codes of good governance comprise various components, some of which are found in numerous codes produced by organizations like the World Bank, United Nations and the Council of Europe (transparency, integrity, responsiveness, accountability, effectiveness, efficiency, legitimacy), whereas others are mentioned only sometimes (equity, subsidiarity). The outcome index applied in our research captures 'good governance'. We consider the World Bank index of good governance to be the most appropriate and most comprehensive indicator. It comprises the following six components:

- voice and accountability: the opportunity of citizens to elect their government and experience freedom;
- political stability: the possibility that government can be destabilized by unconstitutional means;
- government effectiveness: the efficient and effective delivery of public services;
- regulatory quality: the capacity of the government to formulate and implement business-friendly policies and regulations;
- rule of law: the extent to which legal principles govern society;
- control of corruption: the exercise of public power for private gain.

These components of good governance represent the procedures by which governments are selected, monitored and replaced (responsiveness), the capacity of governments to implement sound policies (effectiveness), and the legal respect for social and economic institutions (legitimacy). The indicators of the six components are mainly based on subjective data, such as experts', entrepreneurs', and citizens' opinions and judgments. However, the advantage of the good governance indicators is that they are available for all countries and for several years and are widely regarded as adequate measures of governance (the outcomes or results delivered by public administrations). Moreover, these indicators are viewed as measuring 'clear ex-post outcomes' (Glaeser et al., 2004).

Northern Europe scored especially well on good governance in 2013, followed by Oceania, Western Europe, Northern America and Eastern Asia (figure 1). Central and Eastern Europe and Southern Europe obtained the lowest scores. As for individual countries, Finland, Norway, New Zealand, Sweden, and Denmark ranked the highest, while the lowest scores (as far as our selected group of countries is concerned) were obtained by Bulgaria, Romania, and Greece.

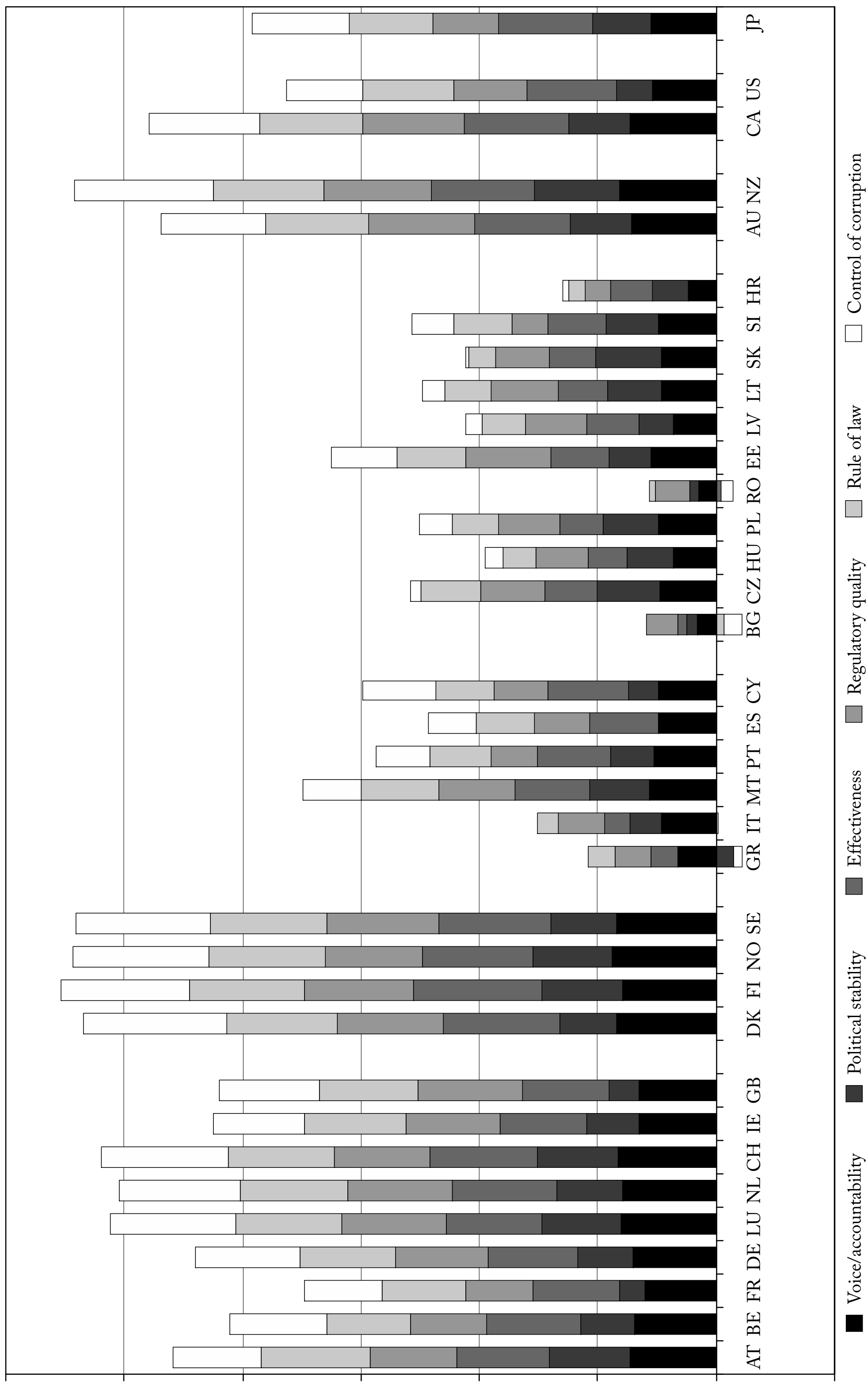


Figure 1: World Bank Good Governance Indicators (WGI), 2013

Source: World Bank

How to promote economic growth by good governance?

According to the 2014 European competitiveness report, public administration has an important role in promoting economic growth. Moreover, according to the European Commission, the modernization of public administration should proceed along two lines: strengthening e-government and simplifying regulations and procedures for business and citizens (Andor, 2014). Therefore, if we are especially interested in economic growth, we need additional specific indicators of good governance related to e-government and business friendliness. E-governance functions when governments use ICT (mostly internet) to improve services and provide information to citizens and companies. We use the UN readiness index, which is a weighted average of three normalized scores on three most important dimensions of e-government, namely: the development status of telecommunication infrastructure, the scope and quality of online services, and inherent human capital (literacy and schooling of the population). Because the UN readiness index is normalized annually, only relative progress can be observed

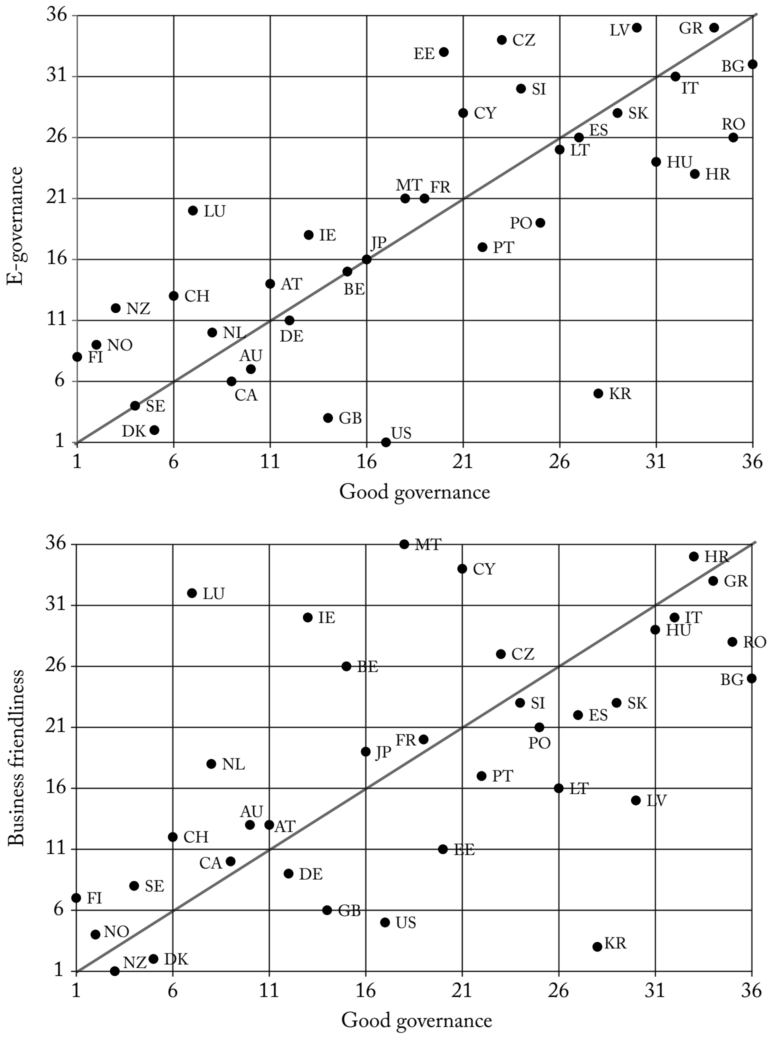


Figure 2: Relationship between good governance and e-governance/business friendliness, 2013 (rankings)

Source: World Bank, UN and OECD; countries are ranked according to indices (position 1 is best, position 36 is worst).

if we compare countries over time. Most relative progress is made by Spain, France, the Baltic States, and Japan. Denmark, Sweden, and the US perform well but lost some ground in the observed period.

To measure business friendliness of a country, we use the World Bank business friendliness index (Doing Business Index), which comprises ten indicators to cover the two dimensions of business friendliness: the complexity and cost of regulatory processes and the strength of legal institutions.[5] New Zealand can be characterized as the most business-friendly country, followed by other Anglo-Saxon countries, Nordic countries, and the Republic of Korea. Between 2010 and 2015, a good deal of progress was made in Poland, the Czech Republic, Romania, and Croatia.

There is a rather strong relationship between good governance and e-governance (r = 0.73) and a rather weak relationship between good governance and business friendliness (r = 0.57). These statistical relations are based on the ranking of countries on these indices (figure 2). A higher ranking corresponds to lower performance.

If we look at countries performing poorly on good governance, like Korea, we can see that they do well in e-governance and business friendliness. The US and the United Kingdom have moderate success in good governance but perform well in e-governance and business friendliness. It seems that in those countries, public administrations are very dedicated to economic performance.

Why do countries differ in good governance?

According to the European Commission, economic growth and economic competitiveness are hampered in many Member States by inefficient public administrations, weak judicial capacity and legal uncertainty (European Commission, 2014: 52). To improve public administration, the European Commission recommends that Member States create a better business environment (by simplifying rules), professionalize public administrations, improve the effectiveness and efficiency of administrations, improve the quality and independence of the judiciary, combat corruption, and design an adequate multi-level governance system (Andor, 2014). But how realistic are these recommendations and what characteristics of public administrations make a difference?

To explain differences in governance outcomes, Lynn et al. (2000) developed a conceptual model relating government performance to five governance components: environmental factors (including economic performance and competition and external control mechanisms); client characteristics; work processes and technology (including recruitment and eligibility); organizational structures (such as degree of centralization and type of budgetary allocations); and managerial roles (including types of leadership and level of professionalism). Based on these five components, we identify the following characteristics to explain differences in the performance of public administrations:

1. Economic performance;
2. Freedom of the press;
3. Salary structure of the civil service;
4. Quality of public administrative bureaucracy;
5. Spending on public administration and tax administration;
6. Level of decentralization.

All these indicators are related to actual policy issues, and each of these administrative characteristics may influence the outcomes of public administration. The first indicator refers to economic welfare. Better welfare is one of the factors conducive to better governance because it leads to political stability, less corruption and stricter application of the rule of law. The second indicator, the free press, can be seen as a control mechanism that makes governments more accountable to the population. The third indicator should tell us something about the competitiveness of public sector salaries. Fourthly, better quality

[5] Eight indicators refer to efficiency and the costs of the procedures needed to start a business, build a warehouse, get connected to the electrical grid, transfer property, comply with all tax regulations, export and import by seaport, resolve a commercial dispute, and arrange commercial insolvency. Two additional items are a well-functioning collateral registry and credit information system, and the rights of minority shareholders in related-party transactions.

Table 1 Summary of results: relationship between outcome and system characteristics (Pearson's r)

	Good governance	E-government	Business friendliness
Share of expenditure	-0.20	-0.07	-0.32
Share of labour	0.11	0.05	0.03
Professionalism	**0.84**	**0.69**	**0.61**
Openness	*0.31*	0.24	**0.49**
Decentralization	**0.45**	**0.59**	**0.52**
Share of tax administration	**-0.45**	**-0.38**	**-0.18**
Structure of salaries	-0.10	-0.07	-0.10
Freedom of the press (inverted)	**0.80**	**0.45**	**0.51**
GDP per capita	**0.74**	**0.54**	**0.25**

Source: see relevant figures; bold: significant (5%); italics: significant (10%).

of public administrative processes contributes to better outcomes of public administration. The fifth indicator refers to the efficiency of the tax administration and gives an indication of total public administration efficiency. The hypothesis is that countries with efficient tax administrations have efficient public administration that generates better public administration outcomes. The sixth indicator is a measure of decentralization. In general it is assumed that public activities are most effective if they are provided by central or local authorities; mixed regimes seem to be most inefficient.

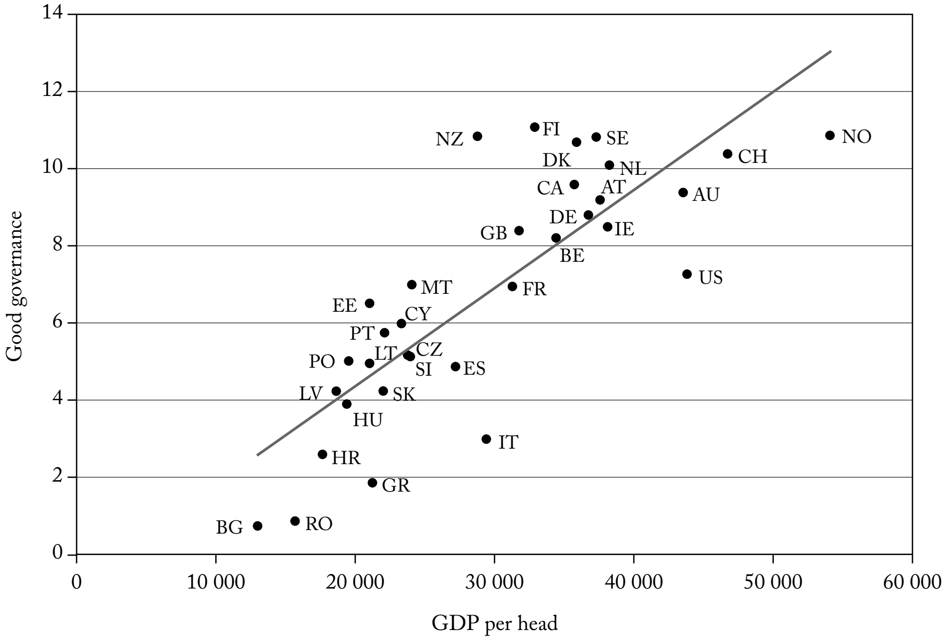
Of course, we have to be cautious about any causal interpretations of these relationships. We need time series and a grounded theory in order to establish a causal relationship, but that goes beyond the scope of this article. Another drawback is the measurement of the concepts of outcome and system characteristics, which sometimes overlap. For example, the freedom of speech is part of the chosen indicator of good governance, but it is also part of the freedom of the press. In these cases, special analyses are performed in order to separate the two concepts.

Since so many factors are of importance as far as good governance is concerned, and because it is next to impossible to disentangle them all, table 1 provides simple bivariate correlations using 'good governance' as our dependent variable, and a wide array of possible determinants or 'system characteristics' of good governance as the independent variables.

In the following paragraphs, we will discuss some of the different determinants that are (highly) correlated with good governance.

Economic performance

In general, it is assumed that a well-performing public administration promotes countries' economic competitiveness (European Commission, 2012). It is also argued that the quality of public administration is an important driver of Europe's competitiveness (European Commission, 2014). However, the literature suggests that the relationship between governance and economic growth is not straightforward (Avellaneda, 2006). Although there is a broad consensus among economists and policymakers that good governance is a prerequisite for economic growth (Wagener, 2004), the causality of this relationship can be challenged (Kurz & Schrank, 2007). Albassam (2013) found that a country's level of development influences the relationship between governance and economic growth. He concludes that countries with different levels of development have different requirements and demands to improve governance in order to promote economic growth. We should therefore be cautious with



[a] 'Good governance' for each country is a summarized score for the six separate indicators used to measure good governance by the World Bank.

Figure 3: Relationship between good governance[a] and GDP per capita (2013)

Source: World Bank (excluding Luxembourg)

causal interpretations of the relationship between good governance and economic performance.

The correlation between GDP per capita (in purchasing power in US dollars) and good governance is fairly strong (0.81, excluding the GDP outlier Luxembourg) (Figure 3). Some countries underperform in view of their income (Italy, Greece, Romania, Bulgaria, USA). What is noteworthy is the relatively weak relation between GDP per capita and business friendliness (table 1). Some business-friendly countries, like New Zealand and Korea, perform rather moderately well where GDP per capita is concerned, and countries with the same business friendliness (like the Netherlands, Japan, France, and the Baltic States) show very different GDPs per capita. This raises the question if and how business friendliness can contribute to better economic performance. However, to answer this question adequately, we need panel data analyses, and this goes beyond the scope of this article.

Freedom of the press

With regard to fighting corruption, Neshkova & Rosenbaum (2015) cite three effective external control mechanisms: freedom of the press, an independent judicial system, and bureaucratic professionalism. An independent judicial system is part of the definition of good governance ('rule of law'), and bureaucratic professionalism will be discussed separately later. According to UNESCO, free press promotes good governance because it tends to extend participation in the political decision-making process to the whole population, provides access to a whole variety of different ideas, opinions and information, makes governments more accountable to the population and allows policy implementation and the practices of those in power (such as corruption) to be monitored (UNESCO, Press freedom and development, 2008).

To measure the freedom of the press, we use the World Press Freedom Index (WPFI) prepared

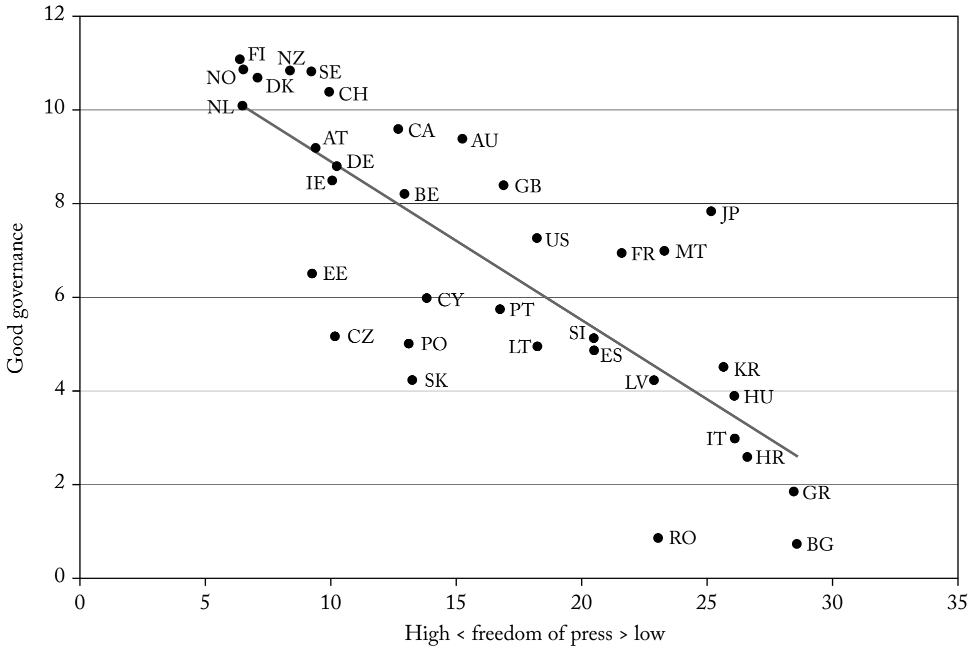


Figure 4: Relationship between good governance and freedom of the press (2013)

Source: World Bank (good governance) and Reporters Without Borders (freedom of the press).

by Reporters Without Borders. They use six general criteria: the degree of pluralism; the degree of media independence; the environment in which journalists work and the degree of self-censorship; the quality and effectiveness of the legislative framework; the transparency of the institutions and procedures that affect the production of news and information; and the quality of the infrastructure that supports the production of news and information. These six criteria are measured and collected using surveys in different countries. A score is then calculated between 0 and 100, reflecting the level of violence against journalists. A low score represents a high level of freedom and a high score a low level of freedom (inverted scale).

Figure 4 reveals a fairly close relationship between freedom of the press and good governance.[6] High levels of freedom of the press are found in the Nordic countries and the Netherlands. Low levels are observed in some southern (Greece, Italy), eastern (Bulgaria, Croatia) and Asian countries (Korea, Japan). Japan has a rather high level of good governance and Romania a rather low level as regards the degree of press freedom.

Salary structure

As far as public salary levels and their effects on the quality of government are concerned, two very different theories can be formulated. One, which we could call the 'Singapore model', operates on the assumption that public sector employees should be generously rewarded[7] so as to attract the best and cleverest and to stamp out incentives

[6] Since freedom of the press is one of the elements in the first of the six dimensions of good governance, we performed an analysis without the first dimension. The (regression) results indicated no change in the relationship between good governance and freedom of the press. There is therefore no tautological relationship between the two variables.

[7] See http://www.bloombergview.com/articles/2012-01-25/why-singapore-has-the-cleanest-government-money-can-buy-view.

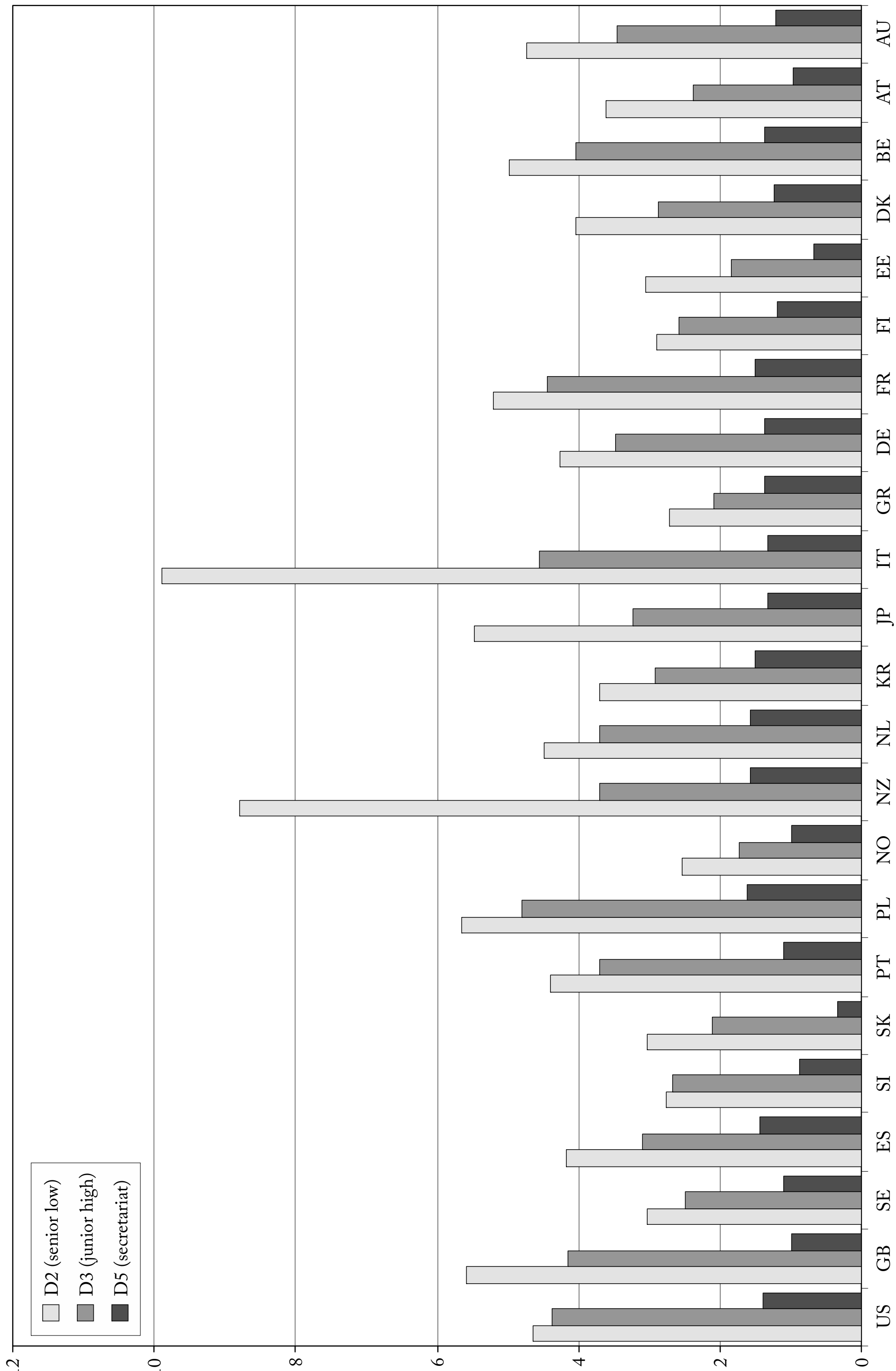


Figure 5: Salaries of public administrators relative to GPD per capita, 2011

Source: OECD 2013.

for corruption: 'The best-trained and most enthusiastic officials will not remain committed if they are not paid adequately' (Fukuyama, 2014: 510-511). The second, which we could call the 'Norwegian' model, pays civil servants relatively modestly. The idea is that civil servants should be intrinsically motivated to work for the public good and should not isolate themselves from their fellow citizens and the public services they provide, and their high salaries should not increase the costs of providing those services. Of course, both Singapore and Norway enjoy a robust and high quality of government. According to the World Bank Government Effectiveness Index, Norway is in the top 2% and Singapore in the top 1% of the most effective governments in the world.[8] Apparently, both high and modest public salary levels can therefore produce effective governments.

According to Figure 5, (senior) public administrators in Norway, Sweden, Finland, Estonia, Slovenia, the Slovak Republic, and Greece receive comparatively low salaries, while their counterparts in the United Kingdom, Portugal, Poland, France, Belgium, Austria, Japan, and especially Italy receive quite a lot more. The income differential between (low) senior-level civil servants and secretariat-level employees in the public sector is also higher in the latter group. Why is the relative pay level for D2 and D3-level public civil servants in Italy so high? Following legislative reforms in 1993, one central agency (ARAN) representing public administration at the central level replaced many different organizations which had previously intervened in the negotiation process (Dell'Aringa et al., 2007: 450). This strengthened the bargaining position of civil servants. In addition, since around 1995, top-level Italian public servants have managed, by using their favourable political situation, to increase their salaries substantially (Dell'Aringa et al., 2007: 454).

Of course, it is very difficult to determine which of the two models – Singapore or Norwegian – is preferable. It may even be the case that both models work well in different environments. The evidence is mixed. For example, a decline in public sector pay after the mid-1970s does correlate with a reduction in average test scores for those entering the civil service in the early 1990s, but this effect is only observed for men, not for women (Nickell & Quintini, 2002). And of course, pay is only one of many job attractions: public sector employees are also attracted to the job security and the chance to do something useful for society (Lewis & Frank, 2002). Based on OECD data, we looked for correlations between senior-level public sector pay and a total of 14 public sector-related outcomes for 28 of the 36 countries we selected: infant mortality, PISA scores, corruption, trust, youth unemployment, etc. Without exception, the correlations are low (below 0.4) and not statistically significant. However, ten of the 14 correlations investigated were negative, indicating that higher public salaries tend to coincide with decreasing public sector performance. Increasing public sector pay does not therefore seem to guarantee better public sector results.

Salaries are not related to public administration performance indicators. Apparently, paying civil servants better does not influence public administration outcomes.

Quality of the public administration bureaucracy

Several studies have looked at the quality of the public administration bureaucracy. Where the quality is higher, the outcomes of public administration are also expected to be higher, or results are expected to be achieved more efficiently. Galanti (2011) distinguishes between several dimensions of a good bureaucracy:

a) Structural differentiation. Homogeneity in organizational models; absence of duplication of offices; existence of mechanisms for coordination.

[8] Singapore achieves an excellent score on government effectiveness and regulatory quality, scores well on three other dimensions of good governance (political stability, rule of law, control of corruption) but scores rather lower on accountability (voice of the people, freedom of expression, freedom of association, and free media). Norway performs well or even excellently on all six dimensions of good governance.

b) Ability in the management of resources. Evaluation of government expenditure revenues; budget deficit and public debt; size of personnel and their remuneration.
c) Competence. Levels of professionalization and evaluation of career paths: levels of education; continuous training; promotion based on merit systems.
d) Accountability and responsibility. Clear setting of performance standards. Presence and implementation of ex-post evaluation procedures.
e) Autonomy in public administration. Cultural homogeneity of the administrative elite. Levels of politicization (participation of bureaucrats in political parties or interest groups; extent of administrative turnover following elections).
f) Openness towards citizens/society. Existence of transparency and anticorruption measures; perceived levels of corruption; accessibility of information and offices; actual possibility to challenge the actions of public officials in court.

The data used by Galanti (2011) to measure the quantitative aspects of the quality of the bureaucracy are derived from generally accessible sources. Structural differentiation is analyzed more qualitatively/descriptively. This requires extensive analysis of policy documents and regulation. Ability is measured by looking at the balance between government expenditure and government revenues and the salaries of government employees. For competence, Galanti looks at the presence of procedures. A composite index on the use of performance assessment is used as a proxy for merit-based systems of recruitment. Additionally, two indices are used to measure performance with regard to technological development or e-government. Accountability is measured by looking at three indices. Autonomy is analyzed descriptively and is quantified using an index for "assessing how much strength and expertise bureaucrats have and how able they are to manage political alternations without drastic interruptions in government services or policy changes" (Galanti, 2011: 23). Finally, three indicators are used to determine the openness of the bureaucracy towards society.

Peter Evans and James Rauch did pioneering work in collecting information through surveys about bureaucracies from various countries for the period 1970–1990 (see Rauch & Evans, 2000; Evans & Rauch, 1999).[9] The Quality of Government institute continued this approach, incorporating more countries.[10] The starting point is that the employment system in the public sector offers a useful means of classifying public bureaucracies in comparable public administrations. Dahlström et al. (2011) collected eight items representing the main employment-related characteristics of a Weberian bureaucracy. Based on a factor analysis of this dataset, they distinguish three dimensions of bureaucracy: professionalism, closeness, and salaries. Professionalism concerns the extent to which bureaucracies are 'professional' as opposed to 'politicized'. Closeness monitors the presence of barriers to entering (or leaving) the civil service. In closed systems, public employees enter the administration through formalized civil service entry examinations, enjoy lifelong tenure and are frequently managed by self-regulated, autonomous administrative bodies. Professional administrations are characterized by meritocratic recruitment, internal recruitment of senior officials and absence of political appointments of civil servants. The two dimensions identified by Dahlström et al. relate to Galanti's (2011) competence and autonomy dimensions. Although the authors initially propose only these two dimensions, their empirical findings suggest that 'salaries' comprise a third, separate dimension. It refers to the competitiveness of salaries in public administration compared to the private sector. Although this approach does not measure the quality of bureaucracy, it does provide important information on distinguishing characteristics of bureaucracies, which can be helpful in explaining differences in performance between countries. Information from Dahlström et al. (2011) can be used to determine how the bureaucracies of various countries can be characterized. Can the different bureaucracies be characterized as open and professional? Or not?. The relationship between the openness of the public administration and good governance is rather weak (0.31), but

[9] http://econweb.ucsd.edu/~jrauch/research_bureaucracy.html.

[10] http://www.qog.pol.gu.se/data/datadownloads/qog-basicdata/.

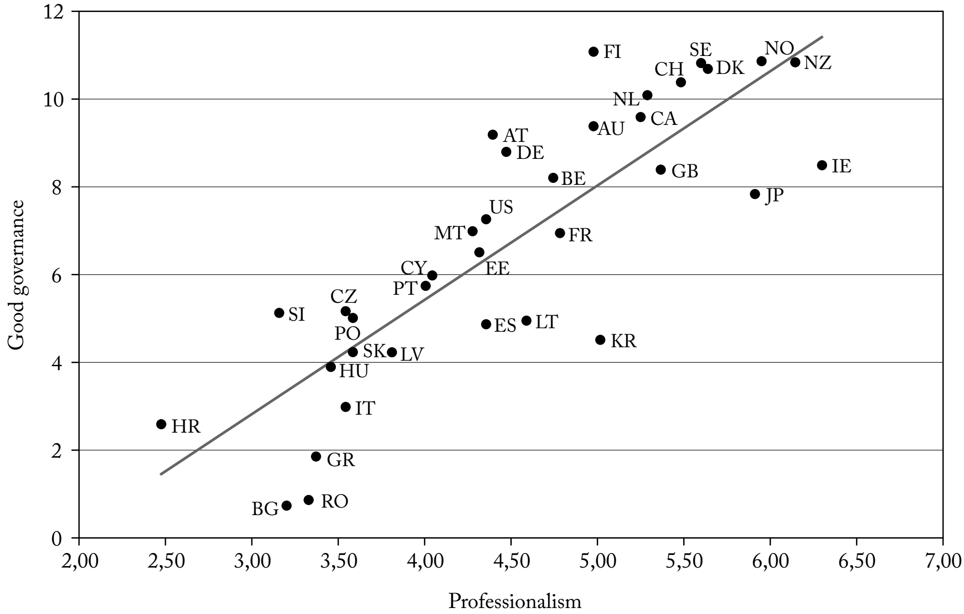


Figure 6: Relationship between good governance[a] and level of professionalism of public administration, 2013

[a] 'Good governance' for each country is the summarized score for the six separate indicators used to measure good governance by the World Bank.

Source: World Bank (good governance) and Dahlström et al. (professionalism).

the relationship between the professionalism of public administration and good governance is very strong (0.84). Well-performing administrations apparently require recruitment of professional personnel (figure 6).

There are some overperforming and some underperforming countries. Finland, Austria, and Germany perform better than we would expect from the professionalism score. On the other hand, Bulgaria, Romania, Korea, Japan, and Ireland could be expected to perform better given their professionalism score. The same applies to a lesser degree to Greece and some Baltic states.

Spending on public administration and tax administration

In general, spending more on something will generate better results. We would therefore expect countries which spend more on public administration to perform better. However, a previous study of public performance found no relationship between expenditure and performance (Jonker & Boelhouwer, 2012). Apart from problems of definition and measurement, it was concluded that efficient and effective structuring of public sectors is more important than the amount of money invested. On the contrary, large public sectors with a lot of money and personnel usually indicate inefficient rather than effective outcomes. The same probably holds for public administration, where the financial input as a share of GDP is negatively correlated with good governance (-0.20) and business friendliness (-0.31). For example, Greece (and to a lesser degree Italy and Hungary) spends a good deal on public administration but performs poorly on good governance; on the other hand, Norway (and to a lesser extent Finland and Sweden) spends little but performs well. The same applies to business friendliness.

Even more striking is the negative relationship between the cost of tax collection and good governance (Figure 7).

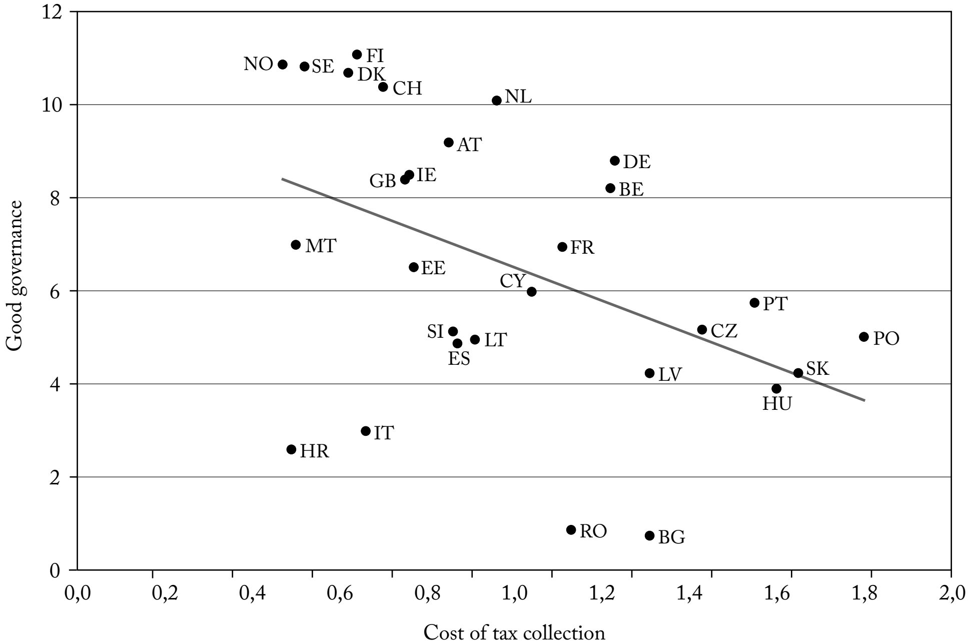


Figure 7: Relationship between good governance[a] (2013) and cost of taxation (% of tax revenue collected) (2012)[b]

[a] 'Good governance' for each country is the summarized score for the six separate indicators used to measure good governance by the World Bank.
[b] Taxation data were not available for all our selected countries through IOTA, not all countries are therefore mentioned in this figure.

Source: World Bank and IOTA.

Countries with lower tax collection costs perform better than countries with higher costs, although the correlation is not strong (-0.45). This relationship probably reflects the fact that efficiency generally corresponds with good performance. This interdependence, where 'all good things come together', indicates that building good public administration where none yet exists is an example of a so-called 'wicked problem' (Menkhaus, 2010). In a meta-study, Hauner & Kyobe (2008) conclude that throwing money at problems, particularly in the education and health sectors, often fails to yield the expected improvement in public services if not bolstered by efficiency-enhancing policies.

Degree of (de)centralization of government expenditure

In general, the degree of centralization matters. Fukuyama (2014: 511), for example, argues forcefully that bureaucratic autonomy – and therefore also the degree of decentralization – is important for the proper functioning of a government. Mixed regimes perform worst, because they are more likely to duplicate services, organize complex regulations and generate fragmented responsibilities (European Commission, 2012: 15). They have to develop mechanisms (mutual contracts) to facilitate vertical and horizontal coordination. As a result, either centralized or decentralized governments seem to be the most efficient. However, much theoretical discussion is generated around the trade-off between the two kinds of regimes:

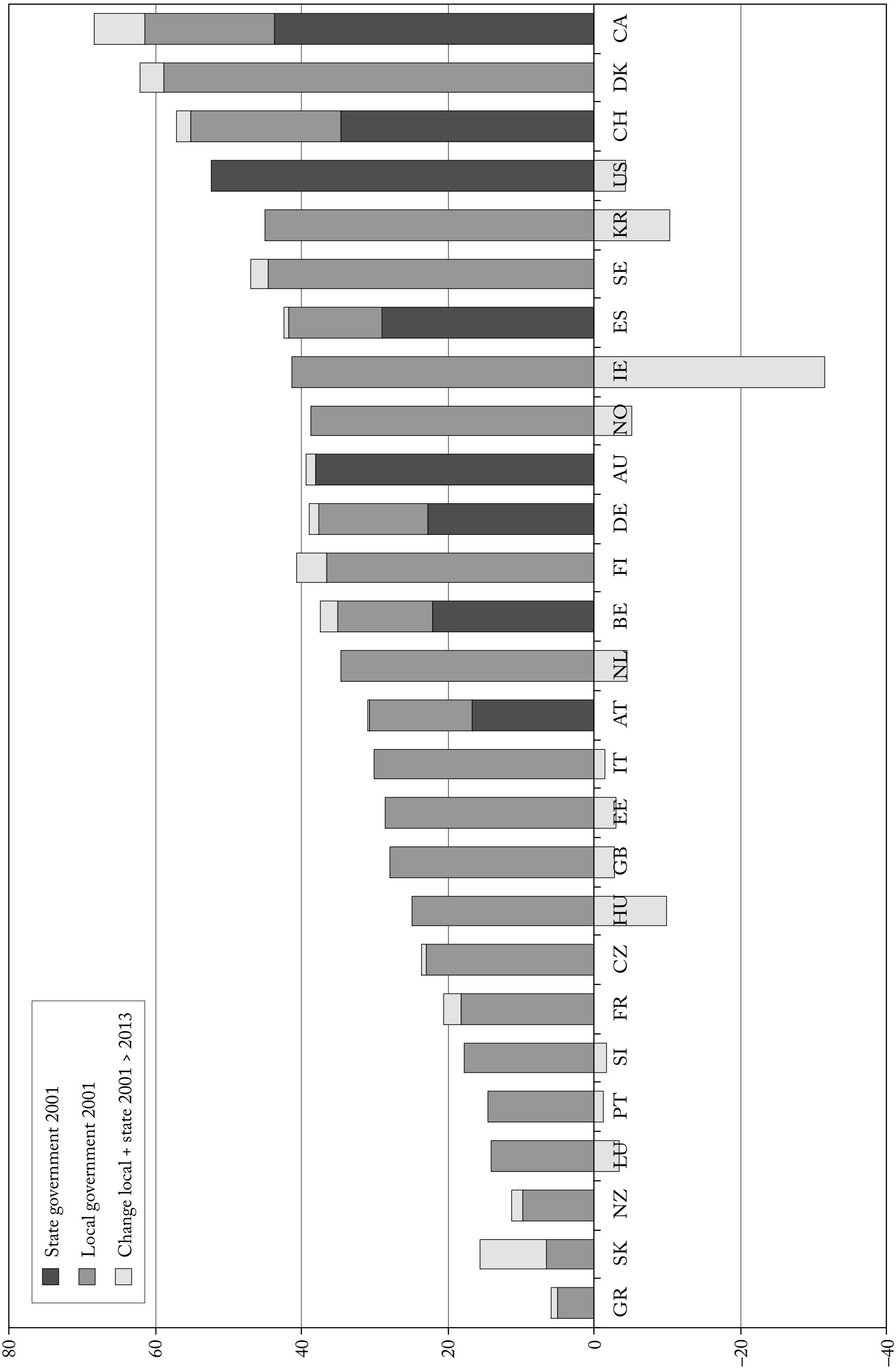


Figure 8: Share of local and state expenditure in total government expenditure, 2001 and 2013

Source: OECD (2015) (total government = central government + social security + state government + local government).

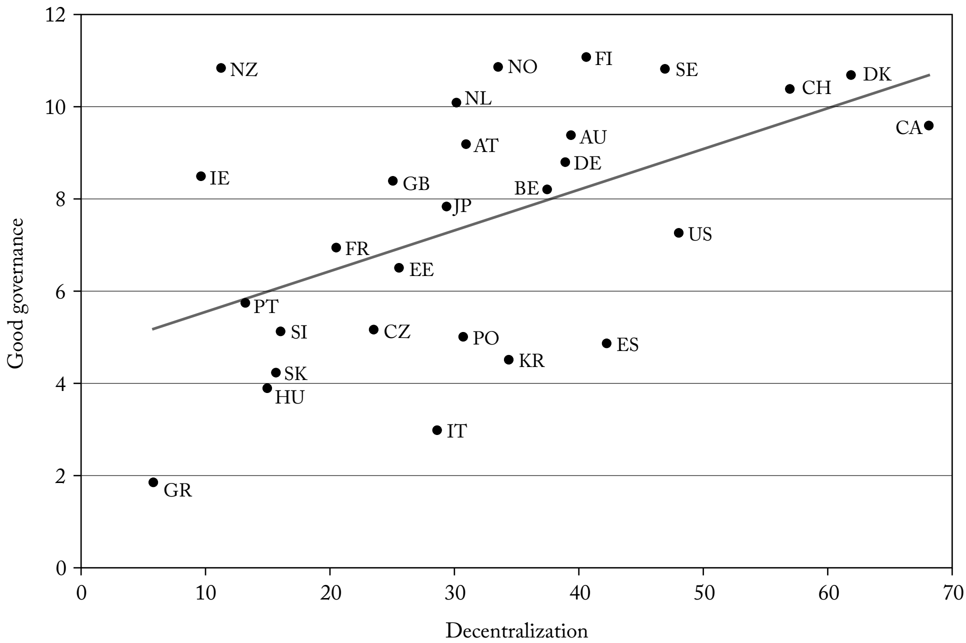


Figure 9: Relationship between good governance and level of decentralization (= share of local and state expenditure in total government expenditure), 2013

Source: World Bank and OECD (2015).

providing customized services in a competitive environment (decentralized regimes) against economies of scale and scope (centralized regimes). The empirical evidence seems to be ambiguous, and not clearly in favour of either a low or high degree of centralization (European Commission, 2012: 16). We define 'centralization' as the share of central government expenditure in total government expenditure (which, of course, is different from having a federalized or unitary government structure).

The degree of centralization, measured by the share of central government expenditure (including social security) in total government expenditure, varies considerably across countries (Figure 8). Nordic and Baltic countries (and also Switzerland), have low levels of centralization, while some Southern European countries (Greece, Spain) and Belgium have high levels of centralization. Eastern and Western European countries are mixed.

Decentralization corresponds with better governance (Figure 9); the correlation is fairly weak, but is statistically significant (0.45).

What can we conclude?

We have tried to relate certain structural characteristics of public administration to outcome measures of good governance. We have distinguished one general index of good governance and two specific indices of good governance: e-governance and business friendliness. Our results suggest that some structural characteristics seem to matter more than others. For example, the size of (central) government ('share of expenditure') is not related to our three outcome measures. Four structural characteristics are however significantly and positively related to all four outcome measures*: share of ICT expenditure, professionalism, level of decentralization, and freedom of the press*. 'Professionalism' and 'freedom of the press' especially appear to be very important characteristics. They are not only the most strongly correlated with our outcome measures, but it may be assumed that the direction of any causal link is also more evident than in the case of ICT expenditure: professional, independent administration based on meritocracy rather than

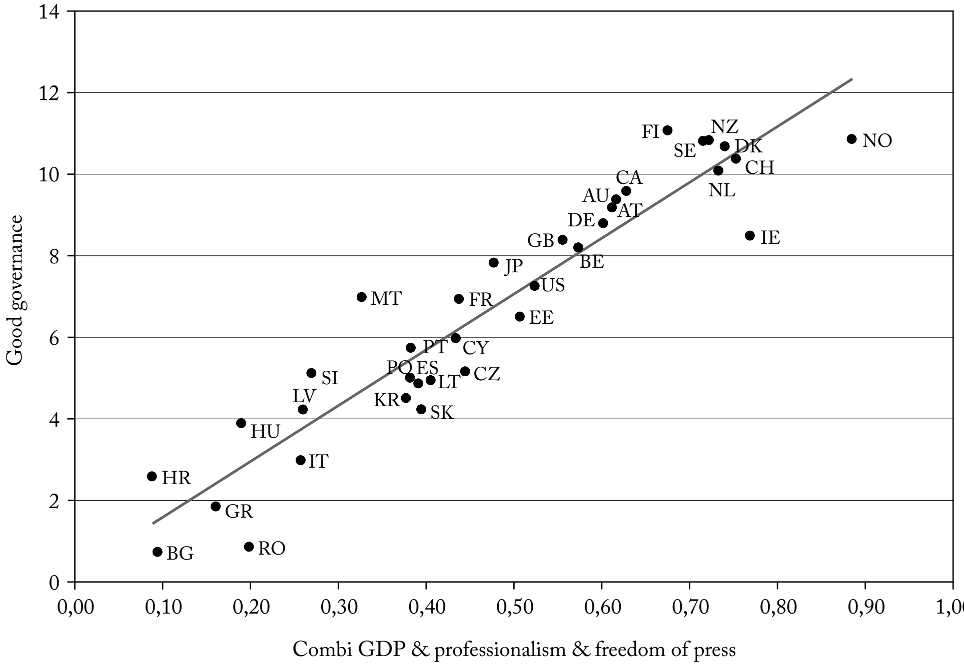


Figure 10 Relationship between good governance and a scale [0,1] representing a combination of professionalism of public administration, freedom of the press, and GDP per capita, 2013

Source: World Bank (good governance); OECD (GDP); Dahlström et al. (professionalism); Reporters Without Borders (freedom of the press).

political appointments and favourable conditions for the free press increase the quality of public administration. Therefore, from a practical viewpoint, these are the kind of structural characteristics that one would like to improve to strengthen public administrations and to improve good governance. Another important structural characteristic is GDP per capita, which is significantly and positively related to three of our four outcome measures. Of course, cause and effect will very likely be mingled as far as this structural characteristic is concerned. A high GDP per capita enables a country to build its state capacity (Fukuyama, 2014) and, for example, invest in ICT, which improves public administration. On the other hand, well-functioning public administration is an important condition for economic growth. A fifth important structural characteristic is the efficiency of tax administration. Efficient tax administration is probably an overall characteristic of good governance, because only countries with a certain minimum state capability are able to extract taxes efficiently from their populations. Finally, decentralization is significantly and positively correlated with our outcome measures. Even though, as we have mentioned, there does not seem to be a general consensus in the literature as to whether centralization or decentralization is beneficial, our data seem to indicate that decentralization improves the performance of public administration.

To determine the most important and significant contribution of relevant characteristics, we have regressed them all on the factor 'good governance'. Three characteristics have remained after this exercise as the most interesting and significant: the level of professionalism, the degree of press freedom, and GDP per capita. Together they explain about 88% of the total difference in good governance between countries, which is rather high. Figure 10 presents the relationship between the combination of these three factors and good governance.[11] The combined scale is calculated using the methodology of the World Bank. The resultant scale varies between 0 and 1.[12]

When we look at good governance, some contrasts stand out. Among those countries with a limited level of good governance, Bulgaria performs less well than we would expect given its level of GDP, professionalism and freedom of the press, while Malta performs better than we would expect. Among the countries with good public administrations (i.c. a high level of good governance), on the other hand, Ireland and Norway perform less well than expected. One reason may be that Norway is a very wealthy country thanks to its large oil and gas reserves, making it difficult to translate this into a correspondingly higher level of good governance. Another reason may be that Norway underperforms on the sixth dimension of good governance – regulatory quality – indicating that Norway could do better in formulating and implementing sound policies and regulations to promote private sector development in proportion to the score on the three combined characteristics. The low score of Romania can be attributed to the higher level of corruption and the lower level of government effectiveness than would be expected from the score of the three combined characteristics. Finally, Malta shows a higher level of political stability and Ireland a lower level of political stability than would be expected on the basis of the three explanatory characteristics.

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[11] A new scale is constructed (based on World bank methodology), ranging from 0 to 1: (x-min)/(max-min), where x is the actual value and min and max are minimum and maximum values, respectively, of the old scale.

[12] The combined scale is constructed by calculating the sum of (x-min)/(max-min), where x is the actual value and min and max the minimum and maximum values, respectively, of the selected characteristics for the selected countries, and dividing the result by the number of characteristics (3).

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Administracja publiczna w Europie

Dlaczego niektóre administracje działają lepiej niż inne? To ważne pytanie, bo działanie administracji publicznej jest istotnym czynnikiem konkurencyjności i wyników gospodarczych kraju. Nasz indeks wyników administracji publicznej pozwala uchwycić koncepcję *good governance*, na którą składa się sześć wskaźników opracowanych przez Bank Światowy, a wśród nich: reaktywność, efektywność i legitymizacja rządu. Najlepiej w zakresie *good governance* wypada Europa Północna, za nią plasuje się Oceania, Europa Zachodnia, Ameryka Północna i Azja Wschodnia. Europa Środkowa, Wschodnia i Południowa wypadają najgorzej w dziedzinie osiąganych przez administrację publiczną wyników, które obejmuje nasz indeks. Profesjonalizm (jeden z wymiarów jakości administracji publicznej), wolność prasy, stopień centralizacji i poziom wydatków na technologie informacyjne i komunikacyjne są istotnie pozytywnie skorelowane z *good governance*. Z kolei wydatki na administrację podatkową są istotnie negatywnie skorelowane z *good governance*.

Słowa kluczowe: administracja publiczna, good governance, Europa.