

SOUTHERN EUROPEAN GOVERNMENTS AND PUBLIC BUREAUCRACIES IN THE CONTEXT OF ECONOMIC CRISIS

DIMITRI A. SOTIROPOULOS*

Abstract

Before the economic crisis erupted, the public bureaucracies of Greece, Italy, Portugal and Spain had embarked on public administration reforms reflecting Neo-Weberian and New Public Management influences. After the onset of the crisis, which functioned as a critical juncture, reforms of public administration and the structures and functions of government decision-making were hastily effected. Administrative reforms reflected almost exclusively New Public Management concerns, whereas reforms of government indicated a rapid concentration and centralisation of power at the summit of the executive. A combination of 'goodness-of-fit' and historical institutionalist theories and fiscal pressures exerted by the international economic and institutional environment may explain the abruptness, extent and direction of reform. Southern European governments and public bureaucracies have preserved only some of the historical legacies of government and bureaucratic organisation, but have hurriedly adapted to externally induced pressures to reform.

Keywords: crisis; government; public administration; reforms; Southern Europe

1. INTRODUCTION

In Greece, Italy, Portugal and Spain after the onset of the economic crisis in 2009, three main factors characterised the economic and political environment in which

* Dimitri A. Sotiropoulos is Associate Professor of Political Science at the University of Athens, Senior Research Fellow of ELIAMEP, Athens and Research Associate of the Hellenic Observatory of the London School of Economics. Address: University of Athens, 65, Themistocleous Street, Hafeia, 10678, Athens, Greece; phone: +30 2103688903; email: dsotirop@hol.gr.
The author acknowledges support from Project CABISE, CSO2012-33976; and from MINECO-13-FCT-13-6137, both funded by the Spanish Ministry of Economy and Competitiveness. He also acknowledges the help he received from Ana Marta Guillen, Emmanuele Pavolini, Salvador Parrado, Sebastián Royo, Jose Magone, Manuel Glatzer and Philipp Ershov, and the feedback from the anonymous reviewers.

government organisation and public administration reforms were attempted. First, strong external pressures for economic policy change and structural change were exerted on all South European countries. The governments of Greece and Portugal engineered reform under the conditions of a Memorandum of Understanding (MoU), which was implemented in both countries under the close supervision of officials of the so-called Troika, consisting of the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). It is evident that at times exogenous pressures to reform were actually translated into exogenous *coercion* to reform as the case of Greece shows (Ladi 2014: 205). Italy did not sign a MoU, but at crucial moments took instructions on reform guidelines from the IMF and the leadership of the ECB (Verney and Bosco 2013). Like the other South European countries, Spain obtained a loan from the EU to help its ailing banking system and followed policies of fiscal consolidation and market liberalisation.

Second, popular reactions to the economic crisis and the mismanagement of the crisis brought about government turnover. In all South European countries there was a change of government during the course of the crisis, largely as a result of the crisis. Greece and Italy experimented with short-lived governments led by technocrats, while all the mainstream parties were tied to neo-liberal reforms. The latter provoked the emergence of new contenders for power. In 2012, in Greece the radical left party, Syriza, and in Italy the anti-establishment party, Five Star Movement (M5S), emerged as main contenders of power, challenging traditional parties of the centre-right and centre-left. In Greece, Syriza, in fact, won power in 2015. By contrast, the PSD and PS in Portugal and the PP and PSOE in Spain, which had dominated Portuguese and Spanish politics respectively since the 1980s, alternated in government in the wake of the same austerity policies, but met with resistance from the left, namely the communist-led trade union in Portugal and the new left-wing party Podemos in Spain. In other words, in all four countries reforms were attempted in the context of an unstable political environment.

Third, the modernisation of government (i.e., the structures and functions of government decision-making) and public administration (i.e., the public bureaucracy), which, in a context unrelated to emergency measures, might have obtained wider legitimisation, faced the opposition of public employees and the distrust of the rest of the population. In contrast to the other three South European countries, Portugal had already embarked upon an austerity programme before the crisis erupted. After 2009, across Southern Europe, public employees saw their wages and salaries slashed. In the course of South European governments' efforts to achieve fiscal consolidation, they also witnessed their pensions being cut and their job security being put at risk.

In view of the fact that the four South European countries encountered unprecedented economic problems, what explains changes and continuities in South European public administrations and government structures after 2009? In what follows, we first summarise the characteristics that, in the past, used to set South European public bureaucracies apart from West and North European bureaucracies

and then discuss the changes in public administration that had already started to unfold before the onset of the economic crisis. These included changes in the size of public employment, administrative decentralisation, and changes in the relationship between society and administration, but above all a situation in which a mix of administrative reforms were implemented, some which were permeated by a Neo-Weberian logic, whereas others were inspired by the tenets of New Public Management (NPM).

After 2009 there were large-scale changes in the public bureaucracies and in the organisation of government in Greece, Italy, Portugal and Spain. We argue that, despite the fact that the origins of the economic crisis were different in the four South European countries, the responses to the crisis, as far as administrative reform was concerned, namely an intensification of NPM reforms, were similar. These involved a reduction in the size of public employment and in the cost of labour, a shift towards performance criteria and a results-based culture, a further facilitation of society-administration relations and changes in levels of administrative decentralisation. Moreover, we discuss the ways in which South European governments, in attempting to steer their economies out of the crisis, embarked on changes in strategic planning, inter-ministerial coordination, legislation by fiat, communication of government policy and control of the state's finances and executive agencies from above.

In the concluding section, we argue that the economic crisis has brought about a one-directional process of hurried changes in South European government and administrative organisation, which cannot be explained solely through applying the theoretical lens of Europeanisation.

2. THEORETICAL FRAMEWORK AND RESEARCH HYPOTHESIS

Administrative reform can be interpreted in the context of the impact of EU integration on national public administrations, even though there is no common EU administrative policy comparable with other EU sectoral policies, such as regional or agricultural policy (Knill 2001). Administrative reform remains strictly within the national competences of EU Member States (Mangenot 2005). Yet, owing to the need to coordinate the implementation of EU policies across Member States, and particularly the adoption of *acquis communautaire* by Candidate Member States, the concept of European Administrative Space (EAS) has emerged (Olsen 2003). The principles of EAS include the reliability and predictability of the legal framework, openness and transparency, accountability, efficiency and effectiveness (OECD 1999). National administrations are not forced to adapt to the EAS but are subjected to exogenous, EU-driven pressures to become Europeanised. The EU's soft tools of community method are used to that effect, along with the relevant decisions of the European Court of Justice (ECJ).

As is well known, the literature on Europeanisation discusses if, how and to what extent exogenous pressures exerted on domestic political systems produce changes in the institutions and policies of EU Member States. At the start of this process the regulations, rules and practices of individual Member States differ a lot but, under pressure from the top, they gradually converge. According to the 'goodness-of-fit' approach (Duina 1999; Green Cowles, Caporaso and Risse 2001), the pressure to adapt is higher on Member States which initially differ somewhat from the models adopted by the EU.

Thus, in accordance with the aforementioned literature on Europeanisation, the first research hypothesis examined in this article is that domestic reforms will take the form of adaptation in response to pressures from the EU in those national systems which diverge but are not completely at odds with EU policies. The second is that, if national systems have to cover a very long distance to meet the EU requirements for change, then the most probable result is not adaptation to exogenous pressures, but inertia. A third possibility is that national systems may already be very close to the EU 'prototype', and in that case there will be neither policy and institutional adaptation nor inertia, but rather adoption of EU guidelines. This approach has been criticised (Haverland 2000; Mastenbroek and Keating 2006) on various grounds: that 'goodness-of-fit' is too wide as a concept and may mean different things to different people; that the domestic institutions and policies under investigation may themselves be in a transient phase for reasons different from the exogenous pressures exerted by the EU and we may thus be looking at a moving target; that the pressure to adapt may be ineffective because itself it is too soft, as in the case of the Open Method of Coordination (OMC); and that institutional and policy changes may take place irrespective of EU pressures.

Indeed, before the crisis erupted, reforms in public administration reflected a worldwide trend dating back at least to the 1980s, associated with the rise of the New Public Management (NPM) approach (Pollitt and Bouckaert 2011). As it is well known, this trend was based on a combination of academic research on NPM and the rise of the neo-liberal governments who were in power in the UK and the USA after 1979–1980. Even though the NPM approach was adopted primarily in the Anglo-Saxon countries, converging trends towards introducing private management methods into public administration emanated from other sources too, such as the aforementioned EAS.

The principles of EAS and the tenets of NPM differ somewhat. The principles of EAS serve as a set of desirable ends which national public administration should adopt in order to support the process of European integration, while the tenets of NPM aim to endow public administration with economy, efficiency and effectiveness. EAS is more value-neutral and allows room for governments of variable ideological orientations to steer public administration. NPM has an elective affinity with neo-liberalism. Yet EAS and NPM coincide on a number of strategic aims. These include a leaner public administration, indicated by a smaller public employment force and

reduced labour costs; devolution of power to regional and local authorities; a shift away from a legal culture to a results-based culture and a link between performance and compensation for public employees; and the digitalisation of services offered to citizens and businesses. Obviously these aims do not exhaust what one would expect to see in a Europeanised public administration. Still, they constitute a measurable core against which the 'goodness-of-fit' of national administrations can be assessed. This is discussed in the next two sections of this article.

Although after the eruption of the economic crisis, governments concentrated on these reform aims, the economic crisis revealed, among other things, the need to reshape not only administrative but also government structures. Facing the challenges of crisis management, governments themselves changed, as they had been trying to change public administration. The inter-governmental nature of decision-making in the EU, pressure to take decisions quickly in the midst of the crisis and the need to monitor reforms across many policy sectors called for an organisational response on the part of national governments. In this context, our second research hypothesis is that the governments' response was to concentrate decision-making power and centralise administration.

The third research hypothesis of this article is informed by the approach of historical institutionalism (Thelen 1999). The hypothesis is that long-delayed reforms follow tortuous paths. Rather than occurring in a continuous flow, reforms are implemented at 'critical junctures' (Collier and Collier 1991; Hall 2010). At such points in time, an external stimulus, such as an economic crisis, makes the passage of reforms irresistible. A critical juncture is crucial for making a reform break-through, regardless of its merits. We hypothesise that abrupt change occurs because the accumulated pressure for reform to take a particular path, such as the direction of NPM in administrative reform, becomes hegemonic. In the heat of the moment, under time pressure and financial constraints, any other possible alternative reform paths vanish from the radar screens of reformers.

3. TRAJECTORIES OF ADMINISTRATIVE REFORM IN SOUTHERN EUROPE BEFORE THE ECONOMIC CRISIS

Before the crisis struck, although the public administrations of Greece, Italy, Portugal and Spain were different in terms of size and administrative culture, they were all variants of the Napoleonic administrative tradition and shared legacies of bureaucratic structure and functions. Common features of the four public administrations included a propensity to staff the lower levels of administrative hierarchy on the basis of patronage criteria and an extensive politicisation of the higher and even the middle echelons of these hierarchies (Sotiropoulos 2004). Notable differences among the four cases were the far more decentralised character of the Spanish and the Italian administrations compared to the Greek and the Portuguese, and the existence of an administrative elite in Spain, which is less discernible in Italy and much less discernible in Portugal and

Greece. In other words, the distance between the typical West and North European public bureaucracies and the bureaucracies of Greece and Portugal was larger than the distance between the former and the Spanish or Italian bureaucracy.

Later on, as global economic and technological challenges required faster and more flexible responses than those a traditional bureaucracy could offer, contemporary administrations across Europe and America themselves became more politicised (Peters and Pierre 2004). South European administrations themselves had started to embark on modernisation and NPM-like reforms before the onset of the economic crisis.

3.1. PRE-CRISIS TRENDS IN PUBLIC EMPLOYMENT

Over time South European public bureaucracies expanded in size after the transition to democracy in the mid-1970s in Greece, Portugal and Spain, as welfare systems grew and as voters and politicians continued the traditional exchange of votes for public sector jobs. In other words, clientelism and welfare state development led to the phenomenon of over-staffed public bureaucracies in Southern Europe, at least in comparison with North and West European bureaucracies in the 1990s and the early 2000s (Sotiropoulos 2004).

3.2. PRE-CRISIS NEO-WEBERIAN REFORMS

Bureaucratic transformation along neo-Weberian lines would entail, among other things, a 'containment' of excess politicisation, more transparent and verifiable patterns of recruitment and promotion for civil servants, clearer lines of hierarchy, free of informal channels of influence on policy decisions, and a culture of professionalism accompanied by a civil service *esprit de corps*. Between the mid-1970s and the mid-2000s there were reforms along these lines in all South European bureaucracies.

However, such reforms fell into the 'implementation gaps that, overall, appear to have been larger than those experienced in some Anglo-Saxon and also North European countries' (Ongaro 2008: 110). In fact, successive governments in Southern Europe pursued institutional reforms more persistently and more successfully than managerial reforms (Ongaro 2008: 111; Spanou and Sotiropoulos 2011). Establishing new institutions proved less costly in electoral terms and in terms of obstruction by entrenched bureaucratic interests than introducing new managerial processes. Initially, institutional reforms were limited to the appointment of party cadres of the winning party in national elections to ministerial cabinets and management positions in the public services. Later, reforms included consultation with civil service unions on changes affecting employment status, compensation and benefits and the creation of new institutions, such as the Ombudsman, which was given the role of intervening with the administration on behalf of citizens.

Since the 1990s there has been a shift of emphasis towards the professionalisation of the civil service and the rationalisation of bureaucratic structures. For instance, the

regulations for hiring and promoting civil servants were standardised and became more transparent than in the past, and institutes for the in-service training of civil servants were established. Despite the existence of loopholes not justified by a typical Weberian model of bureaucracy, such as the hiring 'through the back door' of masses of Greek and Italian temporary public employees who were the government's political clients, South European bureaucracies became more predictable in their structure and functions. Spain had a longer and more stable tradition of Weberian-like bureaucratic organisation and a legacy of higher civil service corps, meritocracy, transparency and chains of command than Greece, Italy or Portugal. In the latter three countries, the effort to complete the Weberian project took the form of a 'juridification of administration' in reaction to 'strong post-war politicisation' in Italy (Kickert 2011: 813) and, in the post-authoritarian period, in Greece and Portugal (Sotiropoulos 2006). In other words, successive waves of legislation and court decisions regulated the functioning of public administration, all the way from the pay scales and grade scales of the civil service down to the minutest detail of the day-to-day functioning of administration. Spain, however, had a shorter distance to travel in public administration reforms in order to approximate dominant administrative trends in the EU.

3.3. PRE-CRISIS PATTERNS OF ADMINISTRATIVE DECENTRALISATION

Between the mid-1970s and the mid-1990s extensive decentralisation occurred in Spain, Italy and even Greece, but not in Portugal. In the latter country substantive decentralisation was rejected twice by referendum. In the former three countries, and particularly in Spain, democratisation was associated with the devolution of power to regional authorities. Such authorities were created in Spain by the Spanish constitution of 1978, in Greece, through the introduction of regional governments above the level of prefectures after 1986; and in Italy, through a process of devolution of power from central government to regional authorities dating back to the 1970s (Kickert 2011: 813).

3.4. PRE-CRISIS TENDENCIES IN SOCIETY-ADMINISTRATION RELATIONS

Already before the onset of the crisis, South European countries had changed the citizen-administration nexus. They had brought public administration closer to citizens and improved the quality of services offered to them. For example, by the early 2000s, Greece had created a popular nationwide network of one-stop shops, named Centres of Services to Citizens (KEP). Portugal had reformed its Public Employment Services for the unemployed and, after 2005, introduced new technologies into public administration, simplified administrative procedures, offered citizens better access to public services and engaged in consultation with citizens (the Programme for the Reform of the Central State Administration – PRACE; Magone 2011: 777).

3.5. PRE-CRISIS REFORMS INSPIRED BY NEW PUBLIC MANAGEMENT (NPM)

As early as 1989 in Spain, 1992–1994 in Italy and the early 2000s in Greece, successive governments had tried to import administrative reforms inspired by the NPM approach, which involved, among other things, measuring the output of public administration and dismembering the central administration through the creation of agencies entrusted with specific tasks (agencification). However, NPM reforms took a long time and some remained on paper or were subsequently halted.

For example, in Spain already in 2003–2008 performance management constituted a priority in the context of budgetary reforms, which enabled Spain to achieve budget surpluses in the mid-2000s. As early as 2006 the Spanish government passed a law promoting the foundation of autonomous agencies (Alba and Navarro 2011), although, owing to budgetary constraints imposed after the onset of the crisis, agencification was halted in 2011 (Bezes and Parrado 2013: 40–41).

Similarly in Portugal, in the late 1990s, the government created the autonomous Public Institutes, in which the recruitment and compensation of public employees and management practices were more flexible than in the central administration. A new accounting system was put in place, and civil servants aspiring to become managers took advanced courses in public management. In the first half of the 2000s the Portuguese government upgraded the capacity of ministries to formulate policies, reinforced the regulatory role of the state and implemented market-type innovations to improve service provision. Moreover, NPM-inspired reforms promoted horizontal mobility across the civil service and contractual posts instead of traditional tenure-track ones (Corte-Real 2008: 219–220).

In Italy, agencies were created in the mid-1990s and ministries were restructured. The private regulation of civil service employment, based on collective bargaining, was introduced, salary levels were linked to performance assessment, the mobility of managers to and from the private sector was enhanced and management by objectives was introduced by legislation (Gualmini 2008: 82 and 84; Ongaro and Valotti 2008: 187–188). However, after 2000 the re-introduction of recruitment procedures reminiscent of the ‘spoils system’ worked in the opposite direction, constraining and controlling managerial autonomy at the higher levels of administration.

Greece was the country least affected by NPM reforms, although such reforms were formally adopted by law (Spanou 2008: 168–169). In the late 1990s and the first half of the 2000s, successive governments established agencies, but these remained at arms-length from ministries. Management by objectives and performance management were also introduced, but these were given low priority by government ministers and met with indifference by civil servants. NPM made such small inroads into the Greek public administration because of a traditional legalistic culture and a lack of skills on the part of civil servants, two obstacles which may, to a lesser extent, apply to other South European cases (Gualmini 2008: 92). Greece stands apart from

the rest of South European cases because of the more extreme politicisation of its public administration (Kickert 2011: 816). For NPM reforms to become implanted, a minimum of autonomy and distance between public administration and the day-to-day national political scene is required, and this precondition has not been met in the case of Greece.

4. THE DIFFERENT ORIGINS OF ECONOMIC CRISIS AND THE SIMILAR RESPONSES TO THE CRISIS IN SOUTHERN EUROPE

Since the onset of the global financial crisis, governments in most EU Member States have been under pressure to make rapid decisions on administrative reforms, lest the pressure from international markets became uncontrollable, as happened in Greece in 2010. Governments were cornered because of time constraints: in contemporary democracies which work on the presumption of social dialogue between social partners and in open economies which are exposed to international economic shifts, the pace of policy change is much slower than the rate of change of short-term economic fluctuations. The latter produce shocks that governments and administrative systems may normally need a lot of time to absorb. All this changed in Southern Europe because of the economic crisis.

Compared to the pre-crisis period, changes across the EU in the style of policy-making about matters of public administration and in the substance of the relevant policy measures took place. In Southern Europe, governments decided unilaterally on major policy issues, such as civil service salary levels and the hiring or dismissal of public employees. Previously such issues were decided upon after extensive consultation with civil service trade unions. This practice continued in EU Member States, with the exception of France and the four South European countries. In the latter countries, governments put aside social pacts (Bach and Bordogna 2013: 283–284). Moreover, the most important decision-making competences in the field of public administration were essentially taken away from the Ministry of Interior or the Ministry of Public Administration and transferred to the Ministry of Finance, which pursued fiscal consolidation.

The reforms were monitored by the Prime Minister's Office (PMO) which in turn was responsible for reporting to a Troika of the EC, the ECB and the IMF in the case of Greece and Portugal, or to EU authorities in the case of Spain and Italy. In the four South European countries, administrative reform became a top-down process, and 'top' now meant not only the summit of the government but also non-elected *supra*-national authorities. The letter addressed by the Governor of the ECB (Trichet) and the governor of the Bank of Italy (Draghi) to Italy's Prime Ministry (Berlusconi) in August 2011 is a case in point. Thus, the four countries under study differed from many other EU countries with regard to style of policy-making.

The content of adopted measures of administrative reform after 2008, while not precisely the same, was similar in many EU countries. This held true even where the measures concerned countries which faced economic challenges vastly different from those affecting South European countries. Examples of such measures taken by indebted and not-indebted countries alike included salary cuts and freezes in public administration, public employment cuts or a shift to hiring employees on temporary contracts, and the rolling back, if not retrenchment, of social security regimes for public employees. Such measures (e.g. deeper salary cuts) were adopted to a greater extent in the South European countries than elsewhere.

To sum up our argument up to this point, the four countries under study differed from other EU Member States both in terms of the extent and the type of the administrative reforms they embarked on after the crisis started. Beforehand, in Southern Europe, reformers had subscribed to different ‘logics’, rather than necessarily to the logic of NPM. In some cases reforms were couched in Neo-Weberian terms, in other cases in NPM terms. In the wake of the economic crisis however, reforms were almost exclusively based on NPM, as the following evidence indicates.

4.1. REDUCING THE SIZE OF PUBLIC EMPLOYMENT

All four South European countries proceeded to drastically downsize public employment. As Table 1 shows, between 2010 and 2013, the personnel of the public administration decreased in absolute numbers in all four countries. In terms of percentage change, the observed downsizing amounted to 11 per cent in Greece, 2 per cent in Italy, 4.5 per cent in Portugal and 4 per cent in Spain. In other words, Greece made deeper cuts in personnel than Portugal, Italy or Spain. This difference may be accounted for by the fact that throughout 2010–2013, in contrast to Italy, Portugal and Spain, Greece’s problem was primarily perceived as a fiscal problem and fiscal consolidation was subsumed to the monitoring of the so-called Troika, which closely oversaw the implementation of policy measures.

Table 1. Absolute number of people employed in public administration, including public health and compulsory public education 2010–2013

Country	2010	2011	2012	2013
Greece	976,200	946,100	893,600	873,000
Italy	4,465,100	4,460,200	4,432,300	4,378,600
Portugal	1,004,000	991,400	969,500	958,800
Spain	3,832,400	3,889,100	3,779,500	3,663,900

Source: Eurostat data on government revenue, expenditure and main aggregates, available at http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_a_main&lang=en

In contrast to the other EU Member States which opted out of employment freezes or low replacement rate of retirees, the four South European states proceeded to cuts in public employment, adopting measures in the following sequence: first, no or minimal replacement of retirees by new personnel, then a hiring freeze, and finally non-renewal of temporary and fixed-term contracts, followed by dismissals of permanent employees. Among all of the South European cases, Greece, which was the furthest away from a lean model of public employment, proceeded with the heaviest cuts in employment.

4.2. DEPRESSING THE COST OF LABOUR IN THE PUBLIC SECTOR

While in other EU Member States governments either granted small increases in pay or imposed pay freezes (Bach and Bordogna 2013: 283–284), in the four countries under study pay freezes in the first or the second year into the crisis were followed later on by pay cuts and by reductions in the pension benefits of retirees.

As Table 2 shows, in 2010–2013 the total compensation of public employees was downgraded to a larger extent in Greece and Italy than in Portugal and Spain. In other words, Spain, which had previously spent proportionally larger amounts of money compensating its public employees, continued to do so after the start of the crisis. By contrast, Greece, which had also previously spent a great deal on the salaries of public employees, made abrupt cuts over the same period. Greece and Spain were furthest away from the EU-27 average (Table 2), as Spain continued a relatively high spending pattern while Greece was forced to make salary cuts. This contradicts the ‘goodness-of-fit’ hypothesis, from which one would expect that both countries would move closer to the EU-27 average. In contrast to the Spanish government, the Greek government did not have a free hand on this issue, as incomes policy was closely supervised by the Troika. Moreover, in Portugal, salary cuts, which were initially very deep, were partly reversed by the Constitutional Court, which ruled that they were unconstitutional (Afonso, Zartaloudis and Papadopoulos 2014: 10).

Table 2. Compensation of employees as a percentage of total government expenditure, 2010–2013

Country	2010	2011	2012	2013
Greece	24.2	24.0	23.2	20.4
Italy	22.0	21.4	20.8	20.8
Portugal	23.8	23.0	21.1	22.1
Spain	26.0	25.8	23.4	25.3
EU-27	22.0	22.0	21.6	21.6

Source: Eurostat data on government revenue, expenditure and main aggregates, available at http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_a_main&lang=en

Higher civil servants in Greece and Portugal were not paid much more than other civil servants. In Italy the situation was vastly different: relative to their country's GDP per capita – on an annual basis, Italian senior managers were extremely well paid and in fact earned over three times the OECD's average annual salary, topping all other OECD countries, including Australia, New Zealand and the United Kingdom. In these Anglo-Saxon countries, in contrast to Italy, highly paid senior managers earned less than twice the OECD average (OECD 2013: 107, Figures 5.5 and 5.6). The case of Italy may be accounted for by the large role played by state-owned conglomerates in Italy's economic development since the interwar period and by the – until recently – strong trade unions representing civil servants.

4.3. IMPLEMENTING PERFORMANCE MANAGEMENT AND A RESULTS-ORIENTED CULTURE

In the context of the economic crisis, administrative reform in Greece and Italy included the establishment of stricter performance ratings using detailed criteria stipulated by law rather than by ministerial discretion or by decision of heads of units such as Directors General or Directors; and the establishment of periodic internal and external reviews and the diffusion of indicators measuring the performance of administrative units and administrators alike as a means of improving the quality of public services and rationalising government expenditure. In Greece and Spain the total number of working hours for public employees was increased. Horizontal mobility across public services was legislated for in Greece and Portugal, where the compartmentalisation of, and turf-wars among, services has been a problematic legacy in the larger context of the absence of strong coordinating mechanisms.

As for agencification, after the crisis started it entailed the establishment of new executive agencies, controlled by ministers but lying outside the remit of ministries. Agencification was deemed necessary for tasks such as privatisations in Greece and the provision of health care in Italy. These reform efforts were not completed, either before or after the onset of the crisis. As far as changes in management, working conditions and job evaluation are concerned, one cannot claim that any individual South European country was more 'fit' than another and thus more fully adapted to pressures of Europeanisation. As Kevin Featherstone puts it, 'performance management is an alien concept in the Napoleonic tradition' (Featherstone 2014: 12).

4.4. DECENTRALISATION

In Greece, Portugal and even Italy (which has developed regional authorities), although not in Spain, government employment is over-concentrated in central administration. Although, in 2011, less than 20 per cent of Spanish government employees worked at the central level, in Italy over 50 per cent of government employees, and in Greece and Portugal over 70 per cent of government employees did so (OECD 2013: 105, Figure 5.3).

The crisis has not facilitated further decentralisation. In Italy the crisis put strain on the devolution of funds and administrative competences from the centre to the periphery as central government attempted to balance its budget. Tasks delegated to municipalities in Greece, Italy, Portugal and Spain had often been inadequately funded and the situation worsened after the crisis erupted. For instance, in 2010 in Greece, the realisation that local government was a kind of a 'black hole' into which state funds vanished led to the merging of all municipal enterprises into a single enterprise per municipality. On the other hand, as the example of Spain shows, in decentralised systems fiscal consolidation at the level of central government is not necessarily accompanied by a similar consolidation at the regional level. Indeed, several Spanish regional authorities ('Autonomous Communities') have experienced fiscal derailment (for the cases of Spain and Italy, see Del Pino and Pavolini, this issue). In terms of the 'goodness-of-fit' hypothesis, after the crisis started, there were a few or no changes resulting from Europeanisation pressures. The least decentralised countries, Greece and Portugal, did not really narrow the gap which separated them from a model of truly decentralised administration. At the same time decentralised administrative systems, such as the Spanish one, faced difficulties resulting from the economic crisis.

4.5. IMPROVING THE RELATIONS BETWEEN SOCIETY AND ADMINISTRATION

In the wake of the crisis, South European governments accomplished, to a large extent, the online transfer of documents within and among ministries and public entities and electronic payments. The latter were primarily payments of taxes and social security contributions made by citizens and businesses to various branches of public administration, with the aim of reducing administrative burdens and facilitating citizen-administration relations. In fact, as OECD data shows (OECD 2013: 156, Figure 9.4), in 2011, in contrast to Italy and Spain where only a small number of private firms used the internet in their transactions with public authorities, in Greece and Portugal a large proportion of private firms did so. Portugal in particular was near the top in that respect, while Italy and Spain were close to the bottom. If part of the Europeanisation process is the establishment of digital infrastructures and electronic communication between the administration and businesses, then Greece and Portugal, which used to be laggards, have made great strides towards that direction, as one would expect from the 'goodness-of-fit' hypothesis.

However, interaction between citizens and administration presented a different picture from business-administration interaction. In 2011 in the context of all of the OECD countries, Greece, Portugal, Spain and above all Italy were among the worst performers, in the sense that only a minority of citizens used the internet to interact with public authorities (OECD 2013).

To sum up this section, with regard to administrative reform the responses of the four countries to the crisis were similar, in the sense that they embarked on the same

road to reform. They can be said to have become more Europeanised, where this term refers to a mix of EAS and NPM. The extent to which each country followed the same road differed. Greece made the most severe cuts in the size of public employment and the compensation of employees, whereas Spain made the least severe cuts. None of the four countries was ahead of the rest as far as introducing performance management and a results-oriented culture were concerned. With regard to decentralisation, Greece and Portugal did not really catch up with the more decentralised systems of Spain and Italy. And on society-administration relations, Greece and Portugal converged towards a somewhat more business-friendly model of public administration, while none of the four countries distinguished itself on facilitating citizen-administration relations. In view of these very variable outcomes, it is impossible to confirm the 'goodness-of-fit' research hypothesis.

5. REFORMING THE STATE'S CAPACITY TO MANAGE REFORMS

Up to this point we have discussed aspects of change in public bureaucracies in the wake of the crisis. However, what matters most is the government's capacity to steer a public bureaucracy, to implement policies and to change itself. The state's management capacity depends on the democratic accountability of the government, on trust in institutions and on financial, infrastructural and human resources and the performance of public administration. The state's management capacity is higher when strategic planning is integrated into the policy-making process. After the start of the crisis, South European countries changed along these dimensions.

5.1. THE STRATEGIC PLANNING OF ADMINISTRATIVE REFORM

In the past in Southern Europe, strategic planning was available only intermittently, specifically in periods in which governing elites (or even just an 'enlightened' minister) embarked on long-term reforms. An example is the reform of education, research and technology development in Portugal which started in the early 2000s.

Today in Spain and Portugal there are units at the highest level of the government entrusted with strategic planning, which produce short- and medium-term policy plans. By contrast, in Italy and Greece, little strategic planning takes place at the summit of the government, but there is strategic planning in the Greek and Italian Ministries of Finance.

Since the crisis erupted, strategic planning has been shared between national and international authorities and, in the cases of Greece and Portugal, planning was closely monitored by the Troika (Bertelsmann Stiftung 2014). Greece and Portugal formed task forces and sought external help (e.g. from the OECD) in order to improve strategic capacity, reviewing the operation and effectiveness of the government. In

Greece and Spain there were mergers of ministries, although these occurred without previous assessment of how ministries functioned; while in Italy such reforms were not part of the agenda of successive coalition governments.

5.2. INTER-MINISTERIAL COORDINATION

The capacity to steer an economy out of the crisis also depends on coordination among ministries by the summit of the government, which in South European countries denotes the Prime Minister's Office (PMO). In Spain the 'Moncloa' has ample sectoral expertise to evaluate draft bills but, in Portugal, Italy and Greece, the PMO often lacks in-depth policy assessment capabilities and limits itself to providing legal advice and political oversight of initiatives taken by ministers. However, in all four countries, the PMO is a strong gate keeper (Bertelsmann Stiftung 2014).

In Portugal and Spain there is much more consultation between the PMO and line ministries (e.g., the Ministry of Social Welfare and the Ministry of Education) at the policy preparation stage than there is in Italy and Greece. In the latter countries, the interaction between the Prime Minister's Office (PMO) and the line ministries takes place after a draft bill has been formulated and submitted to the PMO. In brief, Spain and Greece can be treated as contrasting cases. In Spain the summit of the government may have been strengthened but it still relies on other parts of central government (Parrado 2012: 212) while in Greece the summit, namely a small circle of decision-makers around the Prime Minister, has become a strong coordination mechanism because it is itself closely monitored by the Troika.

In all four countries, the coordination and management of government policies are also pursued through inter-ministerial Cabinet committees, composed of ministers. With the exception of Portugal, where such committees filter or settle issues before meetings of the Cabinet, Cabinet committees meet rarely and have formal competences in specific policy areas (e.g. foreign policy). There is, of course, extensive informal coordination among ministers.

There are also inter-ministerial committees composed of senior ministry officials, for instance, general secretaries of ministries. With the exception of Greece, which has the most 'top-down' type of government coordination, such officials in the South European countries meet periodically and prepare the government's programme. However, below the level of senior officials there is much less coordination among ministries. The role of civil servants of line ministries is minimal in Italy, Greece and Portugal, but remains enhanced in Spain.

5.3. LEGISLATING BY FIAT

Until the eruption of the crisis, the Spanish government consulted with social partners in a more or less systematic manner. Consultation primarily took place at the policy preparation stage. However, with the adoption of austerity measures in the wake of

the economic crisis, consultation broke down in all four countries. For example, in Italy in 2009 and in Greece in 2010, governments passed legislation to impose limits on collective bargaining over the wages and salaries of civil servants and public employment regulations (Mascio, Natalini and Stolfi 2013: 25).

Moreover, under conditions of urgency, South European governments proceeded to govern almost by fiat by issuing presidential decrees (in Greece) and royal decrees (in Spain). This is not uncommon in many democracies today, but in 2010–2014 in Southern Europe two alarming trends coincided: the social partners were pushed aside in Greece, Italy and Spain and also parliament was sidelined, in the sense that decrees of the kind noted above were not discussed in detail by parliament (Parrado 2012: 208). They could only be approved or rejected ‘in toto’ by parliament.

5.4. CONTROLLING THE PUBLIC FINANCES AND EXECUTIVE AGENCIES FROM ABOVE

After Greece’s bailout in 2010, the compliance of ministries increased as the Troika itself paid periodic visits to line ministries to ensure that the Greek government fulfilled the conditions of the bailout. Generally, in the wake of the economic crisis, the PMO strengthened the monitoring of line ministries in all South European countries.

On the other hand, in Spain, ministries were more able to monitor the finances and programme execution of executive agencies than in Portugal, Italy and Greece. In the three latter countries, ministries monitored executive agencies *ex ante* by influencing the appointment of their senior managers, while there was little *ex post* monitoring of the actual functioning of agencies. However, after the bailouts to Greece and Portugal (in 2010 and 2011 respectively), the compliance of executive agencies in these two countries probably increased, owing to the pressure put on supervising ministries by the Troika.

To sum up, we conclude from our analysis of governments’ internal organisation and management capacity that, in the wake of the crisis, all of the South European governments encountered planning and coordination problems, with the Portuguese and Spanish governments being more capable than the Italian government and a lot more capable than the Greek government to deal with the rapidly deteriorating economic environment. In Greece and Portugal, the two countries under bailout programmes, government decision-making and monitoring of policy implementation in crucial sectors was shared between the government and the Troika.

6. CONCLUSION: LINGERING PROBLEMS OF NON-REFORM IN SOUTH EUROPEAN GOVERNMENTS AND PUBLIC BUREAUCRACIES

This article has argued that, after the onset of the crisis, South European governments, pressed or at least monitored by external actors, such as the Troika in Greece and

Portugal, the IMF and the ECB in Italy and the EC and the ECB in Spain, embarked on similar public administration reforms and similar reforms to the organisation of government. In the wake of the crisis these two types of change, namely administrative reforms and government organisation reforms, were closely connected. Crisis-related reforms included cuts in the size of public employment and in the compensation of public employees; the implementation of performance management and a results-based culture; and improvements in the relations between society (citizens, businesses) and public administration. By contrast, agencification and further administrative decentralisation were arrested. The 'goodness-of-fit approach' cannot fully account for the administrative reforms that took place during this period. Thus, our first hypothesis, based on this approach, cannot be confirmed. Regarding government organisation, in all four countries the summit of the government and in particular, the PMO was strengthened, while the power of the Finance Ministry increased, even if it did not assume complete control over administrative reforms. In other words our second hypothesis about the concentration and centralisation of power was confirmed.

We suggest that national administrative and government organisation systems change at crucial transition points, regardless of the extent to which there is a 'goodness-of-fit'. Changes become accelerated when the wider economic environment, within which the government and administration are embedded, reaches a threshold beyond which the national economy, and along with it government and administration, may collapse. In the wake of the economic crisis, the governments and public bureaucracies of Southern Europe reacted as if approaching such a threshold, i.e., they embarked on accelerated reforms. To be sure, in reality, the four countries did not face the same challenges. Notably, it seems sufficient for governments to believe that a critical junction is in sight or that a crucial challenge is imminent, even if these beliefs are not justified. Judging from the comparable reactions of the four South European countries, the critical juncture, or challenge, became real in its consequences, even in cases such as Spain where reforms were considered much less urgent than in the case of Greece. In sum, our third hypothesis was confirmed. Long-delayed reforms in Southern Europe were implemented at the 'critical juncture' of the economic crisis which made the passage of the reforms irresistible.

Adapting to external pressures to reform government and administration does not mean that the direction of reform is obvious or given. However, after the crisis started, all four countries resorted to the same repertoire of reforms, i.e. NPM reforms, because this repertoire was available, had already been partly tried before the crisis, and no alternative was in sight. Despite cross-national variation, with regard to public administration and government organisation, a situation reflecting the mentality of TINA ('There Is No Alternative') has emerged. This non-economic TINA can be summarised as a trend towards NPM reforms in all South European public administrations.

Not all reforms have been completed, and in fact most are still ongoing. As expected, there is always a time lag between the passage of new regulations and their

implementation. If one is to judge from the extent of implementation of regulations affecting health care, conditions of hygiene and safety, environmental protection and commercial activity in the four countries under study, policy implementation is, and will be, an ongoing problem (Ongaro 2008). Impediments to implementation differ by country. In Spain it is difficult for the government to coordinate implementation in the 17 regions ('Autonomous Communities'). In Italy implementation has fallen victim to the fragility of government coalitions. In Portugal and Greece, lack of monitoring and control mechanisms and a skilled civil service have impeded implementation.

The economic crisis arrested some developments in public administration and government organisation and accelerated others. An example of arrested development was the ending of the devolution of funds and funding sources from the national to sub-national governments. An example of accelerated development was the strengthening of the powers of the head of government *vis-à-vis* ministers and the endowment of the PMO and the Ministry of Finance with further monitoring and decision-making authority. In sum, Southern European governments and public bureaucracies are in a state of limbo. They have preserved some of the historical legacies of government and bureaucratic organisation, but have hurriedly adapted to externally induced pressures to reform.

REFERENCES

- AFONSO, A., ZARTALLOUDIS, S. AND PAPADOPOULOS, Y. (2014) 'How Party Linkages Shape Austerity Politics: Clientelism and the Fiscal Adjustment in Greece and Portugal During Eurozone Crisis', *Journal of European Public Policy*, electronic publication, 1–20.
- ALBA, C.R. AND NAVARRO, C. (2011) 'Administrative Tradition and Reforms in Spain: Adaptation versus Innovation', *Public Administration*, 89(3), 783–800.
- BACH, S. AND BORDOGNA, L. (2013) 'Reframing Public Service Employment Relations: The Impact of the Economic Crisis and the New EU Economic Governance', *European Journal of Industrial Relations*, 19(4), 279–294.
- BERTELSMANN STIFTUNG (2014) *Sustainable Governance Indicators of OECD countries, Individual Country Reports on Greece, Italy, Portugal and Spain*, available at www.sgi-network.org/2014/Governance/Executive_Capacity/Strategic_Capacity.
- BEZES, F. AND PARRADO, S. (2013) 'Trajectories of Administrative Reform: Institutions, Timing and Choices in France and Spain', *West European Politics*, 36(1) 22–50.
- COLLIER, R.B. AND COLLIER, D. (1991) *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America*, Princeton, NJ: Princeton University Press
- CORTE-REAL, I. (2008) 'Public Management Reform in Portugal: Successes and Failures', *International Journal of Public Sector Management*, 21(2) 205–229.

- DUINA, F. (1999) *Harmonizing Europe: Nation-States within the Common Market*, New York, NY: State University of New York Press.
- FEATHERSTONE, K. (2014) 'External Conditionality and the Debt Crisis; the "Troika" and Public Administration Reform in Greece', *Journal of European Public Policy*, electronic publication, 1–20.
- GREEN COWLES, M., CAPORASO, J. AND RISSE, T. (2001) *Transforming Europe: Europeanization and Domestic Change*, Ithaca, NY: Cornell University Press.
- GUALMINI, E. (2008) 'Restructuring Weberian Bureaucracy: Comparing Managerial Reforms in Europe and the United States', *Public Administration*, 86(1), 75–94.
- HALL, P.A. (2010) 'Historical Institutionalism in Rationalist and Sociological Perspective', in MAHONEY, J. AND THELEN, K. (eds.) *Explaining Institutional Change: Ambiguity, Agency and Power*, Cambridge: Cambridge University Press, 204–223.
- HAVERLAND, M. (2000) 'National Adaptation to European Integration: the Importance of Institutional Veto Points', *Journal of Public Policy*, 20(1), 83–103.
- KICKERT, W. (2011) 'Distinctiveness of Administrative Reform in Greece, Italy, Portugal and Spain. Common Characteristics of Context, Administrations and Reforms', *Public Administration*, 89(3), 801–818.
- KNILL, C. (2001) *The Europeanization of National Administrations: Patterns of Institutional Change and Persistence*, Cambridge: Cambridge University Press.
- LADI, S. (2014) 'Austerity Politics and Administrative Reform: The Eurozone Crisis and its Impact upon Greek Public Administration', *Comparative European Politics*, 12(2), 184–208.
- MAGONE, J. (2011) 'The Difficult Transformation of State and Public Administration in Portugal: Europeanization and the Persistence of Neo-Patrimonialism', *Public Administration*, 89(3), 756–782.
- MASCIO, F., NATALINI, A. and STOLFI, F. (2013) 'The Ghost of Crises Past: Analyzing Reform Sequences to Understand Italy's Response to the Global Crisis', *Public Administration*, 91(1), 17–31.
- MASCIO, F. AND NATALINI, A. (2015) 'Fiscal Retrenchment in Southern Europe: Changing Patterns of Public Management in Greece, Italy, Portugal and Spain', *Public Management Review*, 17(1), 129–148.
- MASTENBROEK, E. AND KEADING, M. (2006) 'Europeanization Beyond the Goodness of Fit: Domestic Politics in the Forefront', *Comparative European Politics*, 4, 331–354.
- OECD (1999) 'European Principles for Public Administration', *SIGMA Papers*, No. 27, Paris: OECD Publishing, available at <http://dx.doi.org/10.1787/5kml60zwd7h-en>
- OECD (2013) *Government at a Glance*, Paris, available at www.keepeek.com/Digital-Asset-Management/oecd/governance/government-at-a-glance-2013_gov-glance-2013-en#page45.
- OLSEN, J.P. (2003) 'Towards a European Administrative Space?', *Journal of European Public Policy*, 10(4), 506–531.

- ONGARO, E. (2008) 'Introduction: the Reform of Public Management in France, Greece, Italy, Portugal, and Spain', *International Journal of Public Sector Management*, 21(2), 101–117.
- ONGARO, E. AND VALOTTI, G. (2008) 'Public Management Reform in Italy: Explaining the Implementation Gap', *International Journal of Public Sector Management*, 21(2), 174–204.
- PARRADO, S. (2012) 'The Executive at Work during Times of Crisis' in LODGE, M. AND WEGRICH, K. (eds.) *Executive Politics in Times of Crisis*, London: Palgrave Macmillan, 197–216.
- PETERS, G.B. AND PIERRE, J. (eds.) (2004) *The Politicization of Civil Service in Comparative Perspective*, London: Taylor and Francis.
- POLLITT, C. AND BOUCKAERT, G. (2011) *Public Management Reform: A Comparative Analysis – New Public Management, Governance and the Neo-Weberian State*, Oxford: Oxford University Press.
- RADAELLI, C. (2003) 'The Europeanization of Public Policy' in FEATHERSTONE, K. AND RADAELLI, C. (eds.) *The Politics of Europeanization*, Oxford, Oxford University Press, 27–56.
- SOTIROPOULOS, D.A. (2004) 'South European Bureaucracies in Comparative Perspective', *West European Politics*, 27(3), 405–422.
- SOTIROPOULOS, D.A. (2006) 'Old Problems and New Challenges: The Enduring and Challenging Functions of Southern European State Bureaucracies' in GUNTHER, R., DIAMANDOUROS, P.N. AND SOTIROPOULOS, D.A. (eds.) *Democracy and the State in the New Southern Europe*, Oxford, Oxford University Press, 197–234.
- SPANOU, C. (2008) 'State Reform in Greece: Responding to Old and New Challenges', *International Journal of Public Sector Management*, 2(2), 150–173.
- SPANOU, C. AND SOTIROPOULOS, D. A. (2011) 'The Odyssey of Administrative Reform in Greece: a Tale of Two Reform Paths, 1981–2009', *Public Administration*, 89(3), 723–737.
- THELEN, K. (1999) 'Historical Institutionalism in Comparative Politics', *American Review of Political Science*, 2, 369–404.
- VERNEY, S. AND BOSCO, A. (2013) 'Living Parallel Lives: Italy and Greece in an Age of Austerity', *South European Society and Politics*, 18(4), 397–426.