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REDUCING THE COSTS OF PUBLIC EXPENDITURES

Case Study

Keywords
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Abstract

This paper performs an analysis of the local public administration structures in Romania, analysis based on different case studies of decentralization and outsourcing,that have been identified within the system. The Romanian practice proposes a new type of structure, characterized, in the author's opinion, by adaptability, flexibility and, especially, by the reduction of public expenditure. The new "structure of local public organizations" proposed is the result of a higher level of decentralization and externalization, through market involvement. The article is based on the author's individual experience and on the activity of different local public organizations in Romania, being also inspired by Mintzberg's structure model. The model analyzed, does not imply a rejection of the current functions of public organizations (the case of neoliberalism), but it implies innovation and entrepreneurship (new public management), withthe intention to point out to an existing structure, much more adapted to the context, and capable of resolving different types of requirements.

GENERAL ASPECTS CONCERNING THE LOCAL PUBLIC ORGANIZATIONS

The classic public organizations are characterized by a high level of centralization, which leads to theisolation of the hierarchical levels. Information and decisions runthrough the entire hierarchy from top down. The hierarchical structure assumes that each level depends on the superior level and that each employee has a single manager, therefore the largest part of the organizations have a pyramid-like structure (Gow, J. I., Barette M., Dion S. andFortmann M., 1993).

However, this approach cannot be permanent. The public organizations must change, based on the fact that public administrations are vehicles for expressing the values and expectations of citizens, communities and societies. Certain values and expectations are constant; meanwhile others are changingwith the evolutionof society.

Periodically, one setof values takes front row, and its energy transforms the role of government and the practiceof public administration (Bourgon J, 2008).

Public organizations must acquireflexibility and the ability to adapt when it comes to citizens' demands and the external pressures.Still, even in crisis situations, such as the one in 2009, governments did not necessarily adopt reform measures for public organizations (Antonovici C, Savulescu C, 2016). The freezing and cutting of public sector workers' wages was a commonresponse of governments in the effort to restore sound public finances (Glassner V, 2010).

The role of the local public organizations is to contribute to the satisfaction of the general interest, of the common good, as defined and outlined by the legal framework. In order to achieve this mission, the local public organizations are endowed with competences and resources. The principleof decentralization stipulated by the Romanian Constitution, leaves it to the local public authorities (the mayor and thelocal council), within the limits set by the legal framework, to provide anddistribute resources (human, informational, financial and material), needed tofulfilltheir mission.

However,in similar cases, (Dincă D., 2012), the activity of local public organizationsis focused only on a few fields: taxation, budget management, social assistance, urban planning, public procurement or cadasterand real estate fund.

CURRENT STRUCTURE OF PUBLIC ORGANIZATIONSIN ROMANIA

Public administration within the Romanian administrative-territorial units is based on the principles of decentralization, local autonomy and deconcentration of public services. (art. 120 of the Constitution of Romania).The public administration authorities, through which local autonomy is achieved in communes and towns, are the local councils and the mayors, elected in compliance with the legal framework. The local councils and the mayor, function, in accordance with the legal framework, as autonomous administrative authorities and they manage the public affairs in communes and towns (art. 12 of the Constitution, Law no. 215/2001 on local public administration).

The local public organizations in Romania, the town halls and not only, are structuredstarting from the classical theories, in the shape of a pyramid, as seen in Figure 1, having, in general, up to eight hierarchic levels (http://www4.pmb.ro/wwwt/dox/organigrama.htm, 2017), which are all regulated.

The first two hierarchic levels are represented by political functions (level I – the mayor, levelII – the deputy mayor). Level III is represented by the secretary of the administrative-territorial unit, who has the status of public servant.

The next hierarchic levels are general directorates, directorates, units, offices and work compartments (art.3 of the Government Ordinance no. 229/2008, art.112(1) of Law no.188/1999, art. XVI of Law no.161/2003):

a) in order to establish an office, a minimum of 5 executive positions are needed;

b) in order to establish a unit, a minimum of 7 executive positions are needed;

c) in order to establish a directorate, a minimum of 15 executive positions are needed;

d) in order to establish a general directorate,a minimum of 25 executive positions are needed.

The compartment is made up of several persons performing homogenous or complementary activities, contributing to the achievement of the same derivative objectives, being directly subordinated to the same senior civil servant.

The total number of public management positions within each public authority or institution, except for the public offices of secretary of the administrative-territorial units, is of maximum 12% of the total number of public positions (hierarchical weight),as seen in Figure 1.

The maximum number of positions in a town hall is regulated, as it can be observed inTable no. 1, on population size as a benchmark . This regulation was issued in2010, withthe intention to reduce publicexpenditure, as a consequence of the economic crisis, thus reducing the local decisional autonomy in matters of sizing the local public organizationsby the elected authorities:

However, the functions of local public administration, as it be will further shown, in this paper, are the same, regardless of the number of inhabitants (the volume of activity differs), and the local public authorities in some cases are not able toachieve their purpose. In this situation, the local public organizations, incapable of coping with the demand for services, underwent transformations, throughan innovation and structure redesigning exercise, witnessing several cases of outsourcing of certain services to public or private entities.

Analyzing the structure of the different publicinstitutions (www.ps4.ro, www.ps2.ro, www.primariamagurele.ro., 2017), we can see that there are compartments ensuring operation, which serve as a support for the other activities (human resources, financial-accounting, audit, public procurement, legal, administrative, public relations, communication, IT, investments, archive) and operational compartments, performing activitieswithin the institution's competence and which provide direct services asit can beseenin figure no.2.We rarely come across support activities for research, development, increase in public service quality,orpublic services marketing.

The categoriesoflocal public services arelaid down by law (art.38 and art. 68 of Law no215/2001 for the local public administration)in the following fields:1) Education; 2) Social assistance; 3) Health; 4) Culture; 5) Worships; 6) Sports; 7) Public order; 8) Emergency situations; 9) Environmental protection and restoration; 10) Urban development; 11) Persons' records; 12) Public bridges and roads; 13)Public utilities; 14) Housing; 15) Entertainment; 16) Economic development.

In some local public organizations, thesupport activities are at the forefront. For example, within the mayor's office, inBucharest District 2 City Hall, Figure no.2, from a total numer of 357 positions, 226 areassigned to conduct supportactivities.

STRUCTURE ANALYSIS WITHIN THELOCAL PUBLIC ORGANIZATIONS (CITY HALLS)

In order to identify the extent to which local public organizations, through their current structureand legal constraints, perform their duties, an analysis about their condition conducted in 7 Romanianlocal public authoritieshas been performed,as follows: Tecucimunicipality, 3 towns–TirguBujor, Măgurele, Bolintin Vale and 3 communes-Domneşti, Dobroeşti, Jilavaas outlined in Table no.2.

The data collectedreveals that the number of positions, as it can be seen in Figure no. 3, reportedto 1000 inhabitants, variesfor the localities under study between 4.99 (Jilava) and 10.67 (Bolintin Vale). It has been established that this indicatorhas higher values in the case of towns, than in the case of the municipalities and communes.

This indicator is influenced by the local decision regarding the distribution of the maximum number of positions between the city hall and other local public organizations, providers of public services, by the establishment of publicenterprises or by transferring to private entities the provision of certain public services. The high value of this indicator represents the main cause forcentralization of the activities of local public administration in the direct subordination of the mayor. This is an indicator oflocal centralization.

The second indicator – the number of positions occupied/1000 inhabitants, depends only on the local decision, the mayor's decision whether to fill the vacancies or not.Only 47% of the positions are occupied in Bolintin Vale and only 81% in TîrguBujor, as seen in Figure no. 4.All town the halls analyzed have a consistent number of vacant positions.

Regarding the number of positions/structure component, we see a fragmentation of the positions (2.95 positions/structure component – TîrguBujor) as seen in Figure no. 3 and Figure no. 4.

As you may notice, there are significant differencesin terms of jobsdistribution, if the population, within theanalyzed city hallsis considered, but as it will be observed from now on, there is a connection between this observation and the degree to which certain activitiesunder the responsibility of the local administration are transferred, to other public or private entities,Table no.3,or, merely, certain activities are not performed, requiring the intervention of public entitiesfrom the deconcentratedlevel of public administration, or from the local level of public administration, represented by the counties (for example, the activity of building permit issuing, at the level of communes, is performed by the County Council), as seen in Table no. 3

Looking atother entities at the local level,which take over some of the city hall's responsibility, we can see that there is no connection between their number and the quantity ofservices transferred for provision, this being strictly a local decision of opportunityas shown in Table no. 4.

A POSSIBLE STRUCTURE OF LOCAL PUBLIC ORGANIZATIONS IN ROMANIA

The cases of responsibility transfer (public servicesprovision) previously identified, as well as thoseidentified in the Romanian administrative practice (for example, the transfer of responsibilityfor the provision of local taxes and fees'collection services or the parkingmanagement in Bucharest), leadsto the conclusion that the

largest part of the activities managed by a city hall in Romania, can be delegated to public orprivate entities. Anexercise of imaginationwill be performed through which all cases identified should be applied to the case of a single local public organization (city hall), as seen in Figure no. 5.

The *hypothetical structure directly* performs the coordination of the policy-making process, programs and strategies' development, identifying implementationtools, monitoring their implementation, preparing local rules/regulations and providing support for the local council, approval/authorization processes which cannot be entrusted to other entities (for instance, operationapprovals for economic agents)andoutsourcing, contract monitoring, control of outsourced services performance (in terms of legal compliance and quality of the servicesperformed).

The other activities can be outsourcedthrough public procurement proceduresto publicor private entities,or theycan be delegated to other publicentities (with or without legal standing) under the coordination of the local council.

CONCLUSIONS

The current structures of the local public organizations are inflexible, heavy, not adapted to the citizens' demands, expensive and unable to provide high-quality services. The changes in society, the emergence of new technologies, receive a delayed answer from them. The new public services or the new demands of society, imply the use of the already existing staff, which does not have the training required.

On the other hand, the number of employees in the organisation studied is low,compared to the number and types of activities they have to perform,for instance, the same employee performs activities in completely different fields (for example, within Dobroești city hall, the same employeeco-ordinatesactivities in the field of human resources, social assistance, cadaster).

We deem that the proposed structure based on theoutsourcing cases identified in the Romanian administrative practice, may lead to flexibility/adaptability and to a reduction of public expenditure and to an increasein public services quality.

The basic idea is that the local public organizationsmust operatewith a minimal structure, that will generate low operational costs and which must be able to manage the current activities.New services/demands implynew contractual relationships.For example, the case of public procurementcan be used. Most of the organisation analysedhave 1-2 positions assigned for this activity, but the number of public procurementprocedures managed within a year is 10-20. In other words, the existing positions do not have a steadyworkload throughout the year. One of organizations studiedhas outsourced this activity, thecosts amounted to 25%, compared to the other organizationsanalysed.The privateprovider of such services has contracts with several public entities, allowing him to accepta lower price and he is not in the situation of a conflict of interests (situation in which an employee from the local public organization would be, if he intended to offer his services to another organization).

It is the same with landscaping services. The organizations which have full time employees assigned for this task cannot use them during the winter, but they incur costs with these employees.The town ofMăgurele stopped performing this work through its own employees,setting up apublic enterprise, with multiple fields of activity, which may also contract works/services from third parties. Not only that theyperformedthe public activities with reduced costs, but it can also generateresourcesfor the local budget.

To conclude, it isbelieved that each public activityrequires a cost analysis and a selection of the management model that willgenerate the lowest publicexpenditure.The current legal framework allows direct, semi-direct, unilaterally delegated, contractual etc. management, meaning that the support instruments for applying such a model already exist.

The quality of the services directly managed is assessed through the quality of work of their own employees, difficult to quantify in public organizations. In case of outsourcing, we are dealing with a contractual relation, whose observance is much more easily quantified (the case of water supply in the City of Bucharest.

It is true that the proposed model represents an extreme, an almost full outsourcing of the activities remaining under the authority and control of the public organizations, which is possible, the target being to invite the public officials to the detailed analysis of the public activities (both operational and functional), in terms of costs, opportunityand quality.

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ANNEXES

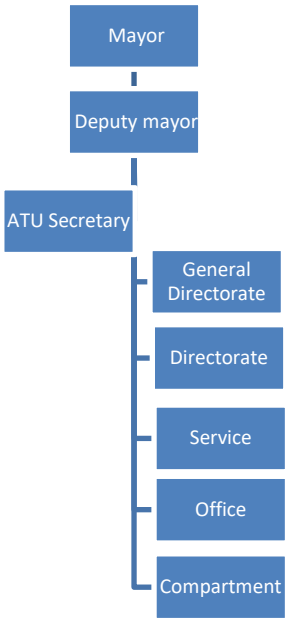


Figure no.1. The administrative pyramid of the local public organizations (town halls)

Table no. 1
Number of positions in town halls, corresponding to the population groups

No.	*Groups depending on the number of inhabitants*	*Number of positions*		
		minimum	*average*	*maximum*
1	1,501 - 3,000	25	30	33
2	3,001 - 5,000	35	44	51
3	5,001 - 10,000	53	63	75
4	10,001 - 20,000	76	100	130
5	20,001 - 50,000	131	151	189

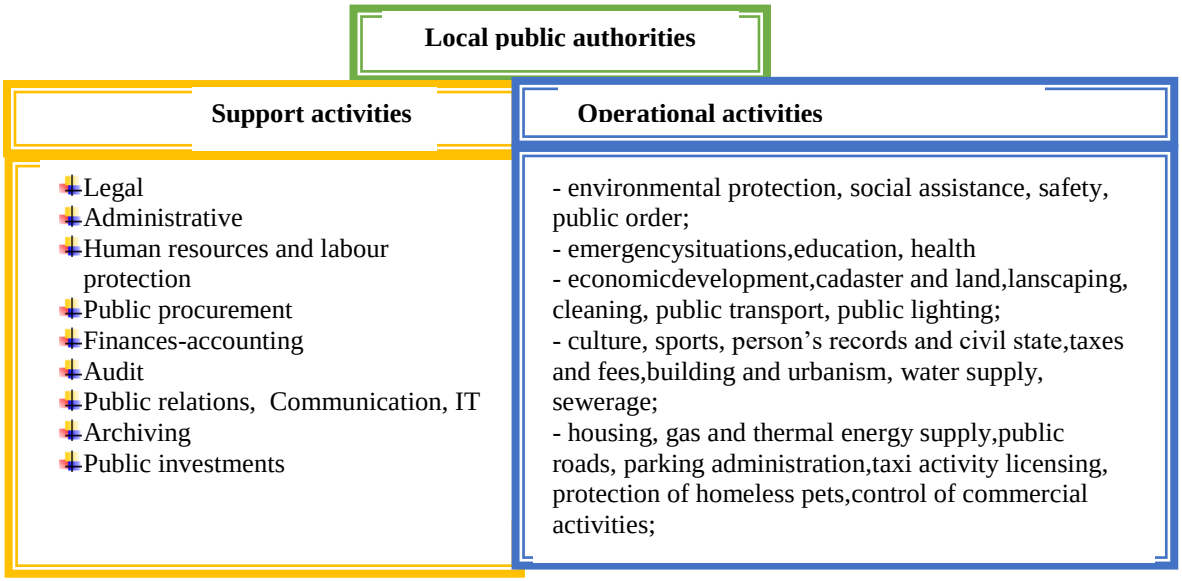


Figure no. 2 Categories of activities in local public organizations

Table no. 2
Number of public functions in the muncipality/towns/communes halls analyzed

	Tecuci	**TîrguBujor**	**Măgurele**	**Bolintin Vale**	**Domneşti**	**Dobroeşti**	**Jilava**
Number of inhabitants	**34871**	**6299**	**10565**	**12929**	**8682**	**9325**	**12223**
Maximum number of positions	250	65	84	138	58	54	61
Number of positions occupied	148	53	48	65	30	40	34
Total number of components of the structure, out of which:	31	22	20	18	16	13	13
Number of general directorates	1	0	0	0	0	0	0
Number of directorates	2	0	1	0	0	0	0
Number of services	6	2	5	2	3	1	0
Number of offices	8	0	1	3	0	3	2
Number of work compartments	14	20	13	13	13	9	11

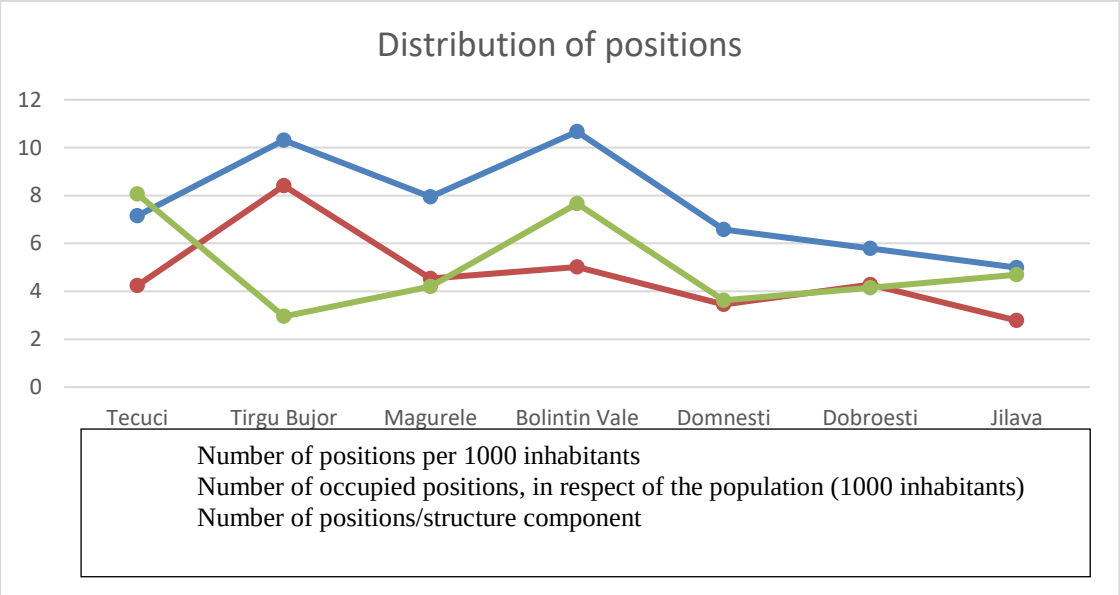


Figure no. 3 Distribution of positions depending on population and structure components

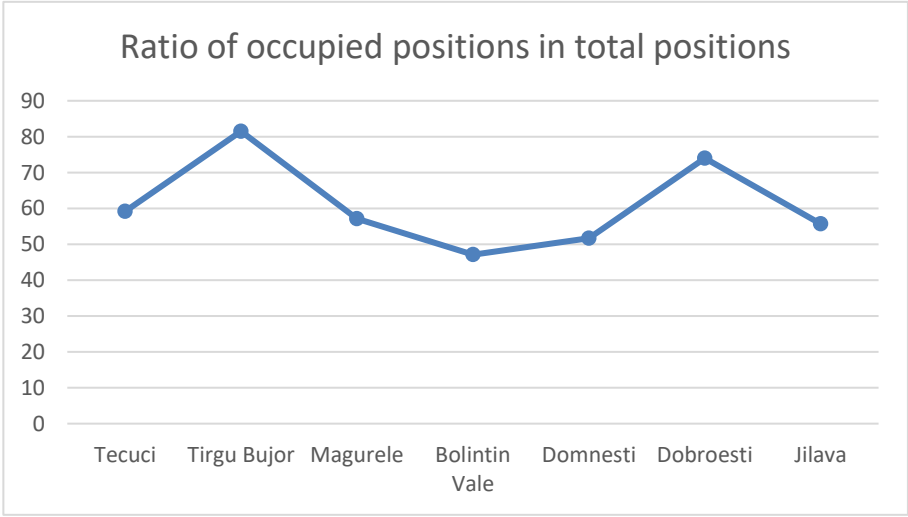


Figure no. 4 Ratio of occupied positions

Table no. 3
Activities directly performed by the city hall or transferred to other entities.

	Tecuci	TîrguBujor	Măgurele	Bolintin Vale	Domnești	Dobroești	Jilava
Environmental protection	x	x	x	x	Other public entity	Other public entity	Other public entity
Social assistance	Other public entity	Other public entity	Other public entity	Other public entity	x	x	Other public entity
Safety, public order	Other public entity	-	x	-	-	x	Other public entity
Emergency situations	x	x	x	x	-	x	x
Education	x	x	x	x	x	Other public entity	Other public entity
Health	x	x	x	x	-	-	Other private entity
Economic development	x	-	x	x	-	-	-
Cadaster and land	x	x	x	x	Partial Other public entity	Partial Other public entity	Partial Other public entity
Green spaces	x	x	Other private entity	x	Other private entity	Other private entity	Other private entity
Cleaning	Other public entity	x	Other private entity	x	Other private entity	Other private entity	Other private entity
Public transport	Other private entity	-	x	-	Other public entity	Other public entity	Other public entity
Public lighting	Other private entity	Other private entity	Other private entity	Other private entity	Other private entity	Other private entity	Other private entity
Culture	Other public entity	Other public entity	Other public entity	Other public entity	Other public entity	Other public entity	-
Sports	x	x	x	x	Other public entity	Other public entity	-
Person's records and civil state	Other public entity	Other public entity	Other public entity	Other public entity	Other public entity	-	Other public entity
Taxes and fees	x	x	x	x	x	x	X
Building and urbanism	x	x	x	x	Other public entity	Other public entity	Other public entity
Water supply, sewerage	Other private entity	Other private entity	Other public entity	Other private entity	Other private entity	Other private entity	Other private entity
Housing	x	-	-	-	-	-	-
Gas and thermal	-	-	Other	-	Other	Other	Other

energy supply			private entity		private entity	private entity	private entity
Public roads	Other private entity	Other private entity	Other private entity	x	Other private entity	Other private entity	Other private entity
Parking administration	x	-	x	-	-	-	-
Taxi activity licensing	x	x	x	x	Other public entity	x	X
Protection of abandoned pets	x	-	-	x	-	-	Other private entity
Control of commercial activities	Other public entity	-	x	x	Other public entity	Other public entity	Other public entity
Legal	X	x	Other private entity	x	Other private entity	Other private entity	Other private entity
Administrative	X	x	x	x	x	x	x
Human resources and labour protection	x	x	x	x	x	Other private entity	x
Public procurement	x	x	x	x	x	x	Other private entity
Finances-accounting	x	x	x	x	Other private entity	x	x
Audit	x	x	x	x	Other private entity	Other private entity	Other private entity
Public relations, communication, IT	x	x	x	x	x	Other private entity	Other private entity
Archiving	x	x	x	x	Other private entity	Other private entity	Other private entity
Public investments	x	x	x	x	x	x	Other private entity

Table no. 4
Local public entities (public enterprises and public entities with or without legal standing, under the coordination of the local council, but which are not part of the mayor's office)

	Tecuci	TîrguBujor	Măgurele	Bolintin Vale	Domnești	Dobroești	Jilava
Public enterprises	7	1	1	0	1	0	0
Entities with or without legal standing, under the coordination of the local council, but which are not part of the mayor's office	7	5	2	6	1	2	2

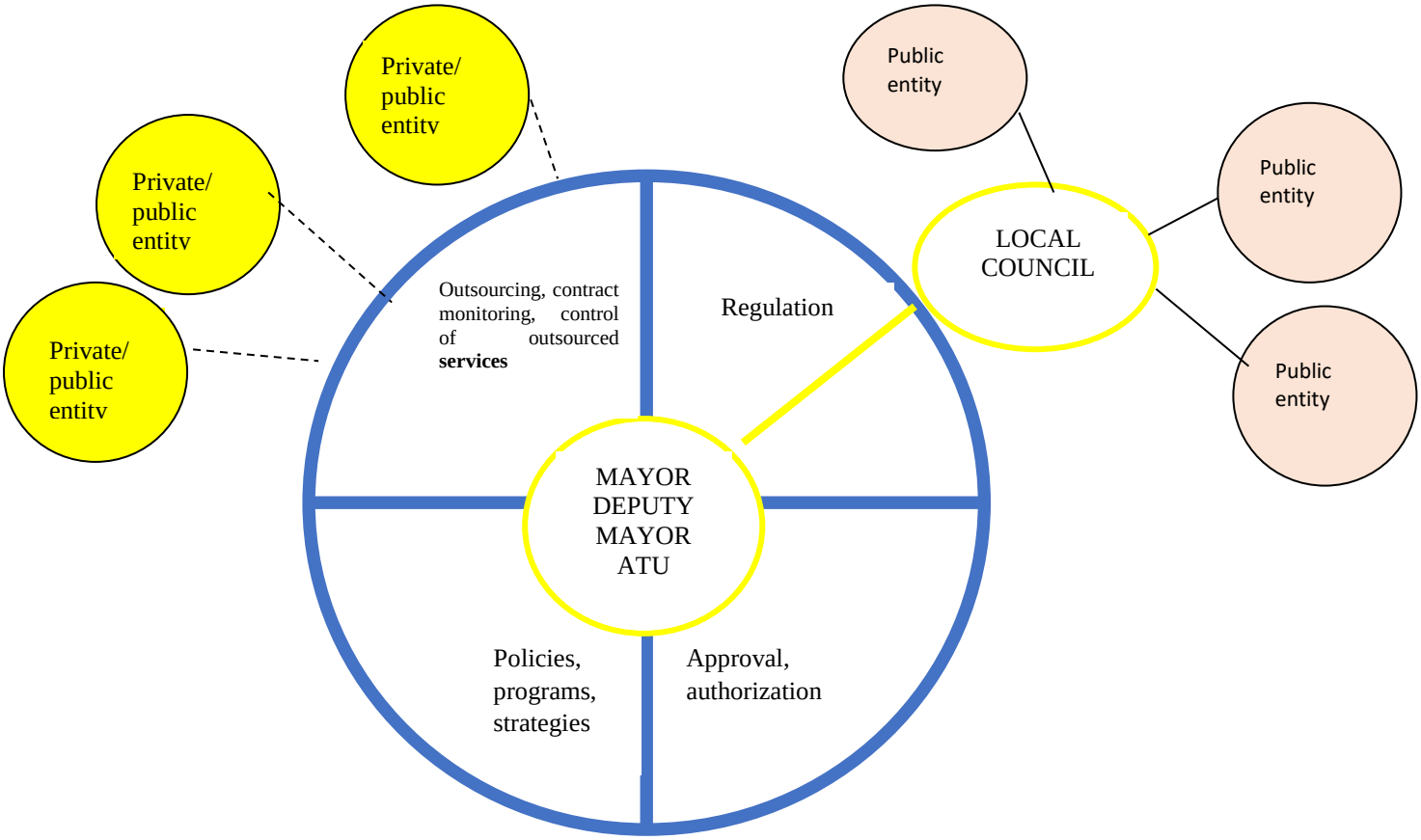


Figure no. 5 Hypothetical structure for local public organizations (city halls) in Romania

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