

*COST LocRef, 23-24 Oct 2015*

## *WG 2 Internal (post-)NPM reforms*

**Crisis perceptions and other factors of  
cutback strategies in European LGOs  
A Comparative Survey of France, Ireland, Italy,  
Portugal, Slovenia, Germany the UK**



# Research goals

*Explanatory  
knowledge*

*Descriptive  
knowledge*

*Evaluative  
knowledge*

*Analyze triggering and  
facilitating factors in  
various institutional,  
economic & social  
contexts*

*Describe & catagorize  
cutback efforts in terms  
of strategies, modalities  
& levers*

*Investigate the  
implementation mechanisms  
of the cost-cutting programs  
& the factors of success or  
failure*

*Knowledge Transfer*

# Central research issue

## ***Starting position***

- ⇒ *LG affected by the global fiscal crisis*
- ⇒ *Reduction of central endowments: new focus of savings policies*
- ⇒ *Increase of social expenses*
- ⇒ *Financial stress*

## ***Problem:***

- ⇒ *Doing more with less*
- ⇒ *Doing less with even lesser*
- ⇒ *Simultaneously: Cut & Innovate & Collaborate*

## ***Solution***

- ⇒ *Proliferation of cost-reduction programmes*
- ⇒ *Variety of cutback strategies implemented at the same time*

# Research Project: the “Next Steps”

*Literature review on austerity management*

*Work Package 1*

*Survey & quantitative analysis*

*Work Package 2*

*Cases studies: managing cutback (organizational & change approach)*

*Work Package 3*

*Measuring savings specific front & back office activities:*

*Work Package 4*

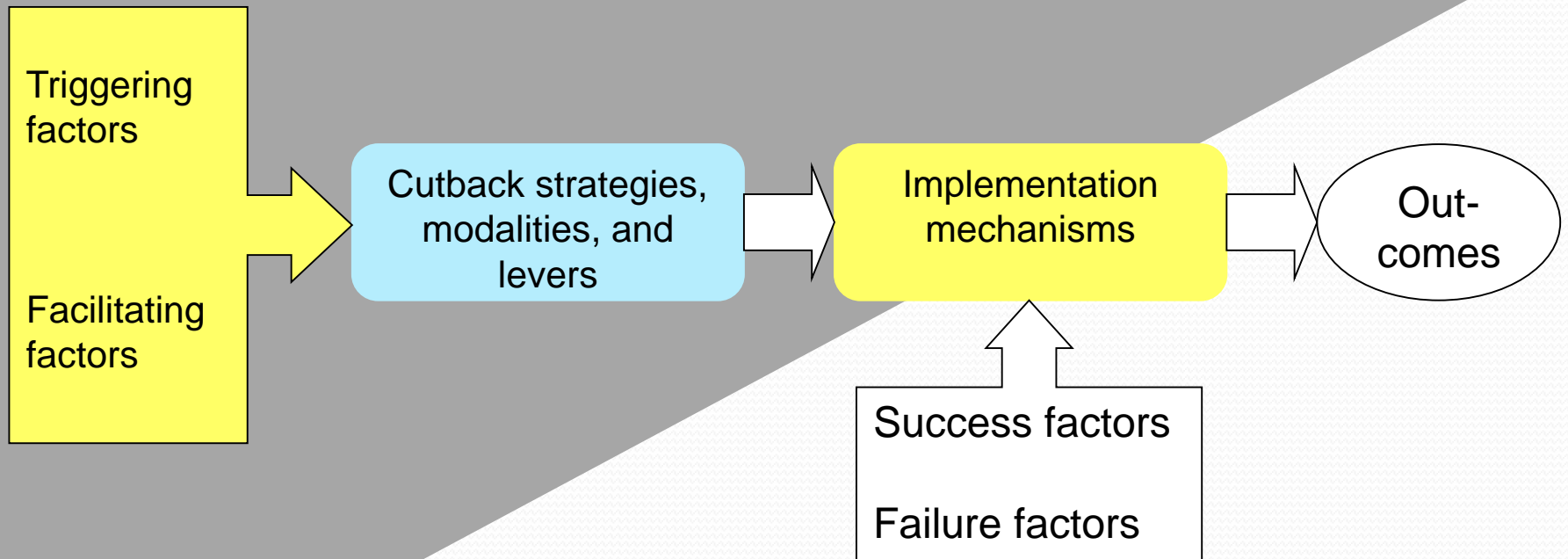
*Process analysis/target costing*

Research timeline

/Level of analysis macro=>micro

# Questionnaire: Explicative model

*Quantitative research methods*

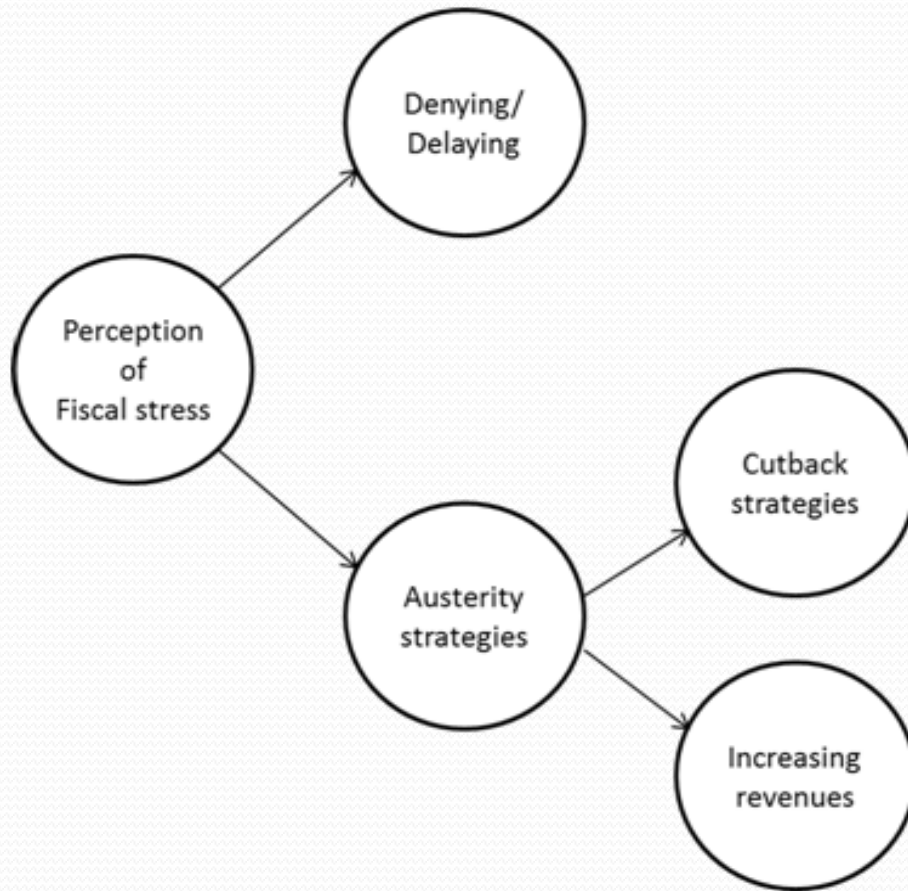


*Qualitative research methods*

# *Circumscribing the research questions*

- 1) Public organizations' reactions to crisis : an unstructured field
- 2) Factors of cut-back reactions : unconclusive quantitative studies
- 3) Field research: US Vs the EU

# 1) Public organizations' reactions to crisis : an unstructured field



- An interest for developing research on strategies to deal with decline, rather than mitigating it (Bozeman 2010)
- « A cutback is a cutback... how to wind back bureaucratic spending and staff with least damage to whatever is held dear” (Dunsire & Hood 1989)
- The highest challenge of LGOs: expectations of citizens and politicians



# 1) Public organizations' reactions to crisis : an unstructured field

Authors	Categorization of cutback actions and instruments
Clark and al. (1984)	<ul style="list-style-type: none"> <li>- Revenue raising</li> <li>- Productivity improvements</li> <li>- Attempt to reduce expenditures</li> </ul>
Jick and Murray (1982: 144)	<ul style="list-style-type: none"> <li>- Rational priority planning</li> <li>- Externally oriented political cuts</li> <li>- Internally oriented political cuts (cuts on weak units)</li> <li>- Across-the-board cuts</li> <li>- Delay</li> <li>- Abdication (turning to others to for decisions)</li> <li>- Passivity</li> </ul>
Turem and Born (1983)	<ul style="list-style-type: none"> <li>- Traditional: across-the-board cuts, hiring freeze, and lobbying for reductions in cutbacks</li> <li>- New: improving management practices, setting priorities in client needs and services provided, using self-help and non-service approaches, building new relationships and creating alliances with other agencies and firms</li> </ul>
Stevens and McGowan (1983)	<ul style="list-style-type: none"> <li>- Seek external revenue</li> <li>- Compromise existing authority and financial position (e.g., by defaulting on debt)</li> <li>- Increase internal revenue</li> <li>- Seek additional state aid and authority</li> <li>- State pays high-cost items</li> <li>- Cut safety and human services</li> </ul>

Authors	Categorization of cutback actions and instruments
Levine (1978)	<ul style="list-style-type: none"> <li>- External political tactics to resist decline</li> <li>- External political tactics to smooth decline</li> <li>- External economical tactics to resist decline</li> <li>- External Economical tactics to smooth decline</li> <li>- Internal political tactics to resist decline</li> <li>- Internal political tactics to smooth decline</li> <li>- Internal economical tactics to resist decline</li> <li>- Internal economical tactics to smooth decline</li> </ul>
Plant and White (1982)	<ul style="list-style-type: none"> <li>- Across-the-board cuts</li> <li>- Improving productivity</li> <li>- Cutting marginal programs</li> <li>- Outsourcing and other market-driven strategies</li> <li>- Clarification and utilization of organizational mission</li> </ul>
Dunsire and Hood (1989)	<ul style="list-style-type: none"> <li>- Decrementalism</li> <li>- Reorganization</li> <li>- Demanning</li> <li>- Curtailment</li> </ul>
Pollitt (2010)	<ul style="list-style-type: none"> <li>- Cheese slicing</li> <li>- Efficiency gains</li> <li>- Centralized priority settings.</li> </ul>
Overmans and Noordegraaf (2014)	<ul style="list-style-type: none"> <li>- Cutbacks</li> <li>- Retrenchment</li> <li>- Decline</li> <li>- Downsizing</li> </ul>
Raudla and al (2013)	<ul style="list-style-type: none"> <li>- Instruments for cutting operational measures (running costs)</li> <li>- Program measures (transfers and grants)</li> <li>- Capital expenditures (investments):</li> </ul>



# 1) Public organizations' reactions to crisis : an unstructured field

	<u>Cutback budgeting</u>	<u>Managerial cutback</u>	<u>Cutback actions with an outbound focus</u>
<b>Macro</b>	<u>Accross the board/ targeted budgets</u>	Business & Management model	<u>Merger/ privatisation/ Policy transfer</u>
<u>Meso</u>	Budget format	<u>Isolated management techniques</u>	Collaboration: joint venture, PPP, outsourcing
<b>Micro</b>	<u>Budgeting techniques</u>	Informal management practices	<u>Internal decision with direct impacts on partners and beneficiaries</u>

An ex ante categorization of cutback actions

# *1) Structure of the questionnaire*



# Diffusion

- France (Turc, Guenoun)
- Italy (Mussari, Palmieri)
- Portugal (Rodrigues)
- Ireland (Robbins)
- Slovenia (Pevcin)
- Germany (Schwab, Blank)
- UK (Liddle)
- ... (*Spain, UK...*)
- France: diffusion through networks (AFIGESE-CT, INET, CNFPT, PILOTE, Gazette des Communes, Lettre du Cadre, UFPT)
- Difficulties of sampling
- Size of LGO populations
  - France: 36 786
  - Italy: 8 092
  - Portugal: 308
  - Ireland: 80
  - Germany: 11 252
  - Spain: 8 167
  - Slovenia: 211
  - UK: 433

## 2) Factors of cut-back reactions : inconclusive quantitative studies

- Factors explored:
  - **Severity of fiscal crisis**
  - Duration of crisis
  - Demands of interest groups
  - Community pressures
  - External events
  - Functional responsibilities
  - **Political culture**
  - Management politicization
  - Unionization...
- Some proof from qualitative research
- **Failure of quantitative confirmation** (Bartle 1996; Morgan & Pammer 1988; Clark & Walter 1990) *US studies*
- **Proposing an alternative framework:**
  - Strategic issue diagnosis & organizational responses to crisis (Dutton & Duncan 1987, Dutton & Jackson 1987, Dutton 1986)
  - ➔ Cutback programs as responses to perceptions of fiscal crisis

*(Levine et al. 1982; Levine 1979, 1985; Bartle 1996; Clark & Walter 1990; Raudla et al. 2015)*

## 2) Factors of cut-back reactions :

inconclusive  
quantitative studies

- Testing various models

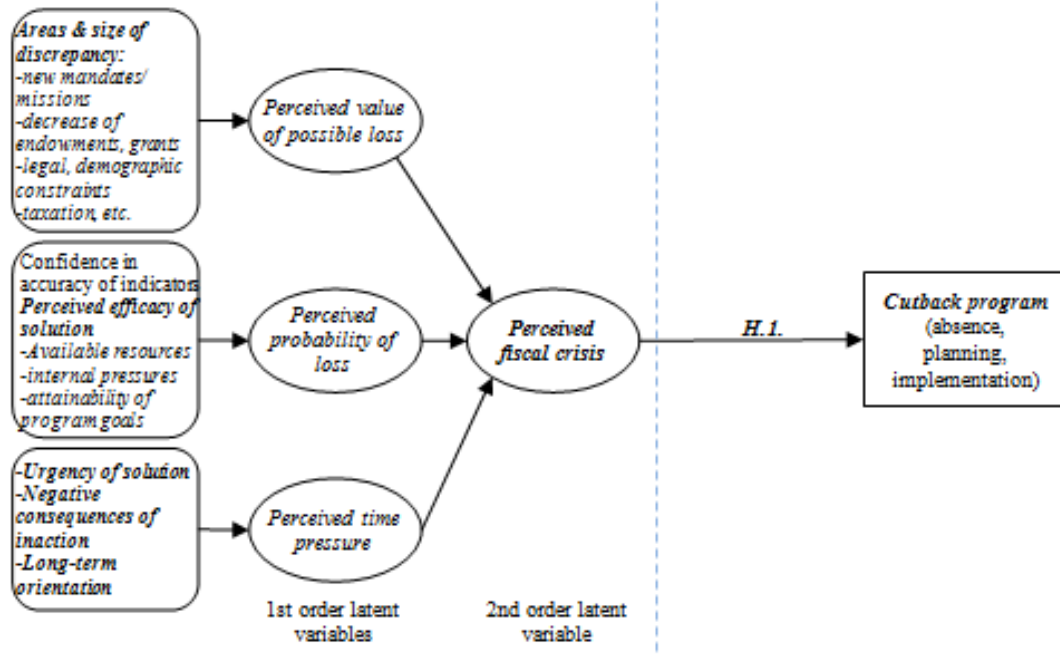
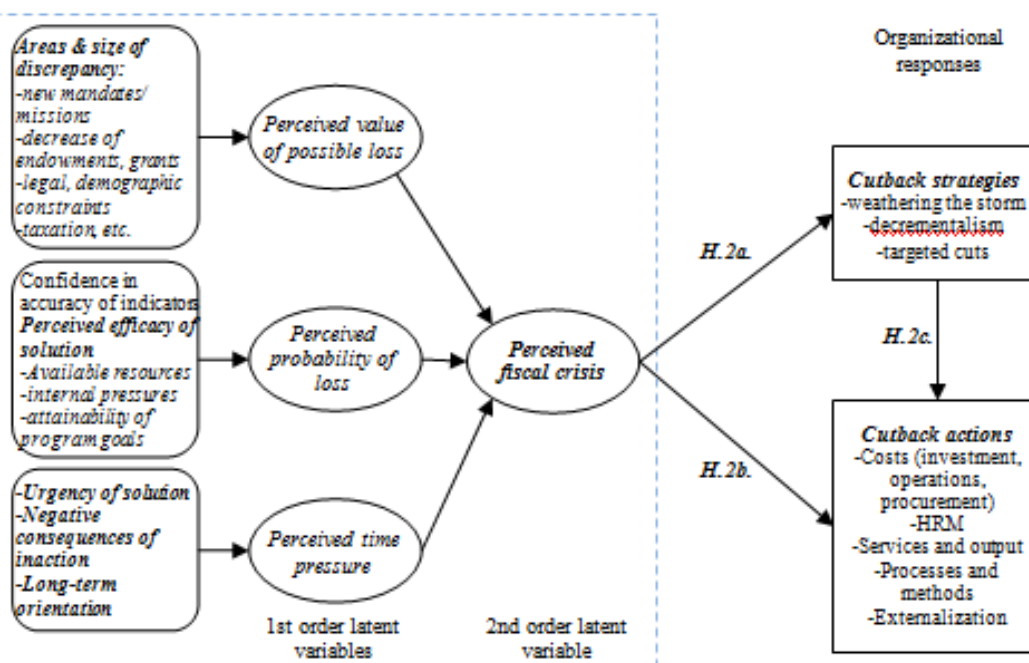
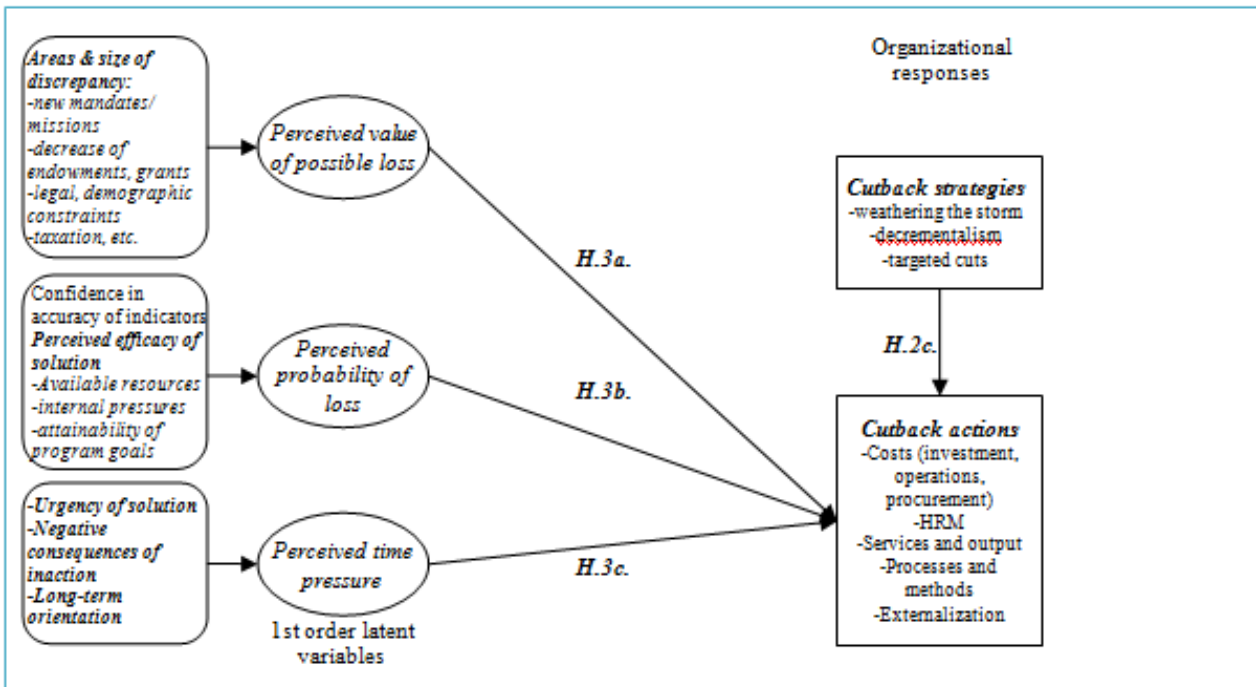


Figure 3: 1st quantitative model - Fiscal crisis perceptions as triggers of cutback programs in LGOs



## 2) Factors of cut-back reactions : inconclusive quantitative studies

- Testing various models



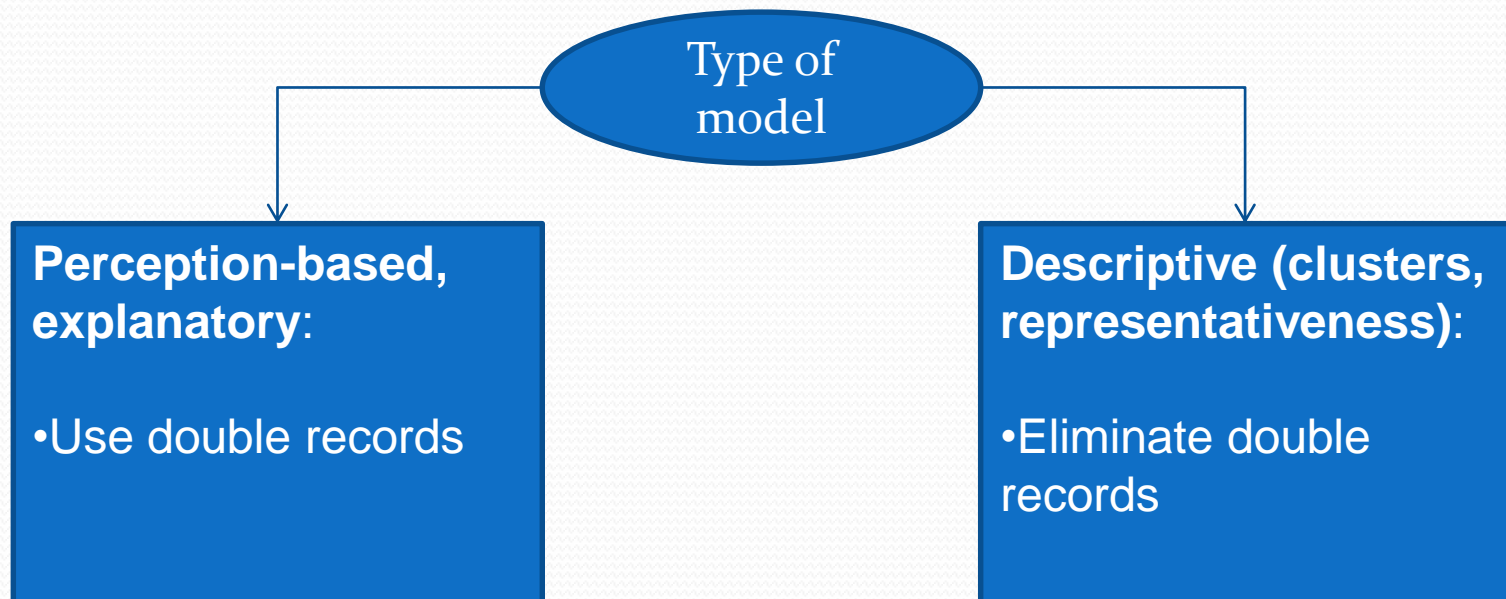
# *Other models and ways of using the data*

- Clustering (hierarchical ascending, descending)
  - Impact of political makeup on cutback triggering & features (strategies)
  - Links between cutback strategies and cutback levers (correlations)
  - Comparison of planned programs & effective programs
  - ...
- 
- Other ideas ??



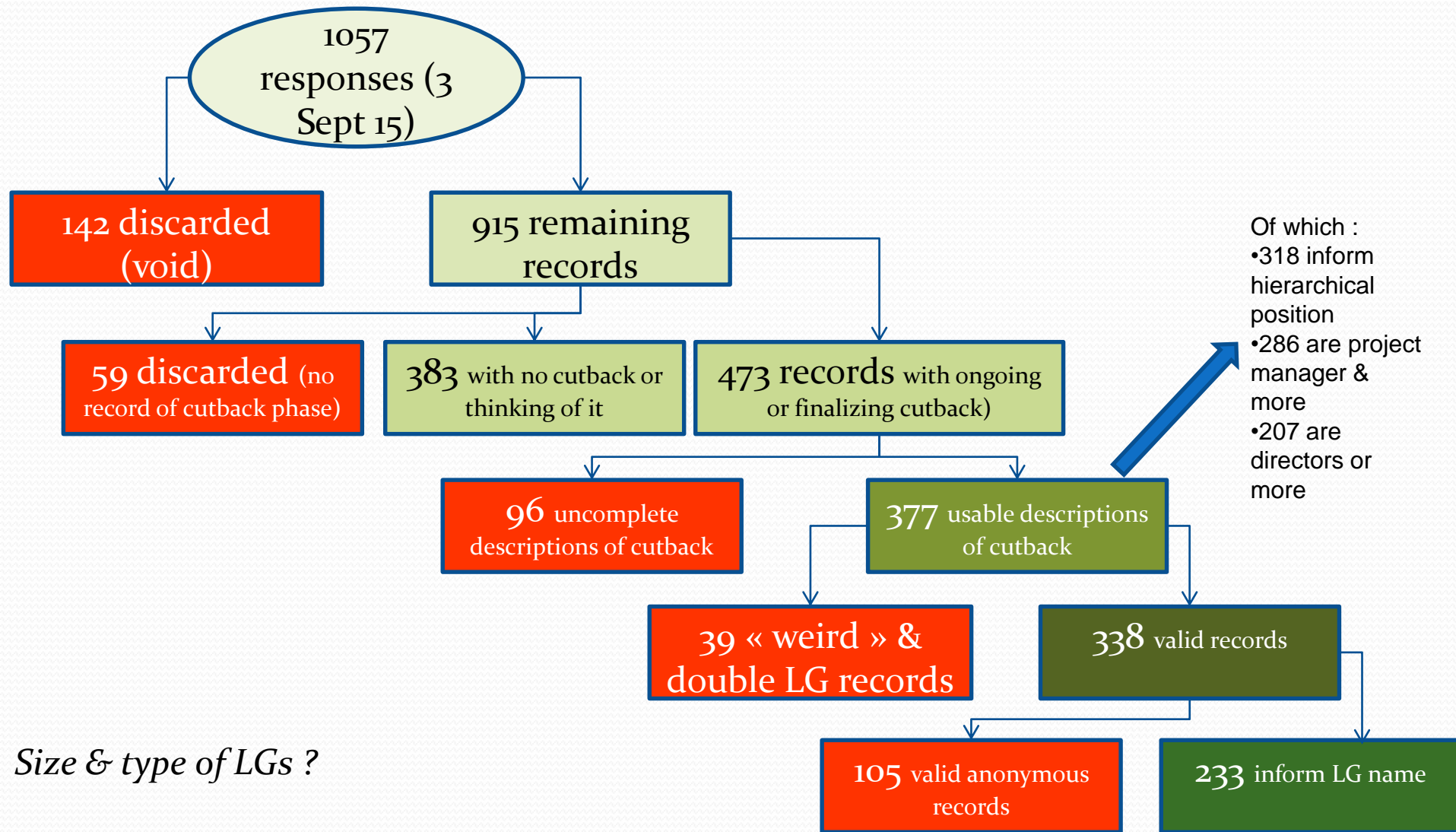
# The French data

- Online survey (databases of partner institutions: Gazette, CNFPT, AATF, Afigese, SNDGCT, Carnutes) → uncontrolled sample
- Collection units: Mayor, councilmen with administrative functions, CEO, Deputy CEOs, Directors, Department heads, Managers of HR, Finance, Management control departments → Leadership team (some global view of cutback)
  - → some double records / LG
  - How to use ? Proposal of data treatment

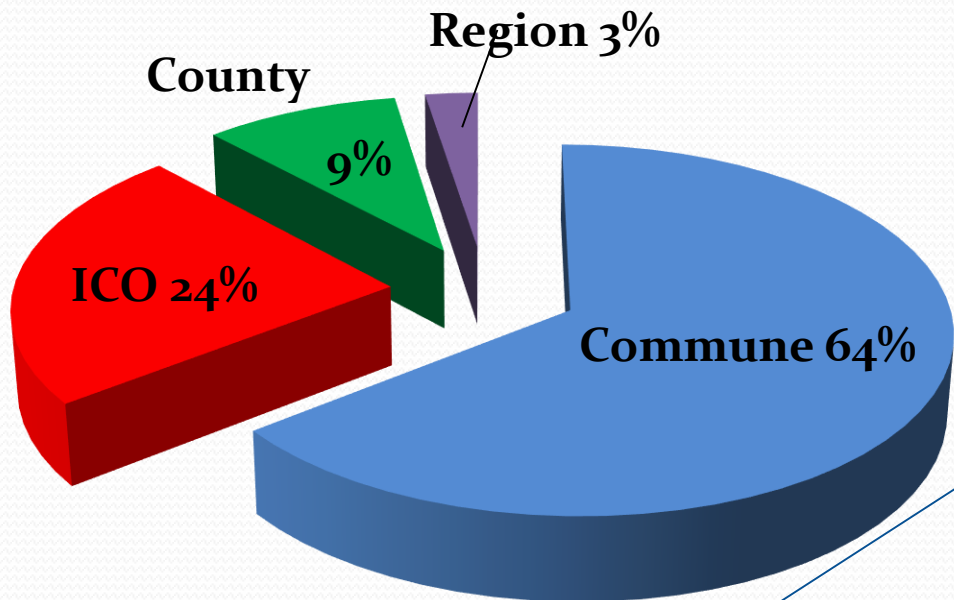


# The French data

- Many cases of LGs without cutback processes
  - Do not discard ! Use for triggering models (crisis perception and stage of cutback are informed)

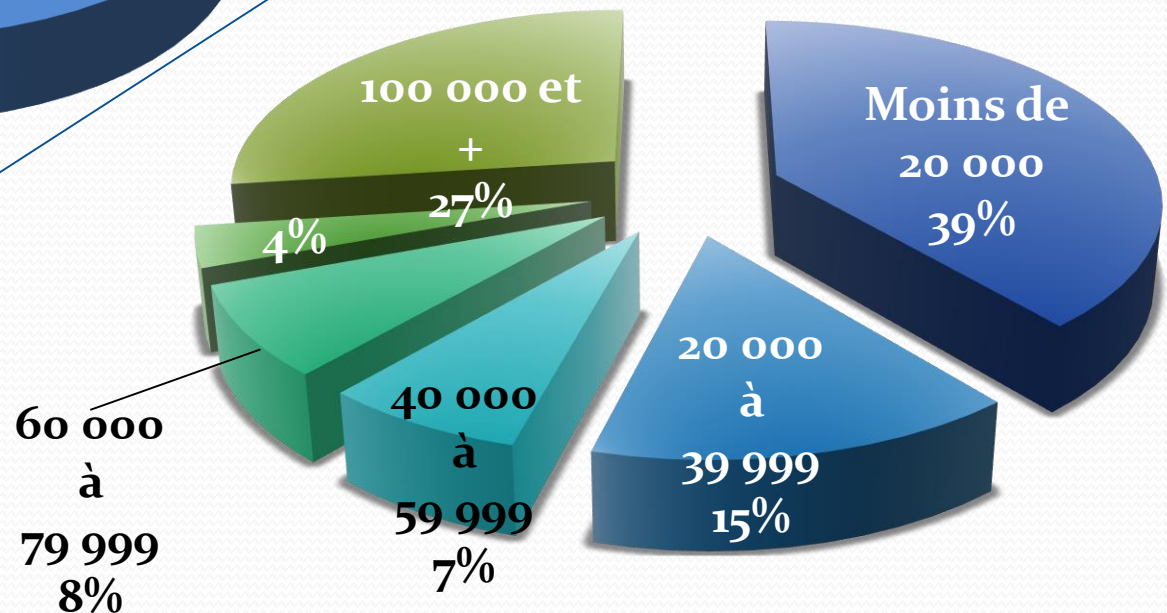


# The French data



*Type of Local Government*

## Number of inhabitants



# *First French study*

- Characterize cutback strategies and levers
- Work on database without double records
- Method : *PC & Varimax (dimensionality) ; FA & Promax (sorting items)*

# Accounting & budget strategies

## Reduction/suppress. Prog./act.

-Red prg./act most costly/essential  
-Red/supp of optional pol. & serv  
-supp. Prg./act. Unaligned with population needs

## The financial approach

-Active strg. Of debt management  
-Better cap. Of financial engineering & forecasting

## Mitigation approach

-Accounting « paper » cuts  
-Equal misery

## Integration of stakeholder expectations

-Include expectations and pressures of other institutions  
-Higher citizen participation to cutback choices

## Drop-offs

- Targeted cutback
- Implementation of spending norms per department
- Comprehensive cuts based on reassessment of goals and priorities

## Factor correlations

Cutback Strategy	1	2	3	4
1 Reduction/ Suppress.	1,000			
2 Financial	0,261	1,000		
3 Mitigation	- 0,0087	- 0,372	1,000	
4Ext. stakeholders	0,309	0,535	-0,204	1,000

# Resources

## Indirect levers

- Increase asset maintenance for + value & use
- Automatize maintenance
- Rationalize the premises / open space
- Capp or reduce energy & utility costs
- Joint procurement with other LGs
- Sourcing policy
- Management control of procurement
- Flexible work planning and organization
- Reduce absenteeism

## Direct HR levers

- Capped aggregate payroll
- Layoff or non replacement of contract employees
- Reshuffle staff according to dept budgets
- Reduce remuneration (wage freeze, overtime...)
- Control career progress, use less credential employees



*Correlation*

## • Drop-offs

- Reduce investments, postpone
- Cancel investment
- Limit, postpone, suppress maintenance
- Capped cost of supplies
- Capped institutional overhead
- Implement procurement unit or int joint procurement
- Compare procurement prices with other LGs
- Benchmark providers
- Encourage retirement & early retirement schemes

# Processes and methods

## Performance manag. And accountability

- Responsibility centers & annual int contracting
- Incentive syst based o efficiency and cost
- Business intelligence syst
- Systematic cost calcul
- Management by obj
- Reduct hierarchy layer
- Decentralize HR&Fin decisions
- Maagement charts

## Administrative planning

- Org missions, visions, strg planning
- Multiannual invest & property scheme
- Multiannul operations plan

## Management models

- Yield management
- Lean management
- Process reengineering
- Syst of quality manag & control (ISO, CAF, EFQM)
- Benchmarking

## Drop-offs

- Eval of public policies & user satisfaction
- Reorganization of management review meetings
- Specialized unit for management improvement
- Use of external expertise
- Merger of departments & one-stop-shop
- Project management
- Raise management awareness for cutback & efficiency
- Raise employees' awareness for cutback & efficiency
- Employee assessment
- Customer relationship management

## Factor correlations

	1	2	3
1 PM & Accountab.	1,000		
2 Planning	0,672	1,000	
3 Manag models	0,747	0,579	1,000



# Output, Tariffs, Partners

## Output reduction

- Reduce frequency / intensity of output
- Reduce range of services / compensations
- Level or reduce service quality / compensations
- Reduce opening hours
- Reduce no of outlets or capacity

## Modernize and coproduce

- Implement contacts of means / obj with ONGs
- Increase private patronage / sponsorship
- Use new types of partnerships & civil society resources
- Streamline service delivery
- Digitalization / e-administration

## Diffuse pressure to other LGs & private partners

- Shift certain functions or policies to other LGs
- Contract out to firms, PPPs
- Inter-government management of certain resources / policies
- Decrease funding of inter-govt services and programs
- Privatize certain activities & services

## Drop-offs

- Transform compulsory to discretionary services
- Decrease entitlements
- Organize higher user participation (self-service)
- Include social and sustainable development clauses in public procurement
- Review outsourcing contracts
- In-source services
- Contract out to ONGs
- Suppress / reduce subsidies to civil society organizations

## Factor correlations

	1	2	3
1 Output reduction	1,000		
2 Modernize & coproduce	0,091	1,000	
3 Diffuse pressur	0,117	0,383	1,000

# Timeline – We need to start producing !!!

Jan-March 2013  
Production of the questionnaire

May 2015 Dubrovnik  
Model discussion. Team construction

June-Oct 2015  
National adaptations, translation of model  
Data collection (France, Portugal)

Publication  
strategy



→ December 2015  
Data collection (Italy, Slovenia,  
Ireland, Germany, UK?, Spain?)

→ April 2016  
Quantitative analyses: national,  
comparative (various groups & models)

May, June 2016  
**!!! Write first papers !!! Send to Journals**

→ December 2016  
Second wave of papers

2017  
CUTBACK BOOK

# Publication strategy

CONTENT			
Explanative models	Description of cutback approaches : national & comparative	Comparing planned & effective cutback programs	Partial approaches & exploitations of questionnaires
<ul style="list-style-type: none"> <li>-Triggering models</li> <li>-Intensity of crisis perception – cutback strategies</li> <li>-Cutback strategies → cutback levers</li> <li>-Political makeup &amp; cutback strategies and levers</li> </ul> <p>-... <b>YOUR IDEAS</b> -(functional, etc.)</p>	<ul style="list-style-type: none"> <li>-Cluster analyses (ascending, descending, etc.)</li> <li>-Factor analyses</li> <li>-Comparisons across LG strata, comparisons across size, ...</li> <li>-...</li> </ul> <p>-... <b>YOUR IDEAS</b></p>	<p>...</p> <p>-... <b>YOUR IDEAS</b></p>	<ul style="list-style-type: none"> <li>-e.g. crisis perceptions &amp; macro-dimensions (European comparison)</li> <li>-Tariffs VS resource cutback</li> <li>-National adaptations of questionnaire</li> <li>-...</li> </ul> <p>-... <b>YOUR IDEAS</b></p>
-COMPARATIVE	- COMPARATIVE	- COMPARATIVE	COMPARATIVE

# Publication strategy

	National	Comparative
→ Oct 2015	Translation & adaptation of questionnaires	
→ Dec 2015	Data Collection	
Jan → March 2016	Quantitative analyses & feedback	Creation of comparative databases
May → April 2016		Quantitative analyses & feedback
June → July 2016	Write first papers, send to journals	Write first papers, send to journals
→ Dec 2016	Second wave of papers	Second wave of papers
2017	CUTBACK BOOK	CUTBACK BOOK

# *Publication strategy*

- Slices & partitions
- Your ideas