

THE DIMENSION OF PUBLIC ADMINISTRATION IN CENTRAL AND EASTERN EUROPEAN COUNTRIES IN THE CURRENT FINANCIAL CRISIS

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Abstract

The article analyzes from a comparative perspective the main characteristics of the public function in countries from Central and Eastern Europe. Faced with financial crisis, the governments start taking measures regarding the public administration. The article analyzes the evolution of public administration in Romania between 1990 and 2009; the impact of financial crisis on it; and finally yet importantly, through an econometric model, it determines the relationship among the main factors of influence, GDP, public expenditure and the number of civil servants.

1. Introduction

Most European Union (EU) countries have faced the need to decrease the number of employees in the public sector in order to reduce public expenditures and to meet financial pressures. The ways of doing this differ depending on each country. In a survey conducted by the O.E.C.D. at the end of 2000, significant differences in developing, implementing and changing civil service priorities have been found in career systems comparatively with the position systems. In the career systems, many categories of personnel are protected against redundancies generated by the programs aimed at identifying surplus staff. Dismissal is often used and it is a primary disciplinary measure. In countries with a career civil service system, this approach led to the limitation of public expenses mainly by not employing new staff and by freezing salaries. This is the case of Austria, Belgium, Germany, France, Spain, Portugal and Greece, where staff cutbacks are based primarily on retirement and dismissal. In these countries, the main trend was to use the scheme for reorganizing and reducing the staff, freezing salaries and reducing recruitment costs.

In those countries with a position civil service system, the civil servants are oriented toward achieving results for specific purposes. In these systems, there have been reductions in staff usually with compensations or other benefits. This is the case of Great Britain, Netherlands, Sweden and Denmark. However, even in the civil service systems based on position there has been a tendency to keep the functions by using reorganization schemes or by seeking alternatives to dismiss when they had to do with redundancy on a large scale, such as pension schemes in advance (Dimitrova, 2002, p. 174).

In essence, the pressure to define the main public administration functions was generally directed towards the reduction of the costs. The main goal of that effort was not to identify a new role for the state or to redefine the size of the civil service, but to reduce the size and costs. This may also explain why the legal definitions of civil service size remained unchanged in general, by such movements in most EU countries.

2. Literature review

Barbara Nunberg, in the working paper *Ready for Europe Public Administration Reform and European Union Accession in Central and Eastern Europe* (2000), conducted the first analysis of the number of people employed in public administration in Eastern Europe. This author showed that governments of the countries that wished to join the EU had to have a strong administrative capacity for good performance in terms of multiple phases of the EU accession: pre-negotiation, negotiation and finally adhesion to the EU.

The level of performance in public administration directly influences the harmonization and implementation of legislation and policies of the European Community (EC), competency in representing national interests in front of the EC, the ability to access financial assistance for raising the country's performance norms to achieve EU standards. The administrative capacity of the countries from Central and

Eastern Europe is lower than of the countries that have joined the EU previously. This was caused mainly due to the need to break up radically with the previous system, to the human resources policies characteristics to the communist period and the low capacity to adapt to the free market and democracy.

Ágh (2003) shows that public administration reforms in Central and Eastern European countries emanated from a combination of external challenges, supports and pressures. The privatization of different activities, which had served as the first internal engine for differentiation of the structures of the public sector, had a determined role in the reforming process. Despite their differences, systemic changes triggered public administration reform in all Central and Eastern European countries. While it is relatively easy to describe their negative aspects (because of the communist legacy), the present administrative diversity makes it more difficult to find some common characteristics which apply to all Central and Eastern States.

Chandler (2000) states that there is no common system of public administration in the countries in Central and Eastern Europe, nor is it likely to be in the near future. Each Member State has its own culture and traditions of governmental administration. Administrative diversity gives major problems to coordination and raises questions about the uniformity and efficiency of the EU policy regarding these countries.

3. The public administration in Central and Eastern European Countries and financial crisis

In Central and Eastern Europe, it is now widely accepted that every government must have a stable public administration in order to implement its policies. Public administration must be permanent in order to promote and preserve the institutional knowledge and the professionalism needed to meet the complex policy and the enforcement of law in modern societies. The personnel are the main component of public administration and defining the right size of the civil service has become a painful question. An important challenge is therefore to decide on the size of civil service for the implementation of the government policies, the exercise of public authority and administration of public funds without promoting a costly public administration. The EU member states have adopted different solutions, usually rooted in the history of those states.

There are countries where the public function defines the public employees as a part of an implementation apparatus of the state (a broad concept of public function), while other states have limited the concept of public function to the so-called “central public administration” (a restricted concept of civil service). In the countries from Central and Eastern Europe there is also another dominant trend: many of them are opting for a narrower concept of public function, in which civil servants are only those who have authority or are directly involved in achieving the policies and elaborating or implementing the legislation. The main political reason that hides behind this choice seems to be the processes of privatization and restructuring the public sector. It is known that many activities currently carried out by the state and its local

administration will be performed by the private sector in future (Hesse, 1993, p. 71).

Many countries in Central and Eastern Europe have adopted laws related to the civil service system and others are in the process of preparing draft laws, knowing that a stable and permanent civil service is required to adapt to the goals of the state in a democratic society. Few of those who rely on European cultures considered this assumption as a challenge. Meanwhile, a series of complex problems have occurred when the states tried to translate this assumption in legal provisions related to the public function. This is of particular importance in those countries where the labor law governs the whole system of employment and no distinction has been operational between administration and the state. Thus, in these countries, the main effort consists in building a new public function by destroying the old concepts.

Europe, the “old continent”, is known for its vast history, but also for the long tradition in the bureaucracy. However, the bureaucracy cannot exist without public sector employees, and even if globalization was supposed to bring a simplification of the system, some countries still keep a large number of employees in the state.

Table 1: European countries with the highest number of employees in the public sector per thousand inhabitants

Country	Employees in public sector/1.000 inhabitants
Norway	182
Russia	153
Latvia	141
Sweden	138
Slovenia	117
Slovakia	96
Poland	95
Greece	91
Bulgaria/ Hungary	82
Romania	80

Source: AT Kearney study, 2009

Relevant examples are the following. In **Hungary**, the Civil Service Act no. 23 from 1992 established the civil service system. According to this act, the civil servants are those who work in the offices of central, regional and local government. Public servants can be employed by other budget organizations. For instance, teachers, doctors, and nurses in publicly owned schools and health care facilities are public, rather than civil servants. The Act on the Legal Status of Public Servants no. 32 from 1992 regulates these aspects. The structure of civil servants is as following: central administration (26,600 people); regional administration (32,600 people) and local administration (45,800 people). The Hungarian Government adopted the following

crisis measures with regard to public administration:

- freezing the salaries of the public employees;
- the low-budget spending and intention in the next two years to reduce them with 4.75 billion Euros;
- the elimination of the 13th pension; reduction of the pensions; the increasing of the retirement age to 65 years;
- freezing of social benefits for the next two years.

In **Estonia**, the criterion adopted by the Public Service Act from 1995 is that of exercising public authority. Only senior officials are considered to have public authority and thus considered as representatives of the civil service. The administrative staff and the temporary staff are subject to labor laws. Certain categories of public employees who are normally considered civil servants in other countries (policemen, guardian servants, prison administrators) are subject to some special laws. The Central Government institutions, referred to as the public administration (18,998 people as of December 31, 2007) include: 11 Ministries (2,593 people); 33 Administrative agencies, Boards and Inspectorates (14,790 people), Constitutional Institutions (805 people); 15 County Governments (810 people); other institutions (National Archives, Prosecutor's Office, etc.). There are 241 local government authorities employing about 4,500 public servants. The Estonian government decided to cut public spending with a percentage of 10%; the areas where reductions were operated were staff costs, operational costs and public investments.

In **Latvia**, the Law on State Public Office was adopted in September 2001 and entered into force on January 1, 2002. It contains the restricting concept of the public office. The public function is divided into two categories: the general civil servants and the specialized public administration. The general civil servants are those employees located in the state chancellery, ministries and public institutions subordinated to ministries or in the administration that develops policies or strategies, coordinates activities on different sectors, allocates or controls the financial resources, develops draft laws, controls the implementation of the legislation, issues administrative documents, develops or adopts decisions on the rights of individuals. This concept combines the criterion of function exercise with that of the place of the function exercise. The specialized public administration includes those functions that exercise the same features mentioned above in the diplomatic and consular services, police and public security, prisons, in medical units or fire rescue. It is estimated that the total number of public administration has grown up to 30,000 people.

The package proposed by the Riga government provides reducing the budget expenditures by:

- reducing the central bodies of the line ministries by 30%;
- reducing the number of state agencies and of their administrative expenditures by 50%, excepting those financed from the EU funds and other foreign financial aids;
- suspending the training of civil servants and reducing the functions assigned to the School of Public Administration;

- substantial reductions in public administration by reducing the expenditures on salaries/wages in public administration by 20% and by additional reductions of the expenditures on goods and services.

In **Lithuania**, the Public Service Act passed in July 1999, distinguishes between public administration, public administration with special status and public employees. The public administration is formed of the institutions from central and local public agencies that exercise functions relate to the implementation of administrative and management services. The public administration with special status is formed of custom officers, police officers, inspectors, diplomats and civilian employees of the national defense service. The public employees work in state or local agencies that offer service to the public and perform auxiliary functions. The public servants have been divided into two groups: civil servants (about 500 institutions, 57,000 public servants) and public employees (about 2,300 institutions, 220,000 public servants). The positions in the public administration are grouped into categories (A, B, C) also divided into 30 grades. Lithuania has adopted an austerity package that provides increased taxes, reduced wages and decreased budget amounts to 3% of public social security fund, the reduction of wage of the administrative apparatus with 12-15%.

In **Poland**, the Public Service Law adopted in December 1998 which is in force since July 1999 distinguishes between public administration and public employees. Public administration is formed of people appointed to a public office to follow the procedures provided by law. Public employees are those employed by means of an employment contract based on the principles established by the Civil Service Law. Public functions are those in: the Chancellery of the Prime Minister, the offices of the Ministers and of the committee Presidents, who are members of the Council of Ministers offices, agencies of the central government administration, the offices of the prefects and other offices, which constitute structures of the local government agencies subordinated to the government ministers or to the central government administration; the central body for strategic studies, head offices and the offices for inspection and other organizational structures that comprise the heads of services in support of general prefectures, guard units and inspection services in support of regional leaders, security or inspection. Another law governs the external service. In Poland, there are 117,000 public administration people and 390,000 public employees.

In **Poland**, one of the solutions for cutting spendings is the dismissal of number of people from public administration. About 10% of the budget staff, approximately 31,600 people could lose their jobs. The Polish government has cut budget expenditures by 5.38 billion Euros and decided to increase the deficit by 6.6 billion Euros. The anti-crisis package contains proposals for changes of the Labor Code, above all signed by trade unions and employers in mid-March. It includes solutions covering flexible work time, fixed-time contracts, financial assistance to companies in financial dire straits, co-sponsoring a training fund in firms. The package will be in force for two years.

In **Bulgaria**, the Public Service Act from 1999 defines the civil servant as a person who is paid by the state and to whom a special law grants a special status of civil servant under the provisions of that law. The Council of Ministers has the responsibility of adopting the National Registry of Public Functions. The law excludes from the public function those functions that are appointed politically by the high officials and the technical functions (support staff). The number of Bulgarians working in the public sector is of about 700,000 employees out of 2.3 million employees. Bulgarian share in the total budget of labor is about 30%. The number of people hired in public administration is about 60,000 people, representing about 12% of total public sector employees.

The Bulgarian government has frozen the wages and pensions of the public employees, and reduced government spending by 15%. The state subsidies for local authorities have been reduced by 10%, leading to losses of over 500 million Euros for municipalities; over one third of Bulgarian municipalities are already faced with bankruptcy.

In **Slovenia**, a bill of the civil service is being prepared for a long time. One of the reasons the project was not approved is that it proposed a too large size of the public service. Now, a new project is under work, proposing a more limited size of the public administration. Currently, the public administration has 32,000 civil employees out of which 4,000 work for the administration of local government units, representing around 4% of the active population. All measures taken by the Slovenian Government aimed to reduce public sector spending. Thus, wages were reduced by 2% and the bonuses were eliminated for a period.

In **Romania**, Law no.188 from December 8, 1999 on the Statute of the Civil Servants provides the stability of the civil service by appointing professional public servants to a permanent public office at the central, county, municipal or communal level. It also takes into account the need to restrict the costs of public administration, but without eliminating the motivation and the corresponding reward of the competent civil servants.

4. The effects of financial crisis on Romanian public administration

Since 1990, creating a modern and efficient public administration was considered a priority of all governments. However, it could not mobilize the resources needed to create legislative and institutional framework of central and local government and, in particular, for effective implementation of reform measures. The causes for the impossibility of applying a real reform in the administration were:

- severe financial constraints;
- lack of political determination;
- limited experience in terms of alternative administrative structures;
- lack of training of politicians and public officials to meet the needs and demands arising from rapid changes in the political environment;
- absence of clear regulations on staff and administrative structures;

- inadequate definition of the duties;
- inappropriate salary scale.

Although it constituted a distinct chapter in all government programs so far, the government reform was not a priority; rather centralist methods were largely perpetuated and the expected changes were too slow and fragmented. For the early period, it was important for the government to focus on economic reform issues; but only later it became clear that its implementation is impossible without a public administration reform, which, moreover, explains the delays and distortions produced under a economic reform.

Romania is on the top 10 countries with the highest number of public employees per thousand inhabitants. The 1.4 million employees in Romanian budgetary system represents a third (29%) of all employees in the economy, whose number currently amounts to around 4.9 million people. In France, one of Europe’s economies known for excessive bureaucracy and large budgetary sector, public employees share in the total number of employees reaches 23%, less than one quarter.

In Romania, 7.5% of the population is employed in the public sector, which means that we have 80 public employees to a thousand inhabitants, while in Hungary, the number of employees of the state represent only 5.6% of total population, which reached last year 10.3 million inhabitants. Moreover, from 2005 until early last year, the government in Budapest cleaned the budgetary system in stages, giving up to 170,000 employees of the state, representing almost 23% of the total number of employees from the state.

Table 2: Comparative view among the countries with the largest public sector

Country	Number of public employees	Public administration	Education	Health	% public employees/ total of employees
Hungary	587,000	133,000	245,000	161,000	22
France	5,300,000	2,500,000	1,750,000	1,035,000	23
Romania	1,400,000	218,000	450,000	400,000	29

Source: OECD, 2008

Almost one third (29.5%) of all public employees work in education, 9.8% are civil servants, 9.5% work in police and military, 1.3% work in the judiciary, and 28.4% are contract staff and other categories.

Nevertheless, how did we get here? The state employed more than 130,000 civil servants since 1990. Yet, 19 years ago, the state apparatus could function with only 88,000 employees in public administration, and the population was more numerous at that time than now. The number of civil servants has increased alarmingly in recent years, with an average of 10,000 new jobs per year since 2000. Presently, in Romania there are 218,100 employees in public administration.

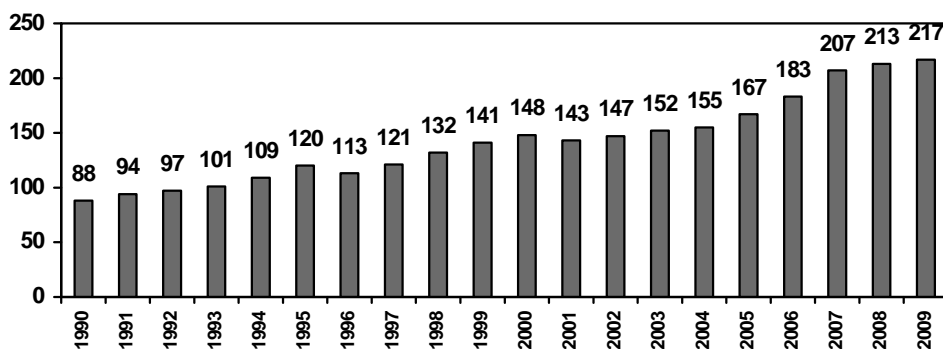


Figure 1: The evolution of people employed in public administration in Romania between 1990 and 2009 (thousands)

Source: Statistical Yearbooks of Romania, period 1990 - 2008

Between 2004 and 2008, the number of public servants increased by 37% from 155,000 to 217,600 employees. In addition, the costs with the budget staff increased from 5% of GDP in 2004 (3 billion Euros at a GDP of 60 billion Euros) to 8% of GDP in 2008 (10.5 billion Euros from a GDP of 130 billion).

For the period in which the number of public servants has increased the most, we want to investigate if there is a connection among the number of public servants, the GDP and the expenditures on public administration or if this issue has only political correlations. Also, if there is a connection between the number of civil servants, on one hand, and public administration expenditures and GDP, on other hand, we want to identify which factor has a greater influence on the number of civil servants to act in the future as the determining factor.

The null hypothesis is that between the number of public servants and the two variables mentioned above is no connection; the null hypothesis is accepted if the probabilities associated with the two variables is higher than the theoretical standard (0.05).

The alternative hypothesis is that there is a correlation between the number of public servants and the level of public expenditures for the administration and the GDP. The alternative hypothesis is accepted if the probabilities are lower than the theoretical standard (0.05).

If we accept the alternative hypothesis, we propose to estimate a regression equation for the number of public administrative officers in Romania in the light of the GDP and the public expenditures for administration. This will estimate the number of public officials in Romanian administration depending on the GDP and public expenditures for the administration, using monthly data for the period between January 2006 and December 2008, collected and presented in Table 3. The statistical program used for processing the data is Eviews 5. This study explores the problems listed above, in many ways. First, there were examined in each case the dynamics of the number of officials, public administration expenditures and Romania's GDP between January 2006 and December 2008.

Table 3: Variables used in the linear regression method (number of employees in public administration, Gross Domestic Product and Expenditures for public administration)

	Number of employees in Public administration (thousand)			Gross Domestic Product (mln RON)			Expenditures for public administration (mln RON)		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
January	172.6	196.3	209.8						
February	172.5	196.5	209.9	61828	73268.9	91130.3	6040	6250	8479.3
March	174.1	196.7	210.6						
April	175.8	199.2	211.7						
May	176.7	200.4	212.8	77102	92080.5	115074.3	5363.7	7054.1	8207
June	177.8	201.1	212.7						
July	178.1	202.4	212.8						
August	178.9	203	213.4	92818	111652.8	138323.7	5984	7346.8	8491.5
September	179.7	203	214.1						
October	180.7	205.7	215.8						
November	181.2	206.6	216.3	112901	135759.3	159430.4	9038.6	10865.4	13431.9
December	183.1	207.5	217.5						

Source: Monthly Statistical Bulletin of Romania for the period between January 2006 and December 2008

According to the data from Table 2 and 3, the value of the three indicators increased in the period under review as follows:

- GDP increased with 97,602.4 million RON, meaning 157%;
- the amount of public spending on administration increased with 7,392 million RON, meaning 122%;
- the share of public expenditures for administration in the GDP remained constant, being 9% in 2006, and 2008;
- the number of civil servants has increased with 44,900, meaning 26%, which is a positive aspect in terms of increasing GDP with 157% and maintain a constant share of public expenditures in the GDP for the administration.

Using linear regression, we can determine the impact that several independent variables have on the dependent variable.

The general form of the multiple regression equation is:

$$Y_t = b_0 + b_1 x_{1t} + b_2 x_{2t} + b_3 x_{3t} + \dots + b_n x_{nt} + \epsilon_t$$

Where:

$t = 1, 2, \dots, n$ are the observations in the sample

Y_t – observation of the dependent variable t

- x_j – independent variables, $j = 1, 2... n$
- x_{jt} – remark independent variable t
- b_0 – constant (equation of free time)
- b_1, b_2, \dots, b_n – coefficients of independent variables
- ϵ_t – the error of the equation

The coefficient of the independent variable indicates how much the dependent variable modifies when the independent variable changes with one unit, where other independent variables remain constant.

Referring to our example, the series used are:

- x_1 – the number of public servants between January 2006 and December 2008
- x_2 – the GDP between January 2006 and December 2008
- x_3 – the expenditure of public administration between January 2006 and December 2008

The regression equation is the following:

$$Y_t = c + \alpha x_2 + \beta x_3$$

Table 4 shows the results (Eviews 5):

Table 4: The results for the equation estimation

Variable	Coefficient	Std error	t-statistic	Prob
c	161171,2	6711,616	24,01377	0,0000
x_2	3,62E-07	1,31E-07	2,760901	0,0093
x_3	9,49E-06	2,84E-06	3,340405	0,0021
R squared	0,744838	Mean dependent var		197416.7
Adjusted R squared	0,717252	SD dependent var		15338.57
SE of regression	10657,24	Akaike info criterion		21.46552
Sum squared resid	3,75E+09	Schwartz criterion		21.59748
Log likelihood	-383.3794	F-statistics		19.75083
Durbin watson stats	0,346636	Prob (F-statistics)		0.000002

For each independent variable and constant, Eviews is reporting the standard error of the coefficient, t-test and statistical probability associated with it. Assuming that we work on the relevance of 5%, as our equation, the probabilities attached to t-test statistic are lower than this level (0.00, 0.0093, 0.0021 <0.05), therefore the coefficients are considered significant from a statistical viewpoint.

We accept the alternative hypothesis: there is a correlation between the number of public employees and the level of public expenditures with the administration and the GDP.

Eviews reports R squared (shown as percent of the total variant of the dependent variable due to the independent variables). R square takes values between 0 and 1; if the value is closer to 1, the regression is better specified. For the present equation the value is 0.744 which confirms the hypothesis that, during 2006-2008 the number of civil servants, the public expenditure and the GDP are directly related.

So, the econometric model of the number of public functionaries in Romania, according to the GDP and the public administration expenditure in the period January 2006-December 2008 is:

$$Y_t(\text{functadm}) = 161171,2 + 3,62 \frac{1}{10^7} x_2(\text{PIB}) + 9,49 \frac{1}{10^6} x_3(\text{chadm})$$

The coefficients of the 2 independent variables (GDP and public expenditure for the administration) are greater than 0, which indicates a linear dependence of the number of officers based on the two variables. The variation of number of officials will also be in the same sense with the variation of GDP and the public expenditure variation for the administration.

The fact that the coefficient of public administration expenditures is higher than the coefficient of GDP shows its increasing influence on the number of civil servants and the direction to follow in case of a reduction of public administration.

We showed as the possible effects the increase of the number of civil servants with 8,000 people in the period between January and June 2009, when GDP dropped with 7,6% and the public expenditure for administration increased with 16% to 21 billion RON (4.95 billion Euros) in the first five months of the same period.

The Romanian Government undertook an unprecedented plan to reduce public expenditures by eliminating and restructuring the governmental agencies, collective leave without pay, cancellation of bonuses and freezing wages and pensions; in condition that IMF demanded savings of over 1 billion Euros from local governments and from major state companies.

The Romanian Government took the following main measures to reduce the impact of economic and financial crisis on public administration:

- Restructuring public expenditures with the purpose of reducing current expenditures;
- Gradual reduction of costs with staff in central and local government by up to 20% of the costs recorded in 2008, by:
 - not financing 139,500 vacant jobs in central and local public institutions;
 - reducing costs which are not directly related to obtaining performances (travel, bonuses, increases in financial and in kind incentives);
- Reduction with 15% of the costs with purchasing goods and services comparatively with the level registered in 2008, and establishing a moratorium for a period of 12 months, which prohibits the purchase of goods and services, including inventory items, not essential for the optimum functioning of public institutions;
- Passing the law of the unitary salary system for civil servants and developing similar regulations for contractual staff, civil servants with special status, teachers and health workers;
- Streamlining the costs with support and social benefits by providing them only to persons and families in precarious social situation;
- Transparency of procedures for admission to a degree of disability;

- Institutional rationalization by analyzing the number, structure, activities and staff of public institutions, disregarding their source of financing;
- Close monitoring of expenditures in infrastructure investment projects financed by state, and penalties for breaching contractual provisions regarding the quality of work performed, and goods and services purchased.

Over 20,000 budget items will be disbanded following the restructuring of government agencies and thousands of state employees being sent home by the end of 2010.

Table 5: Number of positions abolished at the level of ministries

Ministry	Number of posts abolished
Economy	10.200
Transportation	627
Administration and Interior	1.225
Finance	477
Public Health	627
Regional Development and Housing	271
Youth and Sports	189
Communications and Information	314
Education	401
Environment	444
Small and Medium Enterprises, Commerce and Business Environment	260
Labor, Family and Social Protection	1316
Agriculture, Forestry and Rural Development	1.200
Foreign Affairs	86
Many of the 244 agencies will be abolished, merged, restructured	8.526

Source: Romanian Government

Number of public sector employees will be reduced from currently 1,394,000 to 1,068,000 people in 2015, the deadline of the application of unitary wage law. The reduction of 326,000 positions in the budgetary system would mean, at an average gross salary of 700 Euros, a monthly saving of 230 million Euros and an annual 2.7 billion Euros. Thus, the number of public sector employees will drop to 1,244,000 people in 2011, to 1,207,000 employees in 2012 and 1,170,000 employees in 2013, following the agreed plan for the budget reduction with 1,135 million Euros in 2014.

5. Conclusions

Despite the trends in reforming the civil service, the new European states retain specificity. One factor that may explain this differentiation is the tradition of each state which is reflected in the public administration, including the conditions of access to the public service. At the same time, it must be appreciated the effort of harmonizing the concept of central public administration and its functions with the European signification. The reason is that, in general, the new member states were focused on the narrower meaning of the public service, considered compatible with the transition process, in which it coexists with a profound economic restructuring.

The situation of the public administration reform in Romania can be plastically presented as futile and dangerous. The main purpose of the public administration reform has not been achieved yet, only several measures have been adopted, and the half-transformed public sector produced only insufficient control of public affairs. Some measures have been successful and the long-term trend of democratization can be observed, but the chaotic and inconsistent measures of the government are still dominant. The central and local administration is still weak and inefficient. Although both democratization and the professionalization of the administration were promoted, the power remained centralized in the central government. The appreciation based on the performance criteria penetrated very slowly into public management.

The problem facing public administration in Romania is not the number of employees, but rather overlapping the responsibilities, poor quality of provisions and poor results of the employees. Even if the number of reported Romanian public sector employees per thousand inhabitants is similar (higher) to that of other European countries, Romania can not be compared with other European countries in terms of labor productivity. It is not possible to put in balance the public system in Romania, where productivity is low, with another system from a European country with a mature administration.

The reduction of the number of employees, based on budgetary constraints and political considerations, rather than based on a serious analysis, will slow down the reform of the administrative process and will result in lower service quality, which will represent a serious problem under current economic crisis.

Another factor that “deformed” the administration system is the increasing of wages based on political criteria rather than performance, so the average salary in public administration is much greater than that of the private sector. Thus, for Romania is required an analysis to determine which activities should be performed by public sector and which activities should be performed by the private sector.

A result of the econometric model here validates compliance with administrative and economic theories. Therefore, the results show that it is possible to explain the increasing number of civil servants from Romania between January 2006-December 2008 by reference to the evolution of public administration expenditures and the GDP, and the most important that the public administration expenditures have an influential role on the number of civil servants.

For the next four years it is expected the reduction of the number of civil servants by up to 50%, while reducing the costs of administration. Given that Romania is far beyond the EU member countries, we consider that this process should be done with a lot of attention, so that it should not bring failures into the system. But in this year of financial crisis, when the expenditures and the GDP are decreasing, government reform can not be done partly quantitatively, and partly qualitatively.

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