The Luxembourgish Public Administration as a driver for competitiveness: Strengths and weaknesses of small size

Danielle Bossaert
Ministry of Civil Service and of Administrative Reform
Observatory of the Civil Service

Presentation prepared for the Conference:
Competitiveness Strategies for the EU Small States
Chambre de Commerce Luxembourg, Kirchberg
19-20 April 2018
Topics of the presentation

- **Characteristics** and **resource-related particularities** of the small Luxembourgish public administration - as compared to the ideal type of *bureaucratic management* (Weber);

- Does small size mean **less performance** and **less capacity**?

- Which characteristics of public administrations **foster competitiveness**?

- **Opportunities, strengths, weaknesses** of small size: The Luxembourgish PA as a lever for competitiveness? What does size mean in this context?
The Luxembourgish public administration: some basic characteristics

- **Centralized** state structure, no regional tier of Government;
- Local level: 105 **municipalities** (MT: 68; CY: 39);
- 20 ministries and 81 administrations;
- Total number of **public employees** at the central state level:
  - 26 720 officials (01.01.17); statutory civil servants (64%), public employees (26%), salaried workers (10%)
The Luxembourgish public administration: some basic characteristics

Employment in general government as a % of total employment (2007, 2009 and 2015)

Does small size mean lower performance?

Overall Public Sector Performance (1-7)

Source: World Economic Forum (Global Competitiveness Index); EU Commission, A comparative overview of public administration, characteristics and performance in EU 28, November 2017, p.56
Provision of public services: perceived quality of public services

Does small size mean lower performance?
Does small size mean lower performance?

Organisation and management: Strategic capacity (1-10)

Source: Bertelsmann Stiftung, Sustainable Governance Indicators; EU Commission, A comparative overview of public administration, characteristics and performance in EU 28, November 2017, p.50
Does small size mean lower performance?

Organisation and management: Implementation capacity (1-10)

Source: Bertelsmann Stiftung, Sustainable Governance Indicators; EU Commission, A comparative overview of public administration, characteristics and performance in EU 28, November 2017, p.50
Resource-related particularities of small PA

- **Limited** internal **functional differentiation** and diversification;
  - → trend towards role accumulation and multi-functionalism
  - → trend towards ‘generalist’ public officials

- **Limited** specialization and **limited number of experts**;

- Flat structure and **manageable bureaucracy**;

- Management is rather **operational, ad-hoc, pragmatic and flexible**;

- Relatively **dense networks** of social interrelations among their membres, particularly at the Level of top decision-makers (Geser)
Public Management in small states as compared to the ideal type of bureaucratic management

<table>
<thead>
<tr>
<th>Management (M. Weber)</th>
<th>Management (Small state)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Hierarchical structure and complex bureaucracy;</td>
<td>- Flat structure and manageable bureaucracy;</td>
</tr>
<tr>
<td>→ 5-6 hierarchical layers</td>
<td>→ often only 2 hierarchical layers</td>
</tr>
<tr>
<td>- Formal rules and requirements;</td>
<td>- Comparatively low degree of formalization;</td>
</tr>
<tr>
<td>→ daily work is regulated by a high number of service instructions, guidelines, mandates and rules of action → uniformity</td>
<td>→ more informal decision-making; direct contacts across hierarchies; greater impact of the individual civil servant; the style of the manager has a higher significance on the daily work</td>
</tr>
<tr>
<td>- Impersonal relationships between employees;</td>
<td>- Significance of personal relationships</td>
</tr>
<tr>
<td>→ purely rational decisions; ≠ personal involvement</td>
<td>→ familiarity among major actors due to a lack of anonymity;</td>
</tr>
</tbody>
</table>
Public Management in small states as compared to the ideal type of bureaucratic management

Task specialisation (division of labour);
→ clear, rigid and specialized job descriptions; work is focused on one’s area of expertise

General task descriptions;
→ less clear allocation of tasks, multi-functional job descriptions; trend towards role accumulation; predominance of the ‘generalist’

Sources: Randma-Liiv, Tiina, Sarapuu Kuelli, Sebastian Wolf, Connaughton Bernadette, Der
‘Managerial strategies’ of the small Luxembourgish PA

- Stronger trend than in bigger states towards informal, ad-hoc decision-making;

- Greater importance of personal relationships and networks (than in bigger states);

- Despite a strongly legalistic culture, a pragmatic and flexible approach in policy-making
  - This is confirmed by research from Hofstede: LU’s score along the dimension ‘Long-term Orientation’ points to the pragmatic culture of the public administration and the ability of Luxembourg to adapt traditions easily to changed conditions.
Which characteristics of a public administration foster competitiveness?

**Organisational level**
- Efficiency, effectiveness, innovation
- Adaptability, agility, user-orientation

**Important levers**
- Competent, flexible, future-oriented staff
- Committed, motivated, ethical staff

**Staff level**
# Opportunities and strengths of the small LU-PA in the context of competitiveness

| Manageable bureaucracy, flat structure; | LU: Making use of short and direct communication ways, also across hierarchies, which can speed up decisions → agility, fast decision making; |
| Informality, proximity | LU: Making use of proximity; Easy access for businesses and citizens → user-orientation, trust |
| General task description | LU: Striving for a responsive, adaptable PA → rather flexible public officials |
Opportunities and strengths of the small LU-PA in the context of competitiveness

- Significance of personal relationships (≠ anonymity)

- LU: Rather strong internal cohesion, compromise-oriented behaviour of major actors;

- LU: Significance of informal networks → can speed-up decision-making, agility
<table>
<thead>
<tr>
<th>Weaknesses of the small Luxembourgish PA</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>Limited level of specialization</strong>, expert knowledge;</td>
</tr>
<tr>
<td>- <strong>Informal culture</strong>: risks of arbitrariness, <strong>subjectivity</strong> (↘ performance)</td>
</tr>
<tr>
<td>- <strong>Role accumulation</strong>: risks of effective control and monitoring, risks of stress</td>
</tr>
<tr>
<td>- <strong>High dependency of external knowledge</strong></td>
</tr>
</tbody>
</table>
Conclusions

- Organisational management in small public administrations is characterized by **structural, resource-related particularities**;

- The case study of Luxembourg has shown that small size doesn’t necessarily mean **lower performance**;

- The characteristics of small size illustrate **specific opportunities** and **limits** in the context of competitiveness, which are different from bigger states.