



# Rightsizing of the Public Administration in Macedonia

*-A reform postponed to an uncertain time-*

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## Introduction

The rightsizing process has been initiated as a result of the inefficiency of public organizations in fulfilling their responsibilities effectively. Organizations across the world including public ones, perceive rightsizing as a catalyst of organizational reforms. In addition, due to government's employments of large numbers of population, the human resources dimension of any public sector restructuring has become a very important national activity and a difficult and complex task to be fulfilled. This automatically derives the fact that rightsizing has become a major reform endeavor in all countries pretending to be in service of citizens.

Organizational structure represents a vital component of the public administration system. Giving an exact definition related to organizational structure of the public administration, is not as simple as it looks, this mainly is because it does not include only the number of the people employed but also the number of positions and jobs. Starting from this point, the main idea for tackling rightsizing issues, has been to develop a study over the employed staff's structure, jobs and positions and thus to define the points where layoff or recruitment actions should be taken.

Many countries across the world, have applied serious efforts in removing the chaotic view that was present in their public sectors. Moreover, leaders or managers have been involved in this area and have reached to find out the factors that have made the public sector non-responsive to the needs of the clients. Doubtlessly, irrationalized organizational structure has been seen as one of the main factors that produce negative effects in the functioning of the public administration. In such irrationality conditions, there are areas where overstaffing occurs and in others evident hiring is needed.

Rightsizing mainly involves workforce reductions i.e. downsizing as well as elimination of functions, expenses reductions, and systems and policies redesigning (e.g., to reduce costs or reduce organizational size). In certain cases, it does not exclude upsizing (increasing the workforce). Rightsizing also distinguishes between necessary and unnecessary work and improves and prioritizes the most important work. It's a kind of a complex attempt to redesign and restructure the overall public sector.

Public sector rightsizing has its strong rationale. It consists mainly in the reduction or increase of its size (workforce), thus intending to improve its efficiency rate, increase economic growth and cut fiscal deficits. It also consists of efforts that lead to a market-oriented economy.

## Macedonia's case

The 1999 Strategy for PAR in Macedonia, the key document which is the basis for the entire PAR process in Macedonia, does not provide a clear definition of what public administration is. It only distinguishes between the public administration and the civil service (state administration), the narrower concept with which public administration is often confused. Thus, functionally, all those who perform duties related to the executive, legislative and judiciary branches of government belong to the civil service, while those working in other public sectors, such as culture, health, education etc. are members of the public administration.<sup>1</sup>

Macedonia's authorities are also faced with difficult tasks of reducing the size and improving the efficiency of its overstaffed public sector. Moreover, these attempts are considered part of a general endeavor to increase economic growth and cut fiscal deficits.

<sup>1</sup> <http://analyticamk.org/files/ReportNo5.pdf> retrieved on April 10, 2009.

The practice until now has shown that rightsizing in Macedonia, as elsewhere in the world, is a process that can not be dealt in a simple way. However, except declarative efforts to find proper solution that could forwardly move this process, until now any Macedonian government couldn't demonstrate political will for such an initiative. Thus, it can be easily concluded that regarding rightsizing, there aren't any significant achievements recorded.

Having in consideration rightsizing's crucial importance in setting functional public administration system, the international factor in every occasion announces that Macedonia should immediately start the rightsizing process in the public administration.<sup>2</sup>

With this report Analytica aims at continuing the practice of giving recommendations and solutions for the problems perceived as critical factors in delaying crucial reforms in Macedonia's PA toward effective, efficient and professional public administration system. This report will treat issues such as; achievements concerning rightsizing, the positive impact rightsizing would have in enabling functional and efficient system of the PA in Macedonia, definitions of the importance of rightsizing, risks of rightsizing, and recommendations for efficient rightsizing of the PA system.

Like in most developing countries, Macedonia's public sector is also characterized with an inappropriately-staffed public sector (certain institutions face with staff sufficiency while some others with deficiency) causing irrational rate of public expenses; few staff with appropriate skills, training and competencies; and an inefficient public service.

Notably, one of the main obstacles for setting an efficient and fully functional public administration system in Macedonia is exactly the inappropriate staffing. This phenomenon includes staff deficiency in certain institutions. Our field research resulted in the following findings: the Veterinary Department under the Ministry of Agriculture, Forestry and Water Economy, due to staff deficiency faces with enormous problems in covering the whole territory with veterinary inspections. The same problem in certain municipalities goes also for the State Labor Inspection, namely, the number of inspectors in some regions of the country, must be significantly increased in order to have full territory coverage of labor inspections).

Widely known cases for staff sufficiency in Macedonia's PA are the health and education sector. These two sectors constitute a significant percentage of the overall number of currently employed people in the public sector. These examples approve the fact that except urgent and particular need for **downsizing**, Macedonia's PA in areas like the ones mentioned above needs a more complex rightsizing process. Doubtlessly, it has a long and difficult way to go through until this process is initiated.

At present there are approximately 110.000 employees in the public administration (excluding public enterprises employees), out of which around 42.699 work in the state administration; 33.645 work in education and science and 33.011 in the health system.<sup>3</sup> The fact that the employment in the public sector represents about 12% of the active population which is similar to the other CEE countries and 6% of the budget goes for the public administration salaries is not that positive having in mind the present economic situation which does not allow this level of employment and public expenditure in the public sector.<sup>4</sup>

In Slovenia, rightsizing is explicitly included in the program of the Ministry of Public Administration. It is stated that the ministry will prepare a strategy for reduction of the total number of employees for 1 % each year. The announced 1% annual reduction of the number of employees in the civil part of the public administration will be achieved through a normal outflow, meaning that after the withdrawal from the post, or after retirement of employees, there will be no new employments.<sup>5</sup>

<sup>3</sup> Labor Market - State Statistical Office, Skopje, No. 2.1.8.32, 2008.

<sup>4</sup> Budget of the Republic of Macedonia for 2009 – Ministry of Finances, 2008.

<sup>5</sup> [http://www.mju.gov.si/en/frequently\\_asked\\_questions/](http://www.mju.gov.si/en/frequently_asked_questions/) retrieved on March 29, 2009.

Unlike Slovenia, rightsizing process is only roughly integrated in Macedonia's current Government's Program. In fact, it has to do more with fiscal rightsizing rather than with workforce rightsizing. However, it is emphasized that Macedonia's system fits with a small but efficient public administration system that is completely devoted to fulfilling citizens' needs. Measures that are foreseen as adequate for implementing fiscal rightsizing are as follows:

- Reduction of public administration expenses in the GDP for 2 %, until 2010.
- Zero unproductive budgetary expenses (cars and furniture). The government will abstain from procuring new cars and furniture for offices. The saved amount will be oriented towards investments that are more productive.
- Preparation of strategic documents for efficient systematization of ministries.
- Realigned public expenditures with increased capital investments for larger support of overall investments.<sup>6</sup>

The government of the period 2002 – 2006, seemed more determined to take over this process. At that time, the ex minister of finances Petar Goshev had clearly declared that “although the reform on public administration is one of the most difficult and sensitive issues all over the world, the government is strongly determined to take over this process”.<sup>7</sup>

Yet there wasn't any concrete strategy or plan prepared, neither deadlines set for starting the process.

The arguments given above, accompanied by the lack of clear plan on how all this process could be initiated, are the reasons why the deadlines for starting the process have always been postponed to an uncertain time.

### What gets in the way of rightsizing in Macedonia's PA?

The revealing of the facts that the rightsizing process has many times been postponed to an uncertain time raises many questions that would give answers to the occurring situation. With no doubt, two main considerations have got in the way of rightsizing. Each consideration will be briefly elaborated below.

- The politicization factor: Macedonia's PA is counted as highly politicized administration. This was concluded in Analytica's previous report on “Lessons Learned on Effective PA in Macedonia”.<sup>8</sup> Politicization's aspect consists in the massive politically based employment in the PA, thus completely undermining the principle of rationalized and merit-based employment. This politically motivated hiring has one main intention: political parties aim at attracting as much as possible voters considering employment in PA as ideal instrument for achieving this goal.  
In such circumstances where upsizing occurs, it is illogical to think that there might remain room for rightsizing debates.
- The socio-economic factor: Given the current negative economic indicators like: high unemployment rate, low rate of new foreign investments and low social welfare standards, it becomes very clear that every Government perceives employments in PA as the easiest and only way to reduce or neutralize the negative effects that arise from this awkward economic situation and that directly affect citizens' living standards. Correspondingly, Macedonia's citizens also view the PA as a unique and highly-desirable opportunity for employment. This correspondence between citizens and government hinders completely all modest rightsizing efforts or ideas.

<sup>6</sup> Macedonia's Government program for the period 2006 – 2010, Skopje, 2006.

<sup>7</sup> <http://www.kapital.com.mk/DesktopDefault.aspx?tabindex=0&tabid=65&EditionID=330&ArticleID=5649>. retrieved on April 20, 2009.

<sup>8</sup> <http://analyticamk.org/files/ReportNo19.pdf> retrieved on April 15, 2009.

## Risks of rightsizing

It is clearly out of the question that rightsizing involves many risks towards PA system in Macedonia. This becomes even more evident when taking into consideration the status of the Human Resources Departments in the PA in Macedonia, namely, most of them are not consolidated yet, while in certain institutions they seem to be still inexistent.<sup>9</sup> Having this in regard, certainly there wouldn't be an objective evaluation of the employees in the areas like: knowledge, experience, skills, abilities, behaviors and characteristics. Yet, it might cause determination of unrealistic needs for institutions, namely, proposing upsizing instead of downsizing or letting go skillful and experienced employees, on the other hand, keeping indolent ones.

In order to prevent such risks, there should be an urgent and imperative introduction and consolidation of the HR Departments in the overall PA, this due to its vital role in defining organizations' needs in employees' structure's aspect.

## Benefits of rightsizing

Rightsizing produces significant positive impacts in the functioning of the PA. It is considered a disciplined process that will improve an organization's efficiency and productivity, which among this includes: reduced cost of operations because the lesser the numbers, the less will be the amount of resources used for performing the same tasks and duties; improvement of services delivered to the citizens; more pleasant working environment for employees i.e. improved communications at all levels, strictly defined jobs and responsibilities, less chance of conflicts and ego issues since the small size will prevent the formation of sub-groups within organizations.

## Model rightsizing strategy

Rightsizing strategy has always been the missing element in the overall modest efforts for PA rightsizing in Macedonia. This fact implies an urgent preparation of a model strategy that would be feasible and sustainable for Macedonia's system.

Many countries have set best practices for successful dealing with rightsizing process due to their consistent and country-specific strategies. This implicates that Macedonia can count on such model practices when getting ready to pursue with this process.

According to Analytica, a model rightsizing process for Macedonia would include these strategies:

- **Workforce reductions strategy** is primarily focused on reducing headcount and usually implemented in a top-down way. Most preferred practices for implementing this strategy are: transfers and outplacement, buy-out packages, not filling vacant positions, offering incentives for early retirement and reductions by force (layoffs and firings) as a more extreme practice.

All these measures are partly or fully adoptable in Macedonia's case. Offering incentives for early retirement and not filling vacant positions are in particular the most suitable practices for Macedonia, mainly because of the current large number of PA employees that are on eve of retirement.<sup>10</sup>

<sup>9</sup> The efforts to find adequate HR representatives in Ministries for interviews, led to the conclusion that although formally included in institutions' organigrams, HR departments are either inexistent or still in the introduction process.

<sup>10</sup> [http://ads.gov.mk/WBStorage/Files/GI\\_RDS\\_2008.pdf](http://ads.gov.mk/WBStorage/Files/GI_RDS_2008.pdf) retrieved on April 13, 2009.

-**Work redesign strategy** focuses on reducing work instead of reducing headcounts. It includes: elimination of functions and redundant departments, redesigning of tasks, merging units or departments etc.

This strategy is also feasible in Macedonia, because evidently, for Macedonia's standards the number of ministries, functions, sectors or departments is still very high. While Slovenia has a total number of 15 Ministries, the number of ministries in Macedonia goes up to 18 (3 of which without portfolio).

In this area, rightsizing can be implemented either by cutting the 3 functions of Ministers without portfolio or by merging ministries that execute similar functions (ex. Ministry of finance with the ministry of economy). A room for rightsizing exists also in cutting the 3 positions of Deputy Prime Minister, perceived as serious burdens for the state budget.

-**Systematic strategy** differs completely from the previous mentioned strategies. It is perceived as a subjective method for effecting employees' culture, attitudes and values instead of concentrating strictly on work or workforce reduction. Additionally, this strategy is not considered only as a program or target to be achieved, in fact, it has to do with something more important i.e. permanent process that involves continuous improvement.

Among other issues, this strategy tackles the efficiency aspect of the PA as well, mainly by charging all employees with accountability for working rationally and for finding improvements.

This kind of strategy in Macedonia's PA can also play a serious role in granting the employees with the missing attitudes and culture in working and performing tasks in an effective and rational manner.

## Concluding Remarks

The process of PA rightsizing doubtlessly needs large commitment and serious efforts to be applied by all involved political factors. The occurring paradox of declaring the need for PA rightsizing by all involved factors and on the other hand massive hiring of employees is a serious issue that clearly reflects the nonexistence of the political will for introducing rightsizing process.

Having in consideration the large and serious commitment this process asks for, as well its complexity, rightsizing operations in Macedonia should therefore be integrated in a concise and specifically prepared rightsizing strategy, thus making it part of a broader effort for reforming and modernizing the public sector.

However, it is evident that although painful and hard to be achieved, Macedonia's PA must undergo rightsizing as soon as possible in order to approximate its PA with the following EU standards: low public expenditures, appropriately-staffed, citizens-oriented and depoliticized public sector.

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