7. Reform of Public Management in Hungary: Main Directions

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Introduction

This chapter covers much of the same subject-matter as the last one, but does so from a different perspective: that of foreign experts in public management reform offering a critical analysis of the main changes that have taken place in Hungarian public administration since 1989. The selection of main issues is also similar to that made by András Baka in his own background review of Hungary: the reform of the main political institutions of the state, especially government and parliament and the relations between them; reform of the civil service, with special reference to the latter's new statutory basis; local 'self-government', as local authorities are typically described under the new regime throughout central and eastern Europe. However, we also add two special case studies of attempts to introduce public management in key sectors of state activity - education and health.

Public Management Reform in Central Government

Parliament between politics and administration

As András Baka has already indicated (see Chapter 6), the revised constitution promulgated on 23 October 1989 gives the Hungarian parliament two main functions (on the model of all modern parliaments in liberal democracies): legislation (a function, again typically, shared with the government, especially with respect to initiative) and control of the
executive. In fact, during its first years, the new parliament reached an exceptionally high level of legislative output, owing mainly to the urgency of introducing a legal framework to enable a market economy and a democratic polity to be put in place. This emphasis on legislative duties prevented parliament from developing other, no less essential, tasks such as evaluation or control of the executive (and, therefore, the public administration). Nevertheless, parliament would need much more and better facilities than it presently has at its disposal, if it were to exercise this function of control anything like satisfactorily.

As we have seen (in Chapter 6) the parliamentary committees perform much of the preparatory work required to pass legislation. There are 17 committees in all, organised more or less in accordance with the allocation of functions to various government departments (ministries). The committees are assisted by so-called 'field experts'. According to procedures introduced in 1991, these advisory experts have a similar position to civil servants, being appointed as professional and technical specialists and not, primarily at least, on grounds of political affiliation. All parliamentary experts belong to the parliament's own official staff, organised in various committee-related departments. In total the parliament has only 35 experts at its disposal, though each committee has funds that it may use to hire additional expertise. It seems that most of the experts have a legal background.

Besides legislative overload, the Hungarian parliament and its committees are restricted also by the effects of extreme polarisation between the parties supporting the government and those in opposition, and recently within the governing coalition itself (which is divided, between socialists and liberals, on economic restructuring measures, austerity measures in the public sector, health and education). This polarisation is reflected in the way parliament spends its time in both plenary and committee. In general, the business of parliamentary committees tends to be dominated by adversarial struggles for power and by the demands of sectional interests, while inadequate use is made of the professional skills of committee experts. The fact that the ruling coalition currently has such a large majority (72 per cent of the seats in parliament) means that it, and its internal divisions, tend to dominate parliamentary proceedings.

Restructuring of the cabinet and the prime minister's office (PMO)

As a departure from common practice in other former communist regimes in central and eastern Europe, the Hungarian government was strongly collegial before 1989. Although government tends now to be dominated by the prime minister, each individual ministry has inherited from the past a strong
tradition of independence; indeed, the largest and most prestigious ministries would be unlikely to accept 'interference from outside in their internal matters' (according to one senior official we interviewed). However, what is more striking in the case of Hungary is the absence of a tradition of co-ordination.

Of course, the reforms since 1989 have provided some tools of co-ordination at the administrative level, in particular, the separate regular meetings of political state secretaries and of administrative state secretaries (see Chapter 6). But the standard of co-ordination with respect to policy implementation at this level remains poor. The Hungarian public administration was always weak in classical methods of encouraging administrative unity (or esprit de corps), such as the formation of administrative elites (like the French grands corps) or inter-departmental mobility in careers (as in the UK). Although methods of providing professional unity are now being adopted, partly as a result of the new civil service statute (see below), it will inevitably take some time before they show positive results.

Co-ordination at ministerial level is provided by the prime minister's office (PMO). This is small in terms of staff numbers (400), compared to the large staffs of councils of ministers that most former communist states have retained (see chapters on Bulgaria and Slovakia), since the PMO is supposed primarily to serve the prime minister. Nevertheless, it also has a horizontal function of co-ordination across the government as a whole and this helps to explain why the 'government commissioner for the modernisation of public administration' (GCMPA) is housed there. The GCMPA employs 18 officials and works as a think-tank on administrative reform, attempting to bring about consensus on key administrative issues, such as de-regulation and de-concentration.

Any programme of administrative modernisation is seriously constrained by the extremely fragmented nature of Hungarian central government. Indeed, the ministry of the interior (which is responsible for civil service matters) and the GCMPA have difficulty finding a secure basis on which to build their plans for modernisation. Each minister is responsible for the administration of his or her department, including both central administrative units and the de-centralised units at regional and local levels. There is also a whole array of non-governmental or quasi-non-governmental bodies (called 'central offices' because their scope of authority extends all over the country), which, though more or less independent from the government, are attached to the government in its entirety or to one ministry. Attempts at reform from above and across-the-board tend to be met with scepticism and procrastination, if not hostile resistance, by line ministries. The GCMPA has decided to concentrate on procedural reforms (deregulation, simplification of
procedures, better service to the citizen) rather than to attempt to change the structures of government, which is a task really for politicians, though, in so far as it still favours across-the-board solutions, it will inevitably come up against the opposition of line ministries.

The lack of rational strategic purpose in Hungarian administrative reform is also demonstrated by recent attempts at de-concentration within ministries, some of which have recently adopted this method, officially to 'rationalise' their organisation, but with the covert aim of reinforcing their own control of the nominally self-governing local authorities. By using such a circuitous method of imposing central control on local government, instead of genuinely rationalising their own functions and structures, ministries are actually likely to end up with more centralisation and render the central administration as a whole even more complex and cumbersome, and less manageable. With a quagmire of de-concentrated administrative units acting on their own, side by side with the new expanding local government, one has to fear, as one official whom we interviewed put it, 'plain anarchy'.

Hungary currently, therefore, seems to get the worst of both worlds: excessive fragmentation and poor strategic thinking combined with over-centralisation and excessive concentration of power. Whether its failure is explained by high inter-ministerial fragmentation or by excessive political interference, the GCMPA clearly lacks the capacity to achieve administrative modernisation. An appropriate solution might be for the GCMPA to jettison its role as a 'think-tank', which makes it rather peripheral to the main day-to-day world of administrative reality, and adopt a more pragmatic role whereby it could be consulted by ministries, case by case, when designing their own modernisation plans. Such practical exercises in advice might provide opportunities for making badly-needed improvements in the co-ordination between and within ministries, without giving ministries the impression that they had to surrender autonomy.

Civil service reform

Hungary was the first country in central and eastern Europe to adopt a new civil service statute (in March 1992, see also Chapter 6) to establish a genuine career system in place of employment by contract which prevailed formerly when civil servants were employed under the terms of the labour code. Among other things, the new law resolves the disputed issue of whether and how to absorb employees of the former communist regime into the new civil service, by extending the status of public official to all employees of the state provided they fulfil the necessary conditions provided by the new law. But another consequence of more lasting significance is that henceforth the main rights and obligations of the civil servant familiar in
classical career systems now apply in Hungary, including: regular appraisal of personal performance; regular promotion and right of appeal to the civil courts; comparable pay; recruitment by open competition; disciplinary procedures; obligation of discretion, incompatibility with political party positions, ethical conduct, and so on.

However, the adoption of a civil service statute is not enough on its own to ensure that Hungary now has a unified civil service, nor does it remove all threats to the operation of a genuine career system based on merit and professional qualification. For example, each ministry has determined how its staff should be graded within the new grading structure and has thus obviously been able to decide in each case who is eligible for what grade. Staff that have comparable educational qualifications and other professional achievements can be graded differently in different ministries, while rates of pay also vary, in relation to the prestige of the ministry, without accounting for the uneven availability of fringe benefits. While local civil servants usually get paid less than central civil servants, local authorities are free to fix the salaries of their own senior officials, who in some cases may be paid much more than even the most highly paid in the central administration.

Perhaps surprisingly, the new law blatantly omits a cornerstone of the classical career system - the distinction between grade and employment - and actually facilitates dismissal on political grounds. In its article 17 it provides that:

the public service legal relationship may be terminated by dismissal, if a) the administrative institution is closed down without any legal successor; b) a reduction of staff is made in the official organisation of the administrative body on the basis of a decision of the parliament (or) the government, and as a result there is no room for the further employment of the public servant; c) the activity for the purpose of which the public servant has been employed in the administrative organisation is discontinued; d) the position of the public servant has become redundant as a consequence of reorganisation.

In effect, the new civil service combines most of the disadvantages of a structurally fragmented career system (inflexibility and lack of mobility in careers confined to the same ministry, untransferability of positions, lack of co-ordination) with the worst aspects of the previous labour code (insecurity of employment, abuse of power, creeping clientelism). If there were a political consensus not to interfere in the affairs of the administration, the risk of abuse might not be so great, but it is when opportunities for public employment are low and political divisions intense.
The fact that the same two career paths continue to coexist reinforces the impression that not so much has actually changed. On the one hand, middle and lower level bureaucrats have kept their position despite the change of regime and continue their vertical progression up through the ranks of the ministry they have always worked in. On the other hand, and especially with the return of the Socialist Party to power after the last general elections, a relatively small but very influential political elite now occupies the top administrative posts in ministries and in various independent public offices. Those who belong to this political elite may be experts attached to the minister or to the political state secretary, or they may become administrative state secretary, deputy administrative state secretary, spokesman of a ministry, in charge of the relationships with Parliament, or sometimes head of department. The members of this elite have horizontal careers at the top positions of various ministries and public bodies, and, through what resembles the phenomenon of *pantouflage* in the French system, they also have excellent horizontal access to the best-paid jobs in the private sector where their political skills and connections are much appreciated. In the pre-1989 situation something similar occurred, since the bulk of employees had vertical careers in one ministry, clearly detached from a very thin layer of political activists working in top positions in the public or semi-private sectors. It accounts for Hungary's continued want of an administrative elite and for the tendency of rank and file administrators to adopt a passive and time-serving attitude.

**Local Government Reform**

**The institutional framework of local government**

As has already been explained in the previous chapter, since 1989 local government has been re-constituted in Hungary (as in other former communist regimes in central and eastern Europe) as a system of autonomous, or 'self-governing', local authorities. We agree with András Baka (see Chapter 6) that 'local self-government' seems to have been introduced in Hungary in 1990 out of a strong reaction to the lack of genuine local democracy under the old regime, when local government really consisted of nothing more than executive offices of central ministries situated in localities (that is to say, territorially de-centralised). There was no room for independent policy making at the local level and no democratic control on policy implementation. In contrast, the new authorities of 'local self-government' were allocated much administrative power and many policy
tasks, which they use in almost complete autonomy and independence from
central government. Not only was the policy-making power of local self-
government strengthened, but also democratic legitimacy (by elections of
town councils and mayors) as well as democratic control (by giving the town
councils and the mayors maximum power within the limits of the law). The
new local authorities are not in fact subordinate to the state, which may
intervene only if their acts are deemed illegal or unconstitutional. However,
the ministry of the interior, acting both nationally and at the level of the
county, continues to carry substantial responsibility for the overall
management of local government through its power to check on the legality
of local authorities' actions.

The legal powers of the self-governing local authorities, as well as
procedures for their election, are determined by parliament in legislation.
The law endows every Hungarian citizen with a fundamental right to vote
for local representatives, who should be empowered in turn to manage and
control local government. Local authorities are legal entities with legislative
power of their own. Their powers and functions are the responsibility of an
elected council, presided over by the elected mayor. In accordance with the
law, the functions of local government include general public policies at the
local level (for example, environmental policy, local development and
economic infrastructure) as well as the provision of local public services (for
example, housing, primary education, health care and social security). Local
authorities may also voluntarily undertake any additional function for
dealing with a matter of local concern that is not already covered by legal
provisions and not within the responsibility of another authority.

The internal organisation of a local authority: the case of Veszprem

In order to explain how 'local self-government' is typically organised we
have examined a particular example: the city of Veszprem, on the east shore
of Lake Balaton. Veszprem is a medium-sized Hungarian town with
approximately 65,700 inhabitants. The local authority of Veszprem consists
of an executive and a representative council. The latter, composed of 21
members, is elected by the citizens of Veszprem, 16 members being elected
by a district system and five by proportional representation. The town
council of Veszprem has eight committees on specific policy fields. The
majority of the members of the committees are council members (chosen by
the council itself), but the committees include outside experts appointed by
the council. The committees prepare proposals for deliberation in the plenary
sessions of the council.

The executive of this local authority is managed by the mayor and two
vice-mayors and consists of the mayor's office, with some 210
employees/public servants, headed by the town 'notary', or clerk (see also Chapter 6), who also acts as a connection between the mayor's office with administrative responsibility and the political level of the mayor and vice-mayors. The mayor's office is organised in departments each responsible for a specific sector of policy (economic development and infrastructure, health and education, and so on).

Veszprem's local authority reveals some major shortcomings, which may be typical of local government in Hungary. The first of these is the quality and expertise of the town council, which operates as a body of relative 'amateurs' as against the professional politicians who run the town's executive branch. However, these political figures operate in turn as amateurs as against the bureaucracy serving the town's executive, in particular the 'notary'. A second shortcoming is that the budgetary problems of Veszprem unduly restrict the number and quality of the public servants and the level and quality of public services, while alternative sources of income provide little relief. The annual budget of Veszprem consists mainly of transfers from central government, and only a minor source of income is generated by returns on local government property and some privatisation of this property. The local tax base is very weak, but this is not the only problem. Despite a nominal stability in the budget balance, in fact no compensation is made from year to year for inflation. Since, however, the salaries of the public servants are determined by the central government, the town council therefore has no power to vary the cost-component of the budget (salaries, costs of services); it may only to some extent alter the volume-component (number and quality of public servants and of public services supplied). At the time of our research in 1995 it was obvious that these financial pressures would inevitably result in cuts in public services, including health and education, at least in so far as these were financed out of the town's own budget.

General problems of 'local self-government'

Decentralisation of government is still in its early stages in Hungary, and the results may have been affected by an excessive enthusiasm to provide for local autonomy as an over-reaction to the conditions prevailing under a one-party dictatorship. The new self-governing local authorities seem on the whole to be very ambitious. The reform of public services presents many problems directly for citizens at the local level and it is not surprising that local politicians and administrators are eager to prove their legitimacy, and even indispensability, in dealing with them. The consequence tends to be, however, that local ambitions, in terms of policy, far outweigh the local capacity from a financial, economic and managerial perspective.
The large policy autonomy of local self-governments causes serious problems of financial control by central government. Financial control is necessary because of the high ambitions of local self-governments (as compared to their economic and managerial capacities), but is at the same time very difficult; central government control of local expenditure decisions is considered to be a form of unacceptable creeping centralisation because of the memory of the old regime; local governments lack audit offices and are very reluctant to supply information to central government. Local investments projects are financed by capital loans supplied by the Hungarian OTP-bank. These loans impose heavy financial burdens on local authorities and very high risks for the bank, but the amount of capital involved is inflated as a consequence of the common assumption that local authorities cannot go bankrupt, because the central government will itself meet any budget deficits they may incur and write-off their debts.

The problem of finance is aggravated by the constitutional right of all Hungarian citizens to form their own 'local self-governments'. This right has been used so widely as to exacerbate an already unbalanced situation, with, on the one side, one large city, the capital Budapest and only a few larger towns (above 100,000 inhabitants) and, on the other, a morass of often very small towns (2844 towns with less than 5000 inhabitants). The quality of the local councils and mayors, and of the public servants and services, suffers from large diseconomies of scale. Every small town wants to supply a certain level of public services, but these ambitions are frustrated by big financial problems (lack of resources, small tax base, high financial dependence on budget transfers from central government) and managerial problems (quality of the local political system and of the local public administration).

The following are some possible solutions for the problem of local selfgovernment from the perspective of public management theory and practice:

1. The bad effects of separating Hungary vertically into three levels of government could be mitigated by giving the middle-tier self-governing county authorities more powers of co-ordination and control.
2. Reform of the local public service should focus on recruitment and training, career development, remuneration systems, and secondary labour conditions. Both the town council and the mayor should be made more professional.
3. In order to increase the earned income of local authorities, the local tax base should be broadened, with higher earnings from public entrepreneurship at the local level, user charges for public services and
various forms of privatisation, such as contracting out (see also Horváth 1995).

4. Financial and economic risks could be lessened, and economies of scale could be realised, by more and better co-operation between local authorities (syndicates between towns) and between central and local government, as well as by public-private partnerships between local authorities and private firms.

Public Management Reform in Health and Education

In general, public management reform in central and eastern Europe involves cutting central government finance of public institutions providing health care and education. At the same time, the obligations of those institutions to provide public services are unchanged, with equal access to the services on the part of citizens constitutionally guaranteed. Moreover, these public institutions are still not fully allowed to earn other income from providing private services through exchange relations in the market. Consequently, they cannot compensate their loss of state subsidisation by selling services to private consumers. While self-governing local authorities have acquired more responsibility for these delivery systems, therefore, they are generally not able or willing yet to assume the state’s previous responsibility for financing them.

Unless the economic efficiency of these public services is improved, the inevitable outcome of this process will be a decline in the amount or the quality of services provided, and maybe in some cases delivery will be closed down completely (for example, following bankruptcy). Institutions providing health care and education have either to earn additional income by selling private services, or to improve internal efficiency by reorganisation (‘business re-engineering’, ‘human resource management’, and so on). This dire situation is illustrated by the following summary of the health care and educational systems in Hungary.

Health policy

The revised Hungarian constitution expressly provides that the state is responsible for the provision of health care services to everyone living within the territory of Hungary. Fundamental health care reforms have been introduced, aiming mainly at creating the opportunity for free consumer choice with regard to physicians and health care institutions. Reforms of health care finance are in preparation. The health care system comprises
basic health care services, including general practitioners and specialists, which are organised territorially at the district (or regional level between the central and the local level), so that everyone living in Hungary belongs to a specific medical consulting district. This district-system can be considered as a form of middle-level functional administration (though it does not use the same boundaries as counties).

In practice, general practitioners examine patients before deciding to refer them for further examination or treatment to a practising specialist or a hospital, and may also call on the services of health visitors, home nurses and local social services. Hospitals are owned, run and established by local authorities, which are responsible for maintaining hospital services for the inhabitants of their territory. The health service provided by local government is financed by the national health insurance fund and by the state budget. At the highest level of health care service, clinics provide special treatment for patients who need medical treatment beyond that provided by hospitals, and are closely linked to medical universities.

The central government is responsible for general health policy and the national ministry of welfare for its implementation. The same ministry is responsible for both the health care system and the social security system (excluding unemployment funds which are administered by the ministry of labour). Under the old regime, health care institutions were fully owned and financed by the state. With the start of the transition period, the previous system was divided into an independent social security sector and an independent health care sector. The total health care budget is financed by employers and employees who both pay premiums to the national health insurance fund and by state subsidies. A tripartite system is responsible for allocating the budget between different subheadings (on the basis of contracts with service providers), involving representatives of trade unions, employers' organisations and field experts of the state.

There are substantial financial problems in the Hungarian health care system. Some tasks previously performed by central government have been transferred to health service providers, in particular with regard to implementation and day-to-day management, though there are only a few private institutions, mainly owned and managed by the Church. A 'fee for service-system' has been introduced in the payment of health care providers as have experiments with a 'preferred provider system' (PPO). In addition, a separation is made between the provision of health care and the finance of health care. Although a transition to a health insurance system has begun, the national health insurance fund is a monopoly. Health insurance premiums are not set according to a 'rational price system', but by political decision-making. Total revenue of insurance premiums is not sufficient to cover even all operating costs of health care provision and the resulting budget deficits
are covered by supplementary budget allocations from central government. This is done on an incidental basis, while those responsible avoid taking structural measures to prevent or reduce budget deficits (such as raising total premium income or cutting expenditures), so that there are large but mostly hidden debts in the health care sector. The macro-economic position of Hungary makes financial control of the health care system necessary but at the same time prevents policy-makers from taking adequate reform measures. Elements of a health insurance system have been introduced, but there is still a long way to go.

The health care system also faces other large problems of management. Local government ownership and finance may even exacerbate these problems, at least in the short term. The ministry of welfare has serious difficulties with the external management of the total health care sector, and itself suffers from problems of internal management (especially given its dual responsibilities for health and social security). The allocation of functions and competencies between central government, district and local authorities, and health providers is unstable and unclear. Decentralisation of management responsibilities, and not just of ownership, could lead to a general solution for the lack of efficiency in the system as a whole.

Health care institutions in Hungary also betray difficulties typical of the classical conflict in professional organisations between the professionals, responsible for the contents of their work, and the managers, responsible for the organisation's internal and external relations. Decisions about medical treatment by doctors often conflict with managerial considerations regarding budgets and when the former decisions predominate problems arise at the point of delivery.

From the point of view of economic analysis, the health care system in Hungary suffers mainly from the problem of a 'wrong incentive structure'. Individual rationality of all actors in the health care sector and the health policy field results in optimal individual behaviour (the pursuit of individual self-interest), but also in collective irrationality (the maximisation of the collective or public interest is not realised). Consequently, a social or collective welfare optimum is not reached. If it is agreed that the heart of the problem is the incentive structure, public management reform of the health care system should seek to change this in such a way that individual behaviour of all actors results automatically in collective rationality of the total health care system. Changing the incentive structure here would have to mean improvement of the health insurance system (privatisation, competition at the supply side, introduction of a rational price system) and reform of the division of tasks and responsibilities between policy-making and policy-implementing institutions (central government, medical districts and local governments) and the service-providing institutions (hospitals etc.).
Education policy

The ministry of culture and education is the central actor in the educational structure set out by the 1985 statute of education. The ministry issues and controls the curricula for all primary and secondary schools, whether public or private. Education is compulsory between the ages of 6 and 16 and is free of charge for all pupils. While other ministries, like the ministry of agriculture and the ministry of social welfare, are responsible for specialised high schools and universities, the ministry of culture and education is responsible for all other post-secondary high schools, universities or similar educational institutions, though the latter usually enjoy great autonomy. A specific characteristic of the Hungarian educational system is its great fragmentation between various bodies with different powers and degree of independence.

The ministry provides financial support to the schools through the local authorities (town councils), which are actually in charge of the daily management of the schools together with the school director who is appointed by the local council. Each local authority gets 70 to 80 per cent of its total budget from state grants, and is almost completely dependent upon this grant for running the educational system at the local level. Other resources, from local taxes or other revenues, are rarely available. It means, in practice, that the ministry of culture and education and the ministry of finance wield an extremely extensive financial power. In a period of financial austerity, as has prevailed for the last few years, the situation becomes critical because the central government tends to demand the same educational outcome while it keeps firm control over the educational budget by applying strict input-budgeting rules, which often do not take account of the real inflation. Local elected councils, which often lack the capacity or the political will to improve their educational policy, have therefore to cope with shrinking budgets.

A common solution for local councils is to delay capital investment, building repairs, or payment of wages to teachers. This situation is extremely unsatisfactory because it dilutes responsibility. The national ministry exerts a strong influence on education through its grant mechanism, though it denies responsibility for immediate management of the school and accuses local councils of bad management. Local councils defend their management of schools but blame the central government for financial carelessness. These irreconcilable views unveil a deeper political conflict on the control of the educational policy. The central government would like to recover its formerly centralised hands-on control as it existed before 1989, while the
new local councils are eager to obtain altogether more financial independence from central government to pursue their own policies.

Comparative conclusions

In both health and education, serious financial and budget problems can be observed at present. The macro-economic situation of Hungary has resulted in large budget deficits in health care and in education. These budget deficits undermine the quality and quantity of these services in the short term and endanger the objective of equal access to these services in the long term.

Public management reform could improve efficiency in both sectors, thus lessening the financial problems in the long run. Pricing mechanisms based on market freedom, such as a competitive health insurance system in the health care sector, and elements of 'user charges' in both sectors (resulting in a rational price system), might help to improve efficiency overall as well as at the point of delivery. However, both sectors suffer from managerial problems that are not related to finance. The division of tasks and responsibilities between government and service providers deserves much more attention and clarification. The outcome of the debate on strengthening 'local self-government' and introducing a new intermediate level of government (districts, counties or provinces) has had substantial consequences for this division of functions. Ultimately, public management reform implies also the necessity to rethink the compromise between efficiency and equity in the provision of public services such as health care and education.

Conclusion

In conclusion we shall simply highlight certain observations already made about particular aspects of contemporary Hungarian government and administration, and try to suggest in general terms how public management reform might help to overcome existing shortcomings. First, the national parliament needs to develop means and resources of controlling the implementation of policy and law more effectively. Secondly, also at central level, there is room for improvement in policy co-ordination between different ministries, between the prime minister and his office (PMO) and the agencies, and between ministries and their separate entities; in particular, better collegial co-operation between the ministers in the cabinet would be one way of making such an improvement. Thirdly, the reform of the civil
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Service needs to be continued, in particular by resolving internal contradictions in the law governing the civil service.

At local level the priority would seem to be to strengthen the financial and the economic basis of self-governing local authorities. The internal organisation of 'local self-government' also needs to be improved, as does the quality of public services supplied locally; one way of doing this is to realise economies of scale by developing various forms of inter-governmental co-operation, and another to raise the standards of professionalism and quality in the public servants employed by local authorities (including mayors themselves). The kinds of measure discussed in public management reform also have some relevance for the provision of both health care and education in Hungary, though the main problems here are what an economist would call a 'wrong incentive structure' (all individual actors behave rationally, but all rational behaviours together do not result in collective rationality) and, related to this, the need to resolve existing uncertainties and contradictions with regard to the financing of these services.

Bibliography


Notes

1. For example, the committee for education is assisted by experts in the field of education, including former teachers, public administrators, lawyers and economists. These experts have no official party affiliation and work for the committee as a whole, not for a specific party supporter represented in the committee.

2. There is also, however, one department of 'political advisers', dealing with policy making and political decision making, and the purely technical 'notary's office', which contains officers responsible for making the official minutes of the parliamentary debates.

3. For instance, the minister of education is a member of the democratic alliance (liberals), but this coalition party is in conflict with its main partner over education, with the result that the two coalition parties engage in a running confrontation in the parliamentary committee for education, which does not help the committee to make the best use of its powers. The working relations between the committee and the minister are not considered to be adequate. The political viewpoints of the committee members and the intellectual and academic attitudes of committee experts also come into conflict on many occasions.

4. A good example is the present government's decision to cut the numbers of civil servants by 15 per cent in all ministries across the board by the end of 1995. It was clear that this target could not be reached by natural wastage and would require both the payment of incentives for early retirement, which are expensive, and dismissals, which are politically unpopular. In fact, it was obvious that most ministries would merely pay lip service to the instruction, made centrally but unenforceable centrally, by transferring some officials to semi-public agencies still within their own remit. Moreover, the objectives of de-concentration and reduction of staff were in fact incongruous, since the political priority of the government was not a truly cost-saving rationalisation, but increased control of the policies of local government. Increases in the numbers of public officials employed at local levels, including ministerial field offices (exercising control on behalf of the state) as well as self-governing authorities, not those in staff of central ministries situated in Budapest, actually account for the surge from 64,000 to 108,000 public officials in Hungary between 1989 and 1994 (Lorincz 1992, pp. 57-58).

5. In particular, article 75-1 of the law states that 'the obligation of passing a basic examination in public administration [...] shall be satisfied no later than three years following the date of putting this Act into force'.

6. In the Ministry of Education, for instance, twenty such positions exist for a total staff of 1339 (including the de-concentrated services).

7. This mixed election system is a copy of the election system for the National Parliament, where a similar combination of a district system and proportional representation is applicable. Also the parliamentary committee system at the national level is copied at the local level. In 1995 the political composition of the town-council was: 12 seats for the free-democratic liberal party (including the mayor), two independent seats, and some socialist and right-wing seats.

8. This account is paraphrased from the SIGMA 1995 report on Public Management Profiles (pp. 108-109).

9. The expenditure side of the 1995 budget of the Ministry of Welfare amounted to 256855.7 millions of Forint, which is about 18.8 per cent of total expenditure of 1367050.5 millions of Forint of the main state bodies (in January 1995, the exchange rate was: ECU = 89.98 Forint). However, one must bear in mind that the Ministry of Welfare is also responsible for welfare policy and social security. Hence, the expenditure of the ministry consists of budget items for health care, social welfare and social security.

10. This account is paraphrased from the SIGMA 1995 report on Public Management Profiles (pp. 108-109).