

Progress to European Union - A Challenge for the Public Service

*Speech delivered by **Peter Sutherland**, Chairman of the Board of EIPA and President of the Allied Irish Bank, at the Conference on 'Effective & Efficient Public Management in the New Europe', Dublin, 23-30 April 1992**

Introduction

Why should we be thinking about the European Public Service and European Public Management now? Don't we have a European Public Service? Isn't this what all those 'Brussels Bureaucrats' in the Commission and the other Community institutions are supposed to be doing?

In a sense this is correct. We should not forget that, along with having its own sources of revenue and financial resources and its own legal system, having its own public service is one of the things that distinguishes the EC from other international organizations and gives it a supranational character.

But this is only the beginning of the story and not the end. We have now reached an important stage in the process of creating a European Public Service which will contribute considerably to the process of integration if it is well managed.

Community development in the 1990s requires much more attention to the management capacities and skills needed to make EC policies work effectively. Since nothing in the European Community is ever simple, we need to see the development of the European Public Service in two perspectives. First, there is the core Community institutions, in particular the European Commission which is responsible for overseeing the management of Community policies. Within the Commission it is possible to envisage the introduction of many straightforward management reforms to improve operational performance and, equally badly needed, coordination. Second, in a broader perspective, there is the design and development of new management systems and administrative networks reaching out to all levels of government in the Member States. In this perspective the European Public Service is built up on partnerships between the Community institutions and the administrations of the Member States. And, in this broader perspective, we probably have to rethink the role of the Community.

New Ideas, Old Problems

There are two reasons why we need to be thinking carefully about European Public Management in a broader perspective.

1. We need to think about giving operational meaning to the principle of subsidiarity. We all know that, in concept, subsidiarity means that decisions should be made and responsibilities located at the lowest level of administration consistent with effective performance and, of course, policy coordination. Whether we are moving towards European federalism or not, subsidiarity implies a need to develop partnerships and working relationships among different levels of administration with a clear idea of who is responsible for doing what. *(Continued on following page)*

Administrative partnerships are not new in themselves. This is the way EC administration has evolved. Indeed it would be an odd kind of Community in which members did not actively participate in the work of Community development. But there are good reasons for considering in more explicit terms exactly how such partnerships should work and what is involved in making them work effectively.

2. We need to think about European Public Management now because we have not thought enough about it previously. Other things seemed more important but unless we pay attention to it now, we may find that we cannot achieve the objectives that are important and that we are now committed to.

Competences and Capacities

What this means is that at the beginning of the 1990s we live in a remarkably different world. The changes that have already taken place are epoch-making. The political forces operating are quite different. The economic circumstances have changed, partly but not only as a result of earlier initiatives. The only thing we can be certain about is that there is a great deal more to come, even though we cannot forecast with any certainty what it will be.

It is against this background that we need to give urgent attention to the future shape and required capacities of the European Public Service. The past few years have seen sharp rises in hopes, expectations and ambitions. The competences of the EC have been enlarged. The responsibilities of the Commission for making European policies work in practice have been increased. The main question we have to ask is whether there are the capacities to match the increased competence?

On paper, the EC has acquired a substantial increase in its legal competences, but in practice does it have the management capacities to exercise them effectively?

The challenge for the public service is to ensure that there is a good match between competences and capacities. But, given the pace of recent change there is an a priori case for suggesting that the EC has a management deficit.

The management deficit has received much less attention than the democratic deficit. There is a well-established litany of complaints about the democratic deficit of the EC. Current moves to upgrade the role of the European Parliament reflect this. But there has been little systematic analysis or public discussion of the management deficit. It seems to have been assumed that management capacities would somehow increase automatically as new responsibilities and competences were acquired. Anyone who knows anything about organizations or management knows that there is nothing automatic about this process. Anyone who knows anything about government or public administration knows that there are strong pressures to act as if the opposite were true in order to get decisions through, on the assumption that implementation will 'somehow' be taken care of.

The challenge for the public services is really twofold. First, there is the problem of identifying and diagnosing the management deficit. Second, there is the problem of prescribing ways to bridge the gap between existing capacities and those that will be needed in the future.

The Management Deficit: Diagnosis

Considering diagnosis first, it must be acknowledged that there is no substitute for detailed case-by-case examination of the requirements for effective policy management in specific policy fields. The needs and capacities in regional policy are not the same as those in social policy or in relation to monetary union. Nevertheless there are some things that can be said in general terms to establish the main dimensions of discussion.

In summary, the main diagnostic question is, are there enough of the right kinds of people in the right places to do the work? To start with, we can focus on the Commission itself, though it will soon become apparent that this is an exceedingly artificial restriction.

1. In the first place, there is the quantitative question: are there enough people? Given the well-publicized view, more readily accepted in some countries than in others, that Europe is about to be taken over by an enormous army of Brussels-based bureaucrats, this may seem a surprising question to ask. But closer knowledge of the Commission reveals that the attention it receives is related to its importance in the policy process and not the size of the human resources it has to devote to policy management. In fact, by governmental standards the Commission is a rather small organization and its resources are increasingly thinly spread over a widening range of policy responsibilities. Ignoring the 4,000 or more personnel in translation and research activities, the total staff of the Commission is about 11,000. These staff are distributed across 23 Directorates-General and support services. It is evident from these figures that most DGs only have staffs numbered in hundreds and not in thousands. The professional component of their staff is only a small proportion of this total.

In any case, the Commission is not master of its own house. The Council of Ministers must approve increases in permanent staff complements. Far from there being an automatic process of increasing capacities to match increased competences, the Member States are reluctant, for domestic political reasons, to be seen to be approving increased Eurocracy. To some extent disparities can be compensated by off-budget expenditure on temporary staff. But it is hard to escape the conclusion that in quantitative terms there is likely to be a management deficit in the Commission. Whether they recognize it or not, by limiting the permanent staff of the Commission, they are implicitly accepting more responsibility for European policy management themselves.

2. This conclusion is reinforced once we switch from quantitative to qualitative factors: do we have the right kinds of people with the right management skills? Looking at the recent evolution of the EC it seems that we may be at a watershed. The last few years have been an important period of political invention, new policies and new institutions and procedures have been devised in several policy fields, including industry, technology, education, social policy, environment and monetary policy. Invention will not suddenly cease. But in the next few years there will need to be an increasing emphasis on innovation, making new policies work effectively in practice. Unless this is taken seriously, the EC will simply build up an increasing overload of new policies which are workable in principle but impossible to implement in practice because the management capacities are not there.

The distinction between invention and innovation is very broad but nevertheless important for two reasons. First, the Commission is much more oriented to inventing new policies and enshrining them in Community law than to ensuring their effective implementation at the national and subnational levels. This will not be easy to change. The main instrument of policy implementation in the Community is the directive, which is recast in national law and administered by national and subnational authorities. This kind of hierarchical regulatory process is much more suited to administering simple stable policies than policies that are complex, interdependent and liable to change in the course of implementation. Once implementation is viewed as an innovative process rather than a routine process, new kinds of partnerships between the Commission and implementing authorities are needed. These new partnerships place new demands on national organizations as well as on the Commission.

A narrow focus on invention avoids addressing the many practical problems that arise in the process of putting policies into effect. Even the best formulated policy cannot possibly take account of all eventualities. Questions of detailed interpretation and questions of adaptation to unforeseen circumstances are almost certain to arise. The implications of new policies need to be seen as a whole and the conditions required to make them feasible and effective throughout the Community should be carefully considered.

The innovative skills and capacities needed to secure effective implementation are different

from those needed for inventing new policy concepts and taking new policy initiatives. In many respects they are the capacities required for planning and management of change. This includes a frank recognition that some resistance to change is to be expected and that plans for implementation should be robust enough to circumvent or overcome them. Another basic requirement is a feasibility study to assess the availability and suitability of resources required for policy implementation. This leads to the second main point. The distinction between policy invention and policy innovation is probably a more appropriate and useful way of viewing the development of European policies than the old and largely discredited policy/administration dichotomy. The challenges confronting the European Public Service in the 1990s are not routine processes of putting in place predefined policies. A great deal of policy development is likely to take place in the course of successive attempts to implement policies. The policy/administration dichotomy tends to portray implementation as a routine preprogrammed process. Making the distinction between invention and innovation shifts the emphasis to adaptation. However, it requires that the organizations deliberately seek to build on and learn from successive implementation initiatives. Again, the management skills and capacities required to enable public officials to manage innovation are quite different from those that are appropriate for managing more routine and programmed tasks.

It is important that the differences are recognized and that action is taken to shift the emphasis from programmed implementation to the management of innovation. Otherwise, time and effort are likely to be wasted in introspective efforts to refine policy concepts and produce over-elaborate and detailed directives and standard operating procedures that make effective implementation less, rather than more likely.

3. The Commission is not flexible enough in its personnel and human resource management policies to move people into the right places as the pressure of work and policy priorities change. For various historical reasons mobility is restricted and staffing profiles are difficult to change within as well as between DGs.

Even if there were none of the quantitative and qualitative constraints that have already been mentioned, lack of flexibility and mobility would contribute to creating a management deficit. It is not difficult to think of ways in which mobility could be deliberately encouraged. But the established practices and the reward systems of the Commission militate against it.

It would be easy to make the Commission the scapegoat for the shortcomings of the EC. In fact it is almost a surprise to find that this role was not formally written into the Treaty of Rome. It is highly probable that journalists will focus increasingly on any delays or difficulties in implementing the 1992 programme and lay the blame at the Commission's door.

However, what goes on in the Commission is only a small part of the total EC policy management process. It is a strategically important point but, nevertheless, it is only a fraction of the total volume of activity. What goes on outside the Commission is quantitatively more important. It is here, when we begin to consider the external dimension of EC policy management that some of the most distinctive and difficult challenges involved in developing a European Public Service arise. To anticipate - and deflect - some familiar responses, this is an area where familiar business management models provide little guidance. Innovation rather than imitation is what is needed.

While there is no doubt that a rethink of the Commission's approach to its management tasks is needed - and some moves have already been made in this direction - even if the internal functioning of the Commission were substantially improved, the impact on EC policy performance would be small. More of the right people in the right places in the Commission should help. But in an important sense, the European Public Service is Community-wide. It is distributed across all the Member States. This means that a great deal of the variance of

performance in delivering EC policies is due to factors outside the Commission itself, in the various levels of administration in the Member States.

An Administrative Community

The same quantitative, qualitative and flexibility questions that were asked about the Commission also have to be asked of the large numbers of organizations in the Member States that are wholly or partly involved in delivering EC policies. It would be politically impossible and administratively unwise to try to link all of these organizations into a unified hierarchical structure. The challenge for the public service in Europe is to create an administrative community based on strengthening partnerships at and among the various levels of government. This is where one of the biggest and most important differences between business management and public management makes itself felt. The basic unit of business management is the single organization. The basic unit of public management is a network of organizations. Businesses collaborate through coalitions, consortia, strategic alliances, joint ventures and subcontractor and franchising relations. But if these relations cease to pay off for the individual organizations they can decide to change or withdraw. In government, relationships are often mandatory and may be prescribed by law. The problem then is to make them work; to establish an effective basis for partnership and collaboration. Public management is usually getting things done through other organizations.

The EC's management deficit is due to a large extent to weaknesses and deficiencies in the capacities and linkages in the networks through which EC policies are administered. In a way, this is not surprising because in many, if not most, cases the organizations involved were not created to administer EC policies. They were formed with different purposes in view and there is therefore a 'management of change' problem in adapting them to serve EC objectives. In addition, there is no reason to suppose that the relationships among the organizations will develop naturally to establish a basis for effective cooperation. Just as an effort is needed to redesign organizations to fit them to different purposes so is an effort also needed to develop the linkages and establish coordination procedures that are essential to the smooth and effective operation of a network of organizations. To have a basic insight into the size of the task and the possible scale of the management deficit, one only has to recall that coordination requires good, reliable communication which, in the EC, means communication through many different organizations embedded in twelve different administrative systems and encoded in nine official languages.

Consolidating, strengthening, even creating and developing the right kinds of administrative networks is becoming one of the most important challenges ahead. It is clearly in the area of innovation rather than invention. It is also management among organizations rather than simply management within organizations. To underline the change that is involved in management of the Community's policies it might help to take up two broad themes. One is the implementation of the principle of subsidiarity and the other is the increasing importance of positive integration relative to negative integration.

Subsidiarity

The principle of subsidiarity could be an important element in the design of European public management networks. But it is important not to overstate or misrepresent the contribution that it can make. It is no panacea. At present there seems to be a danger that whenever an issue or problem in the administration of EC policies arises someone will suggest that the principle of subsidiarity is the answer. Even if the principle of subsidiarity could be applied as a formula to determine the optimum allocation of administrative functions, it would not answer all the questions that arise in the development of a European Public Service. In particular, it provides no real solution to problems of coordination and integration.

Like most principles of management, subsidiarity poses a question but offers no definitive answer. Subsidiarity applied to environmental policy or the structural funds is likely to produce different answers to the problem of assigning responsibilities among different levels of government. More awkwardly, deciding what is the lowest appropriate level at which the same policy should be handled in different countries such as Ireland, Denmark, Spain and Greece could produce different answers if the subsidiarity principle were taken seriously and a systematic audit of management capacities conducted. If no real attempt to assemble some such information is made, the results of delegating the same responsibilities to authorities with widely different management capacities will result in uneven standards of performance or even serious policy failures.

On the other hand, a great deal could be learned about how to make the pluralistic public service we are now developing in the EC more effective by making systematic efforts to operationalize the principle of subsidiarity in specific policy fields. If the Commission were to function as the focus of this management of innovation process, it would need to upgrade its capacities for assessing the capacities of its partner organizations and also play an active part in designing the systems and developing the networks required to implement EC policies.

One of the important links between subsidiarity and the management of integration is in determining where and how coordination takes place. Who decides where coordination is needed and how it should be managed? The management of the structural funds is a case in point. With speakers in the conference who can talk more expertly and fully about the present system of coordination for the structural funds it is probably not necessary to say much more on the subject now. But clearly the decisions made about the location of coordination responsibilities have an important effect on where work loads arise and where management capacities need to be developed and strengthened.

Subsidiarity does not mean more decentralization regardless of other considerations. Like all so-called principles of management there is a counterbalancing principle. In this case the Commission's watchdog function of safeguarding compliance with the Treaties and maintaining overall control of the system imposes a limit on the extent of delegation. It also creates some significant requirements for management information systems spanning organizational boundaries as well as for audit and evaluation capacities aimed at promoting better performance rather than just imposing sanctions on substandard performance.

Negative Integration and Positive Integration

The 'marketing' of the single market has put great emphasis on negative integration and the removal of national obstacles to trade. Since Maastricht more has been heard of the development of EC policies which suggest a shift of emphasis to positive integration. Since negative integration is associated with deregulation and greater reliance on markets, it is tempting to see positive integration as involving more reliance on government and therefore having direct implications for public management.

This is roughly right. But it gives too crude a picture to be really useful. First of all, market integration is not just the removal of obstacles and distortions, it has positive as well as negative requirements. It is reregulation, not simply deregulation. A great deal of detailed and difficult work has to be done to create the framework within which markets operate. As the countries of Eastern Europe and the former Soviet Union are painfully discovering, efficient markets do not spring spontaneously into existence in the absence of government. Moreover, framing laws is only the first stage of the process of implementing a new structure. A great deal of continuing work is needed to maintain an appropriate market framework which takes account of consumer, environmental, employee and investor interests as well as of the businesses directly involved.

By way of illustration consider one specific area of the completion of the internal market, reported in 'Volume VI' of the 'Rules Governing Medicinal Products in the European Community'. This is concerned with 'Establishment by the European Community of maximum residue limits (MRLs) for residues of veterinary medicinal products in foodstuffs of animal origin'. It is covered by Regulation EEC 2377/90. There is no need to go into the details of this, although it is very important from the standpoint of public health and consumer protection that the administrations concerned do go into all the details. The main point that needs to be made is that a new administrative system must be created at the Community level to replace the existing pattern of separate national authorities each operating its own procedures and applying its own criteria. The design of new systems in this and similar fields will involve an assessment of different organization design options and the careful development of institutional arrangements appropriate to the tasks involved. In all cases, this will require the Commission to manage the transition to the new Community-wide system.

Volume VI of 'The Rules Governing Medicinal Products in the European Community' will never get into the bestsellers list but it is very important that this kind of work is going on and that a network of public service organizations is developing across the Community to ensure that the interests of the various stakeholders in this area are being taken care of. But is the network that is developing here or in any other cases an adequate network? Is it the best network? Does it function, not just to elaborate guidelines and detailed criteria and procedures, but also to ensure that they are effectively and fairly implemented throughout the Community? There is much more to this than just removing barriers and obstacles. And, there is much more than the Commission - in this case a small number of people in DG III - can possibly do on its own. The Commission is not in the business of direct policy implementation. It is increasingly in the business of building up the networks of partnerships through which implementation works.

The Transformation of the Customs Services

A second and more familiar example is the transformation of the customs services which is an absolutely indispensable requirement of the success of the whole 1992 programme.

In the public mind, nothing symbolizes the spirit of 1992 more clearly than the removal of customs posts and customs controls on roads and trains, at ports and airports. The costs to business and the delays and frustrations for travellers have been carefully documented and widely publicised. 'When the barriers come down' has become familiar shorthand for the manifold changes that the completion of the internal market entails. In keeping with political rhetoric it puts the emphasis on negative integration. But removing intra-EC customs barriers is only the start of the process. From the standpoint of positive integration the picture looks very different. A new integrated EC-wide customs organization has to be brought into being to supersede the existing twelve national customs services. Far from disappearing, the integration of customs services poses major problems of planning and managing large-scale reorganization.

The positive integration dimensions of this task have not been fully appreciated outside the national customs services themselves and DG XXI, the Directorate of the Commission responsible for the Customs Services. Rather than just abolishing a series of obsolete organizations it is necessary to create a new system with different purposes, structure and systems of management. In effect, what is involved is the management of an intergovernmental merger. The objective is to create a coordinated intergovernmental system with a supranational mission. The twelve separate services must be brought together to administer European customs policies on a consistent basis rather than functioning as the separate but interdependent services they have been in the past.

This kind of major organizational change does not happen overnight. There is enough experience of managing mergers in business to show that the process of creating a new corporate identity to displace long-established loyalties is difficult and long-drawn-out. These predictable problems are compounded, in European public management, by marked differences of culture and tradition and tenacious national loyalties in the organizations that must work together.

The integration of customs services is further complicated because at least three different changes are taking place at the same time. The most prominent is the process of dismantling internal border controls and the organizations that administer them. The second is the redefinition of administrative functions. Border checks perform several different functions related to immigration and taxation policies as well as controls on drug trafficking, terrorism, animal health and welfare, including protection of endangered species and disease prevention. The third change is the design and development of a new and strengthened system to control external EC frontiers.

The scale of these changes is considerable. Apart from anything else it presents sizeable personnel and industrial relations problems. The customs service together employ about 130,000 people and before changes began there were about 2,000 customs posts. The side effects of the integration of customs services will include redeployment, redundancies, reorganization and training over several years. Perhaps as many as 30,000 customs jobs will disappear. A management of change process at the EC level, with the active participation of the administrations of the twelve Member States, is essential to success. But the skills and expertise needed to plan and manage this institutional transformation are in very short supply, not least because the Commission has never been comfortable with the responsive non-hierarchical style of management that managing the transition from one pattern of organization to another involves.

Conclusion

This is really only a foretaste of the challenges ahead. With the development of the Community, the Commission will have to rethink its own role in the management of Community policies and adapt its own organization in order to assist and accelerate the adaptation of the wider European Public Service.

As the Community moves into areas of positive integration, as it now appears set to do, the demands on the public service to make well-prepared and well-coordinated responses to new tasks will increase. Much greater efforts will be needed in the future to ensure that the administrative partnerships which are essential to effective policy implementation are established and strengthened.

Like all processes of managing change and promoting organizational development, success depends on effective communication of general intentions on the one hand and responsiveness to specific circumstances and problems on the other. The commitment to innovation must be clear but sensitivity to the legitimate anxieties and uncertainties of those who are supposed to implement changes is also vital.

Successful businesses now accept that, as a matter of course, they must invest substantial time and effort in the process of building the management capacities that will underpin future performance. We need to instil a similar attitude into the enterprise of building the future management capacities of the European Public Service.