

PUBLIC MANAGEMENT IN SERBIA: FROM IMITATION TO STATUS QUO

Državna uprava u Srbiji: od imitacije do status quo

ABSTRACT *Public management in Serbia has been experiencing reform changes since 2000. In this paper we attempt to analyze reforms in public management in Serbia during the period 2000-2010 from two theoretical frameworks: the institutional changes perspective and the downsizing perspective. We believe that the selected time frame is suitable for our research, since the period of ten years is long enough for radical changes to take place. The analysis from the institutional changes perspective suggests that the success in creating the new state administration institutional model in Serbia will greatly depend on the amount of pressure put by the European Union and IMF on the Serbian Government, but also on raising the level of knowledge and competence for conducting necessary changes in the Serbian state administration. The analysis from the downsizing perspective reveals that efforts aimed at downsizing of public administration in Serbia, initiated by the need to achieve results quickly, have almost been blocked by strong forces towards maintaining the status quo.*

KEY WORDS *public management, public administration, institutional changes, downsizing*

APSTRAKT *Državna uprava u Srbiji prolazi kroz proces reforme od 2000. godine. U ovom radu pokušali smo da analiziramo promene državne uprave koje su se dogodile u periodu 2000-2010. iz ugla dva teorijska okvira: teorije institucionalnih promena i teorije smanjivanja organizacije. Verujemo da je izabran vremenski okvir pogodan za naše istraživanje, budući da je period od deset godina dovoljno dug da se radikalne promene dese. Analiza, sa stanovišta institucionalne teorije, pokazuje da će uspeh u kreiranju novog institucionalnog modela državne administracije u Srbiji zavisiti od snage pritiska Evropske unije i MMF-a na srpsku vladu, ali i od unapređenja nivoa znanja o samom modelu i kompetentnosti državne administracije i Srbiji da sprovede neophodne promene. Analiza sa stanovišta teorije smanjivanja pokazuje da su naponi usmereni ka smanjenju veličine državne administracije u Srbiji inicirani potrebom da se rezultati ostvare u kratkom roku skoro u potpunosti blokirani jakim pritiscima da se zadrži status quo.*

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Introduction

The state administration reform in Serbia came with delay comparing to the reforms in other transition economies, mostly due to the wars led in Balkans during 1990s. This reform has in fact begun after the seminal political changes that took place in 2000, which enabled the democratization of the society and transition of the Serbian economy. Nevertheless, in the period from 2000 to 2010, the state administration reform was very slow and with no significant results, although in 2009 the Serbian Government significantly strengthened its efforts toward implementation of more successful reform of public management. There were three primary causes behind the intensification of changes.

The first and the most important one is the fact that a long-lasting unsatisfactory level of public service in Serbia produced an extensive public need for more efficient, less costly and client responsible public administration. Fulfillment of this need was postponed and retained for a long period of time, because of the Serbian government hesitation to undertake unpopular measures which public administration reform often assumes. So, when it came to change the public administration, these changes were very intensive.

Secondly, the process of accession to the EU, that received significant incentive, especially in 2009, has pointed out to the Serbian Government the necessity for its public management to comply with the organizational and functional patterns applied in the EU countries. Even before year 2009, the Serbian Government was aware of the fact that the public management in Serbia would have to be transformed radically as a part of the EU accession process. However, since the process of EU accession was significantly slowed down for political reasons, the Serbian Government did not rush to conduct changes that are, in their nature, quite painful and produce a powerful resistance among civil servants. The public management changes that Serbia needs to conduct in the process of EU accession involve transition from bureaucratic to corporate model of public administration, which is referred to as the New Public Management (NPM). A key reform associated with the NPM is that public organizations should import managerial processes and behavior from the private sector (Box, 1999; Carroll, Garkut, 1996; Keen, Murphy, 1996; Metcalfe, 1993). The basic elements of these changes are: profesionalization, decentralization, rationalization, and depolitization. Since the public administration changes in the process of EU accession assume acceptance and implementation of the well-recognized pre-set model imposed by the EU, these changes can certainly be characterized as the institutional changes.

The third important cause for strengthening the public administration reform process in Serbia was the world economic crisis and its consequences on the Serbian economy. The worldwide financial crisis emerged in September 2008 with the failure of numerous big financial organizations based in the US and spread with the

insolvency of other European companies and governments, recession, and declining stock market prices around the world. As the response to the crisis, the Serbian Government has adopted a set of various economic measures. Apart from the measures aimed at increasing the budgetary income, the Serbian Government has also proposed various savings measures, in order to reduce the budgetary expenditure. Among these, according to the Serbian public opinion pools, savings in the public administration costs should be the main component of the overall state response to the crisis. Although the public sector in Serbia has been widely criticized because of the rising costs and loss of community confidence in the ability of the Government to be responsive to the community and structural change, it seems that precisely the economic crisis may be a sufficiently powerful vigor to move the Government forward to considering the measures aimed at public sector reform and fighting against the mounting criticism of 'big government' (Shim 2001; Smith, Abdullah, 2005; Blanchflower, Freeman, 1997). Therefore, the world economic crisis, as the third driving force for the public administration reform in Serbia, initialized the downsizing as a necessary form of changes within the overall reform process.

In order to shed light on the character of conducted changes and provide for better understanding of public administration reform in Serbia, in this paper we based our analysis on the two theoretical perspectives: the organizational institutional theory and the theory of downsizing. The rationale behind the use of these two theoretical frameworks we found in the very character of changes related to the public administration reform in Serbia. First, these changes were obviously initialized, motivated and led by the need to adapt the public administration in Serbia to the institutionally imposed new pattern of structuring and functioning which came from EU, which therefore gives a fertile ground for the use of the institutional theory framework. Secondly, reform of the public administration in Serbia was planned and executed with the publicly proclaimed aim of radical decrease of the number of civil servants, which makes the concept of downsizing necessary part of the analysis of the changes that occurred during the selected time frame.

The aim of this paper is to describe and analyze the public administration reform in Serbia from two theoretical perspectives: the institutional theory and the downsizing theory. Consequently, in the first section of the paper we present basic elements and arguments of both the institutional organizational theory and the theory of downsizing. Then we describe the changes that took place within the public administration in Serbia in the period 2000–2010. Finally, we provide for the analysis and discussion of the public administration reform in Serbia from the institutional perspective and the downsizing perspective and make some conclusions and recommendations for the continuation of the public administration reform process in Serbia.

Theoretical Framework

Basic argument of the organizational institutional theory is that structuring and the way of functioning of organizations reflect the ideas and rules created outside of the organization itself, within its institutional environment (Meyer, Rowan, 1977). These rules and ideas, formulated through the process of social construction of reality (Berger, Luckmann, 1966), create an institutional pattern or model of a specific type in a specific organizational field. In order for organizations to become legitimate in the society, they need to accept and implement the imposed institutional pattern (Scott 1987; DiMaggio, Powell, 1983). In postindustrial, modern society there are more and more sectors in which a specific pattern of structuring and functioning of organizations is institutionalized as the only rational, desirable and beneficial for the society. Organizations in those sectors no longer prove their legitimacy by following technical and economic demands of rationality and efficiency, but by applying the institutionalized pattern of structuring and functioning (Scott, 2001, 1987). Sectors most exposed to institutional pressures are those in which it is hard to control inputs, as well as to measure and quantify firms' outputs. Public administration is clearly one of the sectors which satisfy conditions of institutionalization, so the force toward institutionalization of public administration in each contemporary society is very strong (Frumkin, Galaskiewicz, 2004). Consequently, public administrations in contemporary societies have to follow the certain institutionalized pattern of structuring and functioning (Ashworth, Boyne, Delbridge, 2007).

Institutional pattern in a sector is relatively stable, but nevertheless it changes from time to time (Oliver, 1992). Change of institutional pattern in a certain sector happens when dominant assumptions and ideas about the appropriate way of functioning and structuring of organizations in that sector, through the process of social construction of reality, have been changed. When the institutional pattern in a sector has been changed, organizations in that sector are induced to accept and implement new institutional pattern (Greenwood, Hinings, 1996). If we understand public administration as a kind of organization, then we are safe to conclude that the reform of public administration, like in the case of Serbia, may be understood as the institutional change.

The model of institutional changes that was developed by Hinings and Greenwood is, in particular, applicable in the case of public administration reform in Serbia (Hinings, Greenwood., Reay, Suddaby, 2004; Greenwood, Hinings, 1996; Hinings, Greenwood, 1988). This model of institutional changes looked up at processes inside the organization aimed at acceptance and implementation of the new institutional pattern. It provides the answer to the question: which conditions and factors determine the success of implementation of new institutional pattern in an organization when this pattern comes into being in its sector? According to

Hinnings and Greenwood (1996, 1998), the key factors of institutional changes are the following: stakeholders' interests, the existence of an alternative model of organization, the organizational members' value orientation, power relations within organization and capacity to conduct changes.

In order for any changes to occur in an organization, the unsatisfied interests of one group of its stakeholders must appear first. Therefore, the changes are initialized by dissatisfaction of one group of stakeholders, who feel that the existing institutional pattern does not suit their interests. There will not be any significant changes, however, based solely upon the unsatisfied interests. The unsatisfied stakeholders must attach their unsatisfied interests to the existing organizational model and find the causes of their dissatisfaction in it.

If the dissatisfaction of stakeholders is to be turned into the movement for changes, it is necessary to establish the alternative pattern for organizing and functioning (Newman, 2001). If there is no readily accessible new alternative organizational pattern, the dissatisfaction of stakeholders will be mainly immobilized by means of incremental changes within the framework of the existing institutional model, because they simply do not see other alternative. On the other hand, when a new ideal pattern appears in the environment, the organization can develop four possible value orientations: 1. Status Quo orientation, when all the stakeholders are committed to maintaining the existing organizational model; 2. Indifferent orientation, when all the stakeholders are equally indifferent to both the existing and the new organizational model; 3. Competitive orientation, when some of the stakeholders are committed to the existing, while others are committed to the new supreme organizational pattern; and 4. Reform orientation, when all the stakeholders are committed to the new ideal organizational pattern (Hinnings, Greenwood, 1988). The probability of successful changes to take place is, logically, the highest when the stakeholders have the reform orientation.

In order for institutional changes to happen, it is also necessary to make changes in the power structure. The stakeholders that are advocates of the new organizational model will have to build up their own position of power and strengthen their influence throughout the organization in order for changes to take place. Usually, the changed conditions in the environment impose the change of critical resources, and thereby the changes of power of groups and individuals which control those resources. The change in power structure also occurs due to the change of the leaders, which often takes place when the organization experiences the crisis. The new leader imposes a new power structure and brings in a new organizational pattern. If the power structure change does not take place in such a way that the advocates of the new organizational model become dominant, the changes will not happen even though there is an obvious need for them.

Finally, the capacity of organization to conduct changes is a necessary precondition for institutional changes to take place. Neither the dissatisfaction of the

stakeholders, nor the existence of alternative organizational patterns, nor the power structure changes will be sufficient enough for institutional changes to occur, if the organization is unable to conduct necessary changes. Organization needs leaders with knowledge and skills in the field of change management. Without the change leaders, organization will not succeed in creating the new, institutionally acceptable, organization model, even if it has enough knowledge about it. The knowledge about the organization model does not guarantee the existence of competence for conducting the changes by which that model is being created.

Additional theory which is valuable in explaining the public administration reform in Serbia is the theory of downsizing. Downsizing of any organization involves a planned decrease of the size of the organization through decrease of the number of job positions and/or the number of employees (Cameron et al., 1993). Downsizing takes place due to the decrease of the resources in the environment which the organization could use, that's why there is no more need for the organization to have the same number of job positions or/and employees as in the period of its regular development. Downsizing, therefore, does not involve a decrease in the number of employees only, but also decrease in the number of job positions, as well as in the numbers of organizational units and hierarchical levels. After a successfully conducted downsizing, the organization appears to have fewer employees, fewer job positions, simple and enhanced organizational structure.

The basic goals of downsizing may be divided into two groups. The first one encompasses immediate short-term economic effects, and above all the cut-down of the expenses (Perry, 1986). The second one comprises long-term organizational effects, such as organizational structure simplification, reduction of bureaucracy, faster decision-making, better communication, increase of productivity and incentive for entrepreneurship and creativity.

The downsizing process has several negative effects on both the organization and the employees. The most common cause of downsides of cutting-down the company costs is the loss of organizational knowledge or institutional memory during that process (Cascio, 1993). Many organizations dismiss the employees in a non-selective fashion, by applying a general approach, and many people who have accumulated knowledge and valuable experience leave the organization. Such loss of knowledge further produces various negative effects. First, the productivity of employees who are staying decreases. Secondly, the organization encounters the problems that nobody knows how to solve and, therefore, bears additional costs. Third, when encountered with a problem that no one knows how to solve, the organization often employs again the employees who left, but now as external consultants whose services, of course, cost much more.

Beside the loss of organizational knowledge, the downsizing of organization may have detrimental effects on the organizational climate and culture and on the motivation and moral of those employees who were not dismissed (Richey, 1992).

The employees who remain after a reduction in force often suffer significant problems. They frequently experience “the survivor’s syndrome”, i.e. the feeling of guilty conscious because they remain whereas their colleagues were laid off. They lose their motivation to work and worry about the future of their own jobs, wondering if they will be the next ones laid off (Fisher et al., 1993, p. 739-740), which further diminishes their loyalty and commitment. The moral of survivors of a reduction in force significantly decreases which causes reduction of the employees’ performance. Stress and anxiety within the organization grow. The political fight among the survivors intensifies, because they are trying to position themselves in the best possible way before some next layoff takes place. The survivors avoid risks more and more often; they are becoming aware of the fact that they have no control of their employment, so they are becoming depressed, grim, and even cynical.

The scope and effects of downsizing significantly depend on the approach applied during its implementation. Three approaches to downsizing can be identified (Cameron et al., 1993). The first approach, *reduction in labor force*, focuses exclusively on the decrease of the number of the employees, with no changes in a structure. A reduction in force is often made by applying the general criteria, non-selectively and with no priorities set. The consequence is that the labor costs are decreased in the short-term. However, in the long-term the organization may experience quite negative outcome regarding their overall efficiency. The second approach, *organization redesigning*, beside the cut-down of the number of employees, involves a decrease in the number of job positions, organizational units and hierarchical levels, as a consequence of the organizational structure change. In this approach, the restructuring of organization toward its simplification is conducted first. After that a reduction in force is performed in accordance with the needs of a new structure. The effects of this approach to downsizing are far better, because the loss of organizational knowledge is avoided. However, this approach has its own weaknesses too. The redesigning of organization is treated as a one time, forced solution, and as “a necessary evil”. Implementation of this approach encounters almost all the abovementioned described negative effects related to the downsizing. That is why the third approach is recommended as being the best, i.e. the systematic approach, in which a reduction in force and organizational structure redesigning is followed by appropriate changes of organizational culture and climate through creation of new values and attitudes. New values and attitudes of employees support the downsizing process to be observed not as a one-time unfavorable change, but as a way of life and something that will be present in the future, too. Only if such culture is created, the organization will be capable to downsize itself, when necessary, and avoid many negative effects.

Context for Research: Public Administration in Serbia

Serbian civil service is a large and complex system, which consists of various types and different size public organizations that provide all kinds of state services (e.g. health, education, social services, economic, developmental and cultural services, etc.). The Central Government and most of the public organizations are based in Belgrade (the capital of Serbia). In 2009, the Central Government began to decentralize many of its responsibilities to local authorities, but still with a lot of open debates which effectively inhibit the successful finalization of this process. The public administration in Serbia, according to the Law on Civil Servants, encompasses the civil servants and officials who work in different government bodies (ministries, government units, special organizations, agencies, state funds, etc.). The size of the public administration in Serbia, measured by the number of employees, on September 29th 2009 was 30.730, not counting the employees working on temporary work arrangements, meaning that the employment in the public administration has been increased by 11% comparing to 2004, when the number of employees was 27.613.³ However, this number does not include the employees in local government administration, which were approximately 22.000 in 2009.⁴ It is interesting that during the whole period in which the number of employees in the public administration was increasing (2004–2009), the Government was claiming it is working on its downsizing.

Table 1: The number of employees in the public administration of the Republic of Serbia on the 29th of September 2009

		Number of permanent employees
1.	Ministries and their bodies	16,101
2.	Special organizations	6,100
3.	Government offices and bodies	1,077
4.	Regional administration	329
5.	Public Agencies	1,032
6.	Public Funds	6,091
7.	Total employment in public administration	30,730

Source: Government of the Republic of Serbia,

http://www.srbija.gov.rs/extfile/sr/118207/broj_zaposlenih_u_republickoj_administracijaci290909_cyr.doc, 2009

³ According to the data of the Serbian Government: Serbian PAR strategy, November 2004, Government of the Republic of Serbia; also see (http://www.srbija.gov.rs/extfile/sr/118207/broj_zaposlenih_u_republickoj_administracijaci290909_cyr.doc, 2009)

⁴ *Ibid.*

At the end of 2009, the Serbian Government made the Decision by which it limited the number of permanent employees in state administration to 28,400 people.⁵

The model of governance that prevails in the Serbian public administration is bureaucracy, characterized by hierarchical structure, task division, formal rules and regulations. Public administration is highly centralized, structured as a pyramid; policies and decisions are formulated at the top, responsibilities and tasks are also decided on at the upper level of the pyramid and assigned to the lower levels through a hierarchical chain of command. Such organization is characterized by the red tape, and lower organizational commitment due to the weak link between performances and rewards (Boyne, 2002). Furthermore, such organization promotes the bureaucratic culture which makes the public administration become inefficient, inflexible and irresponsible before citizens (Savas, 1982, as cited in Claver et al. 1999, p. 458). According to Claver et al. (1999), such culture is characterized by authoritarian management style and high degree of control, little communication (primarily top-down); individuals seek stability, have limited scope of initiative, and are oriented towards obeying orders; the decision-making is repetitive and centralized; a strong reluctance towards both innovations and changes, and high degree of conformity are present.

The first step in the public administration reform (PAR) in Serbia, after the democratic change in 2000, was the set up of the State Administration Council, the Agency for State Administration Improvement and National Information Technology and Internet Agency. In the period between 2000 and 2009, different Government bodies were created and took the responsibility for the public administration reform: Ministry of Science and Technological Development, State Administration Reform Council, the Ministry of State Administration and Local Self-Government (MSALSG). During this period, the public administration reform was driven by Strategy for PAR, Action Plan for PAR Implementation, as well as by as many as nine laws: Law on Government, Law on Public Administration, Law on Public Agencies, Law on Civil Servants, Law on Salaries of Civil Servants and State Employees, Law on Electronic Signature, Law on Ombudsman, Law on Free Access to Information of Public Importance, and Law on the Prevention of Conflict of Interest in Exercise of Public Office.

Nowadays, it is widely acknowledged and consensus has already been achieved among all political parties, businessmen and academics that the public administration must transform itself from a centralized inward looking bureaucracy to a strategically thinking, open, transparent and flexible organization that satisfies the demands of all stakeholders. It is also widely recognized among all stakeholders that the reform of public administration is possible only through the

⁵ According to the Law on determining the maximal number of employees in the republic administration (*Official Gazette of the Republic of Serbia*, No. 104/2009, December 16th, 2009).

professionalization of civil servants and through downsizing. Professionalization of civil servants means that the public administration has to adopt and strictly follow the professional rules and regulations in decision making, as well as in HRM practices (such as recruitment, selection, job classification, promotion, training and development, compensation, etc.). Downsizing of public administration assumes that the public administration has to be restructured in a way that the numbers of employees, job positions, organizational units and hierarchical levels have to be radically decreased. Among politicians and civil service officials this attitude was strongly facilitated by donor international organizations, such as World Bank, and further supported by the international management consultants as advisors on reforms (supported by UNDP, SIDA, DFID, EAR, etc.), as it is often the case in many developing countries (Larbi, 1999). In the accession process to the European Union, numerous tasks relating to the modernization of the state and harmonization of the entire legal system are imposed on the Republic of Serbia. In particular, modernization of the Serbian state administration, in line with EU recommendations is one of the key preconditions of the accession to the EU. In this process the Republic of Serbia is advised by SIGMA (Support for Improvement in Governance and Management in Central and Eastern European Countries), which is a joint initiative of the OECD and the European Union.

In the case of Serbia, the economic crisis and strong public pressure pushed the Government to implement more radical reform of public management in order to cut the budgetary costs. The adopted set of measures (March 2009) includes the following: *freezing new recruitments temporarily; employee reduction in local government by 8.000; cutting progressively the salaries of civil servants and officials, drafting a new Action plan on the public administration reform.*⁶ However, at the end of June 2009, it was obvious that only limited results had been achieved.

In the second half of 2009, the pressure put on the Serbian Government to reduce the public administration at the republic level, as well as at the local authorities` level grew. This pressure was created by the public and also by the International Monetary Fund (IMF). The Serbian Government negotiated with the IMF in the second half of the year 2009, regarding the new arrangement which would provide budget stability in Serbia. One of the key conditions for reaching an agreement was cutting down the cost of public spending in Serbia. It turned out that politically most acceptable way of cutting down the cost of public spending was to reduce the public administration which had already been announced earlier in 2009. Therefore, under the pressure put by the IMF to keep the deficit on acceptable level (4.5%), at the end of year 2009, the Serbian Government finally developed the

⁶ According to the Decision on temporary measures for maintaining of financial stability in the Republic of Serbia (*Official Gazette of the Republic of Serbia*, No.116/2008 and 12/2009).

willingness to rationalize the public administration at both the republic and the local authorities' level.

As a result of the pressure of numerous factors, some important decisions were made in December 2009, which formally begun the process of significant downsizing of the public administration. First, the Serbian Government reached a Decision regarding the maximum number of employees in the republic administration, and then, on December 11th 2009, the Parliament of the Republic of Serbia passed the Law on Determining the Maximum Number of Employees in Republic Administration and Law on Determining the Maximum Number of Employees in Local Administration.⁷ These laws and the above mentioned Decision of the Serbian Government prescribe the target number of employees to be reached in local and republic administration, as well as the way in which the reduction would be done.

At the republic level, the Government precisely determined the target number of employees to be reached after downsizing – 28.400 people, which represents downsizing by 8% comparing to the situation noted on September 29th 2009. This downsizing should be conducted during year 2010. All public administration bodies at the republic level have been assigned the same task: to execute micro-organizational changes and reach a new job position lists, which will determine the target number of employees by December 31st 2009. By its Decision, the Government had not only precisely determined the total number of employees in the republic administration, but had also determined the target number of employees in each ministry, special organizations, and republic agencies and funds. When comparing these numbers with the existing number of employees in those organizations, it becomes clear that the Government applied a unique percentage of decrease to all institutions, but then increased it or decreased it, depending on its estimate of the situation in each of the institutions. At the local administration level, the Government did not specify the number of employees, but instead prescribed a benchmark by Law: 4 employees in local administration on every 1.000 residents in local community.⁸ The adjustments were done here as well, which took into consideration the factors such as: the size of the local community, multicultural aspect and multi-language aspect of local communities, the degree of economic development of local community. Local administrations were also instructed to perform organizational restructuring of their bodies by December 31st 2009, and create a new job position lists by which the number of employees will be determined in compliance with the described criteria. However, local communities were granted the opportunity to not decrease the number of employees in local administration, but

⁷ *Official Gazette of the Republic of Serbia*, No. 104/2009, December 16th, 2009.

⁸ Law on the maximal number of employees in the local administration (*Official Gazette of the Republic of Serbia*, No. 104/2009, December 16th, 2009)

if done so, the number of employees exceeding the target number will be funded from the local community budget.

Discussion

The above-described changes in size, structure and functioning of the public administration in Serbia may be analyzed from the perspective of organizational institutional theory and the downsizing theory. Conclusions which will be drawn from the analysis can significantly contribute to the understanding of both the nature of the public administration reform in Serbia and the necessary conditions for its success.

Institutional environment of the Serbian public administration, observed as an organizational system, is certainly the European Union, and therefore the organizational model of public administration in the EU countries certainly represent an institutional pattern which Serbia is expected to follow. As we already noted, public administration reform in Serbia is clearly inspired and driven by the EU accession process. The new institutional pattern imposed by the EU is far more similar to the corporate and organic organizational model than to the existing bureaucratic organizational model present in Serbia. The pressure additionally imposed by the IMF to downsize the public administration can also be observed as a part of the new institutional pattern which determines the size, but not the quality of the public administration. That is why the public administration reform in Serbia may be observed as a transition from a massive bureaucratic organization model to a smaller and more efficient corporate, organic organizational model to which the recommendations from the EU and IMF imply. But, according to the theoretical model described earlier in the paper, institutional changes to be implemented, some requirements regarding stakeholders' interests, power structure, availability of the new model and capacity of leading changes have to be fulfilled.

In the case of public administration in Serbia, several stakeholders, whose interests must be satisfied, can be identified. The EU and IMF, taken together, appear as an important and powerful international stakeholder. The EU has a clear interest for the public administration reform in Serbia to take place, as an important part of the state capacity to finalize the EU accession process. The IMF has a clear interest to keep the cost of public administration within the limits that support monetary and fiscal stability of the Serbian economy. Besides the EU and the IMF, an important group of stakeholders includes the citizens of the Republic of Serbia, whose interests are articulated by the political parties that make the ruling majority and form the Republic Government. Political parties in power have a strong interest to conduct the changes because by doing so they: a) create conditions for the EU accession, which is an important political goal; b) fulfill the conditions set by the IMF; c) enhance the capacity and effectiveness of the state administration and

improve the way of life of the citizens. On the other hand, the Government also has interest to avoid the changes, since these changes will cause the dissatisfaction of civil servants and a likelihood of strikes and political instability in the country. Finally, an important group of stakeholders certainly include the civil servants. They have a clear interest to avoid any change, such as change of work routines, improvement of individual knowledge, abilities and skills, and change of personal and organizational attitudes and values. Additionally, the civil servants are quite aware that the process of public administration reform often includes a reduction in force as well, which means that some of them will lose their jobs. Previous analysis of the three identified groups of stakeholders and their interests clearly suggests that one group of stakeholders (i.e. EU and IMF) has a very strong interest to conduct successfully public administration reform in Serbia. The second group of stakeholders (civil servants in Serbia) has a clear interest for maintaining the status quo, whereas the third recognized group of stakeholders (the Serbian Government) shows to be quite ambivalent. Therefore, we can conclude that in the public administration reform in Serbia, there is one unsatisfied stakeholder, one satisfied stakeholder and one ambivalent stakeholder. In such situation, prospects for changes depend on relative power positions of stakeholders.

The existing public administration organizational model cannot be abandoned until a new one appears within the institutional environment. In the case of the public administration reform in Serbia, the alternative organizational pattern, or model, exists and it is reflected in NPM and shaped by numerous recommendations coming from the EU and formulated through different strategic documents adopted by the Serbian Government. This alternative pattern represents the target state which the public administration should achieve through reform in due course. The question, however, arises: How familiar is this alternative model to those who should implement it? The degree of this alternative organizational and functioning model is relatively low within the public administration itself. The past efforts made by the European Institutions, such as the activities of SIGMA, increased the awareness and improvement of knowledge about the new model of public administration, but, to a large degree, these effects remained on the surface. The number of civil servants covered up by this impact remained relatively small, and did not reach the critical mass necessary for conducting the changes. That is why it can be stated that in the case of Serbia there is an alternative public administration model. However, lack of awareness of such a model among civil servants presents an important barrier for effective implementation of changes.

Institutional changes are most probable when there is a reform or a competitive value orientation among stakeholders, whereas the most powerful stakeholders are strongly oriented toward changes. Unfortunately, that is not the case in Serbia. It is already mentioned that there is a strong interest within civil servants for maintaining the status quo, that both international organizations the EU and the IMF are strongly dedicated to the public administration reform in Serbia to take

place, and that the Serbian Government is quite ambivalent towards the changes. This will, at very best, bring main stakeholders of public administration reform in Serbia into a situation of predominantly having a competitive orientation. In such a case, the final outcome of changes will depend on the power relationships between the proponents and the opponents of changes. In the case of public administration in Serbia, this means that the success of the public administration reform will depend on the relative relationship of power between the pressures imposed by the EU and the IMF (towards the reform) and the resistance of Serbian civil servants. The position of the Serbian Government regarding the pressures coming from the EU and the IMF, on one hand, and the resistance of civil servants, on the other hand, is likely to be seen as a mediatory factor in this case.

In order for institutional changes to happen, it is necessary to make change in the power structure. The stakeholders that are advocates of the new organizational model will have to increase their own position of power and strengthen their influence in order for changes to take place. In the case of Serbian public administration reform, this means that the EU and IMF should strengthen their influence over the Serbian Government, which will probably happen by furthering the process of EU accession of Serbia. If, however, this process of EU accession slows down, either because of changes within the EU itself or because of confronting Serbia with new political conditioning, the influence of the EU over the Serbian Government will weaken, and thereby its pressure on the process of public administration reform, as well. In addition, if the global financial crisis continues, the dependence of Serbia on the arrangements with the IMF will increase, and thereby the influence of the IMF on public administration reform in Serbia will also increase. Beside this, another process which can strengthen the position of the proponents of the public administration reform in Serbia may be found in the process of democratization of the Serbian political system. If the responsibility of political parties towards the Serbian citizens raises, the pressure to provide for greater public administration efficiency, decrease costs and create more responsive civil servants through the public administration reform will also strengthen.

When it comes to the capacity of an organization to conduct changes, in the case of Serbian public administration, the Government Institutions, such as MSALSG and Council for PAR are in charge for the change management. However, the past experience in the public administration reform management shows that the capacity of public institutions to manage changes and their knowledge about change management are relatively low. In addition, in the process of change management in Serbia, there is no unique center that is having a unique authority over the changes. We are the witnesses that, during the process of reform so far, many different institutions were, and even at the same time, responsible for conducting the prescribed changes. This fact decreases the abilities of the Serbian public administration and its leaders to manage the changes.

Apart from acceptance of the new public administration model, another important pathway of the public administration reform in Serbia is determined by the requirements of its rationalization and downsizing. Therefore, the nature and success of the public administration reform in Serbia can and should be analyzed through the framework of the theory of downsizing. The downsizing of public administration in Serbia is directly initialized by the global economic crisis, although there was a public perception that the public administration is enormous and that it costs the state too much. The necessity for cutting down the public expenditures has initialized the decrease of the number of employees in the public administration by 10%, as was already stated. From the description of the changes that happened so far, some assessments can be made regarding the character and the scope of downsizing of the public administration in Serbia.

Described changes suggest that the second approach, organizational redesigning, was used as the downsizing method, but in a specific manner. Organizational redesigning as an approach to downsizing assumes to achieve a reduction in a force by executing a micro-organizational restructuring firstly. During such restructuring, it is common to decrease the degree of specialization, merge job positions and organizational units, eliminate hierarchical levels and, through these changes, actually, decrease the number of employees that will be needed by the new redesigned structure. How many employees will be needed in the new organization depends on the appearance of the organization itself. In the public administration reform in Serbia, the process of downsizing was conducted through redesigning of the public administration structures, but in a reverse manner. Namely, first the Government and the Parliament of Republic of Serbia reached a Decision and a Law regarding the necessary number of employees, and then the Government instructed all the ministries and other administration bodies, as well as the local governments, to execute the micro-organizational restructuring in order to achieve prescribed numbers of employees. The number of employees in new, reduced public administration, therefore, did not emerge from the new micro-organization, but the micro-organization was designed according to the new target number of the employees set by the Serbian Government. One obvious advantage of such an approach is certainly related to the speed of conducting necessary changes. However, this approach, in the way it was implemented in the process of Serbian public administration reform, had numerous and significant negative effects. First, the decision on the number of employees in Serbian public administration was made arbitrarily by the Government, and was not based on the real needs of firstly systematically redesigned organizational structure. Secondly, redesign of the organization was not done according to the criteria of efficiency, but in such a way to achieve the intuitively determined targeted number of employees. If the purpose of redesigning of public administration structure was not to achieve the target number of employees, but to improve the overall public administration efficiency, then radically different reform process and final results could be expected. Thirdly,

selected approach to downsizing of public administration in Serbia did not allow for synergy of downsizing and institutional changes to take place. Fourthly, the civil servants were encouraged to willingly leave the organization, with no restrictions. This actually means that even the civil servants with specific competences were free to leave. Such individuals had more opportunities for finding another employment; hence they were the most willing to leave the public administration. Such tendencies further increased the probability for losing the institutional knowledge. Fifthly, deciding which employees are to be laid off was frequently, although informally, actually led by the dominance of the criterion of political acceptance. The individuals who had good political connections had greater chances of avoiding the laid off, regardless of their competencies and knowledge. Finally, the downsizing often assumes that the management loses the confidence of the employees, because the employees feel that the management has violated the "psychological contract" between the employer and the employees regarding their mutual expectations. However, this was particularly noticeable in the case of the Serbian public administration, since working in the public administration in Serbia is considered to be extremely secure employment, although quite underpaid.

Conclusions

The process of public administration reform in Serbia has all the characteristics of two types of changes that complement each other: institutional changes and downsizing. Therefore, it must be analyzed, beside other theoretical frameworks, within the frameworks of the institutional theory and the theory of downsizing to provide for deeper understanding of included changes.

The analysis of public administration reform in Serbia through the lenses of the institutional theory has been justified by the fact that the reform is initialized by the need to apply the institutional pattern of public administration which comes from the EU, as well as by the need to satisfy certain expectations of the IMF regarding the size of the public administration in Serbia and its costs. The institutional character of the public administration reform in Serbia implies that the success and the effects of the reform depend on three main factors. The first one is related to the relationships of power between the key stakeholders in the process of reform such as: (1) the EU and the IMF, which directs Serbia towards necessary change; (2) the civil servants in Serbia, oriented toward maintaining the Status Quo; and (3) the Serbian Government that is shown to be quite ambivalent regarding the changes in public administration. The second factor is related to the awareness and knowledge among civil servants about the new institutional pattern, which are still very low in Serbia and which needs to be significantly increased in the forthcoming years. The third factor is related to the change management capacity of leaders. If the process of the public administration reform in Serbia is to be further enhanced, it is necessary,

therefore, that both the EU and IMF constantly strengthen the pressure over the Serbian Government towards the changes, to raise the level of knowledge about the target institutional model through educational efforts, as well as to enhance the level of competence for change management in the public administration itself, by expansive training and education.

The analysis on the basis of the theory of downsizing has shown that in the case of Serbia the method of organizational redesign was applied. The applied method of cutting-down the number of employees by first reaching a decision of the target number of employees, and then conducting organizational restructuring in order to achieve the target number of employees, gives fast results, but it is less effective alternative comparing to the approach in which these steps would be done reversely. We believe that further improving changes of the public administration in Serbia would certainly require application of a systematic approach to downsizing. On one hand, it will allow for the process of culture values and attitudes change to take place, which, in turn, will enable easier acceptance of the new institutional public administration pattern in Serbia. On the other hand, it would enable the downsizing process to be treated and conducted as a permanent regular activity.

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