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**Reorganization of Public Institutions in Romania  
Caused by the Economic Crisis**

**Corina Lazăr<sup>1</sup>, Valeriu Antonovici<sup>2</sup>**

**Abstract:** Any organization is established to achieve a mission, a goal and certain specific objectives. In the Romanian's case, due to the financial crisis and the IMF requirements for their loan, certain agencies and departments of several ministries or public institutions have been dismissed or reorganized. We ask ourselves – who is to continue the activity of those organizations? Is it possible that after the reorganization, the institution to properly function with less staff? Is it about the fact that Romania cuts public expenses, by giving away certain priorities (respectively, organizations?) How do the new organizational structures look after being reorganized – can they handle the initial objectives? The topic in hand: Government says that these reorganizations are to earn to the public budget a considerable amount of money, and that they are not to affect the organizations' activities. Our paper will include analyses of the organizational changes, following the factors of change, the objectives for change, the forms of change and episodes of changes and their results. Research methodology: 1. analysis and comparison of organizational objectives and missions before and after reorganization; 2. analysis and comparison of two organizations subordinated to the government before and after reorganization.

**Keywords:** organizational change; reform, public administration; public institution

## **1. Introduction**

Generally, the public sector and particularly public institutions are regarded as strongly opposing change. The aim of this paper is to analyze and observe the resilience of public institutions in Romania with regard to the organizational changes arising from the economic crisis. More precisely, we will observe how public institutions have operated and are operating in their organizational structures, under the constraint of lack of funding. Also we will analyze crisis management as a changing factor for public institutions, changes in the public sector being the more critical as the forms used to address change management are often poorly adapted.

The issue is relatively simple to understand in the case of private organizations as these are in direct interaction with the market. If they don't meet the needs and opportunities of their market, they are sanctioned by the loss of turn-over. This is not the case of public organizations which do not benefit from this instant feedback.

Greiner (1972) estimates that the organizations' dynamics in increasing their number follows a succession of phases of evolution and revolution and demands stability in the latter. Crisis are characterized by such a scope that they entail major transformations affecting both the institutional structure and the behaviors and objectives. The nature of the crisis depends upon the development stage in which the institution is positioned. Nutt and Backoff (1997) suggest using the unbalances caused by crisis to make managers agree to the institutional change. Greiner (1978) on the other hand

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<sup>1</sup> National School of Political Studies and Public Administration, Faculty of Public Administration, Romania, Address: 6 Povernei str., Sector 1, Bucharest, Romania, Tel.:+4021.318.08.97, fax: +4021.312.25.35, Corresponding author: l.corina@yahoo.com

<sup>2</sup> National School of Political Studies and Public Administration, Faculty of Political Science, Romania, Address: 6 Povernei str., Sector 1, Bucharest, Romania, Tel.:+4021.318.08.97, fax: +4021.312.25.35, e-mail: valeriuua@gmail.com

points toward defining as a change (in a crisis situation), a new organizational pattern for the next evolution phase.

To achieve what we intended the paper will include a theoretical part at the beginning, based on specialized literature on change in public institutions and a second part which will summarize the conclusions withdrawn from cases of organizational change registered in the crisis of two public institutions in Romania.

## **2. Organizational Change**

Change is a concept that encompasses many different meanings. To change means in the same time to become, to adjust, to adapt, to transform (Beaudoin, 1990). Some authors have defined change as the transition from one state to another, observed in the environment and which has a relatively permanent nature (Collerette, Delis and Perro, 1997). In his mind, change could be switching from a current state to a desired state, a current original case considered inappropriate into another deemed as adequate and which meets better the demands or the new aspirations of the concerned people (Belanger, 1994). Thus, for Belanger, change is in a way a version of imbalance. Therefore, it can be considered as the source of a more or less comfortable or directly proportional to the search for a new equilibrium point.

There are many definitions of organizational change, out of which the following two seem the most relevant: according to Grouard and Meston, organizational change is "the process of radical or marginal transformation of the structures and competences set up in the process of the development of the organizations (Grouard and Meston, 1998); for Collerette, organizational change is "a relatively sustainable change occurring in a subsystem of the organization, provided that this change can be observed by its members or by those who are connected with that system" (Collerette, Delis and Perro, 1997).

"Organizational changes are answers to some external forces such as changes in the market, different pressures in terms of competitiveness, etc, or may be caused by some endogenous variables, such as manager's tendency to apply different methods / techniques (Burduş and Androniceanu, 2000).

Usually, institutions transform themselves in a rather incremental way, and not discontinuously (North, 1990).

### **2.1. Trigger Factors for Change**

**2.1.1. External factors** are generally associated either with the environment within the organization, either to external factors which changed it. Grouard and Meston (1998) have identified six major external factors, considered as reasons for change: market, competition, technological innovation, changes in laws and regulations, structural changes and developments in society, lifestyle and way of thinking.

The main sources of change, in fact factors justifying its necessity are: 1. economic factors: economic crisis, market globalization, marked differentiation of market segments, free movement of capital (human, financial) at a global scale; 2. the development of technologies; 3. socio-cultural factors: demographic situation, the polarization of society, changes in the system of values and aspirations, level of corruption in the country; 4. politico-legislative factors: attitude towards entrepreneurship, attempted nationalization of organizations, political instability, inefficient legal basis; 5. ecological factors: climate change, negative influence on the ecosystem.

An important thing about these external triggers is that some of them are less predictable than others and thus less open to change scheduled (proactive).

**2.1.2 Internal factors** are associated with the organization itself. They can occur throughout the entire organization or only to one of its structures: offices or service. Besides the obvious influence of exogenous factors, changes can be caused by forces of the organization's internal environment, namely: internal conflicts: psychological conflict, confrontation between different value systems; staff

turnover; strikes (wage demands, improving working conditions); innovation efforts to introduce cultural change (management style) (Gerald, 2004); need to improve quality of service, make better use of resources; need to address potential new services created by research and development and marketing department; crises - are a common cause to launch change programs (launching a new service failure, the failure of a manager).

Grouard and Meston (1998) have identified two internal factors, appointed and determinants of change: (1) development of the organization and its growth, and (2) the management's vision.

**2.2. The actors of change.** Analyses of change and theories of organizations have often questioned the problem of relations between actors and systems. This classic problem has been addressed either privileging one pole depending on another or trying to highlight the margins of freedom of actors, operating strategies by them or by revealing construction operations or mutual structuring of actors and systems or structures.

Even if the actors of change are often anonymous and difficult to identify, in the specialized literature we find three types of actors: (1) engineers or technicians working with structures and strategies that are often expert-consultants (internal or external) who play the role of tutor or/and "facilitator of change"; (2) the leaders of change which present themselves as the initiators of change in the direction of change and innovation (3) the "victims" of change represented by the individuals and/or organizations subject to change. The actor represents basically the interface of change and is engaged in carrying out arguments made on these actions.

**2.3 "Objects" of change** are first of all the actors of the organization or of its background. Beyond these human factors, "objects" of change can be both material and ideal. The material ones have as an object, the structures and contexts of action (example: shift from a pyramid structure to a network structure) or processes (e.g. The shift from standardization to flexibility). Ideal objects of change, generally reveal strategic guidance of individuals or organizations, or of culture (e.g. shift from a culture of control to a culture of trust) and /or knowledge (e.g. the dynamics of tacit and explicit knowledge). The changes of ideal "objects" are related to those material and may result one from the other.

**2.4 The shapes of the change.** Many authors distinguish between a change type [1] which is breeding and evolutionary and a change type [2] which is transforming and revolutionary (Miller and Friesen, 1984). According to Tuschman and Romanelly 1994, the life of organizations is characterized by long, stable periods of convergence where change is limited to incremental adjustments which strengthen the strategic guidelines already chosen, followed by revolutionary changes in short periods rarely named as shifts. In some cases, successive incremental adjustments are likely to lead to radical changes in the system. These partial adjustments of the subunits lead either to an overall recovery of the organization; either is at the origin of progressive and continuous loss in what concerns the resilience of the organization to its surroundings.

**2.5. Aims and functions of the change.** Many approaches regard change as one of the missions of the managers. A performing manager would be the one who is able to change things in a "good sense". The change would be therefore a manifestation of power and strength. This view is dominant and serves mainly to persuade current and future managers (in training) on the usefulness of reflection on organizational change. There are two schools of thought in the specialized literature: either change in technocratic manner in order to improve or reform a given system, be that change is approached from a critical political approach and whose finality consists less in reforming the system taken into account but only in a change which is more or less radical.

The technocratic and functionalist conceptions of change is regarded as a process of building an organizational consistency (internal / external, intrinsic / extrinsic) or alternatively, change itself as a result of the dynamics implied by organizational consistency. In the first case the attention is on the notion of convergence, while in the latter case attention is on the concept of co-evolution.

The political conception of change draws upon the sociology of conflict and different form of interaction. It is considered that management literature is not only not-critical but also anti- critical. This political conception or critic of change aims at the empowerment, autonomy and accountability of individuals. Values and meanings generally presented as preconditions or results of a good change would only be changes and veta thrown in relationships of power and strength. Change would also be the proof and the result of domination that managerial literature (especially that related to change), strengthens and mystifies.

### **3. The Economic Crisis – a Factor of Organizational Change in Public Institutions in Romania. Case Study: National Institute of Administration (NIA) and the National Agency of Civil Servants (NACS)**

#### **3.1. Description of the current situation in Romania**

##### **3.1.1. Global and European economic context**

The latest estimates indicate an extension of the economic crisis. The decline of the annual GDP accelerated in the emerging economies of Europe in the second quarter compared to the same period of 2008, the Baltic states were the most affected: Lithuania-22.4%, Latvia -19,% Estonia -16.6% also Slovakia registered a contraction of 5.3% in the second quarter, Hungary 7.6% versus 6.7% in the first quarter<sup>1</sup>.

##### **3.1.2 Romania's economic situation**

In July 2009, Romania registered an annual inflation rate of 5.06% over June 2008 and a 0.77% decrease from the previous month. Romania had the highest annual inflation in the European Union in July (according to EUROSTAT), the EU average was 0.2% and the euro area recorded a deflation of 0.7%.

According to early estimates made by the National Institute of Statistics, Romania's gross domestic product declined by 8.8% in the second quarter of 2009 compared to the corresponding period of 2008 and first quarter 2009 compared with 1.2% (seasonally adjusted data). Following the August 2009 budget adjustment, the budget deficit for 2009 was set at 7.3% of gross per domestic product.

These financial data and projections made by competent authorities in the field outline the image of a deep economic crisis, threatening the economic stability of Romania and, thereby, public order and national security.

Therefore, the economic crisis, a global phenomenon that affects the structural Romanian economy, required exceptional measures, which, by their efficiency and timeliness of application, reduce its effects and lead to prerequisites for a national economic recovery. However, these measures should ensure the fulfillment of the obligations under the Memorandum of Understanding concluded between the Government and the European Commission and the Stand-by Agreement between Romania and the International Monetary Fund (IFM).

To this end, in November 2009, passed the Law no. 329 on the reorganization of public authorities and institutions, rationalizing public spending, support business and compliance with the framework agreements with the European Commission and the International Monetary Fund published in the Official Gazette, Part I no. 761 of November 9, 2009.

The law provides two types of solutions:

1. reduce expenditures by:
  - The reorganization of public authorities and institutions;

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<sup>1</sup> Source: Government of Romania, Background note of the draft law on the reorganization of public authorities and institutions, rationalizing public spending, support business and compliance framework agreements with the European Commission and the International Monetary Fund

- Reducing staff costs in public authorities and institutions;
  - Strengthening financial discipline in the autonomous administrations, national companies and companies owned or state majority companies
  - Limit the possibility of accumulation between the pension and the salary.
2. To support the business field, to strengthen its capacity to overcome financial difficulties caused by the current economic context and to revive the commercial circuit by:
- Exempt profits invested in equipment (machinery, equipment) used in the pursuit of basic activities;
  - Fostering the renewal of the national auto park, including the one destined to agricultural work;
  - Facilitating access to funding to recipients from the agricultural and food sector.

The measures established in the law have the effect of a **public administration reform, streamlining and rethinking spending budget destinations** for stimulating investment and business development support. Seen from a social perspective, the law draws a substantial reduction of jobs in budget system (the central and local government, the autonomous, national companies, companies owned or majority state), limiting thus the taxpayer's effort in supporting the administrative device.

### **3.2. Organizational change within public institutions in Romania. Case Study - National Institute of Administration (NIA) and the National Agency of Civil Servants (NACS)**

As illustrated by the above mentioned economic figures, Romania was in a delicate situation. When contracting the credit from IMF, the Romanian Government pledged to reduce public expenditure (expenditure on salaries in the public sector was around 8% of annual GDP, which was according to the IMF a large figure). The political power had two options: either reduce employees' wages or to lay off staff. The government took the following decisions: it didn't reduce wages – instead, it decreased bonuses and reorganized and abolished some of the public institutions deciding that vacancies in these institutions should be blocked.

In this study we will analyze how the National Administration Institute, a national public institution with legal personality subordinated to the Ministry of Interior was abolished and was merged by acquisition and takeover activity by a new direction namely the National Agency of Civil Servants. According to Law 329/2009 merging by acquisition was expected to reduce 18 positions in the headquarters of the NIA, currently The Directions for Training and Professional Improvement of the NACS. Following this absorption, the NACS undertook the activities of NIA and added to its original mission and objectives those of NIA (see Table 1). Programs and projects of NIA were assumed by NACS and will be run by it until their completion.

Meanwhile, the second institution analyzed, NACS<sup>1</sup>, was reorganized in the following ways:

- a) Dissolution by merging by acquisition of NIA and acquisition activity by a new direction to set up the National Agency of Civil Servants,
- b) Abolished regional training centers for local government and takeover activity by newly established institutions subordinated to the NACS, and
- c) Reduction of 20 positions.

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<sup>1</sup> Specialized body of central public administration, with legal personality under the Ministry of Administration and Interior

**Table 1**

Criteria	The National Institute of Administration (before dissolution by merging by acquisition)	National Agency of Civil Servants	Directions of training and professional development of the NACS
Mission	Develop strategy and provide training and development of specialized education in administration, for civil servants and staff with individual employment contract in public authorities and public institutions, for persons appointed or elected to positions of public dignity or their equivalent from the central and local government as well as for other stakeholders.	Ensure the implementation of strategies and of the Government Program in the field of management for civil and public servants, and training of government personnel.	
Aims	-Manages various forms of training. -Conducts studies, projects and publications in the field of public administration.	-Update the strategic and normative framework in the field of the management in public administration and civil servants. - Efficient management of administrative procedures relating to civil and public servants. - Increase management capacity of public offices and records of public officials. - Increasing the transparency and integrity of the public office.	
Attributions	a) organizing specialized training courses in central and local government; b) training of specialists in the field of electronic platforms for the public administration c) certification of compliance with international quality standards of local public administration, directly or through collaboration with regional training centers for local government	a) Bringing under regulation the civil service; b) providing the management of the public office and the civil servants; c) providing training of civil servants; c) providing training in the public administration; d) managing civil service programs; e) monitors and controls activities related to civil and public servants.	a) provide training for senior civil servants, civil service managers, young civil servants who may become public managers, young graduates, future public managers, civil servants working in the central government b) ensure institutional communication and collaboration with other institutions that organize long terms trainings c) organize a specialized training program in public administration, with a duration of 2 years, for graduates of long-term higher education, with a bachelor, aged 30 years, to quickly access their public function according to the requisites of the law; d) organize specialized training for senior civil servants; e) organize a specialized training program, lasting one year for young civil servants under 33 years and with maximum of 7 years of experience; f) organize specialized training programs, lasting one year, for civil servants holding management positions g) Organize development programs up to 90 days, intended for senior civil servants, civil service managers and executive civil servants of the central government; h) Organize seminars and conferences

				on major issues for local and central government.
		Before reorganization	After reorganization	
Maxim number of jobs (excluding high officials and jobs connected to the minister's office)	70	120	190	
Number of hierarchical levels	7	8	8	
Number of general directions	4	1	1	
Number of directions	7	5	6	
Number of services	5	5	10	
Number of offices	-	2	2	
Number of compartments	-	8	8	

As a consequence of the reorganization of the NACS, one can observe that the organizational structure has changed, increasing, namely:

- after the dissolution by the merging of NIA and the takeover of the activity by a new Direction for NACS, one can note that all the subdivisions of NIA turned in a direction which has a service subordinate;
- also, according to NACS flow chart, before and after the reorganization, the number of hierarchical levels is the same, eight, but nevertheless NACS, according to Government Decision 1000/2006 regarding the organization and operation of the NACS updated, reserved the right to create offices and other departments under the law by order of the President of the Agency, under certain circumstances.
- the number of General Directions is the same, one, but not the same General Direction - in the place of the Legal Direction for Development and Implementing which was abolished, was created the General Direction for Civil Service Management;
- the number of directions increased by one division - was emerged the Direction for Training and professional development;
- the number of services increased by five division - was emerged five new services: Service for organizing and implementing programs, Service for methodological coordination, Service for operational management, IT service and Service for policies and strategies.
- the number of offices is the same, two;
- the number of compartments is the same, eight.

Analyzing the above note, one can notice that although an institution has disappeared and another was reorganized, the continuing of missions and objectives are ensured both by the former NIA through the newly created Direction and by the NACS which reduced the number of positions.

We conclude that through the modifications made, the goal of reducing costs to the state budget was achieved. If in the studied case an institution was abolished by merging by acquisition, in other cases dissolution occurred as a result of merger consolidation by creating new legal persons or cancellation by dividing activities, which are taken by other institutions, without any resulting entities. In other cases there was only a reduction of the number of positions.

#### 4. Conclusions

Following the political decision making (no managerial / technocratic) to reduce costs to the state budget, most public institutions in Romania have undergone reorganization. In this paper we describe the theoretical context of such changes and model (reduction of posts, merging by absorption) thereupon of the institutions subject to this phenomenon have been reorganized. Change was not planned, but was rather a radical one, so the Government could subsume within the requirements of lenders. The changes analyzed in our study were made only based on economic reasons (imposed by external factors) and were not related to the improvement of the organization. Note that in times of crisis, the political power adopts exceptional solutions. In our case, it is yet to be proven if such future changes will be beneficial for these institutions. As IMF provided all tranches of the loan contract, one can conclude that the changes were seen by this international institution as positive ones, at least from an economical perspective.

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