

# The Importance of Institutional Efficiency and Skill Development in the Context of Globalization and Economic Growth: Case Study – Romania

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#### Abstract

The continuous development of the labor market due to the swift globalization and internationalization processes, as well as the constant pursuit of economic growth, puts every country to the test with respect to global economic competition (Schmid, 1995; 2008; Bassanini and Ernst, 2002). However, economic growth should also be considered from the perspective of "efficiency" by increasing institutional capacity or efficiency, respectively by fully understanding the working cycle of an individual (Schmid, 2017). In this context, both the public and private sectors should be analyzed and approached from multiple perspectives in order to be able to understand the conjuncture and efficiently implement adequate public policies at the national level that stimulate economic growth as well as have an impact on the international level. Moreover, due to the fact that each society is constructed differently, the development of their national economic growth should also be analyzed diversely. In this context, besides the economic perspective, the Human Capital Theory (HCT) perspective, as well as a sociological perspective, could offer peculiar insights in regard to possible methods of economic development based on the idea of increasing efficiency within the coordination capacity among decision-making institutions, considering the conjuncture of each given state from population growth towards institutional development (Becker, 1960; 2009). The research is based on a theory analysis and interview comparisons with actors that activate on a technical as well as political level. Moreover, the research will focus entirely on a Romanian case study in order to comprehend the conjuncture of a given Romanian central public institution's activity that adapts and acts as a national and international entity representative. Lastly, the research concentrates on finding peculiar barriers and conjunctures that could be used for further improvements at the institutional level or for further research within this distinct area.

#### Keywords

Institutional capacity, civil servants and dignitaries, decision-making process, institutional case study.

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#### Introduction

In regard to the existing research or articles that concentrate mainly on economic growth, especially on topics with a focus on sustainable developments for SMEs, as well as guidelines for peculiar eco-friendly business models or projects, they unfortunately lack substantial content when it comes to explaining further the situation in the decision-making process of a given development of a policy. In this context, this article tries to provide an insight into the decision-making process within a Romanian public administration institution with regard to policy development. Considering that the research does not concentrates on the end result of a policy, but rather on the process of how a policy is developed, the article tries to cover three main theories in this regard, respectively: the first will be the HCT (Simon Marginson, 2019), a theory that analysis the individual and its potential at the workplace, the second theory that will be analyzed represents the Actor-Centered Institutionalism Theory (Scharpf, 1997), a theory that considers the behavior of



individuals within an institution, and finally the Path-Dependency Theory (Crouch and Farrell, 2004), an approach that identifies a routine within an institution, and presenting possible alternatives to change the institutional routine. All three theories represent the base of this research in order to cover information related to individuals, their actions, and their environment, respectively, within an institution. In this context, the research also tries to explain that the increase in institutional efficiency could lead to economic growth. However, institutional efficiency could also mean multiple aspects that could be used for other approaches or research. In this regard, especially because the focus is on a specific case study, the results could be used for further research that offers further hints for future investigations or research in this domain, which could then be useful for either academia or government representatives. As a final thought, this article cannot be used for generalizing peculiar results due to the fact that the number of interviews was small. In addition, there could also be multiple variables that could influence economic growth, and even if the institutional capacity is high, economic growth will not increase. In this respect, this article was structured with the idea of awakening curiosities within the decision-making process within a case study, in which peculiar examples explained their contextual barriers as well as opportunities.

### **Review of the scientific literature**

In a broad perspective, the globalization process could form unique and different envisions at the individual and national level, resulting in possible different expectations or outcomes for citizens who are connected to the Internet. The new expectations (experienced either on internet, or in another country) that emerged among citizens will have the chance to compare and analyze their own public institutions in contrast with foreign public institutions. Based on their findings, they could either ignore the procedural differences or simply demand similar treatments from their own public institutions. In this context, these expectations, subsequently, can be both to the disadvantage of civil servants and an obstacle to development in general. In more details, by requesting similar methods that are adopted in other states without fully considering the possibilities of changing the institutions or simply understanding the current conjuncture in which the state finds itself, as well as the existing lack of resources or the existence of certain barriers (such as legislative barriers), the level of frustration could increase, becoming further complicated. In this context and as a consequence, citizens' perspectives may change, and certain results may be unfavorable to the political parties involved. In this sense, access to "information" becomes mainly a trigger or factor for the change or stagnation of public institutions. As an example, if the transmitted message is used wisely in relation to future strategies for the implementation of public policies, in the case of the development of civil servants, this could also be a path to follow. Moreover, the process and limits of structuring and publishing specific information in the public spectrum depend mainly on who is transmitting it (dignitaries, journalists, academicians, etc.), in what domain they want to share the information (towards politics, SME's, constitutional aspects, etc.), and for whom the message is addressed (citizens, other actors on a national level, or international). The prior information, or the intentions to change the internal policies of the modification of the legislation of civil servants, can be carried out both internally and externally. In the internal case, it is considered to inform officials about the future internal mechanisms that will be implemented in order to better manage the current situation, which refers to an approach based on a theory of "actor-centered institutionalism" (Scharpf, 1997; GEO, 57/2019). On the other hand, external information reserves the possibility of informing citizens, or future employees (that will become future civil servants), about the new provisions that will be respected in order to provide the expected services; this approach leads towards a more path-dependency theory and towards HCT (Crouch and Farrell, 2004; Simon Marginson, 2019). Communication essentially represents openness to citizens and openness to possibilities in order to synchronize and discipline the future duties of civil servants. In this situation, communicating with the public about civil servants and familiarizing them with the situation could help increase institutional capacity. For instance, according to the information provided by the National Agency of Public Servants (ANFP), civil servants are placed at the technical level in the institutional hierarchy, and at the management level of public institutions are placed dignitaries elected by the vote of the citizens, being at the political level (GEO, 57/2019). The relationship within the public authorities, respectively the relationship between the technical and political aspects, represents another possible indication that can analyze the power of adaptation of the public institution to the expectations of the citizens. Theoretically, any type of public policy should be accepted by the majority of the population, due to the fact that the politicians were entrusted and legitimized by the citizens through voting. Thus, one would understand the will of the majority to choose a political party close to their ideological requirements and expectations. However, after being entrusted with and starting to implement policies that are not in accordance with what the voters expected, despite the fact that the legislative strategies will be in favor of the voters, the political party could encounter restrictions or barriers, such as protests, or they will no longer vote in favor of that political party. Given the last example, there are a couple of uncertainties, such as: how could it be possible



for decision-makers to implement less frequent or well-known policies to achieve outcomes without repercussions? As we observed previously, public policies in general must be shaped according to the current requirements of society as well as possible restrictions. Moreover, public policies represent a medium- or long-term commitment regarding the creation, modeling, or adjustments of internal institutional mechanisms that adapt to the existing and ongoing challenges of society (Scholte, 2015; 2018; 2019; 2021). In addition to the process and analysis regarding the implementation of public policies, sometimes it can be observed how an institution behaves in the face of an unpredictable situation. To be more precise, from a peculiar institutional perspective to consider, the theory of "path-dependency" (Crouch and Farrell, 2004) could prove to be a critical hint that aims at a determined path of future public policies that may appear and consequently forms a particular institutional "status quo" that stagnates or develops, depending on the institutional flexibility. Moreover, a similar analysis also represents the continuous development of the institution in terms of the decisions it has taken, thus forming, with each action that it resolves or not, an improvement (or not) of the internal institutional mechanisms (Lecours, 2005). The second aspect would focus on external progress and trends, as well as related restrictions. Academics debate the topic with the known concept of "state-centric" as the main focus and research on a wide spectrum with multiple and significant actors regarding the decisions they choose, especially at the global level where states, in order to collaborate effectively, comply with certain specific protocols among civil servants. In view of a broad analysis at the global level, or aimed at cataloguing, structuring, and forming an image of important actors, as well as the factors that must be taken into account in order to provide a complete picture of the current situation at the global level, but at the same time it can be proven to be difficult to achieve due to its high variety of independent factors (Scharpf, 1997; Crouch and Farrell, 2004). However, the structure of public institutions, as stated by the authors Andre Lecours (2005), Bennett et al. (2006), Pierson (2000a; 2000b), North (1990a; 1990b), Scharpf (1997), Brinton, et al. (1998), respectively, and Victor Nee (1998), highlights a passive and reactive institutional behavior to the possible events that are encountered, which means that they tend towards an institutional development determined by both internal characteristics and expected and unexpected external factors. Furthermore, as the author Andre Lecours (2005) mentions, institutions without any challenge and without any external influence have no intention to improve the current protocols, leaving the impression that the institutions are stagnant in terms of internal development. If this is the case, then the question of what the essential aspects of institutional management and progress are remains undetermined or unclarified. One aspect that may provide possible clarity on the current situation is among its employees. Each individual has a package of knowledge, experiences, desires, and specific interpersonal connections that contribute to the public sector, respectively, and to the management of public administration (Scharpf, 1997). However, due to the various factors that amplify change in general, especially when it comes to a particular 'change' (Crouch and Farrell, 2004), there may be specific or uncommon methods that promote change.

#### **Research methodology**

Based on my aims and objectives to comprehend the internal mechanisms of the Romanian central public institutions, the two main options for researching my inquiry lie between a descriptive and a qualitative methodology, respectively, a literature review and afterwards a series of interviews. In this respect, the first part concentrates on analyzing firstly the existing literature in regard to institutional change (a theoretical general view), the Romanian administrative code, in which lie the specific characteristics and procedural activities for civil servants as well as dignitaries (the relationship between technical and political level), followed by the Romanian Constitution (understanding the limits and possibilities in regard to change of institutions), and consequently reviewing the three main theories, such as Human Capital Theory (Simon Marginson, 2019), Actor-Centered Institutionalism (Scharpf, 1997), and Path-Dependency Theory (Crouch and Farrell, 2004), to understand the possible links between the theories and the national legislation in order to find either opportunities or barriers in regard to change. After the literature review findings were collected, the interviews were elaborated based on the collected data. In addition, the invited representatives (civil servants and dignitaries) consist of four governmental individuals, respectively two civil servants and two dignitaries. In this regard, the interviews should offer a better understanding of the current situation, compared to simple literature review, thus to better understand how a Romanian public institution could change to pursue institutional and economic growth in general.

#### **Results and discussion**

In the context of researching a given central public institution, the core idea is based on the fact that the development of public policies could be partially dependent on the current skills of civil servants. In



addition, the economic development of a given state could also depend on the strength of the administrative capacity and the internal organization of central public institutions due to the power of coordination within an institution which Scharpf's (1997) theory is closer compared to other theories. To be more precise, respectively, based on the idea that within a given institution, the individuals are relatively the main actors that represent and coordinate the given institution, in this context, the level of academic and professional knowledge as well as the gained experiences could also be considered highly priced indicators of change, or adaptation, as well as stagnation to maintain a peculiar routine. In addition, dignitaries consider that if the civil servants are not well prepared, this situation could be a significant disadvantage on the long term. However, considering the HCT, the theory also aims to improve individuals in order to increase performance at their workplace (or before they are employed), especially in the context of globalization. However, the issue lies in the missing link between increase of income and increase of education. In other words, if a one is highly educated, this does not guarantee an increase of income in general, however, within an institution, the increase of institutional development, could also be influenced by the preparedness level, as well as to the constraining national laws (the civil servants and dignitaries are in some cases highly constrained, and changing the law is difficult and it takes long time to be achieved - meaning that dignitaries have limited time in this case). Moreover, the current situation of how a policy is regulated within public institutions, as well as the analysis of the private environment within the national level and with regard to globalization and digitalization processes, the impact of individuals and their actions, which are predisposed or constrained to develop, also add to the picture of understanding and comprehending the ecosystem or foreseeing how internally an institution is functioning and adapting to global trends (Simon Marginson, 2019). In other words, efficiency should be based on the employees within the institution, and with constant and efficient training in order to maintain the same international standards. Moreover, considering the civil servants' situation, there was a mentioned hint by dignitaries in regard to the protection of civil servants. Thus, civil servants in general are well protected by the national law, and could have the means to stagnate or to perform slowly in their activities - compared to the private sector, where they could become unemployed if they don't respect their tasks and timeline (GEO, 57/2019).

In this regard, the importance of researching the links between the fields of reference (such as choosing either the analysis at the individual level or the macro-level of the civil servants) attests to an additional layer of questioning in order to structure the incipient framework and connections between the actions of civil servants and the development of future public policies that cover the sphere of development and economic growth. Moreover, identifying the correlations between the performance of human capital and the labor market in the context of globalization and new trends in the digitalization of jobs represents another step towards improving the performance of all employees in the public sector, thus highlighting the need to adapt to increase economic growth by possibly increasing institutional capacity. In this context, the adaptation or remodeling of the competencies of public employees, as well as the methods or strategies for the improvement of civil servants, should be continuously modified, depending on the current context of the labor market and global trends (OG, 57/2019; Schultz, 1959; 1960; 1961; Simon Marginson, 2019). In other words, changing the national law in regard to better sanction public servants, could be a form of improving efficiency in public sectors, similar to the private sector.

In this context, the continuous development ensures also the amplification or at least the maintenance of the level of competitiveness at the national and international levels, as well as the increase of the prestige of civil servants or the improvement of their representativeness towards the citizens or residents of Romania. It is known that each state has a set of cultural and institutional elements. As an example, in each state, the attitude of the population towards a basic food such as "bread" is different. meaning that the "bread" is different in Europe, America, and Asia, nevertheless it serves the same purpose to the population. The same situation can be identified in the case of domestic public institutions; each national labor market is structured on the basis of its own varieties of internal development mechanisms. Moreover, it could also be an interesting case to analyze the fact that, if a public policy is uncommon to the autochthonous population, it could fail the phase of implementation. As an example, by implementing an autocratic policy within a democratic state, the population could grow based on the impact of the public policy (Hall and Soskice, 2001). In this context, it is not possible to start public policies for the development of civil servants, for instance, if they are not first of all adapted to the state's culture, beliefs, and internal or external familiar trends. The public sector was understood as simply the "backbone" of society, which represents the vanguard of stability, control, and protection of each participant both inside and outside the borders of its state, thus representing a certain institutional stability that serves and ensures economic, legislative, or civic stability. Briefly, the state, together with the civil servants, ensures the good functioning of all services or economic activities at the national or international level. On the other side, the private sector represents a sector that can be characterized as the main engine of a state's economy, an engine that helps to increase



socio-economic activities or aspects that also relate to the welfare state, including innovation. The last category represented by the civilian population of the state represents the most valuable resource that a state possesses, its citizens, as considered by the interviews. Moreover, in this context, due to their highly versatile capabilities, the citizens have the unlimited ability to create, to express themselves, to form valuable objects or ideas, to form rituals, to implement orders or laws adapted to their beliefs, or to maintain routines that ultimately lead to the development of their own culture, which forms today's societies and states (OG, 57/2019; Pierson, 2000a; 2000b; Michael Rush, 1992; 2013; Esping-Andersen, 1996). In this context, public servants mentioned that dignitaries have idealistic expectations and desires to achieve, and lack to understand that the current means of the public institution are in their own disadvantage because they don't understand the internal functioning of the public institution. The public servants point out that, if the law in general is ambiguous in some cases, the situation could either lead towards uncertainty, which the outcomes could be against the law, in this regard, the civil servants protect themselves by not performing because of the high ambiguity in some situations. This situation is at most present in the moment when there is an interest in adapting new trends or laws at national level, where the norms and context are new. In this context, the desires of dignitaries cannot be fulfilled because there is a bureaucratic and legal procedure that needs be followed which could take either months or years, time that dignitaries do not have (and, when new dignitaries come at the public institution, they either are not interested in what their predecessors made, or they simply want to initiate a totally different action, meaning that all the previous progress was nullified, and started again from the beginning).

Moreover, public authorities adopt specific public policies to stimulate economic growth based on the conjunctures in which they are acting as decision-makers. On the other hand, in the private sector, the interviewers mention that they normally react to the public policies or strategies that are implemented by the state authorities and comply accordingly. Due to the high level of flexibility of the private sector, they can adapt to the new legislative requirements in order to manage economic activities appropriate to the laws that have entered into force. Finally, individuals, due to its high volatility and their possibilities, react either by accepting policies, ignoring them, resisting or protesting if the laws have a significant discrepancy between legislative intentions and citizens' expectations, or by other means of protest such as simple migration. This aspect could also be identified in peculiar studies (ibid., Constitution of the Republic of Romania; Spring, 2015). In addition, there was also the idea that there was a possibility that citizens may not fully understand the message or the law that was issued by the public authorities. Regardless of whether it is at the technical or political level, the problem of explaining the policy could also become an obstacle if disinformation or misinformation is in place. This example highlights a linear presentation that covers a relatively simple relationship among all the domains or spheres mentioned. But, at the same time, this linear presentation could also prove to be insufficient and sometimes unrealistic because the massive volume of varieties is significant at the national level. For example, there are ambiguous aspects that need to be considered, such as: can the mere existence of certain stages of ideological development create a path determined by specific public policies due to their political and institutional legacies? (Crouch and Farrell, 2004; David, 1992b; North, 1990a; 1990b); how did individualism and collectivism develop in certain regions and why? (Arrow, 1994; Berry, et al. 1996); why the existence or lack of progressivism in a certain society, respectively, and why certain distinct public policies prove to be difficult to implement compared to others? (Ha-Joon Chang, 2002)? Who currently holds the lever of legitimacy or power (Deegan, 2002; 2006). All these questions can be answered with the help of several works by academics (ibid., et al.), but returning to a slightly different analysis, it would represent the process of transmitting information, or the message that citizens understand following their publications by public authorities, a message that can serve a better integration of new public policies or not. Directly, the good management of public information, theoretically, can achieve the formation of a context in society with a positive effect in the case of future public policies. However, excluding and eliminating the analysis of the large volume of information existing on the Internet, individuals are constantly connected to the information provided by both the mass media and the Internet, thus each forming an opinion corresponding to their beliefs or expectations, as well as their fears and uncertainties (Birukou, 2009).

For example, returning to the individual level means recalling the border, within the institution, of the technical and the political levels. At the technical level, the civil servant performs technical operations with limited and expected practices. The main role of the civil servant within the public institution, in addition to other attributions, is to maintain the continuous functionality of the public institution. This custom guarantees the longevity and the institution. However, at the political level, political actors or dignitaries have a similar and significant relevance within the mentioned institution. With their own convictions and perspectives, they lead the institution, in addition to its common activities, towards legitimate strategies



and ideologies appropriate to the society and ideologies desired by the majority of citizens. In other words, the incumbent amplifies specific ideological beliefs within the institution, thus forging distinct organizational and cultural elements, or "components," within the given internal mechanisms of the institution. Considering the mentioned aspect, it is not enough to analyze the change through a common causal relationship between the clusters; taking into account the fact that sharing the same vision between the technical and political levels is also necessary for the correct and appropriate synchronization of the respective times In this sense, having a vision and a clear perspective on the established strategies and objectives, achieving the same vision together (preferably common) with civil servants and citizens, as well as supporting similar professional and appropriate training among public employees to external requirements, will result in a true vanguard of moral integration and having constant respect for the workplace and service for citizens, as well as implementing adequate policies and increasing economic growth, in accordance with the results of the interviews. Moreover, this situation is also considered by analyzing research by peculiar actors and national legislation (Deegan, 2002; 2006; Romanian Constitution; GEO, 57/2019).

For this reason, the possible appearance of some form of significant discrepancy between the technical and political levels can break the balance that leads either to institutional inefficiency or to superficial evolutions of the institution, as observed from a process of political incompatibility within the public institution as well as in the relationship with other institutions or actors. This discrepancy can materialize in two possible distinct situations: on the one hand, because of a significantly ambitious strategy that cannot be easily fulfilled, thus forcing the capacities of civil servants, or because civil servants are not prepared to be able to carry out the new attributions or expectations. In the mentioned situation, the interviewers consider that the institution cannot function efficiently or have a healthy development, respectively, and is consequently vulnerable to other obstacles both at the national and international level. In this case, from a theoretical perspective, Scharpf (1997) also considers the constellation of actors operating within a public institution, thus creating a specific organizational culture. Regarding this perspective, it is not necessary to carry out research about their behavior but rather to provide a broader vision about their interoperability with other actors, respectively at the level of institutions acting at the global level, known as the "constellation of actors", which includes both individuals, groups, and institutions.

This situation could also indicate that theoretically there are two types of "constellation of actors" (Scharpf, 1997), respectively the technical and political levels, which have distinct procedures as well as peculiar routines, which could also become an obstacle because they are taken separately. From a technical point of view and remembering that the institution, as the foremost vanguard of stability and a legitimate body, has its own routines and habits in terms of administrative performance, On the other hand, political actors are mainly the vanguard and decision-makers who guide institutions towards specific strategies, thus being highly volatile and significant in terms of arrangements. In addition, at the international level, if a decision-maker does not understand the importance of foreign relations or international relations, then there could be a risk that the institution lacks the ability to fulfill its international collaborations and international trade agreements, as well as the deterioration of foreign affairs or international relations. Moreover, at the national level, civil servants also operate with adapted and appropriate bureaucratic behavior at the national and international levels.

## Conclusions

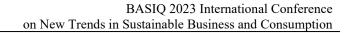
Society as an "entity" will continuously adapt to peculiar factors or events that need change, especially within the economic sphere. The private sector is known as the innovation and economic thrust for every society; however, in order to perform accordingly in a given state, changes are needed from the public sector. In this context, the public sector represents the main actor with regard to change nationwide, especially among decision-making actors. Even further, if decision-making actors do not understand the situation of the institution they lead, the consequences could be either costly or inefficient. In addition, there could also be a possibility that the public policy of the civil servants who are not prepared accordingly (either academically, professionally, or simply by engaging in another and uncommon domain) will not work properly. In this regard, considering new outcomes, the coordination capacity of each institution (at the technical and political levels) is key to efficiently delivering results. However, the coordination capacity will not function if the actors within it do not have the same vision, the same technological means, or simply the knowledge in this regard. In addition, the conjunctures are also key to finding significant methods to improve policies that, in the end, increase economic growth. As last thoughts, the article also has the scope to open another path to investigate and research peculiar aspects related to the economic domain or institutional development, especially with regard to civil servants and dignitaries. The research was planned



to consider mainly the path of decisions and administrative protocols that function within a given institution, not the outcomes. Based on these concepts, by increasing institutional efficiency, the future outcomes (regardless of whether they are policies or other similar acts) will have a significant impact on institutions, as will future research that could be realized.

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