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## Europe's public administrations in flux: public service under threat?

### Report<sup>1</sup>

Committee on Rules of Procedure, Immunities and Institutional Affairs

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### Summary

The substantial public administration reforms introduced in most Council of Europe member States have had serious effects on the organisation, size and quality of public services. Large parts of the public sector have been privatised, public service tasks outsourced and agencies created to deliver public services outside the control of governments. Numerous European States appealed to private capital to supply or finance some public services and most of them enacted privatisation and deregulation policies in order to stimulate the market and to bring additional assets to State budgets. New Public Management was seen as the necessary way to modernise public administration and make it more efficient, more effective and more profitable.

These reforms have been accelerated since the economic and financial crisis of 2008, in a context of budgetary constraints and crisis of the welfare State, and severe austerity measures put public administrations under ever more pressure: labour force reductions, wage cuts, a worsening employment situation.

Some of these reforms have been successful but others have had negative effects: they led to a fragmented public service, a loss of control of government over public services, a reduction in the quality of services, sometimes higher costs, thus contributing to a loss of the citizen's trust in democratic institutions.

A fundamental part of the European social models is affordable high-quality public services. Reflecting the deep concerns expressed by civil society about the future of the public service in Europe, the Parliamentary Assembly invites member States to place the interests of their citizens and Europe's common values at the heart of any administrative reform and to protect economic and social rights. It also advocates for the need to properly evaluate reform measures taken in the field of public administration and public services, and to consider whether these reforms are in line with the political concept of social cohesion which is at the heart of the Organisation's mission.

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1. Reference to committee: [Doc. 13002](#), Reference 3902 of 4 October 2012.



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## A. Draft resolution<sup>2</sup>

1. In most Council of Europe member States, very substantial public administration reforms were recently introduced with serious effects on the organisation, size and quality of public administration and public services. Large parts of the public sector were privatised, public tasks were outsourced and agencies were created to deliver public services outside the control of governments. New public management methods introduced markets, managers and measurement into public services to achieve greater cost efficiency for governments.
2. Since the outbreak of the financial crisis in 2008, severe austerity measures put public administrations, public services and social cohesion under ever more pressure and led to a new wave of reforms in administration and cuts in public administration and public services, new privatisations and agencification of large parts of public services. Governments appeal to private capital to continue delivering and financing some public services. Privatisation and deregulation policies have been enacted in most European States in order to stimulate the market and to bring additional assets to State budgets.
3. In central and eastern Europe, transformation of a State-led economy into a market-oriented economy went along with massive and accelerated privatisation, which has provided governments with much needed revenues. However, it also led to the introduction of private ownership in situations where other crucial aspects of the business environment were not yet sufficiently developed to support the private economy, and it also proved to be a source of massive corruption.
4. Several member States of the European Union recently signed memorandums of understanding with the European Commission as a condition of loans to privatise parts of the public sector and assets. Restructuring plans of the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) in eurozone countries always include a commitment to privatise government property.
5. Some of these reforms, based on new public management ideas, have been successful and have been adopted in many Council of Europe member States. One can observe an increase in quality of services due to greater competition among services providers, to smaller and easier-to-steer central governments resulting from a splitting of policy execution from policy development, and to improved transparency owing to the reclassification of the budget on the basis of output areas.
6. However, at the same time, other reforms led to undesired effects, including:
  - 6.1. cuts in the public sector;
  - 6.2. growth of support services and administrative executive agencies;
  - 6.3. accumulation of public funds in agencies outside the control of the government and loss of control of government for service delivery;
  - 6.4. difficulty to execute policies, due to the separation of policy execution and policy development;
  - 6.5. higher costs; reduction in the quality of services for citizens and businesses in many areas; lower consumer satisfaction and confidence;
  - 6.6. lack of motivation of employees in service delivery;
  - 6.7. increased public debt levels; sales of assets lower than expected.
7. Many governments today see themselves confronted with a highly fragmented public sector and with a substantial lack of co-ordination and co-operation. The combined effects of reforms, privatisation and new austerity measures in the public sector may have contributed to a loss of the people's trust in governments throughout Europe.
8. A new series of adjustments in the public sector throughout Europe has been implemented, based on labour force reductions, wage cuts and cuts in training of public sector personnel, which have negatively influenced the performance of the public sector. Social dialogue on public administration reform and collective bargaining have come under heavy pressure. Public sector practices are now converging with those in the private sector: job security, pay and working conditions in Europe's public sector have been lowered substantially. Uniform wage cuts in the public sector have increased overall inequality as they hit lower scales harder. The phenomenon of the public sector working poor is emerging throughout Europe. This development also leads to an increased turnover of public sector employees. Women are harder hit by public sector adjustments, as they represent a major part of public sector employees.

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2. Draft resolution adopted unanimously by the committee on 9 April 2014.

9. According to the Council of Europe Commissioner for Human Rights, this new political reality presents a threat to over six decades of social solidarity and expanding human rights protection across Council of Europe member States. Public social spending – especially in education, health care, social protection schemes and social benefits – has in fact been the primary target of austerity measures in many member States. In times of crisis, social, economic and other human rights – the right to work, rights at work, social protection, pensions, housing, food, water, education and health care – are put under great strain.

10. The Assembly, recalling its [Recommendation 1617 \(2003\)](#) on civil service reform in Europe, in which, in view of the unique role and contribution of public administrations to social cohesion and employment, it encouraged member States to consider carefully all possible consequences before introducing new, private sector-oriented management methods:

10.1. expresses its concern that recent public administration reforms in member States might nevertheless have been guided to too great an extent by managerial and budget criteria with a negative effect on the functioning of public administration, the quality of public services and the trust of citizens in public administration and the functioning of democracy;

10.2. emphasises that public interest needs to be defined on a wider level than the mere interest of making savings and has to include the proper functioning of society;

10.3. reaffirms that a high-quality civil service is a vital precondition for strong democracy and the rule of law and that therefore member States have to place the interests of their citizens and Europe's common values at the heart of any future administrative reform;

10.4. reaffirms that States and their administrations have a leading role in ensuring the welfare of all members of society, minimising disparities and avoiding polarisation, in accordance with the Council of Europe's definition of social cohesion;

10.5. considers that, in times of economic and budgetary crisis, governments have the obligation to respect, protect and fulfil economic, social and cultural rights, in order to avoid further erosion and retrogression of these rights and disproportionate impacts of austerity measures on particular sectors of the population;

10.6. strongly supports the recommendations of the Commissioner for Human Rights on how to safeguard social, economic and other human rights in times of crisis.

11. Moreover, the Assembly asks the parliaments of the Council of Europe member States to:

11.1. properly evaluate reform measures taken in the field of public administration and public service and learn from the experiences of other parliaments;

11.2. develop well-defined structures to achieve more clarity about the different forms of policy execution, both public and private;

11.3. put in place a clear and consistent decision-making framework and benchmarks with regard to privatisation and agencification and to supervise the application thereof by government and parliament; and to create more uniformity and clarity in how decisions about privatisation and agencification should be implemented;

11.4. reconsider whether recent or expected reform measures, privatisations and agencifications are in line with the political concept of social cohesion, which is essential for the fulfilment of the three core values of the Council of Europe: human rights, democracy and the rule of law;

11.5. improve – when and where needed – the functioning of public administration and public services so that they make an effective contribution to the achievement of the Council of Europe's core values;

11.6. promote the ratification and proper implementation of the European and international human rights instruments in the field of economic and social rights, in particular the International Covenant on Economic, Social and Cultural Rights, the European Social Charter (revised) (ETS No. 163), the European Code of Social Security (revised) (ETS No. 139) and conventions of the International Labour Organization (ILO).

**B. Draft recommendation<sup>3</sup>**

1. The Parliamentary Assembly recalls its Resolution ... (2014) on Europe's public administrations in flux: public service under threat?, in which it advocates for the need to properly re-evaluate reform measures taken in the field of public administration and public services, and to consider if these reforms are in line with the political concept of social cohesion.
2. Considering the Statute of the Council of Europe (ETS No. 1), the Assembly reaffirms that the concept of social cohesion is at the heart of the Organisation's mission. It is therefore essential to place it at the top of the political agenda, especially in times of crisis.
3. According to the Committee of Ministers, the emerging pattern of a fragmented society – with an increasing number of people facing obstacles to the full enjoyment of rights, or dependent on benefits and other public services, together with rising inequalities between rich and poor – poses one of the greatest challenges to social cohesion in Europe.
4. The Assembly thus recognises the New Strategy and Council of Europe Action Plan for Social Cohesion, approved by the Committee of Ministers on 7 July 2010, as an essential means for the fulfilment of the three core values of the Council of Europe: human rights, democracy and the rule of law. The Council of Europe's social cohesion policy is there to ensure the well-being of all the citizens of its member States – minimising disparities and avoiding marginalisation –, to manage differences and divisions and ensure the means of achieving welfare for all citizens.
5. The Assembly welcomes the creation of the European Committee for Social Cohesion, Human Dignity and Equality, which will oversee, promote and review the implementation of the New Strategy and Council of Europe Action Plan for Social Cohesion and develop appropriate tools to promote social cohesion. The Assembly expects the Committee of Ministers to accurately review the current strategy and to adopt guidelines for future social cohesion policies. This review should take into account all lessons learnt from the evaluation of public administration reforms in recent years and reconsider whether they are in line with the political concept of social cohesion, which is essential for the fulfilment of the core values of the Council of Europe.
6. Therefore, the Assembly:
  - 6.1. supports the New Strategy and Council of Europe Action Plan for Social Cohesion, in the expectation that the Committee of Ministers will regularly update the Assembly on the progress made in the implementation of the Action Plan;
  - 6.2. invites the Committee of Ministers, in the framework of the review of the current strategy on social cohesion, to consider an innovative approach to the issue, capable of making the Council of Europe more adaptable to new developments;
  - 6.3. expects the Committee of Ministers to organise in 2015 a 3rd Conference of Ministers responsible for Social Cohesion to review the New Strategy and Action Plan and to adopt guidelines for future social cohesion policies;
  - 6.4. welcomes the adoption by the Committee of Ministers of Recommendation CM/Rec(2014)1 on the Council of Europe Charter on shared social responsibilities, which represents a step forward in safeguarding the social and political achievements of Europe and in ensuring their sustainability; it invites the Committee of Ministers to find ways to ensure appropriate participation of the Assembly in future activities associated with the Charter;
  - 6.5. welcomes the initiative of the Azerbaijani Chairmanship to organise an informal seminar on social cohesion in September 2014, and invites the Chairmanship to include the Assembly's recommendations in these discussions.

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3. Draft recommendation adopted unanimously by the committee on 9 April 2014.

## C. Explanatory memorandum by Mr Kox, rapporteur

### 1. Introduction

1. A decade ago, the Parliamentary Assembly emphasised the fact that a high-quality civil service is a vital precondition for strong democracy and the rule of law.<sup>4</sup> The Assembly therefore invited the member States of the Council of Europe to place the interests of their citizens and Europe's common values at the heart of administrative reform. In view of the unique role and contribution of public administrations to social cohesion and employment, the Assembly encouraged Council of Europe member States to consider carefully all possible consequences before introducing new, private sector-oriented management methods.
2. Introduction of these methods together with large-scale privatisation and marketisation of public service delivery have been leading in public management reforms throughout Europe since the beginning of the 1990s under the umbrella definition of "new public management" (hereinafter "NPM").
3. Countries which became part of the European Union were stimulated by the Maastricht Treaty of 1992 and following treaties to outsource and privatise parts of public administration. Several European Commission directives to liberalise and strengthen market economy, trim down "big" government and marketise public services have influenced administrative reform and public services.
4. In central and eastern European States, the end of communist rule and the introduction of pluralist democracy and market economy since 1990 lead to major changes in economic ownership as well as in the way public administration and public services are organised. Many of those States also adopted NPM to build a new public administration.
5. Since the outbreak of the financial crisis in 2008 austerity measures have put public administrations under heavy pressure. In 2012, the Assembly made known its worries about the impact of these austerity programmes on democratic and social rights standards.<sup>5</sup> The Assembly was concerned that the restrictive approaches pursued, predominantly based on budgetary cuts in social expenditure, might not reach their objective of consolidating public budgets, but risked further deepening the crisis and undermining social rights as they mainly affected lower income classes and the most vulnerable categories of the population.
6. Several reports released in recent years have expressed deep concern about the future of the public service in Europe<sup>6</sup> and suggest reconsidering austerity policy and earlier reforms of public administration.
7. In 2012, a motion for a resolution was referred to the Committee on Rules of Procedures, Immunities and Institutional Affairs for report. The motion considered, under the title "Europe's public administrations in flux: public service under threat?" ([Doc. 13002](#)), that one of the primary responses of European governments to the crisis, in particular the crisis in their public finances, has been to cut the resources allocated for public services. The latter have accordingly seen their budgets squeezed with, for example, only one in two retiring civil servants being replaced in some States, and various services being contracted out to the private sector. Likewise, certain services which are normally free because they are part of the traditional public service remit are now fee-based.
8. It is said that the aim of the structural and institutional changes under way in public services is to streamline activities and rein in public spending. One wonders, however, whether it is feasible to maintain a quality public service in a difficult economic and budgetary context, and whether the basic principles of public service, namely independence, permanence, competence and affordability, are still relevant.
9. In the above-mentioned [Recommendation 1617 \(2003\)](#), the Assembly referred to the unique role and contribution of public administrations to social cohesion. At a time when most European governments are reviewing their tasks and reducing their involvement in the social sphere, by withdrawing from certain public services or doing away with them altogether, it may be worth asking whether such moves are justified, especially given their impact on society. This report summarises recent changes in public administrations in Europe, its effects on public services and the lessons learnt from these developments.

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4. [Recommendation 1617 \(2003\)](#) on civil service reform in Europe.

5. [Resolution 1884 \(2012\)](#) "Austerity measures – a danger for democracy and social rights".

6. Reports by the European Federation of Public Service Unions (EPSU), "The wrong target – how governments are making public sector workers pay for the crisis", 2010, and "The wrong target one year on: pay cuts in the public sector in the European Union", 2012.

## 2. New organisation of delivering public services

10. Budgetary constraints and the crisis of the welfare State made many governments throughout Europe appeal to private capital to continue supplying, delivering and financing some public services. The already existing forms of partnership have enjoyed widespread use and other forms have been created. Privatisation and deregulation policies were enacted as from the 1990s in many European States in order to stimulate the market and to bring additional assets to State budgets. Finally, quick-implementation measures such as staff expenditure cuts have recently been enacted as part of fiscal consolidation policies

### 2.1. New public management

11. In the so-called “old” democracies of Europe, the introduction of NPM – a new policy based on markets, managers and measurement – was seen as the necessary way to modernise public administration and make it more efficient, more effective and more customer-oriented after a long period of big, bureaucratic government structures and State-run public services.

#### 2.1.1. OECD conclusions with regard to NPM

12. Since 2010, the Organisation for Economic Co-operation and Development (OECD) has been undertaking studies into new trends and reforms of public administrations and central governments.<sup>7</sup> The NPM being a dominant reform concept, the OECD took an opportunity to analyse its main features and outcomes.

13. Successful results have been underlined in the light of targeted objectives to reduce costs while continuing to provide high quality public services. In particular, mention has been made of a general increase in quality of services due to greater competition among services providers, smaller and easy-to-steer governments resulting from splitting policy execution from policy development, more transparency owing to the reclassification of the budget on the basis of output areas. At the same time, the NPM reforms resulted in drawbacks which, to a certain extent, contributed to a loss of people’s trust in governments. One can mention “undesired growth of support services and administrative executive agencies, loss of service quality for citizens and business in many areas of service delivery, lack of motivation of professionals in service delivery (care providers, teachers, police officials, etc.), accumulation of public funds in agencies outside the control of ministers and loss of control of the centre of government for service delivery”.<sup>8</sup>

14. The following have been noted as main problems: separation of policy execution and policy development has led to policies that are impossible to execute; loosening of standards of operational management has led to cost increases; financing of agencies on the basis of output targets has led to loss of service quality and bureaucracy; budgeting on the basis of output targets has led to loss of control by parliament and unreadable budget documentation; and outsourcing of intermediate production to the market has led to a decrease in service quality and higher costs.

15. Since 2005, a new public administration reform can be observed according to OECD studies, in which some of the NPM reforms “are adjusted, revised or even abolished and in which new trends come to the fore. Some of these trends can be described as ‘more front office, less back office’ or ‘more warm hands, less cold hands’”.<sup>9</sup>

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7. OECD series “Value for Money in Government”, Norway 2013, Sweden 2013, Denmark 2011, the Netherlands 2010.

8. “OECD Value for Money Study”, final report, 2011.

9. These reforms include: reallocation of public resources from administration to service delivery; better integration of executive and professional expertise in policy making; amalgamation of executive agencies or establishment of common process units; support service sharing among ministries and executive agencies; more emphasis on standards of operational management in all areas: finance, audit, procurement, accommodation, real estate and facilities, human resources and organisation, communication, information and information and communications technology (ICT); application of standards across central government, also in executive agencies; concentration of standard setting for operational management in one or a few ministries; separation of financing of agencies and control of outputs; steering and control of outputs through a permanent performance dialogue rather than on the basis of output indicators; reduction of output and outcome information in the budget documentation; more emphasis on meeting the preferences of individual citizen’s by greater variety of public supply and tailor-made solutions for individual citizens and businesses, OECD Value for Money Study, final report, 2011

### 2.1.2. Special case of central and eastern Europe

16. The early years of transition of public administration and public services in central and eastern European countries after the fall of communism coincided with a period in which neo-liberal concepts of public administration were dominant in thinking about the State in the West. More importantly, neo-liberal views and the NPM fashion were predominant in those international organisations (for example the World Bank and the International Monetary Fund (IMF)) and countries from which initially inspiration was drawn, especially the United States and the United Kingdom.<sup>10</sup> Because of transition, there has been significant pressure to adopt popular policies and approaches without having enough time to analyse and adopt these ideas in depth. Consequently, in some cases, the dominant focus of the international reform movement became more important than an empirical assessment of the local needs.<sup>11</sup>

17. One of the main challenges, besides drastic and immediate reduction of budgetary resources, has been posed by the desire to jump straight into having modern management systems without previously establishing a solid base for democratic development – the classical hierarchically-structured public administration and respective accountability systems. Without having basic public administration frameworks in place, there has already been a pressure to “reform” the not-yet-existing management practises. It is said that the public administration has had to face special challenge because both the creation of a political democracy and the implementation of the principles of efficiency and effectiveness became crucial tasks of modernisation at the same time.<sup>12</sup>

18. Where in western European countries permanence and stability might sometimes be seen as problems, in central and eastern European countries they might actually provide a solution.<sup>13</sup> Some of the most common obstacles for a sustainable development of public administration are an unstable political context, constantly ongoing changes without a clear framework, and unfinished reform attempts.<sup>14</sup> Often, the question is not about ignoring changes in the environment or about the stagnation of the ideas and approaches, but about having at least some system in place to enable appropriate policy making and implementation. While Western governments might sometimes struggle with being “locked into” practises and solutions of the past, governments of central and eastern European countries had to create a totally new reality with new practises. Hence, locking into past solutions rarely happens since the political system itself is different. Thus, flexibility does not address the same problems in highly developed and transitional countries; rather it fosters totally different aspects of their public administrations. Before governments in central and eastern Europe can take advantage of the flexibility of the system, they must gain capacity and experience to administer a stable situation.

19. However, it is highly questionable whether decentralised and deregulated public management advocated by NPM with “letting the managers manage” could be built on the post-communist administrative culture. In central and eastern European countries, most of the life spheres had to be built up from scratch during the 1990s. Therefore, in the absence of a commonly understood and respected set of principles, a large number of new rules, regulations and principles is still needed, together with necessary social guarantees for those who will sustain the system.

### 2.2. Privatisation and agencification

20. Privatisation is the process whereby the ownership of the State’s productive assets, often utilities or large industrial enterprises, are transferred into private hands.<sup>15</sup>

21. Agencification is the delivery of public services by public sector organisations which are structurally disaggregated from government ministries and operate under more business-like conditions than the core government bureaucracy. Such organisations operate at arm’s length from the core of government and undertake public tasks such as service delivery, regulation and policy implementation.<sup>16</sup>

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10. T. Verheijen, “Public administration in post-communist states”, in *Handbook of Public Administration*, 2003.

11. *Ibid.*

12. G. Jenei and A. Szalai, “Modernising local governance in a transitional nation: evaluating the Hungarian experience”, *Public Management Review*, 2002.

13. Tiina Randma-Liiv, “New Public Management versus Neo-Weberian State in Central and Eastern Europe”, 2008

14. Reportedly, each political alternation in Ukraine resulted in 50% to 60% of civil servants being dismissed, which impacted the quality of service delivery.

15. “The impact of privatization in transition economies”, Saul Estrin, London School of Economics and Political Science, 2007.

16. “Effects of privatization and agencification on citizens and citizenship: an international comparison”, S. Dan, S. Jilke, C. Pollitt, R. van Delft, S. van der Walle and S. van Thiel, 2012.

### 2.2.1. Western Europe

22. In the 1980s and 1990s, western European countries underwent a wave of liberalisation, privatisation and agencification of public service markets. Partly a result of pressure from the European Union, partly a means of boosting economic efficiency and markets, privatisation became a European-wide phenomenon. However, later findings which followed the privatisation were rather mixed.<sup>17</sup> The speed and depth of European Union's privatisation and liberalisation policy raised questions on how some kind of guarantee could be given to citizens to ensure their right to satisfactory public service provision amid profound reform. Under privatised ownership and market-driven rules, it was feared that commercial interests would be pursued over and above the public interest, which could negatively affect public service obligations, universal service, quality, price and continuity of supply.<sup>18</sup>

23. In several Council of Europe member States, parliaments have undertaken studies into privatisation and agencification in the recent past, for example to investigate the effects or effectiveness of competition, the number of privatisations and agencifications, evaluations of privatisation and agencification programmes, the need to undo privatisation and agencification, and changes in tariffs and quality of public services for customers.<sup>19</sup>

24. Many governments nowadays are confronted with a highly fragmented public sector as a result of agencification and privatisation. A lack of co-ordination and co-operation, particularly in case of cross-sectoral policy problems, has led governments to reconsider their decisions to create agencies or privatise organisations. However, this has not led to large re-nationalisations but rather to large-scale reshuffling of agencies, for example through mergers and the creation of shared service centres.<sup>20</sup>

25. Studies<sup>21</sup> show that improvements have been observed in the management and professionalism of agencies, in the availability of performance indicators and information, customer focus, awareness of the need to focus on results rather than rules and procedures, or in the innovative activity of agencies. However, also deteriorations have been observed. Often they are trade-offs of observed improvements. They include deteriorations in organisational stability, steering by parent ministries, policy cohesion, ministry-agency collaboration and communication. The picture therefore is more complex than the proponents of agencification envisaged. Often the claims about outputs are less convincing than those about changes in processes/activities. The evidence on what citizens ultimately "get" from agencification is limited and patchy.

26. In Germany, a study was published into the effects of privatisation and agencification on the relationship between citizens and governments. Citizens were asked their opinion about privatisation and agencification of a range of public services. The average German citizen supports a strong State, does not want to privatise or agencify tasks such as police, education and hospitals, but would support privatisation or agencification of energy delivery, public transport and museums and theatres. In most sectors, according to the German citizens, privatisation or agencification has led to an increase in prices.<sup>22</sup>

27. The Netherlands are one of the forerunners in liberalisation and privatisation in Europe. However, Dutch citizens are not very satisfied with most of these privatised public services. The Dutch Senate therefore set up a special parliamentary committee to investigate the process of privatisation and agencification which had been taking place since the end of the 1980s. In its report,<sup>23</sup> the committee describes how consecutive Dutch cabinets have carried out, with the support of a broad parliamentary majority, large-scale privatisation and agencification of central government services since the 1980s. "The main motives were to control the government finances and to size down the administration. A smaller and more efficient government was

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17. See "Lost connection?", summary of main findings of the parliamentary enquiry by the Dutch Senate into privatisation and agencification of central government services, October 2012; "Rebuilding Rail", the study released in June 2012 suggesting the United Kingdom rails still cost the government £1.2 billion per year since they have been privatised.

18. "Evaluating EU policies on public services, a citizen's approach", J. Clifton, Universidad do Cantannia, 2010.

19. The United Kingdom parliament has published several reports on agencification and annual performance reviews of agencies allow MPs to scrutinise agency performance in close detail and in direct contact with agency CEOs. The Swiss Parliament has recently commissioned a study into the privatisation of Swisscom, SBB Railways and the Swiss Postal service. In Norway, a study was carried out about the relationship between the introduction of market-type mechanisms and democracy. In Sweden, several studies have been carried out on, for example, the Constitutional position of agencies and the application of management by objectives. See "Effects of privatization and agencification on citizens and citizenship: an international comparison", op. cit.

20. Effects of privatization and agencification on citizens and citizenship, op. cit.

21. Ibid.

22. Ibid.

23. *Verbinding verbroken?*, report of the parliamentary committee on the privatisation of public services, Senate of the States General, Netherlands, 2012.

expected to contribute to lower fiscal pressure and less complex public administration.”<sup>24</sup> However, privatisation and agencification soon started to raise new governance questions. The connections between the government and privatised services loosened while new connections grew between these services and citizens. It became clear that the Dutch Government had pursued privatisation and agencification without a comprehensive vision or a well-developed plan.

28. In the 2000s disappointing results and unintended consequences of privatisation and agencification led to a more critical approach by the public, the government and the parliament. More attention was paid to public interests, the need for market regulation and the varying experiences with outsourcing. Realising a smaller government and reducing control activities by separating policy execution from policy development turned out to be an immense problem. The Dutch parliamentary committee concluded that there had been no co-ordination of policies, no common road map and many differences in the implementation of decisions by ministries. There were no broadly accepted frameworks for decision making to ensure coherent policy making. As a result, decision making about privatisation and agencification took up a lot of time and attention in the parliament. The committee proposed that the national government should create more uniformity in how decisions about privatisation and agencification are implemented. A well-defined structure is needed to achieve more clarity about the different public and private forms of policy execution. This calls for a government-wide approach. It is important to advance new decision-making frameworks and benchmarks and to supervise the application thereof by the government and parliament.

29. Furthermore, the committee concluded that by focusing on the role of citizens as client and tax payer, a too narrow perspective on public interests was used. Consequently, citizens were locked in a limited conception, which is one of the determining factors for the public’s dissatisfaction with the privatisation and agencification of government services. Government and parliament therefore should use a broader and joint understanding of public interests. This should include interests of individual citizens as well as collective interests that benefit all.

### 2.2.2. Central and eastern Europe

30. In central and eastern Europe, transformation of a State-led economy to a market-oriented economy<sup>25</sup> was believed to be sustainable only if built on private ownership. Different experiences that countries had with respect to the legacy of communism shaped their choice of methods of privatisation<sup>26</sup> and influenced public perception.<sup>27</sup>

31. In the minds of decision-makers, an important motive for privatisation was to focus attention on profits as the sole objective for the enterprise sector. In most central and eastern European countries there was an extremely speedy ownership change. The bulk of economic activity from State to private hands was transferred in the space of hardly a decade<sup>28</sup> without, however, a strong legal and institutional business environment being set beforehand.<sup>29</sup>

32. Privatisation has provided governments with much needed revenues, but its results in relation to the enterprise performance are more patchy. Deregulation, decentralisation and flexibility need high competence and ethical standards from individual managers and this is often lacking<sup>30</sup>. A certain overidealisation of the private sector (and free market) can still be said to prevail today. Massive privatisations and wholesale downsizing have hurtled along and have led to the selling off of strategic enterprises such as railways or crucial services such as emergency medical aid without much public debate or market research.

33. Since the philosophy of marketisation is often utilitarian, it may lead to overconcentration on financial efficiency overrunning democratic values and public service concepts. The situation will be even more complicated if limited resources bring pressure to bear on governments to give precedence to “technocratic” goals. Considering the economic problems of the central and eastern European countries, financial criteria

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24. Ibid.

25. Every year, the European Bank for Reconstruction and Development measures progress towards a market economy with “transitional indicators” in 29 former communist countries. Values of the indicators range from 1 (little or no changes from a rigid centrally planned economy) to 4+ (standards of industrialised market economy).

26. Voucher privatisation, the management–employees buyout, restitution, etc.

27. In Russia and Ukraine, public opinion regarded the early spontaneous privatisation as simply the theft of State property by enterprise managers. “Primary and Secondary Privatisation in Central Europe and the Former Soviet Union”, Karoly Attila Soos, 2011.

28. Estrin, op. cit.

29. Ibid.

30. Randma-Liiv, op. cit.

can become particularly powerful in the assessment of public sector performance. It is also dangerous to limit the citizen to the role of client (based on the NPM client-orientation). Structuring governments' relationships with citizens as a market exchange action can be especially risky in new democracies since a strong and solid system of representative democracy is not yet in place. In situations where citizens see business actors as more influential than governments, one has to recognise that constant negotiation and consultation may seriously undermine the legitimacy of the State. Thus, still fragile democracies are likely to profit more from activating (all groups of) citizens rather than clients.<sup>31</sup>

### **2.3. Public–private partnership**

34. Public–private partnership grew in the context of the growing debts of States and the need to find an alternative to a traditional public procurement scheme. Public–private partnership generally designates a variety of relations between private and public sectors, one of which could be described as “a company that is partly owned by private capital and partly owned by one or more public authorities”.<sup>32</sup> It usually allows private and public partners to benefit from one another's experience and field of competence.

35. The concession, of which the Private Finance Initiative is one variation,<sup>33</sup> is a very old form of public–private partnership. This type of contract between a public authority, on the one hand, and an individual or a private entity on the other, dates back to Roman times, but it was during the 19th century industrial revolution that the concession became widespread.<sup>34</sup> It was used when some public work or infrastructure of general interest was not able to be completely supported and operated by public authorities and when it was not acceptable to leave them completely, for various reasons, in the private domain. Individuals or companies were asked to do a job or to provide a public service at their own expense, with or without State subsidy, with risks being entirely undertaken by these private investors, and with remuneration resulting from the further exploitation of the above work or services.<sup>35</sup> Concession contracts required the respect of core principles of public services (for example equal access by all users).

36. Generally, outsourcing, which is a more comprehensive contract compared to a simple subcontracting job, occurs when a public authority decides to contract out a product, service or a process that was previously provided by internal resources. Outsourcing is a growing business model for central and local government level with services being outsourced in domains such as information technology services, assistance to the unemployed, waste management, security and catering, but also several services in military domains.<sup>36</sup>

## **3. Impact on public service performance**

37. A fundamental part of the European social models is affordable high-quality public services. If the private sector-oriented management methods and privatisation and marketisation of public service delivery may be seen *per se* as compatible with accessible public services, member States still have to pay attention to the following issues.

### **3.1. The respect of the main principles of public services**

38. The reforms and privatisation of public services, especially in non-competitive domains, such as health and education, raise some concern on the part of citizen and international monitoring institutions given that the obligation to provide a number of services arise from constitutional provisions<sup>37</sup> or international commitments by States.<sup>38</sup> Assessing the privatisation of the sickness benefit scheme by the Netherlands, the Committee of Ministers observed that the “reforms of the sickness and disability schemes, which intended to harness the positive effects of privatisation and market forces, while containing their negative effects within the basic social

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31. Ibid.

32. For instance, a mixed-economy society (France).

33. Under Private Finance Initiative model developed in the United Kingdom, the private operators raise the finance for the capital investment and then are compensated (including the capital invested) through the operation of part of the service over a period of years.

34. An example of a concession deal is the Suez Canal or the French railways.

35. For example management of road infrastructures, hospitals.

36. Such as maintenance of aircraft and military vehicles, information technology services, management of military bases, training of military staff, leasing of aircraft.

37. For example, Section 3 of the Constitution of Finland.

38. The Committee of Ministers recently reminded a number of governments, when analysing the new organisation and management of social security, that “the social security system would not fulfil its role if its benefits are incapable of keeping workers above the poverty line; in such cases the State will be seen as failing to fulfil its general responsibilities”

security framework, have no comparison in the history of social security in Europe. It is thus only natural that they pose many new problems of organisation and governance of such mixed social security systems, particularly during the transition period, when the new forms of State supervision of the system, the democratic participation of the persons protected in its management, the redistribution of the risk, financial burden and responsibility in society, and the principles of non-discrimination and solidarity with the most vulnerable groups are consolidated".<sup>39</sup>

39. Another concern is the lack of uniformity within the supply chain which may arise from differences in working conditions and social rights granted by the outsourced branch and the main public authority<sup>40</sup> as well in quality of infrastructure. Who is to be blamed if the failure of one provider leads to a collapse of a whole chain?<sup>41</sup> Real obligation of monitoring and the guarantee of delivering a proper service which is supposed to remain with public authorities is difficult and requires additional budgetary resources. New partnerships prompt a reconsideration of the public authority's ability to continue granting services while facing new redistribution of responsibility with its private partners. In certain circumstances, public administration is now facing reduced room for manoeuvre, which reduces its ability to adapt to short-term shifts in citizens' expectations.<sup>42</sup> A specific criticism arising from the outsourcing model is that the long-term outsourcing of a service leads to a loss of qualification in the outsourced domain within the relevant administration.

### 3.2. Better services at a lower price?

40. The declared purpose of any privatisation process has always been the reduction of prices and higher standards of services delivery. It appears, however, that there was no clear link between the degree of liberalisation and privatisation, on the one hand, and consumer satisfaction and price decrease, on the other.<sup>43</sup>

41. Before privatisation took place, sectors such as telecommunications, gas and electricity in 15 member States of the European Union were not a burden for governments, meaning that the price paid by consumers covered costs. However, after 30 years of privatisation, the British citizens were paying (including courtiers) a higher price compared to their European neighbours, where governments still partly owned some telecommunications enterprises.<sup>44</sup> Regarding the price of an intercity call, it was twice as high in the United Kingdom as in Sweden. The general drop in prices in the telecommunications sector compared to previous decades is rather due to technological progress.

42. In the gas sector, British citizens had paid £1.5 for 1 GJ (gigajoule) in 1978 to the State-owned British Gas, while 30 years later the price went up to £ 2.5 even though the country had its own gas reserve. By way of comparison, prices were lower in France and Spain, which had to import gas.

43. The best example of privatisation failure in several European countries is electricity. The correlation between prices and successful reforms was studied using data of OECD. If in the case of telecommunications no correlation was established between modification of prices and reforms – and the correlation was weak in the gas sector – in the case of electricity there was clear evidence that prices increased because of privatisation and liberalisation in comparison to the State-owned market. Moreover, countries with greater private electricity ownership also had a greater number of unplanned interruptions. The United Kingdom department of energy and climate change recently released a white paper "Planning our electric future" which

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under relevant provisions of the European Code of Social Security, CM/ResCSS(2013)15 and 16 on the application of the European Code of Social Security by, respectively, Slovenia and Spain. See also "Safeguarding human rights in times of economic crisis", issue paper by the Council of Europe Commissioner for Human Rights, 2013.

39. Resolution ResCSS(2003)26.

40. See *Dirk Ruffert v. Land Niedersachsen*, European Court of Justice, case C-346/06, 3 April 2008.

41. The United Kingdom welfare-for-work company A4e, to which the British government contracted services for the unemployed, is the subject of a police investigation into allegations of fraud relating to government schemes. Moreover, the G4S private security firm's failure to provide incumbent security arrangements for the London 2012 Olympic Games made it necessary for the British military forces to step in.

42. The European Court of Justice made it clear that "the participation, even as a minority, of a private undertaking in the capital of a company in which the contracting authority in question is also a participant excludes in any event the possibility of that contracting authority exercising over that company a control similar to that which it exercises over its own departments", *Stadt Halle* case, C-26/03.

43. "Network Industries and Social Welfare: The Experiment that Reshuffled European Utilities", Professor Massimo Florio, "Privatisation of public services and the impact on quality, employment and productivity (PIQUE).

44. In 2008, a British citizen paid €0.5 for a 10-minute phone call within a radius of 3 km made on a week day at 11 a.m., while the same call cost €0.2 in Italy, €0.3 in France and Sweden. The average price for a call to the United States from a European Union member State was €1.9 while it cost €2.2 in the United Kingdom. "Network Industries and Social Welfare: The Experiment that Reshuffled European Utilities", op. cit.

recognised that in the next decade generating capacity in the United Kingdom would decrease by 25% due to the closure of old plants and that the current framework did not secure necessary investments. A new planned and stable approach was proposed to attract investors.

44. The service quality has also been compromised as far as end-consumers are concerned by liberalisation and privatisation in the domains such as health care, which demand additional financial resources or very good working conditions.<sup>45</sup>

45. Furthermore, the argument that the private sector brings innovative ideas and technologies and therefore lower prices is not always convincing. Innovative solutions for costs reductions were expected from the privatisation of residential care for the elderly which took place in 1980s in the United Kingdom. Instead, the savings were made, as usual, through staff reductions, cuts in wages and the centralisation of back office services. In reality, private and public sectors often have a similar set of measures to minimise spending: withdrawing services, moving services online, outsourcing, reducing investment in infrastructure, raising fees, etc.

### **3.3. Working conditions and employment**

46. The liberalisation and privatisation of public services have been prompted not only as a means to improve quantitative indicators such as price but also as a way of making the market more open and flexible, creating additional jobs and, therefore, boosting social cohesion. Studies show the figures going in a different direction, however.<sup>46</sup>

47. The public sectors have suffered a severe blow from the 2008 crisis which had a strong negative impact on government revenues as a share of gross domestic product (GPD) in most Council of Europe member States. As a consequence of government responses to the economic crisis, aimed at restabilising financial markets, maintaining employment and mitigating the effects of unemployment, public budgets have come increasingly under strain. The debt crisis has prompted governments to embark on a policy of strict budgetary austerity. All over Europe, public sectors have been the main target of governments' consolidation policies. Public sector employers have bypassed established collective bargaining procedures, and wages and jobs have been cut or frozen, most frequently by unilateral State decision.<sup>47</sup>

48. According to the European Federation of Public Service Unions (EPSU),<sup>48</sup> we have seen in recent years "unprecedented attacks on hundreds of thousands of public sector workers across Europe". Job cuts and recruitment freezes have often been accompanied by pay freezes in many countries. And some public sector employers have not stopped there. They have often ignored collective bargaining procedures and traditions and imposed pay cuts on their workers, and in several cases further pay cuts.

49. EPSU concludes – on the basis of a comparative study of the public sector in Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Romania and Spain – that "governments are hitting the wrong target. It was not public sector workers or public sector borrowing that was the cause of the economic and financial crisis. And the economic recovery will not be guaranteed if governments across Europe co-ordinate their austerity measures at the behest of a European Commission that focuses so narrowly on the debt and deficit targets set by the Stability and Growth Pact".<sup>49</sup>

50. Furthermore, according to the International Labour Office (ILO),<sup>50</sup> there is a great diversity in public sector adjustments in Europe. Beyond common trends in public sector reforms before the crisis, including outsourcing, more fixed-term contracts, rationalisation, decentralisation, current adjustments have varied significantly according to their nature and magnitude, their timing or the policy mix.

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45. PIQUE studies.

46. PIQUE studies referred to an important loss in jobs, besides outsourcing, in former monopolies such as electricity and postal services, in 15 European Union member States between 1995 and 2004.

47. "The public sector in the crisis", Vera Glassner, ETUI 2010.

48. "The wrong target – how governments are making public sector workers pay for the crisis", EPSU.

49. Ibid.

50. "Public sector adjustments in Europe – scope, effects and policy issues", ILO report prepared in co-operation with the European Commission, 2013. The findings of the study carried in 15 European Union Member States were: some governments were guilty of a lack of planning and transparency in the reforms and restructuring they were carrying out; there was evidence of an increase in low pay in some countries along with other factors, like cutbacks in training, that were creating problems for recruitment and retention; short-term changes were being implemented without a full appreciation of the long-term costs; while some countries were looking to privatise and outsource services, the research raised questions about the extent to which there was clear evidence that these processes would deliver greater efficiency or cost savings without jeopardising quality; there had been a widespread failure to assess impact of reforms before they are undertaken;

51. The ILO concludes that “unprecedented public sector adjustments combined with a lack of social dialogue between government and employees have lowered job security, pay and working conditions in Europe’s public sectors”. According to the ILO expert, Mr Daniel Vaughan-Whitehead: “All these changes cannot be neutral for the future quality of public services. This is already to be observed in education and health care, but also threatens jobs in the public administration. Deteriorating wages and working conditions in the public sector compared to those in the private sector have not only led to significant emigration – especially among doctors, nurses and teachers. The public sector has also stopped attracting the quantities of young qualified graduates which hitherto have been its lifeblood.”<sup>51</sup> Moreover, outsourcing and tender contracts raised some issues with regard to a risk of social dumping.

52. According to the ILO, important issues like equality, social dialogue, employment prospects, working conditions and the future efficiency and quality of public services merit more attention. Only under these conditions will public services in Europe be able to continue to provide an important source of both social cohesion and economic growth.

### **3.4. Confidence in the public sector**

53. A study of public sector performance<sup>52</sup> compares the performance of nine public services in 28 countries, most of them European, over the period 1995-2009. These services are education, health care, social security, housing, social protection, economic affairs and infrastructure, environmental protection, recreation, culture and social participation, and public administration.

54. The results of the study show (although there is wide variety in the public sector performance of the different countries) that the Nordic countries generally perform well, as do Switzerland and the Netherlands. Continental countries (Belgium, France, Germany and Austria) perform well on economics and infrastructure but less well on education. The central European countries (the Czech Republic, Estonia, Hungary, Poland and Slovenia) perform less well, especially in public administration, health care, housing, economics and infrastructure. Mediterranean countries (Greece, Italy, Portugal and Spain) join the central European countries in a below-average public sector performance.

55. The study concludes that there is generally no correlation between expenditure and performance. Efficient and effective structuring of the public sector is more important than the amount of money invested in it. When looking for ways of improving the performance of the public sector, therefore, it is better to try to establish which specific success factors play a role in each individual sector, rather than trying to copy whole welfare systems.

56. According to this study, confidence in the public sector is high in the Nordic countries, but low in the Mediterranean and central European countries. The level of confidence in these country groups largely corresponds to the performance of the public sector, though confidence in the Continental countries is often higher than would be expected on the basis of the performance. Finally, people in general are more satisfied with their lives in countries where the public sector performs better.

57. A study by the European Bank for Reconstruction and Development<sup>53</sup> shows satisfaction with public service delivery in “transition countries” to be relatively high and, despite the adverse impact of the global economic crisis, to have risen since 2006 in most countries. Among transition countries, overall satisfaction levels tend to be somewhat higher among the new European Union member States and Turkey and generally lower in the Commonwealth of Independent States, although there is considerable variation within sub-regions, for example, between Estonia and Romania, Georgia and Azerbaijan or Russia and Ukraine. Some relative poor transition countries (such as Georgia and the Republic of Moldova) rate quite well for overall satisfaction with the quality and efficiency of public services. Satisfaction with public services in the transition region is lower than in western European countries. Overall satisfaction is lower in countries with a high usage of services over the past year. It could be that heavy utilisation rates place a heavy burden on availability (in terms, for example, of staff time, medicines or teaching materials), thereby reducing the capacity to provide

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broadly speaking, the tendency had been for governments to cut public expenditure rather than consider ways to increase revenues; there was clear evidence of an impoverishment of social dialogue and a need to take action to strengthen or even start rebuilding social dialogue in some countries.

51. ILO study on “Public Sector Adjustments in Europe Scope, Effects and Policy Issues”, Daniel Vaughan-Whitehead, 2012.

52. “Countries compared on public performance”, the Netherlands Institute for Social Research SCP, May 2012.

53. “Life in transition, after the crisis”, EBRD, 2013.

high-quality services and compromising perceptions of quality. Moreover, over the years, citizens' expectations of quality have increased as well as the understanding that a State is responsible for providing good quality public services.

#### 4. Safeguarding social and economic rights in times of crisis

58. Due to continuous reform of public administration and changes in the public sector, many governments today find themselves confronted with a highly fragmented public sector, with a substantial lack of co-ordination and co-operation. The combined effects of reforms, privatisation and new austerity measures in the public sector may have contributed to a loss of people's trust in governments throughout Europe.

59. According to the Commissioner for Human Rights,<sup>54</sup> the new political reality of austerity presents a threat to over six decades of social solidarity and expanding human rights protection across Council of Europe member States. The economic crisis is also undermining the capacity of central and local governments to ensure human rights protection. Public social spending has been the primary target of austerity measures in many member States. This has occurred through wage bill cuts or caps, especially for education, health and other public workers, the rationalisation of social protection schemes, the elimination or reduction of subsidies on fuel, agriculture and food products, stricter accessibility conditions for a number of social benefits and other cuts to education and health-care systems.

60. Governments of Council of Europe member States are free to decide on the specific organisation of public administration and the size and quality of public services. However, they also have an obligation to respect, protect and fulfil economic, social and cultural rights, to that end using as principal instruments the International Covenant on Economic, Social and Cultural Rights, the revised European Social Charter, the European Code of Social Security and various ILO conventions.

61. Especially in times of economic constraint, governments enjoy a margin of discretion in choosing the means for safeguarding rights which best fit the circumstances. At the same time, there is a growing national and international jurisprudence on the implementation of human rights in the crisis context. This is particularly the case for States' obligations to protect economic and social rights, to avoid further erosion and retrogression of these rights and disproportionate impacts of austerity measures on particular sectors of the population.

62. Among the rights which are under pressure, the Human Rights Commissioner mentions the right to work, rights at work, social protection, pensions, housing, food, water, education and health care.

63. In order to safeguard social, economic and other human rights in times of crisis, the Human Rights Commissioner recommends, amongst other things: institutional transparency, participation and public accountability throughout the economic and social policy cycle; conducting systematic human rights and equality impact assessments of social and economic policies and budgets; promoting equality and combat discrimination and racism; ensuring social protection for all; guaranteeing the right to decent work; regulating the financial sector in the interest of human rights; and working in concert to realise human rights through economic co-operation and assistance. Furthermore, the Commissioner recommends engaging and supporting active civil society; guaranteeing access to justice for all; systematising work for human rights; and engaging and empowering national human rights structures in response to the economic crisis. The Commissioner also recommends that member States ratify European and international human rights instruments in the field of economic and social rights.

#### 5. Council of Europe approach to social cohesion

64. According to the Committee of Ministers and the Parliamentary Assembly, States and their administrations have a leading role in ensuring "the welfare of all members of society, minimising disparities and avoiding polarisation" in accordance with the Council of Europe's definition of social cohesion.<sup>55</sup> Heads of State and Government decided in 1997 in Strasbourg during their 2nd Summit that social cohesion was "one of the foremost needs of the wider Europe and should be pursued as an essential complement to the promotion of human rights and dignity". In 2010, the Committee of Ministers adopted the New Strategy and Council of Europe Action Plan for Social Cohesion, prepared by the 1st Council of Europe Conference of Ministers responsible for social cohesion.

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54. Safeguarding human rights in times of economic crisis, Commissioner for human rights, Issue paper, 4 December 2013.

55. "New Strategy and Council of Europe Action Plan for Social Cohesion", Committee of Ministers, 7 July 2010.

65. This Strategy defined social cohesion as “the capacity of a society to ensure the well-being of all its members – minimising disparities and avoiding marginalisation – to manage differences and divisions and ensure the means of achieving welfare for all members”. The Committee of Ministers called social cohesion “a political concept that is essential for the fulfilment of the three core values of the Council of Europe: human rights, democracy and the rule of law”.

66. The European Convention on Human Rights and the European Social Charter have formulated social and economic rights which reduce citizen’s fears and guarantee a certain capacity to face the future. In its Strategy, the Committee of Ministers concluded that social rights have played a prominent role in European development and distinguish Europe from other regions of the world. This model has served to generate and maintain social cohesion and social solidarity, although globalisation and other developments are putting this model under pressure. According to the Committee of Ministers, “the emerging pattern of a fragmented society, with an increasing number of people facing obstacles to the full enjoyment of rights or dependent on benefits and other public services, together with rising inequalities between rich and poor, poses one of the greatest challenges to social cohesion in Europe”.

67. In October 2012, the 2nd Council of Europe Conference of Ministers responsible for social cohesion adopted a declaration on “Building a secure future for all”. According to the Deputy Secretary General of the Council of Europe, the Conference came at a crucial moment: “Unemployment takes a heavy toll. Income inequality is at its highest for the past century and it continues to rise. We witness extremely worrying tendencies of marginalisation and exclusion of entire segments of society.” The Commissioner for Human Rights provided the Conference with his vision on the importance of defending human rights and promoting social cohesion in the future.

68. The European Committee for Social Cohesion, Human Dignity and Equality will oversee, promote and review the implementation of the Council of Europe Strategy and Action Plan for Social Cohesion and may advise the Committee of Ministers to consider whether the priorities of the strategy need to be revised. The Committee of Ministers is currently reviewing the overall Council of Europe strategy on social cohesion. The Assembly must not miss the opportunity to make itself heard through its analysis and proposals.

## 6. Conclusions

69. On the basis of this explanatory memorandum, the rapporteur proposes that the Assembly:

- recall its [Recommendation 1617 \(2003\)](#) in which, in view of the unique role and contribution of public administrations to social cohesion and employment, the Assembly encouraged member States to consider carefully all possible consequences before introducing new, private sector-oriented management methods;
- express its concern that recent public administration reforms in member States might nevertheless have been guided to too great an extent by managerial and budget criteria with a negative effect on the functioning of public administration, the quality of public services and the trust of citizens in public administration and the functioning of democracy;
- emphasise that public interest needs to be defined on a wider level than the mere interest of making savings and has to include the proper functioning of society;
- reaffirm that a high-quality civil service is a vital precondition for strong democracy and the rule of law and that therefore member States have to place the interests of their citizens and Europe’s common values at the heart of any future administrative reform;
- reaffirm that States and their administrations have a leading role in ensuring the welfare of all members of society, minimising disparities and avoiding polarisation in accordance with the Council of Europe’s definition of social cohesion;
- strongly support the recommendations of the Commissioner for Human Rights as to how to safeguard social, economic and other human rights in times of crisis;
- ask the parliaments of member States to:
  - properly evaluate reform measures taken in the field of public administration and public service and learn from the experiences of other parliaments;
  - develop well-defined structures to achieve more clarity about the different forms of policy execution, both public and private;

- advance a clear and consistent decision-making framework and benchmarks with regard to privatisation and agencification and to supervise the application thereof by government and parliament; and to create more uniformity and clarity in how decisions about privatisation and agencification should be implemented;
  - reconsider whether recent or expected reform measures, privatisations and agencifications are in line – still – with the political concept of social cohesion, which is essential for the fulfilment of the three core values of the Council of Europe: human rights, democracy and the rule of law;
  - improve – when and where needed – the functioning of public administration and public services so that they genuinely contribute to the Council of Europe’s core values;
  - ratify European and international human rights instruments in the field of economic and social rights;
- support the New Strategy and Council of Europe Action Plan for Social Cohesion, approved by the Committee of Ministers on 7 July 2010, in the expectation that the Committee of Ministers will regularly update the Assembly on the progress made in the implementation of the Action Plan;
  - invite the Committee of Ministers to properly revise the current strategy on social cohesion and to promote a more innovative approach.