

**INFLUENCE OF HUMAN RESOURCES INVESTMENTS UPON PUBLIC ADMINISTRATION
EMPLOYEES PERFORMANCE STIMULATION**

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Abstract: Investments in human resources are one of the important factors for improving public sector performance. The main hypothesis is that investments in human resources improve efficiency and effectiveness of public sector. Tax administration was chosen to test the hypothesis. The main obstacle is that not long-time series are used for better test of hypothesis. The results indicate a positive correlation between training and performance indicators and training and taxpayers' satisfaction.

JEL classification: H11, H83, J24

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Introduction

Society is undergoing rapid change and one manifestation of this is the public desire to be better informed about the work of the public administration. This is matched by a demand for greater employee autonomy within the public administration and for cooperation in the management of its organizational units. Every organization functions well only where people or employees adequately stimulate its activities.

The effectiveness of the public administration is generally due to the professionalism and understanding (or lack of these) for the operational methods of the most sensitive part of the state system regarded as a whole - the parts that relate to leading, directing, planning, organizing and supervising the state's main activities. The development of the modern public administration system must take into account developments in modern human resources.

In the public administration (as in private sector) human resources are a fundamental and decisive factor, regardless of whether one is discussing private organizations, or public and central government organizations. These organizations, however well they are organized otherwise, will only function if their personnel available to them carry on its activity in a professional manner. Their actions also depend on the successful performance of the organization in public administration.

Next, we shall try to analyze – singularizing for the Slovenian public administration – at what extent there is any relationship between training and stimulation of employees to performance in the public sector, measured with the help of citizens' satisfaction.

Human resources development depends on the investment in human capital. A human resource development system must be a long-term, systematic and target-

oriented process, harmonized with the current and future demands of work. The objectives of the human resource development system must be related to the continual professional, personal and working development of each individual. This thing means that the optimization and modernization of work processes and procedures alone is not enough. There is also a need for the development and allocation of employees (employees' competences), ensuring that each individual can make their anticipated contribution to the work process. The main reasons for staff development are:

- ❖ creating conditions to increase an organization's effectiveness and competitiveness;
- ❖ gaining a highly-motivated staff;
- ❖ achieving suitable human resources to introduce and implement new programs;
- ❖ increasing skills required to use the organization's available technological resources;
- ❖ ensuring rapid and suitable replacements for any staff that leave the organization.

The systematic development of human resources is well organized, but testing its influence on efficiency and effectiveness in practice very diverse. In some cases of public administration operation, the effect of training on operational efficiency is tested using Kirkpatrick's four-level model for assessing training efficiency, which includes assessments of the training provider and content, the usefulness at work of the knowledge acquired, and the impact of the new knowledge on operating results. Kirkpatrick's four-level model for evaluating training efficiency is based on participants' reaction on implementation, the increase in knowledge, the application of new knowledge in practice, and the impact of new knowledge on organizational performance. The Kirkpatrick Model for Summative Evaluation is based, therefore, on four levels, as follows:

- ❖ In the first level, students are asked to evaluate the training after completing the program. These are sometimes called "happy sheets" because in their simplest form they measure how much students liked the training. This questionnaire moves beyond the question "how much did you like the training?" to questions about: the relevance of the objectives, the ability of the course to maintain interest, the amount and appropriateness of interactive exercises, the perceived value and transferability to the workplace;
- ❖ Level two in the Kirkpatrick model measures learning results. In other words, to what extent the students actually acquired the knowledge, skills, and the attitudes the program was supposed to teach. To show achievement, the students have completed a pre-test and post-test, making sure that the test items or questions are truly written to the learning objectives. By summarizing the scores of all students, trainers can accurately see the impact that the training intervention had;
- ❖ Level three evaluations attempt to answer whether or not students' behaviors actually change as a result of new learning. Students typically score well on post-tests, but the real question is whether or not any of the new knowledge and skills are retained and transferred back on the job... Ideally, this measurement is conducted three to six months after the training program;
- ❖ The fourth level in this model evaluates the impact of the training program upon the quality of the services offered to consumers by the public institutions' employees.

Up to date in Slovenia the Kirkpatrick Model was used in public administration only in one administrative unit. The attempt was to use the results as an example of defining the impact of training on the quality of services offered to consumers. The results of the acquired knowledge testing were compiled as follows:

- ❖ opinions on the adequacy of the training, expressed by the line managers of the employees;
- ❖ opinions on whether the training was adequate, expressed by employees/ students;
- ❖ user-satisfaction surveys and
- ❖ tests of knowledge for employees providing services.

Along the time, there were presented several international level reports with regard to the impact of human resource investment upon performance stimulation at public institutions level. Training and education have been put forward as the central element of the improved public sector performance. In **Australia**, for instance, there was conducted a research intended to examine the mode to manage human resources in order to obtain better outcomes in the public sector. The results showed the fact that workforce planning, performance management and organizational development are the three most critical fields in order to be more successful. Training can be important for the development of the performance-based culture among employees, but it was not determined as being a separate field. In **Singapore**, the Inland Revenue Authority is reengineering its organization in order to obtain a better performance. One of the measures was the training of the institution staff in question by participating in effectiveness courses. The results of the entire reengineering were a better performance and a better customer satisfaction. Also, in the **United Kingdom** and **Ireland**, the government mentioned the fact that the results found in the private sector could be also useful in the public sector. The research identified the fact that human resources policies seem to influence particularly the contribution to the generation of organizational commitment, which is important for a better performance. The key policy areas, in descending order, were: career development, training opportunities, job influence and challenges, involvement, appraisal processes and the work-family life balance.

It is obvious the fact that the performance indicators are not influenced only by investments in human resources. There are several other factors that improve the performance of the public sector in Slovenia, e.g. EU accession, economic growth, the growing use of the Information Technology and Communications etc.

Performance measurement for public administration based on indicators was gradually introduced in Slovenia. On the other hand, user satisfaction, measured by the “barometer” survey, was initially used only within the administrative units, and has only spread to other parts of the public administration in the middle of the year 2006.

Next, we shall refer to a survey that measures the impact of investments in human resources upon the motivation of the staff employed within the Tax Administration of the Republic of Slovenia (TARS). After the year 2000 there were performed surveys among the taxpayers for the evaluation of the tax administration’s activity as perceived by the users of its services. The sample included taxpayers liable for income tax, value-added tax and corporate income tax, these taxpayer groups representing almost the entire population in contact with the TARS. The major deficiencies of data collection were those that each mentioned year a different sample was used, as well as the sample determination mode.

In order to test at what extent the investments in human resources improve efficiency and effectiveness of the above mentioned institution, there were collected data from two different sources: from TARS’s annual reports and from the survey results upon taxpayers’ satisfaction. As an indicator of the investment in human resources, there was chosen the *number of training participations per employee*. There

were not included in the analysis the costs for education, since several trainings are free of charge or are a part of twinning projects, therefore costs do not constitute the best indicator of investments in this case. The drawback to the presented analyses was the short measurement period of all the selected indicators.

In its annual reports TARS publishes several groups of indicators, divided into six basic categories: taxpayer register, public revenue collection, enforceable collection, resolution of appeals, inspection (tax audit) and cost efficiency. On the purpose of the analysis accomplishment, the following indicators were selected: costs per employee, value of additional liabilities discovered on inspection and the number of documents processed per employee. The number of appeals per employee as an important indicator was excluded for one reason: Slovenia was going through a series of annual tax changes beginning from 2004. Therefore tax appeals increased significantly in case of the taxes with major changes and cannot be used as a relevant indicator of efficiency in the period for which the analysis was done.

The selected indicators do not depend on the employee work performance, being also affected by other factors, such as the number of taxpayers, the frequency of tax return submission etc. Nevertheless, it was assessed that successful employee performance is a significant factor, influencing the selected indicators. Taking this drawback of the research, the results are only an *indicator of the possible influence of investments in human resources on the performance of tax administration*. There was also measured the impact of employee training on the educational qualification structure of them. Cost efficiency is a common indicator of good performance but in this case the majority of the employees are trained, and the higher they are trained, the higher their salary costs increase. The research results indicated the fact that cost efficiency decreases more as a result of the investment in human resources.

As already mentioned, the employee training was measured by the number of training participations per employee. To exclude the influence of the number of employees on the results of the indicators, all the indicators were measured on a "per employee" basis.

Referring to the **taxpayer satisfaction**, the data were acquired by surveying the taxpayers from all the three above mentioned categories. For three consecutive years (2000, 2002 and 2004) there was used the same questionnaire, that included statements regarding the TARS operations as follows: a) efficiency of tax supervision; b) duration of procedures; c) organization of data register; d) informing taxpayers of their liabilities; e) notifying taxpayers with regard to the new and to the amended requirements; f) advice and assistance with queries; g) work performance. The respondents were to evaluate them with a scale from 1 (do not agree) to 4 (completely agree).

It is worth underlining that in 2007 there was realized a separate survey for personal income taxpayers and for companies. The survey among personal income taxpayers was done online and the link was realized on the web pages of TARS, of the Ministry of Public Administration and of the Faculty of Administration.

For all the years includes, the sample of companies was defined by the taxpayer's size according to its turnover, while the sample of personal income taxpayers was not specifically structured, the data regarding the income of taxpayers being confidential.

In different years, there was included a different number of responses in the analysis, but on the purpose of the research only an average score of each statement per

taxpayer was necessary. Therefore, the total number of respondents is not a determining factor. The different structure of the surveyed population is more important when the result differs significantly among the different groups of taxpayers (persons and companies). To exclude this drawback of the analysis, there were compared all the groups of taxpayers for each researched year and there were not registered any significant differences between the groups.

It is necessary to correlate the analysis related to the performance stimulation within the Slovenian public administration with the reforms that took place in the public sector in the latest years. This process started in 1996 and comprised different changes towards an effective and competitive governance system. The performance measurement of central and local governments was one of the key issues of the reform. The quality of public services, cost efficiency, performance budgeting and citizen satisfaction measurement have become an important part of the public sector performance. Several ideas, measurements and changes could not take place without a change in the mindset of civil servants, who have to become more user-oriented and less bureaucratic. Education and on-the-job training are therefore important elements in implementing the reform process. The Slovenian government is aware of the importance of knowledge for an effective administrative performance and has therefore included provisions related to the responsibility of education, training and upgrading civil servants' knowledge in the Civil Servants Act. The Government's Strategy on Education, Training and Upgrading the Knowledge of Public Officials as of 2006-2008 stipulated: "the officials employed in the public administration are its main assets and it is essential to invest in them to achieve further success. It is therefore extremely important that public officials are provided with systematic, permanent and accessible modes and resources of upgrading their professional knowledge as well as strengthening of skills for the administrative work".

The growth in public spending and the increase in central government debt was the main reason for questions being raised about the public sector efficiency. While market forces drove the private sector to improve competitiveness in order to further its existence on the market, the public sector used more and more funds, until the cost efficiency became a vital issue for the public sector as well.

The change occurred in the way the public sector worked, in parallel with the reforms. This change involved a new emphasis on the responsibility of the state towards the public – its citizens. The consequence of these changes was an emphasis on human rights and ensuring the transparency of the government actions. Another characteristic of the reform must be mentioned, namely the desire to change the working culture in the public sector in order to change the reposition of the attitudes and of the status of public officials, who have been accustomed to playing a bureaucratic role. The move towards assuming responsibility should reduce the probability of officials exploiting their status, and facilitate the improvement in the attitude of public officials to users.

An important step in developing quality, efficiency and effectiveness at the central government level in Slovenia was realized in 1993, when the National Quality Program for the Republic of Slovenia was produced as the key benchmark document for quality. In October 1996 a document entitled Central Government Quality Policy was adopted, and in March 1999 the Quality Committee was established in the then Ministry of the Interior, the aim of which was to improve efficiency and effectiveness in the public administration, and increase the user and employee satisfaction.

In 2001 an important step was taken to improve quality. The Decree on the

Method for Public Administration Dealings with Clients (Official Gazette of the Republic of Slovenia, No. 22/2001) introduced one of the main measures in the field of quality in the public administration. In 2005 the Decree was replaced by the new Decree on Administrative Operations. The Decree included new standards for dealing with clients or users, which brought together the best practices of bodies that, have already attempted to reach standards of operational excellence. An administrative inspectorate was introduced to ensure the decree was enforced, and in addition to that introduced a new feature requiring compulsory annual measurement of user and employee satisfaction, using a standard methodology. In 2001 these standards were piloted in 14 administrative units, and since 2002 the decree has been enforced in every institution of the public administration.

Slovenia's public administration is undergoing transformation and modernization stage. We have witnessed the fact, unexpected for some, yet predicted by others, that most of the problems which arise in modernizing public administrations are connected to human resource development. These include the urgent need to increase employee competence, resolving the failure to meet certain knowledge standards, such as inappropriate human resource management, and particularly attitudes to career development and employee work potential. No organization, however perfect in every other aspect, can actually function unless the people, its employees, are prepared to pursue it activities. An organization's successful performance and development depends on their work. This is also one of the reasons that more and more organizations, including those in public administration, are now discovering and developing unutilized or underutilized human resources. The proportion of public administration employees in the total active working population in Slovenia is comparable to other countries, as results from the following table:

Table no. 1: The proportion of employees in public administration in the total working population

Country	Proportion of employees in public administration in the total working population
Ireland (1998)	4.9
Canada (1998)	5.5
United Kingdom (1998)	5.8
Slovenia (2001)	5.9
Finland (1998)	6.2
Portugal (1998)	6.3
Austria (1998)	6.7
Netherlands (1998)	7.1
Greece (1997)	7.3
Germany (1998)	8.9
Poland (1998)	5.1
Czech Republic (1997)	6.5

Source: Bole (2001) in: *Government of the Republic of Slovenia (2003)*

So, Slovenia was ranked 4 among the selected countries by proportion of employees in public administration (Slovenia: 5.9%), and even on the third place in a 1996 comparison. According to data from the Statistical Office of the Republic of Slovenia (2008), in 2005 21.9% of the active working population in Slovenia held a college or university education, with an increase of 6.6 percentage points from 1995 (Government Office for Local Self-Government and Regional Policy, 2007). The

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average number of years in education for the active working population has grown more in the public sector than in the private sector, and has always been higher in the public sector, as results from table no. 2.

Table no. 2 The average number of years of education

	1995	2005
Public sector	12.4 years	13.2 years
Private sector	10.6 years	11.1 years

Source: Government Office for Local Self-Government and Regional Policy (2007)

The average number of years in education increased more in the public sector than in the private sector, as results from the table above. The difference between the sectors increased from 1.8 years in 1995 to 2.1 years in 2005. This effect was strengthened by the tightening of legal regulations on educational requirements for working in the private sector. Analyzing the economy by sectors, the active working population in the public sector had the highest average number of years in education over the period 1995 to 2005. The highest average number of years in education in the public sector was registered in the education sector, followed by public administration, defense and social security. Between 1995 and 2005, the proportion of those with a college or university education in the public sector arose by 9.0 percentage points and in the private sector by 4.8 percentage points, as results from table no. 3. The difference in the proportion of employees with college or university education in the two sectors increased, and was almost three times higher in the public sector (45.8%), than in the private (14.3%). At the same period the total general government expenditure decreased by 7.3 percentage points to 46% in GDP.

Table no. 3 Proportion of those with a college or university education in the total working population by sector in 1995 and 2005

	1995	2005	Index (2005/1995)
Public sector	36.8%	45.8%	124.46
Private sector	9.5%	14.3%	150.53

Source: Government Office for Local Self-Government and Regional Policy (2007) and Eurostat

In 2005, the percentage of the participants in continuing vocational training in the public administration, defense and social security represented 11.38 of the total of employees that took part in these courses. If we include the data from education and health, that constitute the most part of the public sector, the proportion reaches 29.9%. The weight of the public sector costs in the total of training costs is of 24.6%.

The Government documents (The Framework of Economic and Social Reforms for Increasing the Welfare in Slovenia (2006), Resolution on National Development Projects for the Period 2007-2023 (2006), defined way of state modernization. Hence it follows that the most important objectives in the modernization of the public administration in the Republic of Slovenia are achieving a better quality, more effective public administration operation, open and transparent functioning, and user-oriented services. The fulfillment of these objectives depends on the education degree of the staff in public administration and on its knowledge and competences. Human resource development provides support for increasing work complexity and satisfying the clients' demands.

The Slovenian public administration system includes an efficient staffing system and effective human resource management, this being one of the four main operating objectives of the Ministry of the Public Administration. The remaining three

objectives relate to quality and effective operations, open and transparent public administration functioning, and user orientation of the public administration. Consequently, the investment in the human capital constitutes one of the most important governing priorities of all the UE Member States, also taking into account the fact that these invest a significantly smaller proportion compared to the United States (5.5% of GDP compared to 7% of GDP).

As a conclusion of those presented, there results that the public (financial) administration performance and citizens' satisfaction are not influenced only by the investments in human resources. There are several other important determining factors, such as ITC improvement, a better transparency of the public institutions organization and functioning regulation, simplification of administrative procedures, decrease of the number of administrative obligations etc.

With regard to the performance indicators taken into consideration by this study, there resulted an increase of the participation number of employees in training. The employees' structure depending on the study level moved to a higher proportion with at least a college level education. Costs per employee, the number of processed documents and the value of additional liabilities discovered by inspection increased all. The average results obtained for the statements of the individual taxpayer, used as a measurement instrument of its satisfaction were considerably improved following the training process for most of the seven indicators taken into view, i.e.: efficiency of tax supervision, duration of procedures, organization of data register and, respectively, advice and assistance with queries, from where results a positive correlation between these results and the training level. It is of interest the fact that taxpayers obtained a lower score to information provision with regard to their liabilities, a possible explanation being related to the legislative changes that occurred during the reference period.

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