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the financial crisis : case study of
Ivano-Frankivsk region**

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Human resource management in Ukraine's public administration amid the financial crisis (case study of Ivano-Frankivsk region)

Introduction

The paper focuses on human resource management in local public administration on the example of Ivano-Frankivsk region, Ukraine, and the impact of economic crisis on these processes. Public administration remains one of the most stable employers in terms of keeping the workplace. Statistical data demonstrates a sharp increase of relatively young university graduates joining the pool of civil servants in the time of crisis. At the same time further analysis demonstrates a poor correlation between quantitative and qualitative composition of the local civil servants and the wellbeing and the community they serve. Research of employee's motivation gave a clear picture of deviations in psychological preferences of the employees, hired in the times of economic crisis, and the work they perform. That, in turn, would possibly have reduced the desire of employees to obtain new knowledge, for self-improvement and self-development, and thus lowered their potential positive impact on community wellbeing. At the same time, the existing system of human resource management in local public administration has significant reserves for improvement, potentially leading to further increase of the quality of public services.

The paper proceeds as follows. It starts with the background, analyzing some key literature sources in the field. It proceeds with

the section developing on peculiarities of the financial crisis in Ukraine in 2008–2012. Statistical data is analyzed to understand the quantity and quality composition of public administration employees in the country. Correlation analysis results are used to explain of the influence of quality and quantity composition of public administration on the wellbeing of local communities. It goes on with the study of motivational, social and cultural expectations of employees of local public administrations based on the survey results. The paper finalizes with the conclusions and further recommendations. The full list of bibliographical sources used is also provided.

Background

The analysis of the studies in the field demonstrates that the scholars who research the role of public administration dealing with the economic crisis consequences traditionally focus on use of macroeconomic levers such as government spending and taxes (Agustin S. Benetrix, 2009; Canuto A., L. Liu., 2010) and monetary regulation (Christiano, L. J., C. Gust and J. Roldos, 2004; Bordo M.D., 2010). At the same time, according to I. Klyuchnikov, the recent crisis has shown that taken the consequences of the crisis, and the rescue mechanisms used, the countries were clearly divided into two categories: those well-developed financial markets and the same with poorly developed markets (Kliuchnikov I., O. Molchanova, 2011). As a result, most methods of overcoming the crisis that were proven to be effective in developed countries not always would give a good effect in developing countries.

One might claim, while analyzing the crisis the majority of scholars and practitioners pay too much attention to the mechanisms of macroeconomic adjustment, along with the forgetting the main "victims" of the financial hardships, namely the population. As a result, little attention is usually paid to the role of the public servant, being the direct participant in the process of socio-economic development of the territorial unit, who is directly involved in the process of normalization of social and economic life.

Peculiarities of the financial crisis in Ukraine in 2008–2012

Ukraine being an active member of the global social and trade relations was unable to escape the global crisis. Moreover, the financial crisis was largely reinforced by internal imbalances of the market environment of the country (Zhalilo, A., 2009). Anti-crisis measures of the central government were aimed at financial stabilization of the banking system (including the prohibition of early deposit withdrawal, re-capitalization of banks, the establishment of the Stabilization fund, the regulation of monetary relations), macroeconomic stabilization (support of automobile and manufacturing industries, stimulation of housing construction, mining and metallurgical complex support in exchange for keeping the number of jobs unchanged, restricting imports of certain agricultural categories and elimination of duties on certain oil products) and improving social services (assistance for partial unemployment, signing contracts with large employers to prevent job losses).

Despite the government intervention in social and economic processes the financial crisis in Ukraine's economy had severely impacted the country. According to official statistics Ukraine's real GDP had dropped down by 14.8% in 2009. At the same time the inflation rate had decreased from 25.2% in 2008 to 0.6% in 2012 mostly due to reducing consumer spending and tight monetary policy. There was a decrease in real wages by 9.2% in 2009 with further growth to an average of 10% a year, the growth of registered unemployment from 6.9% in 2007 to 9.6% in 2009, at the same time the demand for one vacancy increased from 4 persons 2007 to 11 persons in 2012. Thus, the above listed factors influenced the processes of human resource management, especially in the field of public administration which remains more stable for the employee in terms of keeping the workplace.

The main macroeconomic indicators illustrating the escalation of crisis in Ukraine's economy are listed below in Figure 1.

Figure 1. Some macroeconomic indicators in Ukraine

	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP, (UAH bn)	345,1	438,7	544,2	720,7	948,1	914,7	1082,6	1302,1
Real GDP growth rate, % yoy	12,1	2,7	7,3	7,9	2,3	-14,8	4,1	5,2
Consumer price index, %	109	113,5	109,1	112,8	125,2	115,9	109,4	108
Nominal final consumption expenditure, (UAH bn)	180,4	252,6	319,4	423,2	582,5	581,7	686,1	865,9
Nominal final consumption expenditure of general government, (UAH bn)	-	80,5	100,4	129	169,2	184	219,9	237,4
Imports of goods and services, (UAH bn)	193,1	223,6	269,2	364,4	520,6	438,9	580,9	788,9
Exports of goods and services, (UAH bn)	219,6	227,3	253,7	323,2	444,9	423,6	549,4	708
Unemployment rate (ILO definition), %	9,2	7,8	7,4	6,9	6,9	9,6	8,8	8,6
Growth in real wages, %	23,8	20,3	18,3	12,5	6,3	-9,2	10,2	8,7

Source: State Statistical Service of Ukraine reports for 2011 and 2012.

The analysis of the data above suggests that the labor market in Ukraine during the crisis faced an excess supply of skilled labor and extensive job losses in the private sector. Such unpleasant prospect of job losses motivated more active workers to find a stable employment. Thus it was not surprising that many of them paid attention to employment opportunities in the public sector, especially in the government.

Quantity and quality composition of public administration employees in Ukraine

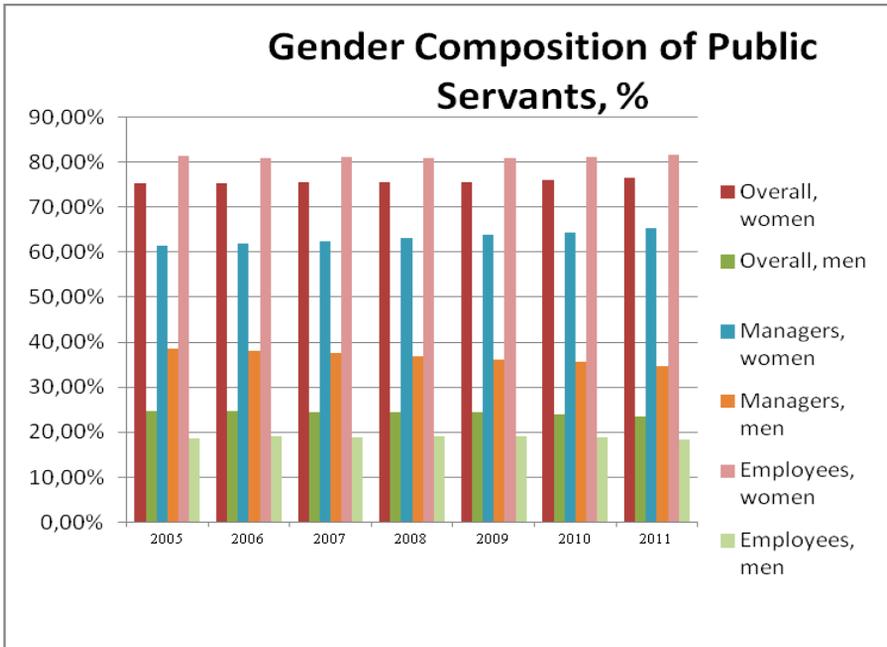
The above conditions had impacted the processes of human resource management especially in public administration. Public sphere remains the most stable for the employee in terms of keeping the workplace.

For a detailed understanding of the trends in human resource management in public administration we have analyzed the statis-

tical data of the quantitative and qualitative composition of the civil servants in Ukraine and revealed the following features:

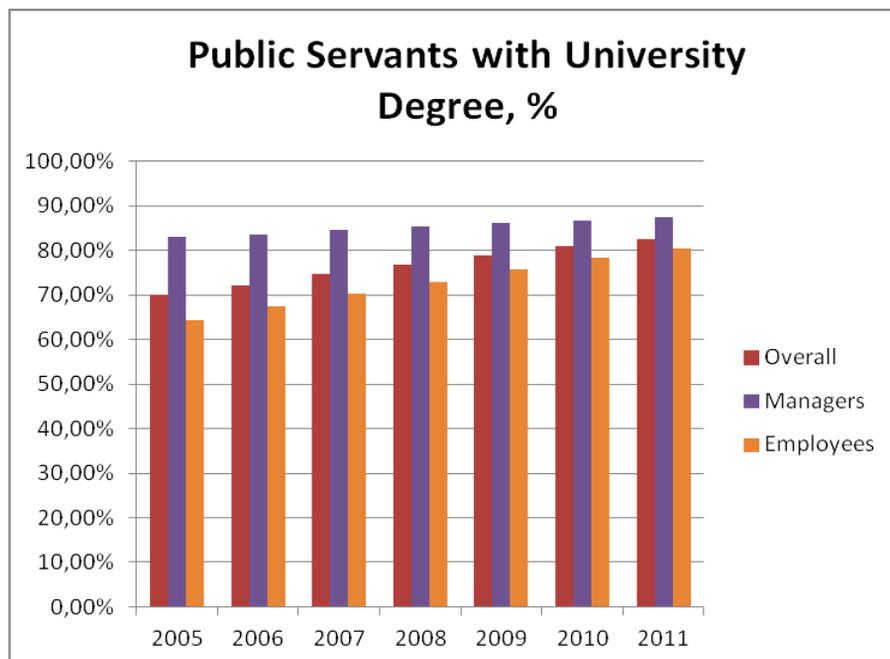
- Although the total number of employees of public administration in the pre-crisis period had increased by 3.46–3.85% per year, in 2009 it increased only by 1.29%, while in 2010 and 2011 declined by 1.28% and 3.16%, respectively;
- People aged 46 years and older are the primary category working in public administration (48.4% in 2005 and 44.99% in 2011 respectively), while there was a decline of young people under the age of 27 (from 4.81% in 2005 to 3.9% in 2011);
- The majority of employees are women and their percentage increases (from 62.25% to 65.89% respectively in 2005 and 2011), at the same time it should be noted that the number of women decreases through the levels of management hierarchy from the bottom up (see Figure 2);
- There is a sharp increase of university graduates with 69.94% in 2005 to 82.55% in 2011 (See Figure 3);
- The average length of service is increasing from 8.44 years in 2005 and 2006 to 9.6 years in 2011 (See Figure 4).

Figure 2. Gender composition of public servants



Source: National Agency of Ukraine on Civil Service <http://www.nads.gov.ua>.

Figure 3. Public Servants with University Degree



Source: National Agency of Ukraine on Civil Service <http://www.nads.gov.ua>.

One could conclude that due to the crisis and its circumstances the workplace civil servant remains more stable and allows an employee to feel more confident about the future. The numerical dominance of women and older employees in public administration confirms this trend. Thus, more economically active and therefore more innovative persons do not tend to occupy positions in public administration. Growth in the number of university graduates proves increased competition for the position that, in our opinion, was primarily due to a reduced demand in the labor market. This trend is also confirmed by increased average length of service of civil servants during the period analyzed.

Analysis of the influence of quality and quantity of public administration employees on the wellbeing of local communities

For a more detailed analysis of the impact of the qualitative and quantitative composition of public administration on the wellbeing of the local communities the Ivano-Frankivsk region was chosen. This was due to peculiarities of the socio-economic development of the region, namely:

- The large enterprises that had majorly impacted the performance of local communities had mostly closed down during the crisis. As a consequence the influence of management decisions of management of large enterprises on the socio-economic development local communities had decreased, which allowed to compare in a close estimation the performance of the latter with agricultural areas, where most of the value added is formed by small and medium enterprises (SMEs);
- Majority of the employed population works for SMEs that are most sensitive for local governmental policies;
- A large proportion of the value added created in SMEs has resulted in minimal losses in terms of socio-economic development in times of crisis among other regions of Ukraine. In particular, according to a comprehensive evaluation of socio-economic development in January-September 2009 Ivano-Frankivsk region was ranked first (Shkvaryliuk 2009).

The cities of regional subordination with large metropolitan areas were excluded from the analysis in order to obtain a more homogeneous sample. Therefore the performance of 14 rayons (districts) of Ivano-Frankivsk region was analyzed. In the process of selection of the variables those included in the National statistical classifications and reflected in official publications of Ivano-Frankivsk State Statistical Office were deliberately selected.

Among the indicators of the qualitative and quantitative composition of the employees of local public authorities the following were selected: the number of employees of local authorities, the number of local government employees per 1,000 residents, level of education and employment history (number of years at the position) of employees of local governments, the rate of employees' turnover.

As indicators of socio-economic development of the community the following were selected: 1) administrative and territorial characteristics – population and territory; 2) business activity – the number of small businesses per 1,000 residents, the amount of total investment per 1,000 residents, investment index comparing to the past year; 3) the standard of living – the average wage, unemployment level, retail sales per 1 resident; 4) social component – the crime level, the emissions level, places in hospitals per 1,000 residents.

Correlation analysis was selected as a primary research method to deal with the above indicators. It allows assessing the correlation of various factors for selecting the areas of further improving personnel policies in local public administration. The results obtained are shown in the Figure 5 below.

The most crucial ones are worth stressing separately.

- Number of employees of local authorities strongly correlates with the population of administrative entity and does not depend on its territory, due to peculiarities of the administrative-territorial structure of Ukraine;
- There is a strong dependence of the decline in crime on the qualitative and quantitative characteristics of the employees of the local public administration;
- Increasing number of employees of local public administration is largely correlated with rising levels of unemployment, less sensitive are the growth of business activity and decreasing wages;
- There is a weak relation between the work experience of employees of local public authorities and decrease in the

index investments that can be attributed to conservatism of government officials;

- At the same time there is some relationship between the average growth in turnover rate of employees in local public administration and decreasing wages of employees, value of retail turnover and minor correlation with unemployment.

Figure 5. The correlation of coefficients between the qualitative and quantitative characteristics of the local public administration and characteristics of local communities

	Number of employees	Work experience	Education level	Staff turnover
Area	0,07÷0,08			
Population	0,89÷0,9			
Number of small businesses per 1,000 residents	0,37÷0,42	-0,02÷-0,01	-0,09÷-0,37	-0,04÷0,16
Investments per 1,000 residents	-0,09 ÷ -0,17	-0,09÷-0,08	-0,14÷-0,13	-0,1÷-0,51
Investments index	-0,15÷0,06	-0,4÷-0,33	-0,18÷0,02	-0,1÷-0,09
Average wage	-0,28÷-0,26	0,16-0,27	0,04÷0,17	-0,62÷-0,30
Unemployment level	0,66÷0,78	0,04-0,14	-0,09÷0,34	-0,33÷-0,15
Retail per 1 resident	-0,26÷-0,1	-0,15÷-0,31	-0,49÷-0,36	-0,52÷-0,56
Crime level	-0,74÷-0,61	-0,35÷-0,22	-0,23÷-0,16	-0,55÷-0,45
Emissions level	0,05÷0,06	-0,06÷0,07	-0,22÷-0,1	-0,39÷--0,31

Source of data used: Reports of the Chief Statistical office of Ivano-Frankivsk region for 2011 and 2012.

At the same time the Figure above demonstrates that there is very little relationship between the socio-economic development of the community and the quantitative and qualitative characteristics of the local administration employees. The traditional explanation, which is usually used in a community of practitioners in

Ukraine, is the assumption of excessive centralization of power and insufficient powers to local authorities lead to minor impact of the latter on the processes of social and economic development.

Yet, one may name the other reasons. In particular, the causes for "powerlessness" of local administration might be connected with further spread of economic crisis in Ukraine. This is partially illustrated by negative impact of educational level of public administration official on the socio-economic development of the community, which can be attributed to flow of more educated professionals from the real sector of economy due to job cuts.

Therefore, the above analysis suggested the need in further study of use of available human capacity of local public administration and motivational, social and cultural expectations of employees as possible causes of "powerlessness" of local administrations.

Motivational, social and cultural expectations of employees of local public administrations

For better understanding of the processes of human resource management in public administration in 2009 we conducted a survey of public servants to assess the use of their potential. To conduct the study the slightly modified methodology proposed by S. Kis to evaluate the use of human capital companies oil and gas industry was used (Kis S. and others, 2009). 250 respondents were surveyed using a standardized questionnaire. The results demonstrated that intellectual and creative abilities of employees were used improperly. Despite the negative nature of such fact, it could be further used as the reserve for work efficiency increase. 'Professionalism', 'strive for excellence' and 'self-improvement' were indicated by respondents as the most important values leading to good results. At the same time 'initiative' was not mentioned at all, and 'innovation' was ranked the lowest. Among values that would define satisfaction from work respondents placed 'high wages' on the first place, 'secure future' and 'personal health' were ranked second and third accordingly. Respondents did not

mention 'adaptability', 'risk-free occupation', which indicates significant inflexibility of human resources management in public administration. Due to this fact the system of human resources management did not adapt to crisis which, in turn, was confirmed by employee turnover rate, which did not exceed 15% in the period of financial hardships.

High turnover of employees of local public administration gave impetus for a closer look on training of civil servants. A few words should be said about MA program in Public Administration, which was developed in Ukraine and mostly covers acting civil servants who have received already a higher education in other specialties. Graduation from this program is a significant competitive advantage to fill the positions in public administration, but is not a mandatory criterion.

Therefore, obtained profession, professional preferences and psychological nature of the work of employees of local public administration became a subject for additional analysis. The sample included local civil servants with work experience of three years and more in the Ivano-Frankivsk region. The methodology of division of psychological preferences of an employee, depending on the subject area (E. Klymov, 2004) was used as the basis for research. During 2008–2011 we conducted another survey of 100 Master students in Public Administration at Ivano-Frankivsk National Technical University of Oil and Gas. The results demonstrated significant deviations among the nature of the work performed by civil servants, professional background, and especially psychological preferences. No doubt, this significantly impacts the quality of work of employees (See Figure 6).

It should be noted that the largest deviations are observed in psychological preferences of the employees and the work they perform (this is also evident in the results of the previous survey), which makes monetary reward the main motive for staying in the workplace. That, in turn, reduces the desire of employees to obtain new knowledge, for self-improvement and self-development. Along with this fact there is some discrepancy in obtained specia-

lization and nature of the work, especially on the positions which require interaction with people. This suggests that relevant departments of the local public administrations should focus on addressing the identified imbalances and/or training and re-training of their employees while developing personnel policies.

This study, which covered mostly civil servants with 3 years of experience, had again confirmed that there is a discrepancy of professional skills and background of employees who have been accepted for positions in local public administration during the crisis.

Conclusions and Further Recommendations

Thus, we can conclude that personnel management in the sphere on Ukraine's public administration can be described as reactive. The financial crisis made it more open to external human resources, nevertheless made it even more reactive.

Yet, the existing system of human resource management has significant reserves for improvement, potentially leading to further increase of the quality of public services. The latter may be reached, in particular, through the following measures:

- Introduction of pro-active personnel policy, oriented towards the candidates with appropriate career orientation;
- Increased use of the innovation potential of employees;
- Considering a significant layer of older employees and pensioners, introduction of continuous employee training and knowledge transfer systems among the employees of different levels of management, age groups, etc.;
- Development of a sustainable corporate culture emphasizing efforts on joint team-buildings, individual assessment of employees and organization in general, etc.

The measures suggested require the transition of the system of human resources management in Ukraine's public administration from the traditional bureaucratic model to a model of 'Intellectual

organization' with the widespread use of knowledge management methods.

STRESZCZENIE

Zarządzanie zasobami ludzkimi w administracji publicznej Ukrainy podczas kryzysu finansowego (badanie przypadku regionu Ivano-Frankivsk)

Artykuł zajmuje się zarządzaniem zasobami ludzkimi lokalnej administracji publicznej na przykładzie regionu Ivano-Frankivsk na Ukrainie oraz wpływem tych procesów na kryzys ekonomiczny.

Artykuł przedstawia się następująco. Rozpoczyna od tła, analizując niektóre kluczowe źródła literatury w tej dziedzinie. Kolejno następuje część rozwijająca szczegóły kryzysu finansowego na Ukrainie w latach 2008–2012. Przeanalizowano dane statystyczne w celu zrozumienia ilości i jakości składu pracowników administracji publicznej w kraju. Wyniki analizy korelacji wykorzystano w celu wyjaśnienia wpływu jakości i ilości składu administracji publicznej na dobrobyt lokalnych społeczeństw. Z kolei kontynuuje badanie motywacyjnych, społecznych i kulturalnych oczekiwań pracowników lokalnej administracji publicznej w oparciu o wyniki badań. Artykuł kończy się wnioskami i dalszymi zaleceniami.