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ADMINISTRATIVE PROCESSES AS AN ANTI-CORRUPTION TOOL? A VIEW FROM PUBLIC EMPLOYEES IN THE BALTIC STATES

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ABSTRACT

Many studies have documented the negative effect of corruption on development, economic growth, and democracy. Independent anti-corruption agencies are often recommended as the tool to curb corruption. However, their efficiency depends on the political will to allocate authority, powers, and resources. Moreover, setting up new institutions is always costly and accordingly problematic to low and middle income countries. The present

study suggests that public administration processes in their own right are a tool to combat corruption. The article uses a survey with responses from 1706 public employees in Estonia, Latvia, and Lithuania. Using OLS regression, the study confirms others findings that strengthening meritocracy is an important factor in curbing corruption. It adds to this that enhancing monitoring is a factor just as effective against corruption as meritocracy. It adds attention to the reverse effect associated with hierarchical organizations, norms accepting rule bending, and network decisions. Finally, addressing salaries' and performance payment's impact on corruption the study finds no relation.

KEYWORDS

Administrative processes, administrative reform, anti-corruption agencies, meritocracy, motivation, hierarchy, the Baltic States

INTRODUCTION

The negative effect of corruption on development, economic growth, and democracy is indisputable.¹ Based on success cases, such as Hong Kong and Singapore, anti-corruption agencies constitute a 'best practice' model for fighting corruption.² However, Alina Mungio-Pippidi³ finds little evidence that anti-corruption agencies have any effect. Furthermore, anti-corruption agencies are costly, and 'lack of political will' often jeopardizes anti-corruption policies.⁴ Thus, the challenge of how to fight corruption remains. This article asks if and how administrative processes in their own right create incentives that work against temptations to act corruptly. We argue and show that administrative structures and processes in and of themselves have an impact on public employees own judgements when it comes to corruption. Reforming administrative processes may accordingly be a cost efficient anti-corruption tool.

There is a long tradition of searching for causes of corruption in public administration settings.⁵ Acknowledging the intrinsic values of earlier studies, we complement their findings in three ways. First, following Pollitt and Bouckaret, we distinguish explicitly between different public administration processes as internal hierarchy, recruitment, monitoring, and relations to external actors.⁶ Second, we measure administrative processes through the employees' own experience. We thereby avoid the fallacy of taking formal rules for practice. Third, we depict the commonality of corruption through the employees' perceptions about corruption that is misuse, within their own organization. Although far from being a perfect measure of actual corruption, it is less sensitive to media scandals. Using perceptions on both

¹ Leslie Holmes, *Rotten states? Corruption, post-communism and neoliberalism* (Duke UP: Durham 2006); Cheol Liu and John L. Mikesell, "The impact of public officials? Corruption on the size and allocation of U.S. state spending," *Public Administration Review* 74 (2014).

² Council of Europe, GRECO RESOLUTION (97) 24 "On the twenty guiding principles for the fight against corruption" (1997) <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016806dd0ea>; Robert Klitgaard, *Controlling corruption* (Berkeley, CA: University of California Press, 1988); Lars Johannsen and Karin H. Pedersen, "The institutional roots of anti-corruption policies: comparing the three Baltic states," *Journal of Baltic Studies* 42 (2011); Patrick Meager, "Anti-corruption agencies: Theory Versus Reality," *The Journal of Policy Reform* 8 (2005).

³ Alina Mungiu-Pippidi, *The quest for good governance. How societies develop control of corruption* (Cambridge: Cambridge UP, 2015), 106–113.

⁴ Frank Anechiarico and James B. Jacobs, *How corruption control makes government ineffective* (Chicago & London: University of Chicago Press, 1996); Agnes Batory, "Post-accession malaise? EU conditionality, domestic politics and anti-corruption policy in Hungary," *Global Crime* 11 (2010).

⁵ Doron Navot, Yaniv Reingewertz, and Nissim Cohen, "Speed or greed? High wages and corruption among public servants," *Administration and Society* 48 (2016); Carl Dahlström, Victor Lapuente, and Jan Teorell, "The merit of meritocratization: Politics, bureaucracy, and the institutional deterrents of corruption," *Political Research Quarterly* 65 (2012); James E. Rauch and Peter B. Evans, "Bureaucratic structure and bureaucratic performance in less developed countries," *Journal of Public Economics* 75 (2000); Ellen V. Rubin and Andrew Whitford, "Effects of the institutional design of the civil service: Evidence from corruption," *International Public Management Journal* 11 (2008).

⁶ Christopher Pollitt and Gert Bouckaert, *Public management reform: A comparative analysis – New Public Management, governance, and the neo-Weberian state*, 3rd ed. (Oxford: Oxford: University Press, 2011), 2.

administrative practices and corruption within the specific organization allows us to get closer to the actual mechanism between practices and corruption.

Corruption research often uses aggregate data to compare countries. This has been challenged by increasing knowledge about local level differences and criticized methodologically for neglecting within-country variation.⁷ For this study, we developed a survey and got responses from 1706 public employees at both national and sub-national level from Estonia, Latvia, and Lithuania.⁸ The choice of three small, post-communist countries emphasizes a context where public employers have been exposed to extensive administrative reform for more than 20 years and in which corruption – according to the international corruption rating – is high.⁹

We approach the relation between public administration processes and corruption in four steps. The first step outlines the theoretical expectations. The second step accounts for the method used and the survey design. The third step describes the dependent variable – the perceived commonality of corruption in the public employees' own organization – and the independent variables – the administrative processes as experienced by the public employees. The fourth step applies OLS regression linking administrative processes with the level of corruption. Concluding, we discuss if and how public administration can be a cost-efficient anti-corruption tool.

1. THEORY: ADMINISTRATIVE PROCESSES AND CORRUPTION – RELATED, BUT HOW?

Corruption – the misuse of public position for private gain – was earlier seen as a matter of individual immorality. However, in the 1970s, the research question changed into why and when ordinary men became corrupt in response to extraordinary temptations.¹⁰ Reflecting this, Robert Klitgaard argues that corruption is a function of the individual cost-benefit analysis of the opportunity to engage in corrupt deals, the related economic benefit and the risk of being caught, the formal

⁷ Nicholas Charron, Lewis Dijkstra, and Victor Lapuente, "Regional governance Matters: Quality of Government within European Union Member States," *Regional Studies* 48 (2014); David W. Gingerich, "Governance indicators and the level of analysis problem: Empirical findings from South America," *British Journal of Political Science* 43 (2012); Jan-Hinrik Meyer-Sahling and Kim S. Mikkelsen, "Civil service laws, merit, politicization, and corruption: The perspective of public officials from five East European countries," *Public administration* 94 (2016). For earlier discussions of within-country variation see Jennifer Hunt, "Why are some public officials more corrupt than others?"; in: Susan Rose-Ackerman, ed., *International handbook on the economics of corruption* (Cheltenham: Edward Elgar Publishing 2006); William L. Miller, Åse B. Grodeland, and Tatyana Y. Koshechikina, *A culture of corruption? Coping with government in post-communist Europe* (NY: Central European University Press, 2001).

⁸ The survey was developed by the authors, executed by TNC-international Denmark, and financed by The Danish Research Council grant no. 10-080446.

⁹ See Transparency International (2017): <http://transparency.org>.

¹⁰ Gerald E. Caiden and Naomi J. Caiden, "Administrative corruption," *Public Administration Review* 37 (1977): 302.

penalties applied and the informal moral costs.¹¹ This adds in to an equation where corruption equals degree of discretion minus control. Including moral costs in the rational calculation, Robert Klitgaard implicitly follows March and Olsen and Elinor Ostrom arguing that individual decisions are not context free but shaped by institutions that bend individual incentives towards what is appropriate and what is not.¹²

Public administration institutions are conceptualized as processes including recruitment patterns, organizational hierarchy, relations to external actors, and managerial monitoring.¹³ Based on this conceptualization and reflecting recommendations for East European transformation of public administration based on Weberianism and New Public Management,¹⁴ we focus on eleven items of administrative processes, asking if there is a correspondence between the process practiced in the organization and the perceived commonality of corruption within the same organization. Acknowledging that the items are not exhaustive of all administrative processes, we contend that they make a fair selection with respect to processes that may affect the individual temptation to engage in corrupt deals. For analytical clarity, we discuss the expected relation between administrative processes and temptations to engage in corruption in three parts; i: recruitment, ii: hierarchy and leadership related issues, and iii: salary-related issues.

First, recruitment patterns following the principle of meritocracy in hiring civil servants touches on professionalism, prescribed courses of training and special examinations as well as a specific sense of duty to the purpose of the office.¹⁵ Thus, the controlling effect of meritocracy runs through the civil servants' professionalism emphasizing values of impartiality, equal treatment, and fairness, increasing the moral costs of being corrupt.¹⁶ In the survey, we look into the professional values by asking if 'bending rules' are found acceptable. Besides professionalism, meritocratic recruitment minimizes corruption because it disconnect the public employee from the political chain of command, thereby protecting him/her from undue political

¹¹ Robert Klitgaard, *supra* note 2, 73.

¹² James G. March and Johan P. Olsen, *Rediscovering institutions: The organizational basis of politics*. (New York: Free Press 1989); Elinor Ostrom, "Analyzing collective action," *International Association of Agricultural Economists* 41 (2010): 160; see also Gjalte de Graaf, "A report on reporting: Why peers report integrity and law violations in public organizations," *Public Administration Review* 70 (2010): 46–47, 52.

¹³ Christopher Pollitt and Gert Bouckaert, *supra* note 6, 2.

¹⁴ SIGMA, "European principles for public administration," *Sigma Papers* No. 27 (1999) // <http://www.oecd.org/site/sigma/publicationsdocuments/36972467.pdf>; Barbara Nunberg, *Ready for Europe. Public administration reform and European Union accession in Central and Eastern Europe* (Washington DC: The World Bank, 2000), 3–4.

¹⁵ Max Weber, *Economy and Society: An Outline of Interpretive Sociology*, ed. Guenther Roth and Claus Wittich (Berkeley: University of California Press, 2013 [1968]), 959.

¹⁶ Robert Klitgaard, *supra* note 2, 71; Bo Rothstein, "What is the opposite of corruption?" *Third World Quarterly* 35 (2014): 746; Carl Dahlström, Victor Lapuente, and Jan Teorell, *supra* note 5; Peter Evans and James E. Rauch, "Bureaucracy and growth: A cross-national analysis of the effects of 'Weberian' state structures on economic growth," *American Sociological Review* 64 (1999).

pressure.¹⁷ Earlier findings on the effect of meritocracy on corruption are inconclusive. Some find that there is an effect, while others find it negligible.¹⁸ The different results may be due to different datasets and methods. However, using a survey of central government officials in five post-communist countries Jan Meyer-Sahling and Kim S. Mikkelsen confirm the positive effect of merit.¹⁹ Accordingly, we expect that meritocratic recruitment leads to less corruption.

Second, hierarchy, co-ordination, and monitoring constitute another set of control mechanisms. Hierarchy creates a system of super- and subordination,²⁰ thereby touching directly on the elements of discretion and control in Robert Klitgaard's equation mentioned earlier. Principal-agency theory, however, tells us that hierarchy is an ambiguous control mechanism. Information asymmetry between the superior (the principal) and the subordinated employee (the agent) empowers the latter vis-à-vis the former, creating loopholes for unsupervised acts.²¹ The information gap between the principal and an agent does not necessarily imply that the agent is corrupt, but it gives the agent the opportunity and, thus, the temptation to use the information asymmetry to his advantage.

Hierarchy also adds layers to the organization. Susan Rose-Ackerman contends that "high-level bureaucrats in a tightly supervised hierarchy may have just as many unsupervised contracts with applicants as low-level employees have in organizations that allow considerable discretion to those at the bottom".²² Thus, instead of working as control hierarchy may move corruption upwards in the organization.²³ Corruption among top-level public employees raises an ethical problem among lower level employees whether to come forward with knowledge of corrupt acts or to keep silent.²⁴ Moreover, if the higher levels in hierarchical organizations are infected by corrupt behavior, would-be non-corrupt employees at the lower levels tend to bend in.²⁵ The mechanism is reflected in a Schilling diagram illustrating that, when bribery becomes widespread in the organization, it becomes rational for an individual to

¹⁷ Jørgen G. Christensen, "Pay and prerequisites for government executives": 110; in: B. Guy Peters and Jon Pierre, eds., *The SAGE handbook of public administration*, 2nd ed. (London: SAGE, 2012); Conor O'Dwyer, *Runaway state-building. Patronage, politics and democratic development* (Baltimore: Johns Hopkins, 2006); Max Weber, *supra* note 15, 961.

¹⁸ Carl Dahlström, Victor Lapuente, and Jan Teorell, *supra* note 5; James E. Rauch and Peter B. Evans, *supra* note 5; Ellen V. Rubin and Andrew Whitford, *supra* note 5.

¹⁹ Jan-Hinrik Meyer-Sahling and Kim S. Mikkelsen, *supra* note 7, 1120.

²⁰ Max Weber, *supra* note 15, 957.

²¹ Robert Klitgaard, *supra* note 2, 69-74.

²² Susan Rose-Ackerman. "Which bureaucracies are less corruptible?": 809; in: Arnold J. Heidenheimer, Michael Johnston, and Victor T. LeVine, eds., *Political corruption. A handbook* (New Brunswick and Oxford: Transaction Publishers, 1989 [1978]).

²³ Aijit Mishra, "Corruption, hierarchies and bureaucratic structure": 196; in: Susan Rose-Ackerman, ed., *International handbook on the economics of corruption* (Edward Elgar Publishing, 2006).

²⁴ Gjalt de Graaf, *supra* note 12. From a power perspective silence is what is most likely to happen as the top level has the power; see István Jávör and David Janicsics, "The role of power in organizational corruption: An empirical study," *Administration and Society* 48 (2016).

²⁵ Terry L. Cooper, "Hierarchy, virtue, and the practice of public administration: A perspective for normative ethics," *Public Administration Review* 47 (1987): 323-324.

partake because s/he believes everybody else is doing so.²⁶ Hierarchy combined with corrupt top-level bureaucrats is thereby a factor feeding into systemic corruption where corrupt behavior becomes the organizational norm.²⁷ In sum, the effect of hierarchy can either be a control on lower level employees or part of the evil itself.

Co-ordination implies involvement of external actors and – just as hierarchy – it works as a controlling device because it increases oversight, thus counteracting bureaucratic isolated and corrupt silos.²⁸ However, in line with the New Public Governance approach co-ordination may also mean inclusion of citizens and enhanced public-private co-operation.²⁹ Johan G. Lambsdorff argues that interpersonal trust between the private actor and the public employee increases the risk of corrupt behavior.³⁰ Thus, even if citizen participation is normatively valued, inclusion of citizens and private actors opens a Pandora's Box of particularism through increased interpersonal trust.³¹ In sum, co-ordination may have a controlling effect through checks-and-balances, but including private actors could also have a corruption facilitating effect. In the study, we seek to balance this question by asking about practices of co-ordination and about the importance of private networks in decision-making.

Monitoring the staff and setting clear objectives for organizational tasks may also work as a control mechanism as it minimizes discretion through transparent yardsticks and implies tighter oversight. Goal setting is an efficient management tool that makes employees more motivated to follow organizational objectives than individual self-interest.³² Research also shows that ethical leadership is likely to increase an employee's willingness to report on unethical behaviour reflecting their confidence that superiors will take appropriate and corrective action.³³ Thus, if

²⁶ Parnap Bardhan, "Corruption and development: A review of issues," *Journal of Economic Literature* 35 (3) (1996): 1332; also Anna Persson, Bo Rothstein, and Jan Teorell, "Why anticorruption reforms fail—systemic corruption as a collective action problem," *Governance* 26 (2013): 457.

²⁷ Gerald E. Caiden and Naomi J. Caiden, *supra* note 10: 306–307.

²⁸ Guy B. Peters, "Managing horizontal government: The politics of co-ordination," *Public Administration* 76 (1998): 297.

²⁹ Stephen P. Osborne, "Editorial. The new public governance?" *Public Management Review* 8 (2006); Stephen P. Osborne, "Delivering public services: Time for a new theory?" *Public Management Review* 12 (2010) // DOI: 10.1080/147190303495232.

³⁰ Johan G. Lambsdorff, *The institutional economic of corruption and reform: Theory, evidence and policy* (Cambridge: Cambridge UP, 2007).

³¹ Pradeep C. Kathi and Terry L. Cooper, "Democratizing the administrative state: connecting neighborhood councils and city agencies," *Public Administration Review* 65 (2005); Thomas A. Bryer, "Explaining responsiveness in collaboration: Administrator and citizen role perceptions," *Public Administration Review* 69 (2) (2009); Karin Hilmer Pedersen and Lars Johannsen, "European values and practices in post-communist public administration. The Baltic States"; in: Patrick Overeem and Fritz Sager, eds., *The European public servant. A shared administrative identity* (ECPR press, 2015); Karin Hilmer Pedersen and Lars Johannsen, "Where and how you sit. How civil servants view citizens' participation," *Administration & Society* 48 (2016).

³² This argument is among others put forward by Gary P. Latham and Edwin A. Locke, "Self-regulation through goal setting," *Organizational Behavior and Human Decision Processes* 50 (1991).

³³ Shahidul Hassan, Bradley E. Wright and Gary Yukl, "Does ethical leadership matter in government? Effects on organizational commitment, absenteeism, and willingness to report ethical problems," *Public Administration Review* 74 (2014).

organizations have clear leadership setting policy direction and monitoring, the moral costs of corrupt behaviour increases. In contrast, without guidelines and empowered with discretion, temptations to bend rules in self-interest increases. In sum, we expect that if public employees find themselves in an organization characterized by monitoring and clear goal setting, they are more committed to the task of the organization and avoid bending rules for complying with particular needs and expectations. Monitoring may accordingly counteract the effect of information asymmetries associated with hierarchical organizations.

Third, salaries seem crucial when analysing the temptation of corruption. Already Max Weber noticed that paying civil servants decent wages and securing them an economically safe old-age retirement were part of creating a professional civil service.³⁴ Thus, salaries work as a control because sufficiently high salaries increase individual losses if caught in corruption. Several scholars have argued that meagre paychecks matter, when it comes to the individual temptation.³⁵ The temptation, however, does not necessarily depend on the absolute wage. According to Caroline von Rijkeghem and Beatrice Weder it is the relative wage (the difference between public and private salaries) that induces corruption, but using Rijkeghem and Weder's dataset, Shang-Jin Wei found little effect.³⁶ Moreover, Navot, Reingewertz, and Cohen argue that high wages for public employees are, at best, a questionable measure against corruption.³⁷ However, if we expect the level of salaries to decrease temptations to engage in corrupt act, relating salary to performance – performance salary or payment-for-performance (PfP) schemes – gives the superior an additional and more direct way to influence subordinates behaviour. In this way, PfP may even enhance systemic corruption if corruption is common at the organizations' top-level.

The link between administrative processes and corruption is complex. The following expectations seem justifiable. We expect merit to minimize corruption through professionally enhanced intrinsic values of impartiality and legality. Hierarchical organizations may affect bribe-taking in different ways depending on the organizational culture. Co-ordination works as a control mechanism through checks-and-balances, but inclusion of private actors and making decisions through personal

³⁴ Max Weber, *supra* note 15, 959.

³⁵ Gary Becker and George J. Stigler, "Law enforcement, malfeasance and the compensation of enforcers," *Journal of Legal Studies* 3 (1974); John M. Mbaku, "Bureaucratic corruption in Africa: The futility of cleanups," *Cato Journal* 16 (1996); Gabriella R. Montinola and Roert W. Jackman, "Sources of corruption: A cross-country study," *British Journal of Political Science* 32 (2002).

³⁶ Caroline von Rijkeghem and Beatrice Weder, "Corruption and the rate of temptation: Do low wages in the civil service cause corruption?" *IMF Working Paper* 73 (Washington D.C., IMF, 1997); Shang-Jin Wei, "Corruption in economic development: Beneficial grease, minor annoyance, or major obstacle?" *Policy research working paper* no. WPS 2048 (Washington DC, World Bank, 1999) // <http://documents.worldbank.org/curated/en/175291468765621959/Corruption-in-economic-development-beneficial-grease-minor-annoyance-or-major-obstacle>.

³⁷ Doron Navot, Yaniv Reingewertz, and Nissim Cohen, *supra* note 5.

networks increase the risk of particularism. Monitoring and setting clear objectives work as important controlling factors. Finally, the impact of salaries and PfP-schemes is inconclusive.

Besides organizational processes, administrative structures may matter. Work conditions at the national level may create different incentive structures than at sub-national or local level. Studies on decentralized public administrations show that decentralization tends to increase corrupt transactions between local elites and private actors.³⁸ Incentives for corruption may be higher in sub-national administrations because task specifications typically give them more hands-on service delivery, production, and direct contact with citizens. In contrast, national level bureaucrats have other tasks exposing them, however, to other forms of corruption. Furthermore, it is argued that national level bureaucrats interacting with international organizations in our cases in particular the EU become socialized toward European non-corrupt values.³⁹ We now turn to the research design and method.

2. METHOD

This study uses a survey within a comparative design. We first discuss the country selection, then the survey, and lastly we map the variables.

2.1. THE COMPARATIVE STUDY

Estonia, Latvia, and Lithuania constitute an almost ideal similar systems design, which reduces the possible effect of shared background variables such as late statehood, degree of inclusion in the Soviet economic, political, and administrative system, as well as post-transitional choices of political institutions.⁴⁰ These similarities control for standard political variables associated with perceived corruption.⁴¹ Similarities in the background variables are connected with differences in the dependent variable. Estonia has outperformed Latvia and Lithuania throughout the years, consistently demonstrating lower levels of perceived corruption by international ranking.⁴² Estonian uniqueness has been traced back to specific

³⁸ Susan Rose-Ackerman, *supra* note 22.

³⁹ Herwig C.H. Hofmann, "Mapping the European administrative space," *West European Politics* 31 (2008).

⁴⁰ Lars Johannsen and Karin Hilmer Pedersen, "Path making: Democracy in the Baltic States twenty years after," *Politics in Central Europe* 7 (2011).

⁴¹ Daniel Treisman, "The causes of corruption: A cross-national study," *Journal of Public Economics* 76 (2000); Daniel Treisman, "What have we learned about the causes of corruption from ten years of cross-national empirical research?" *Annual Review of Political Science* 10 (2007).

⁴² Transparency International, 2017; Lars Johannsen and Karin Hilmer Pedersen, *supra* note 2; Lars Johannsen and Karin Hilmer Pedersen, "How to combat corruption: Assessing anti-corruption measures from a civil servant's perspective," *Halduskultuur – Administrative Culture* 13 (2012).

experiences during the Soviet occupation, to cultural ties to Finland, and a stronger change team focusing on *normalization* against communist practices.⁴³

Irrespective of Estonian uniqueness, the possible effect of a Soviet legacy on present-day administrative processes deserves two comments. First, a Soviet legacy has to be carried over by public employees who served under communism, and second, if corruption is due to Soviet legacy we assume the Baltic public employees were effectively socialized to act in an organized and collusive manner.⁴⁴ In the first account, extensive changes in public administration personnel after 1990 suggest that the Soviet legacy has limited, if any, effect.⁴⁵ In the second account, the underlying assumption is questionable because the Baltic administrative elite was active parts in the liberation from Soviet rule.⁴⁶ However, to address the issue we constructed an 'old guard variable' with a cut-off at the age of 45 arguing that if the Soviet legacy has an effect it should be traceable among public employees over 45 because people over that age have personal memories of this period even if they did not serve in Soviet administrations.

On a final note, different national political interests influenced administrative reforms and implementation of administrative reforms differed in tempi across and within the countries.⁴⁷ Thus even though the three Baltic countries share many features, there are differences that compel us to report several models carefully scrutinizing within- and between-country effects.

⁴³ Ritsa A. Panagiotou, "Estonia's success: Prescription or legacy?" *Communist and Post-Communist Studies* 34 (2001): 269; Ole Nørgaard and Lars Johannsen, *The Baltic States after independence*. (Cheltenham: Edward Elgar, 1999); Lars Johannsen and Karin Hilmer Pedersen, "Korruption i post-kommunistiske lande: et forbigående eller permanent fænomen" (Corruption in post-communist countries), *Nordisk Østforum* 22 (2008) [in Danish]; Kristina Muhhina, "Governing 'Transition': The Discursive Construction of Public Administration in Post-Cold War Estonia," *Administration and Society* 49 (2017): 595-596.

⁴⁴ Rasma Karklins, "Typology of post-communist corruption," *Problems of post-communism* Vol. 49 (2002): 28.

⁴⁵ Dace Jansone and Iveta Reinholde, "Politico-administrative relations: The case of Latvia"; in: Tony Verheijen, ed., *Politico-administrative relations. Who rules?* (Bratislava: NISPAcee, 2001); Ieva Lazareviciute, Jovita Tirviene, and Jonas Poniskaitis, "Politico-administrative relations in Lithuania": 239; in: Tony Verheijen, ed., *Politico-administrative Relations Who rules?* (Bratislava: NISPAcee, 2001); Tiina Randma-Liiv, "Demand- and supply-based policy transfer in Estonian public administration," *Journal of Baltic Studies* 36 (2005): 471; Georg Sootla, "Evolution of roles of politicians and civil servants during the post-communist transition in Estonia": 128-129; in: Tony Verheijen, ed., *Who rules? Politico-administrative relations* (Bratislava: NISPAcee, 2001).

⁴⁶ Lars Johannsen and Karin Hilmer Pedersen, *supra* note 40.

⁴⁷ Johan P. Olsen, "The ups and downs of bureaucratic organization," *Annual Review of Political Science* 11 (2008): 27; Christoph Demmke and Timo Moilanen, *Civil services in the EU of 27: Reform outcomes and the future of the civil service* (Frankfurt am Main: Peter Lang, 2010): 9; Martin Painter and B. Guy Peters, *Tradition and public administration* (Basingstoke: Palgrave Macmillan, 2010); Külli Sarapuu, "Administrative structures in times of changes: The development of Estonian ministries and government agencies 1990-2010," *International Journal of Public Administration* 35 (2012): 818; Vitalis Nakrošis, "The quantitative and qualitative analysis of public administration reforms in post-communist countries," *Baltic Journal of Political Science* 6 (2017); Vitalis Nakrošis and Mantas Budraitis, "Longitudinal change in Lithuanian agencies: 1990-2010," *International Journal of Public Administration* 35 (2012).

2.2. THE SURVEY

The survey was carried out in April 2011. It used a questionnaire developed by the authors as part of a project examining administrative capacity and corruption. The questionnaire captures eleven items of public administration characteristics and issues related to corruption. The questions on public administration processes are based on public administration literature, recommendations for public administration reforms by EU and others, and discussions with public administration specialists. To check the reliability of the questions, 100 interviews served as a pilot. We found that the questions seemed to work and made no changes. It is a limitation of this study that the variables measuring specific public administration processes are based on single items. The estimation would certainly improve if we had used a battery of questions establishing the processes as dimensions. This is, however, what the survey offers and, given that better data is not available, we find that the study contributes to a debate, which is relevant for public administration reform in general, and with respect to transition countries in particular.

To ensure a representative sample of Baltic public employees, a minimum of 500 respondents were stipulated, and overall, 1706 public employees completed (or nearly completed) the questionnaires (see Table 1). Respondents were randomly selected among employees who, according to national codes, possess decision authority, per instruction or discretion, typically carrying the title Head of Section or higher to distinguish them from rank-and-file public employees. In addition, it was required that three quarters of the respondents be employed at the sub-national level in order to reflect the fact that an increasing number of public employees are employed at this level and to account for agency-level differences.

Table 1: Descriptive statistics: Sample size, distribution on countries, and level of administration, gender and age (N; Pct).

			Latvia		Estonia		Lithuania		Total	
			N	Pct.	N	Pct.	N	Pct.	N	Pct.
Level	of	National	123	24.6	155	22.0	152	30.4	430	25.2
admini- stration		Sub-national	377	75.4	551	78.0	348	69.6	1276	74.8
Gender		Male	217	43.4	190	26.9	206	41.2	613	35.9
		Female	283	56.6	516	73.1	294	58.2	1093	64.1
Total			500	100	706	100	500	100	1706	100
Age		<40	115	23.1	171	24.6	106	21.2	392	23.2
		40-49	171	34.4	203	29.2	141	28.2	515	30.4
		50-59	171	34.4	230	33.1	200	40.0	601	35.5
		60-	40	8.0	91	13.1	53	10.6	184	10.9
Total			497	99.9	695	100	500	100	1692	100

Note: Numbers in total differ due to missing values

Carrying out a cross-country survey on an issue such as corruption is not problem-free. Two reservations need mentioning. First, the response rate differs: 37 percent for Estonia, 76 percent for Latvia, and 25 percent for Lithuania. National views on how best to approach public employees guided the principles on how the survey was carried out. This resulted in different sampling strategies: a web survey in Estonia and telephone interviews in Latvia and Lithuania. Moreover, the Latvian bureau used an elaborate introduction to the project. Different sampling strategies may introduce a bias in who you reach and how they respond. For example, a web survey is expected to be less intrusive, and answers therefore suffer less from a social desirability effect. Language is a second concern. The survey questions were originally in English, translated to the respective Baltic languages and back-translated into English to ensure consistency. The high number of respondents and the overall representativeness should compensate on all accounts.

Relying on individual self-experiences and perceptions, the study bears with it the problems of perception studies. However, based on Yang and Callahan,⁴⁸ we contend that perceptions are valid indicators for organizational properties. Moreover, even if the core public administration legislation was in place in the early 1990s, the implementation of the legal framework was incomplete creating a discrepancy between law in books and law in practice.⁴⁹ Thus, measuring administrative

⁴⁸ Kaifeng Yang and Kathe Callahan, "Citizen involvement efforts and bureaucratic responsiveness: Participatory values, stakeholder pressures, and administrative practicality," *Public Administration Review* 67 (2007).

⁴⁹ Jolanta Palidauskaitė, "The Value Profile of Civil Servants in new European Democracies through the Lens of Embedded Ethics"; in: Michiels S. de Vries and Pan S. Kim, eds., *Value and Virtue in Public*

processes through the lenses of public employees' own perceptions and experiences seems a better approach than relying on written sources, which may and may not capture the real world.

Acknowledging that the three countries are similar but not identical, we employ OLS regression analysis with country controls (Estonia as reference). The regression controls for level of administration to capture within country difference and for individual characteristics such as age (old guard variable) and gender.

2.3. MAPPING THE VARIABLES

The dependent variable – the extent of misuse – is estimated as public employees' perception of the commonality of misuse within their own organization. Although over one third 'totally disagree' that 'misuse of public position takes place in [their] organization', a majority of 63 percent cannot exclude that misuse takes place in their own organization although very few find it more common than not.

Table 2: Misuse in own organization (distribution, mean)

	Mean	Std. D	Distribution (pct. within country)							Total (N)
			1	2	3	4	5	6	7	
Latvia	2.21	1.42	39.6	30.5	13.7	7.2	4.6	3.2	1.2	100.0 (498)
Estonia	2.44	1.49	28.8	38.1	13.2	8.5	5.6	3.2	2.6	100.0 (622)
Lithuania	2.08	1.37	45.2	28.5	11.8	5.7	5.1	3.3	0.4	100.0 (491)
Total	2.26	1.44	37.1	32.8	12.9	7.3	5.2	3.2	1.5	100.0 (1611)

Question: Using a scale from 1 to 7, where 7 means "totally agree" and 1 means "totally disagree," do you agree or disagree that misuse of public positions takes place in your organization?

Note: As evident from the distribution, it is positively skewed (1.34) with a long tail to the right (kurtosis=1.27). When dividing the score by the standard error, the result is above the 1.96 level, thus rejecting a normal distribution. There is a long tail, but given the number of N, that skewness in itself is lower than 3 and that information will be lost by dichotomizing the data we have chosen to maintain the variable as it is.

As noted above, the use of perception data can be problematic. This is especially so when asking sensitive questions about topics such as corruption. First, we remove

Administration. A comparative Perspective (London; Palgrave Macmillan, 2011); Tiina Randma-Liiv and Jane Järvalt, "Public personnel policies and problems in the new democracies of Central and Eastern Europe," *Journal of Comparative Policy Analysis: Research and Practice* 13 (2011): 39; Karin Hilmer Pedersen and Lars Johannsen, "European values and practices in post-communist public administration. The Baltic States"; in: Patrick Overeem and Fritz. Sager, eds., *The European public servant. A shared administrative identity* (ECPR press, 2015).

sensitivity by asking about corruption 'in general' within the organisation. Second, we use public employees as respondents thereby addressing the critique of uninformed respondents associated with perception data from household surveys.⁵⁰ Although, public employees may not have full information about the level of corruption in their own organization, asking about the respondents own experience with attempts to bribe them no less than 17.7, 40.4 and 36.1 percent in Estonia, Latvia and Lithuania respectively report attempts of bribery. Thus, the relative high percentage claiming that misuse does not take place in their organization may in fact reflect lack of personal experience. Finally, the country differences in our survey correspond with other surveys (for example Transparency International 2017) finding Estonia less corrupt compared to Latvia and Lithuania.

Figure 1 shows a web chart describing the 11 independent variables' mean on a 7-point Likert scale. The closer an item is to the centre of the web the less frequent it is.

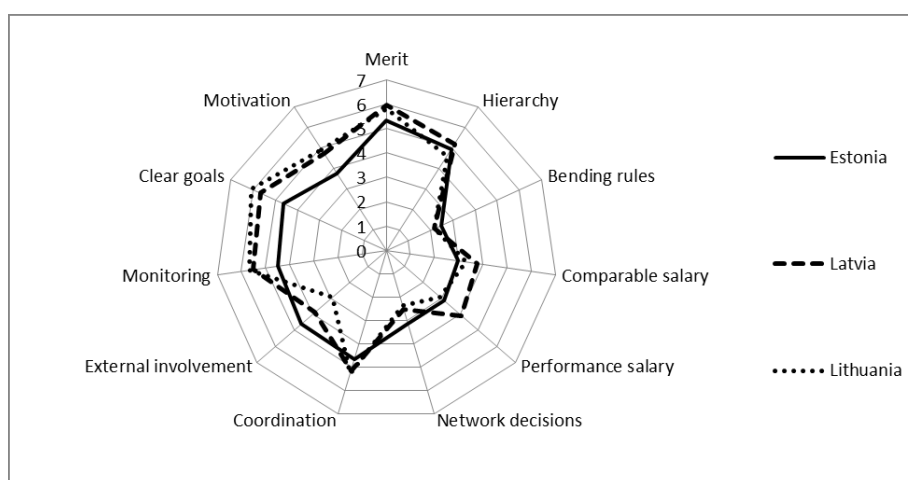


Figure 1: Perceptions of public administration processes in the three Baltic countries (mean).
Note: 1 reflects 'never present' and 7 'always present'.

The country-wide overview shows a picture of public administration processes characterized by meritocracy and hierarchical organizations, while the picture is less clear on the other items. The overall impression is one of similarity as the shapes of the lines throughout the web follow each other closely. However, it also shows that the Lithuanian and Latvian lines follow each other more closely compared to the Estonian, which gives credit to the previous argument about Estonian uniqueness.

⁵⁰ Stephen Knack, "Measuring corruption: A critique of indicators in Eastern Europe and Central Asia," *Journal of Public Policy* 27 (2007).

3. ANALYSIS: PUBLIC ADMINISTRATION PROCESSES AND THE TEMPTATION TO BE CORRUPT

Do administrative processes curb corruption? In order to answer the question we regress the 11 items against respondents' perception of corruption within their own organization. Table 3 reports the regression analysis in four models: Model 1 shows the full sample, and models 2, 3, and 4 report regressions for each country.

Table 3: The impact of administrative processes on misuse in own organization (dependent variable)

	1 Full Model		2 Estonia		3 Latvia		4 Lithuania	
	B	(S.E); Sig	B	(S.E); Sig	B	(S.E); Sig	B	(S.E); Sig
Constant	2.972	(.351) ***	1.558	(.681)*	3.156	(.623) ***	4.193	(.607) ***
Estonia (Ref.)								
Latvia	.208	(.105)*						
Lithuania	.233	(.117)*						
Gender (1; female=2)	.125	(.079)	.217	(.146)	.284	(.130)*	-.047	(.142)
State vs. regional (1;2)	.226	(.093)*	.431	(.176)*	.267	(.158)	.103	(.157)
Old guard (1;2)	.041	(.080)	-.036	(.148)	.038	(.130)	.120	(.148)
Merit	-.172	(.033) ***	-.149	(.065)*	-.211	(.064) ***	-.172	(.050) ***
Hierarchy	.064	(.021)*	.082	(.044)	.079	(.036)*	.022	(.033)
Monitoring	-.176	(.038) ***	-.173	(.069)*	-.159	(.070)*	-.174	(.064)**
Motivation	-.095	(.034)*	-.028	(.060)	-.080	(.059)	-.204	(.064)**
Bending rules	.150	(.026) ***	.122	(.053)*	.236	(.040) ***	.061	(.044)
Network decisions	.121	(.027) ***	.181	(.051) ***	.074	(.045)	.153	(.045) ***
Co-ordination	-.010	(.039)	.030	(.070)	-.012	(.068)	-.028	(.069)
External involvement	.019	(.023)	.046	(.047)	.045	(.037)	-.012	(.038)
Clear and precise goals	-.003	(.035)	-.026	(.064)	-.118	(.061)	.106	(.060)
Comparable salary	.004	(.028)	-.009	(.052)	.045	(.045)	-.020	(.048)
Performance salary	-.015	(.025)	.042	(.054)	-.006	(.040)	-.058	(.041)
Adjusted R ²	0.207		0.238		0.215		0.170	
N	1160		362		423		375	

Note: Table entries are unstandardized OLS regression coefficients with standard errors in parentheses. The dependent variable is misuse in own organization, and the variable is coded to range from 1 (totally disagree with the statement that misuse takes place) to 7 (totally agree). The old guard is a dichotomized variable – younger than or 45 = 1 and older than 45 = 2. See Appendix 1 for the coding of all explanatory variables. Level of significance: ***=0.001; **=0.01; *=0.05.

The full sample (model 1) provides four lessons with respect to the administrative processes identified in the theoretical part. First, we confirm others' findings that meritocracy is a corruption-controlling device. Changing recruitment procedures from a situation in which merit never comes into question to a situation in which merit is always the case misuse in the organization will decrease by fully

1.20 points (a coefficient of -0.172). This is substantial given that the average for misuse within an own organization is 2.26 on the 7-point scale. Theoretically, the virtue of meritocracy lies in the legal-rational selection mechanism disconnecting political loyalty from administrative position⁵¹ and in the creation of an 'esprit de corps' supporting impartiality.⁵² In the second account, Pedersen and Johannsen find a positive relation between meritocratic processes and public employees' values of integrity.⁵³ The importance of meritocracy is not trivial and raises the question how to organize recruitment to the public sector. The introduction of a centralized recruitment system in Lithuania in 2013 was a political attempt to enhance meritocratic employment,⁵⁴ but centralization can be used politically and does not by itself guarantee disconnection between loyalty and position.

Second, hierarchy has significant impact but the positive signs show that hierarchy increases rather than controls corruption. This lends support to the theoretical argument that hierarchy by adding layers in the organization may move corruption upwards and contribute to a situation in which corruption becomes systemic. The tipping point is where the cost of remaining uncorrupted outweighs the potential cost of being corrupt making the effect of hierarchy dependent on the organizational culture.

The effect of monitoring and motivation supports the conditioning effect of organizational cultures. Monitoring functions, as expected, as a control, that lowers corruption, and importantly, having a coefficient of -0.176, the effect is as strong as merit-based recruitment. Thus, increasing control through monitoring is an important anti-corruption tool. Motivation also increases integrity. The mechanism, however, does not go through 'clear goals' as expected, as this item remains insignificant throughout all models. However, the effect of motivation supports Perry, Hondeghem and Wise's⁵⁵ argument that public employees often choose their job because they are motivated to work in the interest of the community making impartiality an essential value and increasing moral cost of being corrupt.

Third, if public employees believe using private networks in decision-making and accepting bending of rules is widespread in their organization they also tend to believe the organization to be more corrupt. Decisions made in the shadows through networks escape transparency and rule bending are intuitively associated with risk of

⁵¹ Conor O'Dwyer, *supra* note 17, 30-31.

⁵² Carl Dahlström, Victor Lauente, and Jan Teorell, *supra* note 5.

⁵³ Karin Hilmer Pedersen and Lars Johannsen, "European values and practices in post-communist public administration. The Baltic States"; in: Patrick Overeem and Fritz. Sager, eds., *The European public servant. A shared administrative identity* (ECPR, 2015), 323.

⁵⁴ Lars Johannsen, Karin Hilmer Pedersen, and Saulius Pivoras, "Falling between two stools – the case of the Lithuanian civil servant reform of 2013," *Journal of comparative politics* 8 (2015).

⁵⁵ James L. Perry, Annie Hondeghem, and Lois R. Wise, "Revisiting the motivational bases of public service: Twenty years of research and an agenda for the future," *Public Administration Review* 70 (2010).

misuse. The effect is significant in the overall model, but there are country differences. Acceptance of bending rules is not significant in the Lithuanian case (model 4), and Latvians (model 3) are less inclined to include private networks when making decisions. Interpretation of these specific cases requires, however, a more detailed discussion than possible here.

Fourth, besides differences in administrative processes, the study shows that administrative structures matter. Public employees at sub-national level find corruption to be more common within their organization. The general significance may, however, be driven by Estonia (model 2). Re-running the statistics on sub-national employees we find that an increase in meritocracy leads to a statistically significant decrease in misuse ($B = -0.208$) (not shown). This suggests that to overcome structural differences – the sub-national level pending towards more corruption – increasing meritocracy would be a “low-hanging fruit” to catch that could perhaps counteract the negative effect of decentralisation.

A few words about the insignificant findings. First, the effect of external co-ordination is statistically insignificant. Thus, a more detailed battery of questions is needed to study this question. Second, the study cannot confirm that salary matters – neither relative to private sector nor connected to performance. The inconsistent effect of salaries echoes other studies as mentioned in the theoretical part as well as a study addressing perception of corruption in Estonia.⁵⁶ More surprising performance payment schemes (PfP) also turn out to be insignificant. This may, however, be attributed to transition factors. In East Europe, PfP is not widespread (see also figure 1) and it does not work as expected as managers tend to allocate additional payment arbitrarily and based on personal relations.⁵⁷ In that context, it is positive that PfP does not contribute significantly to employees’ perception of corruption.

There are three important final comments here. First, using Estonia as a reference in the full model supports the narrative of Estonian uniqueness compared to Latvia and Lithuania. Second, the attempt to capture a Soviet legacy effect through the old guard variable did not come out as significant. This does not mean that Soviet history does not matter, but it indicates that the legacy is not a matter of the individual’s age and, thus, direct experience with Soviet practices. Third, gender is significant for Latvia (model 3). Although gender does not come out as a significant variable in all models, the finding contributes to the debate about whether women

⁵⁶ Mari-Liis Sööt and Kadri Rootalu, “Institutional trust and opinions of corruption,” *Public Administration and Development* 32 (2012) // DOI: 10.1002/pad.616

⁵⁷ Tiina Randma-Liiv, *supra* note 45; Tiina Randma-Liiv, “Performance management in transitional administration: Introduction of pay-for-performance in the Estonian civil service,” *Journal of Comparative Policy Analysis* 7 (2005); Tiina Randma-Liiv and Jane Järvalt, *supra* note 49.

compared to men are less likely to condone corruption.⁵⁸ The lack of a gender effect may reflect that within public administration socialization received through workplace and education does not shape cognition and attitudes toward corruption in a gender-specific way.⁵⁹ However, gender may still be important due to job segregation within public-sector job categories,⁶⁰ which is something this study does not capture.

CONCLUSION

This study bears with it some limitations. Precautions due to difficulties operating a survey in a multi-country setting and the linguistic challenges will always need attention. Use of perceptions as valid indicators for organizational properties is also an issue.⁶¹ That said, the study breaks ground on how a closer look at administrative processes may be a cost efficient corruption control instrument.

Most studies of corruption take the form of cross-country examinations based on formal data and/or expert opinions. Corruption being essentially about individual incentives, corruption research faces a problem with the level of analysis, for example, attempts to infer from macro- to micro-level. Bringing in micro-data in corruption studies is a recent development.⁶² Our study contributes to this development.

Three findings stand out. First, the study supports earlier studies findings that meritocracy is a cornerstone for building impartial quality administration.⁶³ Second, management plays a clear role. It is not only a question of overseeing, control and monitoring, but also of maintaining and developing a motivated workforce as argued in public service motivation studies and suggested with respect to ethical behaviour.⁶⁴ This finding is crucial, because it underlines the importance of incorrupt top-level leaders and the caution related to hierarchical organizational structures. The third finding pays attention to the lack of effect of the pay check, suggesting that when it

⁵⁸ Lars Johannsen, Lars, Eva Maria Olafsson, and Karin Hilmer Pedersen, "Women the fairer sex: Gendered attitudes towards corruption and experiences with bribery"; in: Brenda Davis, ed., *Corruption: Political, economic and social issues* (Nova Science Publishers, Inc., 2016).

⁵⁹ Yahong Zhang and Kaifeng Yang, "Citizen participation in the budget process: The effect of city managers," *Journal of Public Budgeting, Accounting and Financial Management* 21 (2009): 303–305.

⁶⁰ Mary Guy, "Mom work versus dad work in local government," *Administration and Society* 49 (2016): 48–64 // DOI:10.1177/0095399716641989.

⁶¹ Kaifeng Yang and Kathe Callahan, *supra* note 48: 259.

⁶² Daniel Gingerich, *supra* note 7; Jan-Hinrik Meyer-Sahling and Kim S. Mikkelsen, *supra* note 7.

⁶³ Carl Dahlström, Victor Lapuente, and Jan Teorell, *supra* note 5; Wolfgang Drechsler, "Governance, good Governance, and government: The case for Estonian administrative capacity," *Trames* (2004): 392–393; Wolfgang Drechsler. "The re-emergence of Weberian public administration after the fall of New Public Management: The Central and Eastern European perspective." *Halduskultuur – Administrative Culture* 6 (2005), James Rauch and Peter Evans, *supra* note 5: 53; Bo Rothstein and Jan Teorell, "What is quality of government? A theory of impartial government institutions," *Governance* 21(2008).

⁶⁴ James Perry, Annie Hondeghe, and Lois R. Wise, *supra* note 55; Shahidul Hassan, Bradley Wright, and Gary Yukl, *supra* note 33.

comes to combating corruption, focusing on morality and values is the more lasting way than trying to 'pay' people to act according to rules.

For the last 20 years, international organizations have recommended independent anti-corruption agencies as the tool to curb corruption. However, their efficiency depends on political will to allocate authority, powers, and resources. Moreover, setting up new institutions is always a costly case. The present study suggests that a closer look at public administration processes is a tool to combat corruption. While we confirm others that strengthening meritocracy and monitoring works against corruption, we add attention to the reverse effect associated with hierarchical organizations, norms accepting rule bending, and network decisions. These reverse effects suggest that although reforming administrative processes can contribute to a cleaner administrative environment, policies creating independent anti-corruption agencies are not redundant.

APPENDIX

Survey questions using a Likert scale from 1 (never) to 7 (always).

Dependent variable: Do you agree or disagree that misuse of public positions takes place in your organization?

Independent variables:

1. Recruitment of employees is based on the skills and merits of the applicant.
2. Your organization is hierarchically structured.
3. A: Given the risk of not treating all citizens equally, are you in favor of bending the rules in order to achieve policy objectives? B: Do you accept bending the rules in order to achieve policy objectives? Originally formed as a split but pooled as statistics showed no effect of the stimulus.
4. Salaries are comparable with salaries of private positions with roughly similar training and responsibilities.
5. Salaries are linked to the individual's contribution to achieving the organization's policy objectives.
6. Decisions are made on the basis of personal networks.
7. When thinking about the relation between your organization and other actors, how often do you think that tasks relating to our organization and other actors are highly coordinated?
8. When thinking about the relation between your organization and other actors, how often do you think that private parties (individuals, firms, NGOs) are involved in the implementation of the organization's policy objectives?
9. The work is effectively monitored by the management.

10. Our organization's policy objectives are precise and clearly formulated.
11. The employees in our organization are highly motivated.

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