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TABLE OF CONTENTS – 2022/4.

Scientific publications/ Studies	GÁBOR SOÓS • Audits and Remedies in EU-Funded Public Procurement	2
	EMESE BELÉNYESI – ÁGOTA DOBOS • Competency-based Human Resource Management in the Public Service from Educational Perspective	20
	ROBERT MÜLLER-TÖRÖK – THOMAS HEMKER • Digital Competences in Public Sector Education as a Prerequisite for e-Government	42
	SZILÁRD HEGEDŰS – CSABA LENTNER • Analysis of the Competitiveness of the Hungarian Tax System in an International Environment	56
	STEFANY MERCEDES CEVALLOS • Rethinking Public Administration and the Importance of Urban Marketing	78
	LILI TAKÁCS • Hacking the Attention Economy: The Use of the Twittersphere of Italian Party Leaders before the 2018 Elections	92
Review	PÉTER BELCSÁK • Book Review: Michela Minesso (ed.): Welfare Policies in Switzerland and Italy. Institutions, Motherhood, Family and Work in the 19 th and 20 th Centuries	116
Call for papers		124
Editorial Committee		125
Imprint		126

2022

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AUDITS AND REMEDIES IN EU-FUNDED PUBLIC PROCUREMENT¹

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In general, the legality of actions carried out during public procurement is decided by review bodies appointed at the national level. When the procurement involves EU funds, monitoring the legality of such procedures also involves a system of audits and other controls as part of the management and control of funds, involving specialised institutions. The interaction between the two systems is not regulated at the EU level and regulation by Member States is also incomplete in certain cases, leading to friction between the decisions of review bodies and auditors. This article explores in detail institutional competences in EU-funded public procurement and examines how the system of audits and other controls interacts with traditional review procedures at the EU and national level. These are presented both from the EU perspective and from the national perspective, using the Hungarian institutional system as an example. The article analyses the issues arising from overlapping institutional competences and proposes certain possible solutions to deal with these issues.

KEYWORDS:

public procurement, EU funds, cohesion policy, EU audits, remedies

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INTRODUCTION

The effective application and enforcement of the public procurement rules are key aspects of the use of EU funds² and taxpayers' money in EU Member States. In order to ensure that the rules are followed properly, various mechanisms exist for the detection and sanctioning of infringements. Primarily, all EU Member States must ensure that they operate a system of remedies, allowing an effective and efficient review of the decisions taken by public authorities (contracting authorities) while applying public procurement law. This can be done through specialised review bodies or through the court system, and such bodies and courts have the task of interpreting and applying EU rules on public procurement and national laws transposing such rules. Where EU funds are involved, a number of other control mechanisms exist to check the legality of procurements in the overall context of the management and control systems of EU funds. This essentially involves three levels of controls. Firstly, the managing authorities³ check operations in order to prevent, detect and correct any irregularities. Secondly, national audit authorities are responsible for checking the system as a whole, i.e. determining whether management and control systems are working properly and whether irregularities are duly detected. Thirdly, the European Commission also carries out frequent audits to see whether the national systems for monitoring the use of EU funds are working properly and effectively. These may be supplemented by occasional checks by the European Court of Auditors and specialised national control bodies may also be used.

The review bodies (including the courts) and control institutions all need to refer to and interpret public procurement law in order to decide whether an infringement has occurred. If an infringement is found by the review bodies, the decision of the contracting authority or, in some cases, the signed contract may be affected and damages may be awarded, or a fine may be imposed. In the context of auditing EU funds, funding can be withdrawn from the contract, or from the Member State concerned. However, the relationship between review bodies and control institutions is not defined at the EU level, leading to the possibility of conflicting interpretations of public procurement law. In addition, during audits or other monitoring of the use of EU funds, the first instance interpretation of the law and the imposition of sanctions are usually carried out by bureaucratic institutions, rather than independent and well-established courts or review bodies.

In this article, the main research question concerns the respective roles of public procurement review systems, audits and other controls in ensuring the legality of the implementation of EU funds. This issue is of utmost importance both for national authorities applying the rules and also for the wider debate on how control systems should

² In this article the term "EU funds" refers to the European Structural and Investment Funds, although the issues discussed are partly relevant also to other funds implemented by the Member States, such as the Recovery and Resilience Facility.

³ A managing authority is the body responsible for the implementation of EU-funded programs such as publishing calls for application, selecting beneficiaries and verifying fulfilment with programme conditions.

be designed at the EU and the national level in the field of public procurement. In order to explore this question, the nature and legal background of the public procurement remedies system and of EU audits will be explored, including an analysis of how the system of audits is related to traditional review procedures in EU Member States using funds from the EU budget. These are presented first from an EU perspective and then from the national perspective, using the Hungarian institutional system as an example of a specific Member State's approach. Where appropriate, other examples, taken from the relevant literature on public procurement and EU funds, are also discussed.

METHODOLOGY

The method used in this article is legal analysis of and commentary on current EU and Hungarian national legislation in force concerning public procurement remedies and the use of EU funds in the current 2021–2027 programming period. Some reference is also made to EU funds legislation for the 2014–2020 programming period. Furthermore, research is undertaken into institutional competences and powers, and some relevant judgments of the EU courts and the Hungarian review body are also explored. Where appropriate, the literature concerning the approach towards remedies, audits and financial corrections at the EU institutions and in different EU Member States will be reviewed.

CONTROL OF LEGALITY IN PUBLIC PROCUREMENT

Procedure to challenge legality of public procurement under EU law

EU law prescribes a system of remedies to be implemented by EU Member States. Regarding remedies and review procedures, Directive 89/665/EEC, as amended by Directive 2007/66/EC⁴ (hereinafter: the Remedies Directive) lays down only the basic requirements without the intention of achieving anywhere near a full harmonisation of the rules on remedies. The Remedies Directive states that, in the context of the EU public procurement rules, reviews against decisions taken by contracting authorities should be effective and available as rapidly as possible, in accordance with the conditions set out by the Directive.⁵ Review procedures concerning public procurement must be available to any person having or having had an interest in obtaining a particular contract and who has been or risks being

⁴ Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts (referred to as the “Remedies Directive” throughout the article). For utilities, a separate directive, namely Council Directive 92/13/EEC is applicable and has essentially the same rules as the general Remedies Directive.

⁵ Article 1(1) Remedies Directive.

harmful by an alleged infringement of the public procurement rules.⁶ Other key elements of the Remedies Directive include the right to obtain interim measures, the setting aside of unlawful decisions, the possibility of awarding damages and the effective enforcement of decisions made by review bodies.⁷ In order to increase the effectiveness of the remedies systems, rules on the so-called standstill period are also provided, as well as on minimum time limits and, importantly, in the most serious cases, the ineffectiveness of the contract or alternative penalties.⁸

As long as they take into account the fundamental rules laid down in the Remedies Directive, Member States are free to organise the system of remedies as they see fit, i.e. they regulate the application of the public procurement rules in a decentralised dimension.⁹ Member States may, in particular, set up specialised bodies to carry out the review or they can use existing institutions instead. Some member States have chosen to implement the remedies system through their court system, such as in civil courts or administrative courts (e.g. Austria, France), while in others existing non-judicial administrative bodies carry out this function (e.g. Germany, Poland, Hungary) whereas some countries mandate their competition authority to supervise public procurements (e.g. Sweden).¹⁰

National review systems therefore provide a chance for aggrieved economic operators to obtain remedies against a contracting authority which has infringed public procurement law. In certain cases they may also go on to win the contract, following the review procedure. Interestingly, the Remedies Directive does not explicitly mention actions brought by national institutions, such as audit bodies. Nevertheless, public procurement review systems may also provide a platform for such *ex officio* procedures.

The review system serves both to provide remedies for economic operators who have been or might be harmed by the breach of public procurement law, and also to act as a deterrent against the unlawful actions of contracting authorities. The main sanction before the conclusion of the contract is the quashing of the contracting authorities' decisions and possibly the award of damages to the economic operators affected. Sometimes a fine may also be imposed on the contracting authority, or in rare cases on economic operators. Once the contract is concluded it may be declared ineffective, but only in the most serious cases, i.e. when the contract was not advertised, is unlawful, or if the standstill period was breached. The threat of ineffectiveness provides a deterrent factor in the award of public contracts in breach of the relevant Directives.¹¹ However, it is up to the Member States whether they provide for the cancellation of contracts retrospectively (*ex tunc*) or prospectively (*ex nunc*).¹²

⁶ Article 1(3) Remedies Directive.

⁷ Article 2(1), (8) and (9) Remedies Directive.

⁸ Articles 2a-2e Remedies Directive.

⁹ BOVIS 2012: 195–202.

¹⁰ TÁTRAI–VÖRÖSMARTY 2020: 143–161.

¹¹ BOVIS 2012.

¹² Article 2d(1) Remedies Directive.

It is important to highlight that review systems are independent of the way in which a particular contract is funded, i.e. whether only purely national funds or EU funds are involved. Therefore, under the Remedies Directive, reviews must be available also for public procurements funded from EU funds, both to interested economic operators and to other bodies that have the right to challenge the legality of contracting authorities' behaviour *ex officio* under national law. Equally, sanctions imposed on the contracting authority (if any) do not necessarily depend on the way the procurement is funded either, unless there are special provisions to this effect under national law. For example, a contracting authority may find itself to be the recipient of a fine, besides losing some of the EU funding it has been awarded due to an infringement of the public procurement rules.

In the opinion of a number of authors, the original 1989 Remedies Directive was not very effective at deterring unlawful practice, but the introduction of the more detailed rules in the 2007 amendment, such as those on ineffectiveness and the standstill period have brought positive results.¹³ Detailed rules concerning the effect of the annulment of the award procedure on the concluded contract had to be set down in legislation for reasons of legal certainty and this was also necessary to stop parties rushing to sign a contract.¹⁴

It seems that there are no major faults in the workings of the public procurement remedies systems as it stands at present. This is evident from the report of the European Commission which concluded that there were no major or urgent needs to amend the Remedies Directives; therefore, no amendment proposal was necessary. The Commission also found that first instance administrative review bodies are more effective than first instance judicial bodies in terms of the duration of procedures and the standards of review.¹⁵ Nevertheless, some recommendations were made concerning the promotion of transparency and co-operation between first instance review bodies, the need for further guidance on some provisions of the Remedies Directive and also on the consistency of enforcement and monitoring.¹⁶

The relevance of controls and audits of EU funds for public procurement

When spending EU funds, an important principle is that the financial interests of the EU must be protected by both the Union institutions and the Member States when implementing EU-funded projects. In particular, funds must be utilised taking into account the principle of sound financial management, as required by the EU Financial Regulation.¹⁷ The consistent interpretation by the European Commission and the Court of

¹³ BOVIS 2012; CARANTA 2017: 75–98.

¹⁴ CARANTA 2017.

¹⁵ European Commission 2017.

¹⁶ European Commission 2017.

¹⁷ See Article 69 of Regulation (EU) 2021/1060 (CPR) and Article 33 of Regulation 2018/1046/EU, EURATOM (Financial Regulation).

Justice of the European Union (CJEU) has been that EU funds are spent efficiently and in accordance with the above-mentioned principles only if the EU public procurement rules are duly respected.

In Case C-465/10 *Chambre de Commerce*, the CJEU stated that since measures financed from the European Union budget had to be carried out in full compliance with the directives on public procurement, an infringement of these rules constituted an irregularity.¹⁸ According to the CJEU in Case C-406/14 *Wroclaw*, an infringement must be considered to be an irregularity in so far as it is capable, as such, of having a budgetary impact and there is no requirement for the existence of a specific financial impact to be demonstrated.¹⁹ The Court subsequently confirmed in the same case that a public procurement infringement constitutes an irregularity in so far as the possibility cannot be excluded that that failure will have an impact on the budget of the Funds.²⁰ The CJEU confirmed the above principles in Joined cases C-260/14 and C-261/14 *Județul Neamț and Județul Bacău*, adding that the breach of national law applicable to public contracts falling outside the scope of the EU directives also constitutes an irregularity.²¹

In order to check whether EU rules related to the use of funds are respected, the Common Provisions Regulation [Regulation (EU) 1060/2021] provides that Member States must establish a management and control system to check the legality and regularity of their expenditure of EU funds.²² The decisions on the principal elements and nature of the management structure (centralised versus decentralised, the number of authorities, coordination function, etc.) fall under the Member States' responsibility.²³ The effective and efficient functioning of the control systems must be audited at the national level by Member State audit bodies and these bodies are in turn checked by the Commission on a regular basis through its audits.²⁴ At the EU level, the efficient financial management of EU funds and the successful implementation of projects are of key importance.²⁵ Public procurement is often a major focus of Commission audits since it has remained a major issue and a dominant source of irregularity to date.²⁶

While the CPR does not refer explicitly to monitoring of public procurement procedures, due to their relationship with the principle of sound financial management, public procurement procedures must also be controlled as part of the management and control systems. At the Member State level these checks are usually carried out by managing authorities or specialised public procurement control institutions, whose work is checked

¹⁸ Para 31 of the judgment.

¹⁹ Para 44 of the judgment.

²⁰ Para 45 of the judgment.

²¹ Para 43 of the judgment.

²² Article 69 CPR. Similar rules were applicable for the 2014–2020 programming period according to Articles 72–74 of Regulation 1303/2013/EU.

²³ VÝROSTOVÁ–NŪIKOS 2023.

²⁴ Articles 70 and 77 CPR.

²⁵ NŪIKOS 2017.

²⁶ NŪIKOS et al. 2020.

by national audit authorities. Audits of the European Commission also often target public procurements funded by EU money. During such audits, Commission experts assess the Member State's compliance with the public procurement directives and EU law principles of their own account and present their findings in a report to the Member State concerned. If Commission auditors think that public procurement rules and principles have been infringed, the Commission has the power to impose financial sanctions in the form of financial corrections, which leads to funds being withdrawn from the Member State. The amount of correction is determined in accordance with the Guidelines on Financial Corrections.²⁷

The Commission can impose the sanctions mentioned above without having recourse to a court or review body. Instead, Commission findings are final once the final audit report is sent to the Member States following the consideration of possible comments made by the Member State. In some cases, a hearing might also be held to discuss the findings.²⁸ The Commission can impose financial corrections regardless of whether the procedure was subject to a review or not at the national level. The CPR states, in a general manner, that the Commission shall take account of all information and observations submitted.²⁹ Therefore, it may take into account any review decision or controls made at the national level, but it is not bound to do so. Instead, should the Member State still contest the Commission's report, it may seek judicial review from the EU General Court under Article 263 of the Treaty on the Functioning of the European Union (TFEU). However, the disadvantage of doing this is that in certain cases funds may be permanently lost to the Member State. According to the CPR, funds subject to financial corrections may be reused by the Member State if it is able to reach an agreement with the Commission on the amount of the correction. However, this possibility does not exist if the expenditure contained in the accounts accepted is irregular and was not detected and reported by the Member State.³⁰ If financial corrections are implemented by the Member States, the CPR states that support from the funds may be reused by the Member States within the programme, except for operations that were the subject of that correction, or for operations affected by a systemic irregularity.³¹ The old CPR (Regulation 1303/2013/EU) applicable to the 2014–2020 programming period provided for the possibility of re-using funds in a similar manner, but a permanent reduction of the level of support was referred to where a serious deficiency in the effective functioning of the management and control systems was detected.³² So while judicial review is available against the Commission decisions, in absence of an agreement with the Commission, Member States risk losing some of the funds permanently.

²⁷ Commission Decision of 14.5.2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement C(2019) 3452 final.

²⁸ Article 104(3) CPR.

²⁹ Article 104(4) 2nd subparagraph.

³⁰ Article 104(4) 3rd subparagraph.

³¹ Article 103(3) CPR.

³² Article 145(5) and (7) of Regulation 1303/2013/EU.

For this reason, the primary sanction that can be imposed for public procurement infringements in an audit report is a financial correction. While this can have serious consequences for Member States, EU law formally does not see it as a penalty in a strict sense, but rather as an administrative measure, resulting in a reallocation of EU funds from certain projects.

This state of affairs seems to be supported by several authors. Lungeanu stresses that the role of an auditor in the control of public procurements is to obtain a reasonable assurance that the management and control systems function effectively, and that certified expenditure is thus legal and regular.³³ According to Pavlova, the purpose of *ex ante* control of public procurements is to provide methodological assistance, and not to impose a penalty for violations.³⁴ Panaiteșcu and Cucu argue along similar lines that financial corrections for deviating from the public procurement rules are administrative measures that may affect the budget of the contracting authority.³⁵ According to Bureș, the audit report does not charge Member States with an administrative offense, nor does it impose a sentence or penalty in the case of the breach of rules related to tendering public procurements, but instead it merely states the amount of eligible and ineligible expenditures.³⁶ Šostar and Marukić also refer to a possible jeopardy to the eligibility of project costs in case of a misunderstanding of public procurement principles.³⁷

This kind of view of the nature of financial corrections seems to be confirmed by the General Court and CJEU jurisprudence. In case T-384/10 *Spain v Commission* the Court stated that once the Commission discovers the existence of an infringement of Union provisions in payments effected by a Member State, it is required to correct the accounts presented by that Member State.³⁸ It also confirmed that the purpose of the sanctions arising from financial corrections is to restore a situation where 100% of the expenditure declared for co-financing from the (ESI Funds) is in line with the applicable Union rules.³⁹ The CJEU took the same approach in its judgment on cases C-260/14 and C-261/14 *Județul Neamț and Județul Bacău* by stating that the purpose of the financial corrections which Member States are required to make if they detect irregularities is to secure the withdrawal of an advantage improperly received.⁴⁰

Despite the fact that financial corrections for problems such as the breach of the public procurement rules are not deemed punitive in nature, they can have serious consequences for Member States, as these funds will often be missing from the state budget. Dimulescu, Pop and Doroftei remind us that the consequences of suspending funds might be that governments have to continue to support the programmes financially either from the state

³³ LUNGEANU 2012: 108–117.

³⁴ PAVLOVA 2017: 20–30.

³⁵ PANAITESCU–CUCU 2018: 383–391.

³⁶ BUREȘ 2017: 22–26.

³⁷ ŠOSTAR–MARUKIĆ 2017: 99–113.

³⁸ Para 136 of the judgment.

³⁹ Para 138 of the judgment.

⁴⁰ Para 49 of the judgment.

budget, or by contracting loans from the international financial market, thus increasing the state deficit.⁴¹ In fact, many audits take place once projects are ongoing or when they have already been completed; therefore, their cancellation due to the withdrawal of EU funds is not an option. In addition, while funds withdrawn for a breach of the public procurement rules may in theory be recovered from beneficiaries, if they are funded by the state budget, the withdrawal will have little practical effect, as the funds recovered will again need to be replaced by state funds, unless the institution has enough financial reserves to bear the financial correction. Thus, it is no surprise that Member States may also view financial corrections as a *de facto* penalty.

Issues about the relationship between remedies and audits

As discussed above, the relationship between the systems of remedies in public procurement and the audit of EU funds is not regulated at EU level. The nature of the two procedures differs in a number of ways. While reviews are usually decided by judicial or quasi-judicial bodies (depending on the national implementation of the Remedies Directive), audits are carried out by bureaucratic institutions. Reviews may take place during the public procurement process before the contract is signed, while audits are usually conducted once the contract has already been signed and its execution has already begun or even after it is completed. The sanctions of reviews most often affect the decision of the contracting authority and in some serious cases the contract itself, but fines or awards of damages are also possible. On the other hand, audit decisions are deemed administrative measures affecting only the funding from the EU budget to be provided to assist the completion of the contract.

Regarding the relationship between the two procedures, the Commission during its audits is not bound by any decisions taken by a national review body. The Commission's assessment of a public procurement irregularity does not depend on whether a procurement decision was challenged at the national level or not nor, if there was a challenge, on what the review body or the courts decided. The Commission may, however, rely on the national audit body's assessment of certain public procurements, although it can also choose to take a different approach.

One problem is that there is nothing to prevent the same public procurement being sanctioned at multiple levels, i.e. despite being dealt with through the review system (e.g. decision of the contracting authority might be quashed or a fine might be imposed), financial corrections may also be imposed at the EU level subsequently (provided that some other irregularity is found that was not sanctioned effectively by the review system). Another problem that may arise is that there may be conflicting interpretations of the public procurement rules. Approval of a public procurement procedure by a national body in

⁴¹ DIMULESCU et al. 2013: 101–123.

a review procedure or other control procedure is no defence against Commission findings in a subsequent audit. While, as discussed above, theoretically under Article 104(4) of the CPR the Commission shall take into account all information and observations submitted when deciding on financial corrections, it is by no means bound by any of the decisions taken at the national level. Another problem is that the audit reports of the Commission are not public and Member States are naturally reluctant to publish them. This means that review bodies or courts are not able to take their content into account and follow the Commission's interpretation of the law. It is different if the content of a report is subject to litigation before the EU Courts; however, this is rarely the case, as Member States are incentivised by the CPR rules to agree with the Commission on the amount of financial corrections, in order to avoid permanent losses of funds. From the point of view of contracting authorities, another problem may arise, namely that they wish to keep their public procurement procedures as simple as possible, e.g. by avoiding using quality award criteria or green public procurement. In fact, it has been observed that Commission audits have contributed to the rising rigidity of implementation, which leads to more focus being placed on procedures rather than on the underlying content during the implementation of projects.⁴²

Conflicts between different institutions' assessments can also arise at the national level in the context of the implementation of EU funds, especially if the relationship between them is not regulated properly. For example, in Hungary the same public procurement law issue may be interpreted differently by the *ex ante* control body and the review body. While the *ex ante* control body may declare a solution during a public procurement procedure unlawful, thus denying a project EU funding, the review body may disagree and refuse to find any infringement of the rules.⁴³ However, without a possibility for the review body to overrule the decision of the control body, funding might still not be available to the contracting authority concerned.⁴⁴

Reference to conflicting decisions by different institutions and bodies can also be found in the Romanian literature, where different interpretation by different institutions involved in the control of public procurements has generated delays in the contract awarding process.⁴⁵ It seems to be a particular problem that delays are caused by the way in which procurement law is interpreted by contracting authorities, the regulator and the authorities responsible for the verification, control, enforcement and audit and, despite a number of checks along the way, the responsibility for procurement decisions still rests with the contracting authority or the beneficiary of the project.⁴⁶

⁴² NYIKOS-KONDOR 2019: 113–134.

⁴³ See the example of PPAB Decision No. D.453/9/2019 below.

⁴⁴ The Hungarian example is further discussed below.

⁴⁵ ZAMAN-CRISTEA 2011: 60–71.

⁴⁶ LUPĂNCESCU 2017: 120–125.

NATIONAL IMPLEMENTATION – AN EXAMPLE FROM HUNGARY

In Hungary, strict control and audit systems exist for EU-funded public procurements, besides the traditional review systems. When a public procurement is funded from EU funds (including the European Structural and Investment Funds and the Recovery and Resilience Facility), mandatory *ex ante* and *ex post* controls are in place.⁴⁷ If the estimated value of a public procurement exceeds the EU thresholds, or, in the case of work contracts or works concessions it exceeds HUF 300 million, then the managing authority and the Department of Public Procurement Control (hereinafter: DPPC) of the Prime Minister's Office must check the documents before the procedure is launched, after which the DPPC also checks the actions of the contracting authority during the procedure. The contracting authority, which in this case is also a beneficiary, must obtain supporting certificates from the DPPC in order to be able to launch and then conclude the procedure, and to finally be able to access EU funding to cover the costs of the contract. If the procedures do not reach the required thresholds, all documents created during the public procurement procedure are controlled *ex post* by the managing authority.⁴⁸

During this process the managing authorities and the DPPC must interpret and apply public procurement law. Since the DPPC specialises in checking EU-funded procurements, it has access to the relevant audit reports, it does not primarily take into account the past decisions of the review body and the courts, but the views of the Commission in the course of past audits of public procurements. Interestingly, while the legislation applicable to 2014–2020 referred to a control of the legality of public procurements, the 2021–2027 legislation states that the DPPC carries out “eligibility control” of public procurement procedures. The aim of this was not to fundamentally change the content of controls, it was merely a change of terminology in order to indicate that besides the express legal provisions, the DPPC also takes into account “audit” aspects, i.e. the interpretation of EU law provisions during Commission audits.

Despite the presence of such strict control processes, EU-funded public procurements in Hungary may also be subject to the traditional review procedures. In Hungary first instance reviews are carried out by a specialised body, the Public Procurement Arbitration Board (PPAB), whose decisions are subject to judicial review by the courts. In Hungarian legislation there is no official hierarchy between the PPAB and control institutions. Their relationship is only partially regulated. If there is a review during the public procurement procedure itself then, in case of *ex post* control, the managing authority must take into account the decision of the review body. Consequently, if the PPAB finds an infringement related to a specific action of the contracting authority, then the managing authority must accept that assessment and determine the result of the controls accordingly. However, it is not prevented from finding other infringements that are not subject to the PPAB procedure.

⁴⁷ Chapter IX of Government Decree 256/2021 (V. 18.) on the Rules of the Use of Funds from Certain European Union Funds in the 2021–2027 Programming Period.

⁴⁸ NYIKOS–Soós 2018: 133–156.

The same applies if no infringement has been found during the remedies procedure. Clearance of the procedure during *ex post* control does not make the procedure immune from a challenge *ex officio* by the Public Procurement Authority, although in practice the Authority is likely to be reluctant to bring cases in such situations. The managing authority, following an *ex post* control procedure, may also initiate an *ex officio* procedure within the scope of a so-called “irregularity procedure”, although it is not bound to do so.

The situation is more complicated with respect to the DPPC and PPAB. When the PPAB hears a case during the public procurement procedure itself, then the DPPC must pause its control procedure until a decision has been made. The DPPC will usually follow the decision of the PPAB, although it is not officially bound by the decision of the review. Even if this is the case, there is no guarantee that the DPPC will not find another irregularity in the procedure as it checks all aspects, while the Arbitration Board only bases its decisions on the claims made before it.

Issues may also arise when the final decision in the public procurement procedure has already been made and the beneficiary receives a non-supportive certificate due to having breached the public procurement rules. Officially no remedy is available against the DPPC certificate. If the beneficiary nevertheless completes the procedure and signs the contract, then it will not be eligible for any funding from EU funds. It also risks facing an *ex officio* challenge at the review body, although since the DPPC sees itself as exercising a preventive function, it is usually reluctant to go to the review body. Challenges more frequently originate from managing authorities, although they mostly happen in *ex post* controls. Some beneficiaries may try to get round a negative certificate from the DPPC by launching a review against their own procedure (which is also possible) in the hope of obtaining a resolution that in fact no infringement occurred. This happened for example in Decision No. D.453/9/2019 of the PPAB. In this case the contracting authority was a private beneficiary which came under the public procurement rules due to having received a grant from the Economic Development and Innovation Operational Programme. The PPAB ruled that, contrary to the opinion of the DPPC, the amendment of the call for tenders containing a condition that was impossible to satisfy in practice was not unlawful. In this case the DPPC refused to change its opinion, despite a contrary decision by the PPAB. Therefore, no funding could be granted to the beneficiary from EU funds.

The above scenario, however, is not very common in practice, as non-supportive closing certificates are only issued in a minority of cases.⁴⁹ Conflicting decisions are an especial problem for private beneficiaries subject to the public procurement rules⁵⁰ or local authorities, which may not be able to obtain sufficient funding from alternative sources to finance their projects. On the other hand, public beneficiaries may be able to receive alternative funding more easily for their projects from national sources, especially if the

⁴⁹ ΝΥΙΚΟΣ–ΣΟΪΣ 2018: 133–156.

⁵⁰ Private beneficiaries receiving certain amounts of financial support were required to use public procurement procedures during the implementation of their projects. However, that provision is no longer in force since 19 December 2019, so the issues affecting private beneficiaries are now less significant.

realisation of those projects is strategically important for the government. In such cases EU funds are often simply replaced by national funds and the project can still be executed.⁵¹

The reverse scenario may also be possible, i.e. that the DPPC does not find any irregularities, but then a review is requested and the PPAB finds that some action has been unlawful during the public procurement procedure. The finding may even relate to actions that have been requested by the DPPC during the procedure. This issue has been partially dealt with by an amendment to the Public Procurement Act,⁵² which prohibits the PPAB from imposing a fine on a contracting authority for actions that were carried out following a request from the DPPC. However, finding an irregularity and the imposition of other sanctions, such as invalidating the result of the procedure, is still possible.⁵³ Furthermore, according to Hungarian public procurement law, the PPAB, when imposing a fine, must take into account the possibility of other sanctions, such as the withdrawal of funding from the contracting authority, when setting the amount of fine.⁵⁴ This does not mean, however, that no fines can be imposed on the contracting authority.

Finally, it must be mentioned that, despite the DPPC taking into account past audit findings, the national audit body (Directorate General for Audit of European Funds) or the Commission might still disagree with the DPPC on the legal interpretation of certain aspects of public procurement law and impose financial corrections later on in connection with procedures cleared by the DPPC.

It can be seen, then, that in Hungary several authorities take part in the control of EU-funded procurements (managing authority and DPPC, PPAB, Public Procurement Authority, national audit body and the European Commission), which are not subject to an official hierarchy. Conflicting decisions and varying interpretations of the law can cause inconvenience to contracting authorities and ultimately to the Member State, making it difficult to know which approaches and actions are lawful and which may be disapproved of by the national bodies and ultimately by the European Commission auditors.

A POSSIBLE WAY FORWARD

No significant changes were introduced in the approach of the 2021–2027 legislation with respect to the audits of public procurement. The “supremacy” of Commission audits continues to prevail, and Member States will have to accept the Commission’s assessment, as contained in final audit reports, or possibly launch a challenge before the EU Courts. All EU Member States will thus continue to have to steer a careful path between remedies and audits, and between the national and supranational bodies responsible for checking the lawful use of EU funds.

⁵¹ Soós 2019: 46–54.

⁵² Section 165(7c) of Act CXLIII of 2015 on Public Procurement.

⁵³ Soós 2020.

⁵⁴ Section 165(11)(f) of Act CXLIII of 2015 on Public Procurement.

While there is no obvious solution to the conflicts which may arise between review bodies and auditors, and national and EU level controls, certain measures might be considered that can alleviate the problems to a certain extent. At the national level, the content of audit reports could be made public (even in an anonymous manner) in order to show how public procurement law is interpreted by Commission auditors and the national audit body. However, governments may be reluctant to proceed with this solution, since they might find that publishing the results of audits is politically sensitive, as they reveal the amount of financial corrections imposed on the Member States. An alternative approach could be to share audit reports with the review bodies, which could then consider using the approach of auditors in their decisions on certain legal questions. If this approach is still not viable, then extensive guidance on specific legal questions, including anonymous case studies, using auditors' interpretation of the law could provide a reasonable alternative. This is already done by the Commission to some extent in its Guidance for Practitioners,⁵⁵ although additional guidance at the national level, specific to national public procurement law, could be very useful for contracting authorities and tenderers. Putting controls in place that are specific to EU-funded public procurements is also a viable option. This is already applied in Hungary, as described above, although the relationship of these controls with review procedures could be better defined.

At Member State level, it can be expressly stipulated that the review body always has the final word concerning the legality of EU-funded public procurement procedures, as well as any other public procurement procedure. Alternatively, appeals against the findings of a national control body to the review body could be permitted, or the legislation could provide that the findings of the control body would need to be confirmed by the review body for it to be effective.

At the EU level, the Commission could be obliged to take the Member State to the General Court or the CJEU, before financial corrections are imposed. This is already the case for imposing fines in the context of infringement procedures for general breaches of EU law. However, this could only be implemented in the longer term and the Commission would probably be reluctant to accept this, as it could reduce the effectiveness of audits monitoring the efficient use of EU funds. Currently, financial corrections provide a greater incentive for contracting authorities and Member State to comply with the public procurement rules than remedy procedures or the threat of infringement procedures under Article 258 TFEU.

More reliance of Commission auditors on national bodies, including review and control bodies could also be a way forward. The CPR already provides for what are known as enhanced proportionate arrangements under certain conditions, whereby the Commission limits its own audits to a review of the work of the audit authority, unless available information suggests a serious deficiency in the work of the audit authority.⁵⁶ The same could apply to specialised control bodies checking public procurement procedures.

⁵⁵ European Commission, Public Procurement Guidance for Practitioners on avoiding the most common errors in projects funded by the European Structural and Investment Funds. February 2018.

⁵⁶ Articles 83–84 CPR.

However, this might also not be acceptable to the Commission as it would probably not wish to rely purely on national systems (remedies or other control systems) for interpreting public procurement law. In addition, for certain Member States, enhanced proportionate arrangements are currently not a practicable option as it requires taking part in enhanced cooperation on the establishment of the European Public Prosecutor's Office.

Since currently there is not necessarily a clear-cut way to manage the relationship between different control systems, such as remedies and audits, the best advice to contracting authorities is to take into account EU principles as far as possible, along with ensuring that there are detailed legal provisions, when conducting their EU-funded public procurement procedures. All parties should also take extra care when making their decisions and thoroughly justify them in writing.⁵⁷ Contracting authorities should also plan their procurement procedures carefully and use all the available guidance and expert advice, to find the best lawful solutions to satisfy their procurement needs during the implementation of EU-funded projects.

CONCLUSION

The relationship between ordinary public procurement remedies, audits of EU-funded public procurements and other control procedures remains largely undefined at the EU level. In the context of EU-funded procurements, the Commission is a powerful institution and in many cases its audit findings must be accepted as an authentic interpretation of EU public procurement law, regardless of any national level review procedure. Judicial review before the EU courts is available against Commission findings, although under the CPR rules the Member States are under an incentive to agree to financial corrections proposed by the Commission. While financial corrections can have serious budgetary implications for Member States, officially they are not deemed as sanctions, but only administrative measures connected to the eligibility of project expenditures.

At the national level, review bodies play a prominent role in determining the legality of public procurement procedures, in accordance with the Remedies Directive. Their interactions with the management and control systems of EU funds are up to the Member States to determine in their national law. As the Hungarian example shows, the roles of these institutions can overlap and conflicting decisions can pose challenges to contracting authorities. It is therefore in the interest of Member States to clearly define the boundaries of institutional competences in their laws, as far as they can. With respect to EU audits, Member States should also find a way to channel the Commission's interpretation of EU public procurement law into national practices.

⁵⁷ NYIKOS 2012.

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Emese Belényesi – Ágota Dobos

COMPETENCY-BASED HUMAN RESOURCE MANAGEMENT IN THE PUBLIC SERVICE FROM EDUCATIONAL PERSPECTIVE

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This study aims to provide a theoretical analysis of the applicability of competency-based Human Resource Management (HRM) approaches in the civil service with a view to enhancing and embedding the development of HRM in national systems, such as in the Hungarian civil service, where, despite its growing popularity, it has not been adequately addressed so far. It is our intention to focus on several interrelated aspects of the issue, analysing its components and indicating directions for improvement. Exploring the reasons behind the lack of progress in this area, the study highlights aspects such as the misunderstandings resulting from the differences of interpretations of competency-based HRM, and of the practical implications of the measurability of competencies. It also presents the special features of practices employed in the United States, where the interpretation of competencies is based on the unified personality of the employee, who is ready to develop new competencies that meet the requirements of employers and the changing work environment. It seems important to bring the approaches of the training institutions into line with those of the public institutions, even if compromises are unavoidable.

KEYWORDS:

competency development, HRM management, public service, education

CONTEXT OF THE RESEARCH

During the past decade, and especially at present, the modernisation tendencies characterising Hungarian public administration have resulted in new requirements for the operation of public administration and public organisations. These changes in attitudes have heightened the importance of the development of competency maps and models necessary for more efficient and effective work performance and have marked a shift in the appreciation of functional orientation in competency development, as well as the approach to public services, which have evident impacts on the professional training and development needs of civil service personnel.

By presenting the American best practice in the related field it is our intention to reflect on benchmarking opportunities. For example, in the American civil service global competencies and the requirements of the multicultural working environment have already emerged as new competencies desirable for civil service professionals, and the same standards should also apply in a member state of the European Union. At the same time, it needs to be borne in mind that various national and organisational cultures may represent different values and practices at a deeper level, which requires careful consideration. However, with thoughtful preparation, the best practice of a different culture, or certain elements of it, can be adapted to other countries' practices.

Benefiting from the employment of a multi-disciplinary and comparative approach, the present study also aims to examine and analyse the research findings from an adult education perspective to facilitate the necessary change of paradigms in training and professional development practice to implement the principles of modern andragogy.

The study draws the attention to the fact that facilitating the change of the methodological paradigms in the education and training of the civil service staff and managers requires the partnership and cooperation of all the parties concerned, i.e. the government, the university and the teaching staff, – since these target groups, as the evaluation of the professional training components of several projects have proved, are open and ready for the change.

Research findings suggest that individual professional development plans based on the assessment of the strengths and weaknesses of the participants in training help define their learning objectives in terms of competency development. To address this, competency-based assessment systems should be applied, in compliance with the training methods used, in order for the development of competencies to be measured. If the application of competencies is assessed by means of practical task simulation, the training methods employed should serve as the preparation for the completion of those tasks. Learning should take place in an environment that reinforces learner-centred and problem-oriented experiential learning based on the active involvement of the adult learner. This study presents a wide range of methods that can effectively be applied at various stages of the learning cycle to provide opportunities for observation, reflection, analysis and learning from experience, thus improving professional and personal competencies and workplace performance.

Zoltán Magyary, an outstanding expert in Hungarian public administration who worked between the two world wars, defined the same conditions for ensuring the effectiveness of public administration that, among other factors, are now linked to the issue of competitiveness. In one of his works, he states: “The system of solutions to ensure the effectiveness of the public service and its application is called personnel policy. The task of this policy is twofold: (1) to reconcile the interests of the three factors that are of interest to the public service: a) the state as a service provider; b) public officials as employees providing the services; c) the public for which the public administration is responsible for and which bears the costs of the administration; (2) to arrange personnel issues in such a way as to keep it at the highest possible level of performance (effectiveness). Its tools include a) multiplication and enhancement of the factors that are suitable for raising standards; b) eliminating or reducing the factors that lead to a lowering of the standard.”¹

Nowadays, the objectives of the Europe 2020 strategy, the National Reform Program and the Partnership Agreement require an improvement in the efficiency of public administration and public services, as well as the development of a more customer-oriented and service-oriented state. Strengthening the public service attitude of all employees through the development of human resource management in public administration and improving the quality of public services are the comprehensive goals of these initiatives.

The effective management of human resources plays a key role in increasing the contribution of public service towards creating a service state. The competency-based system is clearly one of the most effective, smoothly operating tools for strategic human resource management. Based on organisational goals and expectations, it sets up a competency model, defines and describes the current competencies in the organisation, and makes them transparent. Competency management basically combines, organises and manages all the tools that fit the public service system model of strategic, integrated human resource management. The competency model is the framework that connects the employee, the organisation and the job, as a system in which there is a correspondence between the competency expectations of the job and the individual’s competence set.²

Competency-based management is a dynamic tool for ensuring the correct type and level of staffing of an optimal workforce in line with organisational goals, as well as a structured system of different groups of competencies for the organisation (organised by job groups and levels). Due to their specific nature, public service organisations can bring the competencies of subordinates and managers in line with the organisational culture by developing different types of competency models and then applying them in practice. The literature suggests primarily the use of a five-factor competency model in which competencies are adapted to the environment, work processes and self-development, including general, professional, social and innovative competencies.³

¹ MAGYARY 1944.

² HENCZI-ZÖLLEI 2007.

³ HENCZI-ZÖLLEI 2007.

Creating and implementing well-functioning models bring benefits to both organisations and individuals alike.

Organisations can primarily benefit from:

- a single language and information system
- an excellent tool for securing and retaining human resources
- organisational goals transferred to employees simply and uniformly – in the form of competency requirements
- creating a motivational work environment
- bringing professionalism to the forefront of performance evaluations
- the identification of training and development paths, the measuring of their effectiveness and the monitoring of the return on investment
- performance evaluation and career management systems based on objective criteria

Employees can benefit from:

- organisational goals being divided into easy-to-follow and understand objectives
- the opportunity to be engaged in organisational innovation efforts
- individual career planning
- a direct relationship between individual performance and remuneration
- individual development and training being planned in line with the organisational strategy
- individual achievements being defined as parts of the organisational results

The only drawbacks of these models is that they are time-consuming and expensive.

The public sector contains employees of different generations, similarly to other sectors, so it is worth paying attention to the impact of this on competitiveness and service attitude.

METHODOLOGY OF THE RESEARCH

The multi-disciplinary and comparative approach of the study was ensured by the theoretical and empirical research of the authors in both target countries, whereby a deductive descriptive research strategy related to the theoretical findings was combined with an inductive approach to the findings resulting from practical experience.

The research findings of Belényesi are based on document analysis and empirical evidence collected during her nationwide training practice in the Hungarian civil service, involving training for civil service employees and leaders working in different institutions of Hungarian public service. The feedback from the assessment survey and personal interviews with participants were the sources used for the qualitative data analysis.

On the other hand, Dobos studied competency-based American practice at local and federal levels in the U.S., as it applied to professional and leadership development, with the aim of analysing competency models pursued by the training programmes for

federal public officials. The findings of the study regarding American practice are based on a wider-scale quantitative document analysis of the training system of the Federal Executive Institute (2010) aimed at aspiring leaders, managers and the senior executive service. Special attention was paid to the analysis of competency fields, topic areas and the training methodology at all levels. The study will first look briefly at the characteristics of each generation and their needs as employees.

NEW EMPLOYEE NEEDS, OR WHAT THE DIGITAL GENERATION WANTS

The basis of intergenerational research is that different generations have different characteristics, have grown up in different eras, and have been exposed to different social, cultural and political influences. The generation theory was proposed by American historians William Strauss and Neil Howe in their book entitled *Generations* (1991). They claim that the pattern, as manifested in the vision of the world, values and behaviours of successive generations, cyclically repeats itself. They estimate that such a cycle (*saeculum*) takes about a lifetime, 80 years, and consists of the following stages:⁴

- *High ascension* – a post-crisis period when new institutions are consolidated, and individualism is pushed into the background. Such an era was, for example, the rise of the West after the Second World War.
- *Awakening* – individual autonomy is born from the desire for personal authenticity, which weakens the institutional system. For example, the Hippie era of the 1960s in America, which brought about a new awakening of consciousness.
- *Unravelling* – institutions are weakened and individuality dominates. An example of this phase was the United States' economic recovery from the mid-1980s to the Millennium.
- *Fourth turning* – the reorganisation of society, which culminates in the dismantling of an outdated institutional system and in the commitment of individuals to a new group. This can happen peacefully or aggressively.

According to Strauss and Howe, these periods have their own human archetypes: the type of the ascension periods is a *prophet* who aspires to new values, while in the subsequent period of awakening the freedom-seeking *nomads* are typical, followed by wealth-making *heroes* during the unravelling, and finally the artists who are socialised in a post-Crisis world. Every period lasts about 20 years and has a generation that is currently full of energies. The authors also point out that the prophet and the hero are dominant generations, that is, they play a decisive role in a society's development, while the nomad and the artist suffer more from the transformation, and therefore, they are recessive generations.⁵

⁴ A. SZABÓ 2015.

⁵ A. SZABÓ 2015.

Based on the theory of Strauss and Howe, the four generations that shape our present era are: Baby Boomers, Generations X, Y and Z:⁶

- The *Baby Boomers (prophets)* were born after the Second World War and were socialised in that period. They are characterised by respect for authority, humility and a high degree of adaptability. Of the members of the active workforce, it is most difficult for them to keep up with technological developments. They have a basic need for a long-term, secure job, and they love factual, fair and past-performance based evaluations. They have grown up in the traditional frontal school system, and it is difficult for them to adapt to online learning; many of them tend to stay away from computers.
- The members of *Generation X (nomads)* lived through the change of the political regime, the rise of the Internet and personal computers, as well as the appearance of mobile phones as children or young adults. They are mostly motivated by career, status and financial incentives like flexible forms of training, small group training sessions, retreats and partying.
- The members of *Generation Y (heroes)* were born into the world of the consumer society and technical innovation. Looking at their parents' hard work, they explicitly reject hard, meaningless work, hierarchy and automatic respect for authority, and they can be motivated most by self-realisation. Work-life balance is very important to them. They love workplaces where they have flexibility, competitive challenges and can make independent decisions. They can learn anywhere, using any sources, but prefer great variety. Even more importantly, systems at work should be individual, interactive, computer-supported and flexible.⁷
- One of the key features of *Generation Z (artists)* is the change of their values. Information is available to them at any time, but as they have not learned critical thinking, they tend to believe everything they read on the Internet. Their risk is the highest in this regard, as their opinions and judgments are often determined solely based on what they have read on the Internet.⁸ In addition, due to their high degree of openness, they develop relationships with strangers in no time, while reducing the presence of long-term real friendships in their lives. Some researchers even predict the disappearance of the digital generation.⁹

The concepts of digital native and digital immigrants were introduced by Marc Prensky in his article “Digital Natives, Digital Immigrants”, published in 2001. Digital natives, also known as the digital generation, born after 1995, basically think differently and process information from their environment in a different way than previous generations do. They are used to having all the information at their disposal (since they can watch

⁶ HOWE-STRAUSS 1991.

⁷ SCHÄFFER 2015.

⁸ TARI 2011.

⁹ SCHÄFFER 2015.

almost everything on the Internet immediately), they like to deal with several things at a time and they are more effective at teamwork and networking than operating alone. They need immediate confirmation and frequent rewards.¹⁰ However, they are also more self-conscious, aware that knowledge will be the key to their livelihood.¹¹

As far as the world of work is concerned, Baby Boomers and Generations X, Y and Z are the active workers. Research has shown that different generations are characterised by differences in their relationship to technology, workplace change, loyalty and remuneration:¹²

- *Technology* – Baby Boomers are insecure about technological innovations and do not trust themselves. The members of Generation Y are much more responsive, are addicted to the Internet, and use technological tools in their everyday life and work. Members of Generation Z can use several things at once, confidently, and divide their attention.
- *Changing jobs* – Baby Boomers are afraid of the complications caused by the change of workplace and would rather avoid doing so, thus extending the length of time they will tolerate a situation. Generation Y believes that it needs to stand on several legs and can build more than one career. About the youngest Generation Z there is no feedback on job changes, as even its oldest members are only 19 years old.
- *Loyalty and remuneration* – due to the loyalty of the Baby Boomer generation, remuneration is calculated by them over longer terms. Generation X, in a hedonistic manner, expects immediate remuneration, while the younger generations require pay based on their performance, according to their own market value. The members of the older generations accept that the interests of the workplace are more important than their own, so they are extremely loyal. Generation X is more attached to the working community, groups and individuals. Members of the younger generations are loyal to their own network of relationships, to themselves and to brands.
- *Relationship to the hierarchy* – Generation Z does not believe in hierarchy, only respect, and recognises acquired knowledge, thus favouring knowledge-based leadership. It is important for members of Generation Y to be given enough freedom and responsibility by their leaders. The members of the older generation tend to believe in respect for the position and authoritarian leadership, so they expect to be afforded basic respect.

However, Szabó also draws attention to the need for adequate and effective social skills and coping strategies for success at work and for life. The digital generation seems to have difficulty coping with this. Though they seem extremely confident, often even smug, they tend to be isolated because of their excessive digital communication. Research by Chou

¹⁰ PRENSKY 2001: 1–6.

¹¹ PRIEVARA 2015.

¹² BIBA–SZABÓ 2015.

and Edge (2012) also suggests that the more time someone spends on Facebook, the more unhappy he is with his life and the less he feels valuable.¹³

After examining the characteristics of the digital generation, we will focus on the needs of public service employers in the digital era.

NEW EMPLOYER NEEDS, OR WHAT THE ORGANISATION NEEDS IN THE DIGITAL ERA

Over time, the ever-increasing scope of human existence is coupled with increasingly efficient and complex organisational forms. This development is constantly progressing, and we are currently experiencing a turning point, where the importance of extensive development is overtaken by that of intensive development, and where efficiency is an increasingly important factor in addition to effectiveness. These changes generate new challenges for organisations, which in turn evolve new features to meet them. In addition, new management functions appear in the organisations, resulting from the changes in the characteristics of the workforce. These trends can be summarised as follows:¹⁴

- *Competency-based Management* – a series of activities aimed at realising organisational goals, enabling the design and provision of the required competency resource set, the rational use and development of the available competency potential, and thus the continuous improvement of employee performance.
- *Generation Management* – a new management function that organises HR activity based on generation (age) characteristics.
- *Leadership Management* – managing the management functions required for an organisation’s successful operation and their methods.
- *Quality of Life Management* – creating a liveable job.
- *Employer brand* – this is based on specific offers that an organisation communicates to current and potential employees, which is a special recruitment tool.

Employers have the same interests in recruitment as the employees, i.e. the *compliance* of the individual with the chosen career or position. Career guidance also affects recruitment and selection systems, as it facilitates potential recruitment and advancement in the organisation as well as reducing risk factors. The goal of planning organisational recruitment is to acquire and retain good employees: attracting and selecting professionals who can be the most suitable for the future job.

In this case, an *employer brand* can help, that builds on specific benefits that the organisation offers to current and potential employees. The quality of the special recruitment tool determines how the current workforce performs and what kind of

¹³ É. SZABÓ 2015.

¹⁴ SZABÓ–SZAKÁCS 2015.

employees the organisation can attract. From a labour market point of view, an organisation is successful if employees consider it more attractive than what a competitor offers.

It is also important to examine *career perspectives* that consider the individual and organisational dimensions of the career. It can be argued that the goals of the organisation and the individual motives are equally important, one is not ahead of the other, but instead they are closely related. Goals and objectives on both sides can be achieved if they help and reinforce each other. Collaboration in practice can only work effectively if individual and organisational goals coincide.¹⁵

The spread of the competency-based approach is closely related to the realisation that the key issue of modern HR management is the selection, development and retention of the best workforce, and thus the continuous improvement of organisational performance. Nowadays, the quality and performance of human resources has become an essential factor in the success and social recognition of the public sector.

NEW CHALLENGES IN PUBLIC HUMAN RESOURCE MANAGEMENT

For the purposes of this study, we accept the definition that competency management is “a set of activities aimed at *realising the mission of the organisation* and optimising the *performance of employees*”.¹⁶

Applying a competency management system that has proved to be successful in the private sector is a leadership and HRM challenge in public organisations that need to mobilise a wide range of tools to implement competence- and strategy-based integrated HRM.¹⁷

In our rapidly changing world, the efficient management of human resources is of key importance in the public service. It requires:

- setting up a competency model pursuing organisational objectives and expectations, and making the relevant competencies transparent by defining and describing them
- creating competency requirements and a set of competencies in line with individual and organisational objectives
- facilitating HR and planning succession, as well as the efficient and constructive use of the available work force
- making sure that the training and development programs and their ROI rates are justified
- facilitating and supporting the internal and external communication strategies of the organisations

¹⁵ SZABÓ 2013.

¹⁶ BOSSAERT 2018.

¹⁷ SZABÓ 2016.

Competency management combines and operates all the tools that fit the model of a strategy-based and integrated HRM and organises them into a coherent system.

According to Bossaert, the introduction of competency management systems is motivated by budgetary constraints, the need for more strategic, more integrated and more efficient HRM in order to improve forward planning, employability, staff development and increased mobility, flexibility and objectivity. Table 1 shows the shift from a focus on qualifications to prioritising experience and demonstrated skills; from hierarchical positions to job content; and from functioning on the job to performance and improvement.

Table 1 • Comparison of the traditional and competency-based HRM

Traditional HRM	Competency-Based HRM
<i>Recruitment and selection</i>	
Recruitment based on specific diplomas, which reflect qualifications	Recruitment based on demonstrated competencies
What is the person like?	How does the person function?
Selection criteria focusing on knowledge, personality, and attitude	Selection criteria focusing also on experience, behavioural skills and values
<i>Job description</i>	
Job description targeted at the hierarchical level	Job description targeted at the job content and the competencies required to do the job well
<i>Development/training</i>	
Development of knowledge; aim: promotion	Development of competencies to perform better in one's job; aim: better use of human potential
<i>Appraisal</i>	
Focus on functioning in the job	Focus on performance, learning, improvement, and results

Source: BOSSAERT 2018.

The competency-based approach appeared in the American civil service along with the breakthroughs in the public management practice and has been applied as a comprehensive approach since the 1990s. Rodriguez et al. highlight the role of competencies as a common language to express performance indicators at several managerial levels and the need to align individual and organisational goals, as well as identifying individual career plans and providing succession planning.¹⁸

While competency-based HRM systems are not unknown in the Hungarian thinking, their practical application has been quite rare so far. A review of the literature reveals several more or less consistent systems, in which problems seem partly to derive from

¹⁸ GETHA-TAYLOR 2010.

different interpretations attached to various concepts and systems. The underlying reasons are the following:

1. Psychology-based approaches have been popular in Hungary, rather than putting the emphasis on the measurability of performance.
2. Competency comprises various skills, therefore, according to analytical and reductionist approaches it should be broken up into such units.
3. The majority of publications handle the notions of skills and competencies as synonyms, while regarding definition and measurability to be acceptable only in relation to skills.
4. Practical approaches to competencies have been strengthened by the efforts to approximate the education and employment policies of the European Union.
5. Research representing practices within the European Union takes the concept of competency – based on competency inventories (dictionaries) of various levels of validity – as a unit of capabilities manifested in practice that does not require further division into components. In this view, the employee's personality is a unified whole that acquires and possesses the competencies needed to meet the expectations of the working environment.

Public service competence development in Hungary

In the Hungarian system of public administration, the practical application of competencies has a defining influence on the human functions of the system-based integrated human resource management model. Integrating and coordinating human policy processes is essential to the success of an organisational human resource strategy. A correctly designed competency model is suitable not only for managing individual management functions in isolation, but also for integrating the following sub-processes.¹⁹

Recruitment, selection and integration

The purpose of recruitment activity is to provide an organisation with the necessary set of competencies for a particular period of time. To do this, it is necessary to organise recruitment and selection processes of sufficient quality and quantity, with sufficient time and funds. To do this, before the recruitment process it is necessary to determine what competency set the ideal candidate should have in a particular job (position). In the selection process the matching of the job's requirements – based on the expected competencies – and the candidate's existing competencies (approximation) takes place. In practice, this is achieved by using structured competency-based selection systems that support employee

¹⁹ SZABÓ-SZAKÁCS 2015.

recruitment and reduce the risk factors of aptitude. Engagement – irrespective of the position – means that the person performing the job fulfils the previously defined job performance and behaviour expectations. Inclusion also means integration, and the ability and level of competencies of the employee in question are measured. In addition, performance-based assessment of performance and the assessment of organisational behaviour are top priorities.

Career and succession planning, advancement in the organisation

The goal of career management is to find potential candidates within the organisation (talent management, recruitment programs, data banks, key employee programs) based on a knowledge of competencies:

- The selection of staff for each career support system employs competency-based methods (ambition, additional competency, motivation).
- In the process of supporting career paths in their process of development and progress, and meeting the requirements of a higher position for a new position.

It is important to bear in mind two kinds of dimension in competency-based approaches to career management: professional dimensions and individual/private dimensions. In a competency-based approach, the approximation and coordination of these two areas are necessary to create a suitable work–life balance.

Development, training, knowledge management, coaching

In an organisation, the following competency-based solutions can help individuals achieve the necessary career development:

- competency-based training (training, e-learning, blended learning)
- Assessment and Development Centres
- coaching
- mentoring
- tutoring systems

By focusing on competencies, development needs are identified which can support and implement organisational strategy implementation. This is clearly linked to other organisational human functions, primarily through performance appraisal and career management programs. According to recent survey findings, the Hungarian civil service training system is perceived as a value-creating tool that supports managerial work and organisational goals. Questioned as to the impact of the training on the officials' competencies, managers confirmed that the training system provides participants with

a useful competence development opportunity and strengthens the need for motivation-based trainings.²⁰

Performance Management

The purpose of performance management systems is to define, measure, evaluate, communicate, and give feedback on individual and group criteria that support the achievement of organisational strategic goals. The presence of the competencies required for the expected performance, including motivation, leads to higher performance, so the development of competencies contributes to the improvement of performance.

Job analysis and evaluation systems underpin the high quality and efficient delivery of all human policy tasks. Competency-based application is a strategic tool that represents a fundamental change in approach through its practical application.

A survey carried out in 2020, exploring the applicability of practice-oriented competency-based public service training in workplace task performance, highlighted that training increases the motivation and expertise of employees. This can be reinforced by enhancing the variety of training methods offered to them, such as individual and group tutoring, or offering learning materials with video simulation, as well as by measuring competences. According to the survey's findings, 52.7% of respondents believed that they would be able to use what they learned during the training in their workplace, which proves the high-level impact of the training programs.²¹

Job Planning Systems

Job planning systems can be used for the following purposes:

- to define professional and behavioural requirements (which may include competencies, personality traits, behavioural requirements) that can be attributed to the job position
- to support a higher level of compliance with job requirements
- to improve individual and organisational performance
- to define performance requirements based on specific tasks
- to develop a wage system that considers the requirements of work performance and the value system accepted for the job during the analysis (rather than the worker's evaluation)

²⁰ DOBOS 2012.

²¹ KIS-KLOTZ 2020: 207–224.

- to improve career support, as the results of the analysis and evaluation can be used to determine the job characteristics needed for the planning of administrative and individual life paths
- to provide inputs for developing organisational development programs
- to develop targeted training and retraining system and programs

During organisational transformations, it is possible at the planning stage to evaluate changes at the job level, to consider the positive and negative effects of the changes, and to reduce possible overloads. In such circumstances, creating a unified competency-based concept is also a strategic aspect.

Salary system, compensation and remuneration

The competency-based payment structure is founded on the existence and development of the competencies required to perform the tasks required by the organisation. The level of pay is similarly related to the recognised competency, i.e. employability. Competency is not just about abilities, but about all the skills, abilities, experiences, qualities, motivations that are needed for the job, and which can help the employee achieve the desired results. For each job, the necessary competencies can be defined, and jobs can be grouped according to competencies. There are different pay bands for the job groups (competency bands) the boundaries of which can be very wide. Progress within and between bands is defined by competency demands.

Considering the changed competency needs of public officials, since 2016 the Hungarian civil service has identified and gathered more than 5,000 competencies in a competency bank which undergoes ongoing updating. Training programs undergoing an accreditation procedure are developed based on these competencies.

Public service competence development in the U.S.A.

The civil service in the U.S.A. is comprised of the federal, state and local civilian workforce in any of the three branches of government, except those in the military, political appointees, or elected officials.²² The advantages of government jobs are the high number of workplaces, great benefits and competitive salary, wide range of geographical locations, professional diversity, interesting and challenging work, work-life balance maintained by flexible work schedules including telework, opportunities to advance and move within

²² Kis-KLOTZ 2022: 8–28.

the government, opportunities for professional development and, last but not least, job security.²³

In the globalised world of the 21st century, mere technical rationality is no longer sufficient to deal with the complexity of issues that the civil service faces. The refinement and occasional renewal of knowledge and skills are essential, and they need to be continuously adapted to the changing circumstances.²⁴

The competency-based approach in the US public service, which fits into the overall competence management system, has been used since the 1990s. In its understanding “competency is a measurable pattern of knowledge, skills, abilities, behaviours, and other characteristics that an individual needs to perform work roles or occupational functions successfully. Competencies are used for assessing and selecting candidates for a job; assessing and managing employee performance; workforce planning; employee training and development”.²⁵

It is noteworthy that the American federal training system is characterised by a high level of stability and predictability, in which the flexible adaptation to change resulted in the maintenance of its core values for decades. The current system dates back to 1991. Its leadership training courses are based on the development of 27 competencies that have been arranged under five meta-competencies, creating the Executive Core Qualifications, ECQs, that are used by departments and agencies in employee selection, performance management and leadership development. The emphasis is on executive experience, not technical expertise with areas such as 1. Leading Change; 2. Leading People; 3. Results Driven; 4. Business Acumen; 5. Building Coalitions.²⁶

The set of competencies of the Office of Personnel Management (OPM) shows a significant overlap with the competencies used in the Fortune 100 Best Practice Companies, which suggests a clear similarity between the requirements of the public sector and the business sector. Critical competencies include, but are not limited to, the ability to apply different leadership styles in a diverse workplace environment with multiple generations and cultures as well as leadership abilities to assign tasks, communicate expectations and to monitor and evaluate performance in workplace situations, where people do not physically meet the manager.²⁷

The complete range of courses offered by the Federal Executive Institute in 2010, i.e. 64 courses on the following three leadership levels were analysed: 1. Aspiring Leaders; 2. Supervisors and Managers; 3. Senior Executives, SES. The analysis focused on three aspects: competencies, topic fields and training methods. Our findings regarding the SES level were as follows:²⁸

²³ DINAS et al. 2010.

²⁴ SCANLON 2011.

²⁵ OPM s. a.

²⁶ OPM s. a.

²⁷ DOBOS 2012.

²⁸ MCFEE 2003.

- *In terms of the competencies* the development goals focus primarily on driving change and coalition building, both positioned equally. Typically, there is greater emphasis on external awareness, strategic thinking, influencing/negotiating, political savvy and team building.
- From a *thematic point of view* problem solving, strategic thinking, leadership skills, challenges and the organisational culture and the budget dominate.
- Regarding the *training methodology*, interactive exercises and modelling real-life situations (case studies, problem-solving exercises, role plays, simulations) are typical. Coaching, mentoring, and counselling are also available as post-training services to maximise the learning experience. Outdoor survival practices are meant to develop the ability of the leader to adapt to critical or crisis situations.

Based on the research findings, we can state that the competency-based approach and its methodological culture reflect comprehensive adult learning principles; the training sessions reinforce participant-centred, problem-oriented, experiential learning, using a wide range of interactive methods, and encouraging self-reflection regardless of the subject, and the main aim of the training is to develop knowledge, skills and attitudes that can be applied in the workplace.

COMPARISON OF PUBLIC SERVICE COMPETENCE DEVELOPMENT IN THE TWO CIVIL SERVICE SYSTEMS

Training is costly so it should be cost-efficient and should achieve the set objectives. The financial responsibility is particularly high in the public service since the system is mostly funded out of the state budget. The question is, what kind of principles and training philosophy can be effective enough to operate the training system, and how it can respond to the different attitudes of different generations?²⁹

In the Hungarian and the American public service there is an ongoing and deep transformation taking place. In the generational composition of the workforce there is a shift from Baby Boomers to Generation X, and even more to Generation Y. Generation Z is still under-represented, as only its oldest members have reached the age required for employment.

Currently the biggest labour market challenge is Generation Y, with its different expectations and attitudes. The study *Understanding Millennials in Government* highlights the following distinctive features of this generation:³⁰

- they have higher turnover rates than previous generations
- they are less passionate about their jobs in government

²⁹ BELÉNYESI–DOBOS 2015: 32–44.

³⁰ VIECHNICKI 2015.

- they do not “stick around”, they will decamp to the private sector in a heartbeat
- it is harder to recruit Millennials for public service than previous generations

By interpreting labour market data, generation diversity will be characteristic of the coming years in both countries. Within a few years, the members of Generation Y will make up most of the employed population, who will gradually be followed by Generation Z. The consequence of the above-mentioned age diversity is that all four generations can work at a given workplace. These facts, as well as the evolution of labour demand and supply, justify the application of a generation management toolkit within the management sciences.

Knowing and understanding the different attitudes and competencies of the generations currently active on the labour market is essential to develop and maintain effective work. Some specific aspects to bear in mind include:

- *Attitude to education* – while for older generations the role of a strong teacher was crucial, younger generations feel less tightly bound to their teachers. Generation Y in particular expresses a commitment to further education and lifelong learning. In terms of specific learning habits, the older generations use passive reading techniques, while younger people, especially members of Generation Z, prefer active involvement.³¹
- *Attitude to technology* – while members of Generation Z can use more than one technology at a time, the older age groups are not necessarily comfortable with dividing their attention.³² The origins of this phenomenon can be traced back to the consequences of the above-mentioned “digital immigrant” or “digital native” situation, after which the first half of Generations Y and Z was born after the spread of the Internet, with profound knowledge of the technological tools and the basic knowledge of their application. Accordingly, a stronger demand for access to information among the younger generations has developed, which decreases for older age groups. This is illustrated by the daily use of various mobile communication devices, digital media and social networks among Generations Y and Z.³³
- *Attitude to work* – this is one of the most important components of a workplace commitment. The Baby Boomer generation and Generation X place the interests of the employer first and they are thus much more loyal while Generation Y and Z do not hesitate to change jobs if their interests require it.³⁴

Table 2 summarises the similarities and differences between the Hungarian and the U.S. Federal public service competence development.

³¹ BUJDOSÓNÉ DANI 2012.

³² BOKOR 2007: 2–21.

³³ ANDERSON–RAINIE 2010.

³⁴ BIBA–SZABÓ 2015.

Table 2 • Comparison of public service competence development in the two civil service systems

Similarities	Differences
<ul style="list-style-type: none"> • Inter-generational differences: <ul style="list-style-type: none"> – Relation to education – Relation to technology – Attitude to work • Strategy-based integrated PHRM system 	<ul style="list-style-type: none"> • Different professional contexts (career-based in Hungary / position-based in the U.S.) • PHRM system (labiality in Hungary / stability in the U.S.) • Structure of the training system (credit points in Hungary / performance management in the U.S.)

Source: BELÉNYESI–DOBOS 2015.

A study published in the framework of “Közzszolgálati Humán Tükör 2013” [Public Service Human Resources Mirror 2013] research program also concluded that most new entrants to the public sector leave after a relatively short time and try out other labour market opportunities.³⁵

According to a research by the Harvard Business Review 2015, starting with Generation Y, new employee expectations have appeared on the labour market, e.g. they put greater emphasis on work–life balance, ongoing learning on the job and learning new work methods to achieve predefined objectives.³⁶

The Bill Gates Foundation assessed the skills of the 21st century, i.e. what competencies prospective employers expect from future employees. The five 21st century competencies that people need to acquire before entering the labour market that it identified were:³⁷

1. *Collaboration* – i.e. students must learn to work in pairs or in groups, to take shared responsibility for their work, and to make common decisions.
2. *Knowledge building* – it is also necessary for students to learn how to build new knowledge, even by combining knowledge from several subjects.
3. *Reasonable and reasoned use of ICT* – i.e. not to always use the latest technologies at all costs, but to be able and willing to handle these tools in accordance with the current pedagogical purpose.
4. *Solving real problems and innovation* – i.e. students must master the ability to find solutions to real problems in the out-of-school world.
5. *Self-regulation* – the ability of students to plan and redesign their work under pre-determined conditions.

Considering all these criteria, it is clear that a very serious change of attitude is needed in the field of training, to ensure that the digital generation will enter the labour market with these competencies.

³⁵ SZABÓ 2013.

³⁶ BRESMAN 2015.

³⁷ PRIEVARA 2015.

CONCLUSIONS

The practical application of competencies considerably affects the operability of human resource management functions in a strategy-based integrated PHRM system. The integration and coordination of HR policy is the key to successful implementation of an organisational HR strategy. Therefore, a properly established competency model is a precondition for the integration of the elements of the overall process into a coherent system, rather than handling management functions individually. The sustainability of the model is also an important factor in long-term strategic development planning. If the competency requirements which civil service executives are expected to satisfy are uniform in their approach at all leadership levels, it can facilitate employees' mobility not only vertically between leadership levels, but also horizontally between public service bodies, which is a priority in the Hungarian system.

The intensity and frequency of intergenerational differences in workplaces is growing. The different ways of thinking, habits and knowledge of different age groups determine individuals' ability to work, and thus his or her work performance. It is essential to recognise the positive effects of generational diversity as a building block for human strategy and human resource management with a view to the effective operation of work organisations. An efficient approach to generation management is to utilise management technology that takes generational differences into account when coordinating the organisation's activities. It purposefully builds on these different characteristics to achieve the organisation's goals, and benefits from the added values different generations bring to the organisation. The generation management toolkit is part of the integrated strategic human resource management.

The global approach of generation management does not focus on unifying the personality traits of different age groups. Instead, the goal is to create a multi-faceted organisational culture based on successful collaboration, where different generational groups enhance each other's ability to work. One of the most important elements of this is the maintenance of organisational knowledge and the operation of knowledge management processes. Senior members have deeper work experience, which can be an important foundation for younger entrants to the organisation. However, younger colleagues give the working organisation the necessary new impetus, which is essential for sustainable development. In creating a productive atmosphere, we need to distinguish between "hard" and "soft" management techniques. The use of hard methods involves transforming the whole or most of the organisation by optimising processes rather than fine tuning. The soft technique is a more human-centred approach, which is more relevant to the generation-management approach. It deals, among other things, with the development of the interpersonal skills of the employees, the strengthening of their internal motivation and the creation of a cooperative atmosphere, and thus with the renewal of the organisational culture.

When we consider the transferability of best practices between cultures, we should not forget about differences in national values and practices, but our increasingly globalised world makes it very important to learn from each other and be open to new solutions.

Traditional systems like that of the U.S. are useful benchmarks to facilitate the development of PHRM systems in other countries. Well-designed competency models can ensure the sustainability and coherence of PHRM functions like selection, assessment, career and succession planning in public service organisations. The U.S. system proves that the successful functioning of the training system, and of leadership training in particular, is the key to personal and organisational development.

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Robert Müller-Török – Thomas Hemker

DIGITAL COMPETENCES IN PUBLIC SECTOR EDUCATION AS A PREREQUISITE FOR E-GOVERNMENT¹

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e-Government in Germany is usually not ranked top of the class in Europe. Rankings, such as the EU eGovernment Benchmark 2022, UN E-Government Development Index and others show that Germany is rather poorly ranked among the developed nations of the world. The authors assume that there is a correlation between the quality of Public Sector Education regarding digital competences and the quality of e-Government the so digitally educated civil servants can deliver. Civil servants in Germany usually graduate from one of the approximately 20 main universities of public administration; hence, an overview of the digital competences taught there is the core of this article. The main result is that both the quantity and the quality of digital competences taught need to be improved and, in the worst case depend on the university chosen, even zero digital competences are taught to the future civil servants.

KEYWORDS:

Public Sector Education, e-Government, curricular development

¹ This work is the continuation of a series of publications on this topic which started with an article in *Behördenspiegel* 7/2022 in July 2022.

THE STATUS OF E-GOVERNMENT IN GERMANY

Rankings

Rankings of complex course programmes do have significant shortcomings,² but they can at least provide a good image of where a specific entity stands when putting several rankings together. When looking at the leading institutions of the World, Europe and Germany the rankings and analysis of German e-Government look like the following:

- (i) United Nations E-Government Survey 2020:³ “Thirteen countries with very high levels of human capital development and well-developed infrastructure (Barbados, Belarus, Belgium, Brunei Darussalam, Czech Republic, Germany, Greece, Israel, Latvia, Liechtenstein, Romania, Saudi Arabia and Slovakia) have relatively lower OSI⁴ values. Apart from Barbados and Brunei Darussalam, these countries also have very high EGDI⁵ values, but focusing on improvements in online services provision could greatly accelerate progress in overall e-government development.”⁶ Germany ranks 25th among the countries with the highest EGDI values, well behind countries like Cyprus, Malta, Poland, Slovenia and United Arab Emirates. Infrastructure criteria like the Telecommunications infrastructure index are 0.8856 and lag behind countries like Cyprus (0.9057), Malta (0.9232), New Zealand (0.9207), UAE (0.9344) but also larger countries like the USA (0.9182). The Online Service Index stands at 0.7353, which sounds not encouraging when compared to Albania (0.8412), Argentina (0.8471), Belarus (0.7059), Brazil (0.8706), Bulgaria (0.7706), Chile (0.8529), China (0.9059), Croatia (0.7522), Cyprus (0.8706) and the Czech Republic (0.7235).⁷ According to the press the ranking did not improve since the survey, rather the opposite: Germany lost 13 ranks and fell from 12th to 25th place.⁸
- (ii) European Commission eGovernment Benchmark 2022:⁹ Germany ranks 21st among 35 countries included in the benchmark in overall eGovernment maturity. Hungary ranks 20th, the Czech Republic ranks 22nd. Countries economically peers of Germany rank 18th (France), 24th (Italy) and 11th (Spain).¹⁰ The country fact sheets are more conclusive, the detailed values for Germany are:¹¹

² FASSRAINER-MÜLLER-TÖRÖK 2013.

³ United Nations 2020.

⁴ OSI stands for Online Services Index in the quoted publication.

⁵ EGDI stands for E-Government Development Index in the quoted publication.

⁶ United Nations 2020: 21.

⁷ United Nations 2020: 266 (after “c” the comparison was ended because the demonstration effect is already sufficient).

⁸ Cf. Bavarian Research Institute for Digital Transformation 2020.

⁹ European Commission 2022a.

¹⁰ European Commission 2022a: 9.

¹¹ European Commission 2022b: 23.

- a. User Centricity: 91, EU average 88.3
- b. Transparency: 49, EU average 59.5
- c. Key Enablers: 60, EU average 68.7
- d. Cross-Border Services : 53, EU average 54.5

An interesting single observation is the eID issue. eID is considered a key enabler, here Germany gets 53 at an EU average standing at 62.8; but also an enabler of cross border services, here Germany gets 10 at an EU average of 23.8. Also very interesting is the penetration indicator, which states how many individuals used the internet for interaction with public authorities. Here Germany is fourth-last in class before Italy, Bulgaria and Romania. The figure for Germany is 55% while the EU average stands at 71%.¹²

- (iii) The Commission of Experts for Research and Innovation (EFI) publishes annual Reports on behalf of the Federal Government of Germany. These reports include also statements and findings on e-Government.
 - a. Report 2022:

“Furthermore, Germany should vigorously promote e-government.”¹³
 - b. Report 2021:

“Compared with other European countries, Germany is lagging considerably and increasingly behind in e-government. The Commission of Experts advises vigorous pursuit of the goals set in the Online Access Act (*Onlinezugangsgesetz*) of making all public administrative services digitally available by 2022.”¹⁴
 - c. Report 2018:

“Targets for the year 2025 [...] Take on a pioneering role in e-government.”¹⁵
 - d. Report 2017:

“Germany is lagging behind in e-government and is therefore wasting important innovative and value-creation potential.” “Although Germany’s e-government has now reached the level of the leading nations – Estonia, Finland, South Korea and the USA – in simple forms of interaction such as the provision of information by authorities, Germany is a long way behind the leading nations when it comes to the more advanced Stage 4 services, such as individualised services.” “E-government services in Germany are fragmentary and often not fully digitised.”

“E-government is used less intensively by citizens in Germany than in other countries as a result of the fragmentary range of services and low level of user-friendliness.”¹⁶

¹² European Commission 2022c: 7.

¹³ Commission of Experts for Research and Innovation 2022: 14.

¹⁴ Commission of Experts for Research and Innovation 2021: 34.

¹⁵ Commission of Experts for Research and Innovation 2018: 22.

¹⁶ Commission of Experts for Research and Innovation 2017: 104.

- (iv) European Commission Digital Economy and Society Index 2022:¹⁷ Germany ranks 13th among 27 EU members in the index.¹⁸ Some interesting facts regarding Germany are:¹⁹
- a. Digital Skills: rank 22
 - b. Fibre to the premises (FTTP) coverage mid 2021: rank 26
 - c. Digital Public Services : rank 18
 - d. e-Government users interacting online with public authorities over the internet in the last 12 months: rank 24
 - e. Pre-filled forms: rank 23
 - f. Key enabler status in Member States: rank 21

Interesting quotes from the country report for Germany are:²⁰

- “As the EU’s largest economy, Germany’s progress with digital transformation in the coming years will be crucial, to enable the EU as a whole to reach its 2030 Digital Decade targets.”²¹
- “Performance on Digital public services is mixed. Germany scores well on open data, but interaction between the government and the public could be improved. Germany needs to continue with the work it is doing to achieve the Digital Decade target of 100% online provision of key public services for European citizens and businesses.”²²

With a view to the paper’s topic, the table “Human Capital” is alarming.²³ Regarding “At least basic digital skills”, “Above basic digital skills” and “At least basic digital content creation skills” are all below the EU average.²⁴ Only the figures regarding IT specialists are above or at EU average.

It is obvious that the e-Government of Germany is not at the level that would be expected from a G7 Member State.

Perceptions of the public, the press and comparisons with other states

The press in Germany recently acknowledged broadly that e-Government in Germany is lagging behind most European nations.²⁵ Recent press articles state that the citizens have

¹⁷ European Commission 2022d.

¹⁸ European Commission 2022e: 3.

¹⁹ Cf. European Commission 2022d.

²⁰ European Commission 2022e.

²¹ European Commission 2022e: 3.

²² European Commission 2022e: 4.

²³ European Commission 2022e: 7.

²⁴ European Commission 2022e: 7.

²⁵ For a stochastic selection of statements from the press, consulting companies and business lobbyists cf. DAMS-KAISER 2017; BÜRING-SANS 2021; GOTTBEHÜT 2021; IWD 2022.

to stand in long lines at Citizens Service Centres for e.g. new passports and, unfortunately often in vain.²⁶ In Stuttgart, capital of the Federal State of Baden-Württemberg, the mayor appointed a Task Force for dealing with the situation at the Citizens Service Centres.²⁷

In order not to provide anecdotic evidence, we refer to statements by the Federal Government of Germany in their most recent Digital Strategy:²⁸

- (i) “Until now we are in the Digital Economy and Society Index DESI 2022 index overall ranked 13th out of EU27”²⁹
- (ii) Dimension Human Capital ranked 16th out of EU27
- (iii) Dimension Integration of digital technology 16th out of EU27
- (iv) Dimension Digital public services 18th out of EU27

The strategy paper concludes with the statement, that this cannot and must not be considered sufficient for a nation which wants to actively play in the international premier league.

PUBLIC SECTOR EDUCATION IN GERMANY

The system of Universities of Public Administration in Germany

Germany operates a system of universities, mostly universities of applied sciences, which are dedicated to the education of civil servants. This system includes 38 universities, probably a few more.³⁰

Most of the universities offer a Bachelor Degree in Public Administration at the level of a university of applied sciences. This course consists mostly of four semesters at the university and two to three semesters with agencies, probably their future employing agency.

The core content of the teaching is, at a very high level, defined by a common paper of the conference of the ministries of the interior of Germany (all 17).³¹ The paper was amended

²⁶ Cf. JAHNS 2022; SWR 2022.

²⁷ Landeshauptstadt Stuttgart 2022.

²⁸ Federal Ministry for Digital Affairs and Transport s. a. Note that the paper is published on an official government website but lacks date and place of issue as well as authors. For <https://digitalstrategie-deutschland.de/impressum/> we believe it is authentic.

²⁹ Federal Ministry for Digital Affairs and Transport s. a.: 3 (translated by the authors).

³⁰ According to the list of the conference of the rectors of the universities of public service, cf. www.rkhoed.de/hochschulen/. Note that not all of them provide official English versions of their names; hence the authors had to translate on their own sometimes.

³¹ Ständige Konferenz der Innenminister und Senatoren der Länder, Anforderungen für Studiengänge an internen Fachhochschulen sowie an Fachhochschulen, deren Abschlüsse einer Ausbildung für den gehobenen allgemeinen (nichttechnischen) Verwaltungsdienst gleichgestellt werden können. Zur Wahrung der Einheitlichkeit laufbahnrechtlicher Anforderungen nach § 14 Abs. 2 bis 4 BRRG (online: www.innenministerkonferenz.de/IMK/DE/termine/to-beschluesse/05-06-24/05-06-24-anlage-nr-26-2.pdf?__blob=publicationFile&v=2).

in 2005.³² Unfortunately, it was not amended ever since, because the competence of the Federal Republic to regulate these affairs was transferred to the Federal States at the last reform of the German Fundamental Law a few years later.

Each of the 16 federal states and the Federal Republic itself issued a legal act, a regulation concerning the requirements for a career in Public Administration.³³ These regulations are the basis for the universities issuing their own regulations (including syllabi), thereby limiting them.

The Content

The ICT content of the studies of Public Administration in Germany looks, as compared to the content in psychology and sociology, and to civil law like the following:

Table 1 • Selected content of Public Administration Studies in Germany

Federal State	University	Studies	Total teaching hours ICT	Total teaching hours psychology and sociology	Total teaching hours civil law
Baden-Württemberg Bavaria	HS Kehl, HS Ludwigsburg	Public Management	48.75	72.6	127.5
	HföD Bayern AIV	Diplom-Verwaltungswirt (FH)	58.5	43.5	93
Berlin	HWR	Öffentliche Verwaltung	40.5	64.8	40.5
Brandenburg	TH Wildau	Öffentliche Verwaltung Brandenburg	45	45	90
Bremen	HS Bremen	Public Administration was transferred to a regular university.	45	22.5	67.5
Federal Republic	HS Bund	Allgemeine Innere Verwaltung	0	33	105
Hamburg	an der HAW Hamburg, keine eigene HÖD	Public Management	96	72	96

³² Positionspapier zur Gleichwertigkeit von Bachelor-Studiengängen und -Abschlüssen mit Diplom Studiengängen und -Abschlüssen an Fachhochschulen im Rahmen einer Ausbildung für den gehobenen allgemeinen (nichttechnischen) Verwaltungsdienst. Ergänzung zum Positionspapier der Innenministerkonferenz vom 19./20.11.1998 (online: <http://docplayer.org/25730643-Ergaenzung-zum-positionspapier-der-innenministerkonferenz-vom-19-die-nachstehenden-ausfuehrungen-beziehen-sich-auf-bachelor-studiengaenge.html>).

³³ For the regulation of, for example, Bavaria see Free State of Bavaria 2011.

Federal State	University	Studies	Total teaching hours ICT	Total teaching hours psychology and sociology	Total teaching hours civil law
Hesse	HfPV	Public Administration	0	115.5	74.25
Mecklenburg-Vorpommern	FH Güstrow	Öffentliche Verwaltung	18	63	159
Lower Saxony	HSVN	Allgemeine Verwaltung	0	40.5	94.5
North Rhine-Westphalia	HSPV	Allgemeine Verwaltung (LL.B.)	0	90	93
Rhineland-Palatinate	HÖV RLP	Allgemeine Verwaltung	0	14.25	72
Saarland*	FHSV Saar	Allgemeiner Verwaltungsdienst			
Saxony	HS Meißen	Allgemeine Verwaltung	78	67.5	81.75
Saxony-Anhalt	HS Hartz	Öffentliche Verwaltung	0	67.5	45
Schleswig-Holstein	FHVD	Allgemeine Verwaltung / Public Administration	16.5	16.5	16.5
Thuringia	Thüringer FH für ÖV	KSAV	45	45	97.5
Average			30.70	54.57	84.56

Source: Taken from the publicly available module catalogues and syllabuses of the public administration study programs.

Please note that the subjects compared were chosen randomly, this should not be a value judgement about the importance of these subjects. Unfortunately, the secondary school system does not provide students with these basic IT skills either.

Just five out of 16 Federal States of Germany have ICT as a mandatory part of secondary education.³⁴

Why is the ICT teaching content of Public Administration studies in Germany so small as compared to other subjects? One has to consider that Germany is highly decentralised with 16 highly independent Federal States plus the Federal Republic itself, which have regulations issued by their respective Ministries of the Interior, regulating the content of the Public Administration studies in the respective Federal State. 12 of these 17 regulations do not even mention ICT, digital courses or such subjects. There is an agreement in the Federal States paper mentioned above,³⁵ which set some minimum standards.

³⁴ Informatik Monitor, Gesellschaft für Informatik (GI), 15.03.2021.

³⁵ Positionspapier zur Gleichwertigkeit von Bachelor-Studiengängen und -Abschlüssen mit Diplom Studiengängen und -Abschlüssen an Fachhochschulen im Rahmen einer Ausbildung für den gehobenen allgemeinen

Unfortunately – for the ICT knowledge of the civil servants in Public Administration – the last big reform of the German Fundamental Law took away the Federal Republic’s competence to set a framework, i.e. calling for minimum ICT content of these studies.

In addition, the respective universities, which had to transform the regulation on the level of the respective Federal State into syllabi and regulations, failed at times as well. If we take Lower Saxony for example, the universities there should teach ICT in the Public Administration studies – but they do not, their syllabi and regulations on university level fail to comply with the regulations of Lower Saxony.

The authors analysed all the syllabi and regulations and found the following:

Table 2 • Selected content of Syllabi and Regulations concerning Public Administration Studies in Germany

		Regulation at the level of the Federal State			Any ICT share of teaching hours implemented
		Digital competences explicitly mentioned	Digital content in the regulation	ICT relevant for exams	
1	Baden-Württemberg	no	yes	yes	yes
2	Bavaria	n/a	yes	yes	yes
3	Berlin	no	no	n/a	yes
4	Brandenburg	n/a	no	n/a	yes
5	Bremen	n/a	yes	yes	n/a
6	Federal Republic of Germany	no	no	n/a	NONE
7	Hamburg	no	yes	yes	yes
8	Hesse	no	yes	yes	NONE
9	Mecklenburg-Vorpommern	n/a	yes	yes	Yes
10	Lower Saxony	n/a	yes	yes	NONE
11	North Rhine-Westphalia	n/a	yes	yes	NONE
12	Rhineland-Palatinate	n/a	yes	yes	NONE
13	Saarland	n/a	yes	no	no data available
14	Saxony	n/a	no	n/a	yes
15	Saxony-Anhalt	n/a	no	n/a	NONE
16	Schleswig-Holstein	n/a	yes	yes	yes
17	Thuringia	yes	yes	yes	yes

Source: Taken from the public available regulatory/statutory requirements of the states and the federal government.

(nichttechnischen) Verwaltungsdienst. Ergänzung zum Positionspapier der Innenministerkonferenz vom 19./20.11.1998 (online: <http://docplayer.org/25730643-Ergaenzung-zum-positionspapier-der-innenministerkonferenz-vom-19-die-nachstehenden-ausfuehrungen-beziehen-sich-auf-bachelor-studiengaenge.html>).

It is obvious that not all Federal States fully comply with their own legal obligations and it is also obvious that the level of ICT knowledge acquired at the universities when studying Public Administration differs significantly from Federal State to Federal State.

RECOMMENDED FIXES

If we recall the introducing lines of this study, the state of e-Government in Germany is saddening in the international comparison. We have shown that the staff, whose task is to digitalise Public Administration, is poorly trained both in their secondary and tertiary level education with respect to ICT knowledge.

In order to improve this situation, we have to distinguish between a short and a medium-term horizon. But this alone cannot solve the issue that a long-term strategy has to be conducted to generate an adequate ICT learning track as part of the education for public administration. Also, the lack of ICT knowledge students get during secondary education must be addressed.

Quick win: ICDL adaption

There is a worldwide agreed and recognised education program which provides basic as well as advanced ICT knowledge: The International Certification of Digital Literacy (ICDL),³⁶ formerly known as European Computer Driving License (ECDL). It consists of several modules, grouped into:³⁷

- ICDL Workforce Modules
 - Essential Skills
 - Application Essentials
 - Computer and Online Essentials
 - Computer Essentials
 - Online Essentials
 - Office Applications
 - Documents
 - Spreadsheets
 - Presentation
 - Good Practice
 - IT Security
 - Online Collaboration
 - Data Protection

³⁶ Cf. icdl.org.

³⁷ Cf. <https://icdl.org/icdl-programmes/>. The authors listed only those modules, which they believe fit into a Public Administration education.

- ICDL Professional Modules
 - Creative
 - Presentations (Advanced)
 - Documents (Advanced)
 - Entrepreneurial
 - Digital Marketing
 - Project Planning
 - E-Commerce
 - Computational
 - Management Spreadsheets
 - Financial Spreadsheets
 - Data Analytics
 - Using Databases
- ICDL Digital Students Module³⁸
 - Essential Skills
 - Information Literacy

Remarkably, ICDL is a mandatory content in many countries, e.g. for Austrian police officers and army officers and in Austrian secondary schools it is offered to each pupil, but in Germany it is often only considered for the unemployed by the employment administrations as individual training measure.³⁹

The modules are available as online trainings together with a decentralised exam infrastructure, hence it can be easily implemented for the Public Administration universities within a few months.

Medium range: eGov-Campus curriculum integration

The so-called eGov-Campus⁴⁰ is a project on behalf of the central Germany's governments IT institution, the IT-Planungsrat, the intention to provide e-Government teachers with teaching materials, easily available and implementable. Several reputable universities are project partners. A number of such modules does exist and is available for self-learning online.

The modules available have a workload of around 150 hours each; hence for a use in the real world the creation of smaller modules seems to be more appropriate. The German University of Administrative Sciences Speyer is the first University to start to apply an

³⁸ Note that these modules are developed and not all of them are available yet from the ICDL foundation. The authors considered only those available.

³⁹ Cf. <https://bildungsgutschein.kursportal.info/g170>

⁴⁰ Cf. <https://egov-campus.org/projekt/beschreibung>. Like many ICT-related official websites in Germany it is unfortunately available in German language only.

on-Campus program to teach a selection of eGov-Campus Modules in a hybrid manner, so that these courses are taught partly in presence lessons.

CONCLUSION

e-Government in Germany lags heavily behind its peers and even far less developed countries. We believe one of the main reasons for this situation is that ICT is terribly neglected in those universities and institutions that provide Public Administration tertiary education. This is either because of ICT skills need not be taught due to individual Federal State regulations or, if a regulatory element, are neglected by the universities. Such inadequately trained staff, which simply has “average John Doe ICT skills”, cannot be expected to digitise the public administration.

The authors recommend two measures to be implemented immediately, first the mandatory introduction of the approved ICDL as a quick fix and, in the medium run, a streamlining and standardisation of e-Government training by deepening and widening the existing e-Government Campus. And, furthermore, making the use of the modules and materials developed in the e-Government Campus mandatory.

The current situation of little and non-unified syllabi is definitely not satisfying and, highly likely, one of the main reasons why we have such a situation with German e-Government.

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Szilárd Hegedűs – Csaba Lentner

ANALYSIS OF THE COMPETITIVENESS OF THE HUNGARIAN TAX SYSTEM IN AN INTERNATIONAL ENVIRONMENT¹

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A composite indicator of tax competitiveness will be presented, which ranks Hungary among the moderately competitive OECD countries. It is compiled in such a way that corporate taxation and labour taxes pull the average upwards, and that an additional competitive advantage is the taxation of cross-border transactions. On the other hand, the significant tax administration burden, which worsens the value of the composite indicator, can be considered as a disadvantage. Hungary is in the worst position in terms of tax rates for consumption taxes. Overall, our tax competitiveness has improved by about 8 ranks from 2014 to 2021. We found that the Hungarian tax system is mostly characterised by a monetarist approach, but it also widely applies tax incentives, which is a characteristic of the Keynesian school. The evolution of tax revenues shows that sales taxes represent a significant share. Another feature of the Hungarian tax system is the significant reduction in taxes on labour, which is offset by increases in the personal income tax (PIT), which rises in line with income (solvent demand), and by increases in sales taxes resulting from the growth in consumption.

KEYWORDS:

tax systems, monetarist and fiscal economic schools, unorthodox method, Hungary, OECD countries

¹ Made in the Széll Kálmán Public Finance Lab at the University of Public Service, Budapest.

ECONOMIC ASPECTS OF TAXATION AND A LITERATURE REVIEW RELATED TO TAX COMPETITIVENESS

The modern tax system was addressed by Adam Smith, one of the founding figures of economic thought, in his seminal work of 1776.² Smith believed in the self-regulating ability of the market and developed his system of criteria accordingly. According to his opinion, a good tax system takes into account the taxpayers' ability to pay and their ability to pay taxes and meets the conditions of predictability and transparency. The position of Fellegi and his colleagues³ is that an important criterion for the tax system is that it can be fulfilled in a timely manner for the taxpayer, and that the collection costs from the side of the tax authorities should be low. And in times of crisis, it becomes of paramount importance that the volume of taxes should ensure as much as possible that the state's resources are covered.

Musgrave and his co-author⁴ agreed with Smith's ideas in that the tax system should operate at a minimum cost, with the smallest deadweight loss. In their opinion, the stabilisation function is the one of the state economic functions that should be supported most by the creation of an appropriate tax environment. In his paper published in 2000 Stiglitz⁵ agreed with Smith and Musgrave's cited studies, but added the condition of efficiency, flexibility, and the importance of political-social responsibility.

Among the schools of economics, we can distinguish several groups of views. For the purposes of our topic, we will highlight two of them: the monetarist view based on classical economic thought and the Keynesian doctrine. In chronological order, classical economic thinkers such as Smith in 1776 and Ricardo⁶ in 1817 formulated theorems on the economic impact of taxes in their seminal works. According to their consistent opinion, the market is capable of self-regulation, hence a continuous budget is guaranteed. Based on this, Mill⁷ argues that a properly designed tax system can therefore adapt to market conditions. However, the period of the Great Depression showed that the state must necessarily intervene when market conditions are no longer able to run the economy properly. Therefore, Keynes⁸ argued that the state should intervene in the economy, and so he advocated an interventionist tax system. In the period following the oil boom of the 1970s, economic views were based on the idea of reducing market regulation, and thus on a deregulated tax system, especially the monetarist economic trend associated with Friedman.⁹

² SMITH 2007 [1776].

³ FELLEGI et al. 2022.

⁴ MUSGRAVE–MUSGRAVE 1989.

⁵ STIGLITZ 2000.

⁶ RICARDO (2001) [1817].

⁷ MILL 2015.

⁸ KEYNES 1936.

⁹ FRIEDMAN 1980: 6–7.

Table 1 • Characteristics of taxes at different economics schools

	Keynesian school – intervener tax system	Monetarist school – self-regulating, deregulated tax system
Income taxes	Progressive tax system, otherwise unfair to low-income earners	Reducing progressivity to avoid performance restraint
Tax benefits	Many tax benefits, in favour of state interventions	Reduction of benefits, normative tax system
Capital gains	Taxed on the same terms as wages	Reducing and eliminating taxes to support reinvestment
Sales taxes	Low rates, due to regressive effect	Preferred, consumption taxed at higher rates

Source: Compiled by the authors based on FELLEGI et al. 2022.

In our study we compare the views of the two schools of economics with those of the OECD countries, especially Hungary. According to the Keynesian school, it is important to operate progressive taxation, i.e. multi-rate income taxation. It considers that if marginal tax rates are low, this can be seen as unfair to lower earners. Hence, higher income tax rates were intended to achieve an income correction. Tax incentives can be a means of state intervention by which the state seeks to achieve the desired economic effect. Keynes considers it important that capital be taxed on the same terms as wages. Interventionist Keynesian tax theory advocates a tax system based on income and wealth taxes, with less use of consumption taxes.

The monetarist school of economics returned to classical economic views and believed in deregulation. It therefore argued for a normative tax system to facilitate tax administration. They proposed a relaxation of progressivity to promote performance and thus economic growth. Lower tax rates on capital gains are desirable, as they do not prevent the reinvestment of capital and the provision of resources to companies. Consumption taxes are preferable in the school's view, as their burden can be properly distributed among economic agents, which helps to reduce progressivity.

The proper functioning of the tax system determines the financial stability and resilience of a country or group of countries. Péter Halmi¹⁰ examined the impact of taxation on economic resilience through an EU example. József Varga¹¹ analysed the effects of tax cuts as a means of whitening the economy. In his study, he highlighted tax reduction as a tool for economic whitening, and in addition to these, he emphasised the development of the tax authorities' information system and the improvement of tax morale as a tool for whitening the economy. László Nagy's¹² study among the Visegrád 4 countries found that there is no correlation between the competitiveness of tax regulation and capital

¹⁰ HALMAI 2021: 7–31.

¹¹ VARGA 2017: 7–21.

¹² NAGY 2017: 21–36.

inflows, i.e. a country's tax system can be competitive even if taxes are higher, but he also reflected that competitiveness can be increased not primarily by simplifying tax rates but by simplifying tax regulation.

From our experience, we also see that demanding FDI does not primarily consider tax rates and the tax code itself before making decisions, but rather how stable the country is from a public finance point of view, how developed its work culture is, how skilled its workforce is and how modern its infrastructure is.

Economic analyses mainly emphasise the importance of an appropriate tax environment for the economy, while on the legal side, they see regularity and predictability as the cornerstone of trust. The latter has been investigated by Norbert Kis¹³ and Zsuzsanna Hutkai with co-authors.¹⁴ The coordination of legal and economic issues can be adequately assessed at the micro level by behavioural economics (based on Dobos – Takácsné György¹⁵ and Gergely Deli et al.¹⁶), in this case we will examine the legal and economic aspects of the tax system together.

MATERIAL AND METHODOLOGY

For the OECD country studies, we were able to find comprehensive, audited data up to 2020. In our empirical analysis of tax systems at the international level, we have identified four main research objectives, as follows:

Table 2 • The characteristics of taxes in different schools of economics

Destination number	Time horizon	Purpose in brief	Examined variables/types of taxes
1.	2014, 2019, 2020	The creation of a simple indicator system that can be measured in an international environment	STCI
2.	2014–2021	Dynamic analysis of regulation in the Hungarian tax system	Corporate tax, general sales tax, social contribution tax, personal income tax, small business tax
3.	2014, 2019, 2020	Income structure of the Hungarian budget	see Table 6
4.	2014–2021	International Taxation Index	Hungary's rankings and sub-indices

Source: Compiled by the authors.

¹³ KIS 2019: 209–223; KIS 2018: 299–311.

¹⁴ HUTKAI et al. 2019: 9–29.

¹⁵ DOBOS – TAKÁCSNÉ GYÖRGY 2020: 36–49.

¹⁶ DELI et al. 2020.

Objective 1: To measure the obscure and sophisticated nature of the tax system in an international context (complexity, variability of tax burden), an indicator of the time spent on tax rates and tax returns, called the “Simple Tax Composite Indicator” (STCI, short: composite indicator). Three categories (STCIct) were created based on the score derived from the composite indicator. The resulting categories were further analysed.

For the time interval, we considered the years 2014, 2019 and 2020.

The timeframes considered are 2014, 2019 and 2020. The years were chosen because 2014 was the first year of recovery from the 2007–2008¹⁷ crisis, 2019 was the last year before the Covid pandemic, and 2020 was the first year with a pandemic and the last year for which audited data for all variables under study were available at the time of our analysis.

Objective 2: A regulatory dynamics analysis of the changes in the Hungarian tax system between 2014 and 2021, focusing on the changes in the tax legislation and their direction. In our analysis, we assess the changes in tax rates, the evolution of the tax wedge in a V4 comparison.

Objective 3: We have examined the revenue structure of the Hungarian budget in 2014, 2019 and 2020, aligned with the timeframe defined in the first objective, with the 2020 endpoint due to the availability of internationally audited data for that year.

Objective 4: The sub-indices and index of the International Competitiveness Index for Hungary, which is considered the international benchmark, are examined for the period 2014–2021 (based on Bunn–Asen¹⁸).

For our first research objective, we used the following indicators, based on the database published by the OECD:

- Corporate tax rate (CTR_t)
- Added value key (VR_t)
- Maximum Income Tax Rate (TIR_t)
- Corporate tax liability time expenditure (CorpTi_t)
- Current sales tax time expenditure (ConTi_t)
- Time expenditure on taxes on labour (LabTi_t)

The composite indicator was calculated by dividing the six variables listed into three categories. The starting point was the OECD average value of each indicator. The value above the average was awarded 3 points, while if the value of the indicator was less than 50% of the OECD average, it was awarded 1 point, and the intermediate was awarded 2 points. Accordingly, 1 point is a low rating, 2 points a medium rating and 3 points a high rating. The STCI indicator is the sum of the scores for the six variables separately. The aim

¹⁷ In relation to Hungary, this was the first full year when the country came out of the EU’s excessive deficit procedure, and the OECD countries also comprehensively consolidated their economies by 2014.

¹⁸ BUNN–ASEN 2022.

of the indicator was to provide a simple and easy to calculate indicator system. The data obtained were analysed in an international and national context. The data source was the publicly available OECD database.¹⁹

The database published by the OECD does not include the normative, standard tax rates were the only ones available. Tax administration time is an estimate, here we have accepted the OECD estimate as accurate.

SUB-INDICATORS AND VALUES OF THE SIMPLE TAX COMPOSITE INDICATOR (STCI) IN OECD MEMBER COUNTRIES (2014, 2019, 2020)

We begin the presentation of the own composite indicator with the descriptive statistical analysis, referring to the six sub-variables. In this respect, we examined the development of the six indicators in relation to three given years, that is, we examined 18 variables. In Table 2, we examined the level of tax rates using univariate statistical indicators. In Table 3, we examined the working hours spent on reporting each type of tax using simple statistical indicators.

With regard to the corporate tax rate, it can be stated that in 2014 the lowest value was in Switzerland (this country occupies the first place); however, the fact that cantons also levy different rates of tax on this tax base shades the picture. In 2014, Ireland had the second lowest tax rate at 12.5%, but the tax rate was low in Lithuania and Latvia, as well as in Canada. The highest corporate tax rate was applied in France and the USA, but the tax rate was high even in Columbia. In the first year of recovery from the crisis (2014), the average value in the examined countries was 25%, which is also the same as the median value (Table 3).

The average rate of corporate tax liability decreased by 24% in 2019, as did the minimum (9%) and maximum values (34%). The lowest tax rate this year was applied by Hungary, and the tax rate was also low in Ireland and Switzerland. Several countries with previously high tax rates (e.g. Belgium, the United States) have decided to reduce taxes. In the first year of the Covid pandemic (2020), Hungary also had the lowest corporate tax rate, followed by Chile, which adopted a significant tax cut, and then Ireland. This year, the highest corporate tax rates (32%) were in France and Columbia (Table 2).

In the case of corporate tax, the general trend in most countries has been towards tax cuts, especially in countries with higher tax rates than the OECD average.²⁰

Furthermore, the average value added tax rate was 19% in all years examined, while the minimum rates increased slightly (from 5% to 7%). The lowest value added tax rates (7%)

¹⁹ For more information see <https://stats.oecd.org/>

²⁰ A possible explanation for this is that individual EU member states supported the stimulation of consumption and capital formation with tax cuts (see CZEZELI et al. 2021: 53–84).

were in Canada and Switzerland over the period, while the maximum rate was 27% in all years examined (Table 3).

For personal income tax, a distinction can be made between countries with progressive tax policies and countries with linear tax policies. The countries that applied a linear tax rate in 2014 were the Czech Republic, Estonia, Hungary, Latvia and Lithuania, i.e. mostly the EU member states that joined the European Union in 2004. The lowest rate was 15% for all the years under review for personal income tax rates. For the average, there was a slight increase until 2020, when the OECD average rose from 42% to 43%. Luxembourg had the most complex personal income tax system in 2014, with 19 tax rates, but Switzerland and Mexico also have 11 rates. There have been several changes to personal income tax rates for 2019, with Lithuania and Latvia, for example, phasing out single-rate taxation. Luxembourg, Mexico and Switzerland did not significantly change the number of personal income tax rates, while Luxembourg introduced a small tax cut, which remained unchanged in 2020. The highest marginal rates were applied by Austria and Belgium in 2014, with Austria leading the way in 2019 and 2020 (with a tax rate of 55%) (Table 3).

Table 3 • Descriptive statistical analysis of the tax rate sub-indicators (N = 36)

Variable	Corporate tax rate (CTR)			Value added key (VR)			Highest income tax rate (TIR)		
	2014	2019	2020	2014	2019	2020	2014	2019	2020
Mean	25%	24%	23%	19%	19%	19%	42%	42%	43%
Std. Deviation	7%	6%	6%	6%	5%	5%	12%	12%	12%
Median	25%	25%	23%	20%	21%	21%	46%	46%	46%
Minimum	13%	9%	9%	5%	7%	7%	15%	15%	15%
Maximum	38%	34%	32%	27%	27%	27%	50%	55%	55%

Source: Compiled by the authors based on the OECD data (2022).

If we look at the amount of time (hours) spent on corporate tax administration, the trend points towards a decrease, especially in countries where the administrative demand for corporate tax liability was significant. The analysis of the data shows that the time spent on tax returns decreased significantly from 2014 to 2019 but stagnated or increased slightly in most countries in 2020, the obvious reason being the pandemic-induced increase in home office and the associated difficulties in accessing databases and communication interfaces (Table 4).

A similar process can be established about the time spent on sales tax declarations, where after the decrease in 2019, the time spent on declarations and administration increased slightly. Only taxes on labour show a decreasing trend in most countries in the three years under review, which indicates that the degree of digitisation is the highest for these types of taxes (Table 4).

It can also be stated that significantly more working hours were spent on declaring sales taxes than the time spent on labour taxes. And the least amount of time was spent, on average, on reporting the corporate tax liability (Table 4).

Table 4 • Descriptive statistical analysis of the working time (hours) spent on reporting each type of tax (N = 36)

Variable	Corporate tax liability time expenditure (CorpTi)			Current sales tax time expenditure (ConTi)			Time expenditure on taxes on labour (LabTi)		
	2014	2019	2020	2014	2019	2020	2014	2019	2020
Mean	46	43	43	70	67	66	58	54	55
Std. Deviation	29	25	26	39	36	36	32	29	34
Median	38	38	38	63	61	61	49	46	45
Minimum	10	5	5	14	14	14	8	8	8
Maximum	155	110	110	198	169	169	125	125	172

Source: Compiled by the authors based on OECD data (2022).

The STCI value is the sum of the point values calculated from the six variables described above, with a maximum value of 18 points. The value is considered favourable if it is as low as possible. A low STCI value occurs when the tax rate is lower than the average or when the number of man-hours required to prepare a particular return is lower than the average.

If we look at the ranking of countries based on the index, we see that Estonia’s tax system has been the most competitive in each year, sharing the index with Switzerland in 2014 and leading the rest of the year. In second place each year was Norway, sharing the ranking with Switzerland in 2019 and the USA in 2020.

Table 5 • Summary table of the STCI indicator and the resulting rankings for the three years under review

	STCI ₁₄	Rank ₁₄	STCI ₁₉	Rank ₁₉	STCI ₂₀	Rank ₂₀
Australia	13	3	13	4	13	4
Austria	16	6	17	8	16	7
Belgium	15	5	15	6	15	6
Canada	15	5	15	6	15	6
Chile	15	5	16	7	15	6
Colombia	16	6	17	8	17	8
Czech Republic	15	5	15	6	15	6
Denmark	13	3	13	4	13	4
Estonia	10	1	9	1	9	1
Finland	12	2	12	3	12	3
France	15	5	14	5	15	6
Germany	16	6	16	7	16	7
Greece	17	7	17	8	17	8

	STCI ₁₄	Rank ₁₄	STCI ₁₉	Rank ₁₉	STCI ₂₀	Rank ₂₀
Hungary	14	4	13	4	13	4
Iceland	13	3	14	5	14	5
Ireland	12	2	13	4	13	4
Italy	17	7	16	7	17	8
Japan	15	5	13	4	15	6
Korea	14	4	15	6	14	5
Latvia	13	3	15	6	14	5
Lithuania	14	4	14	5	15	6
Luxembourg	12	2	12	3	13	4
Mexico	13	3	13	4	12	3
Netherlands	15	5	14	5	14	5
New Zealand	13	3	15	6	15	6
Norway	12	2	11	2	11	2
Poland	15	5	15	6	14	5
Portugal	18	8	16	7	15	6
Slovak Republic	14	4	15	6	16	7
Slovenia	17	7	17	8	16	7
Spain	17	7	17	8	18	9
Sweden	15	5	15	6	14	5
Switzerland	10	1	11	2	12	3
The Republic of Türkiye	15	5	15	6	13	4
The United Kingdom	13	3	12	3	13	4
The United States	14	4	13	4	11	2

Source: Compiled by the authors based on own research (2022).

Hungary is ranked fourth in the index in each of the years under review, with a positive trend towards a decrease in the index value due to the reduction in the corporate tax rate, which has reduced the score. In our calculated system, the decrease in the score is a positive trend, but there has been no change in the other sub-areas (Table 5).

CASE STUDY OF THE HUNGARIAN TAX SYSTEM BETWEEN 2014–2021

In our regulatory dynamics analysis, we reviewed the relevant tax rules, in this case concluding the analysis in 2021 with a review of the completeness and the last closed domestic tax data.

The Hungarian tax system has undergone a major reform since 2010. One of its main features is the shift towards taxes on consumption and sales, as opposed to taxes on labour and corporate income. There have also been several changes and simplifications within the tax categories. As shown in the previous section, the Hungarian tax system is unique in that it has the lowest corporate tax rate among the OECD countries, while at the same time

it has the highest VAT rate of all the countries surveyed, placing it in the middle field of the STCI index, just missing the podium (4th place) every year.

To understand Hungary's tax competitiveness, let us look in more detail at the evolution of the tax rates for the main tax categories over the period 2014–2021.

In the EU Directive on Added Value,²¹ VAT is a linear rate,²² basically a single-rate tax, in addition to which two preferential tax rates can be applied. The tax rate according to the main rule did not change during the examined period (27%), however, the range of products and services included in the preferential rate was continuously expanded (Figure 1). In the period under review, basic foodstuffs (pork, poultry, milk, eggs, fish) were gradually transferred to the discount rate. To encourage investment and construction, the VAT on new apartments is included in the discounted rate, which lasts until the end of 2022. The Internet service, as well as the VAT rate for catering and commercial accommodation services, were also subject to a 5% rate. The 18% rate now includes only a limited range of products and services (bakery, certain dairy products, provision of music and dance events). There were therefore targeted tax reductions in the VAT during the examined period, which applied to basic foodstuffs and to services and products that have an impact on GDP growth.²³

The social contribution tax rate (hereinafter referred to as: SZOCHÓ)²⁴ started to decrease from 2017 onwards (from 27% to 13% in 2021) (Figure 1), as compensation for the significant increase in the minimum wage and the guaranteed minimum wage, when a multi-year wage agreement was reached between employers, employees and the government. Under this plan, the government plans to reduce employment taxes to 11% over 6 years, in parallel with the phasing out of the vocational training levy in 2022. The aim is to simplify the tax burden on labour and to use the reduction in the tax burden to increase wages for companies and employers. Therefore, from 2017 to the end of 2020, the average gross salary increased from 290 thousand HUF to 403 thousand HUF, according to the KSH,²⁵ which is an increase of about 43%. In the SZOCHÓ, additional tax benefits are available to taxpayers if they employ disadvantaged groups due to their employment situation (people with an altered work capacity, career starters, people without professional qualifications) and if they carry out knowledge-intensive activities (researchers, R&D workers).

Regarding the personal income tax (PIT),²⁶ a change occurred in 2016, as the tax rate was reduced by one percentage point to 15% (Figure 1). The changes within the tax system have had a significant impact mainly on the tax base benefits. The first-married couples' allowance was introduced in 2015, to be claimed by newlyweds for 24 months as a tax base

²¹ Council Directive 2006/112/EC of 28 November 2006.

²² Act CXXVII of 2007 on General Sales Tax.

²³ EU developments generate considerable VAT revenue, so they have a strong budgetary impact (see NYIKOS et al. 2020: 346–361).

²⁴ Act LII of 2018 on Social Contribution Tax.

²⁵ KSH – Hungarian Central Statistical Office (www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli029b.html).

²⁶ Act CXVII of 1995 on Personal Income Tax.

allowance. The amount of the family tax base allowance has increased, in particular for those with two children, doubling from the previous allowance of HUF 66,670 per child to HUF 133,330 per child in 2019. A tax base allowance for mothers with four or more children was introduced in 2019, giving a 100% tax base allowance on a defined range of income included in the consolidated tax base. From 2021, the personal allowance for people with long-term illnesses became a tax base allowance,²⁷ which mainly gives those entitled to the family allowance a higher tax deduction possibility.²⁸ There are a number of simplifications for personal income tax returns. A draft tax return has been introduced, which represents a significant relief for taxpayers compared to previous returns, in particular for self-assessment. The draft tax return has also been extended to self-employed persons and farmers. In this way, the tax authorities have made life considerably easier for taxpayers. The draft return can be accepted and amended. In this way, the tax administration has taken a step towards a more service-oriented tax administration model.

The PIT, the SZOCHÓ and the social security contribution are closely related in the Hungarian tax system. In case of separately taxable income, with the entry into force of the SZOCHÓ Act, the upper limit of SZOCHÓ paid for each separately taxable income increased significantly to 24 times the minimum wage.²⁹ The scope of fringe benefits and tax-free benefits has been significantly narrowed from 2019, mainly for SZÉP cards, with a significant part of the former tax-free benefits being taxed as wages. It should be noted that the tax burden on SZÉP card benefits is steadily decreasing thanks to the reduction of the SZOCHÓ. The Social Security Act came into force in 2019, which unified the contributions previously paid under four headings at a rate of 18.5%. The change in the law is particularly beneficial for families with children, as previously they could not claim the family contribution credit from the labour market contribution. On the downside, however, the rate has not been reduced, and full social security contributions are deducted for those employed on a contract basis if their income reaches the insurance threshold.

The small business tax (hereinafter referred to as: KIVA) was included in the Hungarian tax system from 2013.³⁰ Despite the initial resistance,³¹ by 2021 there were already 65,000 KIVA taxpayers in Hungary. The reason for the popularity of the tax is the simplification in 2017 and the decreasing tax rate together with the SZOCHÓ. A major advantage of the tax is that it makes employment cheaper for companies engaged in labour-intensive activities. However, it is a disadvantage for companies involved in vocational training, as they cannot benefit from the related corporate tax relief. The small taxpayers itemized lump sum

²⁷ It used to be a tax benefit, calculated at 5% of the minimum wage.

²⁸ In 2022, the tax base allowance for under-25s was introduced, providing a tax base allowance for young people up to their average income in the previous year.

²⁹ The reaction to changes in the economy can be observed in case of separately taxable income. One of these is the regulation on cryptocurrencies, which will be renewed in 2022, as well as the entrepreneur-friendly modification of general taxation, with the introduction of a tax-free income amount and its value stability due to its binding to the minimum wage.

³⁰ Act CXLVII of 2012 on the Itemized Tax of Low-Tax Enterprises and the Small Business Tax.

³¹ It was mainly experienced by accountants.

tax (hereinafter referred to as: KATA), is present in this legislation. Due to the nature of non-tax itemized tax, the tax rate has not changed. Nevertheless, in 2021, the regulation of the tax code was tightened, which aims to sanction covert employment, even though the tax code already had such a restriction. The burden on domestic payers is indeed able to substantially increase the burden on those employing KATA contractors; however, the tightening of regulations has disadvantageous characteristics for KATA taxpayers who perform abroad, especially in relation to the export of knowledge-intensive services.³² The KATA was recodified in 2022, significantly narrowing the scope of taxpayers and benefits.³³

The corporate tax (hereinafter referred to as: TAO)³⁴ is perhaps one of the most competitive types of taxes in Hungary with a rate of 9% (unchanged since 2017) (Figure 1), which is the lowest among the OECD member countries, and in this respect the value of tax competitiveness in 2020 was the highest in Hungary. In addition to the corporate tax reduction, a number of measures sought to improve competitiveness. These include the abolition of the maximum of the SME tax base discount, as well as the increase and then the abolition of the upper limit of the SME tax relief.

Since 2019, the development tax credit has been continuously available with a lower threshold, but it requires significant administration. The development reserve is a special institution in the corporate tax code, which allows the accounting of investments not yet made as depreciation under the advance tax law. In this respect, the threshold has also been removed. Corporate tax encourages employment, investment, donations and research and development³⁵ in a prominent way. We consider the limitation of the use of energy efficiency tax benefits to be the only adverse change in the law.

³² Outside of the examination time horizon, in the current tax year (from 1 September 2022), the KATA taxation has undergone a significant transformation, which means a significant reduction for taxpayers. Our analysis did not cover the system of local taxes either, where significant changes were also made from 2020 to the detriment of local governments as tax authorities and to the advantage of businesses.

³³ The law was amended a few weeks ago, so it has not yet been scientifically and thoroughly evaluated. However, it will be a priority area for research at the Széll Kálmán Public Finance Lab.

³⁴ Act LXXXI of 1996 on Corporate Tax and Dividend Tax. It is interesting that the dividend tax included in the name of the law has been subject to the PIT since 2005.

³⁵ The common feature of the latter is that, under certain conditions, a 3x tax base discount can be applied.

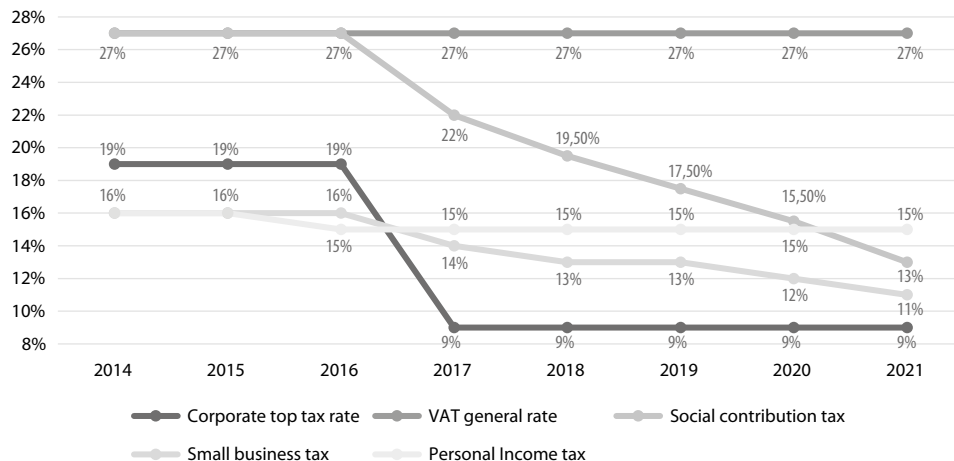


Figure 1 • Evolution of the tax rates of the main tax types between 2014–2021

Source: Compiled by the authors based on own research of the tax laws (2022).

Note: Figure 1 shows the top rate for corporate tax and the standard rate for VAT.

An important competitiveness indicator is the tax wedge, which is calculated by subtracting the ratio of the net wage and the total wage cost from 1.³⁶ As you can see, the tax wedge without discounts is the highest in Hungary, but at the same time, a continuous decrease can be observed from 2014 onwards. From 2016, the decrease was caused by the reduction of the PIT rate, while from 2017 onwards, the reason for the decrease can clearly be traced back to the reduction of the SZOCHÓ. It can be seen that all V4 countries surveyed have a significantly higher value of the tax wedge without benefits, which represents a limited spending of income among those without children or already raising children.

If we are analysing it at an international level, the tax wedge in the Czech Republic rose during the period under review, but the pandemic interrupted the rise and brought it back below the Hungarian level. The lowest tax rate in the region is in Poland, which has a lower average than the OECD countries. The difference is striking in favour of the Czech Republic, Slovakia and Hungary compared to Poland (Figure 2). Besides the high VAT general rate, this is another major competitive disadvantage of the Hungarian tax system, as it taxes those not entitled to benefits more than the regional and EU average.

³⁶ Tax wedge formula: $[1 - (\text{Net wage} / \text{Total wage cost})]$.

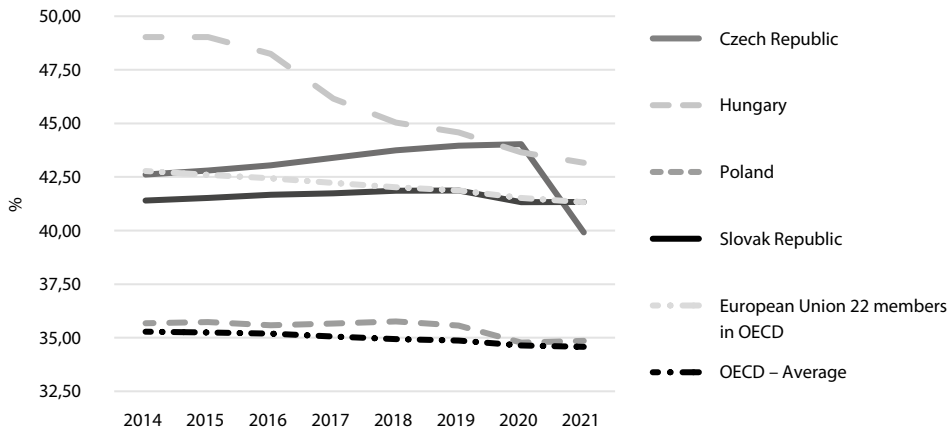


Figure 2 • Evolution of the tax wedge without discounts in Hungary and the V4 countries
 Source: Compiled by the authors based on OECD data (2022).

In another perspective, we also looked at the tax wedge for two-earner families with two children earning an average income. If we look at the Hungarian taxes, Hungary starts from the highest rate, like the individual tax rate without discounts, but from 2017 it manages to catch up with the regional average, ahead of Slovakia and, in some of the years under review, the Czech Republic, which implemented significant tax cuts following the pandemic. Also on the positive side, as of 2017, the Hungarian tax wedge is below the average of the OECD EU member states (Figure 3).

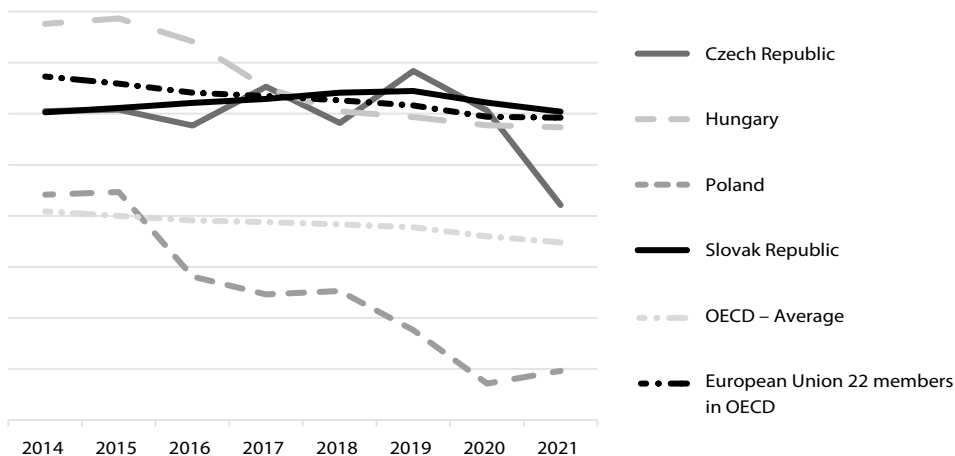


Figure 3 • Tax wedge for two-earner families with two children in Hungary and the V4 Region
 Source: Compiled by the authors based on OECD data (2022).

In summary, the Hungarian tax system manifests the reduction of the labour and income taxes and the increase in consumption taxes.

REVENUE COMPOSITION OF THE HUNGARIAN BUDGET IN 2014, 2019, 2020

Statistical data on the revenue composition were available until 2020; for this section we have chosen 2014 as the opening year, due to Hungary's exemption from the excessive deficit procedure (quasi-consolidated status), 2019 being the last year before the pandemic and 2020 the last audited year.

Public law revenues can be classified into two groups: fiscal and other public law revenues (based on Kézdi et al.).³⁷ The first of these, the composition of tax revenue, is analysed. The first aspect that can be filtered is that tax revenues increased by 37.7% from 2014 to 2019, while the GDP expanded by 44.8% in nominal terms. In 2020, as a result of the pandemic, tax revenues fell, the reason for which could be the tax concessions and facilitations applied to stimulate the economy, on the other hand, the performance of the economy decreased during the period of closures.

It can be seen based on the data that the share of taxes on income and profit is below 20%, and the share of taxes on income and profit is considered stable in the budget. It can also be seen that the role of corporation tax in total revenue is steadily decreasing, while local business tax, although not included in this category, is the dominant tax on corporate activity. Social security contributions account for a third of total tax revenue, but the amount paid in this area is decreasing. This is due to a significant decrease in the SZOCHÓ rate, which was compensated by the PIT receipts due to wage growth, while social security contributions were still more paid by employers in 2014, and by individuals in 2019 and 2020 as a share of GDP. In the Hungarian tax system, the role of wealth taxes, which occur at the local level, is not significant. As you can see, the role of wealth taxes is negligible within the total tax revenues, as these are taxes related to financial transactions. In the domestic tax system, the role of consumption taxes is the most decisive, since almost half of the revenues are provided by these sources, with VAT accounting for a larger share, while excise taxes account for a smaller share. Here too, the share and hence the value of taxes has been steadily increasing, mainly due to the increasing efficiency of tax collection. Several tax administrative measures taken during the period (online cash register, EKAER, online invoicing) have significantly reduced the Hungarian VAT gap³⁸ (Table 5).

³⁷ KÉZDI et al. 2018.

³⁸ A value of 22% in 2013 to 9.6% in 2019 (https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6466).

Table 6 • Composition of tax revenues between 2014–2020 in Hungary

Year	2014	2019	2020
Gross Domestic Product (billion HUF)	32,815,207	47,530,610	48,276,363
Total tax revenue (billion HUF)	12,584,578	17,329,497	17,034,772
Taxes on income, profits and capital gains	17.74%	17.72%	17.65%
Personal income tax	13.59%	14.18%	14.84%
Corporate income tax	4.15%	3.54%	2.81%
Social security contributions	33.06%	32.00%	30.98%
Employees	13.18%	15.99%	16.69%
Employers	19.69%	15.84%	14.29%
Taxes on payroll and workforce	1.76%	2.86%	2.73%
Taxes on property	3.32%	2.58%	2.98%
Building tax	0.83%	0.74%	0.77%
Recurrent fees on immovable property	1.52%	1.28%	1.32%
Recurrent fees on net wealth	1.10%	0.26%	0.63%
Taxes on financial and capital transactions	0.65%	0.97%	0.97%
Taxes on goods and services	43.79%	44.65%	45.38%
Value added fees	23.93%	26.12%	27.41%
Taxes on specific goods and services	12.97%	11.53%	11.66%

Source: Compiled by the authors based on OECD data and BUNN–ASEN 2022

To summarise, the data show an increase in tax revenues and a shift towards consumption taxes in the revenue structure of the Hungarian budget.

ASSESSMENT OF TAX COMPETITIVENESS IN HUNGARY BASED ON INVESTIGATIONS BY THE TAX FOUNDATION BETWEEN 2014–2021

Each year, the Washington-based Tax Foundation produces a tax competitiveness report for OECD member countries, the International Tax Competitiveness Index.³⁹ The report was completed for the OECD member countries between 2014 and 2021, so data for Hungary is also available for the period under review, and is summarised in Figure 4.

The index is also considered a composite indicator, as it determines the scores of the 5 sub-areas in a 100-point system. These sub-areas are: consumption taxes, corporate taxes, income taxes, wealth taxes and cross-border transactions. The sum of these scores gives the final score, which is also presented.

The analysis starts with the individual sub-indicators. Out of the list containing a total of 37 countries, Hungary achieved one of the worst rankings in terms of consumption taxes, as it

³⁹ BUNN–ASEN 2022.

is in 36th place. The explanation for this lies in the VAT rate, which is considered a world record, and the complexity of the regulatory environment, according to the research institute. This can be explained by the world record VAT rate and the complexity of the regulatory environment. The latter factor is mainly due to the time taken to administer consumption taxes.

The score for the tax burden on companies has improved significantly, as Hungary has the lowest corporate tax rate and an investor-friendly attitude. In terms of wealth taxes, Hungary is in the middle of the ranking, mainly due to the asset value taxes on the banking sector, where the tax burden on the population is low.

In the future, “extra profit taxes” are likely to have a significant impact on the banking system, and a deterioration in this area is therefore predicted. Hungary’s favourable position regarding the taxation of cross-border transactions is due to individual measures and subsidies that can be enforced within the tax system.⁴⁰ The taxation of income is in a relatively favourable range, with improved rankings, the reason for which is that the burden of taxes on capital is lower, and the Tax Foundation considers the single-rate PIT system to be favourable (Figure 4).

As a result, the Hungarian tax competitiveness index has been on a steadily improving trend since 2014, while the pandemic, the Russian–Ukrainian war and the management of fiscal imbalances are likely to lead to a stronger use of fiscal and tax policy tools, which we forecast to lead to a deterioration of the index value.

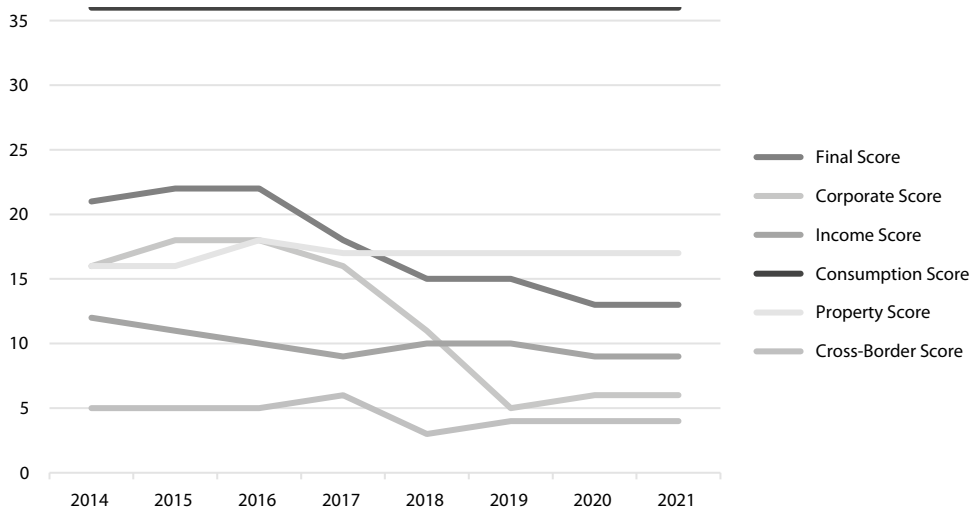


Figure 4 • Rankings in the OECD Tax Foundation’s tax competitiveness categories for Hungary
Source: Compiled by the authors based on BUNN–ASEN 2022

⁴⁰ Magdolna Csath drew attention to the dangers of this, as she believes that transfer pricing can result in companies underperforming their actual performance (see Csath 2019: 30–50).

If we look at the research institute’s statistics for other countries, we see that for every year between 2018 and 2021, Estonia was the country with the most competitive tax system (as in the STCI indicator we use), followed by Latvia in second place for most of this period, and New Zealand in third place. Switzerland’s tax system has also improved significantly over this period (although the STCI indicator shows the opposite), with Poland, France and Italy typically at the bottom of the list. The data show that the tax competitiveness of our country followed an improving trend until the outbreak of the epidemic crisis.

CONCLUSIONS

An important result of our research is the development of an indicator system measuring tax competitiveness, according to the criteria of which Hungary belongs to the competitive countries. Its competitive advantage is particularly evident in corporate taxation and labour taxes, but it is at a disadvantage due to the complexity of tax administration. According to the Tax Foundation, the most competitive area of the Hungarian tax system in 2021 was in the tax rules on cross-border transactions, followed by the rules on corporate taxation, which play a significant role due to international capital flows. Not surprisingly, Hungary ranks worst in consumption taxes. On the positive side, Hungary has improved its overall tax competitiveness by about 8 positions from 2014 to 2021.

Economic analysis and regulatory dynamics studies have shown that the Hungarian tax system favours elements of the monetarist conception, but cannot be considered a purely monetarist tax system, as it also applies tax allowances, which are a characteristic of the Keynesian school (Table 7). Several allowances have been incorporated into the tax elements that impose taxes on income and profits. Family benefits, marriage, maternity benefits of large families, young people and people with long-term illnesses receive substantial benefits in the form of tax base relief through the tax system.

Table 7 • Characteristics of the Hungarian tax system according to the perception of economic schools

	Keynesian school	Monetarist school
Income taxes		
Tax benefits		
Capital gains		
Sales taxes		

Source: Compiled by the authors based on own research (2022).

Hungarian corporate taxes show a strong support for SMEs, both in terms of taxes and tax base benefits. These traits follow the characteristics of the Keynesian school. Capital

income is taxed at a lower rate than wages,⁴¹ especially if the taxpayer is not entitled to any benefits.

The preference for sales taxes is reflected in the evolution of tax revenues, which increased both in share and nominal value compared to 2014. The preference for consumption taxes is reflected in the significantly high VAT rate of 27%, which is also significantly high at world level. Another sign in this direction is the development of a tax system that encourages work, in particular employment, which has significantly reduced the size and share of labour taxes in tax revenues, which can be compensated by the increase in the personal income tax resulting from the increase in incomes.

The revenue composition also reflects the preference for a monetarist approach, given that sales tax revenues are the most important, with a significant reduction in VAT evasion. The next few years will show to what extent the Hungarian tax system built up since the 2010s can be maintained, with sales and consumption taxes playing a key role. A similar trend can also be observed for crisis taxes, so it is likely that these taxes will also be responsible for restoring budgetary balance.

Based on our survey of the OECD countries, we found that even if the level of taxes is high, but if the investors see the operation of the country safe, that is, if they receive adequate infrastructure and a macroeconomic environment, then they consider the given country to be competitive. Moreover, not only the time spent on tax administration but also the tax rates are a major determinant of a country's tax competitiveness, and in particular the low degree of change in tax rules, i.e. predictability, is a positive factor.

Our analysis shows that in the OECD countries, corporate taxes decreased between 2014 and 2019, income taxes tended to increase among the countries making tax changes, while consumption taxes and value added taxes showed a clear upward trend. The explanation for this phenomenon is that countries are trying to encourage investment through favourable corporate tax rates and, to a lesser extent, reduced administration. The impact of the pandemic, since it occurred in the middle of the year (2020) in most OECD countries, has not yet triggered tax policy changes, and it is likely that the full impact of the pandemic will be felt in the years to come.

⁴¹ Due to the upper limit of the SZOCHÓ, with regard to the taxation of dividends and exchange rate gains, even without the upper limit, a total of 28% is taxed, while income from wages is taxed at a total of 41.15%.

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Stefany Mercedes Cevallos

RETHINKING PUBLIC ADMINISTRATION AND THE IMPORTANCE OF URBAN MARKETING

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This article analyses the role of urban marketing in the governance of local governments in Ecuador in line with the Organic Code for Regional, Autonomous and Decentralized Organization (COOTAD). The governance debate demonstrates the potential that local governments may have to assume the competence to attract Foreign Direct Investment (FDI). It also highlights the importance of urban marketing in the construction of Ecuador's branding or of Ecuador's image and its economic positioning in the regional and international sphere. The paper arrives at the conclusion that local government is coordinating commercial and institutional agendas to ensure economic, socio-political and technological development in Ecuador.

KEYWORDS:

public administration, governance, urban marketing, local government, FDI, PPPs

INTRODUCTION

For centuries, countries have been working to create and maintain a strong national reputation for producing quality products. Furthermore, companies in a country need to recognise that their national government functions as the final arbiter on issues of brand and contribute to and comply with its strategy, while countries should collaborate with other companies and even competitors to promote the nation's reputation. A country of origin represents the country or countries of manufacturing production, design, or brand origin. Ideally, the government should never miss an opportunity to acknowledge and promote its country's products, which represent the population and their culture's image or the national characteristics.¹

Public policies should be sustainable over time, while also responding to changing external conditions. In Ecuador, public policies since the period of Socialism in the 21st century have been established in such a way as to be able to be properly enforced, to further the general welfare of the population, and to produce efficient outcomes. It is important to emphasise the role of the Republic's Constitution (2008) in taking charge of the construction of national policies orientated towards public investment, with the aim of promoting the reform of the State and the free market economy and presenting a new image of the country with urban marketing as an asset.

Overall, governance and meta-governance according to Jessop, is constantly replacing traditional, hierarchical models of public administration of States with market driven models. In Public Management, urban marketing should be seen as a new dimension that is not exclusively to the advantage of the private sector in attracting Foreign Direct Investment. Following this trend, urban marketing can also be applied to local governance. Social cognition studies such as those by Lynch (1960)² indicate that social representations tend to be connected to specific areas of the city.

In this sense, urban marketing can be approached as an articulating axis to guide the policies of local governments and their development. More specifically, in the context of the period of Twenty-First Century Socialism,³ the construction of a paradigm of "equitable socioeconomic development" has allowed the emergence of public policies that are located inside a normative frame of a constitutional State governed by rights, with the configuration of a constitution of rights, which proposes a National Development Plan for attaining "Well Being".

¹ DRUCKER 1964.

² LYNCH 1960.

³ In the first decade of the new century in Ecuador, former President Rafael Correa deeply frustrated with neoliberal economics with other countries and the region founded the ideology of the 21st century socialism with new constitutions. These were characterised by an intensification of the process of transformation of the state structure and the relations between the state and society, continuing with the nationalisation of sectors of the economy, the centralising of the political apparatus of State administration.

Local governments in Ecuador seek to execute public projects with private participation in their investment and work, following the methodology of National Management for Results. Moreover, local governments are considered to be key actors for international expansion, since they incorporate the experience of private entities in order to create, develop and operate a public infrastructure and offer a service. A determining factor is the competitiveness that Ecuador may have in international markets, as well as its ability to significantly improve its branding, to allow it to commit itself to achieving the goal of effectively allocating its resources. In addition, it is important to consider the advantages of Ecuador being under the umbrella of the United Nations (UN), and the United Nations Conference on Trade and Development in Latin America and the Caribbean (UNCTAD) as an intergovernmental body to allow it to comply with international guidelines such as the Sustainable Development Goals (SDG) 2030. To understand the central justifications for projects at the local government level, it should be borne in mind that the objective of this work is to highlight urban marketing and governance for the internationalisation of Ecuador as an inclusion strategy in world trade after the period of Socialism of the 21st century.

The paper is divided into two sections. The first includes a theoretical discourse of governance, and of how through political actors the dynamics of creating projects for the development of Ecuador in the social, economic, political, cultural and technological aspects shall be facilitated. The second section investigates the role of urban marketing in the quest to attract Foreign Direct Investment, which is possible through the construction of a “country Ecuador brand”.

Finally, the article seeks to make a contribution to the research objectives of this journal. We hope that it will contribute to the analysis of financial management, focusing on the field of public finance of local governments, and its relationship with other types of corporate finance at the level of public-private investments. It will allow a better understanding of the opportunities of local government environments for better financial management that allows economic, socio-political and technological development at both the local and national levels.

METHODOLOGY

This study describes New Public Management and the urban marketing approach, as well as explains the local characteristics of the social, political and economic background of Ecuador. It is also exploratory in nature, because it analyses the current and future trends in Ecuador. Naturally, however, public policies cannot be predicted or confirmed immediately. For this research, the methodology was determined by the methods used: primary and secondary databases, questionnaires and data analysis.

GOVERNANCE IN ECUADOR

Governance models refer to the art of governance that involve non-state actors.⁴ Each governance model implies a specific type of public administration that is consolidated through changes framed in a policy of modernisation of the public administration. This process requires hierarchical governance guaranteeing the authority of the State.⁵ The fact that governance models are not one hundred percent pure in reality, causes the processes of modernisation of public administration to each have their own particularities. In the Ecuadorian case, the instruments developed to modernise the public administration sought to leverage elements of two different governance models: the statist and the liberal democratic models; this means that the design of the policy includes inconsistencies in relation to the objectives of each governance model. Levi-Faur (2012) underlines the relevance of urban and educational issues, which are now increasingly coming to the fore. The development occurs considering that education and urban governance are sectors directly administered by the government, where the State has an influential role in directing and controlling the entire development process.⁶

According to Kooiman (1993), governance “is a process of political-social interaction, which means establishing a so-called tonality; creating the socio-political conditions for the development of new models of interactive government in terms of co-management, co-direction and co-orientation”. Regarding the role of the government in this process, it is suggested that it be thoroughly re-evaluated, because the capacity of the State is frequently overestimated in governance.

First of all it should be pointed out that States have an authority that no other actor possesses; they choose the rules of the game of the process, and how to structure the conditions that shape such rules depends on the mechanism implemented for governing.⁷ Technological governance recommends that authorities establish objectives for large-scale systems, and that technical experts and coordinators implement these social goals in the design and administration of such systems.⁸ Recapitulating the history of the evolution of industry, considering the four moments of paradigmatic change or “industrial revolutions” throughout history up to the present, we find that in the first revolution, at 1.0, steam generation was introduced, along with the first mechanical looms; revolution 2.0 saw the advent of mass production, electric power and the first assembly lines, while 3.0 involved the introduction of a higher level of automation and more advanced electronics and IT. At present, the social events that we are experiencing are characteristic of the 4th industrial revolution, with the spread of cyber-physical systems, intelligent industry and products, artificial intelligence, the Internet of Things, hyperconnectivity and Big Data. In the field

⁴ LEVI-FAUR 2012a.

⁵ KOOIMAN 1993: 388.

⁶ PETERS 2012: 26.

⁷ BELL-HINDMOOR 2009.

⁸ DENARDIS 2014: 8.

of government management, digitisation is the main driver of e-Government, or electronic government, which suggests a rather negative view of governance issues, as it is regarded as an accountability tool. At this stage, before delving into the details of this work and its links to urban marketing, it is essential to acquire a general understanding of government, governance and good governance. The process currently taking place is seen as a shift from government towards governance, and eventually towards good governance. At a conceptual level, as shown by González et al. (2018), the concept of governance began to consolidate in the 1980s, linked to the new scenario and the emerging new ways of understanding the developments of the time.

In real terms, in most developing countries, such as Ecuador, it is the government which directs these dynamics, which is why governance and good governance depend on it to a great extent. In a broader sense, the question of who provides governance is the key concern. This is true of developing countries, especially in Latin America, where the States provide public service, as this is the area where governance should materialise.

In this way, governance in local instances connotes a sense of direction in the capacity and integrated quality of government action. However, it is difficult to assign a single definition to governance, as this term has changed from being descriptive to being analytical. “Governance is itself the object of a theoretical debate in which the diversity of traditions and currents in the social sciences is reflected”.⁹

According to the Constitution of the Republic of Ecuador of 2008, referring to Article 1 of the Organic Code of Territorial Organization, Autonomy and Decentralization (COOTAD), the model of administration, decentralisation and development of the Decentralized Autonomous Governments is determined in the area of planning, in addition to other State regulations at the national level:

Art. 1 – Scope – This Code establishes the political-administrative organization of the Ecuadorian State in the territory: the regime of the different levels of decentralized autonomous governments and the special regimes, in order to guarantee their political, administrative and financial autonomy. In addition, it develops a model of compulsory and progressive decentralization through the national system of competences, the institutions responsible for its administration, the sources of financing and the definition of policies and mechanisms to compensate for imbalances in territorial development.

Decentralized Autonomous Governments are legal entities of public law with political, administrative and financial autonomy. Local governments, then, have the capacity to formulate and execute public decisions and, above all, they can generate strategic links with other public or private actors. In March 2019, 5,675 authorities were elected at the levels of provincial government (23 provinces), cantonal (221 cantons) level, parochial

⁹ FONTAINE 2010: 106.

(823 parishes) level and in the special regime of the Galapagos (CNE 2019). These local government authorities are the bodies which carry out public policies in their territory. Central government administers management strategies, but the local government, in its scope of action, adjusts political decisions in a more operational and technical way in order to adapt them to the demands of the citizens. This is a governance process where dialogue and negotiation occur with private actors, in addition to the different groups that have a direct relationship with local governments due to their interest in investing.

In this context, urban branding, as a form of soft power, centres around concepts like values, norms and rules in public administration. Until a decade ago, neoliberal institutionalism and international regime theory were the dominant approaches in this field. Given the limits of these approaches, constructivism now suggests itself as a more fruitful avenue of thinking in which place branding may find its theoretical place. In central government, organisations are not necessarily the most important reform tools for promoting “whole-of-government”;¹⁰ meta-governance¹¹ emphasises the significance of government and maintains the integrity of the national system and social cohesion. Moreover, urban marketing could be combined with public diplomacy for local governments under the central government umbrella.

URBAN MARKETING

Several approaches and theoretical contributions have emerged in recent years about the concept of urban marketing. These have been developed since the late 1980s, when Ashworth¹² in his book *Selling the City. Marketing Approaches in Public Sector Urban Planning* first analysed the phenomenon of urban tourism to begin to understand tourism in the city and adopt urban studies and develop theoretical critiques.¹³ Several successive

¹⁰ “WOG is, to a great extent, about lower-level politics and getting people on the ground in municipalities, regions, local government organizations, civil society organizations, and market-based organizations to work together. WG needs cooperative effort and cannot easily be imposed from the top down” (POLLITT 2003).

¹¹ “Meta-governance” emphasises the important position of government in governance, but it is not equivalent to the traditional “state centralism”. The positioning of government in “meta-governance” does not focus on power but on responsibility. The government is more like what Jessop calls “the elder among equals”, with the responsibility of institutional design, normative construction, relationship coordination and identity cultivation, rather than the superior and dominant executor. The main task of the government is not to participate in the governance practice, but to promote the initiative of the governance factors and coordinate different governance models and guide the direction of governance and maintain the effective implementation of governance” (XIAOHU–MENGLONG 2019). “Meta-governance” is the response to governance crises of western countries. It is established on the basis of developed market, mature civil society and perfect political structure of western countries. Lack of these necessary conditions is bound to affect the effective implementation of “meta-governance”. Imitation is not the right way to deal with “meta-governance”. Based on the local conditions, to form a “meta-governance” mode, which conforms to the actual governance of the country, it can help solve the governance problems of the country.

¹² ASHWORTH–VOOGD 1990.

¹³ ASHWORTH–PAGE 2011.

investigations have concluded that branding in cities supports their development and evolution.¹⁴ In addition, it is widely argued that the application of urban marketing depends to a great extent on the construction, communication and management of the image of the city.¹⁵ This is the case for intermediate-sized cities (ECLAC 1998) of international rank, which can position themselves in the global city system as centres of attraction based on the quality of urban life as their main competitive advantage.¹⁶ The relationship between local governments and urban marketing can be understood as an opportunity for and advantage of having an image of a country and a specific city. The mechanisms through which that image is developed can result in a favourable reputation for Ecuador. According to Prats “local governance must be understood, essentially, as urban governance”.¹⁷ This is echoed by Ornés Vásquez, who argues that it should be possible to “identify and recognize the different needs of the locality and its translations in a city-brand, the result of a collective agreement and commitment, which it must not only seek to position the city abroad through its image, but also guarantee the strengthening of the local identity”.¹⁸ In this sense, the participation of local governments is at the level of the “city-brand”, which in turn can also have impacts at a higher level in relation to the country brand.

A local example in relation to urban marketing in the sense of the projection of a specific image or brand of the city can be found in Cuenca, which has positioned itself as an international destination of excellence for elderly people to retire to. Research by Cabrera-Jara highlights the importance of the role of urban marketing by the local Cuenca authorities in the positioning of this city as a “promised city” for North American retirees through the exploitation of its tourist attractions and sustained real estate development. For local governments of developing countries, a positive association with the governments of other countries along with entering new markets and joining international organisations, should be seen as milestones in this process of projection and reputation building. In this manner, to ensure its economic position, Ecuador, like other South American countries, seeks to increase the influence of FDI in its development. Successfully doing so involves not only attracting large amounts of money, but also benefiting in areas such as technology, employment, exports, qualification and, in general, competitiveness.¹⁹

Ecuador has passed Executive Decree of Law No. 793, which includes regulatory amendments related to tax matters for the application of the Organic Law of Incentives for Public-Private Associations and Foreign Investment (2015). The purpose of this is to establish incentives for the execution of projects, and, in general terms, to promote productive financing, national investment and foreign investment in Ecuador. In addition to this, Ecuador also has a specific law: the Organic Law for the promotion of production,

¹⁴ GREEN et al. 2016.

¹⁵ ASHWORTH-KAVARATZIS 2007.

¹⁶ PRECEDO LEDO et al. 2010.

¹⁷ PRATS 2001: 103.

¹⁸ ORNÉS VÁSQUEZ 2014: 161.

¹⁹ CABRERA-JARA 2019a; 2019b.

attraction of investments, generation of employment, and fiscal stability and balance (2018). For Keeble (2019), this law appears to be a great attraction incentive for foreign investment in the country. The Constitution of the Republic of Ecuador and the corresponding legal framework establish that the management of international cooperation is the responsibility of subnational governments. In this context, the latter have already had experience working with international cooperation agencies, through which contributions have been made to local development processes. An example of this is the work carried out with the United Nations Conference on Trade and Development (UNCTAD) and its investment promotion agencies.

Investment promotion agencies are the institutions responsible for promoting foreign investment in a specific area. These types of institutions can be government non-profit organisations, or even private entities run by boards of directors that can include government officials and business managers. Therefore, one of the main activities of an investment promotion agency is the positioning of the country in the international market, a task that implies the construction of a favourable image, and with this, the creation of a “Country Brand”. It is important to note that the United Nations offers support for the promotion of investment for the sustainable development of cities, and that local governments are essential entities to ensuring the achievement of the 2030 SDGs. In the field of Public-Private Partnership participation, the most relevant of these goals are goal 8: decent employment and economic growth; goal 11: sustainable cities and communities; and goal 17: partnerships to achieve the goals. This economic context will allow us to conclude that the country has many attractions for foreign investors, which, with appropriate policies, can be transformed into opportunities. In addition, Ecuador has abundant non-renewable natural resources such as unexplored minerals. Its renewable resources such as bananas and green plantains, natural flowers, fish, shrimp, abaca, cocoa, among others, constitute an attractive economic profile for the regional and international market.

PRELIMINARY BALANCE

“Every country wants to sell its unique identity and secure its place on a map. The leading actor in this process is undoubtedly the government. Through its good governance and or meta-governance, as well as its global persuasion efforts, it will be able to build an image that is consequently reflected in opinions, ideas, and ultimately investment decisions. Country branding thus offers business opportunities to promote business activities with a positive balance for Ecuador and should be assumed by the central government and local governments. The political sphere is fully aware that the government at all levels is the only entity that can sell this brand.”²⁰ Doing Business rankings 2019 places Ecuador, according to ease of doing business, in rank 123 worldwide and 21 in Latin America and

²⁰ Doing Business ranking 2019/19.

the Caribbean. In third place, after Mexico and Puerto Rico, is Colombia, and, according to Pro Colombia, the Investment Promotion Agency Invest in Bogotá, which coordinated and executed the Movistar Arena Bogotá or El Campín stadium project. This project was built by the company ‘TuBoleta’ and the Chilean group ‘HLR’ in 2017, under the umbrella of the Public-Private Association, with the advice of Investment Promotion Agencies (IPAs) of the United Nations. The aforementioned project is considered to be a positive example of successful FDI and the achievement of objectives 8, 11 and 17.²¹ What happens in this neighbouring country of Ecuador is not far from the State policy of the government period (2017–2021), which constituted the promotion of investments through the Strategic Committee for the Promotion and Attraction of Investments. Currently, Pro Ecuador is the institution that has the task of promoting Ecuador through consular offices. Products such as bananas and plantains, shrimp, natural flowers, among others, are being consolidated on the international market.

A brief socio-economic review of Ecuador, in relation to governance and urban marketing, allows us to conclude, in the first instance, that the national government and local governments, whether provincial or municipal, are implementing multiple and independent changes in terms of managing their resources. These changes aim at the objective of creating opportunities for their citizens, reducing poverty, improving the population’s living conditions and therefore staying in power or seeking re-election.

CONCLUSIONS REMARKS

This “Rethinking of Public Administration and the importance of urban marketing” concludes with a general perspective on the political action of Ecuador in adopting public policies, and specifically the decision-making process of local governance. To achieve this, the role of urban marketing and governance was presented to operationalise its definition and the governmental practices of local governments. The analysis of the different components and characteristics of urban marketing and governance in Ecuador could contribute to the search for spaces for consensus regarding foreign investment issues, as well as to decision-making in the country’s politics. For this reason, it is expected that this document will be a small contribution to the dialogue environment necessary for the governance and urban marketing of Ecuador. There are two processes, image building and branding, which are experiencing greater growth in urban marketing for the development of the city. Territory, infrastructure, educated people and a consistent system of governance are considered elements of one product in terms of place branding. Thousands of places are seeking to attract business, while global economic forces make developing a good brand more important than ever. Consequently, in case of the Puerto de Posorja and Port of Santo Domingo de los Tsáchilas projects, a valuation of their intangible

²¹ UNCTAD 2019.

assets is taking place, while new processes of political and social participation are being put in place by local governments. Finally, urban marketing, described as a whole, can be considered a promising option for the construction of an image of Ecuador that ensures development in all its concepts, for the strengthening of the image of the city promoted by local governments. This image should be the one that reflects the integrated quality in the country hand in hand with governance and good governance.

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HACKING THE ATTENTION ECONOMY: THE USE OF THE TWITTERSPHERE OF ITALIAN PARTY LEADERS BEFORE THE 2018 ELECTIONS¹

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The 2018 Italian Parliamentary elections were marked by the success of populist parties. With the consolidation of hybrid media, campaigning on Twitter became an increasingly important communication channel for party leaders. An analysis of Twitter communications from 1 February 2018 to 4 March 2018 (day of the elections) reveals that Matteo Salvini and Matteo Renzi dominated the election campaign in the Twittersphere. Other party leaders did not use Twitter as skilfully as these two politicians and their engagement indicators are lower than those of Salvini and Renzi. The internal communicational dynamic between the party leaders shows that their main target was Matteo Renzi. Even though he had the most followers within this period and, overall, his communication indicators were good, in the end his party suffered a historical loss at the elections.

KEYWORDS:

campaign, Italy, parliamentary elections, political communication, Twitter

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INTRODUCTION

The communicative style of political actors has become increasingly personalised,² thus analysing social media communication of party leaders during campaign period merits academic attention. This paper aims to understand how Italian party leaders communicated on Twitter from 1 February 2018 until 4 March (the date of the parliamentary elections).

The expansion of the use and significance of social media in this period was strengthened by several factors that make the Italian case special.

The structure of the paper is set out as follows: After briefly presenting the results of the 2018 elections, two introductory sections investigate how the Italian context provided fertile ground for the expansion of populist parties and outline the factors which contributed to digital campaigning. The first section thus provides the background of the current state of Italian politics. After this introductory section, the methodology and data collection methods of the study are presented and research questions are proposed. The next section analyses the Twitter communications of 6 Italian party leaders from 1 February until 4 March 2018.

ELECTION RESULTS

There is a broad consensus amongst journalists and commentators that the 2018 election campaign in Italy was the ugliest ever, centred on fake news, insults and false promises.³

Up until Election Day, opinion polls had forecast neither the extent of the governing Democratic Party's (Partito Democratico, PD) loss nor the underperformance of Forza Italia (FI) compared to Lega. There was widespread speculation amongst political actors and traditional press about a possible PD–FI grand coalition that could counter anti-establishment forces since the Five Star Movement (Movimento 5 Stelle, M5S) had explicitly declared its unwillingness to make compromises with any of them after the election.⁴ As it transpired, however, the election results rearranged the balance of power in Italy in a way no one could have foreseen.

The 2018 general elections resulted in a hung parliament without a clear winner in a tripolar scenario, where the protagonist political forces had apparently irreconcilable differences.⁵ The centre-right coalition received the most votes, although it was not able to claim an absolute majority. This coalition, formed by Berlusconi's FI, Matteo Salvini's Lega and Giorgia Meloni's Brothers of Italy (Fratelli d'Italia, FdI) obtained roughly 37% of the votes. A significant shift in balance occurred within the coalition: Lega outperformed FI, for the first time in national elections, attracting 17% and 14% of the votes, respectively.

² BENTIVEGNA 2015.

³ See for example VIOLA 2018; SIGNORE 2018; MENTANA 2018.

⁴ GARZIA 2018: 670–680.

⁵ CALÓ et al. 2018.

In second place was a single party, M5S, with 32% of the votes, while the centre-left came third in a historic defeat of its main actor, Partito Democratico (which received 23% of the votes, its worst result since 1948).⁶ Liberi e Uguali (LeU), a leftist party formed by ex-PD politicians, competed alone and obtained 3% of the votes. The mainstream parties from both the left and right – PD and FI – suffered severe losses either in terms of votes or of seats and thus were not able to form a coalition government, even with the participation of minor centrist parties.⁷ However, the populist parties – Lega and M5S – together received almost 50% of the total votes and it became clear that no one could form a government without the support of at least one of them. It hardly seemed an exaggeration for Luigi Di Maio to state, one day after the elections, that the Third Republic – that of the Italian citizens – had been born.⁸

While the main contestants remained the same as in the 2013 elections (centre-right, centre-left, M5S), the internal composition of the two competing coalitions changed,⁹ and a clear trend emerged: voters' support for populist parties (FI, M5S) grew, while traditional parties (PD, FI) lost ground. After lengthy negotiations, the first populist government of Western Europe came to power when M5S and Lega (the parties with the most and third most votes) decided to form a coalition. The M5S–Lega Government was the first government in Western Europe whose members did not belong to the European Parliament's mainstream party families.¹⁰

BACKGROUND – POLITICS

Although the results of the 2018 Italian parliamentary elections came as a surprise to most observers, since populist parties received more votes than ever before, the current state of Italian politics is decades in the making. An ongoing deep crisis of political representation can be observed, not only in Italy, but also in other mature Western democracies.¹¹

During the decades following World War II, the Italian party system was stable in terms of supply and voter choice.¹² The main cause of this stability was the structure of cleavage: class and religious cleavages overlapped, thus strong ties were formed between social groups and their preferred parties.¹³

After the First Republic collapsed with the 1994 parliamentary elections, a bipolar system emerged where centre-right and centre-left coalitions took turns to be in power. In this bipolar system the left-right dimension became the defining element in Italian

⁶ EMANUELE et al. 2020: 665–687.

⁷ CHIARAMONTE et al. 2018: 479–501; GIGLIETTO et al. 2019: 1610–1629.

⁸ PEDRAZZANI 2018: 1–10.

⁹ CHIARAMONTE et al. 2018: 4.

¹⁰ PAPARO 2018: 63–81.

¹¹ MANIN 2016.

¹² BARTOLINI–MAIR 1990.

¹³ EMANUELE et al. 2020.

politics, replacing group loyalty.¹⁴ After about 20 years of electoral stability, in 2013 Italy experienced an electoral earthquake¹⁵ when an anti-establishment, post-ideology party (M5S) emerged as a third pole in the political spectrum. For the first time since the advent of the Second Republic in 1994, no clear majority could claim victory in the elections, with both the centre-left and centre-right coalitions losing votes to new parties such as M5S or Civic Choice (Scelta Civica). These new parties rejected the above-mentioned left-right division, thus transforming the political space.

These factors may be interpreted as indicating that the Italian party system might be experiencing a de-alignment process: Compared to 2013, in the 2018 elections more than a quarter of the voters changed preference¹⁶ which means that new opportunities arose for new political actors, since many voters became available on the electoral market.¹⁷ From 2013 onwards, it became evident that the establishment vs. anti-establishment conflict (privileged elite vs. the common people) would play a fundamental role in structuring voter preferences.¹⁸ This whole turbulent legislature (2013–2018) with its three grand coalition governments was presided over by cabinets supported by PD and the remnants of Berlusconi's PDL (Popolo della Libertá), after the majority of the party left the government a couple of months after the elections in 2013 in order to recreate FI.¹⁹ The consecutive PD governments were unable to successfully manage the combination of the effects of the protracted economic and financial crisis, economic stagnation, illegal migration and social tensions, thus public trust in the party – and in mainstream parties in general – had been deeply eroded by March 2018.

Disillusionment with the political elites of the First and Second Republics led the frustrated electorate to make a statement in protest. The vacuum created by the mainstream political elite was filled by a mix of populist and extremist parties that weaponised wedge issues (e.g. illegal migration, economic problems) to their advantage.²⁰

Besides the above-mentioned trust issues of the Italian electorate, other factors need to be taken into consideration in support of this paper's choice to focus on the communication of party leaders. The Italian polity was strongly affected by the process of the 'mediatisation' of politics:²¹ the political sphere and discourse had to adapt to media logic²² that preferred to focus on actual people rather than ideologies. This triggered a '(political) celebrity effect' in the collective imagery and then in the polity. As a consequence, a process of personalisation of leadership started within the Italian parties.²³ This phenomenon could

¹⁴ BIORCIO 2010: 187–212.

¹⁵ CHIARAMONTE et al. 2018: 2.

¹⁶ PAPARO 2018.

¹⁷ EMANUELE et al. 2020: 3.

¹⁸ CHIARAMONTE et al. 2018.

¹⁹ PAPARO 2018.

²⁰ SILBERFIELD 2018: 5.

²¹ STRÖMBÄCK 2008: 228–246.

²² ALTHEIDE–SNOW 1979.

²³ MAZZOLENI 2018: 362–380; MOLNÁR 2017: 41–60.

already be detected in Italy as early as the mid-1980s, when the mass party system started to tremble, but it became widely evident with the birth of the Second Republic and the rise of Silvio Berlusconi.²⁴

The 2018 elections were the first under Rosatellum, the new electoral law approved in October 2017, just four months before the end of the legislature.²⁵

BACKGROUND – MEDIA

According to Reuters' Digital News Report in 2017 – the year before the parliamentary elections – the Italian media environment was characterised by a strong television sector, a weak and declining print sector, and growing use of the internet and social media for news.²⁶

The traditional media environment in Italy is highly politicised, with traditional parties controlling all the means of communication, indeed, Italy is the country where TV became part of the government with the rise of Silvio Berlusconi. The media tycoon, who wielded significant economic power, was able to form four governments.

In 2018, Internet penetration was 73% in Italy, with 57% of the population (34 million) actively using social media and the average time spent on social media daily was 1 hour 53 minutes. Facebook is the most frequently used social media platform in Italy: in 2018 60% of Internet users used it actively, while 23% of them used Twitter actively.²⁷

Bracciale and Cepernich argue that hybrid media campaigning became consolidated in Italy in 2018. Political parties used hybrid communicative strategies, integrating traditional media (TV, radio, press) with digital media (Internet). The structure of hybrid campaigning is based on three pillars: real space, television and Internet.²⁸ This new reality might prove problematic for traditional political forces – which in the Italian case are the 'mainstream' parties of the Second Republic – which need to deal with the transformation of representative democracy in terms of its political language and its ways

²⁴ MAZZOLENI 2018.

²⁵ Rosatellum created a mixed electoral system (64% proportional – 36% majoritarian) where the following rules apply: first-past-the-post system is used in single member districts for the allocation about one third of the total seats in both Chambers (232 in the Chamber of Deputies and 116 in the Senate), while cc. two-third of the seats (386 in the Chamber of Deputies and 193 in the Senate) are allocated on proportional representation in multi-member districts, the remaining 12 (Chamber of Deputies) + 6 (Senate) are reserved for Italians abroad. Competition in the single member districts and multi-member districts is intertwined, since candidates in single member districts need to be supported by at least one party list that is running for the proportional representational seats. Votes are 'fused', meaning that votes for party lists extend to the single member district candidate supported by the relevant party list and vice versa. Thresholds also differ within the two arenas. In the proportion representation there is a national threshold of 10% for party lists and 3% for single party list votes. A 20% regional threshold in the alternative for the 3% national threshold for party lists of official ethnic minorities (CHIARAMONTE et al. 2018; MASSETTI-FARINELLI 2019: 137–157; QUATTROMANI 2018).

²⁶ NEWMAN et al. 2017: 78.

²⁷ Data Report 2018.

²⁸ BRACCIALE-CEPERNICH 2018: 1.

of communication.²⁹ The very nature of social media can contribute to strengthening populist parties when the logic of elites vs. common people is applied to it: these new online platforms are engineered in a way which gives equal opportunities to every user to publish content.³⁰ Average citizens can publish under the same conditions as journalists, politicians, traditional media outlets. While acknowledging the fact that social media service providers are able to influence – and filter – the appearance of content through the use of algorithms, this problem did not become part of the general discourse in Italy before the elections of 2018, thus it was not taken into consideration.

This was the first election with low-budget campaigns as electoral refunds were abolished by Decree Law No. 149/2013.³¹ Apart from the lack of state funding, the reduced length of the campaign period also contributed to the deep changes in Italian election campaigning. The campaign period decreased to only two months so the parties were forced to concentrate their efforts and optimise resources. Since social media is almost a ‘zero cost’ communication instrument – at least compared to other options available mostly within the traditional media – and it is equally available to all parties,³² it became the key theatre for the direct dissemination of political messages, hence the election campaign became highly digitalised. According to Vincos’s estimates, compared to 2013 the volume of political communication (interactions) had more than doubled by 2018.³³ This central importance of social networks is further explained by their availability to increasingly large and active publics who are able to support and spread political leaders’ communication,³⁴ thus directly impacting the attention economy (see below).

METHODOLOGY AND DATA COLLECTION

Twitter is, of course, not the only social media platform where the political campaign was intensive before the elections, since almost all social media platforms are becoming increasingly relevant from the point of view of political communication. Twitter is currently recognised as one of the primary tools used by political leaders to communicate with their public as studies show that it is used by the vast majority of public figures to provide visibility to their views and statements. In Italy, Twitter is recognised to have an ‘agenda setting’ effect on the Italian mass media,³⁵ which is why it was chosen as the object of our analysis. The study aims to analyse a specific means of influencing voters’ choices, namely the tweets of party leaders. The paper provides an analysis of politicians’

²⁹ CHADWICK 2013.

³⁰ BRACCIALE et al. 2018.

³¹ Gazzetta Ufficiale 2013.

³² CALÓ et al. 2018.

³³ Vincos 2018.

³⁴ BRACCIALE–CEPERNICH 2018.

³⁵ MARCHETTI–CECCOBELLI 2016: 626–644; BECATTI 2019: 1–16.

Twitter communication. When and how often do they tweet compared to each other and compared to their own parties' official accounts? Who dominated the Twittersphere in the election campaign and how did it affect the outcome of the vote? We decided to analyse the tweets produced by six party leaders (Matteo Renzi, Matteo Salvini, Silvio Berlusconi, Luigi Di Maio, Pietro Grasso and Emma Bonino) in the last months before the elections, from 1 February 2018 until 4 March (the date of the parliamentary elections). We collected data from Twitter and carried out a software-assisted corpus-based analysis. Our corpus of tweets contained 1,698 items, while the corpus of all activities (including any kind of mentions, comments, etc.) contained 44,883 items that formed the basis of our analysis.

Our main goal was to identify similarities and dissimilarities between the party leaders' communication strategies on Twitter. Quantitative and qualitative computer-assisted methods are employed, as they are suitable for such a corpus-based analysis with a supervised approach.³⁶ While acknowledging the fact that the communication of party leaders cannot be explained independently from that of their parties, since their communication should be interdependent with that of their respective parties, this paper focuses more on the party leaders.

A detailed sentiment analysis was not carried out since it can be presumed that comments on politicians' official pages are moderated and a certain number of negative comments are deleted, while the followers' engagement is moderated.

Twitter can be considered as an apt platform for analysing online political communication since it is mostly used for short (limited length), public text messages. The basic actions carried out on Twitter are the following: posting original content (tweet) and sharing the original content posted by others (retweet). While there seems to be a general agreement that tweeting is a form of participation in the communication space,³⁷ there are several ways of decoding what retweeting means,³⁸ although the majority of scholars agrees that retweeting is a tool to propagate content.³⁹ More generally, sharing content on social media amplifies the reach of a message, thus it 'hacks' the status of the attention economy,⁴⁰ since it expands the circle of users who see the original content. Received retweets have also been studied widely. Bracciale et al. (2018)⁴¹ argue that a logical distinction can be drawn between active and passive retweeting: while retweeting itself is an action, received retweets can be considered an indicator of success. Based on this logic, received retweets

³⁶ FRANZOSI 2018: 153–168; KUTTER 2018: 169–186.

³⁷ See BENTIVEGNA–MARCHETTI 2017: 631–647; HAWTHORNE et al. 2013: 552–556.

³⁸ FREELON 2014: 59–75; SMALL 2011: 872–895.

³⁹ SMALL 2011; ELMER 2013: 18–30; MERAZ–PAPACHARISSI 2013: 138–166.

⁴⁰ SHIN–THORSON 2017: 233–255.

⁴¹ BRACCIALE et al. 2018.

have been interpreted as indicators of influence,⁴² popularity,⁴³ position,⁴⁴ importance⁴⁵ and prominence.⁴⁶

The next feature worth analysing is the hashtag function, since hashtags are central to the organisation of information on Twitter. Through the use of hashtags, tweets can be sent to an audience larger than one's followers. These labels attached to messages exhibit many characteristics associated with participatory culture.⁴⁷ Hashtags are created by Twitter users (not by the site), and may be of various kinds, ranging from tags that categorise the subject matter of the tweet to idiosyncratic examples which function as expression punctuation.⁴⁸ Hashtags are individual since they generate "searchable language" through which words and phrases are categorised and aggregated into corpus-based lexicons that users can selectively explore and incorporate into their own messages.⁴⁹ They allow users to search tweets with metadata specifying the topic or intended audience of a piece of communication. This makes users' messages more findable and relatable, which strengthens interpersonal connections and creates a sense of commonality through shared values and interests.⁵⁰ Each hashtag identifies a stream of content, while users' choice of tags denotes participation in different information channels.⁵¹ This feature is significant in examining election campaigns when candidates seek to gain the support of the electorate.

Even though several studies have been conducted on political communication on Twitter no institutionalised way of doing so has been developed. This is mainly due to the fact that rapid technological evolution (either regarding the platform or regarding analysis tools) generates conceptual chaos and makes it impossible to rely on past research for points of reference.⁵² Based on the social media habit dimensions proposed by Bracciale and Cepernich (2018) this paper builds on the following indicators that measure the communicative strategies, skilfulness and engagement of party leaders. The indicators used by Bracciale and Cepernich⁵³ were complemented by other indicators.

1. *Communicative strategies* aim at maximising visibility: taking into consideration broadcast communication rule, the greater the communication flow, the greater the visibility
 - a) productivity indicators:
 - frequency – daily average tweets produced during the analysed period
 - intensity – number of posts published per week

⁴² DANG-XUAN et al. 2013: 795–825; CHA et al. 2010: 23–26.

⁴³ ALEAHMAD et al. 2016: 659–674.

⁴⁴ D'HEER-VERDEGEM 2014: 720–734.

⁴⁵ JÜRGENS-JUNGHERR 2015: 469–490.

⁴⁶ JUNGHERR 2015.

⁴⁷ DAVIS 2013: 16–22.

⁴⁸ PAGE 2012: 184.

⁴⁹ PAGE 2012; ZAPPAVIGNA 2011: 788–806.

⁵⁰ PAGE 2012; ZAPPAVIGNA 2011: 788–806.

⁵¹ CONOVER et al. 2011.

⁵² BRACCIALE et al. 2018; ZÚÑIGA-DIEHL 2017: 3–9.

⁵³ BRACCIALE-CEPERNICH 2018.

- b) interactivity indicators:
 - mentions made – the percentage of tweets with a mention from the total number of produced tweets
 - replies made – the percentage of replies from the total number of tweets produced
 - retweets done – percentage of retweets out of the total number of produced tweets
- 2. *Skillfulness* reflects the party leaders' communication expertise in managing the structure flow on Twitter
 - a) hashtags: percentage of tweets with a hashtag out of the total tweets
 - b) communication style: links/photos/text
- 3. *Engagement* measures party leaders' potential for activating online supporters
 - a) retweets received
 - b) likes received
 - c) reach
 - d) all mentions: all mentions made using the username of the party leaders (tweets, comments, etc.)
- 4. Topics
 - a) most frequent hashtags

Table 1 • Summary of Twitter communication data used in the study.

	Salvini	Bonino	Meloni	Di Maio	Renzi	Grasso	Berlusconi
All activity (in posts)	10,657	2,665	5,861	6,950	10,249	2,505	5,992
Number of own tweets	612	94	120	52	79	47	694
All mentions	228,081	39,629	99,035	142,009	170,955	46,081	74,296
All reach	179,259,381	6,395,030	32,469,010	8,392,275	118,505,843	23,897,144	7,885,973
Number of mentions in posts	10,045	2,571	5,731	6,900	10,171	2,458	5,298
Retweets received	73,414	5,332	21,704	29,454	25,739	8,129	18,822
Likes received	240,813	19,160	69,766	56,876	85,911	22,886	45,898

Source: Compiled by the author.

FINDINGS AND DISCUSSION

Followers

Our findings reflect the domination of the Twittersphere by Matteo Salvini (indicator: all mentions, see later), even though in several indicators he was outperformed by other candidates. In terms of followers, Matteo Renzi was unquestionably the leading figure of the political debate on Twitter: both at the beginning and at the end of the campaign period he had more followers (3,423,626) than all the other party leaders combined. He had used this platform frequently during his time as Prime Minister, thus he already had had a wide range of followers by the time the campaign started. Salvini was also outperformed in this regard by Giorgia Meloni (FdI): in absolute numbers, the leader of FdI had more followers (702,085) than Salvini (679,432) by Election Day. When analysing the changes that occurred in the number of followers it can be seen that in percentage terms Salvini is only middle-ranking (7.24%), even though, through his own activity and through the engagements of his followers he managed to reach a much broader audience (estimation based on the number of retweets) than the other party leaders, Salvini was unable to increase the number of his followers significantly. Luigi Di Maio's followers increased by 47%, while Berlusconi's rose by 40.32%, although in terms of absolute number of followers they still lagged far behind Salvini which meant they had a narrower audience to propagate content to.

Number of posts and intensity

The 2018 election campaign saw the debut of Silvio Berlusconi's Twitter account. Within the timeframe of our analysis, he was the most active tweeter, with an average of 21.69 tweets per day (posting a total of 694). In this respect Berlusconi is followed by Matteo Salvini (612 tweets) and by Giorgia Meloni (120 tweets). Our findings show that the leaders of the centre-right coalition used Twitter within the timeframe of our analysis much more extensively than the leaders of any other political faction. They were followed by the centre-left coalition (PD, +EU) with a total of 173 tweets. The third 'pole' of the tripartite construction of the Italian politics (M5S of Luigi di Maio) underperformed in this respect compared to the centre-left (or compared to any other politician analysed here apart from Pietro Grasso [LeU]). Although this paper aims to analyse the communication of the party leaders, a short detour should be taken to consider the low number of tweets posted by Luigi di Maio. As Mosca et al.⁵⁴ (2015) demonstrated in their study, M5S can be considered an Internet-fuelled party, as according to his survey the Movement's supporters are more connected to the Internet and to various different social media platforms,

⁵⁴ MOSCA et al. 2015: 127–151.

are more eager to obtain political information from the Web and are more eager to engage in propagating online political content to multiply the M5S's message than the rest of the Italian population. Based on these premises, one would suppose that Twitter was widely used by the M5S's Prime Minister candidate, since Di Maio took over the leadership of M5S from Beppe Grillo, who had built a highly personalised party.⁵⁵ When taking into consideration that the M5S posted only 44 tweets from its official account, one should draw the conclusion that the party did not centre its electoral campaign on Twitter with its PM candidate taking the lead in this regard.

Mentions and engagement

When analysing engagement and reach, two contestants stand out: Matteo Renzi and Matteo Salvini. The maximum reach of their tweets was 22,624,115 for Salvini and 23,264,766 for Renzi which means that, through retweeting, more than 22 million Twitter users were reached by a particular tweet of these politicians. Following these, a significant gap can be found: the third contestant within this classification is Giorgia Meloni, who reached about 90% fewer users than Renzi and Salvini (slightly more than 2 million users). It is interesting to note the difference between them and the Prime Minister candidate of what was at that time the largest party in Italy: Luigi Di Maio reached a maximum of only 1 million users. It is worth noting that even though Silvio Berlusconi tweeted the most within the timeframe of analysis, the maximum reach was about 721,000; thus, he was less successful in engaging with his followers in sharing his content.

The two Matteos' advantage is also unquestionable regarding the dimension of 'all reach', (all reach within 1 February and 4 March 2018). Matteo Salvini reached almost 180,000,000 users within this period, 61 million more than Matteo Renzi who had much more followers than him (see above). In this regard, Salvini managed to outperform Renzi, since he was able to convince his followers to engage more actively in propagating his content by retweeting, thus reaching a wide range of 'new' users – who had not followed Salvini – with his messages. The other party leaders lagged far behind them: while Meloni and Grasso managed to reach eight-figure numbers of followers, Di Maio reached 170 million fewer than Salvini (8.3 million), but he still outperformed Berlusconi and Bonino.

Taking into consideration the significant difference between Salvini and Renzi and the other party leaders, we analysed their tweets which had the maximum reach:

Renzi:

Non ho padrini, né padroni: a 39 anni ho fatto il Presidente del Consiglio. Sono grato per l'opportunità che mi hanno dato. Il mio indice di consenso è sceso, ma l'indice degli occupati è salito. Meglio commettere degli errori col cuore che vivacchiare.

⁵⁵ MOLNÁR 2017.

Salvini:

#Salvini: Prima di farlo istituzionalmente, oggi, col cuore, davanti a voi, mi impegno e giuro di essere fedele al mio popolo, ai 60 milioni di italiani, di servirvi con onestà e coraggio, applicando la Costituzione e seguendo gli insegnamenti del Vangelo #PRIMAGLIITALIANI.

As can be seen, both these tweets have strong emotional resonance as the concept of heart appears in both of them. While Renzi highlights his experience as Prime Minister and expresses gratitude for it, he also mentions an important result of it: the increase in the employment rate. The tweet by Matteo Salvini, in contrast, can be considered a solemn declaration toward the Italians. It is important to note that both secular (Costituzione – constitution) and clerical (Vangelo) elements appear in it. An important difference can be observed: the language used by Renzi is more formal (use of E/3), while that of Salvini is more informal in style.

In terms of other engagement indicators (likes and retweets received) Salvini dominated the election campaign on Twitter: he received many more retweets (73,414) than the other leaders. Received retweets is one of the few indicators where Salvini was not closely followed by Renzi, since Di Maio with this limited Twitter activity was ranked second. In this regard only non-significant differences can be observed between Di Maio, Meloni and Renzi, while Grasso and Bonino are lagging behind. Observing the number of likes received, Salvini significantly outperformed any other party leader by receiving almost three times as many likes as Renzi, who came second in this regard. It might be asked whether Salvini's domination is a consequence of the law of averages or whether it indicates that he managed to engage his followers more than the others? In order to address this question, the average number of retweets per post and likes per post were calculated and our results show that, except for Bonino and Berlusconi, Salvini was surpassed by every other party leader.

Retweets and mentions

At first glance it could be presumed that, due to Salvini's high frequency of tweeting (with an average of 19.1 tweets/day compared to Di Maio's average of 1.6 or Renzi's 2.5), his posts did not generate as much noise within the Twittersphere as those of less frequent tweeters (e.g. Di Maio, Renzi). When analysing the significant underperformance of Berlusconi and Bonini – two candidates with indicative differences: Bonini with a low number of tweets produced, but with far more followers than Berlusconi, and Berlusconi with the highest number of tweets and the lowest number of followers – these factors might be worthy of consideration. The number of followers – which constitutes the pool of potential retweeters and likers – and the number of tweets produced differ significantly, although there is no correlation between the number of followers and retweets ($r = 0.092$) or between the number of followers and likes ($r = 0.15$). Thus, it appears that Salvini's domination in terms of retweets and likes received is not only the consequence of the law of averages nor is it a direct consequence of his capacity to engage his followers, since, examining the averages,

other party leaders were more successful in this regard. However, with the high number of posts he made Salvini managed to counterbalance the fact that the average number of retweets and likes he received was lower than the average of the whole corpus analysed.

In order to analyse which party leaders were the subject of public discourse on the Twittersphere a closer look should be taken at the indicator labelled ‘all mentions’. Through the proprietary algorithm of the online listening software used for the analysis we were able to gather and analyse all statements, opinions and comments on Twitter that contain keywords specified in the search query (in our case, the username of the party leaders). The results show once again that Matteo Salvini managed to surpass the other party leaders since his username was mentioned more than 228 thousand times during the four weeks before Election Day. Even though Salvini stands out in this regard, it should be noted that only Renzi (cc. 170 thousand mentions) and Di Maio (cc. 142 thousand mentions) exceeded 100 thousand mentions, while other party leaders were less discussed in the Twitter conversation. ‘Public discourse’ on Twitter Correlation between all mentions and the number of followers is somewhat stronger than in the case of likes and retweets received, but it is still far from being direct ($r = 0.446$).

In connection with ‘all mentions’ another indicator – ‘all mentions in posts’ – should also be noted, since posts (Tweets) are the first content to be read on Twitter, while there is a lower chance of users also carefully reading all the comments. Based on this assumption, we consider mentions in posts to be a more direct awareness-raising tool than any other kind of mentions. Our results are quite similar to those regarding other indicators: Salvini and Renzi were able to derive a considerable advantage, while Di Maio came third in this ranking followed by Meloni and Berlusconi, with Bonino and Grasso lagging behind. Renzi slightly surpassed Salvini (10,171 vs. 10,045 mentions in posts), but there is no significant difference between them.

Topics

The defining pledges for the main leaders’ campaign can be summarised as follows. Silvio Berlusconi insisted on tax reduction in the form of a ‘flat tax’; Matteo Salvini backed up Berlusconi’s proposal, but focused his campaign on anti-immigration and security-related issues. Meloni’s views were close to those of Salvini, attacking immigration and globalisation but, while the Lega’s electoral base is in the north, FDI is stronger in the centre and the under-developed south of Italy where Meloni proposed introducing a dedicated investment plan with tax breaks for companies.⁵⁶ Matteo Renzi backed the then PD-backed PM Paolo Gentiloni’s policies and promised to enlarge the pool of recipients of the ‘80 euros’, a tax deduction approved during his political tenure in the form of a monthly allowance for parents of each minor child, while Luigi Di Maio centred the

⁵⁶ BINNIE 2018.

whole M5S campaign around its trademark proposal known as ‘income of citizenship’.⁵⁷ Bonino, a former foreign minister and long-time political activist – in sharp contrast to Salvini and Meloni – campaigned with pro-European and pro-immigrant ideas including granting Italian citizenship to immigrants.⁵⁸ Pietro Grasso, an anti-mafia judge and former President of the Senate tried to pose as a leftist alternative to Matteo Renzi and proposed a reform of labour law.⁵⁹

Eurobarometer data shows that in 2013, the major concerns of Italian voters were unemployment (58%) and economic growth (42%), with immigration only mentioned as an important problem facing the country by 4% of respondents. The picture before the 2018 elections is rather different, with traditional concerns about the state of the economy diminished at the expense of immigration (now mentioned as an important problem by 33% of the sample). While this is a key to understanding Salvini’s long-term strategy, it must be coupled with the observation that although the issue of unemployment diminished by 16 percentage points, it remained overall the most important factor for Italian voters, which explains why Renzi emphasised this topic in his above-mentioned tweet. Apart from this tweet, probably these statistics played in favour of M5S’s strategy to emphasise its policy of citizenship income as its flagship proposal.⁶⁰

But how did they incorporate their proposals into their Twitter communication?

Through our software-assisted content analysis we were able to collect and compare the most frequent hashtags of the party leaders. Our results show that within the period analysed, the most frequent hashtags used by the party leaders did not function as a tool to propagate policy proposals. Two major categories of hashtags can be determined: hashtags referring to well-known Italian political TV shows (e.g. #dallavostraoarte, #portaaporta, #ottoemezzo, #la7) and hashtags encouraging people to vote for the respective parties (e.g. #4marzovotolega, #giorgiapresidente, #4marzovotofdi, #sceglipd, etc.). The second category is an acclaimed strategy of political communication as hashtags also generate popularly referenced topics, known as “Trending Topics”. If a tag achieves trending status, then it may be assumed that it has influence, popularity, and importance,⁶¹ which is why politicians tend to emphasise their party affiliations during parliamentary elections campaigns. The importance of the first category should be emphasised, since these hashtags refer to programmes shown on the *traditional* media which is still an important source of information for more than 80% of Italians.⁶² By using hashtags referring to TV programmes, party leaders integrated both digital and traditional media logic in their Twitter communication. It is of a peculiar feature of the Twitter campaign that within their top hashtags only Silvio Berlusconi (#flattax) and Luigi Di Maio (#convergisuldimezzamento) used tags for the propagation of proposals. Even

⁵⁷ GARZIA 2018.

⁵⁸ KIRCHGAESSNER 2018.

⁵⁹ MONTALTO MONELLA 2018.

⁶⁰ GARZIA 2018.

⁶¹ PAGE 2012.

⁶² NEWMAN et al. 2018.

though it is not a direct policy proposal, but only a subtle reference to it, Matteo Salvini's campaign motto (#primagliitaliani) must be mentioned in this regard since it is the only party motto that appeared among the top hashtags.

When comparing the most popular hashtags used by the party leaders with those of the corpus of their 'all mentions' database, several differences can be observed. The two categories mentioned above (TV shows and encouragement to vote) are present within the corpus of all mentions, reflecting the party leaders' intentions to create a bridge between traditional and social media and to create Trending Topics. Among the top hashtags of their overall mentions, the names of the party leaders – except for the case of Pietro Grasso – appear and through this practice their audience is expanded. Apart from this, in the cases of Bonino, Renzi and Berlusconi no significant changes can be observed between the top hashtags used by the politicians and their 'all mentions' corpus. Three 'new' politicised topics appear when analysing 'all mentions': a) the situation of Rome (#ilsalvaromasiamonoi, #romacapitale) found within the corpus of Meloni, Di Maio and Grasso, encompassing the whole right-left spectre of Italian politics; b) #novincoli appearing in the case of the same leaders; and c) #macerata, which we consider to be a politicised trending topic employed by right wing leaders campaigning with the topic of migration as a priority. All of these topics are divisive within Italian politics, with parties holding quite different positions. These differences could be observed not only between parties of the left and those of the right, but even between parties on the same side of the political right–left scale (e.g. FDI supported Salva Roma, while Lega did not). As our results demonstrate, party leaders did not assume the responsibility for using hashtags referring to divisive topics, and in this regard they tried to remain neutral.

When analysing the Twitter communication of party leaders during the Italian election campaign their keyword cloud also merits a closer look. The 26 most frequently used words were examined in order to determine which topics dominated the Twitter feed of the respective leaders. The results show that words in connection with their above-mentioned flagship proposals can be found in every case,⁶³ although to a varying extent. Migration-related expressions can be found only amongst the leaders of the centre-right coalition: while Meloni most frequently used words connected to immigration (e.g. immigrazione, difendere, centri), Salvini's word cloud contains more general terms (e.g. amici, governare, piazza) and only the word 'immigrants' can be found. When analysing Berlusconi's top 26 words, it can be observed that while immigration is similarly on this list, it is less important than much more concrete policy proposal-related words compared to his coalition partners (e.g. flattax, giovani, disoccupazione, etc.). It should be highlighted that even though Meloni used more words (8 + 8 + 9) that can be directly or indirectly connected to the topic of immigration, due to the high number of their tweets, numerically both Salvini (32) and Berlusconi (42) used immigration-related expressions on more occasions

⁶³ From the word cloud we did not take into consideration general expressions regarding the elections, e.g. Italy, vote, elections.

than Meloni. When taking into consideration the number of tweets posted, it can be seen that Meloni was much more ‘fixated’ on immigration than Salvini and Berlusconi since cc. 20.83% of her tweets contained words related to immigration, while this percentage is only 5.2 for Salvini and 6% for Berlusconi. It is important to highlight that mentions of the Macerata case⁶⁴ could not be found in the keyword clouds of the party leaders of the centre-right coalition, only within those of Renzi and Grasso.

Furthermore, it is interesting to note that the keyword cloud of Renzi and Salvini contained more general terms (e.g. parliamo, vogliamo, diretta, candidati, etc.) than the other party leaders analysed, whose keyword clouds more obviously reflect their policy proposals. Without further knowledge of their proposals, only vague ideas could be constructed about them based on their most frequently used words. On the other hand, Di Maio’s word cloud clearly reflects M5S’s policy proposals (inchiesta, spesa, parlamentari, dimezza, rimborsi, rendicontazione, etc.) making him the party leader who used his Twitter channel most actively to propagate policy content. Apart from Di Maio, Bonino and Grasso also used keywords extensively to propagate their flagship ideas, although their keyword cloud contains more ‘neutral’ filler words than that of Di Maio.

Through a graphic visualisation (see below), the internal communicational dynamic between the party leaders can be displayed. In order to obtain a sense of the proportions of this phenomenon, we analysed only those politicians that appeared in another party leader’s keyword cloud. A manual content analysis was carried out of the tweets that contained the name of another party leader.

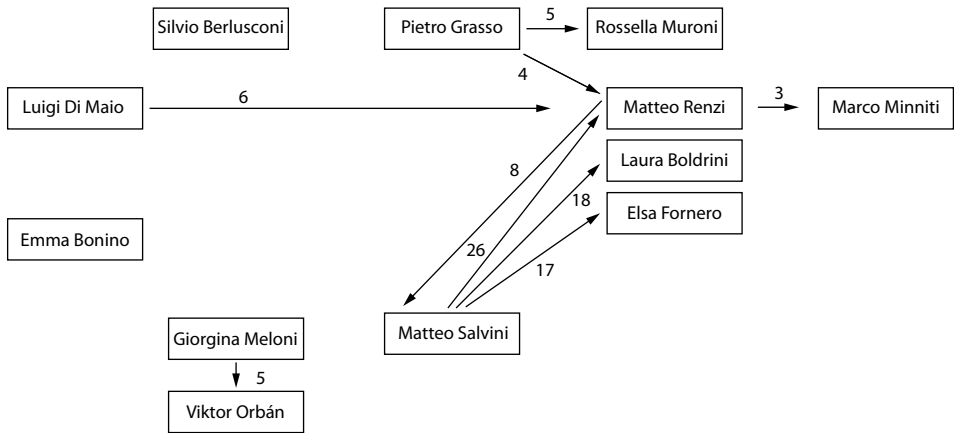


Figure 1 • Communication dynamics of Italian politicians in the 2018 election campaign
 Source: Compiled by the author.

⁶⁴ About the Macerata case see ANANASSO 2018.

The numbers in the diagram show the number of mentions of other party leaders by the candidates. Matteo Renzi, Laura Boldrini and Marco Minniti are all members of PD which can be considered to have been the most attacked party during the election campaign. Even though Elsa Fornero is an independent politician (an ex-minister of the Monti Government, we visualised her close to the PD politicians, since the Monti Government was supported by the PD and not supported by Lega).

As the illustration shows, Renzi and the PD were the main targets of the other leaders. Bonino and Berlusconi stayed out of these dynamics, with no mention of other politicians to be found within their word cloud. Giorgia Meloni does not feature in these internal dynamics either, with only references to a foreign politician (Viktor Orbán) to be found in her Twitter account. It is important to highlight that, based on the 7 party leaders' most frequently used words, reference to Orbán was the only 'topic' going beyond Italy's national boundaries, with no references to other foreign politicians or more generally foreign policy-related words appearing (apart from 'Europe' but no 'EU' appears), meaning that the electoral campaign on Twitter concentrated mostly on domestic issues. According to our content analysis, this conversational part of the Twitter campaign shows signs of negative campaigning. The only positive mentions were intra-party (Renzi backing Minniti, Grasso backing Rossella Muroli). None of the party leaders mentioned their coalition partners.

CONCLUSIONS

Our findings indicate that Matteo Salvini and Matteo Renzi were the leading protagonists of the election campaign on the Twittersphere, while other party leaders significantly lagged behind in most indicators. Renzi's and Salvini's Twitter strategy consisted of actively engaging with their followers, thus the noise they made within the Twittersphere was louder than the other party leaders. However, there were significant differences between them: due to his previous experience as Prime Minister, Renzi had significantly more followers than Salvini, who tried to counterbalance this with an increased intensity of tweeting.

Renzi and Salvini stand out with regard to their campaigning on Twitter, as the other party leaders did not generate as much noise as they did. As can be seen in the case of Silvio Berlusconi, frequent tweeting does not equal active engagement on the part of the followers, however.

Renzi was the leading figure of the election campaign on Twitter from another point of view, too: when observing the internal communication dynamics of the party leaders, it can be seen that Renzi (and to a lesser extent other prominent politicians of his [now ex-] party e.g. Laura Boldrini) was the politician who was most in the crosshairs of the others, being criticised the most by the other party leaders. After analysing our dataset, it is hardly surprising that Matteo Salvini was the most active "attacker" of Renzi. However, not only a left-right division can be observed in this case, as Renzi was also criticised by M5S and by the leftist Pietro Grasso.

Even though Matteo Renzi managed to keep pace with Matteo Salvini in the Twittersphere, his party suffered a historic loss in the elections, while M5S became the biggest party in Italy despite Di Maio's – and the party's – limited activity on Twitter. An important difference between these politicians is also reflected in their use of Twitter for campaigning: Renzi and Salvini were leaders of personalised parties, while Di Maio's personality was less important in the campaign of the M5S.

It is important to highlight that within this study only a certain segment of political communication was analysed. The specific nature of Twitter communication (e.g. the shortness of messages) requires a different skillset than other social media. While there is no direct correlation between the use of Twitter by party leaders and the election results, a weak correlation can be found.

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**BOOK REVIEW: MICHELA MINESSO (ED.):
WELFARE POLICIES IN SWITZERLAND
AND ITALY. INSTITUTIONS, MOTHERHOOD,
FAMILY AND WORK IN THE 19TH AND 20TH
CENTURIES**

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Welfare Policies in Switzerland and Italy, edited by Michela Minesso, was published in 2021 by Peter Lang. The book comprises six studies, with a word from the editor at the beginning, and provides a broad overview of the whole system of Italian and Swiss welfare policies in the 19th and 20th centuries. The authors include Jean-Pierre Tabin, Brigitte Studer, Paolo Passaniti, Gianni Silei and Massimiliano Paniga, all eminent researchers in their fields. The studies in this volume provide insight into the development of family law, women's rights and social rights in this period. It makes a very interesting reading for those interested in the subject.

KEYWORDS:

family law, Italian third sector, public assistance, social institutions, welfare state

Government policies that aim to improve the quality of life of the population are collectively known as welfare policies. There is a long tradition of research on the welfare state in Europe, yet many aspects of it are not well researched. In Hungary, several authors have previously published studies¹ on the welfare state and welfare policy approaches to state theory. This review will examine a recent work on the characteristics of the Italian and Swiss systems in this field.

Edited by Michela Minesso, *Welfare Policies in Switzerland and Italy* puts welfare policies in Switzerland and Italy into a historical perspective. It focuses on their organisational systems, the relationship between family and work, and the situation of women. In addition to an introduction, the book contains six essays by prominent Italian and Swiss authors. Each of the studies examines the subject from a different angle, thus providing the reader with a comprehensive picture of the welfare conditions in the two countries in the 19th and 20th centuries. Overall, the book is easy to understand, interesting and well-stocked with literature.

In the introduction, the editor explains that European welfare systems have become an important issue in recent decades. The papers in this book are the work of respected authors who construct analyses comparing the welfare policies of the two countries from a historical perspective. They also highlight the reasons why welfare policies have developed in different directions in each of the countries. The book examines two countries with very different institutional systems: Switzerland, where the central government has limited power over local entities, and Italy, where policies are discussed and approved by the national parliament and implemented locally with a top-down approach. The author points out that the study of welfare policies is particularly important because of their considerable influence on European society, especially in the early 20th century. In the remainder of the introduction, the author reflects on the studies included in the book, thus stimulating the reader's interest in reading the studies.

The title of the first essay, by Jean-Pierre Tabin, is *Social Norms and Social Policies in Switzerland*. It briefly traces the genesis of social protection in Switzerland and analyses some of the norms produced by the legislator. The essay starts from the position that social policy is not the answer to social problems because social problems are constructed. Thus, when social problems and their solutions are constituted, they are institutionalised as mechanisms such as unemployment benefits. In this process, norms are created about employment and about what represents a 'good reason' for someone to be unemployed. When laws on poverty began to be made at the end of the 19th century, the Swiss cantons were intervening in an area that had previously been the domain of private charity and the church. As a general rule, the cantonal legislators considered that people without income or property should only be helped if they were citizens of the canton, if they were unable to work and if no one in their family could provide for them. Together with the development of social risks and social security, the groups supported by social assistance have undergone significant changes since

¹ See FEJES 2013: 17–34; KRISTÓ 2014: 73–82.

then, and the number of poor people eligible for assistance has decreased. While public assistance, in general, remains the responsibility of the cantons, certain groups of poor people – asylum seekers, the disabled and elderly people – are now assisted at the federal level. To enjoy full social rights in a country like Switzerland, one must be employed throughout one's working life and have as few interruptions in one's career as possible. There are many problems with this in relation to gender: firstly, in Switzerland, women are less likely than men to be in paid work. Second, if they are employed, women – unlike men – often work part-time. Thirdly, women's wages are on average much lower than men's. This means that women's social security contributions are lower and this is reflected in the pensions they receive. In addition, women's careers are less linear than men's, which affects their access to managerial positions and the social protection associated with such positions. This has led to a clear gender stratification in access to social benefits.

The second essay is entitled *The Welfare State in the 20th Century Italy from "Political Discontinuity" to "Institutional Continuity"* written by Michela Minesso. The author begins by pointing out that the study examines the development of the institutions of the welfare state in Italy. Particular attention is paid to the policies of welfare, assistance and health.² Focusing on welfare and, to a certain extent, on social security and health, this study deals with the history of 'welfare from above', which has developed along two lines in Italy: on the one hand, the Italian political situation in the 20th century and on the other hand, the Italian institutional system in the 20th century. This paper focuses on the discontinuity in the Italian political system in the 20th century, which comprised three main phases – the liberal system, the fascist system and the republic, thus amplifying the diversity of political goals and forms of citizenship underlying the development of Italian welfare in the 20th century, and affecting the continuity of the institutional framework in the definition of national social policies. In Italy, Bismarck's Germany was taken as a model for the framework of social policy interventions, thus making access to social protection conditional on employment. It was only in the early 20th century that the state started to finance social policy directly. After the war, various social reforms were adopted. One of the most important measures taken during the period was the introduction of compulsory invalidity and pension insurance in 1919, which was extended to all male and female workers with a financial contribution from the state. In the post-war period, it should also be noted that from this time onwards, Italian welfare developments were increasingly linked to the wider international arena through new bodies organised by the League of Nations.

The third essay is *Family and Motherhood in 20th Century Swiss Social Policies*, by Brigitte Studer. This essay analyses some key steps in the development of the Swiss welfare system, distinguishing four specific historical periods over the last 150 years. In particular, Switzerland introduced social measures for the benefit of mothers and working women in the recent past, consolidating the gender gap that is still visible today.

² See ESPING-ANDERSEN 1990: 248.

The author points out that wages have always been seen as the best form of social protection, with social security intervening only when illness, old age, unemployment or accidents prevented an individual from working. Switzerland was a pioneer in the field of occupational safety and health but lagged far behind in social security and women's social security rights.³ One important indicator of inequality in Switzerland is the gender pension gap, which measures how much higher men's average monthly and annual pensions are than women's. Both are associated with a higher risk of poverty for older women than for older men. In Switzerland, the pension gap between women and men is, on average, 37%. Over the past 150 years of Swiss social policy, four distinct periods can be distinguished. A liberal, progressive period of labour protection, between the factory law of 1877 with its gendered provisions and the end of the First World War; a short but politically intense period after the First World War, when various forms of social insurance seemed to be devised. This was followed by a long period of several decades up to the 1970s, when the protection of the traditional family was at the forefront of society's anxieties. The era after the 1970s is contradictory as it saw the country catching up with European standards of social security, and policies being adopted that were more egalitarian in some parts of Swiss social security, while at the same time access to social security and social welfare was being increasingly restricted.

In Switzerland, the individualisation of social security desired by politicians is based on a model of one and a half (or perhaps one and three quarters) earners. This means that women remain financially dependent on men and also that they have limited opportunities for 'exit' from marriage or relationships. Separation often means impoverishment for them. Recently, both politicians and economists have been sharply critical of women's part-time employment, which is seen as an untapped labour market potential. For nearly a century, social policy has sought to discourage mothers and sometimes wives from participating fully in the labour market and to consolidate the traditional family order. Social redistribution has been organised not only along class, age and nationality lines but in some cases more emphatically along gender and marital status lines. Paradoxically, it is social security that has recently become the most egalitarian.

The title of the fourth essay is *Family, Law, Women's Legal Status and Family Care Work in 20th Century Italy (and Switzerland)* written by Paolo Passaniti. This essay examines the role of family law, gender equality and women in society in Switzerland and Italy by providing a historical overview. Italy is an almost perfect model of the relationship between family law, the legal status of women and the distribution of types of care activities. This stems from its archaic and patriarchal culture, and is also characterised by differences between North and South. From the outside, Switzerland seems to be the opposite, since, although it had around 5,000 women's associations and higher education was open to women, it differs from the main European models for the emancipation of women. In Italy in the 19th century, the patrimonial family model was essentially predominant. A series of regulations formalised male domination. While other parts of Europe and the world were

³ See HOBSON 1990: 235–250.

already working to promote gender equality, in Italy the liberal state ended this period with divorce provisions and a 1919 decree enacting a law with an endless list of professions forbidden to women. The fascist era was characterised by rigid gender segregation in education, as women were pushed into female secondary schools, which were designed to educate them for a life as housewives. The division between productive work, from which women were generally excluded, and family care work, which was designated as women's work, became a fundamental element of fascist social policy. Women's work was considered worthless if it was done outside the home, in competition with men's work. The Civil Code of 1942 left the 19th-century legacy virtually intact, reinforcing the norms relating to the rights and obligations of spouses. In the post-war period of great social transformation the Constitutional Court, in the spirit of the times, abolished the convention of adultery based on inequality between spouses and in 1970 a law permitting divorce was adopted. While the legal model has changed radically, the state's attitude towards welfare policies has not.⁴

In terms of welfare after the 20th century, Italy and Switzerland face the same issues, such as the need to reconcile family and work. Family-based welfare has arrived at the present day in the context of a series of minor laws in Italian political history, but without the symbolic backdrop of the adoption of referendums. In Switzerland, it was the result of conscious decisions which were much debated and opposed.

The fifth essay is entitled *Between State and Voluntary Action: the Evolution of the Italian Third Sector* written by Gianni Silei. The author describes the evolution of the Italian "third" sector. The paper starts with an interpretation of the third sector. For Italy, the definition of the third sector is explained in Article 1 of Law 106/2016, a definition characterised by complexity, which is due to the historical roots of the institutions that constitute it, which are both old and new. The definition of the third sector covers private institutions which, at the time of national unification, were defined at the time as "public utilities", but which also included the more recent autonomous initiatives that today seek to meet the social needs of the third millennium.⁵

Taking into account the diversity of public attitudes to third sector subjects, four phases can be distinguished. The period from the first Italian unification to the rise of fascism was characterised by the strong vitality of organised civil society. The second phase, which coincided with the end of the fascist regime, was characterised instead by open hostility between the state and social organisations. The third phase, which began after the election of the Constituent Assembly and lasted until the 1970s, was characterised by a desire to put an end to the earlier confrontation. Finally, the fourth stage, which began in the 1980s, seems to be characterised more by a more general rethinking of the traditional categories of 'public' and 'private'. The author describes these phases and their characteristics in this paper. The institutional and organisational changes are described in great detail, which makes it easy to understand the changes that occurred during the period.

⁴ See MINESO 2016.

⁵ See LOFFREDO 2018.

The sixth essay is entitled *Public Assistance in Canton Ticino in the 20th Century History and Historiography* written by Massimiliano Paniga. It focuses on the achievements of Italian and Swiss historiography in recent years in the study of the public and private care sectors in the canton of Ticino. The chapter analyses in detail the various provisions of the public institutions of Ticino, from the 1855 law, the first law on assistance in the cantonal legislature, to the laws of the 20th century. At the beginning of the study, the author presents the relevant works on the subject that have been published previously, summarising their essential content. He notes, however, that most of the works mentioned do not make use of archival sources, most of them being based instead on bibliographical sources and newspaper articles. He notes that the Catholic Church played a major role in the field of relief work, but that over time local initiatives developed in 1-1 parishes came to the fore. It was only in the 1920s that the ecclesiastical authorities began to step up their activities and take a leading role, particularly in the field of assistance to the elderly and care for orphans. Indeed, it was only in the mid-19th century that formal public assistance measures were established in Ticino. On 27 November 1855, the first law in this area was passed, which considered relief and public order two aspects of the same activity and made local councils responsible for the economic assistance of the poor and the unemployed, and gave them the right to reduce the amount of aid without limit in the event of neglect or misbehaviour. Subsequently, the process of industrialisation and urbanisation at the end of the 19th century made it necessary to renew earlier regulations. In 1890, the focus of public assistance turned to orphans and the mentally ill and a new law was passed, which anticipated the creation of a new law on relief in 1903. The task of providing relief remained the responsibility of the local councils, while the legislature managed to strike a balance between meeting urban and rural needs. Despite its neutrality, Switzerland felt the effects of the First World War and many social problems emerged. In the field of welfare, the Church sought to provide as much assistance as possible, while in the field of social policy, the state institutions sought to exercise greater control, mostly in the form of agreements between cantons. Another step forward in state aid was the 1926 decree allowing local councils,⁶ which were in increasing financial difficulties because of the cost of aid, to receive state support. The real turning point was the 1944 law, which opened a new chapter in the history of public assistance and came into force in 1945. The funds to be allocated annually to assist the needy were to be provided by a 1.5% ad valorem tax on top of existing resources and by a cantonal appropriation of 500,000 francs. The Act also conferred on the municipalities several powers which were to be exercised by the appointment of a municipal relief committee.

The essays in this book are all excellent works, each of which is extremely detailed in its subject matter, both in legal and political theory terms. The work is easy to read, but also provides the reader with a wealth of new knowledge. Overall, I would recommend this volume to anyone interested in the history of the welfare state and welfare policies.

⁶ See SALTINI 2004.

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Table of Contents

GÁBOR SOÓS: <i>Audits and Remedies in EU-Funded Public Procurement</i>	2
EMESE BELÉNYESI – ÁGOTA DOBOS: <i>Competency-based Human Resource Management in the Public Service from Educational Perspective</i>	20
ROBERT MÜLLER-TÖRÖK – THOMAS HEMKER: <i>Digital Competences in Public Sector Education as a Prerequisite for e-Government</i>	42
SZILÁRD HEGEDŰS – CSABA LENTNER: <i>Analysis of the Competitiveness of the Hungarian Tax System in an International Environment</i>	56
STEFANY MERCEDES CEVALLOS: <i>Rethinking Public Administration and the Importance of Urban Marketing</i>	78
LILI TAKÁCS: <i>Hacking the Attention Economy: The Use of the Twittersphere of Italian Party Leaders before the 2018 Elections</i>	92
PÉTER BELCSÁK: <i>Book Review: Michela Minesso (ed.): Welfare Policies in Switzerland and Italy. Institutions, Motherhood, Family and Work in the 19th and 20th Centuries</i>	116