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Transylvanian Review of Administrative Sciences

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Abstract

On the basis of existing research, the paper presents a model for analyzing the impact of the use of human resource management practices on organizational performance. The model allows the assessment of these impacts after analyzing the use of human resource management practices and the achieved performance. The model includes a survey questionnaire on human resource management practices, a principal component analysis of the results of the questionnaire, a DEA model to determine the performance and a linear regression model of the impact of human resource management practices on the performance of Slovenian municipalities.

The results of the research confirm a negative (focus on quality and job security) and positive (supervisory practices) impact of the use of certain human resource management practices in Slovenian municipalities on their organizational performance. The findings indicate the need for balancing between focus on quality, employee security, and supervisory practices for better individual and organizational performance in Slovenian local administration.

Keywords: human resource management, performance, efficiency, impact, municipalities, DEA, Slovenia.
1. Introduction

Effectiveness and performance of organizations rests with their staff: their capacities and skills, as well as the ability of the leadership to motivate staff to do their best in achieving organizational objectives. In this respect, an increasing importance is given to human resource management, since it manages the capacities, skills and knowledge of employees and affects their individual performance (Alagaraja, 2013; Drucker, 2003). By transferring the knowledge, motivation and performance of employees to the functioning of the organization, human resource management also affects the performance of the organization as a whole (Rousseau and Barends, 2011; Vanhala and Stavrou, 2013). HRM practices are positively linked with the operational measures of performance, such as productivity, product quality and operating costs (Alagaraja, 2013; Akhtar, Ding and Ge, 2008; Baptiste, 2008; Giauque, Anderfuhrren-Biget and Varone, 2013; Den Hartog et al., 2012; Jiang et al., 2012; Ko and Smith-Walter, 2013; Kooij et al., 2013; Subramony, 2009; Tzabbar, Tzafrir and Baruch, 2017).

Due to fiscal constraints and high expectations of citizens, the public sector also aims at maximizing performance while delivering high-quality and accessible public services (Andrews and Van de Walle, 2013). Some studies have already confirmed a positive association between the use of HRM practices and organizational performance in the public sector (Giauque, Anderfuhrren-Biget and Varone, 2013; Walker and Andrews, 2013). Therefore, to add further clarity through either new research methods, new samples, or within new settings, authors call for further research of the situation concerning the use of HRM practices and their impact on the functioning of public sector organizations (Giauque, Anderfuhrren-Biget and Varone, 2013; Gould-Williams, 2003; Ko and Smith-Walter, 2013; Walker and Andrews, 2013).

The main aim of the research is to create a model for analyzing the impact of the use of HRM practices on achieving organizational performance of municipalities, and to use this model for Slovenian municipalities. The hypotheses considering the impact of human resource management practices for individual performance on the performance of Slovenian municipalities are formulated in section 2.3.

Three methodological approaches were used within the model. Survey research based on a relevant questionnaire was used to determine the presence of HRM practices in Slovenian municipalities. The results of the survey research were processed by using the principal components analysis. The DEA methodology was used to determine the performance of business decision-making units (municipalities), and a relevant linear regression model was used to analyze the impacts.

The next section deals with the theoretical bases of the research and thus presents the frameworks of the use of HRM practices for individual and organizational performance. The methodological section presents three methodological segments, i.e. a survey research to determine the level of use of HRM practices, a model to determine the performance of local communities and a regression model to analyze the impacts. The fourth section presents the results of the research carried out, i.e. the main findings of the research. The paper ends with the conclusion which summarizes the main findings.
2. HRM practices and organizational performance

Firstly, this section presents a six-dimensional construct of HRM practices. This is followed by the discussion on performance, focusing on the problem of measuring the performance of public sector units with emphasis on local communities. The section is concluded with a review of research addressing the impact of HRM practices on organizational performance.

2.1. Multi-dimensional structure of the construct of HRM practices

The appropriate use and combination of various HRM practices affects the individual performance of employees, since it deals with the capacities, abilities, skills and knowledge of employees (Giauque, Anderfuhen-Biget and Varone, 2013; Kehoe and Wright, 2013; Wallace Ingraham, Coleman Selden and Moynihan, 2000), and thereby also affects the organizational performance (Boxall, 2013; Crouse, Doyle and Young, 2011; Ko and Smith-Walter, 2013).

Several authors classified HRM practices boosting operational outcomes into three categories: empowerment-enhancing bundles, motivation enhancing bundles and skill enhancing bundles (Subramony, 2009). Jiang et al. (2012) categorized 14 HRM practices into three dimensions: skill enhancing, motivation enhancing and the opportunity enhancing dimension. In their research, Aycan et al. (2000) discuss three dimensions of HRM practices, i.e. job design, supervisory practice and reward allocation; other authors defined from five to eight dimensions, as shown in Table 1. To put more stress on performance-related rewards, following Tzabbar, Tzafrir and Baruch (2017) and Aycan et al. (2000), we pointed out a five-dimensional general construct which covers all other definitions with: training, job design, supervisory practices, reward allocation and job security.

Based on the above mentioned five-dimensional general construct of HRM practices, and considering the construct defined for the public sector by Giauque, Anderfuhen-Biget and Varone (2013), we defined a six-dimensional construct of HRM practices to achieve higher individual and organizational performance (as shown in Table 2); as the model is focused on operational managerial practices, it does not include the skill enhancing dimension. For the same reason, it includes the empowerment practices as a single dimension of job design according to Aycan et al. (2000). Otherwise, the definition is consistent with most other definitions of the construct for the public sector presented in Table 1 (Baptiste, 2008; Gould-Williams, 2003; Ko and Smith-Walter, 2013).

However, we added a new dimension dedicated to the quality of services as public organizations, as well as local governments, need to deliver Best Value for their service users. This requires the development of new attitudes to service users and creating a commitment to quality and efficiency. Despite the clear demand for the development of HRM practices for the quality of public services, only a few authors discuss this question (Boxall, 2013; Gould-Williams, 2003; Ko and Smith-Walter, 2013) and nobody considers quality as a dimension of HR practices. Following the authors
Table 1: Dimensionality of the construct of HRM practices for achieving individual performance across several authors

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Skill enhancing</td>
<td>Training and development</td>
<td>Training</td>
<td>Extensive training, learning and development</td>
<td>Training and development</td>
<td>Training</td>
<td>Selection practices and internal promotion</td>
<td>Selection</td>
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<tr>
<td>Selective hiring</td>
<td></td>
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<tr>
<td>Empowerment, opportunity enhancing</td>
<td>Job design</td>
<td>Teamwork</td>
<td>Participation</td>
<td>Participation</td>
<td>Participation in decision-making</td>
<td>Voice</td>
<td></td>
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<tr>
<td>Egalitarianism</td>
<td>Job descriptions</td>
<td>Greater involvement in decision-making and work teams</td>
<td>Participation in decision-making</td>
<td>Voice</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information sharing</td>
<td>Employee involvement, information sharing</td>
<td>Employee voice</td>
<td>Fairness</td>
<td>Empowerment</td>
<td>Job descriptions</td>
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<tr>
<td>Supervisory practices</td>
<td>Internal career opportunities</td>
<td>Professional development</td>
<td>Communication</td>
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<tr>
<td>Motivation enhancing</td>
<td>Results-oriented appraisal</td>
<td>Career development</td>
<td>Individual appraisal</td>
<td>Performance appraisal</td>
<td>Performance appraisal</td>
<td>Performance opportunities</td>
<td>Performance appraisal</td>
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<tr>
<td>Reward allocation</td>
<td>Performance-related pay</td>
<td>Stocks/profit sharing</td>
<td>Compensation contingent on performance</td>
<td>Performance-related pay</td>
<td>Performance-related rewards</td>
<td>Profit sharing for performance</td>
<td>Performance appraisal</td>
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<tr>
<td>Employment security</td>
<td>Employment security</td>
<td>Job security</td>
<td>Employment security</td>
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</table>

Source: Authors’ own contribution
mentioned above, we have defined an additional dimension of focus on the quality of services provided which covers HRM practices aimed at ensuring that employees provide high-quality services, providing user satisfaction with the functioning and efficient use of resources, and improving the qualifications of employees.

Table 2: Dimensionality of the construct of HRM practices for quality of services and organizational performance

<table>
<thead>
<tr>
<th>Dimension</th>
<th>HRM practice</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on the quality of services provided</td>
<td>Efficient use of resources</td>
<td>Boxall, 2013; Gould-Williams, 2003; Ko and Smith-Walter, 2013</td>
</tr>
<tr>
<td></td>
<td>Quality of qualifications of employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quality of services provided to citizens</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Satisfaction of citizens with municipal performance</td>
<td></td>
</tr>
<tr>
<td>Job design</td>
<td>Employee involvement</td>
<td>Baptiste, 2008; Giauque, Anderfuhen-Biget and Varone, 2013; Ko and Smith-Walter, 2013</td>
</tr>
<tr>
<td></td>
<td>Communication</td>
<td>Akhtar, Ding and Ge, 2008; Baptiste, 2008</td>
</tr>
<tr>
<td></td>
<td>Fairness</td>
<td>Baptiste, 2008; Giauque, Anderfuhen-Biget and Varone, 2013; Gould-Williams, 2003</td>
</tr>
<tr>
<td></td>
<td>Encouraging and supporting education and training</td>
<td>Giauque, Anderfuhen-Biget and Varone, 2013; Den Hartog et al., 2012</td>
</tr>
<tr>
<td>Reward allocation</td>
<td>Opportunities for career development</td>
<td>Giauque, Anderfuhen-Biget and Varone, 2013; Den Hartog et al., 2012</td>
</tr>
<tr>
<td></td>
<td>Performance-related pay</td>
<td>Akhtar, Ding and Ge, 2008; Baptiste, 2008; Giauque, Anderfuhen-Biget and Varone, 2013; Gould-Williams, 2003</td>
</tr>
<tr>
<td>Job security</td>
<td>Employment security</td>
<td>Akhtar, Ding and Ge, 2008; Giauque, Anderfuhen-Biget and Varone, 2013; Gould-Williams, 2003</td>
</tr>
<tr>
<td>Individual treatment</td>
<td>Assessment of individual work</td>
<td>Akhtar, Ding and Ge, 2008; Giauque, Anderfuhen-Biget and Varone, 2013</td>
</tr>
<tr>
<td></td>
<td>Provision of diverse work</td>
<td>Akhtar, Ding and Ge, 2008; Baptiste, 2008</td>
</tr>
<tr>
<td>Supervisory practices</td>
<td>Performance appraisal</td>
<td>Akhtar, Ding and Ge, 2008; Ko and Smith-Walter, 2013</td>
</tr>
</tbody>
</table>

Source: Authors’ own contribution

2.2. The performance of public sector organizations

In recent years, the public sector has aimed at maximizing its performance, while providing the public services of appropriate quality and accessibility, which is due to increasing fiscal constraints and pressure exerted by citizens (Andrews and Van de Walle, 2013). Andrews and Van de Walle (2013) provided a sound review of different theoretical bases and approaches to study the performance of local governments and pointed out three basic groups of theories: classic economic theory, contingency theory and resource based theories. The most frequently used economic performance
measure is efficiency, while the studies based on resource theories mostly employ effectiveness as the measure of performance. More diverse performance measures are used in studies based on contingency theory; besides efficiency and effectiveness also quality, quantity and user satisfaction are employed (Andrews and Van de Walle, 2013, pp. 10-12).

The studies of performance as efficiency use different approaches to the measurement of efficiency. Nonparametric and semiparametric approaches include Data Envelopment Analysis (DEA), Free Disposal Hull (FHD), Order-m and Conditional efficiency, while parametric approaches include Stochastic Frontier Analysis (SFA) and different regression analysis (COLS, OLS, fixed effects regressions). The most frequently used methods are DEA and SFA (Narbón-Perpiñá and De Witte, 2018).

A significant number of studies use DEA as the central measure of local government performance studying efficiency from the economic viewpoint with the aim to determine what might contribute to higher performance (Afonso, Schuknecht and Tanzi, 2010; Afonso and Scaglioni, 2006; Balaguer-Coll, Prior-Jiménez and Vela-Bargues, 2002; Boetti, Piacenza and Turati, 2010; Geys, Heinemann and Kalb, 2012; Loikanen and Susiluoto, 2005; Pevcin, 2014a, 2014b). Many other authors search for factors of efficiency measured by DEA. They analyze impacts of competition in the political arena (Ashworth et al., 2014; Sørensen, 2014), incomes, expenditures and taxes (Balaguer-Coll, Prior and Tortosa-Ausina, 2007), natural, citizen-related, institutional and legacy determinants (da Cruz and Marques, 2014), voter involvement and fiscal autonomy (Geys, Heinemann and Kalb, 2010), financial and political determinants (Kalb, 2014), and IT development (Seol et al., 2008).

The study of impact of HRM practices is a segment of resource based studies of the determinants of organizational performance, where effectiveness, equity and quality are the mostly used measures of performance (Walker and Andrews, 2013). However, some authors find efficiency as the measure of performance in resource based studies very useful. In his study on the impact of managerial skills on performance of municipal organizations, Carmeli (2006) demonstrates that the structural context plays an important role, especially for performance measures that are potentially less changeable in the short term. With a similar exposure, Andrews and Entwistle (2015) study the impact of management capacity on public service efficiency, and Borge, Falch and Tovmo (2008) study the institutional factors of public sector efficiency.

The use of HRM practices for individual and organizational performance is, in principle, the way in which the management in an organization behaves. As HRM practices represent the structural context, the efficiency as the measure of performance could contribute to the understanding of the phenomena.

2.3. The impact of HRM practices on organizational performance

The research which focuses on identifying the links and impacts of the use of HRM practices on individual and organizational performance is basically set out in three steps (Giauque, Anderfuhren-Biget and Varone, 2013; Gould-Williams, 2003; Ko and
Smith-Walter, 2013). HRM practices have an impact on individual performance of employees (1) in order to achieve organizational performance (2), while feedback on the achievement of individual performance of employees and their impact on organizational performance (3) is the basis for identifying the effects of HRM practices and further planning of the use of HRM practices (Figure 1).

![Figure 1: The impact of HRM practices on organizational performance](image)

**Source:** Authors’ own contribution

1. Appropriate use of HRM practices, such as fairness, job enrichment, empowerment and professional development of employees, is positively linked with individual performance and motivation of public employees (Giauque, Anderfuhren-Biget and Varone, 2013). Alagaraja (2013) stresses the importance of empowerment and education and training to achieve individual performance. Den Hartog et al., 2012, inter alia, conclude that in organizations where a broad variety of HRM practices is offered, higher satisfaction, effectiveness and performance are detected.

2. Individual performance, consequently, also leads to organizational performance, since HRM practices (their combination) are aimed at developing organizational productivity and performance by implementing such working conditions which increase the possibility for employees to align their goals with organizational objectives and values and, consequently, also ensure organizational performance (Crook et al., 2011; Curristine, Lonti and Joumard, 2007). The results of certain research (Boxall, 2013; Crouse, Doyle and Young, 2011; Den Hartog et al., 2012; Ko and Smith-Walter, 2013) confirm that an appropriate use of HRM practices pays dividends to the organization as a whole, since it leads to increased organizational performance.

3. Monitoring the use of HRM practices and their effects on individual and organizational performance provides an insight into the advantages and opportunities to improve individual performance on the basis of the use of HRM practices (Giauque, Anderfuhren-Biget and Varone, 2013; Gould-Williams, 2003).

Despite demonstrating importance, there is still a lack of research on the use of HRM practices and their effects on individual and organizational performance in the public sector. Therefore, multiple authors (Giauque, Anderfuhren-Biget and Varone, 2013; Gould-Williams, 2003; Ko and Smith-Walter, 2013; Walker and Andrews, 2013) call for further research of the situation concerning the use of HRM practices and their impact on the functioning of public sector organizations.

As a step further in this direction, we set a general hypothesis: The dimensions of human resource management practices employed to ensure individual performance
have an impact on the performance of Slovenian municipalities. Considering the six dimensions of the construct of HRM practices, defined in section 2.1., we define six specific hypotheses as follows:

H1: Focus on the quality of services provided – has an impact on the performance of Slovenian municipalities;
H2: Job design – has an impact on the performance of Slovenian municipalities;
H3: Job security – has an impact on the performance of Slovenian municipalities;
H4: Individual treatment – has an impact on the performance of Slovenian municipalities;
H5: Supervisory practices – has an impact on the performance of Slovenian municipalities; and
H6: Reward allocation – has an impact on the performance of Slovenian municipalities.

3. Methodology

This section presents the model developed based on the assumption of the impact of the use of HRM practices for improved individual performance on the achievement of organizational performance (Giauque, Anderfuhr-Biget and Varone, 2013; Gould-Williams, 2003; Ko and Smith-Walter, 2013). The model comprises two measurement models to identify the use of HRM practices and measure the performance of organizations, and a linear regression model to assess the impact of the former on the latter construct (see Figure 2).

**Figure 2:** Model of the impact of the use of HRM practices on the performance of municipalities

*Source:* Authors’ own contribution
3.1. The measurement model for the assessment of the use of HRM practices

The measurement model for the assessment of the use of HRM practices in municipalities is based on a six-dimensional model of the construct of HRM practices presented in section 2.1. The questionnaire for measuring the situation takes account of the aforementioned structure of the concept considered (see Table 3).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Variables</th>
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</thead>
<tbody>
<tr>
<td>Focus on quality</td>
<td>satisfaction of citizens with municipal performance</td>
</tr>
<tr>
<td></td>
<td>excellence and quality of services provided to citizens</td>
</tr>
<tr>
<td></td>
<td>improvement of qualifications of employees</td>
</tr>
<tr>
<td></td>
<td>efficient use of (financial and human) resources</td>
</tr>
<tr>
<td>Job design</td>
<td>provision of equal opportunities for all employees</td>
</tr>
<tr>
<td></td>
<td>encouraging and promoting good and efficient communication</td>
</tr>
<tr>
<td></td>
<td>encouraging and supporting participation in different education and training programs</td>
</tr>
<tr>
<td></td>
<td>involvement of employees in decisions that affect their work</td>
</tr>
<tr>
<td></td>
<td>employees’ familiarity with the method of performance assessment</td>
</tr>
<tr>
<td>Job security</td>
<td>job security</td>
</tr>
<tr>
<td></td>
<td>fair treatment and assessment of employees’ work</td>
</tr>
<tr>
<td>Individual appraisal</td>
<td>assessment of individual work</td>
</tr>
<tr>
<td></td>
<td>performance of diverse work</td>
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<tr>
<td>Supervisory practices</td>
<td>monitoring of employees’ professional development</td>
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<td></td>
<td>exercise of supervision over the performance of employees</td>
</tr>
<tr>
<td>Reward allocation</td>
<td>opportunities for professional or career development</td>
</tr>
<tr>
<td></td>
<td>performance-related pay</td>
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</tbody>
</table>

Source: Authors’ own contribution

Along with the structured questionnaire, the dimensionality of the construct needs to be examined by means of a principal component analysis which tests the dimensionality of the construct and identifies the elements that belong together as part of the same construct (Fabrigar et al., 1999). In this context, manifest variables are questions of the survey questionnaire on the presence and use of HRM practices in municipalities, while the expected factors are the dimensions of HRM practices to ensure performance (see Table 3).

In order to ensure the best possible adaptation of hypothetical data, the results were rotated with the Varimax orthogonal rotation. The examination of quality of the factor included the analysis of validity, reliability and consistency of measurement on the basis of Cronbach’s coefficient of reliability (> 0.6), Keiser-Meyer-Olkin statistics (> 0.6) and Bartlett’s sphericity test (< 0.05). The results of the factor analysis served as the basis for confirming the existence of latent variables which represented six dimensions of the construct of HRM practices.

3.2. Performance of municipalities

The right side of the model (see Figure 2 previously presented) represents the performance of municipalities. As presented in section 2.2., efficiency is a frequently
used measure in local government performance studies. It is measured using different approaches, where the DEA is one of most frequently employed methods. The studies take account of a number of different determinants (political, economic, natural, social, legacy and institutional). Our model combines the institutional factor of HRM practices and the efficiency of local governments.

As local governments produce a number of different services and are at least partly responsible for many different (economic, social, environmental) outcomes, it is hard to define any a priori performance measure. For this reason, a non-parametric DEA method is an useful approach to analyze the performance of municipalities (Balaguer-Coll, Prior and Tortosa-Ausina, 2007; Geys, Heinemann and Kalb, 2012; Geys and Moesen, 2009; Loikkanen and Susiluoto, 2005; Storto, 2013). It enables employing existing data and forming models by taking account of different views of performance covering the whole diversity of the circumstances in local communities.

The DEA methodology is based on the linear programming method (Afonso and Fernandes, 2008; Cook, Tone and Zhu, 2014; Cook and Seiford, 2009). A DEA model is set up by determining the inputs and outputs, which represent the coefficients of a linear program. The expression is fitted with weights, which are the variables of the linear program. The weights (variables) are optimized for each unit under consideration, with the restriction of the maximum result of 1 for all other units under consideration. Optimization of weights allows each unit to achieve the best possible result, subject to the limits set by the inequations for all other units.

The calculation places the unit in a space limited by an envelope, i.e. hyper-space, which is defined by efficient units. The proportion of achievement of efficiency and the necessary improvements towards full efficiency are defined for inefficient units in the form of values that need to be reached for this purpose. The model can be directed at inputs or outputs. In principle, the results are the same, except that the recommendations for improvement relate to the selected side of the model (inputs or outputs). By using a dual linear program, this method defines groups of units with a similar mode of performance (similar values of weights) around one or more efficient units (Cook and Seiford, 2009; Cooper, Seiford and Tone, 2007).

The input side of our model includes (Afonso and Fernandes, 2008; Afonso and Scaglioni, 2006; Loikkanen and Susiluoto, 2005): current expenditure, current transfers, and registered unemployed persons.

The output side includes (Boetti, Piacenza and Turati, 2010; Geys, Heinemann and Kalb, 2012; Pevcin, 2014a): the number of persons employed in the municipality; the number of inhabitants under the age of 15; municipality’s investment expenditure; the number of social assistance recipients; the index of labor market self-sufficiency, and the index of municipality’s financial independence.

On the input side, the expenditures of municipalities are observed, while on the output side, the citizens’ active potential and the state of the labor market, the level of social needs, and the financial strength and investment orientation of the municipality are observed. Municipalities which use financial resources optimally are regarded
as efficient, whereby the model allows achieving efficiency in different ways. Therefore, according to the model, municipalities with greater social burden, municipalities with a lower unemployment rate or a high-quality labor market and financially strong municipalities can be assessed as more efficient.

The results of the DEA model are very dependent on the choice of input and output variables. As the values of the variables for all units under observation form the restrictions of the model, the choice of the set of units has a significant impact on the end results as well. Similarly, the possibility of taking account of different modes of operation as efficient (the units are treated as efficient on the ground of the results in different directions, for different variables) could incite certain misleading interpretations. However, if the DEA model is built with caution and tightly connected to the similar cases, it provides sound conclusions even for complex and less defined service production environments.

3.3. Linear regression model

In order to assess the impact of managerial HRM practices on the performance of municipalities, linear regression analysis (Akhtar, Ding and Ge, 2008; Gould-Wiliams, 2003; Ko and Smith-Walter, 2013) was selected, where the dimensions of managerial practices are independent (predictor) variables and the value of technical efficiency of municipalities is a response variable.

Technical efficiency, as measured with the DEA approach in our study, depends on a number of different factors. Some of them are given and the municipalities have no direct control over them (area, population, natural features), while others are under the influence of long-term policies and measures (economic development and social status of inhabitants). The factors to be changed in short or medium term are tightly connected to public and private investment in a municipality. Following the contingency and resource based theories, the local governments could develop their efficiency (performance) functioning strategically based on the quality of employees (Walker and Andrews, 2013).

Hence, we would like to answer the following question: Do the HRM practices supporting better performance have an impact on the efficiency of municipalities and which dimensions manifest the highest impact? The approach allows us to point out the HRM practices which are common for efficient municipalities and to provide guidelines for inefficient municipalities on how to change the attitude towards HRM practices to provide better efficiency.

The examination of the model comprises the assessments of impact size (adjusted R-square), statistical significance of the model as a whole by means of F-statistics and statistical significance of standardized coefficients by means of t-statistics.

4. Research findings

According to the model presented in Figure 2, the research was carried out in three steps: (1) survey research on the use of HRM practices to achieve individual
and organizational performance of municipalities; (2) an analysis of the performance of Slovenian municipalities; (3) a regression analysis of the impact of the use of HRM practices on the performance of municipalities. The data from the survey research and the linear regression analysis were treated with SPSS, while the data from the analysis of performance were treated with Frontier Analyst.

4.1. Survey research on the use of HRM practices in Slovenian municipalities

The questionnaire survey included 17 questions on HRM practices (see Table 4) and the questions about the name and size of the municipality and municipal administration. The HRM practices were measured with a five point Likert scale. The survey research was conceived as a census-based research across all Slovenian municipalities (N = 212). The questionnaires were addressed to the directors of municipal administrations with the suggestion that they should be answered by them or their human resource manager. The response rate was just over 20% (n = 42). Given the structure by the number of inhabitants, the sample is appropriate, except in the group of larger municipalities (with more than 20,000 inhabitants) which has a share of 4.8% in the sample, compared to the share of 8.1% in the total population.

The examination of the factor structure showed that the factor model exhibits appropriate characteristics (Cronbach’s alpha coefficient of reliability = 0.828, Kaiser-Meyer-Olkin statistics = 0.664, Bartlett’s test of sphericity = 0.000). The communalities reach the values between 0.598 and 0.823.

<table>
<thead>
<tr>
<th>Table 4: Proportions of total variance by dimensions of the use of HRM practices for performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Factor</strong></td>
</tr>
<tr>
<td>Focus on quality</td>
</tr>
<tr>
<td>Job design</td>
</tr>
<tr>
<td>Job security</td>
</tr>
<tr>
<td>Individual treatment</td>
</tr>
<tr>
<td>Supervisory practices</td>
</tr>
<tr>
<td>Reward allocation</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
</tr>
</tbody>
</table>

**Legend:** TVE = Total Variance Explained; STD = Standard Deviation

**Source:** Authors’ own contribution

As indicated in Table 4, the factor model explains 71.8% of total variance explained (TVE), whereby each of the factors contributes a substantial share to total variance explained. The examination of the model showed that the data collected sufficiently fits the theoretical model and thus reflects the expected structure of the construct under consideration, since factor weights of all the variables of the model exceed 0.528, whereby the majority exceeds 0.600.

Arithmetic means of the dimensions show that job design received the highest ratings, with the smallest standard deviation, which means that it received high ratings.
on the entire sample. The dimension of supervisory practices – monitoring received the lowest rating and exhibited considerable variability (STD = 1.26). The three highest rated dimensions include job design, focus on quality and job security, while the group of lower rated dimensions includes supervisory practices aimed at the performance of employees. This result is not surprising, given that municipalities demonstrate concern for quality and employees but their focus on the development of performance is rather limited.

4.2. Analysis of performance of Slovenian municipalities

The analysis of performance was carried out with the DEA model, presented in section 3, with three input variables and six output variables. The source of budgetary data was the Ministry of Finance (2016), while the other data are available on the Slovenian Statistical Office websites (Statistical Office, 2016). In order to ensure a realistic picture of the situation, the calculation was made for all Slovenian municipalities for which relevant data were available. The comparative results for the set of municipalities and the sample considered in the study (n = 42) are shown in Table 5. The difference between the descriptive statistics of both sets for the variable of performance are small; therefore, it can be assumed that the sample provides a good summary of the variability of the entire set. This is also confirmed by the t-test for independent samples, which confirms both the equality of variances (F = 0.03, Sig. = 0.909) and the equality of arithmetic means (t = 0.119, df = 199, Sig. = 0.905).

| Table 5: Comparison of results of the analysis of efficiency for all municipalities and for the sample |
|-----------------|---------|--------|----|-------|---------|---------|---------|------|-----|
|                 | Mean    | STD    | Min  | Max  | IQR    | Q1      | Median  | Q3   | Skew | Kurt |
| Population      | 79.45   | 13.99  | 43.85| 100  | 24.02  | 68.96   | 76.68  | 92.97| 0.120| -1.016|
| Sample          | 79.22   | 14.29  | 53.86| 100  | 24.57  | 69.26   | 76.72  | 93.83| 0.195| -1.005|

Legend: STD = Standard Deviation; IQR = Interquartile Range; Q1 = First Quartile; Q3 = Third Quartile; Skew = Skewness; Kurt = Kurtosis

Source: Authors’ own contribution

There are 15.9% efficient municipalities in the total population of Slovenian municipalities; these include two larger groups of municipalities, which represent two extreme modes of functioning of municipalities: (a) socially oriented municipalities, with a large number of social assistance recipients, and (b) economically developed municipalities, with low unemployment rate or high level of financial independence and self-sufficiency of the labor market.

Other municipalities are inefficient, the majority of them achieving the result between 0.70 and 0.80 (28.9%); efficiency below 0.80 is achieved by 70.7% of municipalities.
4.3. Regression analysis of the impact of the use of HRM practices on the performance of municipalities

The assessment of the impact of the level of use of HRM practices on performance was examined by using the regression model presented in section 3.3. As outlined above, the predictor variables are regression values of dimensions of HRM practices, obtained by factor analysis, while the response variable is the measure of performance of municipalities. As the Kolmogorov-Smirnov (Sig. = 0.200) and Shapiro-Wilk (Sig. = 0.951) tests of normality for regression residuals are statistically insignificant, the assumption of normally distributed error terms is fulfilled. The characteristics of the model are presented in Table 6.

Table 6: Characteristics of the regression model

<table>
<thead>
<tr>
<th>Summary</th>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R Square</td>
</tr>
<tr>
<td>0.626</td>
<td>0.392</td>
</tr>
</tbody>
</table>

**Source:** Authors’ own contribution

The model is statistically significant (Sig. = 0.007). The correlation coefficient indicates an appropriate correlation between predictor and response variables, whereby the impact represents 28.5% of total variance explained; the model as a whole is statistically significant with Sig. = 0.007.

The impact presented above is based on three dimensions – focus on quality (Sig. = 0.019), job security (Sig. = 0.022) and supervisory practices (Sig. = 0.016) (see Table 7).

Table 7: Linear regression model coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>β</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>79.221</td>
<td>1.888</td>
<td></td>
<td>41.966</td>
<td>0.000</td>
</tr>
<tr>
<td>H1 Focus on quality</td>
<td>-4.703</td>
<td>1.911</td>
<td>-0.329</td>
<td>-2.461</td>
<td>0.019</td>
</tr>
<tr>
<td>H2 Job design</td>
<td>-3.124</td>
<td>1.911</td>
<td>-0.219</td>
<td>-1.635</td>
<td>0.111</td>
</tr>
<tr>
<td>H3 Job security</td>
<td>-4.594</td>
<td>1.911</td>
<td>-0.321</td>
<td>-2.404</td>
<td>0.022</td>
</tr>
<tr>
<td>H4 Individual treatment</td>
<td>0.590</td>
<td>1.911</td>
<td>0.041</td>
<td>0.309</td>
<td>0.759</td>
</tr>
<tr>
<td>H5 Supervisory practices</td>
<td>4.846</td>
<td>1.911</td>
<td>0.339</td>
<td>2.536</td>
<td>0.016</td>
</tr>
<tr>
<td>H6 Reward allocation</td>
<td>-1.819</td>
<td>1.911</td>
<td>-0.127</td>
<td>-0.952</td>
<td>0.348</td>
</tr>
</tbody>
</table>

**Source:** Authors’ own contribution

The facts described above support the following conclusions on the hypotheses regarding the impact of dimensions of human resource management practices to ensure individual performance:

- **H1:** Focus on the quality of services provided – confirmed negative;
- **H2:** Job design – rejected;
- **H3:** Job security – confirmed negative;
- **H4:** Individual treatment – rejected;
- **H5:** Supervisory practices – confirmed positive;
- **H6:** Reward allocation – rejected.
The model demonstrates a positive impact of supervisory practices and a negative impact of focus on quality and job security. Municipalities focusing on monitoring the efficiency of individual work are also more efficient. On the other hand, municipalities which are more concerned about the quality of functioning and which ensure fair treatment of employees and job security are less efficient. At first sight, the result is somewhat unexpected. How can the focus on quality, staff development, job security and fair treatment have a negative impact on the performance of an organization? Apparently, this is a situation in which the practices for staff development are very present; however, they have no positive impact on performance, since they do not include supervision over the performance of employees and monitoring of professional development of employees.

5. Conclusion

The paper confirms three out of six specific hypotheses on the impact of dimensions of human resource management practices to ensure individual performance on the performance of Slovenian municipalities. In order to achieve high performance by using HRM practices, it is necessary that the use of HRM practices and their effects is monitored continuously (Walker and Andrews, 2013), and that HRM practices are aimed at achieving results (Akhtar, Ding and Ge, 2008). On the other hand, the negative impact of the dimensions’ focus on quality and job security is – somewhat unexpectedly – negative. Focus on the quality of services helps increase user satisfaction; however, it could occupy additional resources. As mentioned above, job security is a positive driver of performance only if it is supported by appropriate supervisory practices. Without a special focus on the achievement of performance, HRM practices cannot contribute to better performance.

The findings of the research carried out, inter alia, point out the attitude of managers in Slovenian municipalities. They devote much attention to empowerment-enhancing HRM practices (job design, mean = 4.25; quality, mean = 3.89; and job security, mean = 3.76), whereas they fail to reach an acceptable level of motivation-enhancing HRM practices (reward allocation, mean = 2.88; individual treatment, mean = 2.77; and supervisory practices = 2.13). Consequently, the Slovenian municipalities need to improve the use of motivation-enhancing HRM practices, paying special attention to supervisory practices.

The research carried out presents a parsimonious model for analyzing the impact of HRM practices on organizational performance. Its’ practical value is the possibility of analyzing the phenomena within groups of public organizations and the opportunity of benchmarking of a specific organization to all others.

The theoretical corpus is enriched with the definition of a specific dimension of the construct of HRM practices for organizational performance, focus on quality, which allows studying the specific attitude to HRM practices in municipalities. Additionally, the DEA model provides a socio-economic measure of efficiency of municipalities, which, taking account of the social environment, allows municipalities at different
levels of economic development to be treated as efficient. Finally, the results of the model of the impact of HRM practices on performance manifest the importance of balance in using of HRM practices.

The study demonstrates some important characteristics of the phenomena observed; however, the generalization of the results is rather limited. The analysis of HRM practices and the regression analysis call for additional research with a bigger sample, which would allow more accurate construct dimensionality analysis and richer regression analysis. Furthermore, additional efficiency measures and comparison between them would help define a sound combined efficiency measure.

References:


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