Public Administration - a barrier or an opportunity for innovation-based development?

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Abstract

Despite the dysfunctional US Congress blocking most of the Obama Administration policy initiatives over last two years, the US economy was ranked still as one of the most innovative (3-7) and competitive economies (5), according to World Economic Forum 2011 (WEF). In Poland the pride of being the single “green island” of EU in 2009 lulled the Government attention to remove necessary barriers for innovation-based development leading to building sustainable competitive advantages and thus securing nation prosperity. Poland’s rather low ranking in innovation (58) and competitiveness indices (41) has further decreased in 2011 (WEF). Also the World Bank Doing Business (2012) indicates declining ranking in 2012 in general ranking (62 of 183) and in the area critical for innovation – starting business (126/183). The currently published Polish Confederation of Private Employers Lewiatan report Czarna lista barier dla rozwoju przedsiębiorczości 2012 (April 11) lists over 360 barriers for entrepreneurship and innovation blaming both – the government and public administration for raising or not removing them.

The common reason for rather poor performance of the Polish Government and public administration in boosting innovation and improving competitiveness seems to be relatively low attractiveness of public sector in hiring the most advanced human capital due to its politization and lack of stability of professional career. The other equally important reason is traditional teacher-centred way of building human capital within the educational institutions concentrated on passive and oriented on large amount of theoretical knowledge transfer, with limited time allocated to develop practical skills and appropriate attitude. In US, contrary to Poland and most European countries, there is a balance between those aspects of teaching – knowledge, skills and attitude – leading to building strong practical skills, critical thinking, and collaborative attitude with students being in the center of educational process. The professional education in public administration based to large extend on case studies delivers practical knowledge and skills, and through teamwork shapes both good cooperation and fair completion within the team – ingredients necessary for building social capital. The common feature of the most innovative and thus competitive economies is rich - not only human but also social capital.

In order to stop and reverse the negative trends in innovation and competitiveness indices, the Polish Government should depoliticize its public administration, particularly the civil corps
and introduce strict requirements of upgrading professional education and training, including practical cases. The Polish academia should respond fast to such potential demand with an attractive offer, as they did with MBA programs at the beginning of the 1990s responding to the business demand with a significant assistance from US and Canadian universities.
1. Introduction – Politics vs. Reality Defining the Problem

Poland has successfully initiated the systemic transformation process in Central and Eastern Europe (CEE) almost 23 years ago. This country is often cited by respected experts and international organizations as a good example to follow. The methods and effectiveness of Poland’s applications in the earlier stages of the transformation process have been especially emphasized. The economic, ecological, social and political results of the transformation inspired many leaders from developing countries and gained recognition from more economically advanced nations as well. The question of the sustainability of the transformation results came as a test with the financial crisis and followings economic recession [Archibald et al, 2009]. Here again, Poland is one of only a handful of countries that managed to contain the consequences of the 2008 economic crisis to remain a “green island” of European Union (EU) where the GDP did not fall. All of this is a matter of a well-deserved pride of the mainstream parties’ leaders and the significant majority of the nation. This type of self-congratulatory mood of politicians might be very dangerous if it will lead to neglecting series of signals from responsible experts [Geodecki et al, 2012], business organizations [Lewiatan, 2012] and powerful international organizations [World Bank, 2012]. They call for the urgent need for continuation of institutional and structural reforms, which are necessary for sustaining the gains of the transformation process and building prosperity of the nation.

What are the major threats to sustainability in Poland now? One of the most critical factors for economic sustainability is maintaining a competitive position on global markets. For that reason it is interesting to see how Poland’s competitiveness is assessed compared to other countries in various studies prepared by independent international organizations such as the World Economic Forum (WEF) or World Bank (WB). The WEF Global Competitiveness Report 2011-2012 analyzed 143 countries and ranked them according to the level of a synthesized competitiveness indicator: The Global Competitiveness Index 2011-2012 (GCI). The level of this aggregate indicator is influenced by 12 pillars of national competitiveness – 2\textsuperscript{nd} level sub-indicators. Poland, with a GCI level of 4.5 (max. 6) was ranked 41\textsuperscript{st} - two positions lower compared to the WEF 2010 - 2011 Report. With this level of the GCI, Poland was placed with 18 other countries in the transition phase between level 2 – efficiency-driven economies – and the highest level 3 – innovation-driven economies – which includes the 35 most advanced economies, with Switzerland, Singapore, and Sweden at the top. The level of the WEF indicators for Poland illustrates Figure 1.
Figure 1. Poland’s GCI and Comparative Stage of Development Graph of 2011-2012


Surprising for those who observed the beginning of institutional change in CEE in 1989, Poland was ranked 52nd in institutional development in 2011– one of the pillars of the country’s competitiveness – with a score of 4.5 (max. 7). This level of the Institutional Indicator was influenced by the following 3rd level sub-indicators such as:

- **Burden of government regulation** rank 124 score 2.6
- **Efficiency of legal framework in settling disputes** rank 97 score 3.2
- **Transparency of government policymaking** rank 93 score 4.0
- **Efficiency of legal framework of challenging regulators** rank 83 score 3.3
- **Public trust of politicians** and **Wastefulness of government spending** both rank 76 score 2.5 and 3.0.

As for the leaders of CEE, transformation such poor institutional performance must be frustrating, but also indicates that further reforms are needed to increase the effectiveness of institutions and public administration (PA) as a whole for the sake of citizens, firms, and the overall competitiveness of the nation.

The reforms which require the most urgency are represented in Figure 2, illustrated by a survey concerning the major barriers of running a business in Poland.
The first five major obstacles for doing business are: (1) tax regulations, (2) ineffectiveness of government bureaucracy, (3) restrictive labor regulations, (4) high tax rates, and (5) inadequate supply of infrastructure. All of these variables are directly related to the governmental policies and the performance of PA. Also related to government performance are two other pillar indicators:

- **Infrastructure** ranked 74 but with one sub-indicator – **Quality of roads** – ranked 134.
- **Macroeconomic Environment** ranked also 74 but with surprising sub-indicators:
  - **Inflation** ranked 1
  - **Balanced Budget** ranked 128
  - **Governmental debt** 104.

Taking into account the level of those indicators, one can conclude that further reforms of governmental policy and PA have to be implemented to remove the existing barriers for doing business and thus improving competitive position of Poland. It will require further investing in human capital in PA and governmental agencies. However, one could ask a question whether such investment will be effective enough to change rather poor PA understanding of competitiveness and their attitude towards business community?

The key element of sustaining the competitive position of Poland and moving into a 3rd stage economy is improving the country’s innovation level. The WEF ranked Poland’s innovation
The Global Innovation Index 2011\(^1\) ranked Poland a slightly higher at the 43rd position. This ranking includes 125 countries classified by their innovation potential and actual results. Here again the top ranks are held by Switzerland, Sweden, and Singapore. The authors of the report evaluated these countries by the following seven categories: (1) **Institutions**, (2) **Human Capital and Research**, (3) **Infrastructure**, (4) **Market Sophistication**, (5) **Business Sophistication**, (6) **Scientific outputs**, and (7) **Creative outputs**.

In the detailed analysis, the authors of the *Innovation Report* ranked Poland high for political stability (20th position), which contributes to pre-innovative activity. Also the education system in Poland was ranked quite high at 26th. However, the Report revealed again one of the major PA deficiencies listed in the subcategory *Business Environment*, which evaluates a country by the time requirements and costs of establishing a firm. Poland was ranked 83\(^{rd}\) but even worse was *Utilization of Knowledge in Business* at the 93\(^{rd}\) position. Comparing this last indicator with the WEF GCI for *Business Sophistication*, which ranked Poland 60\(^{th}\), one could conclude that further investment in human capital is urgently needed.

Further weaknesses in the Polish economy and serious threats to competitiveness and sustainability were revealed in an annual report – *Innovation Union Scoreboard 2011* [IUC, 2012] – prepared for the European Commission. Poland was ranked 23\(^{rd}\) –last in the largest group of *moderate innovators* performing below the average score for EU27 members - just ahead of the last group of EU members called *modest innovators* led by Romania. The innovation score of Poland at a level of nearly 0.3 (on scale 0.8 maximum) was more than two times lower compared to the EU innovation leaders – Sweden, Denmark, Germany and Finland with an average score of over 0.7 and the EU average of over 0.5 (Figure 3). This means that a good impression of Poland’s economic performance over last 23 years might be short-lived if serious reforms are not implemented soon, and the economy will not move toward innovation-based development significantly improving its competitive position and thus securing sustainability.

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\(^1\) *The Global Innovation Index 2011* was established thanks to the cooperation of five entities: Institut européen d'administration des affaires (INSEAD), Alcatel-Lucent, Booz & Company, The Confederation of Indian Industry and the World Intellectual Property Organization (WIPO).
A much more critical picture of Poland’s competitiveness and innovations is presented by Polish researchers in numerous publications and research reports. Here are examples of the two most recent reports presented in March and April 2012 - Kurs na innovacje and Czarna lista barrier. The first report, created by prominent Polish economists and regional development experts, called Tack on innovations: How to lead Poland out of development drift? argues that Poland is not moving forward rather drifting with own development responding to global crisis instead of taking proactive structural and institutional reforms to generate own sources of economic growth based on innovations [Geodecki et al., 2012]. The nation’s creativity and innovations are the keys to moving out of development drift but the “weak political leadership, low level professional competency of the ruling class” combined with obvious weaknesses of PA such as “reification of procedures” and “domination of bureaucratic logics over the reason” have prevented this [op.cit. p. 51].

These institutional and administrative barriers are also confirmed by the most recent study by researchers from the Polish Confederation of Private Employers(PKPP) Lewiatan – Czarna lista barier dla rozwoju przedsiębiorczości 2012 (The Black List of Barriers 2012)². The detailed analysis presented in this study shows that although some obstacles for doing business have been eliminated with two deregulation acts (e.g. introducing customer declaration instead of the official certification) numerous new barriers have been created that

² PKPP Lewiatan - The Black List of Barriers 2012, Warsaw.
delay the promised improvement of market competitiveness and environmentally-friendly business. The *Lewiatan* list identifies 366 barriers – a larger number than in 2010 – partially due to the expanded scope of analysis.

The most important barriers related to PA are:

1. Lack of clear action in establishing e-administration;
2. No widening of possibilities in flexible organization of work time;
3. Failure to reduce administrative responsibilities when hiring new workers;
4. No measurable simplification of tax requirements;
5. Business owners encounter numerous problems implementing current tax statutes - VAT tax creating the most problems;
6. The 24 hour standard for the registration system for “z.o.o.” partnerships prohibits registering an account by a foreigner;
7. The consequence of foreigners being unable to establish an account within the “S24” e-registration system - is that such individuals cannot become a partner in an established partnership or sign agreements and other documents;
8. The “S24” telecommunication system also makes it impossible to establish a “z.o.o” partnership whose partner is a foreigner or a lawful citizen in another country;
9. A new environmental protection regulation concerning waste management was not adopted;
10. The effectiveness of the entire process of utilization of European Union funds is unsatisfactory (choice of projects, overhead administrative costs);
11. Quality of client services provided from EU funding to beneficiaries depends to a large extent on the availability of information, its accuracy, and the time needed to realize processes involving acceptance and management of European projects - the current system requires complex changes;
12. Failure to implement changes to improve the functioning of public orders allowing buyers to arbitrarily exclude sellers from the public order market for three years, thus increasing the risk of realizing public orders;
13. The process of issuing construction permits has not been shortened due to lack of progress in establishing local spatial plans, which should serve as foundation for the permits;
14. Resolving disputes and legal compensation in the judicial system still takes a lot of time, is costly, and has little effectiveness - in effect debtors feel invulnerable, and creditors powerless.

This list of administrative barriers shows how much must be done in the regulatory sphere as well as in the area of introducing an effective PA.

Summing up the analysis of these reports and analyses conducted by international and Polish teams, the authors of this paper came to conclusion that the major problem and threat to the nation’s sustainability is relatively low level of competitiveness caused by delayed institutional and structural reforms needed to boost human creativity and innovations. All major actors should be involved in this process – business and civic leaders, politicians and academia, as well as the public at large – but the key role in initiating the process of change should come from the Polish Government supported by effective public administration. Since the authors’ expertise is in education and economics, they will leave the governance issue to representatives of other disciplines. Instead they will take a bottom-up approach and focus on the role of public administration and human capital in building more an innovative economy and society. They will try to find the following answers to the basic question for this paper – why huge investments in human capital in Poland did not improve significantly performance of PA, its understanding of competitiveness and sustainability.


History has taught us that in many cases that the best, most charismatic or visionary political leaders cannot survive without effective and efficient public administration. For that reason the idea of building an effective civil service corps (CSC) has become standard among democratic nations. The methods of defining the status of governmental employees differ from country to country but there are certain common values which seem to be universal: loyalty to the nation, stewardship to democratic leadership, and political neutrality and professionalism in resolving public matters [Burnetko, 2003]. Consensus on these values was enshrined as an appropriate institutional foundation for CSC. It is clearly stated in the Poland’s Constitution: “In order to ensure a professional, reliable, impartial and politically neutral discharge of the State’s obligations a corps of civil service shall operate in thee organs
of government administration” [Constitution, 1997 Art. 153, par. 1]. However experiences in many CEE countries indicate that it was much easier to reach consensus on the values than implement them. This is also the case in Poland, where every government since 1989 has been promising to battle the old bureaucratic behavior and attitudes, and make public administration more professional, effective, lean, and apolitical. One of the basic requirements to implement this vision was building appropriate human capital for the CSC.

In June 1991, the Polish Parliament passed a law establishing a National School of Public Administration (KSAP), with the mission to prepare public officers to serve the government in all of its agencies and organizations. The goal was to establish a completely new, modern CSC to quickly transform the nation’s PA [Zieliński, 2012].

The regular study period at KSAP was set for 18 months. The basic curriculum was divided into seven blocks:

1. public law and administration;
2. economics;
3. public finances;
4. international law and affairs;
5. psychology;
6. implementing social studies;
7. general topics.

In addition, practical training and internships were also anticipated outside of regular classes and lectures. Among the top priorities were developing practical skills such as fast decision-making and choosing the optimal solution in various civic situations, e.g. responding to a crisis situation caused by a transit disaster. Every student is granted a modest scholarship and the best alumni get priority in selecting their job offers. The final “product” of KSAP should represent the following features: personal maturity, professional readiness, competency in two foreign languages, youthful energy, dynamism, critical and unconventional thinking, good understanding of international options, and ability to maintain foreign contacts acquired during internships.

The goal of establishing a new CSC to ensure a competent, reliable, unbiased, and politically neutral governmental services through public administration was not easy to achieve [Co dalej z…, 2012]. The scope of needs of public administration versus the capacity to train at the highest level was not easy to reconcile [Kacprzak, 2012]. Figure 4 and the basic statistical data taken from the Supreme Audit Office (Najwyższa Izba Kontroli –NIK) audit
in 2011 [NIK, 2011] illustrate the struggles of the government to meet this ambitious goal with limited capacities and resources. Although the number of CSC officers has increased by 15% in 2010 compared to 2009 (from 5,983 to 6,919) their share has not increased so significantly—from only 4.9 to 5.6% making the most skilled CSC officers’ potential impact in a pool of 123,651 CSC employees very weak (op.cit.). Their potential impact is further diluted if these numbers are related to the total number of non-military and security officers employed in PA including regional and local administration (self-governments) over 643,000 (GUS, 2011).

**Figure 4. Dynamics and Structure of CSC in Poland 2009-2010**

![Bar chart showing employment figures for CSC corps in Poland from 2009 to 2010.](source)

Source: Elaborated from the data from the NIK audit results focused on civil service operations in the context of required labor regulations, s.14. www.nik.gov.pl.

Furthermore, the NIK report revealed serious employment problems with insufficient number of jobs for the KSAP graduates causing a significant decrease in the number of motivated and talented candidates for admission [Radwan, 2011a] while the number of candidates for a vacancy in CSC started to increase from the decade lowest in 2007 and 2008 of 15 per opening to 27 and 35 in 2010 and 2011 [KPRM, 2012]. It means the relevance of the KSAP is in serious decline while the demand for a good education and training for PA is still significant. In addition to the NIK audit, Polish Prime Minister Donald Tusk ordered an audit by a highly respected international firm, which was eventually completed in April 2012 [Deloite, 2012]. The most important conclusions derived from this report confirm the authors’ previous conclusions that the KSAP program for CSC officers is unable to fulfill the country’s needs for effective civil administration. In addition, the report discovered a lack of a uniform set of rules for hiring CSC officers [Społeczny wizerunek służby..., 2011]. These
conclusions are confirmed by statistical data. In 2011, as many as 32% of civil service job applications originating from KSAP were declined [Radwan, 2011b]. This situation was evident earlier but on a much smaller scale. In 2006 the rate of return for applications was only 10%. Analysis of this situation shows the gap between the demand for more narrowly specialized graduates and the number of graduates supplied by KSAP [Radwan, 2011d,e]. This observation was confirmed by the CSC Chief also criticized KSAP for these weaknesses, particularly for contributing rather to unemployment with unwanted graduates instead of producing top officers able to respond to the current challenges [Spoleczny wizerunek... op.cit]. The Prime Minister’s cabinet also sees a need for new solutions to achieve the strategic goal of professional CSC and meeting emerging challenges. The question is how to respond to this demand and challenges, and who should take responsibility?

The response might come from the *Strategy for human resource management in the civil service years 2011 - 2020*, published 29/07/2011 by the Chief of the Civil Service. He predicts that by 2020, CSC officers will reach the desired level of 10% of the total employees by establishing appropriate appointment quotas [*Strategia zarządzania…*, 2011]. In order to reduce fluctuations in available civil service positions, it will be necessary to establish a hiring limit of around 600 officers annually [*Nie ma oferty…*, 2012].

Funds have already been flagged in future budgets for increasing the qualification of bureaucrats through formal education, personalized education programs fostering occupational development, and specialist training which aim to realize the desired goals. These goals include backing the occupational development of members of the civil service corps until it reaches at least the same level as in years past.

A problem remains: how to reconcile the merit-based values of civil service education and training with the needs and expectations of officers while simultaneously being able to utilize the most advanced administrative solutions available in the world?

In order to respond to those needs and challenges a Human Resource Management (HRM) Strategy was elaborated as a part of the *Efficient State Government Strategy* [KPRM, 2012]. The HRM strategy includes specific programs to particular offices, supported by “Soft Laws” (e.g. HRM standards, ethical principles, guidelines for rule monitoring), financial support with central and ESF trainings, and ”Uniformed HRM tools” such as job description and evaluation, performance appraisal, recruitment and disciplinary procedures [op.cit]. In the recently released presentation by the KPRM, among the major achievements of the implemented HRM Strategy the following elements were listed: New Code of Ethics, major
HRM tools, “Modem Tools,” including individual professional development programs and improved monitoring (op.cit). Mass training programs included also co-finance trainings from ESF, which trained over 50,000 participants in developing among other soft, language and IT skills, as well as familiarity with Customer Satisfaction Management (CSM) and Common Assessment Framework (CAF) leading to some improvements in 280 offices (op.cit). These massive efforts of human capital development within PA are important but not cheap. In 2011, 71.3 million PLN was spent on education and training to increase the knowledge and skills of governmental employees. The 2012 budget allocated 14.3 million PLN less for this initiative, but it still represents a substantial amount of resources [Radwan, 2011c]. This raises the question: how effective will these funds be in improving the quality of the CSC?

The initial results indicate that new HRM standards in CSC were implemented along with good management practices in several areas, including management of financial awards [KPRM, 2012]. The new designed website of CSC should contribute to better communication and transparency, and several e-learning programs free-of-charge should encourage continuing education within PA (op.cit.). Further monitoring of the impact from the investment in education and training in PA should respond to the efficiency issues and to what extend the governmental employees are interested in the active participation of the educational and training programs offered. The size of the programs requires good management, particularly excellent communication to overcome experienced difficulties in deciding which way they should go to improve their knowledge and skills, and how to meet the employees’ needs and expectations. Some authors like Radwan [op.cit] criticizes that the training programs too often focus on human resource management and managerial auditing leaving less resources for specialist training to develop individual abilities. Taking into account huge gap in management education left by the previous system and so far not sufficient efforts to introduce modern management to the public sector, as it was quite successfully done in the business sector, as well as, still persisting corruption among PA, these training priorities seems to have reasonable foundation [Szarek-Manson, 2010].

Looking at the Polish PA reforms from the EU perspective one could find more positive pictures, particularly comparing with the other CEE members. In recently presented paper an international team of American and Bulgarian scholars presented Poland and Estonia as quite successful countries in implementing civil service reforms [Ban, et al, 2012]. The authors argued that those two countries reached not only a “normal state” of PA but also were generous to share their experiences with the other CEE EU members (op.cit). Some other
Western authors were more critical with their evaluation of the changes in Polish CSC and PA reform, while quite fairly recognizing achievements, they jointly underlined the negative consequences of politisation of PA reforms in Poland and other CEEC [Gwiazda, 2009; Majcherkiewicz, 2009; Meyer-Sahling, 2004 & 2011]. There is no doubt that Poland is quite successful in reforming PA comparing with many other CEE new EU members except Estonia but meeting the EU standards, particularly those represented by the Nordic countries, is still a long-way ahead. For that reason it is important to take into account the major findings form Polish and foreign studies and formulate the following conclusions:

- Despite the achieved progress in reforming PA the Constitutional vision of an effective, apolitical and professional CSC is still to be realized.
- The biggest threat to the CSC is continuing administrative meddling by the elected government officials and political parties.
- New regulations and legal instruments are needed to defend the independence of CSC and to grant them political neutrality.
- There is an urgent need to introduce transparency to the process as an effective barrier against political and personal favoritism in selecting candidates for civil servants as well as appointing them in PA.
- There is a need to establish a clear boundary between the political power structure and the CSC.
- There is a need to continuously monitor development within the CSC and audit their operations systematically.
- Finally, taking into account faster changing globalized world with unexpected challenges and threats, there is a need for a paradigm shift from the stagnated compliance attitude to problem-solving attitude among CSC.

Taking into account all the critical facts and opinions influencing Poland’s competitiveness and innovation index one could come to the conclusion that public administration with its specialized education and training system is still rather a barrier then opportunity to boost innovation and improve competitiveness of Polish economy.
3. Responding to the Problem of Low Competitiveness and Poor Innovation Level in Poland.

When the elitarian and specialized education does not prepare the right cadre for public administration, the question is how the whole system of Polish higher education responds to the needs of CSC, which go beyond the CSC officers? Does the curricula and methods of delivery at Polish universities address the problems of threaten competitiveness and poor innovative performance?

**Figure 5. Graduates from higher education institutions in Poland: 1990 - 2010**

The Figure 5 illustrates unprecedented increases in both – total number of graduates of all fields from 56100 in 1991 to 478900 - over 8 times, and those specialized in economics, management and public administration from 3000 in 1991 to 108900 – 36 times during the last 20 years. This huge inflow of new graduates, particularly with their new economics and managerial skills was one of the major sources of the successful transformation process in Poland resulting in high economic growth over that period. This impact follows well the theory of increasing returns of investment in specialized human capital developed by three
Nobel Prize winners – [Lucas, 1989; Schultz, 1993; Becker, 1995] and current Polish applied research focusing on the impact of investment in human capital on competitiveness [Plawgo et al, 2010]. Why this huge influx of new graduates did not contribute to make Poland more innovative? This is the basic questions the authors would like to focus on. Unfortunately there is not sufficient data to assess how many of those educated in economics, management and law went to CSC or PA, and how much they were able to increase capacity to respond effectively to new challenges coming from competing economies based on their level of education.

Researchers from the World Bank are systematically producing complex Knowledge Indexes (KI) and Knowledge Economy Indexes (KEI), which shed some light on the basic question raised above. In 2012 Poland’s KI was ranked among 146 countries at number 39 with a score of 7.2 (max 10) and ranked 38 in KEI with a score of 7.41 - both slightly below the average for Europe and Central Asia, which were 7.64 for KI and 7.47 for KEI. This system of indices (KI & KEI) are based on several pillars contributing either to knowledge generation (e.g. education, openness and rule of law) or to its application (e.g. information infrastructure) resulting in innovations [WB, 2012]. Poland was ranked relatively high – 26th in education with a score of 7.76 and 34th in economic incentives regime – 8.1 points – both significantly above the Eurasian average, which was accordingly 7.13 and 6.95. The situation was just opposite when evaluating the ICT infrastructure where Poland was ranked 49th with a score of 6.7 resulting in an innovation ranking of 38th with a score of 7.16 - both significantly below the Eurasian average which was 7.5 points and 8.28 points, respectively. This means that relatively well-developed human capital is not effectively utilized to produce innovation due to rather poor information infrastructure and other mentioned earlier barriers. The world leaders in KI and KEI rankings –Sweden, Denmark and Finland – represented not only the highest score in these two indices from 9.00 to 9.43 points, but also a good balance with the other pillars reaching scores from the lowest 8.73 to the highest 9.74. This seems to be the major reason why these countries are among the world’s top five most competitive economies according to GCI 2011-12. The most competitive European countries also lead the rankings of public trust – the core of social capital [ESS, 2009] – which is critical for an innovation-based economy, particularly for strengthening knowledge-based industrial clusters. Unfortunately, social capital, and particularly public trust is very low in Poland and other CEEC, which adversely affects clustering processes in this region.
It is interesting that the top two GCI 2011-2012 leaders – Switzerland and Singapore – were listed at rather remote positions in KEI & KI categories – Switzerland was ranked #10 with 8.86/8.67 scores and Singapore at #23 with 8.26/7.79 scores. They were still very highly ranked in the Innovation category – Switzerland at #1 with 9.86 points and Singapore at #4 (behind Sweden and Finland) with 9.6 points but relatively low in the Education category – Switzerland ranked #41 with 6.90 points and Singapore much worse - #79 (!) with only 5.09 points – both significantly behind Poland with 7.76 points. This means that to be innovative and competitive it is not necessary to reach the highest ranking in education, but more important to have a good ICT, economic incentives regime, and other conditions including rich social capital. For that reason the current Polish Government efforts to accelerate building ICT infrastructure and introducing e-Government seem to be the right steps toward better utilizing the relatively well-developed human capital in Poland to turn it into more innovative activities.

The challenge for PA, business and academic leaders, as well as for the whole nation is how to capitalize on those huge increases in graduate numbers over last 20 years to create a more innovative and competitive Polish economy. In order to meet this challenge there is a need to make a deeper analysis regarding the quality of the Polish graduates and their basic competencies to respond to contemporary needs in business and public administration. There is a general opinion that the huge quantitative increase of graduates did not match the quality standards due to several factors, including:

1. A larger number of students enrolled (over 5 times the 1990 level by 2010) exceeded the number of the most talented students (about 50-55 percent graduates from high schools) able to meet the highest quality standards leading to declining performance.
2. This record high enrolment at Polish universities did not meet sufficient investment in hiring new faculty members – an increase less than 40 percent – and investing in their academic competences and incentives structure, as well as, in expending other educational capacities, including buildings, information infrastructure, modernization of teaching materials and others, leading to significant decrease in faculty/student ratio – the basic condition for securing quality of education, particularly at the graduate level with necessary applied research.
3. Although many new colleges/schools and universities, particularly private ones brought a lot of fresh energy, entrepreneurship and new academic capacities, most of
them entered the education market without sufficiently prepared faculty, institutional experiences and accumulated tradition.

4. The three-year undergraduate degree program – licencjat – has significantly less demanding requirements than a traditional Anglo-Saxon four-year bachelor degree and for that reason cannot produce equivalent competencies.

5. The large quantity of students and the conservative character of many Polish universities prevented significant changes in curricula design and delivery methods from a traditional teacher-centered approach to student-centered one.

The first four reasons contributing to the decline of the average quality standards are self-explanatory and do not require further analysis. The fifth reason is much more complex and concerns the fundamentals of the education process, such as philosophy of teaching, basics of curricula design and delivery methods. The best way to explain this might be a comparison between American and European higher education. There is a significant difference between American and European universities in terms of curricula design and delivery methods, particularly in determining the basic proportions between three basic elements of the educational process: Knowledge, Skills, and Attitudes. In Europe the dominant element of the process is still knowledge transfer, with less time allocated for practical skill-building and appropriate attitude development. Knowledge coming from a theory rather than practical cases implies a teacher-centered approach with a usually quite passive method of transfer. The graduate leaves the university equipped with a vast volume of knowledge often without sufficiently developed practical skills with which to apply them. These “soft” skills are particularly not appreciated in European academia, because they are not usually the subject of scientific publication – the base of academic promotion – and they are often time-consuming for both teachers and students to learn, creating serious disincentives. The impact of the application of soft skills in practice after graduation, as well as the results of the process of building them, are the most critical to developing appropriate attitudes – the fundamental condition for future collaboration on the job, in different communities and in cross-sectoral settings. In North America the right proportions are viewed as critical in curricula design, in order to assure sufficient time allocation for all three. The basic philosophy behind the American teaching process is pragmatism. Investing in new knowledge without developing appropriate skills to implement it is a waste of resources. Developing skills just for him/herself without the attitude to share and cooperate with other
individuals or teams is also inefficient and ineffective in resolving complex contemporary multidisciplinary problems.

The American approach assumes an active student involvement in developing new knowledge as his/her discovery process leading to internalization as his/her own concept. The teacher serves as a facilitator or guide in the interactive exploration process rather than the source of new knowledge. The role of the teacher is to create a certain level of discomfort – the case study – that mobilizes students to use their critical thinking to find new ideas and solutions to the problem. The student group/class is treated as a learning community where they can openly exchange ideas, challenge and learn from each other, and explore their different professional experiences and backgrounds.

The design of the education process assumes that students have instant access to the Internet, where they can explore any new knowledge in the field, and challenge the lecturer if she/he uses outdated concepts from old textbooks. The lecturer should acknowledge the fact that the acceleration of discoveries and immediate access to information provided by the Internet potentially renders knowledge quickly obsolete, and for this reason they should recommend students to read new articles and/or reports from websites rather than textbooks. Students are also encouraged, particularly in social science, to read articles from competing schools of thinking, e.g. neoclassical vs. Keynesian explanations of economic crises, or environmental vs. ecological economics approaches to climate change. Reading and discussing practical cases instead of an abstract theory from a textbook helps students to understand the theoretical concept behind it and its potential application. In addition, guest lecturing by experienced practitioners makes the theoretical concept relevant to them and connected with real life. Special project competitions within a university e.g. the *Environmental Innovation Challenge* for interdisciplinary undergraduate student teams or the *Global Social Entrepreneurship Competition* (GSEC) – both initiated by the University of Washington (UW) - teach students to work together, be innovative and compete. Semester-long team field projects and diploma projects as a requirement for a master’s degree, e.g. the Public Policy Clinics at many schools of public affairs and individual student projects. Both forms of applied research focus on resolving local or regional problems are the best examples of practical applications hard and soft skills in the real world. Completion of the diploma field project is usually followed by a public presentation to the major local/regional government or NGO stakeholders often serves as a springboard for a new job hire. In order to succeed with the project the students invest a lot of time and effort in acquiring hard skills – mostly quantitative methods of statistical data processing and/or modeling. They also invest
in getting familiar with soft skills – mostly qualitative - such as: communication (written, verbal, and informal), entrepreneurship, leadership, team work, and problem-solving to successfully complete their projects and get a headstart with their new jobs. Team projects and collective case-solving are the most popular forms of shaping collaborative attitudes, in addition to mentoring junior or less experienced students and challenging their peer presentations to practicing soft skills.

The best and to some extent most extreme examples of the American way of teaching are the 100-year-old Master of Business Administration (MBA) and the more recent Master in Public Administration (MPA) programs. These professional graduate programs are not recognized as graduate programs but rather as post-graduate studies in many European countries, and for this reason are treated as inferior by the conservative part of faculty. In the US and Canada, contrary to Poland and most European countries, these programs lead to building strong practical skills, critical thinking, and collaborative attitude, with students being in the center of the educational process. These programs also known as professional education are based to a large extent on case studies which deliver practical knowledge and skills, and through teamwork shape both good cooperation and fair competition within the team – ingredients necessary for building social capital. The common feature of the most innovative and thus competitive economies is rich human and social capital – the critical component to building strong industrial clusters and network-based communities. This is the case of all Nordic economies, which successfully combined a high level of R&D with investment in education & ICT, while maintaining a high level of social capital and cluster-based development policies. Similar patterns are followed by Switzerland, Singapore and The Netherlands. This is also the case of the United States – the 5th most competitive economy [Schwab, 2011].

In addition, all of these top competitive and innovative countries participate actively in the Global Microeconomics of Competition (MOC) – the world’s largest organization of educating and generating new knowledge based on competition, affiliated with the Institute of Strategy and Competitiveness (ISC) at the Harvard Business School (HBS).
4. Policy Recommendations:

The authors divided the policy recommendations coming from the above analysis into two groups of two major stakeholders responsible for addressing the emerging sustainability threats caused by low level of competitiveness coming from poor innovation indices of Poland’s economy:

A. The Polish Government and its Agencies:

In order to stop and reverse the negative trends in innovation and competitiveness indices, the Polish Government should take the following actions:

1. Depoliticizing in real terms the public administration, particularly the civil service corps (CSC).
2. Introducing strict requirements of continuing to upgrade professional education and training, including teaching practical cases and developing needed soft skills.
3. Offering competitive compensation to attract the best talents for CSC based on their performance.
4. De-monopolizing the KSAP and opening the market for CSC to the top Polish universities with appropriate investments in their human and technological capacities.
5. Increasing public R&D investment significantly from the current budget levels.
6. Introducing policy instruments encouraging investment in R&D by the private sector.
7. Completing the ambitious ICT network within the next 2-3 years.
8. Establishing e-government system in PA with appropriately educated and trained staff and design enhancing effectiveness and transparency of decision making processes and thus contributing to building trust to government.

B. Polish Universities and Colleges

The Polish academic community should respond quickly to the needs and problems of the public administration, as they did with MBA programs at the beginning of the 1990s which responded (with significant assistance from US and Canadian universities) to the market
demand. They should creatively apply the best experiences of the 1990s with appropriate MPA-like programs and specialized training which keep in mind the following principles:

1. Designing a balanced MPA program with the right proportions between knowledge, skills and attitude building.
2. Teaching the public administration officers and staff the basics of innovation and competitiveness from globally-recognized programs such as MOC.
3. Opening universities to practitioners to act as guest lectures.
4. Encouraging collaborative efforts with faculty exchanges and joint MPA programs through universities from the top competitive economies.
5. Including faculty achievements in developing innovation as criteria toward evaluating their performance and promotion.
6. Motivating faculty to conduct applied research on the innovation and competitiveness of their own communities, cities and regions.
7. Spearheading the public-private dialogue to improve innovation and competitiveness of their local and regional communities.

There are many other stakeholders who should be involved in this issue, but if the Polish Government and academia take the lead in radically reforming public administration, it will transform from the current barrier into an opportunity for innovation-based development and sustaining competitiveness. It does not matter how absurd the current parliamentary debates are or how far out of touch many politicians are, if there is a strong professional public administration. The most competitive economies, such as Switzerland, Singapore, and the Nordic countries, are excellent examples of how powerful a force public administration can be. In the United States, despite the dysfunctional US Congress blocking most of the Obama Administration’s policy initiatives over last two years, the US economy was ranked still as one of the most innovative (3rd-7th) and competitive economies (5th), according to the World Economic Forum 2011 [Schwab, 2011]. The US public administration during the peak of the economic crisis, when job losses were reaching 750,000 per month, was able to allocate 70 percent of the total of $787 billion mandated by the American Recovery and Reinvestment Act of February 2009 (ARRA) by September 2010, for over 200 programs in 28 governmental agencies, and thus preventing further millions of job losses [IBM Center, 2012].

There are also positive signs of good performance within the Polish Government in the Ministry of Regional Development, which played the critical role in utilizing the bulk of
65 billion EUR despite of changes of the government and lack of cooperation between the governing coalition parties and the main opposition party.

The chance for Poland to sustain relatively good economic performance over last 23 years is to convert existing barriers in public administration into opportunities to become an agent change and support for innovation-based economic development through implementation of already delayed necessary institutional and structural reforms. Recently announced efforts to reduce troublesome regulations by the Ministry of Justice and the Ministry of Economy might serve as first steps in the right direction.
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