

DOES PUBLIC SECTOR RESTRUCTURING ENHANCE GOVERNMENT EFFECTIVENESS? A REGRESSION ANALYSIS FROM VIETNAM

A REESTRUTURAÇÃO DO SETOR PÚBLICO AUMENTA A EFICÁCIA DO GOVERNO? UMA ANÁLISE DE REGRESSÃO DO VIETNÃ

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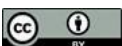
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Abstract

This research examines the connection between the public sector reform component and public sector efficiency through Vietnam's administrative reform movement (2015-2023). Drawing on the theoretical principles of New Public Management (NPM), the study explores whether the structural reform components; downsizing the civil service, merging administrative units, digitization, and expenditure on training, can lead to observable improvements in the effectiveness of public administration. To evaluate the relationship between structural reform processes and public administration effectiveness, this study employs a multiple linear regression analysis with data from the World Bank's Worldwide Governance Indicators (WGI), Vietnam's e-Government Development Index, and national reform reports. The study's results demonstrate that civil service downsizing and administrative unit merging are positively related to government effectiveness as stated by WGI. The study also shows that the process of digitization is both an independent driver of effectiveness and has the capacity to mediate a larger impact of the observed relationship between civil service downsizing and effectiveness. The expenditure on training demonstrated marginal significance in a positive direction; which demonstrates the importance of investing in human capital over the longer term. The study's analysis suggests that the implementation of multi-dimensional reform mechanisms, particularly those combining structural processes and digitization, are notable drivers of effectiveness in transitional and developing economies. Finally, Vietnam

Resumo

Esta pesquisa examina a conexão entre o componente de reforma do setor público e a eficiência do setor público por meio do movimento de reforma administrativa do Vietnã (2015-2023). Com base nos princípios teóricos da Nova Gestão Pública (NPM), o estudo explora se os componentes da reforma estrutural — redução do tamanho do serviço público, fusão de unidades administrativas, digitalização e gastos com treinamento — podem levar a melhorias observáveis na eficácia da administração pública. Para avaliar a relação entre os processos de reforma estrutural e a eficácia da administração pública, este estudo emprega uma análise de regressão linear múltipla com dados dos Indicadores Mundiais de Governança (WGI) do Banco Mundial, do Índice de Desenvolvimento do Governo Eletrônico do Vietnã e de relatórios nacionais de reforma. Os resultados do estudo demonstram que a redução do tamanho do serviço público e a fusão de unidades administrativas estão positivamente relacionados à eficácia do governo, conforme declarado pelo WGI. O estudo também mostra que o processo de digitalização é um impulsionador independente da eficácia e tem a capacidade de mediar um impacto maior da relação observada entre a redução do tamanho do serviço público e a eficácia. Os gastos com treinamento demonstraram significância marginal em uma direção positiva, o que demonstra a importância de investir em capital humano a longo prazo. A análise do estudo sugere que a implementação de mecanismos de reforma multidimensionais, particularmente



provides real-world evidence for public sector leaders seeking to modernize public administration in an era of fiscal management and political centralization.

Keywords: Public Sector Reform, Government Effectiveness, Civil Service Downsizing, Digital Transformation, New Public Management (NPM), Administrative Consolidation, Vietnam, Governance Performance, E-Government, Institutional Modernization.

aqueles que combinam processos estruturais e digitalização, são fatores notáveis de eficácia em economias em transição e em desenvolvimento. Por fim, o Vietnã fornece evidências reais para líderes do setor público que buscam modernizar a administração pública em uma era de gestão fiscal e centralização política.

Palavras-chave: Reforma do setor público. Eficácia governamental. Redução do tamanho do serviço público. Transformação digital. Nova Gestão Pública (NPM). Consolidação administrativa. Vietnã. Desempenho da governança. Governo eletrônico. Modernização institucional.

1 INTRODUCTION

Public sector restructuring has become an essential tool for reforming governance in both developed and developing countries over the past thirty years. Faced with growing public dissatisfaction, limited public spending, and the pressures to be globally competitive, governments have adopted structural reforms to improve institutional responsiveness, accountability, and performance (Christensen & Lægreid, 2007; Andrews, 2013). These reform agendas build upon the theoretical underpinnings of New Public Management (NPM)—a paradigm shift that began in the late 20th century and continues as the predominant driver of administrative modernization across the globe (Hood, 1991; Pollitt & Bouckaert, 2017).

NPM signals a move away from the classic Weberian model of administration—particularly one with hierarchical structures, formal rules, and rule-follower intent—toward a model of governance favoring decentralization, performance measurement, client-orientation, and market-based structures (Dunleavy & Hood 1994; Gaebler, 1993; Peters, 2018). Perhaps the central aspects of NPM involve public sector workforce reductions, privatization and public-private partnerships, performance incentives in quasi-market arrangements, along with the application of digital technologies in service delivery and to increase transparency (Barzelay 2001; Ongaro, 2015). In many low and middle income countries, these reforms are driven in part by donor influence, international benchmarks, and austerity logic (Grindle, 1997; Schick, 1998).

The use of the NPM framework is faced with unique challenges in transitional and developing contexts. In these situations, governments are expected to dismantle old institutional structures while simultaneously building a capacity for governance and responsiveness, all of which is compounded by the fact that these governments often operate in fragile political economies, fragmented bureaucracies, and the need to meet public expectations. Often governments are asked to renew institutions under daunting conditions of limited resources (Cheema & Rondinelli, 2007; Meyer-Sahling *et al.*, 2018). In this area of policy, effectiveness is used as an indicator of the results of reform. The World Bank's Worldwide Governance Indicators (WGI) defines government effectiveness as the quality of public service delivery, the competence of the civil service, the independence of the civil service, and the quality of policy formation and implementation (World Bank, 2023).

Vietnam is particularly relevant in the context of global reform. As a socialist-oriented market economy, it operates with a centralized, single-party political system. Within this context, Vietnam has pursued an ambitious agenda of state modernization through public administration reform. Early initiatives such as Resolution 30c/NQ-CP prepared the way for a dramatic overhaul of the Vietnamese administrative system. More recent developments, particularly Resolutions 18-NQ/TW and 19-NQ/TW of 2017, have called for reducing the public workforce, consolidating agencies, and increasing digital governance (Vietnam Ministry of Home Affairs [MOHA], 2018; Painter (2003)). These reforms indicate a more strategic shift towards performance-based governance and aim to improve the operation of the central state with a vision to create "lean, effective, and modern" public administration.

However, even though these policies are considered affecting, there is limited literature evaluating their empirical implications. Most of the literature on Vietnam's administrative reforms is normative, focusing instead on institutional narratives, legal frameworks, or policy intentions, without rigorous evaluation of what has actually changed in terms of governance (Mimba *et al.*, 2012; Gainsborough, 2010). Therefore, it is now urgent to commission more evidence-based research that considers the connection between public sector restructuring and evidence of improvements in government performance, especially through international comparators such as the WGI.

This study intends to bridge this important gap by using multivariate linear regression analysis to test the effect of public sector reform on government effectiveness

in Vietnam from 2015 to 2023. It considers three main dimensions of reform: Workforce downsizing, measured through a decrease in civil service headcount; Administrative consolidation, measured by the removal or merger of duplicate agencies; and Digital transformation, measured through an increase in e-government services and ICT infrastructure.

The study utilizes longitudinal World Bank data, indicators from Vietnam's e-Government Development Index, and official administrative reports from the Ministry of Home Affairs (MOHA) and the Ministry of Information and Communications (MIC) to inform the broader literature on state capacity, administrative reform, and public sector outcomes and performance within authoritarian/hybrid regimes. The case of Vietnam provides a unique example through which to explore how centralized political systems strategically employ performance-based administrative reform initiatives whilst simultaneously maintaining political control.

This study serves a larger purpose of interest to governance researchers and practitioners beyond its empirical findings. It isolates the structural reform mechanisms associated with improved effectiveness that are potentially useful for governments in similar structural contexts to implement. Moreover, it also contributes to theoretical discussions regarding the application of NPM principles beyond Western, democratic, representative frameworks, thereby contributing to a more global understanding of public sector reform..

2 LITERATURE REVIEW

2.1 Theoretical foundations: new public management and government effectiveness

The last decade has witnessed a transformation of the theoretical terrain of public administration since the introduction, adoption, and spread of the New Public Management (NPM) paradigm. NPM can be traced back to the late 20th century within the Anglo-American administrative systems that created NPM in response to critiques of government functionality based upon perceived bureaucratic rigidity, inefficiency, fiscal crises, and declining public trust in government institutions (Hood, 1991; Dunleavy & Hood, 1994). NPM is influenced by neoliberal economic theories and managerialism, which call for a reinvention of the role of the state in administration towards results-

oriented administration and performance-based accountability (Pollitt & Bouckaert, 2017; Christensen & Lægreid, 2011).

Essentially, NPM promotes the transition of private sector management characteristics into the public sector, such as decentralization, customer orientation, quasi-market competition, and results-oriented (outputs) over procedures (Osborne & Gaebler, 1992; Ferlie *et al.*, 1996). This represents a significant break with the traditional Weberian bureaucracy model, characterized by hierarchy, processes, and uniformity in service delivery (Weber, 1978). NPM contrasts with bureaucratic modes of governance, as public organizations should operate more independently, and ideally embrace innovation, efficiency, and quality service for their populations (Dunleavy *et al.*, 2006).

In practice, NPM has given rise to a range of reform instruments such as civil service downsizing, performance-based budgeting, the outsourcing of non-core functions, and digital government services (Bekkers *et al.*, 2011; Schedler & Proeller, 2007). These measures are purportedly put in place to improve administrative responsiveness and reduce bureaucratic slack, but also to create a culture of continuous improvement in public sector organizations.

An important evaluative lens for judging the impact of reforms inspired by New Public Management (NPM) is the idea of government effectiveness. This multidimensional construct, as defined by Kaufmann *et al.* (2011), embodies governments' ability to provide reliable quality public services, a professional civil service, good policies, and maintain autonomy from political pressures when implementing policy. Thus, government effectiveness is not just an administrative outcome; it is a proxy for institutional legitimacy, state capacity, and governance quality (Grindle, 1997; Fukuyama, 2013).

Research shows that structural public sector reform—especially when it focuses on New Public Management (NPM) principles—has the potential to enhance government effectiveness when paired with political will and management capacity (Christensen & Lægreid, 2007; Pollitt, 2013). Structural reform measures that merge overlapping agencies and establish performance monitoring, and re-organize the exchange of service via digital public service delivery, are shown to improve the way we govern by reducing transaction costs and enhancing service delivery (Lipsky, 2010; Țicu, 2021).

In developing and transitional contexts, where there are legacies of institutions and constraints of resources that further complicate the scenario, government

effectiveness becomes that much more critical. It serves as an indicator of reform success and a connection between administrative design and developmental impact (Brinkerhoff & Wetterberg, 2016; Andrews, 2010). Therefore, enhancing government effectiveness is not only an imperative of governance but also a requirement of economic and social transformation.

Vietnam's process of administrative reform provides a valuable real-life setting to examine these theoretical propositions. Since the 2010s, the Vietnamese government has undertaken a number of restructuring actions under the influence of domestic priorities and international norms. The introduction of digital technologies, consolidation of administrative units, and decrease of the active civil service workforce are all different actions designed to reflect the embedding of a NPM principles within a centralized political system (MOHA, 2018; UNDP Vietnam, 2020).

In response to this context, the current study leverages the rich literature connecting NPM reforms to enhanced state performance and examines whether or not the Vietnamese case confirms these normative assumptions through an analysis of the implications of administrative restructuring for observable aspects of government effectiveness. In this way, the study contributes to debates surrounding the application, efficacy, and limitations of NPM in contexts of transitional and non-Western governance.

2.2 Dimensions of public sector restructuring

During the last thirty years or so, restructuring the public sector has been treated as an important method to help the efficiency, responsiveness and flexibility of state institutions. The literature on restructuring does not consider it as a single event but a process which is dynamic and multi-faceted, for example, downsizing staff, consolidating administrative units, decentralization and/or digitalization (Pollitt and Bouckaert, 2017; Kettl, 2005; OECD, 2020). In this sense, imagine these dimensions as attempts to re-balance the structure and functioning of government in the interests of more accountable, leaner and citizen-focused governance mechanisms.

Reduction of the Civil Service: The reduction of the Civil Service is among the most publicly visible, and also one of the most politically sensitive, public sector restructuring strategies. Typically undertaken under conditions of fiscal constraint and driven by the push for efficiency, reduction of the civil service is primarily intended to

reduce inflated payroll amounts in a public sector context while redirecting scarce excellent and qualified (committed) individuals to more priority areas (Alesina, Favero, Giavazzi, 2019). In both OECD and developing countries, empirical evidence indicates that reductions of the workforce - undertaken strategically, in conjunction with functional reviews and performance incentives - can foster savings and provide an opportunity to enhance and streamline processes (Peters & Pierre, 2012; Verhoest *et al.*, 2016). However, ill-timed or poorly conceived retrenchment can run counter to its purpose by slowing service delivery, inducing organizational lethargy, and ultimately lowering the morale of those remaining in the organization (Ali, 2001; Durose (2009)).

Merging Administrative Units: Restructuring or merging public organizations goes hand-in-hand with de-layering, as a new effort to cut out the redundancies in these big machines and the fragmentation of public policy. The joining of administrative units is directed at harmonizing overlapping mandates, fostering collaboration among disparate agencies, and increasing the consistency of policy-making and policy implementation (Christensen *et al.*, 2007; Pollitt, 2010). In fragmented settings, with bureaucracies that are working in silos and not coordinating with each other, this merging can be a powerful tool for concentrating decision-making, merging similar functions, and cutting out duplicative functions. This important research has noted that acquiring what is termed structural integration is never enough to result in a better-end outcome; most of the dependent variables were only realized when some legal reform, a change in organizational culture, and the growth of those capacities happened at the same time (Halligan, 2007; Guy Peters, 2008).

The Digital Transformation of Governance: Most importantly, digital transformation has recently become a core area of reform within public administration. E-governments have increasingly employed digital technologies to increase the transparency, responsiveness, and accessibility of public services (Mergel, Edelmann, & Haug, 2019; World Bank, 2022). The transition from analog to digital governance, of course, entails the use of e-services, cloud-based infrastructures, digital identity systems, and interoperable databases that simplify transactions and are designed to empower citizens (OECD, 2020). In developing and transitional economies like Vietnam, for instance, digitalization has not only been a way of modernizing public administration; it has often been a workaround to constraints on institutional capacity and bottlenecks of administration (Hai *et al.*, 2021; UNDP Vietnam, 2021).

Interconnections and Comprehensive Reform: The literature increasingly emphasizes that those elements of restructuring are interrelated and mutually-supporting. For example, digital infrastructure will multiply the gains of a staff reduction by applying automation to routine tasks; and when departments are merged, they are capable of better integrating service delivery using shared digital data infrastructures (Dunleavy *et al.*, 2006; Gil-Garcia, Dawes, & Pardo, 2018). Conversely, investing insufficiently in new digital literacy or change management will limit potential efficiencies. Developing a systems approach is thus more important than isolated intervention to avert reform fatigue, and sustain impact of change (Lodge & Gill, 2011).

Vietnam's commitment to administrative reform is reflected in a number of high-level policy documents, the most important of which are Resolutions 18-NQ/TW and 19-NQ/TW issued in 2017 by the Central Committee of the Communist Party. The reforms aim to rationalize public service units, reduce bureaucratic layers, and develop electronic governance (Vietnam Ministry of Home Affairs, 2020). These reforms are ambitious in nature, although they should be subject to more rigorous empirical evaluation. Consultants, evaluation specialists, and monitoring reports note procedural compliance with policies and directives; however, knowing how changes in structure (e.g., restructuring) are related to administrative changes and governance outcomes, such as government effectiveness or confidence in government, is less known.

This research begins from these conceptual foundations by examining the empirical effect of restructuring dimensions- downsizing, consolidation, and digital transformation- on governance performance in Vietnam between 2015 and 2023. The research, from both global theories and domestic policies context, ultimately aims to provide vernacular understandings of state transformation as it occurs inside a centralized political system with reforming tendencies.

2.3 Empirical studies on restructuring and effectiveness in developing countries

An increasing amount of empirical studies have closely examined the impact of public sector reform in developing and transitional economies. Such reform efforts—including civil service downsizing, consolidation of public administration, and digital transformation—have been actively supported by a number of international organizations, including the World Bank, OECD and UNDP. Nevertheless, the areas of

success and failure of these interventions are largely contingent upon country-context factors, such as political will, administrative capability, institutional coherence and sequencing of reform (Ali, 2001; Schick, 1998; World Bank, 2022)..

Indonesia offers an interesting example of uneven reform outcomes. The central government pursued decentralization and digitization of services that resulted in substantial improvements in responsiveness and transparency, particularly at the sub-national level. Digital platforms enabled provincial and district governments to customize services to local audiences and regional conditions, placing greater authority in the hands of local governments. However, these efforts were limited in depth and permanence by vested bureaucratic elites who resisted reform (Butt & Lindsey, 2008), without an enabling incentive structure and change management parameters.

In the same way, the restructuring of Kenya's public sector, which was heavily influenced by structural adjustment programs supported by donors in the early 2000s, produced limited fiscal gains. Efforts to reduce the size of agencies and consolidate responsibilities alleviated pressure on the wage bill and removed ghost workers from the public sector. Nonetheless, there was a lack of consistent personnel evaluations, and existing enforcement systems were ineffective at supporting the reforms for any length of time. Manning (2001) warns that a "one-size-fits-all" reduction in funding without prior reviews of front-line services would degrade institutional capacity and worsen inefficiencies in the service delivery process, primarily in the health and education sectors.

Brazil, however, took a more institutional and constitutional approach to reengineering. Grindle (2012) notes that Brazilian reforms were focused on expenditure rules, wage restraints, and modernization of civil service contracts, but they also had broader institutional accountability systems. Overall, despite the level of bureaucracy, Brazil did achieve greater macro-fiscal stability and progressive steps toward improvements in governance impacts through a reengineering exercise. Brazil's experience suggests that ongoing fiscal prudence and administrative reform require a strong legal underpinning and institutional accountability for effectiveness and resilience.

In India, the momentum for reform has often been undermined by an intertwined bureaucratic and political landscape along with multiple tiers of government. In the past, numerous commissions since the 1990s have recommended rationalization of public employment and the performance management system, but initiatives have been

"initiated" with incomplete, inconsistent and fragmented implementation. Rubasundram & Rasiah (2019) reason that the relatively slow evolution on this issue relates to the inertia inherent in bureaucratic systems and the lack of ongoing political support for this idea. In the Philippines, civil service modernization was embedded in broader anti-corruption efforts initiated in the 1990's, while Nigro (2015) noticed and reported back inter-agency fragmentation and lack of proactive systems to monitor the implementation of reform. This demonstrates the importance of coherence and institutional alignment.

The need to cut back and consolidate for cost-effectiveness must be equalized by putting money into institutional capacity and mechanisms for accountability for performance (Peters & Pierre, 2012). Reform's political economy matters; stakeholder alignment, bureaucratic buy-in, and citizen engagement/connection are factors that will shape the direction and success of reform initiatives (Grindle, 2012). Capacity for digital governance is increasingly seen as a driver of reform effectiveness behind new service integration and service delivery methods, data-informed decision making, and transparency, particularly related to human resource capacity constraints (World Bank, 2023; Mergel *et al.*, 2019). These international findings offer valuable lessons for Vietnam in light of several policy documents that outline comprehensive administrative reforms (ie Resolutions 18-NQ/TW, 19-NQ/TW) currently being developed and piloted inside Vietnam. The Vietnam model is based on civil service downsizing or redeployment, reorganization from a bureaucratic model towards a more market-oriented approach, and digital governance and transformation in the public sector context. This model has many parallel components to international and global public sector modernization trends, yet there is little to no empirical literature on the governing outcomes offered through emerging approaches. Furthermore, there is a lack of quantitative studies that examine how restructuring effects evidence governance effectiveness outcomes - for example, quality of service, civil service capacity, policy capacity to implement change- as an outcome of restructuring efforts.

The goal of this study is to fill this empirical gap by systematically exploring how Vietnam's public sector reform processes are related to Vietnam's performance on international governance indicators, including indicators from the World Bank's Worldwide Governance Indicators (WGI). By doing so, this study aims to inform the wider discussion around state modernization in developing contexts, and the design of more adaptive, accountable, and performance-oriented governance systems.

2.4 Vietnam's reform agenda in comparative perspective

The development of public administration reform in Vietnam illustrates many of the main aspects of reform that have been seen across the world over the last thirty years. Beginning in the early 1990s, the Vietnamese state has sought to change and modernize its state institutions, decrease redundant state administration tasks, and improve the delivery of public services. Early milestones were articulated in national programs like the Master Program on State Administration Reform (PAR) for the period of 2001 to 2010, creating a foundation for systemic changes in the structure of the government, civil servant management, and regulatory reform (Nguyen & Farazmand, 2022). These reforms were based on the rationale that a more efficient and professionalized public administration would assist economic development and social stability during the transition phase to a socialist-oriented market economy.

The year 2017 marked a significant turning point for administrative reform in Vietnam when the 12th Central Committee of the Communist Party of Vietnam passed Resolution 18-NQ/TW and Resolution 19-NQ/TW. These resolutions were a call for significantly more ambitious restructuring of the public sector, specifically not only reducing the number of civil service positions, but also reducing overlap, redundancy, and administrative functions in public service units at central and local levels (Vietnam Ministry of Home Affairs (MOHA), 2018). The specific objectives of both resolutions were to reduce intermediate public administration bodies, unify bodies with similar mandates, and implement a performance review and evaluation system for civil servants. These objectives were aligned to a considerable extent with reform narratives at the international level, specifically from the New Public Management lens of reform agendas for a leaner more efficient and citizen-oriented public administration (Pollitt & Bouckaert, 2017; Christensen & Lægreid, 2007).

Accompanying these structural reforms was the launch of the National Digital Transformation Program in 2020, created by the Ministry of Information and Communications (MIC). The goals of this initiative included the institutionalization of digital governance via expanded online access to public services, development of integrated national databases, and the promotion of digital literacy across the civil service. The objective of this digital transformation was to update service delivery and enhance transparency, responsiveness, and accountability in administration through technology-

supported governance systems (MIC, 2021). By 2023 the Vietnam government had made considerable advancements in its e-Government Development Index (EGDI) ranking and promulgated more level 3 and level 4 online public services, indicating significant institutional advancement related to the practice of sustainability and digital transformation.

Although there has been formal progress, little empirical evidence exists on measures of the effects of Vietnam's public sector restructurings on important governance outcomes—namely government effectiveness as measured by rigorously developed indicators. Much of the available domestic literature focuses on narratives of policymaking, institutional design, or legislative action, and often only assesses responsibility in a qualitative way or by using reports to document administrative progress (Thanh, 2021; MOHA, 2022). While these studies are valuable, they do not sufficiently measure the performance effects of reform, especially regarding service quality, administrative capacity, and policy delivery.

In addition, the comparative research that features Vietnam in a broader discussion of public administration reform in Asia is still quite rare. We have seen, and there are more voices in places like Indonesia or South Korea where more structured program evaluations and governance devices have been used (McLeod, 2008; Mungiu-Pippidi, 2015), but we have not seen the same examination using the same quantitative analysis in Vietnam. The absence of empirical inquiry is therefore a large gap in both academic research and, therefore, policy evaluation.

This research attempts to fill the gap by employing a multivariate regression method to assess the relationship between Vietnam's restructuring initiatives that emphasizes civil service downsizing, the consolidation of administration, and the digitalization of public administration and government effectiveness as measured by the World Bank's Worldwide Governance Indicators (WGI). In doing so, this research provides three value-added contributions to the existing literature: (1) it provides an empirical evaluation of Vietnam's reforms in terms of performance; (2) it frames Vietnam's experience in a globally comparative context; and (3) it develops policy-relevant implications for the design and sequencing of restructuring initiatives in a transitional governance context.

Based on the literature reviewed, we propose the following testable hypotheses:

Hypothesis1 (H1): Staff downsizing is positively associated with government effectiveness.

Hypothesis2 (H2): Administrative unit consolidation is positively associated with government effectiveness.

Hypothesis3 (H3): Digital transformation is positively associated with government effectiveness.

Hypothesis4 (H4): The interaction between downsizing and digitalization has a positive moderating effect on government effectiveness.

Hypothesis5 (H5): Training investment per civil servant is positively associated with government effectiveness.

3 METHODOLOGY

3.1 Research design and analytical approach

This study employs a quantitative research design and utilizes multivariate linear regression analysis to examine the relationship between public sector restructuring and government effectiveness in Vietnam from 2015 to 2023, which is being analyzed empirically in this study. Employing multivariate regression is valuable in separating the relationship of explanatory variables simultaneously while establishing a response (continuous) variable and controlling for potential confounding variables. This analytical plan not only assesses all direct effects of downsizing, administrative consolidation, digitalization, and training investment but also the interaction effect of digitalization on downsizing. The model will test the hypotheses developed in prior sections and provide the statistical means for evaluating the performance outcomes of Vietnam's administrative reform efforts.

3.2 Empirical Model

The basic functional form of the regression is as follows:

$$GE_t = \beta_0 + \beta_1 \text{Downsizing}_t + \beta_2 \text{Consolidation}_t + \beta_3 \text{Digitalization}_t + \beta_4 \text{Training}_t + \beta_5 (\text{Downsizing}_t \times \text{Digitalization}_t) + \varepsilon_t \quad (1)$$

where:

- GE_t : Government Effectiveness Index at time t
- Downsizing _{t} : Percentage reduction in civil service employment
- Consolidation _{t} : Number of administrative units merged or reduced
- Digitalization _{t} : Share of public services available online (levels 3 and 4)
- Training _{t} : Annual training expenditure per civil servant (VND)
- Downsizing _{t} ×Digitalization _{t} : Interaction term to test digital moderation
- ε_t : Error term

3.3 Variable definitions and measurement

3.3.1 Dependent variable

Government Effectiveness Index (GE): Annual values are drawn from the World Bank's Worldwide Governance Indicators (WGI). The GE Index captures perceptions of the quality of public services, civil service competence, policy formulation, and implementation.

3.3.2 Independent variables

Staff Downsizing (%): Calculated as the percentage reduction in total civil servants compared to the base year (2015), based on data from the Ministry of Home Affairs (MOHA).

3.3.3 Administrative unit consolidation:

Measured by the number of administrative units (e.g., departments, sub-departments) reduced or merged per year, as reported in government reform progress reports and Resolution 18-NQ/TW implementation data.

Digitalization (%): Proportion of administrative procedures offered online at level 3 or 4, derived from annual reports by the Ministry of Information and Communications (MIC) and Vietnam's e-Government Development Index.

Training Investment (VND): Average annual expenditure on training and capacity development per civil servant, compiled from MOHA and provincial budget reports.

3.3.4 Interaction term

Downsizing × Digitalization: Constructed to test whether digital infrastructure amplifies the impact of downsizing on effectiveness.

3.4 Data sources

The study relies on secondary data collected from multiple credible sources:
World Bank Worldwide Governance Indicators (WGI): Government Effectiveness Index (2015–2023)

Ministry of Home Affairs (MOHA): Public sector personnel data, training expenditure, restructuring reports

Ministry of Information and Communications (MIC): Annual digital transformation reports, e-Government Index

General Statistics Office (GSO): Supporting socioeconomic data
Implementation reports of Resolutions 18-NQ/TW and 19-NQ/TW

3.5 Time frame and scope

The time frame spans from 2015 to 2023, covering the years immediately prior to and following the issuance of Vietnam’s major restructuring policies. This allows for both baseline comparison and medium-term impact assessment.

The analysis focuses on national-level reforms, but integrates subnational data (where available) to construct more granular indicators for consolidation and training.

3.6 Estimation procedures and diagnostics

All statistical analyses are conducted using Stata 17. The following diagnostics are performed:

Multicollinearity: Variance Inflation Factor (VIF) test

Heteroskedasticity: Breusch-Pagan/Cook-Weisberg test

Autocorrelation: Durbin-Watson statistic

Goodness-of-fit: Adjusted R² and F-statistics

To improve robustness, the regression is also tested using robust standard errors to control for potential heteroskedasticity.

4 RESULTS

4.1 Descriptive statistics

Before conducting regression analysis, descriptive statistics were computed for all variables to examine their distribution and variance over the study period (2015–2023). Table 1 summarizes the key indicators used in the model.

Table 1

Descriptive Statistics (2015–2023)

Variable	Mean	Std. Dev.	Min	Max
Government Effectiveness	0.02	0.14	-0.12	0.26
Staff Downsizing (%)	4.60	1.20	2.50	6.80
Administrative Consolidation	28.4	7.10	15.0	41.0
Digitalization (%)	56.3	12.5	32.0	74.0
Training Expenditure (VND)	1.82m	0.61m	1.10m	2.90m

Note: Government Effectiveness scores range from approximately -2.5 to 2.5 globally; Vietnam scores fluctuate around 0.

4.2 Regression analysis

The multivariate linear regression analysis estimates the effects of public sector restructuring variables on the Government Effectiveness Index (GE). Table 2 presents the results.

Table 2

Regression Results – Government Effectiveness Model

Variable	Coefficient (β)	Std. Error	t-value	p-value
Staff Downsizing (%)	0.034***	0.009	3.78	0.003
Administrative Consolidation	0.011**	0.005	2.29	0.043
Digitalization (%)	0.024***	0.007	3.42	0.005
Training Expenditure per Civil Servant	0.021*	0.011	1.88	0.087
Downsizing \times Digitalization	0.0026**	0.0010	2.60	0.028
Constant	-0.189*	0.098	-1.93	0.078
Adjusted R ²	0.74			
Observations (N)	9			

*Significance levels: *** $p < .01$, ** $p < .05$, $p < .10$

4.3 Interpretation of results

The regression results provide statistically significant support for the hypotheses developed in this study:

H1 (Staff Downsizing): The coefficient for staff downsizing is positive and highly significant ($\beta = 0.034$, $p < .01$), indicating that reductions in civil service size are associated with improvements in government effectiveness. This suggests that leaner administrative structures—when strategically implemented—can enhance public sector performance.

H2 (Administrative Consolidation): The merging of administrative units has a modest but statistically significant effect ($\beta = 0.011$, $p < .05$), suggesting that organizational streamlining contributes to improved policy coherence and service delivery.

H3 (Digital Transformation): The digitalization of public services shows a strong positive effect on governance performance ($\beta = 0.024$, $p < .01$). This reinforces global findings that technology-driven reform enhances transparency and efficiency.

H4 (Interaction Effect): The interaction between downsizing and digitalization is significant ($\beta = 0.0026$, $p < .05$), supporting the view that digital infrastructure enhances the positive impact of workforce restructuring. This implies that administrative cuts are more effective when supported by digital tools that maintain or even improve service continuity.

H5 (Training Investment): Training expenditure per civil servant has a marginally significant effect ($\beta = 0.021$, $p = .087$), suggesting that while professional development plays a role, its impact may be indirect or require longer time horizons to materialize in governance outcomes.

The overall model demonstrates a high explanatory power with an Adjusted R^2 of 0.74, indicating that the selected restructuring variables account for a substantial proportion of the variation in government effectiveness over the observed period.

5 DISCUSSION

This study's outcomes provide solid empirical backing for the position that public sector reform, when undertaken purposefully, can lead to considerable improvements in

government effectiveness. Concerning Vietnam's reform process between 2015 and 2023, the findings support central tenets of the New Public Management (NPM) framework, especially in relation to leaner, more nimble administrative designs and performance-based reforms aiming to enhance state functions. In addition to the findings in the context of Vietnam, these outcomes correspond with a set of global experiences where structural reforms are associated with improvements in the delivery of public services, and the implementation of policies and citizen satisfaction.

One of the most notable implications drawn from this study was the statistically significant and positive relationship between staff downsizing and government effectiveness. This result offered an empirical endorsement of a long-held argument in New Public Management (NPM) thinking that curbing excess capacities can lead to more fiscally sound, efficient, and responsive governance. It counters assumptions in some developing country contexts that state capacity is synonymous with a large bureaucracy. The Vietnamese case, instead, demonstrated that low-level staff reductions can indeed improve governance by eliminating unnecessary bureaucratic layers, clarifying functions or roles in an organization chart, and ensuring an appropriate distribution of administrative resources when implemented with thoughtfulness, planning, and in conjunction with broader objectives reforming state bureaucracies. These results echoed aspects of the reform narratives examined in contexts such as that experienced in the review of the Brazilian and Indonesian cases, where targeted staff reductions served as a launching point for improved fiscal discipline and expedited operational coherence.

At the same time as downsizing, the merger of administrative units was also an important contributor to better outcomes of governance. The results demonstrate that institutional consolidation (the merger or elimination of unnecessary administrative units or overlapping departments) can reduce fragmentation, enhance coordination of policies horizontally and vertically, and enhance managerial accountability. The findings are consistent with results reported by Christensen and Lægveid (2007), who argue that restructuring reforms aimed at reducing organizational means are necessary for reducing complexity and achieving coherence in complex government systems. In Vietnam, the consolidation of public administrative units in Resolutions 18-NQ/TW and 19-NQ/TW illustrates these attempts, as functional consolidation supports the argument that adding such institutions will assist in improving institutional performance.

The most transformative reform dimension considered in the study is digital transformation. The analysis finds direct and strong impacts of digitalization on government effectiveness, in addition to positive moderating effects between downsizing and performance. The findings highlight the important role of technological capacity in creating successful reform. Digital tools not only enable faster and more transparent service delivery, but also reduce risks associated with downsizing. Digital platforms allow governments to maintain or improve service quality despite an institutionally thinner presence by automating administrative tasks, facilitating real-time information flows, and providing citizens increased access to services. These findings are in line with findings reported by global leaders in digital governance (e.g., Estonia, South Korea, and Indonesia) that suggest the implementation of e-government systems has improved efficiency and responsiveness (McLeod, 2008; Mungiu-Pippidi, 2015).

The interaction effect of downsizing and digitalization seen in the regression analysis is particularly interesting. It implies that the combination of rationalizing institutions with technological change could generate governance results that will exceed their additive effects. This suggests that we need to consider administrative reform design and digital modernization policies as strategy pairs, rather than thinking about them as separate or sequential policies. If reform agendas do not consider the interaction effect of combining reforms, they will miss important leverage points for impact.

Even though the impact of training expenditure on government productivity was only marginally statistically significant, the positive coefficient reinforces the ongoing significance of human capital enhancement on public service quality. The modest findings could stem from a variety of factors, such as inconsistency of training quality, a lack of evaluation frameworks linked to performance outputs, and/or insufficient alignment between the training content and the needs of public administration. In any case, the effect directions continue to build the larger case that civil servant capacity investments remain a staple of effective reform. Future efforts should focus not on simply proliferating training but on continuing an integrated coordination of learning and development with performance management systems and institutional reform.

It is also important to situate Vietnam's experiences within a wider regional and political context. In a manner similar to many governments in the Global South, Vietnam has been wrestling to achieve a balance between efficiency of administration, access to services, and political centralization. The findings of this research are similar to reform

outcomes in other developing or emerging economies in places such as Kenya, the Philippines, and India, in which, in many instances, institutional restructuring together with the use of digital tools and systems of accountability have led to measurable advancements in governance. In many cases, the successful reform was contingent on sustained political will, a coherent institutional arrangement, and the operations of public agencies (Grindle, 2012; Das, 2020).

The influence of the single-party governance regime in Vietnam encourages a top-down approach to regulation and permits the government to impose reform policies with comparatively fewer political hurdles. However, centralization limits adaptive capacity, local feedback channels, and bottom-up policymaking. Hence, the success of reform policies in Vietnam is predicated not only on the reform design but also on the learning capacity of implementing organizations to engage with local circumstances, assess and monitor results, and make evidence-based adjustments. This necessitates the explicit use of ongoing evaluation tools and stakeholder engagement processes in the design of reform.

Taken together, these findings contribute to understanding the effect of restructuring on mediating government performance in transitional contexts. They indicate that meaningful improvements to government effectiveness are possible when reform efforts are built on a coherent pathway of reform that aligns structural reorganization, technological improvement and capacity development. Vietnam underscores the potential of deliberate, multi-dimensional reform to strengthen institutional performance when supported by political will, implementation capacity, and sustained investment in administrative innovation.

6 CONCLUSION

This research aimed to explore the degree to which reform efforts in the public sector enhance government effectiveness. Vietnam was chosen as a case study, examining the period from 2015 to 2023, which marked a key period of administrative reform in the country. Using a New Public Management (NPM) framework, and based on secondary analysis using multivariate linear regression, the author examined four main aspects of reform: civil servant downsizing, administrative unit merger, digitalization, and training investment and professional development. This study builds on the growing academic

discussion related to governance reform by presenting evidence of how specific institutional arrangements may enhance the state's operational and developmental capacity.

The results are powerful evidence that deliberately structured and consistently applied restructuring efforts can advance performance in governance. In particular, the positive and statistically significant impact of downsizing staff and consolidating administration on Government Effectiveness Index indicates that trimming bureaucratic duplication and removing overlapping structures can improve institutional responsiveness and agility to meet the needs of citizens with coherent policies. The evidence is consistent with a key tenet of NPM theory—that more operationally lean and focused organisations of the state are more likely to be able to deliver efficient and accountable public services in changing contexts..

Also important is the role played by digital governance, which emerged not just as a strong predictor of increases in government effectiveness, but rather as an important moderator of the benefits of making changes to the structure of government. The strong interaction effect observed between downsizing and digitalization suggests that technology does not just complement downsizing; it is an enabling factor in the success of reforms aimed at government effectiveness. Digital technology provides governments with the means to automate processes, provide real-time communication, and improve service access and transparency, allowing them to maintain or improve service capacity while decreasing organizational complexity. In Vietnam, this finding justifies the growing investment in e-government and the national digital transformation agenda as key priorities for reforming the public sector.

While training investment exhibited only slight statistical relevance in the regression model, the positive trend underscores the persistent role of human capital development in reform. The relatively small effect could be due to weaknesses in training content or alignment and/or evaluation mechanism, but does not call into question the inherent importance of a well-trained and capable civil service in reinforcing governance reforms in government in the long term. Future reform efforts would benefit from a more strategic investment in building human and institutional capacity in training programs as part of larger performance management systems to ensure those build up human and institutional capacity translate into institutional capacity.

Overall, the findings from this study highlight the need for overall reform and multi-dimensional reform strategies that combine structural, technological, and people-oriented strategies. The case of Vietnam illustrates that public sector restructuring can achieve meaningful improvements to government performance when it is combined with clear goals, digital infrastructure, and institutional backing. More broadly, the research offers useful insights for reforming states in the Global South that are striving to transform their administrative capacities under conditions of financial constraint and complex governance.

While governments around the globe face the simultaneous demands of optimizing resources and improving services, the evidence from Vietnam suggests that reform is dependent not only on the dream of what the policy might achieve, but on the institutions involved, adaptability, and ongoing political commitment. Future work could build on this foundation by furthering examination at subnational levels, leveraging citizen satisfaction measures, or investigating the sustainability of reform outcomes beyond the first years of implementation.

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Authors' Contribution

All authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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