

Public Value Under Constraint: Fiscal Austerity and the Conversion of Education Policy into Social Well-Being in Brazil

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Abstract: *This paper examines whether and how fiscal austerity shapes the extent to which public value in education translates into social well-being in a decentralized setting. We theorize fiscal austerity as a constraint that can dampen the welfare returns of public value creation by limiting policy continuity and implementation capacity. Using panel data for Brazil's 27 federative units over 2015-2022, we estimate a hierarchical public value model in the education policy domain and test direct and mediated relationships with social well-being. The model is assessed via PLS-SEM, enabling the simultaneous estimation of higher-order constructs and mediation effects. Public value in education is strongly and positively associated with social well-being. Fiscal austerity operates as a countervailing mechanism that conditions how fully value creation translates into welfare outcomes, yielding a competitive mediation pattern consistent with public value under constraint. The study advances public sector management research by positioning fiscal austerity not merely as contextual background but as a mechanism affecting the conversion of public value into well-being. Empirically, it offers comparable evidence across subnational governments and provides actionable insights for sustaining human development-oriented policies under fiscal constraint.*

Keywords: *public value; fiscal austerity; social well-being; public sector management.*

JEL: *I21, I28, H75*

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Introduction

Contemporary public administration is being reshaped by rapid institutional change and pressures to deliver measurable, transparent results with responsible use of public resources (Fernandez & Pedrosa, 2021). As performance and accountability demands grow amid constrained fiscal capacity and implementation conditions, and sustaining meaningful outcomes over time becomes more difficult

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(Hofmann et al., 2019). At the same time, political demands for expanded provision and market-based delivery claims intensify questions about how governments prioritize, finance, and sustain essential services (Barclay & Everingham, 2020).

In this context, public value has gained prominence as an evaluative lens for what public action should produce in a collective sense (Bozeman, 2007; Jørgensen & Sørensen, 2012). Rather than treating performance as a single output indicator, public value perspectives emphasize the combination of substantive outcomes, legitimacy, and operational capacity, and they invite measurement architectures that reflect this multidimensionality (Benington & Moore, 2011).

This multidimensional lens is particularly salient in education, where high social expectations meet organizational constraints and delivery capacity is continuously tested (Machado & Quiraque, 2023; Sano & Sumiya, 2021). In such settings, fiscal austerity can compress policy space and reshape implementation choices, with potential consequences for social well-being. Yet empirical evidence remains limited on how fiscal austerity conditions the production of public value and how this conditioning translates into well-being outcomes across comparable subnational jurisdictions (Rossi et al., 2019).

This study addresses that gap by examining whether fiscal austerity operates as a conditioning mechanism linking public value to social well-being in education policy. The research investigates whether fiscal austerity mediates the relationship between public value and social well-being, thereby clarifying how value creation translates into welfare outcomes under fiscal restraint.

To accomplish this, the research proceeds in two steps. First, it develops and assesses a multidimensional measurement model of public value using economic, social, intangible, and political indicators, drawing on education-related data for Brazil's 27 federative units over 2015–2022. Second, it estimates a partial least squares structural equation model (PLS-SEM) using SmartPLS 4.0 to examine the relationships among fiscal austerity, public value, and social well-being. This approach moves beyond identifying indicators by explicitly testing how the interplay among constructs shapes socially relevant outcomes.

The study offers three contributions. Theoretically, it links public value theory to social well-being by treating fiscal austerity as a conditioning mechanism rather than background context. Empirically, it provides evidence from Brazil's states in a policy domain where public value is highly salient. Methodologically, it specifies public value as a second-order construct integrating economic, social, intangible, and political dimensions (Li & Wang, 2020; Papi et al., 2018), enabling a more comprehensive assessment than single-domain proxies.

The analysis also has practical relevance. Strengthening public value in education should be evaluated not only in terms of immediate service outputs, but also in relation to the fiscal conditions that sustain delivery capacity and shape longer-run well-being effects in decentralized settings.

More broadly, the study treats public value as a general evaluative lens in public administration and advances a replicable measurement architecture. By operationalizing public value as a multidimensional configuration (economic, social,

intangible, and political) it frames value creation as a composite of outcomes, sustaining capabilities, legitimacy-related conditions, and less tangible service qualities that jointly shape what society can plausibly recognize as “value.”

This perspective extends beyond education by underscoring that evaluating public action requires attention to substantive results, the capacities that sustain them, and the civic-political conditions that authorize and stabilize collective choices, clarifying how delivery and legitimacy dimensions cohere into socially meaningful value under real-world constraints.

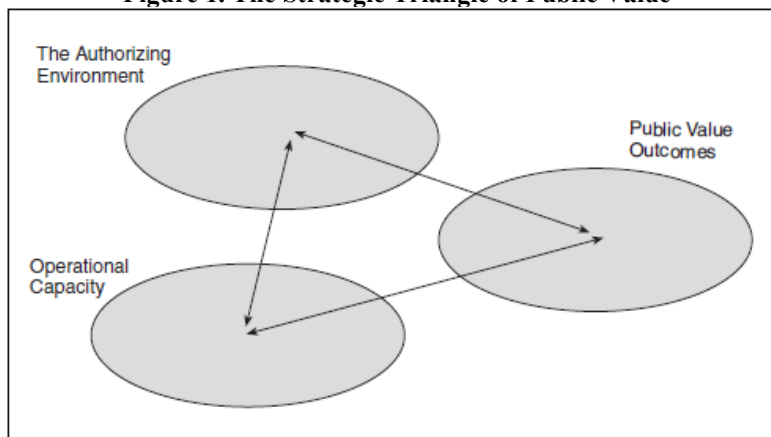
1. Literature Review

1.1 Public Value Theory

The discussion on public value emerged in response to gaps in theoretical approaches capable of explaining how public organizations create value and how that value relates to broad social well-being. Contemporary scholarship treats public value as a multidimensional construct that encompasses political, administrative, and societal dimensions, rather than as a narrow economic concept of a public good (Bracci et al., 2019; Faulkner & Kaufman, 2018). Two closely related strands organize this literature: public value as strategic alignment in public management and public values as normative commitments embedded in institutions and democratic choices (Benington & Moore, 2011; Jørgensen & Bozeman, 2007).

Moore’s (1995) seminal contribution is the Strategic Triangle, which frames public value creation as the alignment of substantive objectives, authorization and legitimacy, and operational capacity (Benington & Moore, 2011). The triangle is best understood as a pragmatic heuristic that highlights the trade-offs faced by public managers when aligning goals, support, and implementation capacity across changing contexts (Hartley et al., 2017). Figure 1 depicts the Strategic Triangle approach.

Figure 1. The Strategic Triangle of Public Value



Source: Benington and Moore, 2011.

Building on and partly decentering the managerial emphasis, Bozeman (2007) shifts attention to the social and political sphere by conceptualizing public values as normative consensuses about citizens' rights, benefits, and prerogatives, as well as the qualities of democratic regimes (e.g., transparency, ethics, participation) (Jørgensen & Bozeman, 2007). This repertoire underscores the multidimensional nature of public value and its dependence on institutional and democratic choices.

A complementary psychosocial perspective is offered by Meynhardt (2009), who defines public value as the positive or negative impact on how people think and feel about their relationship with the public. Anchored in basic human needs and categories from welfare economics, this approach emphasizes that value creation depends not only on objective results but also on public perceptions and judgments, across moral–ethical, hedonic–aesthetic, political–social, and utilitarian–instrumental dimensions (Alford et al., 2017; Rutgers, 2015). In this view, public value begins and ends with individuals, while still pointing back to collective evaluations and shared standards.

Benington (2011) reintroduces the public sphere as an arena where what the public values and what adds value to the public sphere are contested and negotiated. This perspective emphasizes relational and institutional goods such as trust, cohesion, and legality, and highlights that public value is constructed through democratic processes in which state and citizens co-define ends and means (Bryson et al., 2014).

These theoretical developments connect to broader debates in public administration about how governments organize to deliver public goods and services while balancing performance with democratic legitimacy and equity. In this context, public value perspectives provide a framework for linking performance and service outcomes to authorization, legitimacy, and institutional capacity under increasingly hybrid governance arrangements (Bryson et al., 2014; O'Flynn, 2007).

Taken together, these strands justify treating public value as inherently multidimensional and inseparable from institutional and democratic choices. They also imply that empirical strategies must be explicit about which dimensions and indicators are being captured and how they relate to legitimacy, capacity, and collective outcomes (Benington & Moore, 2011; Bryson et al., 2014). In this study, we build on this integrative perspective to operationalize public value in a specific policy domain (education) and to use the multidimensional logic of public value theory to guide measurement and interpretation rather than reducing public value to a single performance indicator.

Empirical research on public value: measurement and contextual drivers

Empirical public value research has expanded substantially, yet recurrent challenges remain: conceptual ambiguity, measurement choices, and the difficulty of capturing intangible and long-term components that matter for legitimacy and outcomes (Bracci et al., 2019; Moore, 2014; Spano, 2014). Multi-indicator approaches help make value creation visible and comparable, but they require explicit specification of domains and indicators to avoid reducing public value to narrow performance proxies (Papi et al., 2018; Faulkner & Kaufman, 2018).

A second recurring insight is that value creation is conditioned by institutional and contextual drivers. Governance arrangements, leadership, and ethical safeguards can enable or erode value, especially when performance pressures interact with accountability, integrity, and equity commitments (Fourie, 2017). Despite this progress, macro-level constraints that reshape implementation capacity—such as fiscal austerity—have been less integrated into multidimensional measurement strategies linked to observable well-being outcomes across comparable jurisdictions. This gap motivates our effort to operationalize public value multidimensionally while examining how fiscal conditions condition its welfare returns over time.

1.2 Social welfare theory, well-being, and fiscal austerity

Social welfare theory integrates contributions from economics, political philosophy, and the applied social sciences to understand, measure, and promote dignified living conditions. Within this agenda, subjective approaches focus on self-reported satisfaction and happiness, whereas institutional approaches emphasize the role of social arrangements and public action in shaping opportunities and outcomes. A well-known empirical reference point is the ‘Easterlin paradox’, which suggests that increases in average income do not necessarily translate into higher average happiness (Easterlin, 1974, 1995).

This puzzle triggered research on the determinants of well-being and the normative foundations of social evaluation. Beyond income, well-being is associated with health, employment, education, and institutional trust, while policy evaluation depends on explicit criteria for comparing social states. In this tradition, Rawls emphasizes fairness and basic liberties, and Sen’s capability approach reframes development in terms of real opportunities people have to be and to do, placing education and health at the core of well-being (Rawls, 2016; Sen, 1999).

The institutionalization of this turn appears in the Human Development Index (HDI), which combines longevity, schooling, and income to compare jurisdictions and monitor social progress beyond aggregate output (Anand & Sen, 1994). Although subjective indicators of life satisfaction can enrich interpretations, cross-jurisdictional and intertemporal comparability often motivates the use of objective proxies aligned with the human-development tradition.

In this tradition, the state’s role extends beyond ‘not getting in the way’ of markets; it involves institutionalizing social rights and ensuring minimum standards of economic and social security through welfare-state arrangements. From a public management perspective, this implies that policy design and administrative capacity matter for translating public action into observable outcomes across education, health, and income protection (Eikemo & Bambra, 2008).

Debates about the scale of state intervention and the public–private mix in providing social goods and services reemerged with neoliberal reforms and subsequent ‘third way’ and network-governance approaches. These trajectories highlight persistent tensions between efficiency, fiscal discipline, and the institutional guarantees

required to protect social floors, particularly in human-development services (Benington, 2011).

At this point, fiscal austerity becomes analytically central. Austerity refers to fiscal-consolidation rules and decisions aimed at reducing deficits and stabilizing debt through spending restraint and/or revenue increases. The debate contrasts arguments about ‘expansionary austerity’ with evidence of contractionary impacts on growth and social investment and emphasizes that effects depend on adjustment composition and the protection of social floors (Alesina et al., 2018; Stiglitz et al., 2014).

In Brazil, fiscal-consolidation dynamics evolved alongside social-policy expansion and, more recently, tighter fiscal rules. Constitutional Amendment 95 (2016) established a long-term expenditure cap, the COVID-19 crisis required temporary relaxation, and subsequent reforms sought to re-balance sustainability and growth. For welfare and public management debates, the central issue is whether fiscal rules preserve essential implementation capacity and policy continuity in areas such as education, avoiding the erosion of human capital and long-run well-being (Orair & Gobetti, 2017; Nascimento, 2023).

Analytically, three syntheses follow. First, well-being indicators capture distinct layers of social outcomes, and fiscal aggregates do not substitute for examining access, quality, and results in services. Second, normative criteria matter: evaluating reforms and fiscal rules requires explicit reference values and attention to distributive effects. Third, governance arrangements can expand capacity and innovation, but they require safeguards for accountability and equity (Anand & Sen, 1994; Benington, 2011). These syntheses justify examining fiscal austerity as a conditioning factor that may shape how public value translates into observed well-being outcomes.

From a public management perspective, this framing implies that fiscal austerity should be treated as a constraint on implementation capacity and policy continuity, which can condition performance trajectories and, ultimately, the extent to which public value is converted into social well-being.

Conceptual model and hypotheses

The state’s function of promoting social well-being has been increasingly challenged by rising complexities such as demographic change, technological competition, financial crises, and structural constraints (Lægreid et al., 2015). Under such pressures, public administration faces intensified trade-offs between delivering collective benefits and managing scarce resources. From a public value perspective, value creation occurs when the perceived and realized benefits of public action outweigh its sacrifices and opportunity costs, linking performance and outcomes to the broader legitimacy and evaluation of public policy (Bracci et al., 2019; Spano, 2014).

Despite the growing empirical literature, the relationship between public value as an integrative assessment of collective benefits and broader social well-being remains underdeveloped in designs that connect multidimensional operationalization to observable outcomes under fiscal constraints. Education policy illustrates this link because it can expand employment and citizenship, reduce poverty and social exclusion, and thereby contribute to social well-being (Bueno & Costa, 2016). More generally, when public value increases through improvements in policy performance and collective outcomes, it should be reflected in more favorable well-being trajectories. Accordingly, we propose:

H1 — Public value is positively related to social well-being.

In contexts of constraint, public governance is pressured by resource scarcity and implementation choices, requiring more systematized processes and prioritization (Bentzen et al., 2020). From a public value perspective, higher public value in a policy domain signals stronger performance, clearer prioritization, and greater legitimacy in the eyes of stakeholders, which can translate into more stable policy commitments and a more favorable fiscal environment for sustaining service delivery. In our operationalization, higher fiscal austerity scores indicate a less austere fiscal stance (greater fiscal space); thus, a negative relationship implies that higher public value is associated with greater fiscal space. Therefore, we propose:

H2 — Public value is negatively related to fiscal austerity.

The relationship between fiscal austerity (i.e., tighter fiscal constraints) and social well-being is theoretically consequential and potentially heterogeneous. Austerity may undermine well-being by limiting investments and impairing service quality in areas crucial to human development, such as education, especially when adjustment relies on expenditure cuts rather than efficiency gains. However, the magnitude of these effects may vary across contexts and over time. Given the prominence of social-cost arguments in literature and the salience of protecting social floors, we propose the following baseline expectation:

H3 — Fiscal austerity is negatively related to social well-being.

Finally, fiscal austerity may operate as a transmission mechanism linking public value and social well-being. To the extent that austerity compresses policy space, it can attenuate the capacity of governments to translate value-creating initiatives into sustained improvements in well-being; conversely, under less binding fiscal constraints, the association between public value and well-being may be stronger. Thus, we propose:

H4 — Fiscal austerity mediates the relationship between public value and social well-being.

Table 1 presents a summary of the study's hypotheses.

Table 1. Summary of hypothesized relationships among constructs

Hypotheses.	Expected relationship
H1	Public value is positively related to social well-being.
H2	Public Value is negatively related to fiscal austerity public value.
H3	Fiscal austerity is negatively related to social well-being.
H4	Fiscal austerity mediates the relationship between public value and social well-being.

Source: Author's contribution

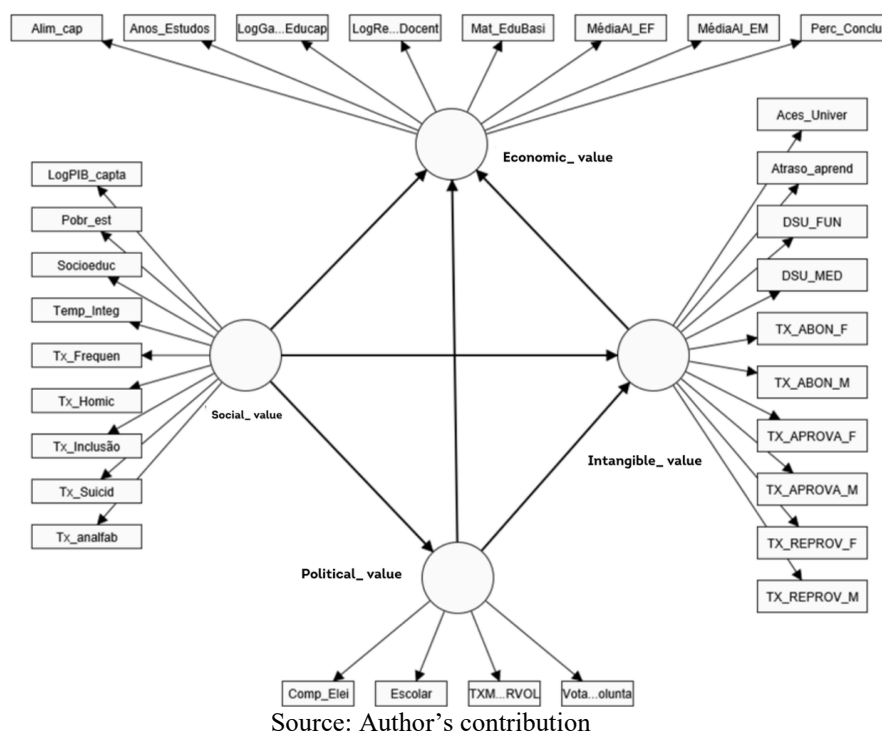
2. Research methodology

This study examines the relationships among public value, fiscal austerity, and social well-being using structural equation modeling estimated via partial least squares (PLS-SEM). PLS-SEM is suitable for theory testing in complex models that include mediation and hierarchical constructs, emphasizing variance explanation while not relying on a single global fit index (Bido et al., 2010). Recent studies have employed PLS-SEM to investigate public value-related relationships in public administration settings (Chohan & Hu, 2020; Li & Shang, 2020).

The empirical setting is the education policy domain. We use secondary, macro-level indicators for Brazil's 27 federative units over 2015–2022, with the federative unit-year as the unit of analysis. Data were compiled from official repositories and harmonized to enable comparability across units and years. Data integrity checks included screening for missing information and potential outliers. Missing values were handled through imputation in IBM SPSS: regression imputation was applied to variables in the intangible dimension, whereas backward imputation (carrying the last reported observation backward within each federative unit) was applied to variables in the social, economic, and political dimensions. The final analytical sample includes 208 state-year observations after screening and imputation procedures reported in supplementary material.

Public value is operationalized as a multidimensional hierarchical construct specified as reflective-reflective, in which four first-order dimensions reflect a common second-order factor (LaCruz et al., 2023). This specification follows the premise that indicators and constructs exhibit a high degree of correlation, allowing inference of content overlap, and that, in the education context, indicators display substantial covariance such that changes in one dimension are likely to co-move with changes in others (Hair et al., 2009). The operationalization follows prior empirical approaches: the economic, social, and intangible dimensions draw on Papi et al. (2018), while the political dimension is grounded in Li & Shang (2020). Figure 2 summarizes the first-stage confirmatory composite analysis used to validate the first-order constructs and presents the hierarchical specification adopted for the second-order public value construct. All indicators, operational definitions, and sources are reported in supplementary material.

Figure 2. Operationalization of the public value construct and the hierarchical specification



The social dimension captures education-related conditions linked to inclusion, vulnerability, and safety in the state context, using indicators that proxy risks and institutional responses and the extent of schooling inclusion (Papi et al., 2018). The economic dimension reflects the scale and reach of education provision as social investment, operationalized through indicators of access and coverage in basic education (Papi et al., 2018).

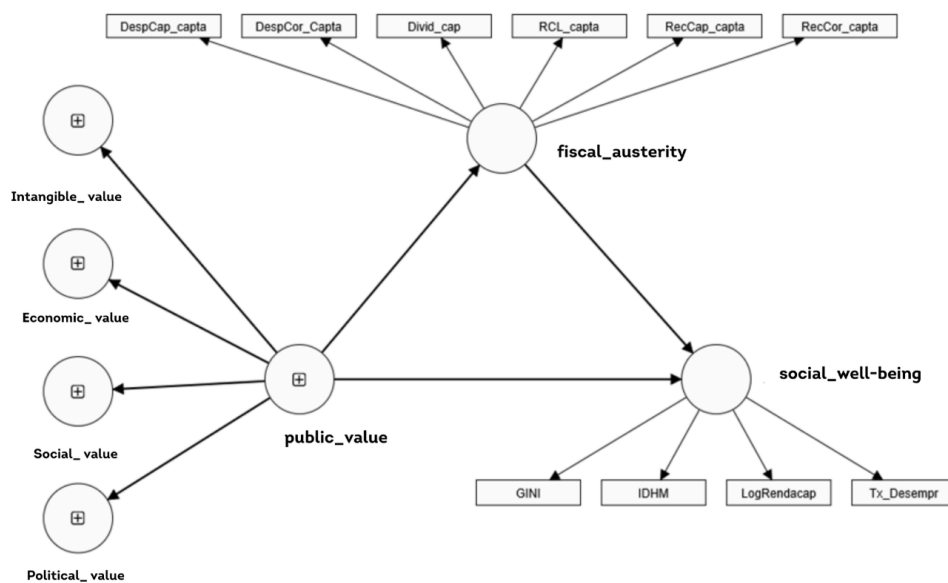
The intangible dimension captures non-monetary and quality-related aspects of education, proxied by teacher qualification and schooling-flow/performance indicators (Papi et al., 2018). The political dimension captures legitimacy and civic-governance facets surrounding education, operationalized through civic engagement, voluntary engagement, and schooling as proxies for authorization conditions and civic capacity (Androniceanu, 2025; Li & Shang, 2020; Sanborn & Thyne, 2014).

Because the model includes a higher-order latent variable, we employed the disjoint two-stage approach (Becker et al., 2012; Bido & Da Silva, 2019; LaCruz et al., 2023). In stage one, we estimate the first-order measurement models and obtain latent variable scores for the four public value dimensions. In stage two, these scores are used as indicators of the second-order public value construct, which is then

incorporated into the structural model. This approach is particularly appropriate when the number of observed indicators differs across dimensions.

Fiscal austerity and social well-being are operationalized with macro indicators reported in online supplementary materials. Fiscal austerity is modeled as a construct built from revenue and expenditure (current and capital) components, debt-related indicators, and net current revenue (RCL), capturing the extent to which fiscal space is expanded or compressed over time. Importantly, the construct is oriented such that higher latent scores indicate a less austere fiscal stance (i.e., greater fiscal space), whereas lower scores indicate tighter fiscal constraints (i.e., greater austerity). Social well-being is operationalized through macro indicators reflecting development and distributive conditions, including inequality (GINI), unemployment, per capita income (log), and the municipal human development index (IDHM) as a composite proxy for development outcomes. Figure 2 presents the full structural model used in the analysis.

Figure 3. Second-order structural equation model



Source: Author's contribution

Model estimation was conducted in SmartPLS 4.0 after standard data screening and preparation.

3. Research results and discussions

The results indicate a clear pattern in the education policy domain: public value is strongly associated with social well-being, while fiscal conditions shape how fully

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this association translates into welfare outcomes. In substantive terms, the direct public value → well-being relationship is positive and robust, but the fiscal channel operates as a countervailing mechanism, yielding a competitive mediation configuration consistent with value creation under fiscal constraint.

For interpretability, it is essential to state the orientation of the fiscal austerity construct. In this study, higher fiscal_austerity scores indicate a less austere fiscal stance (i.e., greater fiscal space), whereas lower scores indicate tighter fiscal constraints (i.e., greater austerity). Accordingly, hypotheses involving fiscal_austerity are evaluated by translating the conceptual direction of “austerity” into the expected sign under this reverse-oriented scale.

Table 2. VIF, f², R² and adjusted R² values for structural model

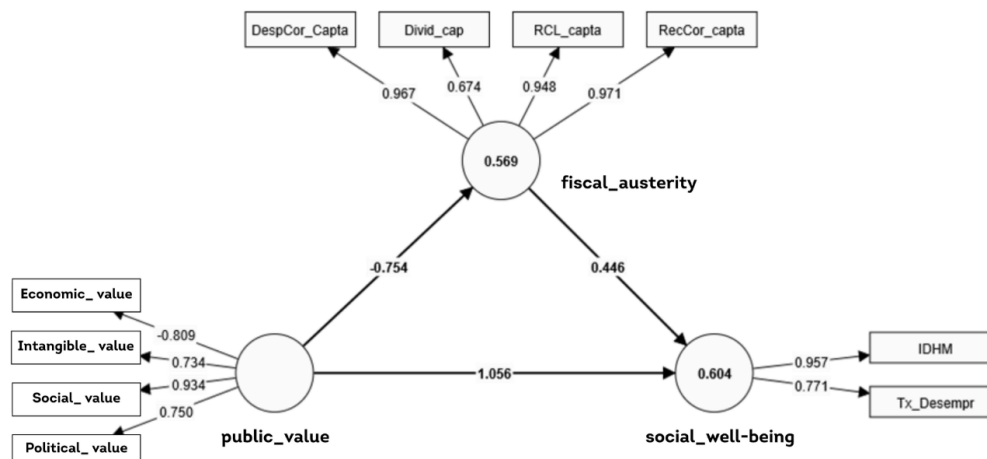
	Structural Hypothesis Model	VIF	f²	R²	Adjusted R²	p-value
H 1	Public_Value → Social_well-being	2.32	1.21	0,60	0,600	0.000
H 2	Public_Value → Fiscal_austerity	1.00	1.32	0,56	0,567	0.000
H 3	Fiscal_austerity → Social_well-being	2.32	0.21			0.000

Source: Author’s contribution

The structural model displays substantial explanatory power for both social_well-being and fiscal_austerity (Table 2). Collinearity diagnostics are within acceptable limits, and the estimated effects indicate that the main relationships are not only statistically reliable but also substantively meaningful.

Prior to presenting the structural estimates, it is important to clarify the hierarchical specification of the public value construct. *Public_Value* is modelled as a second-order latent variable, and the first-order dimensions—economic value, intangible value, social value, and political value—are saved as indicators from the first-stage confirmatory analysis and then used in the second stage to estimate the structural model. Figure 4 presents the estimated structural model and standardized path coefficients.

Figure 4. Adjusted structural model



Source: Author's contribution

Table 3. Testing and values of the structural model hypothesis

Structural Hypothesis Model	Structural coefficient (β)	Standard error	t-value	p-value	Hypothesis testing
H 1 Public_Value \rightarrow Social_well-being	1.056	0.025	34.013	0.000	Supported
H 2 Public_Value \rightarrow Fiscal_austerity	-0.754	0.053	30.201	0.000	Supported
H 3 Fiscal_austerity \rightarrow Social_well-being	0.446	0.031	8.366	0.000	Supported ^b

Note^a: Critical Values for t (208) = *p<0.1%=3.29; **p<1% = 2.57; ***p<5% = 1.96

Note^b: fiscal_austerity is reverse-oriented (higher scores = less austerity/greater fiscal space).

Source: Author's contribution

Hypothesis tests based on nonparametric bootstrapping (10,000 subsamples) support the core theoretical expectations regarding public value and its link to well-being (see Table 3). H1 is supported: public_value is positively associated with social_well-being ($\beta = 1.056$; $t = 34.013$; $p < 0.001$). This finding is consistent with the view that multidimensional value creation in education is reflected in broader welfare outcomes, linking service delivery conditions and public capacities to human development and socioeconomic performance.

H2 is also supported: public_value is negatively associated with fiscal_austerity ($\beta = -0.754$; $t = 30.201$; $p < 0.001$). Given the construct orientation (higher scores = less austerity/greater fiscal space), the negative coefficient indicates that higher public value is associated with lower fiscal_austerity scores, that is, tighter fiscal constraints. Substantively, this suggests that higher public value in education is not

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necessarily accompanied by expanded fiscal space; rather, it is compatible with a scenario in which jurisdictions sustain value through prioritization and implementation capacity even when fiscal slack is limited.

Regarding H3, the estimated coefficient linking fiscal_austerity to social_well-being is positive and significant ($\beta = 0.446$; $t = 8.366$; $p < 0.001$). Given the index orientation, this result indicates that greater fiscal space is associated with higher well-being and, conversely, tighter fiscal constraints are associated with lower well-being. This pattern is consistent with the baseline expectation that fiscal constraint can erode well-being by limiting the continuity of investments and the quality of service delivery in policy domains central to human development. Therefore, once the construct orientation is taken into account, H3 is supported. Table 4 presents Total, Direct and Indirect Effect on the relationship between public value and social well-being.

Table 4. Total, Direct and Indirect Effect on the relationship between public value and social well-being

Total Effect			Direct Effect			Indirect Effect		
Structural coefficient (β)	Standard error	t-test	Structural coefficient (β)	Standard error	t-test	Structural coefficient (β)	Standard error	t-test
0.721	0.021	33.791	1.061	0.031	34.013	-0.339	0.042	8.089

Note: significant values with p-value at 0.1%.

Source: Author's contribution

The mediation analysis (H4) decomposes the total effect of public_value on social_well-being into direct and indirect components. The total effect is positive and large ($\beta = 0.721$; $t = 33.791$), consisting of a strong direct effect ($\beta = 1.061$; $t = 34.013$) and a significant negative indirect effect via fiscal_austerity ($\beta = -0.339$; $t = 8.089$). The negative indirect effect arises because public_value is associated with tighter fiscal constraints (lower fiscal_austerity scores) and tighter constraints, in turn, are associated with lower well-being (given that higher scores indicate greater fiscal space).

Taken jointly, these paths indicate partial, competitive mediation: the direct and indirect effects are both significant but operate in opposite directions. Table 5 summarizes this mediation classification and supports H4.

Table 5. Mediation of the relationship between public value and social well-being

Hypothesis	Mediation	Relationship	Type of Mediation	Hypothesis Testing
H4	Fiscal_Austerity	Public_Value → Fiscal_austerity	Significant	Supported

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Hypothesis	Mediation	Relationship	Type of Mediation	Hypothesis Testing
		Fiscal_austerity → Social_Welfare Public_Value → Social_Well- Being	Significat (p<0,01)	Partial (competitive) mediation

Source: Author's contribution

Overall, the findings provide an empirically grounded account of public value in education as a strong predictor of social well-being, while also showing that fiscal conditions are not merely background constraints. Instead, fiscal austerity operates as a conditioning mechanism that dampens the conversion of public value into welfare gains, implying that sustaining public value in human-capital-intensive services depends not only on improvements within the policy domain but also on fiscal conditions that stabilize implementation capacity and policy continuity over time.

4. Conclusions

This study examined how public value, fiscal austerity, and social well-being relate in the education policy domain, asking whether fiscal conditions condition the translation of value into welfare outcomes. Using comparable panel data for Brazil's 27 federative units (2015–2022) and a second-order public value construct estimated via PLS-SEM, the analysis connects multidimensional value creation to well-being while modeling fiscal austerity as an intervening mechanism rather than as background context.

The findings show a strong positive association between public value and social well-being, alongside a countervailing fiscal channel consistent with partial competitive mediation. In substantive terms, value creation in education remains aligned with welfare outcomes, yet tighter fiscal constraints dampen the welfare returns of value creation by compressing the conditions that sustain implementation capacity and policy continuity. Because the fiscal_austerity construct is reverse-oriented (higher scores indicate greater fiscal space), the positive estimated relationship between fiscal_austerity and well-being implies that tighter constraints are associated with lower well-being, consistent with welfare-state arguments about the social consequences of sustained fiscal tightening.

The study contributes by (i) operationalizing public value multidimensionally in a human-capital-intensive domain, (ii) clarifying how fiscal conditions reshape the conversion of value into well-being over time, and (iii) offering a replicable measurement architecture for subnational comparison. For public management, the results underline that improvements in domain performance and legitimacy do not automatically translate into proportional welfare gains when fiscal conditions

compress the resources and organizational continuity required to sustain cumulative policy effects.

Limitations include the observational design and reliance on macro indicators that cannot fully capture the institutional mechanisms linking fiscal trajectories, implementation choices, and social outcomes. Future research could strengthen causal identification, explore temporal lags, and test whether governance conditions and administrative capability moderate the public value–well-being relationship alongside the mediating role of fiscal austerity, helping specify when and where “public value under constraint” is most likely to emerge.

Conflict of Interest Statement

The authors declare that there is no conflict of interest.

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