



PUBLIC SERVICE: FROM COST TO ASSET AFTER FISCAL CONSOLIDATION

Mario Marcel, Deputy Director

Public Governance and Territorial Development, C
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- Public Service after the crisis and emerging challenges



Changes in the fiscal environment

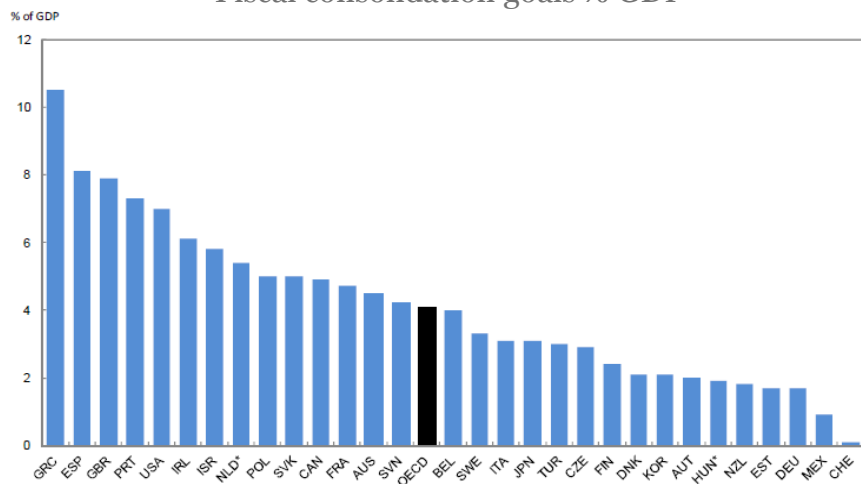
- Managing state deficits and consolidation plans
- Currently, Public Services an important reform target, implementation of austerity policies, but not in all countries
 - Implementing austerity measures - a widening gap (Germany, Sweden, Luxembourg **vs.** Portugal, Greece, Spain etc)
- Public service targeted due to importance of wage bill in public spending
 - Salaries 20% of total government spending in OECD countries



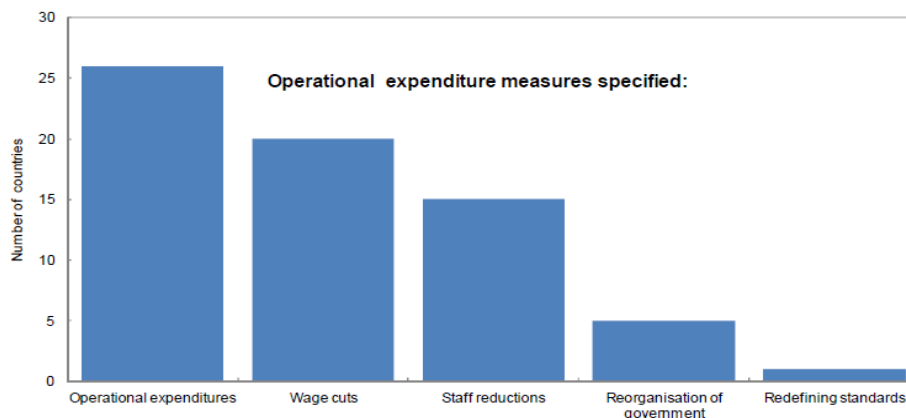
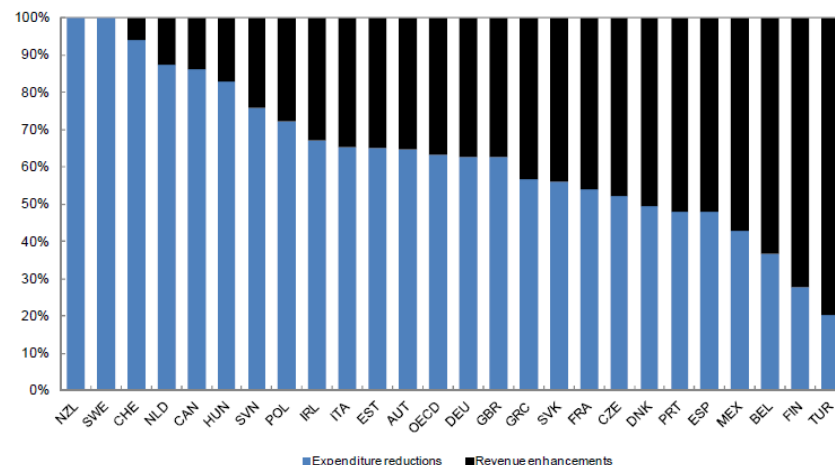
Ambitious fiscal consolidation targets implementation plans

Source: OECD, Restoring Public Finances, Paris, 2011

Fiscal consolidation goals % GDP



Composition of fiscal consolidation



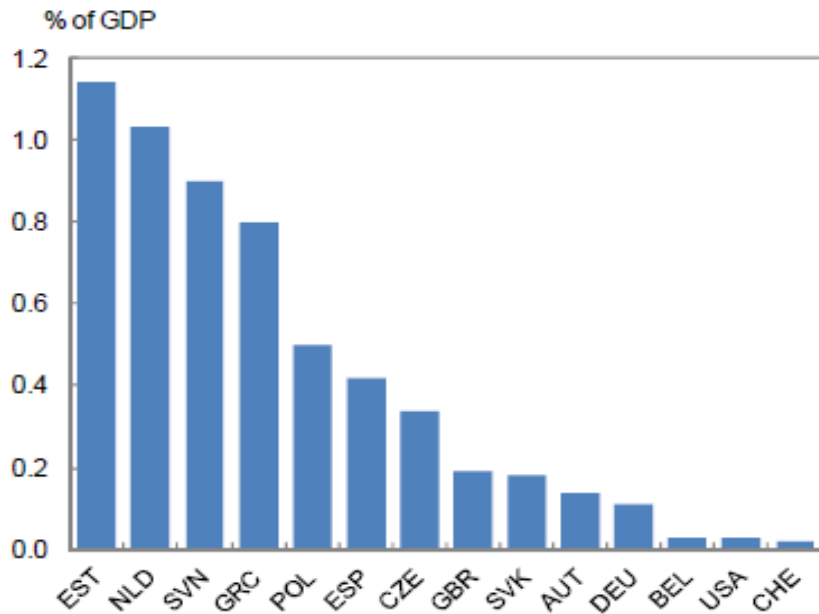
Note. Out of a total of 30 countries.

Source: "OECD Fiscal Consolidation Survey 2010".

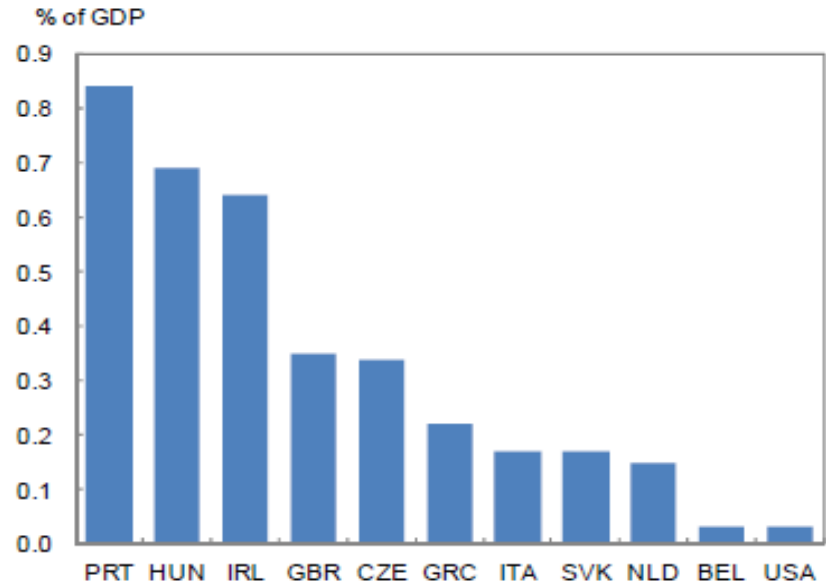


Operational measures - impact

A. Operational expenditures



B. Wage cuts

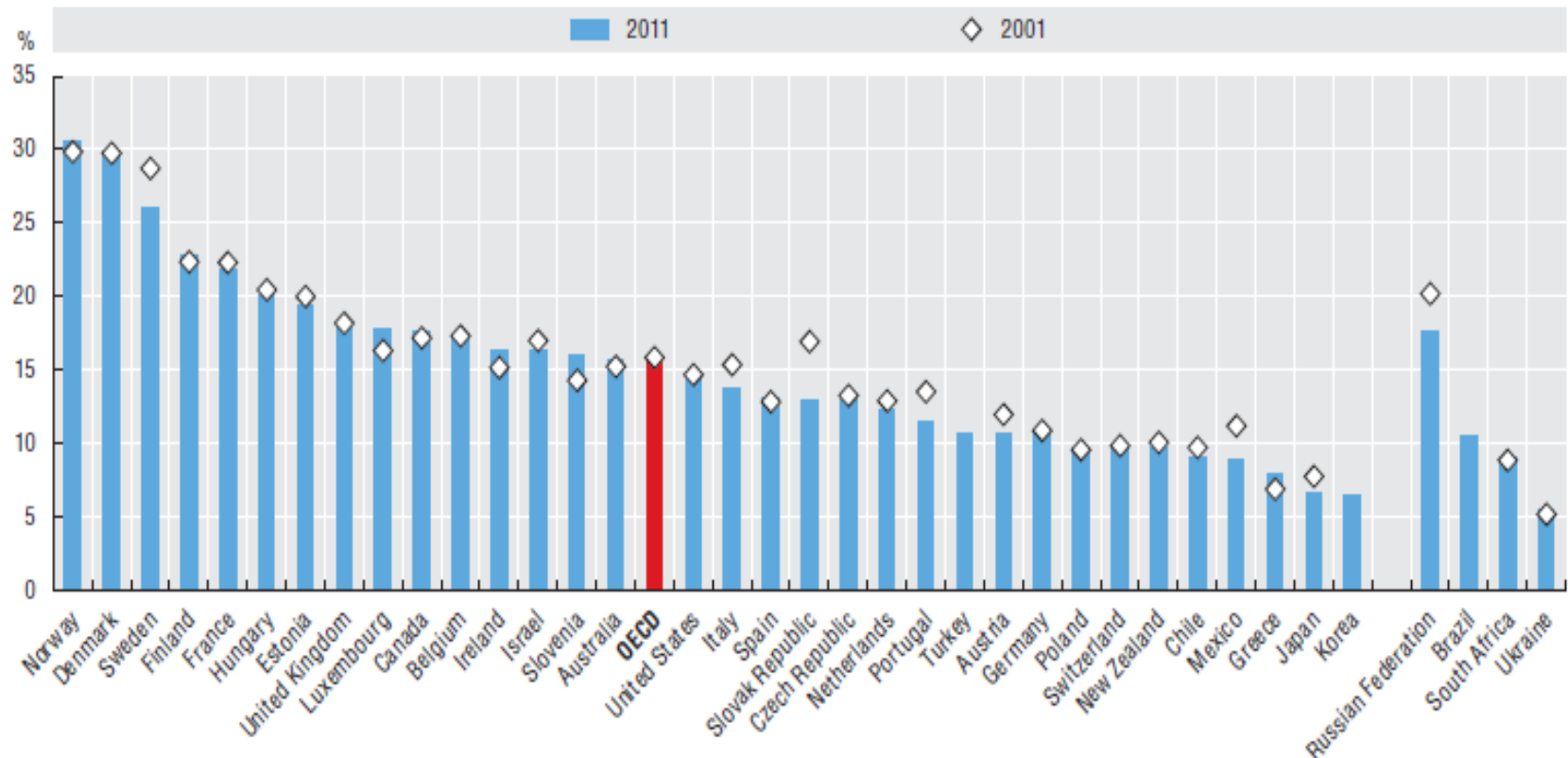


Notes: The figures for the United Kingdom only sum up wage freezes and initial savings on operational expenditures. The data for Greece only include 2011 measures.

Source: "OECD Fiscal Consolidation Survey 2010".



Employment in general government as percentage of labour force 2001/2011



Sources: International Labour Organization (ILO), LABORSTA (database); OECD Labour Force Statistics (database). Data for Korea were provided by government officials.

StatLink  <http://dx.doi.org/10.1787/888932942241>



Size: General public employment trend

- Trend is very clear: there is a strong decrease in employment in central administrations of the EU Member States (26 responses, overall score 4.24¹)
- Trend is very strong in those countries which are subject to austerity measures (11 countries, score 4.45) but almost equally strong among non-austerity countries (15 countries, score 4.07)

¹ 1=increase in employment, 5=decrease in employment



General public employment trend at central level by austerity and non-austerity countries in EU-27

(1=increase in employment, 5=decrease in employment)

		Public law employees	Labour law employees	Fixed-term employment (*)
No austerity measures	Mean	3,36	3,15	2,92
	N	14	13	12
	Std. Dev.	1,008	,987	1,165
Austerity countries	Mean	3,91	3,64	3,11
	N	11	11	9
	Std. Dev.	,944	1,120	,928
Total	Mean	3,60	3,38	3,00
	N	25	24	21
	Std. Dev.	1,000	1,056	1,049

(*) flexible, limited and/or short-term contracts

Source: C.Demmke/T.Moilanen, Governmental Transformation and the Future of Public Employment, Frankfurt/M., 2013



Longer-term trends

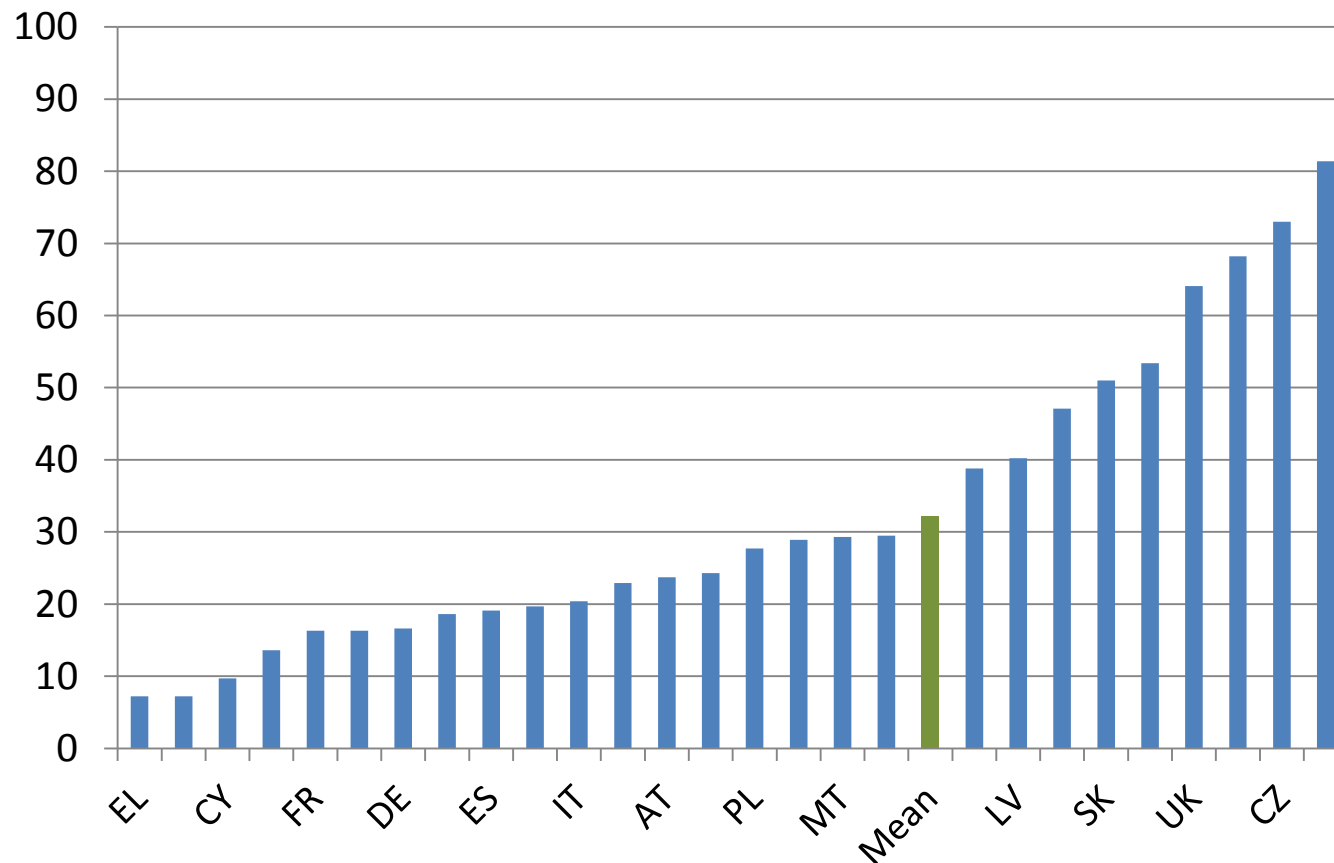
- Decline of New Public Management and traditional bureaucracy alike
- “Leveraging” through decentralization, contracting out
- Centralization of back office HRM functions due to ICT developments
- Pressure for further diversity of labour force in the Public Service
- Higher standards of integrity, transparency, openness
- Difference in working/employment conditions decreasing between public servants and private sector workers



TREND TOWARDS DE-BUREAUCRATISATION

Measurement of Civil Service Systems on the basis of 14 Indicators.

0% = Bureaucracy, 100% = Post-Bureaucracy)



Source: C.Demmke/T.Moilanen, Governmental Transformation and the Future of Public Employment, Frankfurt/M., 2013



TOWARDS A NEW PUBLIC WORKFORCE

- Status exercised by nationals
- Discrimination
- Dominance of male employment
- Dominance of public law status
- Dominance of experts, recruited on the basis of qualification and expertise
- “Stagnant” workforce
- Status exercised also by non-nationals, trend towards further restriction to nationals (Art. 45 4 TFEU and case law)
- Principle of non-discrimination, Diversity Management, Representative Administration
- Increase in female employment
- Dominance of labour law status
- Continuous adaptation of skills, ageing public workforce, competency management
- Mobile workforce, restructuring, shifting



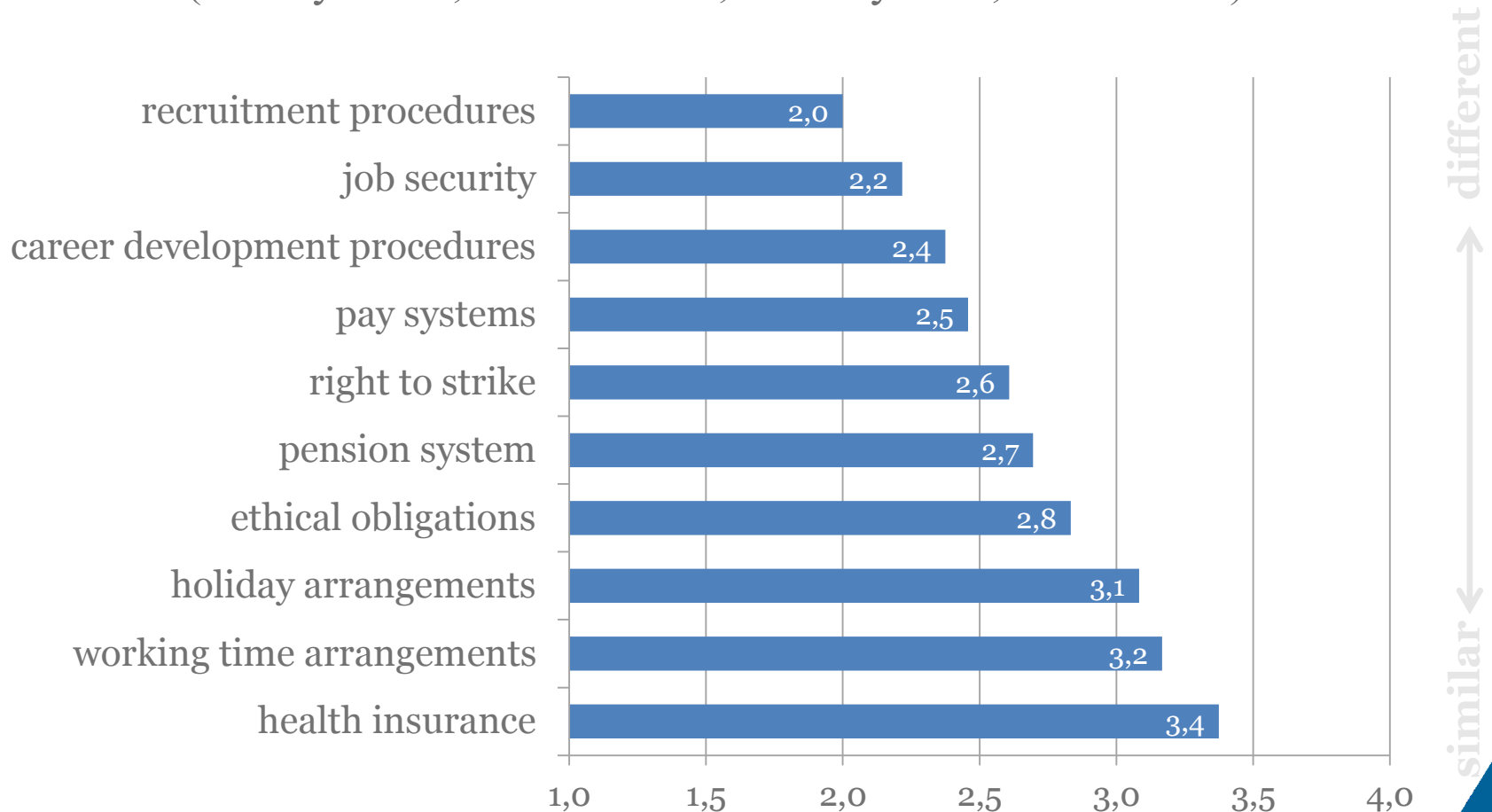
The end of a broad civil service Towards a core civil service?

- EU Member States decrease civil service employment more than other employment forms
 - Decrease of number of civil servants with the exception of few countries (DE, IT, PL, BG)
- In the future, civil service employment only in core government functions?



Differences between civil service employment and contract employment by issue (average)

(1=very much, 2=somewhat, 3=fairly little, 4=not at all)



Source: C.Demmke/T.Moilanen, op cit.



The end of life/time tenure? Termination of civil-servant employment by EU Member State

(1=Yes, 2=No)

	A	B	C	D	E	F	G	H
Germany	1	0	0	0	0	0	0	1
Greece	1	0	0	0	0	0	0	1
Luxembourg	1	0	0	0	0	0	0	1
Belgium	1	1	0	0	0	0	0	2
Cyprus	1	0	0	0	0	0	1	2
Ireland	1	1	0	0	0	0	0	2
Italy	1	1	0	0	0	0	0	2
Portugal	1	1	0	0	0	0	0	2
Spain	1	1	0	0	0	0	0	2
Austria	1	1	0	0	0	0	1	3
Malta	1	0	1	1	0	0	0	3
Sweden	1	0	1	1	0	0	0	3
Czech Republic	1	0	1	1	1	0	0	4
Estonia	1	1	1	1	1	0	0	5
France	1	1	1	1	1	0	0	5
Hungary	1	0	1	1	1	1	0	5
Lithuania	1	1	1	1	1	0	0	5
United Kingdom	1	1	1	1	1	0	0	5
Bulgaria	1	1	1	1	1	0	1	6
Denmark	1	1	1	1	1	1	0	6
Finland	1	1	1	1	1	1	0	6
Latvia	1	1	1	1	1	1	0	6
Netherlands	1	1	1	1	1	1	0	6
Poland	1	1	1	1	1	1	0	6
Slovakia	1	1	1	1	1	0	1	6
Slovenia	1	1	1	1	1	1	0	6
Romania	1	1	1	1	1	1	1	7
Mean	1.00	0.71	0.61	0.61	0.54	0.29	0.18	3.93

A = Disciplinary reasons
 B = Poor performance
 C = Restructuring
 D = Downsizing
 E = Re-organisation
 F = Economic difficulties
 G = Other

H = Sum

(Source: Demmke/Moilanen, op cit)



Evaluation of reform outcomes

- Impact on Trust
- Impact on efficiency
- Impact on Job Satisfaction
- Impact on attractiveness of Public Employment



Effect of financial crisis on public trust (N=25)

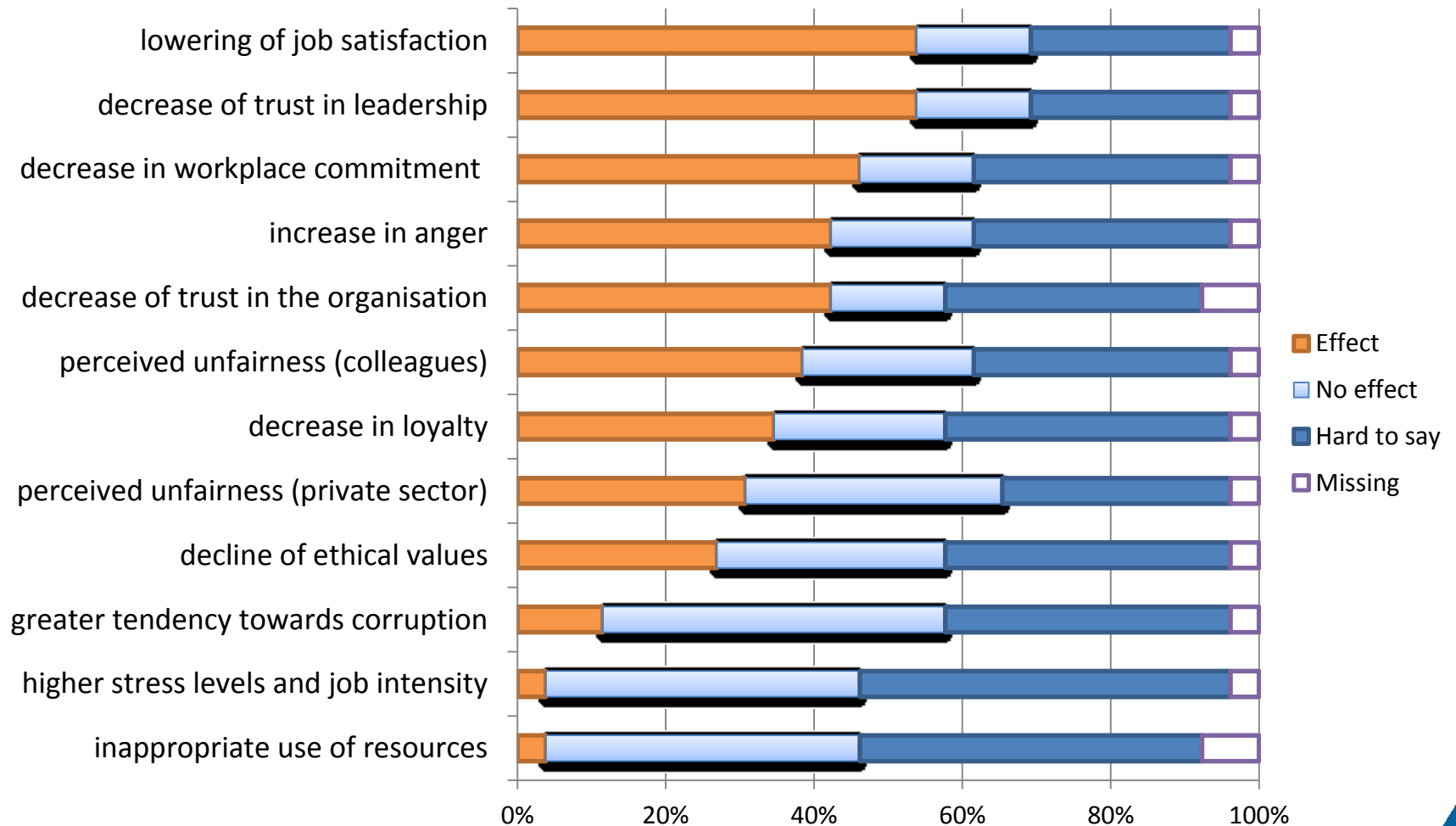
General government deficit/surplus
2010 (% of GDP)

	Mean
Low-level deficit (< -4,2)	3,00
Middle-level deficit (-7.0 to -4,2)	3,75
High deficit (> -7.0)	4,38

(1=increased trust, 5=decreased trust)



Impact of austerity measures at workplace level (N=25 countries)

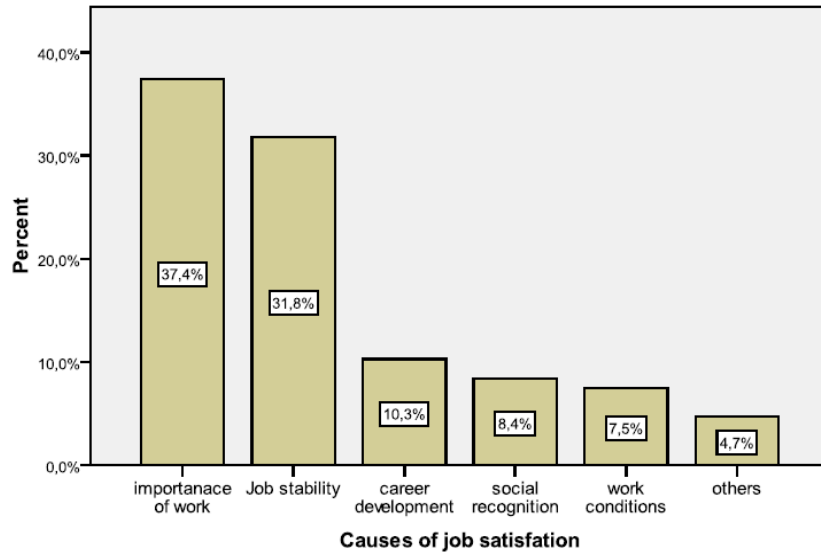


Source: C. Demmke/T.Moilanen, Effectiveness of Public Service Ethics and Good Governance, 2012

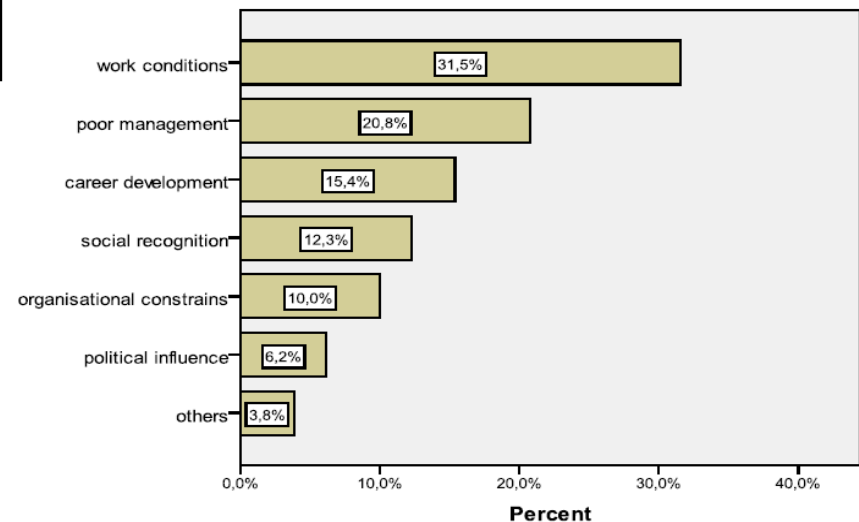


Impact of the crisis on work satisfaction

Causes of job satisfaction



Causes of job dissatisfaction



Source: R.Sobiech, Image and Attractivity of Central Government, Administration, Warsaw 2012



In sum: what the crisis will leave behind

- Lower trust on public institutions
- Centralization of government decisions
- Aversion to risk
- Low morale and motivation in the public service
- HR mismatches across the public sector
- Ageing public service



Challenges and Possible Responses

Challenge	Responses
Preservation of public service values: merit, professionalism, ethics, non-discrimination	Ethical standards should apply to all public employees, irrespective of their contractual status Competitive and merit-based recruitment Strengthening of quality of service through training, standards, incentives Eradicate discriminatory practices against women, younger employees
Recruitment, employment, career	Fixed-term appointments Multiple entry points Mid-career access
Mobility, adaptability	Review protection clauses that limit mobility Enforce core competencies Introduce better workforce planning
Motivation and performance	Get more evidence on HRM contributions to performance Align institutional and individual performance assessment Enforce recognition Develop team-based performance pay Improve working conditions Improve work-life balance Develop skills and operational arrangements contributing to quality of service



Conclusion

- Excess employment was not the cause of the fiscal crisis
- But salaries became a target in fiscal consolidation due to their fiscal volume and greater political acceptability
- Which added to an underlying shift in public management and employment
- Going back is not an option – besides becoming a lost opportunity
- Need to articulate a response before HR becomes a bottleneck in the recovery
- Long-term vision, combined with immediate action to avoid restoration temptation
- Short-term: reallocate, retrain, communicate
- Longer-run: workforce planning, developing non-monetary incentives
- Continuing: skills development and long-life learning in times of budgetary constraints
- Strategic: link better HRM and Organisational Performance