



PUBLIC SERVICE: FROM COST TO ASSET AFTER FISCAL CONSOLIDATION

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- Public Service after the crisis and emerging challenges



Changes in the fiscal environment

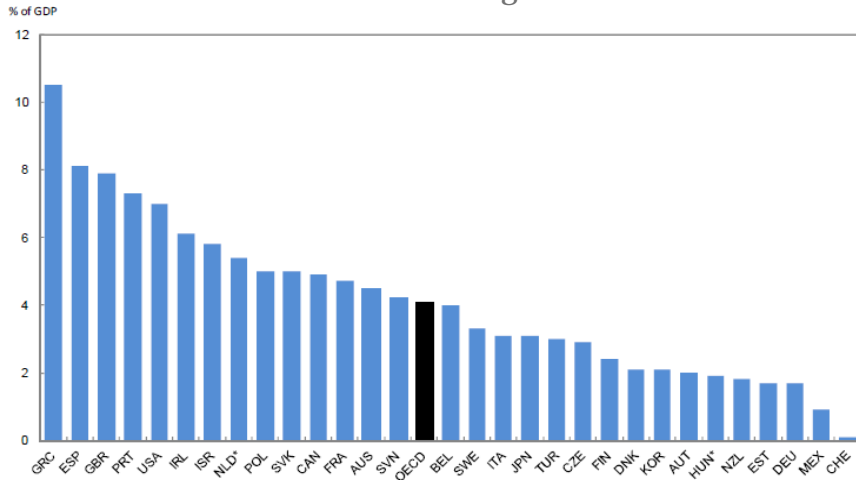
- Managing state deficits and consolidation plans
- Currently, Public Services an important reform target, implementation of austerity policies, but not in all countries
 - Implementing austerity measures - a widening gap (Germany, Sweden, Luxembourg **vs.** Portugal, Greece, Spain etc)
- Public service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



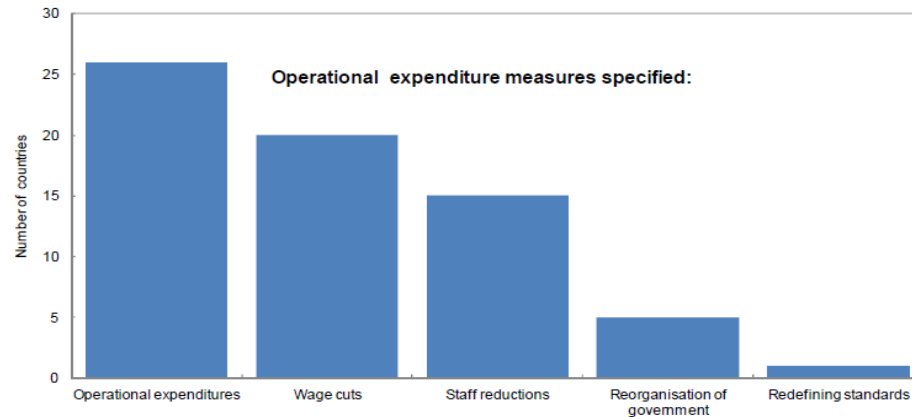
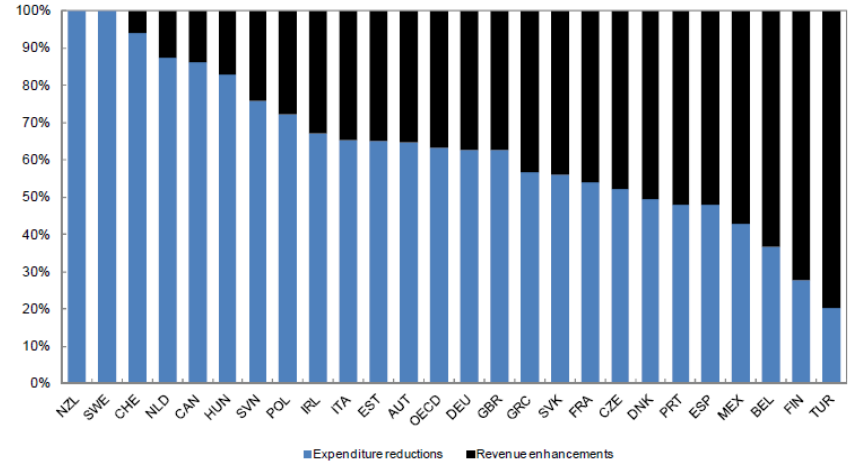
Ambitious fiscal consolidation targets implementation plans

Source: OECD, Restoring Public Finances, Paris, 2011

Fiscal consolidation goals % GDP



Composition of fiscal consolidation

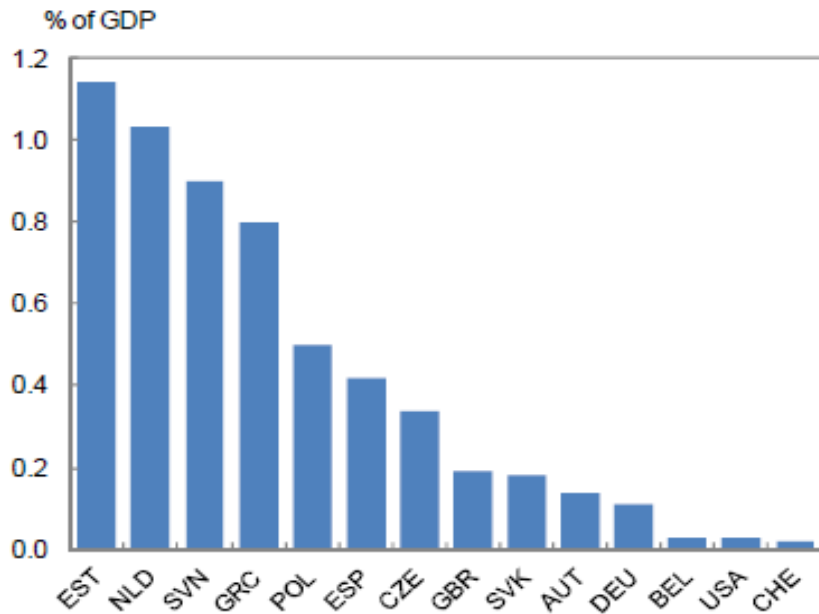


Note. Out of a total of 30 countries.
Source: "OECD Fiscal Consolidation Survey 2010".

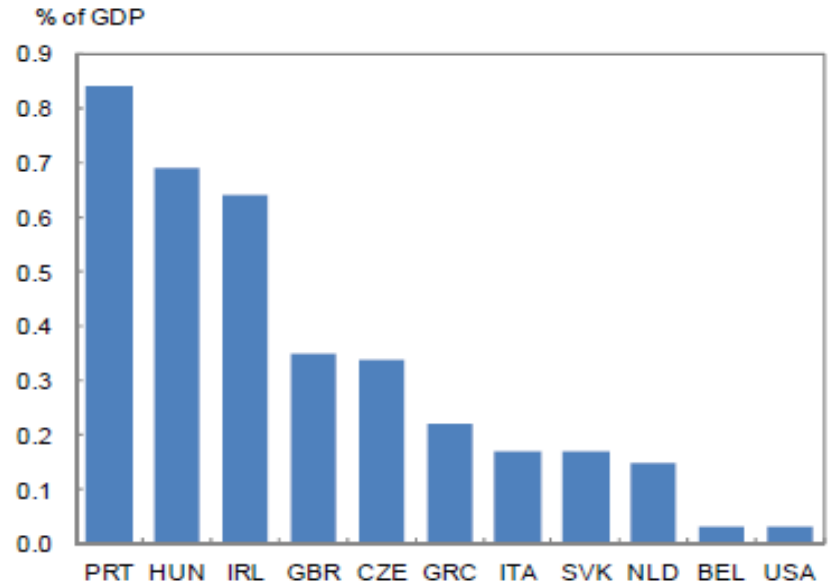


Operational measures - impact

A. Operational expenditures



B. Wage cuts

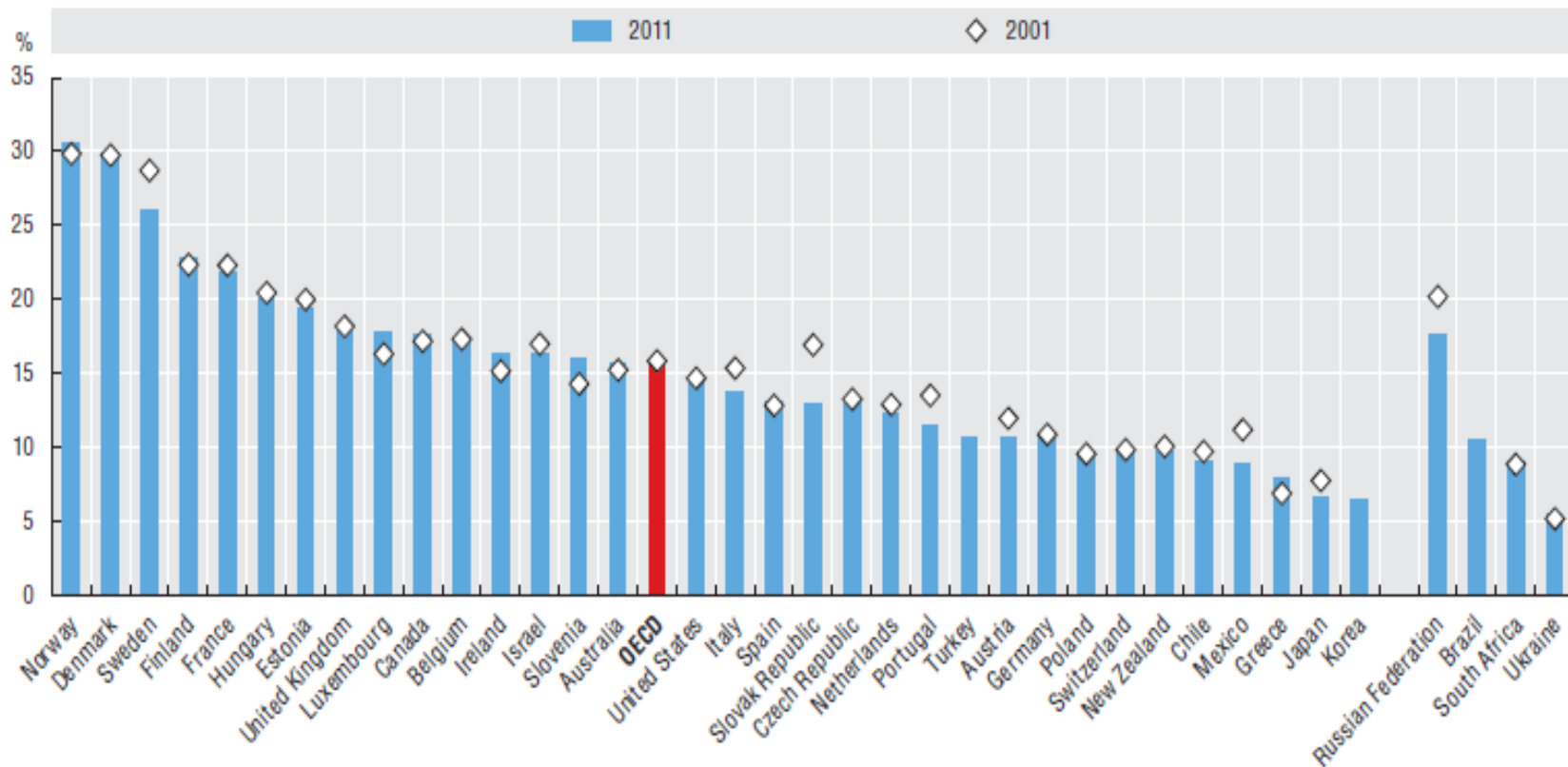


Notes: The figures for the United Kingdom only sum up wage freezes and initial savings on operational expenditures. The data for Greece only include 2011 measures.


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



Longer-term trends

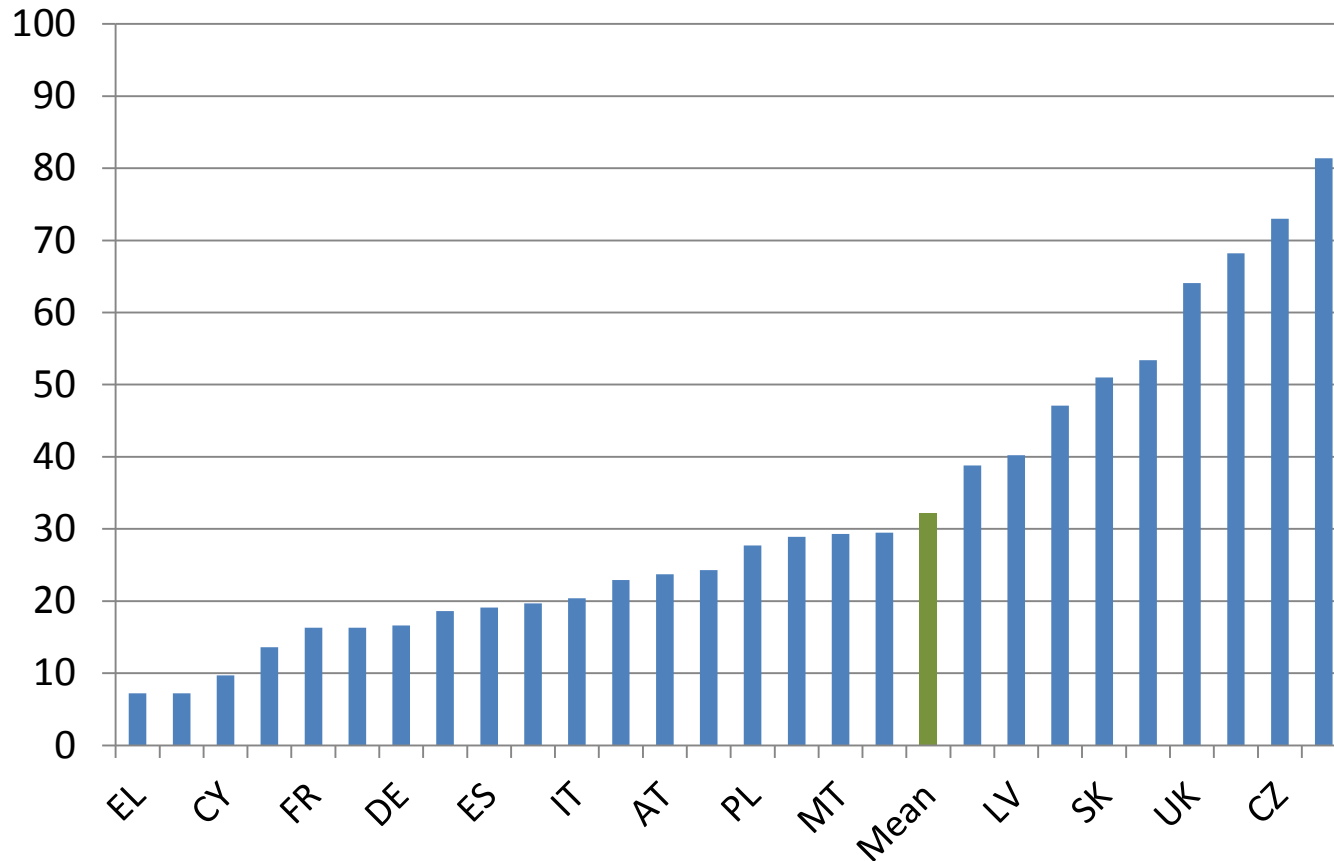
- Decline of New Public Management and traditional bureaucracy alike
- “Leveraging” through decentralization, contracting out
- Centralization of back office HRM functions due to ICT developments
- Pressure for further diversity of labour force in the Public Service
- Higher standards of integrity, transparency, 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



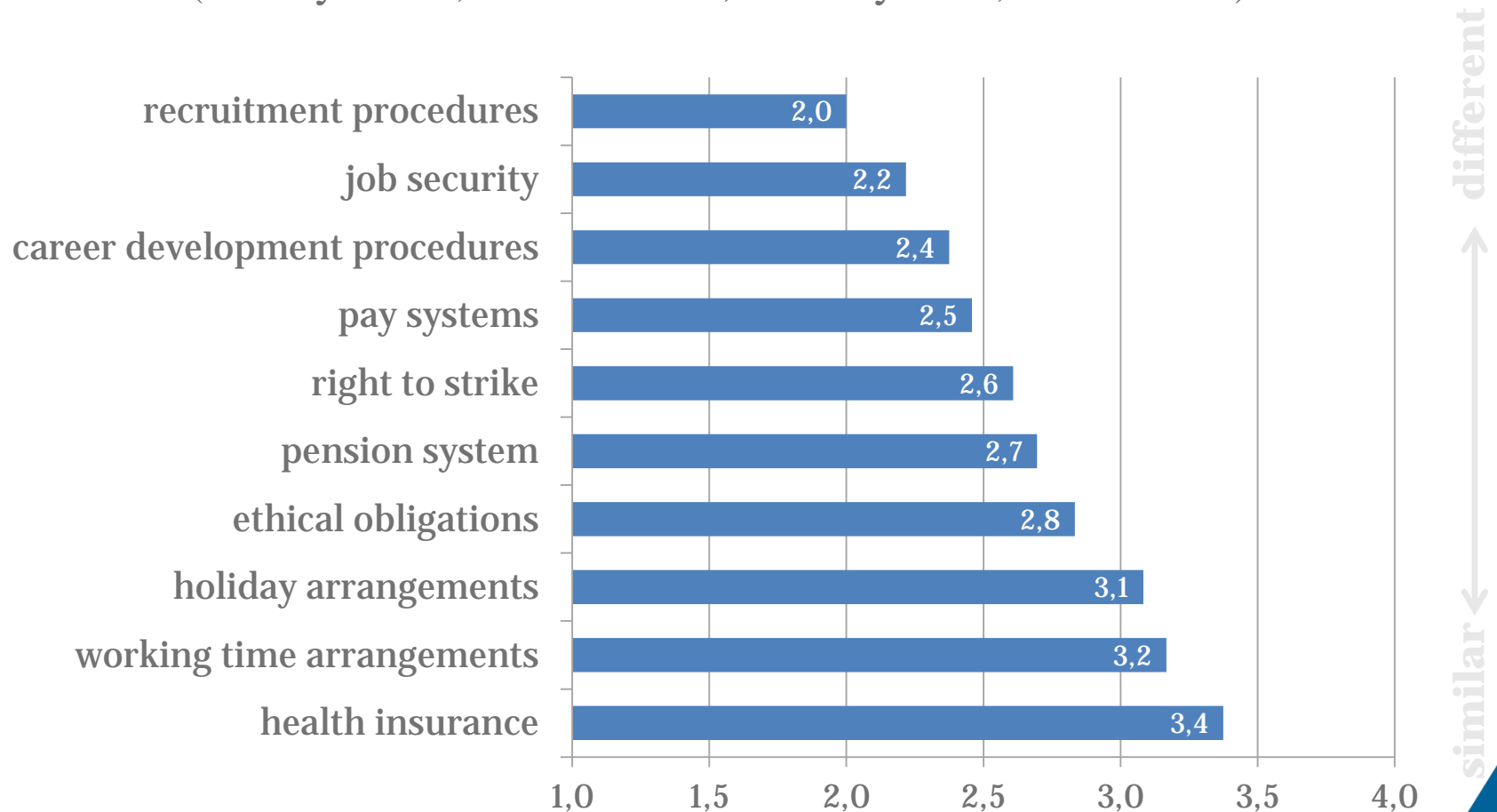
The end of a broad civil service Towards a core civil service?

- 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
<i>Mean</i>	<i>1.00</i>	<i>0.71</i>	<i>0.61</i>	<i>0.61</i>	<i>0.54</i>	<i>0.29</i>	<i>0.18</i>	<i>3.93</i>

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)

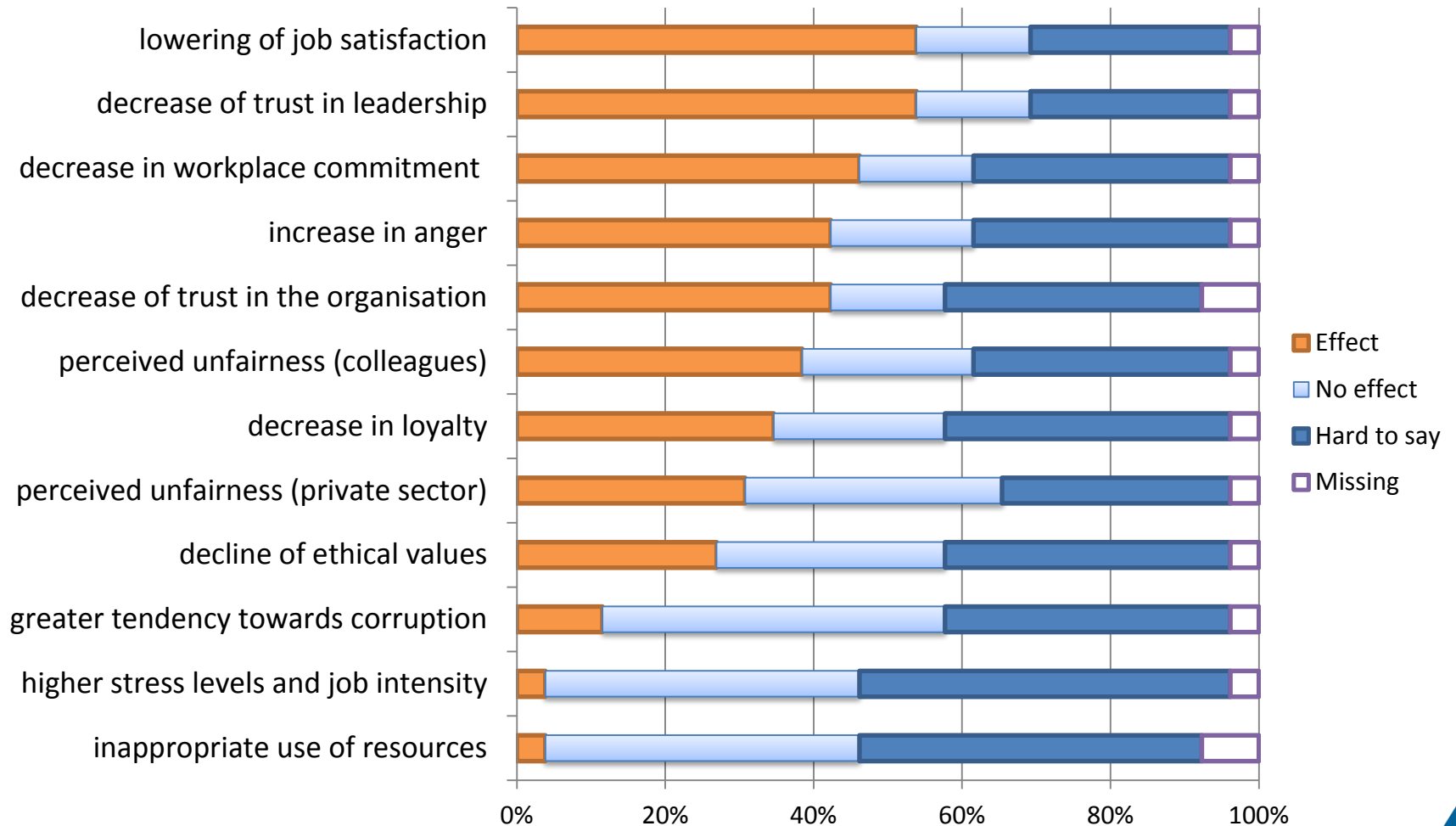
General government deficit/surplus
2010 (% of GDP)

	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)

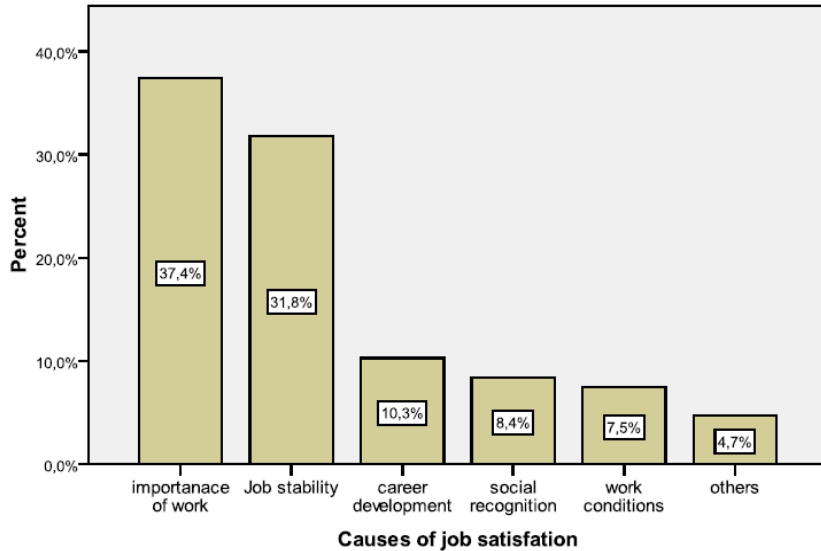


Source: C. Demmke/T.Moilanen, Effectiveness of Public Service Ethics and Good Governance, 2012

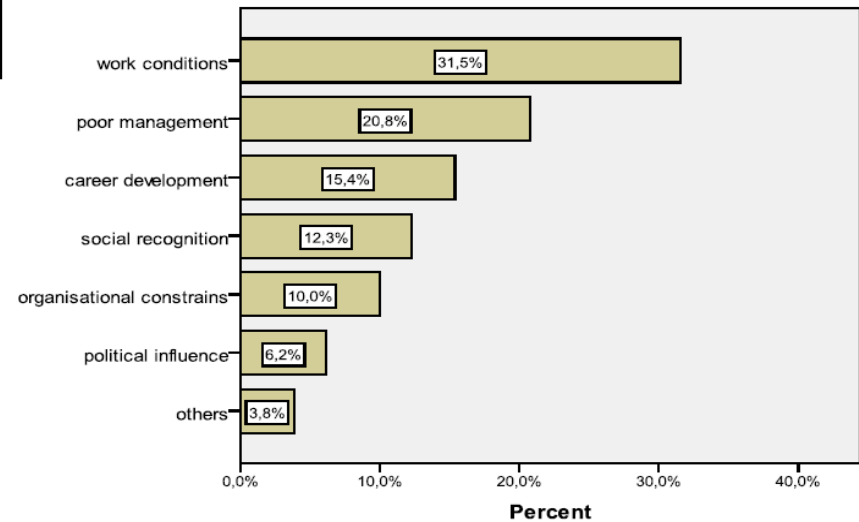


Impact of the crisis on work satisfaction

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	<ul style="list-style-type: none">Ethical standards should apply to all public employees, irrespective of their contractual statusCompetitive and merit-based recruitmentStrengthening of quality of service through training, standards, incentivesEradicate discriminatory practices against women, younger employees
Recruitment, employment, career	<ul style="list-style-type: none">Fixed-term appointmentsMultiple entry pointsMid-career access
Mobility, adaptability	<ul style="list-style-type: none">Review protection clauses that limit mobilityEnforce core competenciesIntroduce better workforce planning
Motivation and performance	<ul style="list-style-type: none">Get more evidence on HRM contributions to performanceAlign institutional and individual performance assessmentEnforce recognitionDevelop team-based performance payImprove working conditionsImprove work-life balanceDevelop 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