



# Managing public employment across levels of government in a decentralisation process

*The experience of OECD countries*

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# The context matters

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## 1. The challenges of public human resource management

- Multi-level governance also means multi-level human resource management

## 2. National vs subnational government interests

- National governments have residual responsibilities for the country's economic and social development
- Subnational governments promote economic growth within their own geographic area
- Some responsibilities are divided between the national and subnational governments – *health and education*
- The national government has residual responsibilities for the outcome of subnational government activities

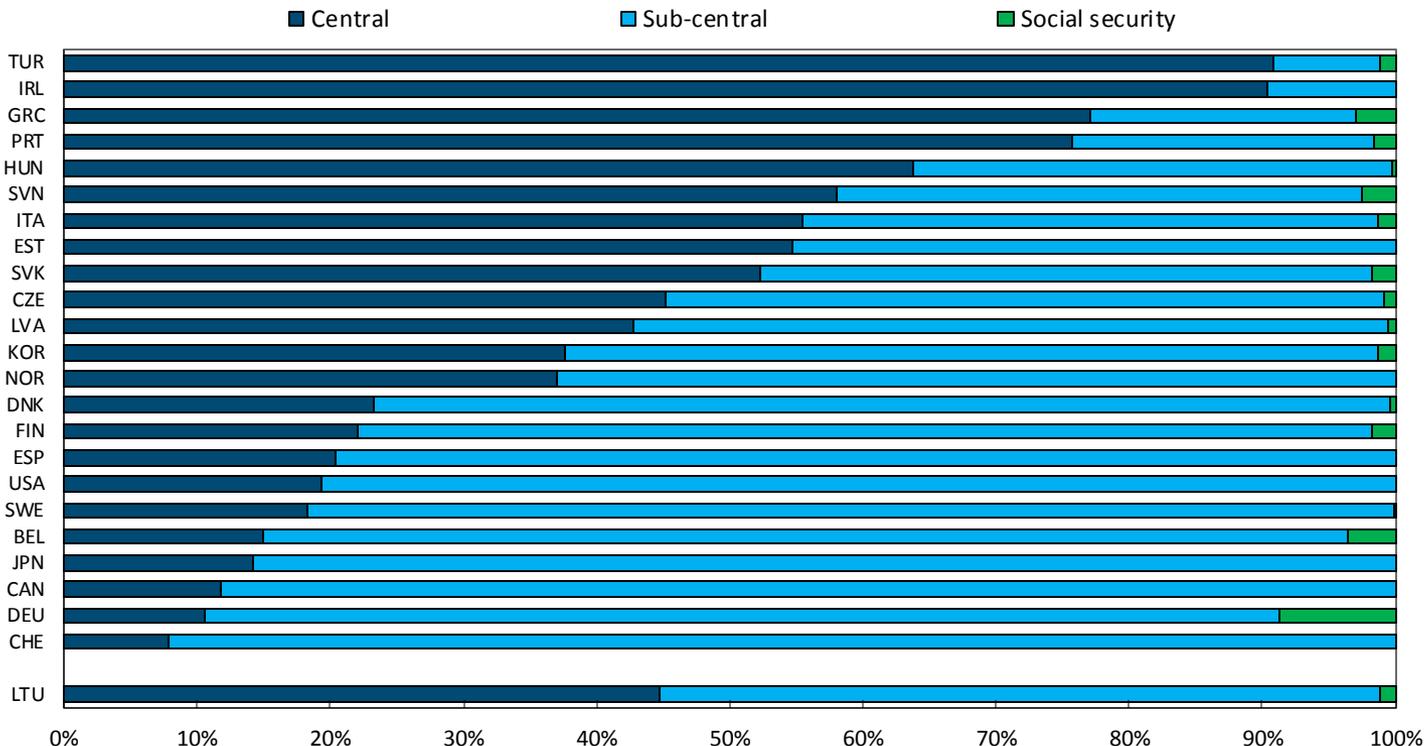
## 3. The relations between national and subnational governments



## 4. The responsibilities of subnational government

- The need for sufficient capacity in subnational governments grows as responsibilities increase

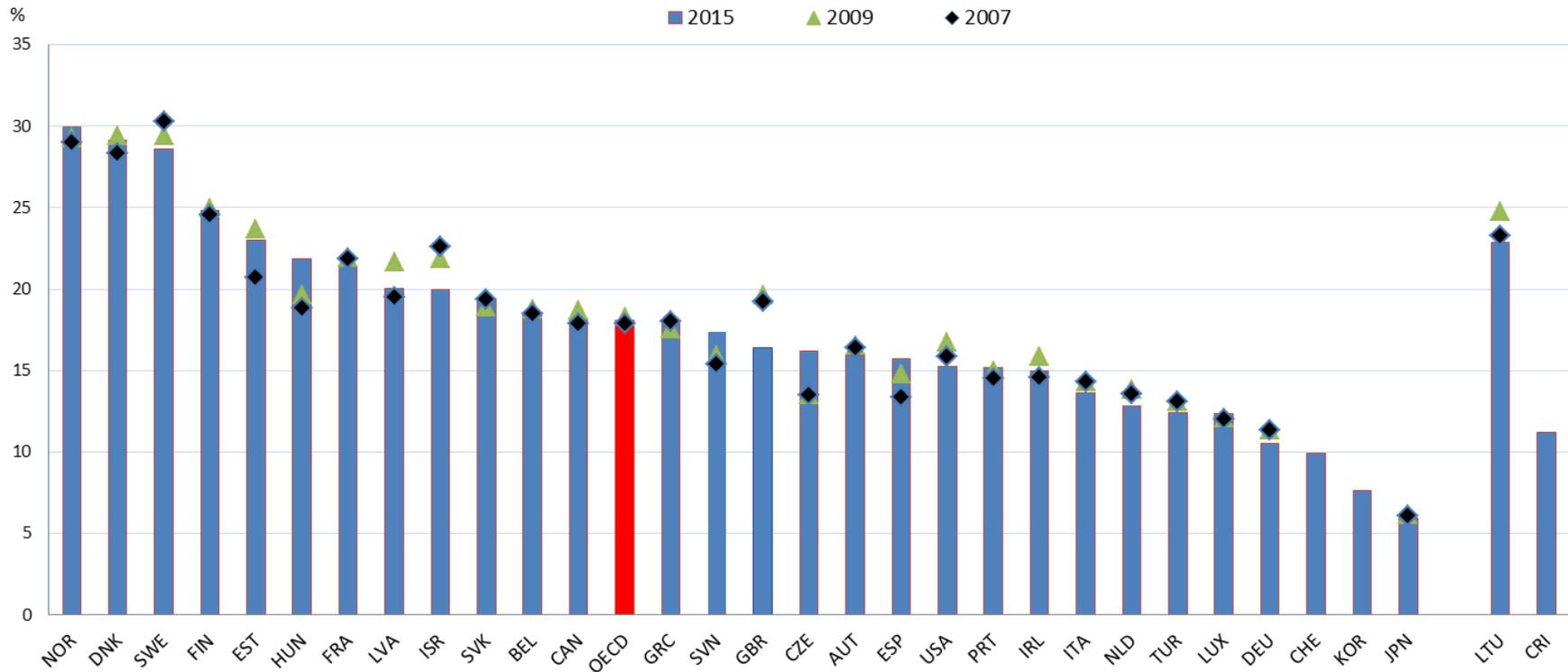
Distribution of general government employment across levels of government, 2014





# Employment in general government

The size of general government employment varies significantly across OECD countries



Source: OECD (2017) *Government at a Glance*, 2017, Paris.



# How are OECD countries responding to the HRM challenges across levels of government?

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- a. Challenges to the financial stability
- b. Macro-economic challenges
- c. Challenges to the cohesion in the public service
- d. Challenges of capacity building and innovation



## a. Challenges to the financial stability

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- Decentralisation means that subnational governments are responsible for a large share of the public activities, employment and expenditure.
- Subnational governments' borrowing tends to be controlled by national governments (*Chile and Spain*).
- An increased decentralisation may lead to increased public employment and expenditure.
- Decentralisation of expenditures has been concomitant with increases in the share of compensation costs in government expenditure at central level (*Italy, Finland, Sweden and Denmark*).

*Lesson:* there is a need for care and attention to compensation costs when decentralising spending, especially at central level of government



## b. Macro-economic challenges

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- OECD countries present a varied picture when it comes to the scope of public activities and public employment.
- In many OECD countries (i.e. *Belgium, Denmark, France, Germany, Iceland, Spain*) there are no national controls or limits on subnational staff establishments.
  - ✓ Central establishment controls are considered incompatible with local-self government and efficiency.
  - ✓ When central controls are established, subnational governments tend to outsource to circumvent them.
  - ✓ Subnational governments that depend on national budget transfers are more easily controlled by the national government

*Lesson:* Action is needed to ensure that all subnational governments have the financial resources for hiring the staff that will provide the decentralised services



# c. Challenges to the cohesion in the public services

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## I. Share culture and values

The civil service or career-based model	The public employment or position-based model
Employment based on public law (“service”)	Employment based on private law (“employment”)
Employment for life	No guaranteed employment for life
Recruitment for starting points in careers, promotions reserved for insiders	Recruitment for specific positions, all positions open for external competition
Emphasis on formal diplomas and certificates	All experiences and qualifications can be taken into account
Remuneration governed by statutes, seniority elements	Remuneration governed by contracts, performance and market orientation, no seniority
Focus on loyalty, objectivity and due process	Focus on achievements and performances

**Note:** Countries which have special employment arrangements for public employees, tend to retain these when responsibilities are transferred from national to subnational levels.



## II. Employment conditions

National governments may want to control remuneration in subnational governments because:

- Differences in employment conditions hamper mobility
- Limit the growth of public expenditure
- Urge for coherence in public employment conditions

To influence subnational remunerations the central government can:

- Issue binding directives
- Establish coherent remuneration conditions in the entire public sector and even labour market
- Make subsidies or grants conditional on adherence to appropriate remuneration parameters

*Note:* National controls on subnational remuneration seem to be much more common than establishment controls



## d. Challenges of capacity building and innovation

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- One prerequisite for transferring responsibilities and competences to subnational governments – or for allowing them to retain their functions – is that they are capable of handling them .
- *Possible solutions:*
  - Merge several small subnational governments into economically viable units. *The ability of municipalities to resist mergers depends on their autonomy*
  - Establish associations of neighbouring local governments
- Innovation in public human resource management is needed. Decentralisation per se does not trigger innovation, but pluralism in public HRM and decision making.
- Train the managers to manage.

*Lesson:* Investing in the professional management of local public workforce is essential to build capacity



# Recapitulation

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- OECD countries transfer responsibilities and competencies to subnational governments carefully, gradually and within the confines of existing employment arrangements.
- Controlling subnational governments' hiring is rare, national governments use financial controls to prevent building up debt.
- National governments are more concerned about remuneration and other employment conditions not because of the financial costs but to prevent a wage-driven inflation.
- Countries tend to have the same employments arrangements at all levels of government. Problems emerge when having parallel but different civil service systems.
- Local governments tend to be more innovative than national governments in HRM, but a key issue is the managerial freedom rather than decentralisation.