Getting it Right:
Restructuring the government workforce

Public Employment and Management Working Party – annual meeting

Paris, 9 December 2010
Objectives:

• How are governments currently managing the size and allocation of the workforce in the context of economic and budget crises?

• What lessons can be learnt from past and current experience?

Focus:

a. Measures to adjust the size of the public service workforce through:
   – Regular pressures for efficiency
   – Downsizing, restructuring and spending reviews

b. How reallocations across sectoral priorities and organisations have been carried out.
Typology of reforms

1. Structural and organisational reforms:
   - Corporatisation, privatisation, outsourcing
   - Transfer of activities to agencies or sub-national levels of government
   - Organisational restructuring / streamlining

2. Budgetary instruments:
   - Ad hoc budget cuts
   - Automatic productivity cuts
   - Programme/strategic reviews

3. HRM instruments:
   - Job cuts – redundancy programmes
   - Recruitment freeze
   - Early retirement programmes
   - Redeployment provisions
Lessons from previous experience

1. No ‘right size’ of the public service.

2. Structural reforms have produced large-scale workforce reduction.

3. Efficiency measures have achieved small-scale staff reductions.

4. Ad hoc downsizing exercises prevent engaging in workforce planning and risk substantial longer-term negative effects.

5. Automatic productivity cuts have the potential to manage the size of the workforce in a more sustainable manner.

6. Downsizing should be part of a broader efficiency and service delivery strategy and within the framework of strategic workforce planning.
Current workforce initiatives

1. Longer-term strategic restructuring.
   - **Productivity improvements**: Austria, Finland, UK
   - **Efficiency-value for money measures**: Canada, France, Japan, Netherlands, Switzerland, UK
   - **Process reengineering / shared services**: Finland, France, Netherlands, UK

2. Short-term reduction measures.
   - **Freeze departmental operating budgets**: Canada
   - **Downsizing operations**: Finland, Netherlands, UK
   - **Partial or total recruitment freeze**: Austria, France, Greece, Ireland, Italy, Japan, Spain, Portugal
### Restructuring the workforce – some initiatives

75% of OECD countries plan to decrease the public workforce

<table>
<thead>
<tr>
<th>Recent downsizing initiatives</th>
<th>Ongoing reduction programmes</th>
<th>Productivity programmes</th>
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<tr>
<td>Ireland: 12 % of civil service in the next 4 years</td>
<td>Estonia: 15.5% decrease between 2007 and 2010</td>
<td>Canada: recruitment freeze and review of services</td>
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<td>Netherlands: 15% in the next 4 years</td>
<td>Japan: net reduction by 5% since 2005</td>
<td>Denmark: reduction of administrative employees in favour of employees in people care</td>
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<td>Poland: 10%</td>
<td>Slovenia: 1% reductions per year since 2004</td>
<td>Finland: productivity programme</td>
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<td>United Kingdom: 490 000 jobs as part of the spending reviews</td>
<td>France: general review of public policies (reduction of 100 000 staff since 2007)</td>
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**Note:** Numbers and percentages about staff adjustment usually exclude some sectors, and apply to parts of the public service that differ across countries

**Source:** OECD Strategic HRM survey in federal/central governments, 2010, updated occasionally.
How to maintain and improve capacity and produce savings?

1. Workforce implications of any public service reform need to be planned.

2. Workforce reductions and reallocations should be part of broader reforms.

3. A combination of instruments can mitigate the weaknesses to which each measure is prone.

4. The workforce should be seen as an asset rather than as a cost.

5. Better planning for ageing populations is needed considering future skills needs.

6. Workforce planning, assessment of future capacity and human capital requirements remain under-used.
How to maintain and improve capacity and produce savings? cont’.

7. There is scope for making HRM and employment conditions more flexible.

8. A better evaluation of how structural reforms affect the size of the workforce is needed.

9. The effects of automatic productivity cuts remain under-analysed.

10. Large scale downsizing is the most problematic option for workforce adjustment.

11. Recruitment freezes are the most detrimental approach to downsizing.

12. Redeployment arrangements can help to retain skills and experience and manage industrial relations.