RECENT DEVELOPMENTS ON HUMAN RESOURCES MANAGEMENT IN OECD MEMBER COUNTRIES

HRM Working Party Meeting

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1. **Introduction**

1. During the past two decades, OECD governments have initiated bold public management reforms. Human Resources Management (HRM) has been the key area of these reforms. One of the fundamental reasons underlying these reforms can be attributed to the economic recessions all over the world in the 1980s and early 1990s. Economic recessions required a strong degree of structural change of the public as well as the private sector. Most OECD Member countries started to rethink the role of the state and the process of service delivery of the public sector. In this process, the public sector was widely criticised by people for its lack of efficiency and confidence in the institutions of government.

2. As one of the most important strategic management tools, human resources management has become one of the key areas for reform. By introducing a variety of new schemes, or by changing the existing systems, governments have placed a high priority on how to enhance the productivity of the civil service, and how to direct the civil service to become more customer-oriented.

3. From the experiences of OECD Member country governments, we can identify the following common reform trends:

   - HR management in the public sector became similar to its private sector counterparts. Economic efficiency was one of the most important standards for reforms, for instance, by reducing the size of the public sector.

   - Many efforts were made to give line ministries and/or line managers greater flexibility and freedom in HR management through various decentralisation and devolution policies.

   - In return for providing greater flexibility and freedom to agencies, governments tried to secure accountability of line ministries and/or line managers in HR management, by stressing performance and ethics of the civil service.

   - On the other hand, governments also made it their priority to become the model of a good employer.

4. Despite these common trends, not all countries made the same reform policies. The pace and scope of the HRM reforms are very different from country to country, depending on their overall reform strategies, cultural and historical backgrounds, and the degree of economic recessions. OECD Member countries are spread across a wide spectrum in their HRM reform strategies. At one end of the spectrum are the most extensive reforms where fundamental public management reforms transformed the nature of public service employment and people management. The most salient case can be found in New Zealand. New Zealand doesn’t have legislation governing employment status nor labour law specific to its public service. The same legal provisions apply to the public sector as to the private sector. Although to a lesser degree than New Zealand, many countries like Australia, the United Kingdom, Switzerland, and Sweden would fall into this group.

5. In contrast, at the other end of the spectrum, there is a group of countries, where HRM reforms have been much more limited, leaving traditional (often centralised) systems and principles of people management relatively unchanged at the present. In those countries reforms have been mainly “project-based,” responding to individual HRM concerns.
Between these poles, there are different mixes of the two extremes. Wide-ranging changes are underway in the Netherlands, the other Nordic countries and, to a lesser extent, in Canada and the US. Whereas, in many of the southern European countries, reforms are focused more on modernisation and rationalisation of personnel systems than on integrating new philosophies of management. In these countries, reforms have included greater use of competitive examinations and more centralised entrance procedures, designed to promote more rational, equitable and merit-based staffing systems.

In recent years, however, the focus of HRM issues has changed a lot. OECD Member countries are nowadays facing a different set of challenges in the new administrative environment of the 21st century. In the tighter labour market, recruiting and retaining high quality personnel to the public sector has become a hot issue in most OECD Member countries. To enhance the integrity of the civil service and strengthen their values, most countries have emphasised the importance of leadership development in the public sector. Knowledge sharing and management has become another burning issue.

When we trace back to the backgrounds underlying these new HRM challenges, it is very clear that to some extent, these new challenges have resulted from past HRM reforms. For this reason, it is very important and essential for understanding where we stand now and what are the natures of these new challenges to look at past HRM reform initiatives in OECD Member countries. This paper, therefore, aims to describe the common trends of HRM reforms in OECD Member countries, and to link past reforms with current challenges. The paper will be mainly based on OECD’s previous studies and two OECD Surveys on Recent HRM Developments carried out in 1999 and in 2000. It will also refer to the discussions and papers in the HRM Working Party Meeting and Expert Meeting.

Reducing the gap between public and private HR management

One of the most salient features of the public sector reforms in the past decade was to introduce various market-type mechanisms\(^1\) to the public sector based on the assumption that the public sector can achieve its utmost efficiency by running it like a business\(^2\). Many service delivery areas were privatised, commercialised, or carried out through out-sourcing. In a similar line, many regulations, which governed the public sector, have seen a lot of changes, by lessening or diminishing the differences between public sector employment and private sector employment. As a result of this tendency, quite a large share of public employment posts was eliminated in pursuit of economic efficiency.

**2.1. Employment Status and Job Security**

It has long been a tradition in OECD Member countries that public employees should be governed by special legislation (Public Service Act, General Public Service Rules and Legislations, National Civil Service Act, etc.). In such a context, permanent employment is one of basic norms, and public labour relations are very different from the private ones. However, this long tradition has been changing significantly since the late 1980s. In some countries, the legislation has become more flexible and the use of fixed-term contracts has begun to spread. In terms of employment status, the difference between

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1. Market-type mechanisms refer to all arrangements where at least one significant characteristic of markets is present (competition, choice, pricing, dispersed decision-making, monetary incentives, and so on). They exclude the two polar cases of traditional public delivery and complete privatisation.

2. In the Netherlands, this tendency has been called “normalisation”, which constitutes one of the two major elements of the HRM reforms. Normalisation means reducing the historic differences between the public sector and the private sector, by abolishing central and uniform rules on working conditions of public employees.
the public and the private sector has become diminished in many OECD Member countries. Hence, the strong job security, which had been recognised as one of the privileges of public employment, is nowadays facing serious challenges. Table 1 shows these new developments in OECD Member countries.

Table 1. **Comparative Analysis on Employment Status**

<table>
<thead>
<tr>
<th>Issues</th>
<th>Criteria</th>
<th>Countries</th>
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<tbody>
<tr>
<td>1. Legal Status on Employment</td>
<td>Yes</td>
<td>Australia, Canada, Finland, France, Hungary, Japan, Norway, Netherlands, Poland, Switzerland, United States</td>
</tr>
<tr>
<td>(Different rules in public and private sectors)</td>
<td>No</td>
<td>New Zealand</td>
</tr>
<tr>
<td>2. Job Security</td>
<td>Guaranteed employment</td>
<td>Japan</td>
</tr>
<tr>
<td>(Compared with private sector)</td>
<td>Dismissal difficult but possible</td>
<td>France, Poland</td>
</tr>
<tr>
<td></td>
<td>Dismissal possible under certain conditions</td>
<td>Canada, Finland, Hungary, Norway, Netherlands, United States</td>
</tr>
<tr>
<td></td>
<td>Similar line with private sector practices</td>
<td>Australia, New Zealand, Switzerland</td>
</tr>
<tr>
<td>3. Employer</td>
<td>Department and Agencies</td>
<td>Australia, Finland, Hungary, New Zealand, Norway, Netherlands, Poland, United States</td>
</tr>
<tr>
<td></td>
<td>Central Office</td>
<td>Canada, France, Japan, Switzerland</td>
</tr>
<tr>
<td>4. Type of Employment</td>
<td>Job for life, Fixed term</td>
<td>France, Japan, Poland</td>
</tr>
<tr>
<td></td>
<td>Permanent, Fixed term</td>
<td>Australia, Canada, Finland, Hungary, New Zealand, Norway, Netherlands, United States</td>
</tr>
<tr>
<td></td>
<td>Fixed term</td>
<td>Switzerland</td>
</tr>
</tbody>
</table>

11. According to the OECD Survey of twelve countries, every country has legislation governing employment status and labour law specific to its public service. The only exception among the countries listed in Table 1 is New Zealand. In New Zealand, the same legal provisions apply to both sectors, apart from some supplementary provisions covering public services and where heads of department must apply a staff policy complying with the “good employer”. In such a case, public employees are being treated the same as private sector employees. Although not included in the Survey, Sweden has a similar legal framework.

12. Traditionally, there has been greater job security in public administration than in the private sector. The Survey shows that Japan and France still have traditional policies, where the job security of public employees is largely guaranteed. In these two countries, there is no scope for an employer to terminate a contract on the grounds of a budget-cut. When budgeted posts are cut, adjustment is made through natural attrition. However, this is not the case in most countries. Dismissal is possible under certain conditions in many countries like Canada, Finland, Hungary, Norway, Netherlands, and the United States. Moreover, some countries like Australia, New Zealand, and Switzerland have changed their employment policy to reflect private sector practices.

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13. As a result of this new trend, type of employment has undergone a big change. As table 1 shows, the guarantee of a job for life still prevails in France and Japan. In the other countries, however, permanent contracts have gradually replaced jobs for life. Fixed-term contracts are also gradually increasing.

2.2. Reducing the Size of the Public Sector Workforce

14. In pursuit of economic efficiency, many OECD Member countries have enforced a downsizing policy of the public sector workforce during the past two decades. Two different approaches were adopted to reduce the workforce.

- Some countries undertook programmes to cut public service jobs. For instance, Germany has a plan to reduce personnel to pre-reunification levels. An annual reduction rate of 1 to 1.5% has been fixed, resulting in the elimination of 17000 positions since 1993. The Korean government also set up a three-year reduction plan of public officials, excluding policemen and teachers, under which 26000 personnel are to be reduced by the end of 2001.

- In other countries, the downsizing was the result of privatisation or other changes in the status of public institutions. While introducing various market-type mechanisms to public service delivery, OECD Member countries reduced the number of public servants. When some government functions were transferred to the private sector through privatisation or outsourcing, the corresponding jobs were cut from the public sector. In Finland, for instance, six major public enterprises changed their status from 1989 to 1990, which resulted in a 10% decrease in public employment.

15. In this downsizing process, governments used various cutback schemes including attrition, voluntary redundancies, reployments, early retirement options, financial incentives to leave public sector jobs, or some combination of those factors.

16. Table 2 shows the employment trends of the past ten years in selected OECD Member countries. With the downsizing trends across OECD countries, the number of public sector employees decreased drastically during the last decade, with a few exceptions. The annual trends of public employment showed that major downsizing initiatives were undertaken in Finland, Luxembourg, Sweden, and the UK in 1993; in Australia, Italy, Sweden in 1994; in Hungary in 1996; in Austria in 1997; and in Korea in 1998. However, in recent years, public sector employment appears to have been quite stable.

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4 They are post and telecommunications, railways, national printing service, National Geographical Institute, Public Catering Service, and the national data processing centre.
Table 2. Public Employment Trends

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</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1 167</td>
<td>1 187</td>
<td>1 322</td>
<td>Italy</td>
<td>..</td>
<td>..</td>
<td>3 109</td>
</tr>
<tr>
<td>Austria</td>
<td>405</td>
<td>431</td>
<td>442</td>
<td>Korea</td>
<td>818</td>
<td>905</td>
<td>869</td>
</tr>
<tr>
<td>Canada</td>
<td>2 663</td>
<td>2 649</td>
<td>2 582</td>
<td>New Zealand</td>
<td>210</td>
<td>207</td>
<td>205</td>
</tr>
<tr>
<td>Denmark</td>
<td>692</td>
<td>699</td>
<td>709</td>
<td>Norway</td>
<td>..</td>
<td>..</td>
<td>134</td>
</tr>
<tr>
<td>Finland</td>
<td>580</td>
<td>518</td>
<td>537</td>
<td>United Kingdom</td>
<td>5 267</td>
<td>3 674</td>
<td>3 477</td>
</tr>
<tr>
<td>France</td>
<td>4 618</td>
<td>4 855</td>
<td>4 819</td>
<td>United States</td>
<td>17 752</td>
<td>18 592</td>
<td>20 572</td>
</tr>
</tbody>
</table>

* The data in this column is the most recent year available: 1997 for France; 1998 for Denmark and Norway; 1999 for Australia, Austria, Finland, Italy and United Kingdom. Austria, Denmark and New Zealand data correspond to Full Time Equivalent.

17. One interesting finding from the Public Sector Pay and Employment (PSPE) Survey is that in most OECD Member countries, the portion of central (or federal) government employees appears to have decreased slightly over the years, while that of local (or regional) government employees is increasing. This shows that human resources have been devolved to the service delivery points.

18. However, downsizing policies raised other controversial issues like job security for outplaced workers (proactive job search programmes, training or financial payments) and budgetary restrictions that limited the range of services or the size of the “safety-net”.

3. Decentralisation and Flexibility of HR Management

3.1. Decentralisation and Devolution

19. Decentralisation of HRM responsibility from central management bodies to line departments and agencies, accompanied by further devolution within departments and agencies to line managers, stands out as one of the key reforms of recent years. The basic assumption underlying this movement is that empowering and motivating managers is essential to improve performance, by letting managers manage.

- The most extensive devolution of HRM authority occurred in NZ, Australia and Sweden, where the policies were to minimise the involvement of central management bodies in the HRM activities of departments and agencies.

- Significant devolution has also taken place in Denmark, the Netherlands and the United Kingdom, although the approach has tended to be more cautious than in the three countries mentioned above.

- For several other countries including Japan, Greece, Portugal and Turkey, devolution and decentralisation issues do not appear to be a priority.
Areas for Decentralisation and Devolution

20. What kind of HR authorities have been decentralised or devolved in Member countries? Virtually, all kinds of authorities can be the scope for decentralisation from recruitment, pay, and grading, to workplace relations and pay negotiations. However, actual areas for decentralisation differ from one country to another.

21. With a long history of decentralisation, Sweden has been one of the forerunners with the highest degree of HRM decentralisation among OECD Member countries. Directors-General of agencies are, and have been, responsible for the recruitment, grading and dismissal of their staff. There are no restrictions on whom they may hire. There is no “civil service” encompassing the government as a whole. Vacancies are generally advertised in the press with all qualified applicants being treated equally. Staff are not tenured in Sweden. In fact, there are essentially no differences between the employment legislation governing the public sector and the private sector in Sweden. Even collective bargaining, which had been the outstanding exception of decentralisation, was totally devolved to the agencies in 1994, and is now the responsibility of the director-general of each agency. The cost of personnel is now one of the main items of expenditure that directors-general must manage within the limits of their single appropriation. During the 1980s and 1990s, New Zealand and Australia underwent similar reforms in decentralising HRM authorities.

Box 1. Workplace Relations Act 1996 in Australia

Through the Workplace Relations Act 1996, the government introduced reforms that established a new framework for the making of workplace agreements. The framework provides for the terms and conditions of employment to be negotiated between employers and employees at the agency level in Australian Workplace Agreements (AWAs) and Certified Agreements (CAs).

At the same time the government aimed to mainstream employment arrangements in the Australian Public Service (APS). APS Agencies have taken a leading role in pursuing the opportunities for agreement-making afforded by the workplace relations reforms.

In May 1997 the government issued its Policy Parameters for Agreement Making in the APS, which provided the framework for the devolution of authority for agreement-making to agencies, while protecting the government’s interest as the ultimate employer.

Role of the Central HRM Agency

22. The issue of decentralisation and devolution is very closely connected with the role of the central HRM agency, because it will be diminished, as the degree of decentralisation of HRM authorities becomes higher. In a decentralised and/or devolved environment, central agencies retain influence over policy setting; the emphasis in implementation is shifting toward looser policy frameworks, guidelines and definitions of basic standards. Within such frameworks, line departments and agencies have their own HRM authorities and have greater freedom to tailor HRM practices to their own staffing needs.

23. As a result, the areas to which a unitary system applies across the whole civil service are those affecting personnel costs (pay determination, staff numbers, job classification); senior public servants (basic terms and conditions of employment and management); conduct and discipline, health and safety, and equal employment opportunity policies. Even in these areas, however, practices appear to be shifting toward greater flexibility for line departments and agencies. For example, an increasing number of

5. OECD(2001), OECD Journal on Budgeting, Vol. 1, No. 1
countries are replacing detailed staffing controls with some form of running-cost system where salary costs and administrative expenditures are consolidated, eliminating detailed controls by the central agencies over staff numbers, classification and, in some cases, pay. Furthermore, most OECD Member countries have given a vast volume of HRM authorities to line departments and agencies in the areas of selection, placement, career planning, and mobility and deployment of staff.

24. For instance, with the decentralisation policy of the 1990s in the Netherlands, a lot of personnel authorities were devolved to the line ministries and line managers, which has significantly changed the government’s role as an employer. Until 1993, the Minister of the Interior and Kingdom Relations acted as the only central government employer. Since then, however, the Minister has been replaced by eight separate “employers”, each representing one sector. As a result, the following HRM elements have been kept at the central level under the supervision of the central HRM agency, with the detailed day-to-day personnel matters delegated at the decentralised level.

- The grading or classification system
- The salary systems as part of central negotiations
- Pensions and social security
- Conditions of employment
- Requirements to employ a certain ratio of “special groups” and to keep a balance between male and female employees

3.2. Managerial Flexibility and Freedom

25. The flexibility of an HRM system is achieved by striking a balance between the type of public service that government wishes to build or maintain – i.e. centralised public service and central control versus devolved decision-making and management powers – and budget performance targets. Although decentralisation allows the introduction of flexible HR systems and practices, it doesn’t always guarantee a high degree of flexibility in HR management. In some OECD Member countries where a large portion of HR authorities were delegated to agencies, it appeared that many line ministries and agencies didn’t have flexible schemes. Rather, most agencies have operated similar systems in practice.

4. Securing Managerial and Organisational Accountability

4.1. Driving Civil Servants towards Performance or Output

26. In return for giving HRM authorities to line managers and line departments, many OECD Member countries have made strong efforts in securing managerial or organisational accountability. As one option for this purpose, many countries have pursued to enhance organisational and individual performance. At the organisational level performance, they have introduced outcome-focused management or performance management systems where a strong emphasis is placed on the targets or the objectives of the organisation. At the individual level, performance becomes a very important aspect of HR management. In particular, many countries have tried to link civil servants’ pay with individual performance or output.

6 They are central government, defence, education, the judiciary, the police, the municipalities, the provinces, and water control corporations.
27. While many schemes exist, they differ in how they are applied.

- Iceland adopted an extensive flexible pay structure to reward performance after reaching an agreement with the government workers’ union regarding pay raises based on seniority.
- Countries that also have a flexible pay schedule based on performance include Switzerland and the UK.
- On the other hand, Germany, Austria, Korea and the US have opted to adjust wages to attract workers based on market demand or need for specialists.
- Other countries such as Belgium, and Hungary focus on decreasing the gap between the public and private sector.

4.2. Enhancing the Standard of Civil Service Ethics

28. Non-elected public servants exercise significant discretionary power in their everyday work: in their stewardship of public resources, at the interface with citizens, and in the context of policy-making. Ethical standards are a key check and balance against arbitrary use of that public power. It is particularly so when HRM authorities are decentralised and devolved where it is essential to secure public servants’ accountability. In this line, ethical issues for public servants have become burning issues in most of OECD Member countries. According to the OECD survey on civil service ethics, approaches taken by OECD Member countries to enhance professional ethics can be grouped into three broad categories. They include the:

- Legal Framework;
- Professional Socialisation;
- Creating the Environment.

29. **Legal Framework Approach.** Many countries incorporate ethical values in the framework of existing regulations, such as adding amendments or establishing new legislation. Several countries have passed laws to provide more transparency and redefine the boundaries in relation to conflict of interest. For example, Italy and Japan have laws regarding disclosure that oblige senior public officials to declare personal assets. Laws are also made to manage both political/administrative interface such as in Poland and Italy as well as private/public interface such as employment of public servants in the private sector in Japan.

30. **Professional Socialisation Approach.** Another approach generally adopted by OECD Member countries is professional socialisation by providing educational seminars, courses, training or publications. For example, Japan provides employees with clear instructions regarding the strict and fair procedures of employees’ misconduct. In Denmark, the government has produced a book on ethics that has prompted national debate.

31. **Creating the Environment Approach.** Creating an environment in which employees respect standards, feel comfortable about raising grievances, and work to their full potential is another important approach. Germany rewards those that co-operate in the investigation of corrupt acts, and Australia provides protection to whistleblowers. Switzerland promotes corporate culture. Finland has revised the criteria and procedures for selecting top government officials, increasing competition for these positions.
32. From these various approaches adopted in OECD Member countries, some common trends were drawn up.  

- Over one-third of OECD Member countries have already updated their core public service values in the last five years, and further reviews are still being undertaken. In the course of the revisions, countries have re-emphasised “traditional” values such as impartiality, legality, and integrity, while giving them a modern content and adding “new” values such as transparency and efficiency to reflect an increasingly results-based public service culture.

- Secondly, legislating standards of behaviour has become the primary way to elaborate on stated core values. Almost all OECD countries have developed a more detailed description of the standards expected of all public servants in potential conflict-of-interest situations, particularly in relation to: 1) using official information and public services; 2) receiving gifts or benefits and; 3) working outside the public service. In addition to the general standards applicable to all public servants, OECD Member countries employ supplementary guidelines for specific professional groups working in sensitive areas or where there is a high risk of conflict of interest.

- The third feature is that almost all OECD Member countries give a high priority to implementing ethical standards through training and other tools, in order to raise awareness of public servants on ethical issues. Over half of the countries focus on new recruits by providing information on values when they join the public service, and in one-third of the countries a statement of values is also part of the employment contract.

- Finally, emphasis on ethical issues has shifted from enforcement to prevention in OECD Member countries, because increased attention to prevention reduces the need for enforcement. Prevention is a less expensive investment in the long term, with a more positive impact on the public service culture and on the relationship between the public service and civil society.

5. Maintaining a “Good Model Employer”

33. Even at the very time when the public sector underwent downsizing reforms, governments tried to maintain the status of a “good model employer”. Compared with private companies, governments gave a high degree of concern on equal opportunity issues in terms of gender, ethnic minority, and disability. As a good model employer, some countries set up the target of employment of these people in their laws. In other countries, governments introduced many kinds of flexible working conditions such as part-time workers, home working and flexible working time in order to more easily induce more people from the socially weak group.

34. There is little conclusive evidence that governments have a good reputation as an employer. However, a comparison of women participation in the public and the private sectors indicates that women are at an advantage in the public sector, which indirectly confirms the continuous efforts of governments to be a good model employer.

35. The OECD’s pilot analysis\(^8\) has shown that there has been a significant increase in the numbers of women in the civil service during the last decade. In particular, as Figure 1 shows, women are more heavily represented in the public sector than in the economy as a whole, except in the United States. In Australia, Canada, Sweden, the UK and the United States, the difference between the two sectors is relatively low whereas it is greater in France and Spain. The rate of women participation in the civil service is approximately 50% in Australia, Canada and the UK, whereas in France there are more women than men (56.3% in 1996). Despite the increasing proportion of women in the civil service, however, the number of women in managerial and senior level posts is still relatively low.

36. Along with these HRM reform trends, there are other common reform trends in many OECD Member countries.

- Increased use of contract employment of various types for senior civil servants;
- Training and development programmes for line staff to ensure needed skills, competencies and flexibility are maintained in the current workforce;
- The spread of certain private sector performance management techniques in the public service (e.g. performance appraisal and bonus systems);
- Streamlining procedures for terminating employment, along with appeal and grievance procedures, have been elements of HRM reform in many countries, although reforms seem to be more difficult to achieve in this area.

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6. Impacts of the past Reforms and New Challenges

6.1. Impacts of the HRM Reforms

37. It is very hard to assess the previous HRM reform initiatives due not only to the short timeframe but also to the lack of standards for assessment. For these reasons, there has been no comprehensive evaluation on the recent reform activities across the OECD Member countries. Despite that, many countries that have sought significant HRM reforms reported that such reforms were instrumental in the shift from a rule-bound management culture to a performance-based management culture.

38. Many countries perceive that decentralisation and devolution policies contributed to:
   - promoting more efficient and effective management and organisations;
   - improving the overall quality of services provided to the public;
   - improving motivation and performance (especially managerial performance);
   - and inducing a greater performance orientation in the public service workforce.

39. It was reported that more significant impacts of the HRM reforms would be the fact that they supported broader organisational reforms by:
   - Promoting greater diversity of HRM practices between different departments and agencies, and providing the capability to better tailor those practices to specific programmatic needs;
   - Enabling departments and agencies to recruit and retain needed staff more easily and manage their people more efficiently in order to meet organisational goals;
   - Increasing the responsibility and accountability of managers and enabling them to operate in a more pro-active manner;
   - Contributing to a sharper focus on efficiency and effectiveness, with positive impacts on service delivery and responsiveness.

40. Although there were some side effects of these reform trends, OECD Member countries have shown no desire to draw back from decentralisation and devolution; rather they are addressing needs to implement mechanisms for co-ordination and accountability and frameworks to promote desired service-wide practices and values.

6.2. New Challenges for HR Management

41. Despite those contributions mentioned above, some concerns have emerged in regard to recent HRM reforms. First of all, as the HR management in the public sector became similar to that of the private sector, public servants were de-privileged in terms of job security, working conditions, and status. However, their pay level did not increase much compared to their private sector counterparts. For this reason, nowadays, many OECD Member countries are facing the problem of recruitment and retention of high quality personnel. Together with the tighter labour market resulting from the continued economic booms in recent years, governments are losing their competitiveness in recruiting people. In some countries, young public servants with high qualifications tend to move to private companies. This phenomenon has become a new challenge in most OECD Member countries.
42. Decentralisation usually undermines coherence among civil servants and consistency among policies. It also leads to lose a common esprit de corps in the public service and a unified agenda of serving a common good. Another challenge faced by OECD Member countries is how to secure a group of consistent corps of the public servants with shared values and strong commitments. To improve the integrity of the public service, many countries have created a “senior civil service group”. The Netherlands, for instance, introduced the Senior Public Service (SPS) system in 1995 in order to form a loose collection of civil servants to a team of senior managers capable of helping to raise the professionalism, quality and integrity of the civil service. In many other countries, leadership development has become a burning issue in a similar line.

43. Internationalisation and the advent of new information and communications technologies are dominating current thinking on HR management. In this era, better HR management is now characterised by better access to information and knowledge within and among organisations. Public servants are more closely integrated into their work units to ensure the optimal co-ordination of what used to be autonomous functions. In return, the hierarchical and functional distinctions between different types of job have become blurred. To cope with this new environment, most OECD Member countries started to place a strong emphasis on better IT use and knowledge management, which will empower the capacity of public servants and eventually enhance the organisational performance.

44. In addition, one of the emerging issues in HR management is gender equality. As a good model employer, governments have voiced their concerns on this issue for quite a long time. Despite that there still remains a lot of challenges to overcome in this issue.

7. Emerging New HRM Issues for the 21st Century

45. We are now at the entrance of the 21st century and its new challenges for public management. New concepts in public management have emerged to better take advantage of new opportunities such as information technology, face some critical challenges like the ageing of our populations, or simply to palliate the effects of previous reforms. To cope with these new HRM challenges, the OECD started working on issues such as ways to recruit and retain highly qualified personnel in the civil service, leadership development strategies, and strengthening knowledge management capacity, etc.

7.1. Developing Public Sector Leadership

46. In general, OECD Member countries are finding there is a gap between how their public sectors are now, and how the interests of the nation needs them to be now or in the future. In all countries structural and management reform in the public sector has been used to better align public services with the needs of contemporary society. But both in trying to make these reforms and in how things are after such reforms, Members are finding something missing between existing public service cultures and the public interest. What is it? A common complaint is lack of dedication to the underlying values of public service and the interests of the citizens served. How to fix it? A common conclusion seems to be by promoting a certain kind of leadership. In particular, leadership is a critical component of good public governance, which is a major theme for current OECD work.

7.2. Competitive Public Employer

47. Most OECD Member countries are faced with critical skills shortage problems in the public sector. In some countries this problem comes from the demographic changes in recent years, in particular
the ageing population. Although countries are at different phases of the demographic change process, in the next ten years a large share of public employees will retire. Other Members reported that it is a result of losing the government’s competitiveness in recruiting and retaining competent employees compared to the private sector. Recruiting competent employees is going to be more and more difficult due to increasing competition with the private sector to attract and retain the best talents. Lower wages, the loss of prestige and mundane job duties have caused many young graduates as well as senior civil servants to choose a career in the private sector over public service.

7.3. Knowledge Management

48. Member countries are anxious to put in place a type of knowledge management programme (KM), but they lack the experience or knowledge to do it. According to the Danish case study there are three main goals related to knowledge management, which include: 1) the development of new information; 2) the utilisation of existing information; 3) the organisation and management of information. There are two types of knowledge. One pertains to the knowledge acquired by the individual through experience and education and is transferred through dialogue. The other form consists of written material like research, data, and news, and is codified. The challenge for HRM is to create KM systems that both promote the development of knowledge and its utilisation of these two domains.

7.4. Female Managers in the Public Service

49. As the concern about gender equality grows in OECD Member countries, the issue of female managers in the civil service seems to be one of the most unexplored, but an important area in HR management. According to the OECD survey, very few countries mentioned the issue of female managers in the civil service. Norway addressed this issue by setting up a four-year plan to increase the number of women in top and middle management from 22% in 1997 to 30% in 2001. Despite the increasing proportion of women in the civil service as mentioned in an earlier section, it appears that the number of women in managerial and senior level posts is still relatively low.

7.5. Integrating HRM into Wider Management Issues

50. HR management is one of the strongest management tools for better efficiency and higher performance in the government sector. More effective management of people in areas such as pay and employment practices, working methods, organisational culture, and job satisfaction, will lead to more effective and efficient public service organisations. When it is integrated with other management tools such as institutional arrangement, quality, budgeting and accounting, its impact will enjoy a synergy effect. When looking closely at a country’s reform case, there still have been very small linkages between HR management and those other management tools. This is another issue to be explored in depth in the future.

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