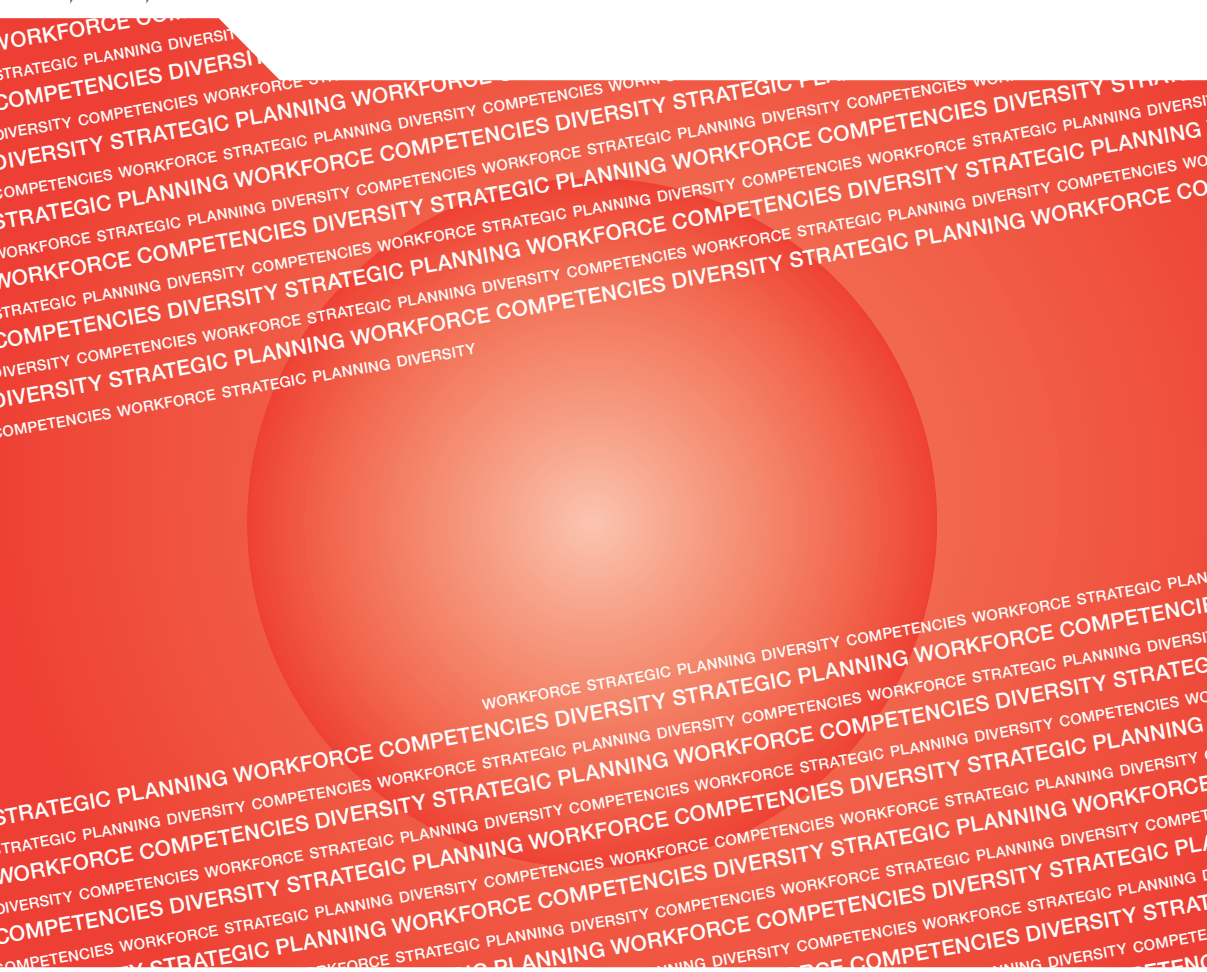




Public Servants as Partners for Growth

**TOWARD A STRONGER,
LEANER AND MORE EQUITABLE WORKFORCE**



**Public Servants
as Partners for Growth:
Toward a Stronger,
Leaner and More
Equitable Workforce**

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Foreword

Public Servants as Partners for Growth – Toward a Stronger, Leaner, and More Equitable Workforce is intended to assist the ongoing evolution of public service across the OECD. It takes a close look at the issues involved in member countries attempting to make their management of the public workforce more efficient, more effective, fairer and more dynamic as a response to the current economic and financial crises. The volume draws on the recent work of the OECD Public Employment and Management Network – PEMN – on restructuring the government workforce, competency management, and diversity policies carried out over the past two years.

PEMN is a unique high-level practitioner-based forum that provides direction for an analytical work programme and a collaborative forum of senior practitioners seeking to address current challenges affecting public services. The technical work it oversees has provided governments with comparative overviews, against which they can identify whether changes made elsewhere have relevance and are feasible for them. The network is one of the main contributors to key projects of the OECD Public Governance and Territorial Development Directorate, such as *Government at a Glance*.

The chapters in this book have been shared and discussed with members of PEMN as individual reports and as part of the programme of work of PEMN and the Public Governance Committee (PGC). Chapters 1, 4 and 5 were written by Oscar Huerta Melchor (OECD Secretariat); Chapter 2 was written by Maria Maguire (consultant); and Chapter 3 is based on a report written by Annie Hondégheem and Sophie Op de Beeck (Catholic University of Leuven, Belgium).

The project was led by Oscar Huerta Melchor. Elsa Pilichowski (OECD Secretariat) provided valuable guidance and advice on the analytical framework of the whole project. Antonio Casas Vázquez (Mexico), Teresa Ganhão (Portugal), Bunzo Hirai (Japan), and Philippe Vermeulen (Belgium), members of the PEMN, provided technical advice and comments on different chapters of the book. Useful comments were also provided by Michael Benton, Pauline Greco and Stéphane Jacobzone of the OECD Secretariat. Randall Holden edited the book. Christian Vergez and Janos Bertok successively oversaw the project.

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Executive summary

The global financial and economic crisis is keeping several countries in the spiral of low growth, high unemployment and lower potential output, putting public finances under heavy fiscal restraint and undermining political credibility and stability. Countries are beginning to head towards a crisis of perceived government incompetence, which could damage the credibility and trust in public institutions and make it harder for governments to address other priorities due to the lack of legitimacy. Thus, a key challenge for countries is to come up with a comprehensive, long-term strategy for growth that finds the right balance between revitalising economic growth and consolidating public finances. Government should have a leading role in defining the strategy for growth, in partnership with the public service.

There is a need for growth-friendly structural reforms that will strengthen recovery in a balanced and sustainable manner. A combination of structural and fiscal reforms appears the best strategy to reduce the risk that the weak growth observed in many OECD member countries in the post-crisis period will become stagnation. However, if economic recovery and growth are to be sustainable and social development achieved, OECD member countries also need to establish a strong, efficient, and effective central administrative system. Recovery and growth-enhancing strategies require appropriate institutions of governance and forms of public management to deliver on development goals. Building adequate governance structures “normally” involves restructuring through public management and administrative reform.

Experience suggests that administrative reform aimed at rationalising government structures in order to improve the efficiency of the public service is crucial for sustaining economic growth. Apart from bringing direct benefits to entrepreneurs and ordinary citizens, it is the necessary basis for successfully pursuing other reforms. The reform challenge is twofold: governments have to restructure public management and administration to make them more effective and efficient for service delivery, while at the same time ensuring that reforms contribute to fiscal consolidation plans by reducing public expenditure.

Efficiency and effectiveness in government's performance depend on the talent of public employees and the quality of their knowledge and skills. Hence, many of the recent public management reforms involve a delegation of responsibility for human resource management and a strengthening of the performance orientation of public governance and public management. Although those issues are critical for the sound functioning of the public service, the issue of **management** is generally not addressed. At a time when managers have to do the right things right and with less, the management function must unleash the talent available in the public workforce and make use of it in an efficient and effective manner. Line managers and supervisors need to improve and adapt their "people management skills" in order to get more out of their staff and build the kind of team spirit that can see organisations through a time of uncertainty.

The quality of people management is in fact a determinant of government performance. Fiscal consolidation plans normally involve reductions in staffing levels and in compensation of public employees, a situation that can have a significant impact on the motivation, engagement and commitment of public servants – which of course affects the quality of service delivery.

Improvements in the quality of people management, particularly among line managers and supervisors, are crucial – not only for more effective delivery, but also for greater local accountability. Middle managers and supervisors across the public service generally lack the necessary skills to get the most out of their staff; to manage conflict, absence and performance; or to ensure that public servants are trained on the job to improve service delivery. Thus, any reform initiative to improve productivity in the public service, or spending cuts to drive efficiency, should be accompanied by a substantial push to improve the quality of people management.

Restructuring the public workforce

Getting the size and allocation of the public service workforce right is an ongoing challenge for OECD member countries. While many of them find restoring fiscal balance the most immediate problem affecting decisions about public service numbers and costs, it is by no means the only issue. Governments need to ensure that their public services are configured to be delivered as effectively and efficiently as possible. The current economic, financial and demographic context demands careful workforce planning and strategic management of human resources, to ensure that the public service maintains the capacity for service delivery.

The workforce impacts of many structural, organisational and budgetary reforms remain under-analysed. This needs to be redressed given the current policies to reduce the size of the public workforce and/or reallocate staff. Better integration of workforce planning and strategic human resource management with budgeting and structural reforms will improve the information available to governments when making policy choices as well as implementation of workforce adjustment measures.

Today, over three-quarters of the member countries that responded to the 2010 “OECD Strategic Human Resource Management Survey” indicate that they are engaged in or are planning reforms that will decrease the size of the public service workforce. Measures reported include longer term strategic restructuring of the public service as well as shorter term cost reduction measures such as workforce downsizing operations, partial or total recruitment freezes, or freezes on departmental operating budgets.

In most cases, it appears that cost-cutting measures are not being taken in isolation. There seems to be an appreciation that sustainable savings require sustainable public service reforms. Several countries are implementing reforms of employment and human resource management policies, making working practices and redeployment more flexible, or carrying out strategic reviews of public service activities. Some countries are undertaking significant restructuring of the public service – including, for example, shifting more staff into front-line services and achieving staff reductions and savings on administrative budgets through setting up shared services.

It is essential that workforce adjustment measures be carried out within a sound framework of strategic workforce planning. While some countries have longer term workforce strategies in place that seek to balance fiscal discipline with demographic pressures and ongoing improvements to public service capacity, it is not clear that governments everywhere are focusing adequately on these matters in the current context of cutbacks, or that the workforce planning frameworks in place are adequate.

The review of current and past measures that have or had an impact on the size and allocation of the workforce makes clear the need to consider the workforce implications of public service reform or innovation from the outset – both in terms of anticipated staff reductions or redeployment – so as to maintain the trust and morale of employees. Experience suggests that workforce reduction and reallocation measures should be part of broader reforms, not stand-alone. There seems to be scope to improve the use of a combination of instruments to manage the workforce; a combination can help reduce the disadvantages associated with any one instrument.

Countries appear to be continuing with reforms to improve the productivity and capacity of the public service while implementing cutbacks. However, there is a risk here that the focus will shift to seeing staff as costs rather than as assets. The challenge is to implement workforce productivity improvements that recognise the balance between costs and the quality and continuity of service. In addition, countries need to plan for the impact of ageing populations on the public service, and to pay greater attention to future skills needs. Governments have instruments at their disposal such as workforce planning, assessment of future capacity and human capital requirements, and development of strategies and means to address future needs that remain largely underused in many countries.

For adjusting the size and allocation of the workforce, there appears to be considerable scope to make human resource management (HRM) and employment provisions in the public service more flexible but without undermining HRM rules that prevent patronage and corruption. There needs to be better evaluation of how structural reforms (outsourcing, creation of arm's-length agencies, movement of staff to sub-national levels of government, and privatisation or corporatisation) have affected the size of the workforce and the production costs of publicly funded goods and services over the long run. A better evaluation of how the workforce aspects of such reforms are best managed is also required.

The use of automatic productivity cuts to drive more efficient staffing (not only staffing levels but also redesign of work and other changes in how services are delivered) remains under-analysed. Past experience indicates that major-scale downsizing is the most problematic option for workforce adjustment. Assessments have pointed to a variety of negative effects on the capacity of the workforce as well as on trust and morale, and questioned the longer term sustainability of staff reductions achieved in this way. If downsizing undermines the continuity of services, there is also the risk of loss of trust on the part of citizens. If governments feel they have no option but to embark on such programmes, they need to be aware of these risks and take steps to minimise the adverse effects. Experience suggests that close attention to managing the human aspects and use of strategic planning to assess workforce requirements in advance of implementing cuts are essential elements.

Recruitment freezes are probably the most detrimental approach to downsizing, because they are indiscriminate and they limit the ability of organisations to restructure and re-skill. Redeployment arrangements in the context of staff reductions can help to retain skills and experience as well as manage the industrial relations aspects of downsizing.

OECD member countries will need to continue to make their workforces more competent, flexible and adaptable in order to have a competitive, innovative and inclusive public sector. Demographic changes and fiscal pressures provide both the challenge and the opportunity for getting staffing levels, competency requirements and broader HRM policies right. While the economic crisis has focused attention on costs, investment in the skills, leadership and management capacity of the public service is crucial for dealing with current and emerging challenges. A key issue for member countries is how to maintain and improve public service capacity while producing savings.

Managing competencies in the public service

OECD member countries are more frequently focusing on competency management in the public service, mainly because of its potential for providing leverage for change functioning as a communication tool, and increasing the employability of public servants.

In order for competencies to be used as a strategic HRM tool, they need to be integrated into a competency model or framework. The senior civil service in particular seems to be considered a special target group for competency management in the public sector. Competency frameworks generally contain behavioural rather than technical competencies. They focus particularly on public service values such as commitment and integrity, which can indeed play an important role as core competencies.

Overall, competency frameworks are designed through a process of trial and error. Responsibility for the implementation of competency management lies mainly with the agencies or departments. However, they are guided and advised by a central HRM body. Competency management for the most part concentrates on recruitment and selection, training and development, succession planning, and career guidance. Their use in performance evaluation and for remuneration purposes remains limited.

For implementing competency management, it is necessary to have a roadmap that brings together certain guidelines. Five steps are identified: *i)* deciding to introduce competency-based management; *ii)* organising, planning and communicating the shift; *iii)* identifying competencies and developing competency models for the specified target groups; *iv)* integrating competencies into various HR processes; and *v)* revising and updating the competency management system on a regular basis.

There will be difficulties in identifying competencies, constructing the competency framework, and ensuring the commitment and participation of senior and middle management as well as employees. However, the main

problem with competency management lies in implementing it throughout the organisation. Overall, OECD member countries experience problems implementing centrally developed HR tools in their agencies. This leads to marked variation among the agencies with respect to the extent and intensity to which competency management is being implemented.

The future competencies that are needed to address 21st century challenges can be identified and clustered into four groups of competencies: creative thinking, flexibility, co-operation, and strategic thinking. These future competencies imply “change management” and seem especially relevant to leadership positions. Planning for them is the next step in securing a competent workforce, now and in the future.

Fostering diversity in the public service

Diversity in the public service has become a top political priority across OECD member countries, as it may help achieve political and social government objectives such as social mobility, equity and quality in service delivery. There is a growing tendency to see diversity as an asset rather than a problem. If the civil service is to be efficient and effective in delivering public services to a socially, ethnically, culturally and economically diverse society in a personalised way, it needs among other things to consider a diverse workforce as an added value. However, achieving diversity is a long-term, confidence-building process. It requires dealing with discrimination and enhancing equality in public employment where merit should prevail. There must be a common vision on the type of public service governments want or need for the future.

Diversity can be described not only as the mixture of backgrounds and competences but also as valuing and using people’s competences, experience and perspectives to improve government efficiency and effectiveness, and to meet public servants’ professional expectations.

Fostering diversity could help strengthen trust in government by portraying it as responsible, responsive, and legitimate. Moreover, diversity may improve government’s capacity for strategic workforce planning, ensure regular updating of the HRM system, contribute to efficiency gains, and increase staff innovation. Diversity may also help improve understanding of community needs, enhance public service quality, and contribute to social mobility. Thus, diversity principles should be part of any public management reform, as diversity initiatives cannot succeed as an isolated strategy.

Implementing diversity policies can run up against a number of challenges, many of which relate to unclear or complex regulatory frameworks, a lack of financial resources, rigid human resource management systems, and cultural barriers. However, diversity's main obstacle seems to be the lack of real or concrete evidence regarding the benefits it can bring to government performance. Thus, implementing diversity programmes demands a long process of confidence building so as to obtain support from public managers, public servants, and citizens.

For a diversity policy to be successful, it should be coherent and intelligible to all stakeholders. In order to ensure cohesiveness, commitment, and a whole-of-government approach, diversity policies can be formulated as a joint effort of government organisations. Diversity also demands strong and committed leadership to motivate people, promote institutional adaptation, and maintain the impetus for reform through persuasion, negotiation and influencing people's values and culture. A government-wide vision would help link diversity initiatives with broader strategic reform objectives. Moreover, integrating equality and diversity into workforce planning helps to identify the diverse skills, knowledge, experience and different ways of thinking that are needed to drive government strategies forward.

Diversity policies are usually formulated under a top-down approach. The central HRM body acts as a focal point for promoting diversity policies, as it is responsible for developing the strategy, monitoring progress, promoting the benefits, linking diversity issues to strategic workforce planning, and providing guidance and support to line ministries and agencies for the implementation of their own diversity policies. A key element is to achieve the right balance between central government co-ordination and delegated responsibility for implementation. It would seem that the creation of "collaborative networks" could help foster dialogue among the key actors, promote the exchange of information, and allow feedback on the general guiding principles, including suggestions for improvement.

Discriminatory practices that may permeate all stages of the HRM process need to be addressed. Making the recruitment process fairer, more transparent and more flexible to attract talented people with a mix of backgrounds, experience and perspectives is paramount. Improvements to the recruitment process should aim to: *i*) diversify the communication channels, to reach a wider audience; *ii*) motivate people to apply for vacancies in the public service; *iii*) relax the selection process and criteria to make them more inclusive but still focused on analysing skills, qualities and competencies required for the job; and *iv*) facilitate the integration and retention of new recruits to the workplace.

OECD member countries face difficulties in evaluating workforce diversity policies and programmes due to unclear objectives, lack of strategic planning and vision, and poor-quality data on workforce diversity. Experience suggests that diversity policies and programmes should be assessed on a regular basis under the umbrella of a long-term evaluation framework, clear conceptual foundations, and a methodology for data collection and analysis. One of the biggest challenges is to make reform sustainable, as benefits are very likely to emerge slowly and be less apparent to the outside world. Thus, leadership and commitment at all levels are critical.

Chapter 1

**Managing the public workforce
through difficult times**

With public finances under strain and public sector employment under scrutiny, OECD member countries are looking to operational savings measures that include wage or staff reductions and government reorganisation. Any change in the management of the public workforce should strengthen administrative capacity to perform core government functions such as public service delivery. “Good” workforce management in the public service – boasting flexibility, social skills, communication, problem solving, mission and vision articulation, delegating, and decision making – is critical, and must be coupled with a comprehensive, long-term growth strategy if the civil service is to fully exploit its potential. New generations of public employees want more autonomy to carry out their activities and develop their capabilities – and it is the managers’ and supervisors’ task to support and encourage their development. Restoring trust in quality managers will help improve public employee motivation.

As OECD member countries continue to cope with the global economic crisis, public finances are under strain and the public sector is facing heavy fiscal restraints. If the public sector workforce represents a significant share of public expenditure, the fact remains that civil servants are key partners to help governments maintain credibility and stability. There is growing consensus that public finances need to be restored if economic growth across the OECD is to remain sustainable. Economic recovery is under way but in many countries job creation remains a lengthy process, and levels of debt have been impacted by the stimulus packages (OECD, 2011a).

This situation has forced many OECD member countries to make tough decisions on the means of restoring public finances, which may entail a mix of spending cuts and tax hikes. It has also brought public sector employment under scrutiny, whether in terms of numbers of public servants, pay levels or related benefits. The crisis also revealed broader governance issues, raising questions regarding government's competence and its ability to fully cope with the new challenges. In response to those questions, it is crucial to maintain credibility and trust in public institutions and ensure the legitimacy of public actions. That can only come as part of a comprehensive, long-term growth strategy that finds the right balance between revitalising economic growth and consolidating public finances.

How can the public service contribute to a steady economic recovery? How can it help countries limit the damage resulting from the crisis and overcome the emerging challenges? Recent years have shown that governments have proved vigilant, agile, competent and proactive in containing the 2008 fiscal crisis, albeit at great cost to their public finances. Defining and implementing a strategy for long-term sustainable growth will also rely on a more transparent, open, and trusted public service, and a well-managed workforce that delivers public services efficiently and effectively.

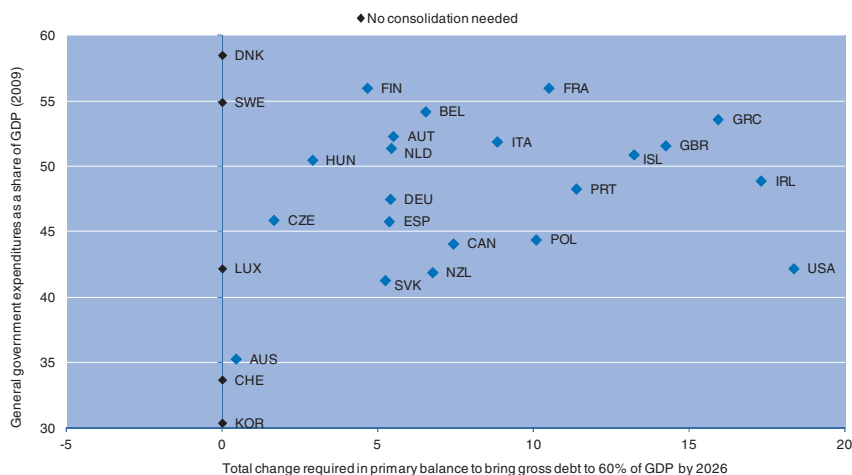
Helping restore public finances – tackling government's operational expenditure

OECD member countries are facing the challenge of making the economy grow, creating jobs, improving fairness, reducing inequalities and rebuilding trust, while at the same time introducing tough, and in most cases, unpopular reforms to address rising debt levels that resulted from the economic crisis. While government measures to rescue the financial sector, stimulate the economy and provide safety nets for workers and the employed averted a serious global breakdown, they left governments with sizeable deficits. The crisis aggravated existing imbalances in public

finance, as many OECD member countries ran structural deficits even while their economies were growing.

One of the key messages emanating from the current crisis is that the size of fiscal consolidation needs is related to government's ability to match revenues to expenditure – not the overall size of government relative to the economy. For instance, Figure 1.1 shows that Finland (where government expenditures totalled 56% of GDP in 2009) and New Zealand (where they totalled 41.9% of GDP in 2008) demonstrate similar fiscal consolidation needs.

Figure 1.1. Fiscal consolidation requirements are unrelated to the size of government



Note: Data not available for Chile, Estonia, Israel, Mexico, Slovenia and Turkey. Data on general government expenditure for Australia and New Zealand refer to 2008. Data for Japan and Norway are not presented.

Source: OECD (2010), “OECD Economic Outlook No. 88”, *OECD Economic Outlook: Statistics and Projections* (database), OECD Publishing, Paris, <http://dx.doi.org/10.1787/data-00533-en>; and *OECD National Accounts Statistics*.

Governments’ larger role in providing goods and services

Governments are undeniably bigger today than they have been over the past decades: in 2009 they represented on average 45% of GDP (up from about 41% of GDP before the economic crisis). However, as some of the strongest OECD economies exemplify, big government and good

government performance are not necessarily contradictory. Effective and efficient government can be achieved through good policy design, regulations and management practices that promote economic growth and high-quality service delivery. The key message is that as societies keep changing, governments must keep adapting. It is not a matter of one-off “reform” but rather of having a whole-of-government public management policy capability that enables government to make adjustments with the total system in mind.

Decisions on the amount and type of goods and services to produce, as well as on how to produce them, are often political in nature and based on a country’s social and cultural context. While some governments chose to outsource a large portion of the production of goods and services to non-governmental or private entities, others decided to produce the goods and services themselves. In 2008, before the economic crisis, the proportion of the economy devoted to producing government services and goods represented on average almost a quarter of GDP, varying significantly among OECD member countries. For example, production costs of government goods and services as a percentage of GDP are roughly three times higher in Denmark than in Mexico, reflecting in part the differing roles of government in these countries.

Governments use a mix of their own employees, capital, and outside contractors (non-profit institutions or private sector entities) to produce goods and services. On average among member countries, the incidence of production by own employees is still somewhat higher than outsourcing: compensation of employees accounts for 48% of the costs of producing goods and services compared to 43% paid to non-governmental actors for intermediate goods and services or to deliver services directly to households. Consumption of fixed capital represents the remaining 9% of total production costs. Compensation costs account for 24% of government expenditures (11% of GDP) on average (Figure 1.2).

Between 2000 and 2009, total production costs as a share of GDP increased in all but four OECD member countries (Austria, Israel, Poland and the Slovak Republic). This increase was primarily driven by increases in the costs of goods and services produced by corporations and non-profit providers (+1.6 percentage points) and to a lesser extent by increases in compensation costs of government employees (+0.9 percentage points). These increases could reflect that governments are providing more goods and services and/or that input costs have increased. This fact also supports the argument that government, or the public sector as a whole, has a larger rather than smaller role in the economy. Society’s expectations of governments have not diminished – if anything, they have increased. The nature of the public policy problems governments face and the mix and

modes of intervention are still undergoing deep change, pushed forward by the current economic context.

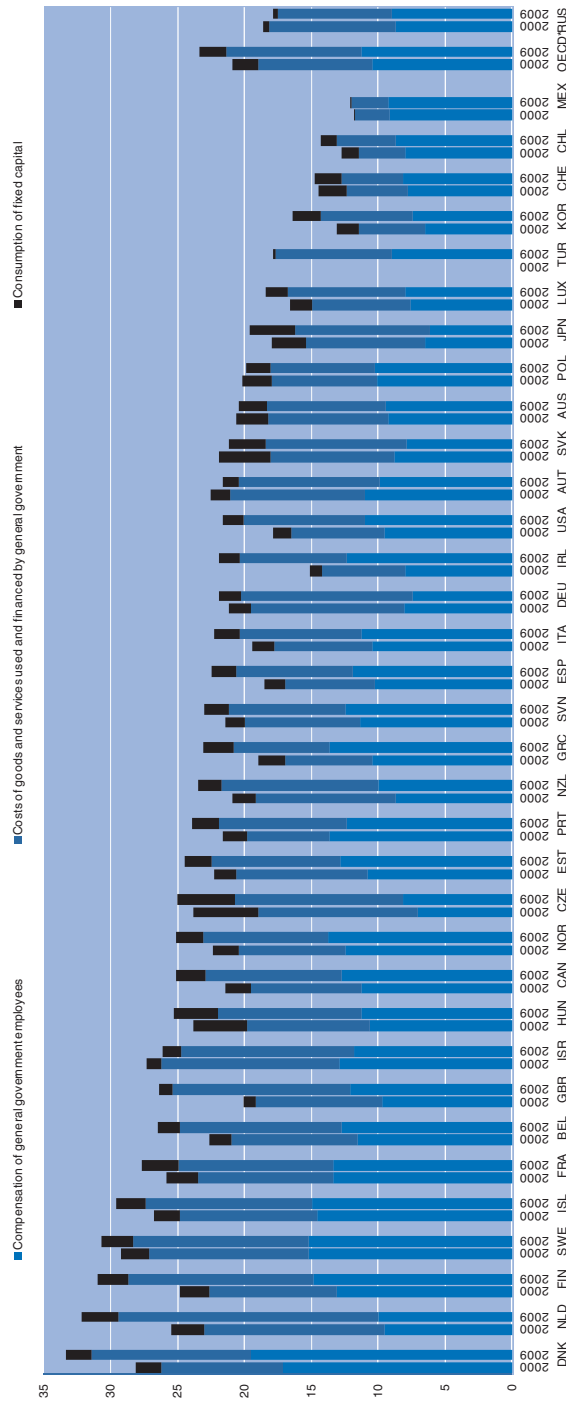
Targeting public wages and staffing

In OECD member countries, fiscal consolidation plans place particular emphasis on cutting expenditure over raising revenues (Figure 1.3). This is considered in most cases as having the most lasting impact in terms of stabilising finances and achieving deficit goals, even if fiscal measures are generally quicker to implement and can provide immediate gains. Fiscal consolidation is on average weighted two-thirds towards spending cuts and one-third towards revenue enhancement. These measures have the potential to result in a loss in capacity and experience, as many public employees would invariably be made redundant. Moreover, it is often more politically palatable to apply spending cuts to line items (usually operational expenses) than at the programme level, because the impact on service delivery is less evident.

As the public wage bill accounts for a large share of public expenditures and public employment is substantial in several countries, most member countries have announced operational savings in their respective consolidation plans, but the level and ambition of detail vary.

Operational savings measures include wage or staff reductions, government reorganisation and across-the-board administration reductions. For example, operating expenditure will be cut by 10% in France. The Netherlands and the United Kingdom have announced far-reaching and very substantial operational expenditure cutbacks. In the Netherlands, these savings will be implemented at all levels of government, amounting to EUR 6 billion by 2015. In the United Kingdom, the operational budget of all ministries will be reduced by between 33% and 42% by 2014.

Figure 1.2. Production costs as a % of GDP (2000 and 2009)



Notes:

* OECD33.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for 2000 for Turkey are missing and this country is not included in the average (OECD33).

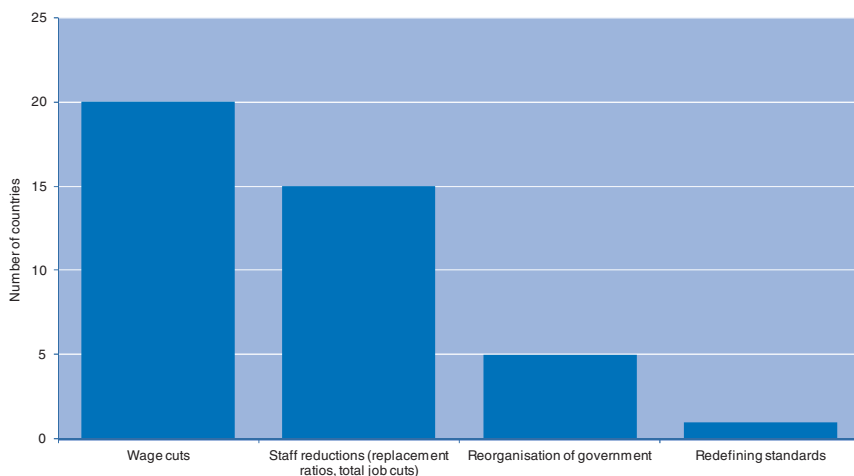
Costs of goods and services financed by general government are missing for Chile in 2000.

Australia, Japan, Korea and New Zealand: 2008 instead of 2009. Mexico: 2003 instead of 2000. Russian Federation: 2008 instead of 2009, 2002 instead of 2000.

Data extracted on 28 February 2011 (Chile on 30 March 2011).

Source: OECD National Accounts Statistics. Data for Australia are based on a combination of government finance statistics and national accounts data provided by the Australian Bureau of Statistics.

Figure 1.3. **Measures in fiscal consolidation plans to reduce operating expenditures**

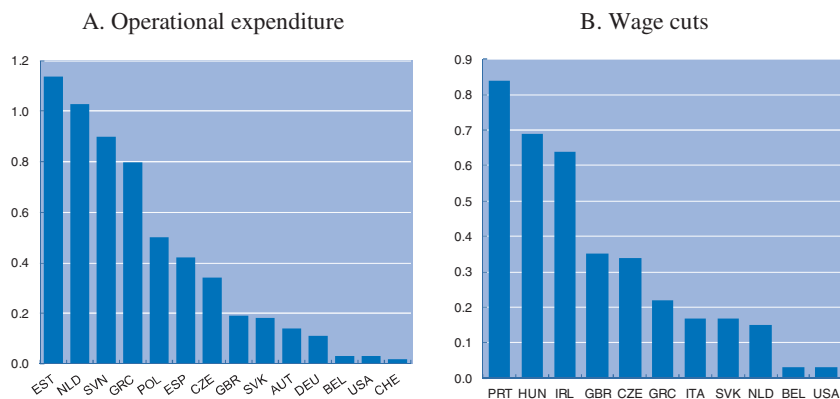


Note: Some countries have announced cuts in more than one category.

Source: “OECD Fiscal Consolidation Survey 2010”, as presented in OECD (2011), “Restoring Public Finances”, special issue of the *OECD Journal on Budgeting*, 2011/2, OECD Publishing, Paris.

The cumulative reduction in operating expenditures reaches more than 1% of GDP in the Netherlands’s five-year consolidation plan and in Estonia. In Greece, savings of 0.8% of GDP are targeted in 2011 alone (Figure 1.4A). Expenditure reductions are emphasised relative to revenue enhancements, which is in line with historical evidence that spending cuts tend to provide the most durable deficit reduction. The total quantified wage reduction is between 0.6% of GDP and more than 0.8% of GDP in Hungary, Ireland and Portugal (Figure 1.4B).

A number of countries have unspecified operational savings; no details are provided concerning their reductions in wages, staffing or intermediate consumption. While intermediate consumption may implicitly be targeted in operational expenditure cutbacks or programme reductions such as health and infrastructures, it is interesting to note that intermediate consumption is not often explicitly targeted by OECD member countries.

Figure 1.4. **Impact of operational measures (in % of GDP)**

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

Source: “OECD Fiscal Consolidation Survey 2010”, as presented in OECD (2011), “Restoring Public Finances”, special issue of the *OECD Journal on Budgeting*, 2011/2, OECD Publishing, Paris.

That last point shows that plans to reduce operational expenditure are also a political measure aimed to show the tenacity of an administration to reduce administration costs; such reductions are more complex and difficult to achieve than outsourcing. This message is equally important for markets in times of economic crisis, but these reforms require an integral approach so as to avoid losing the savings on personnel costs by an increase in the costs of outsourcing.

Today, about 80% of OECD member countries are planning or implementing measures intended to decrease the level of their workforce. In some countries, public sector employment will be scaled back considerably. In Italy for instance, the reduction of about 246 000 public sector employees between 2011 and 2013 due to the employment turnover freeze is expected to reduce by 0.7% the labour cost bill, corresponding to more than EUR 9 billion.

Box 1.1. Workforce reduction measures in OECD member countries

Employment in general government varies among countries, from 7% to approximately 30% of the labour force. Reducing personnel costs can certainly generate savings, but these will always remain limited to very few percentage points of GDP (1% or so in the truly extreme cases). Although not a minor source of savings, it should nonetheless be clear that to face the large deficits created by the responses to the financial crisis, additional and more substantial sources of savings will have to be found.

Straight personnel cuts have been announced in the **Czech Republic** (10% in 2010); **Ireland** (12% of the civil service by 2014, and negotiations for the entire public service are still underway); the **Netherlands** (between 120 000 and 150 000 jobs cut, and the government is abolishing redundancy and unemployment benefits for civil servants); **Poland** (10%); **Portugal** (1% per year in central government administration and 2% in regional and local administrations in 2012-14); and the **United Kingdom** (490 000 jobs). Instead of announcing straight cuts, other governments have determined very limited replacements for retiring staff: 10% in **Spain**, 10% in **Greece**, 20% in **Italy**, and 50% in **Austria**, **France**, and **Turkey**.

These staff cuts add to ongoing reduction and reallocation programmes that have been taking place for a number of years in many countries, such as **Denmark** (reduction of administrative employees), **Estonia** (15% decrease in personnel costs since 2007 through staff cuts), **Finland** (through a productivity programme), **France** (with the general review of public policies that has resulted in 100 000 cuts since 2007), **Japan** (with a net reduction by 5% since 2005), and **Slovenia** (1% cut each year since 2004).

Hiring freezes are being implemented in the **Slovak Republic** and the **United Kingdom** along with job cuts. In September 2011, the Italian Government, in order to ensure a leaner public sector, is proposing a bold reduction of the members of Parliament, and the abolition of provinces that are the local government level between regions and municipalities.

Source: OECD (2010), “2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, GOV/PGC/PEM(2010)2, OECD, Paris; and information provided during the PEMN experts meeting on compensation of public employees (9 September 2011).

The range of salary cuts considered across OECD member countries is wide and crosses categories from country to country – from a two-year freeze in the United Kingdom to a 10% salary cut in the Czech Republic and approximately a 14% salary reduction in Ireland. The cutbacks are even higher in Greece if reductions in allowances and earlier implemented cuts from 2009 and 2010 are included.

Box 1.2. Salaries and benefits are being cut across OECD member countries

Compensation of government employees represents slightly more than 10% of GDP in OECD member countries on average (with a maximum of 17% in Denmark and a minimum of 7% in the Slovak Republic and Japan). This amounts to approximately a quarter of government expenditures and, apart from the various transfers to the economy, it represents half of the expenditures for producing goods and services (the other half being produced by the private sector but financed by government).

To support budget consolidation, **Portugal** has frozen changes of pay levels and promotions, the granting of performance bonuses, and mobility salary changes, while at the same time implementing reduction of salaries (between 3.5% and 10% depending on salary levels and for salaries above EUR 1 500 per month), reduction of *per diem* allowance and overtime pay, and benefits linked to accumulation of functions (salaries and pensions).

Italy closed all open wage agreements for 2006-07 and 2008-09 in order to avoid excessive growth in salaries (4.1% in 2008 and 3% in 2009); suspended “complementary wage items” for civil servants; reduced funding for additional local bargaining funds (and funded them mostly through savings from cuts in consultancies and contracts to civil servants); and reformed the bargaining model to link wage increases more clearly to collective and individual performance. In 2010, Italy suspended national wage bargaining procedures for the years 2010-12, has prevented increases from the 2010 level of remuneration until 2013, and reduced managers’ pay (by 5% for those earning between EUR 90 000 and EUR 150 000 and by 10% for those earning over EUR 150 000). In 2011, the Italian Government is proposing aligning the compensation of members of Parliament and other national institutions, members of local governments, high-level senior civil managers, and heads of independent authorities to euro area averages.

Greece cut allowances by 20% in 2010, and abolished the 13th- and 14th-month bonuses for monthly earnings above EUR 3 000 (= 14%). Greece has 500 000 public employees (central and decentralised administration, local government authorities, education, health, public sector enterprises) that cost EUR 12.5 billion. The Memorandum of Obligation of the financial rescue package obliges Greek authorities to reduce operational costs by up to EUR 500 million until 2014.

The **Netherlands**, **Portugal** and the **United Kingdom** will be implementing pay freezes in the next year or two. **Spain** will be implementing pay cuts. The **Netherlands** is also cutting redundancy benefits.

Pension reforms are being accelerated in the **United Kingdom**, whereas pension contributions are being increased in **Portugal**.

Box 1.2. Salaries and benefits are being cut across OECD member countries (*cont'd*)

In 2010, **Canada** announced a three-year freeze on departments' salaries (in addition to their operational costs). Salary increases will have to be funded through internal efficiency measures. Negotiations with unions on future actions are being undertaken, and one agreement has already been reached that establishes moderate wage increases and the elimination of costly benefits that are out of line with the market.

Iceland has cut the wages of higher pay grades, reduced overtime pay, offered flexible separation terms to employees who have gained the right to pensions, and reduced travel and vehicle expenses. **Iceland** and some others have announced salary cuts in order to avoid losing high numbers of personnel.

The **United States** has imposed a two-year pay freeze on all non-military employees of the federal government, announcing savings of approximately USD 2 billion during 2010 and up to USD 28 billion cumulatively over the next five years.

Note: Information from presentations given at the annual Public Employment and Management Working Party meeting, December 2010.

Some countries have announced savings by reorganising the way their public administration functions. Greece, for example, aims to substantially reform its government administration with changes at the central and local level. Local entities and agencies will be closed down, there will be fewer elected and politically appointed officials, and the budget process will be reformed. In the United Kingdom, the government extended operational budget limits in April 2011 to cover so-called non-departmental public bodies and arm's-length bodies ("quangos"), which were not previously included. In doing so, the government intends to remove incentives for ministries to set up arm's-length agencies in the first place; that would reduce their administration costs, allowing them to better manage the costs of wider central government, not just the civil service.

Box 1.3. Ireland: public servants' contribution towards economic recovery

In 2010, the Irish Government and public sector unions signed the “Public Service Agreement 2010-2014” to ensure that the public service continues contributing to return to economic growth and economic prosperity, while delivering public services. The strategy is to build an increasingly integrated public service which is leaner and more effective, and more focused on the needs of citizens. To achieve this, in the context of reduced resources and staffing levels, the public service is being re-organised and public bodies and individual public servants are expected to increase their flexibility and mobility to work together across sectoral, organisational and professional boundaries.

In Ireland, the government has acknowledged that public servants have made a very significant contribution towards the recovery of the economy with over EUR 3 billion saved between 2009-10 from the potential public service pay and pensions bill: *i)* the general round pay increases due in 2009 were not paid; *ii)* a general moratorium on recruitment and promotion was applied to most of the public service, and early retirement was incentivised and career break schemes were introduced; *iii)* a pension-related deduction of an average of nearly 7% was applied to all the earnings of all public servants; and *iv)* a reduction in rates of pay and allowances was introduced in January 2010. The core concern for government is to restore public finances and to reduce the deficit to less than 3% of GDP by 2014, in part by achieving sustainability in the cost of delivering public services relative to state revenues.

Source: Irish Government (2010), *Public Service Agreement 2010-2014*, Department of Public Expenditure and Reform, Dublin.

Differences in short- and long-term effects

There are several possible reasons for countries to reduce the wage bill and public employment. The public sector wage bill is a substantial portion of public expenditure and reducing salaries provides immediate relief to strained public budgets, hence improving fiscal balances quickly. Staff reductions also help governments to reduce deficits, but this usually takes time to fully implement and the budgetary gain might be slow in coming. The signal sent to markets and the public regarding the government's determination to improve fiscal balances by taking politically tough decisions like salaries and staff reductions may offset the weaknesses of the reform. However, the problem with operational reforms is that there could be substantial differences in the short- and long-term effects of these reforms, such as efficiency gains dissipating over time.

There is little empirical evidence about which public administration reforms bring about efficiency and productivity gains. Reasons for this scarcity include the lack of evaluations, i.e. pre-reform measures of performance that can serve as a baseline against which to measure progress, the complexities in measuring efficiency in the public sector, and problems with isolating the effects of specific institutional reforms on efficiency from other external influences (Curristine et al., 2007). Experience, however, suggests that three institutional factors that may improve public sector performance are: *i*) decentralisation of political power and spending responsibility to sub-national governments; *ii*) human resource management practices that improve employee satisfaction and morale; and *iii*) adjusting operations to maximise economies of scale, particularly in the education and health sectors (Dooren et al., 2007).

It should be noted that when in the past, governments reacting to fiscal stress situations have sought to reduce public expenditure through cutbacks, privatisation, restructuring and other reforms, public expenditure in fact did not shrink greatly in most OECD member countries. On the contrary, general government expenditure as a share of GDP increased slightly, on average, in the OECD area at the beginning of the 1990's (OECD, 2005). The underlying pressure on expenditure will continue in the short- to medium-term, but it is likely that demands on social transfer systems will intensify: pensions, education and health will continue in a clear upward trend, a situation likely to be exacerbated by the problem of ageing populations (OECD, 2005, 2007a). Politicians must make tough decisions if long-term difficulties are to be avoided.

Drivers for change in the public sector

Pressures for efficiency gains

Given the macroeconomic dynamic in many countries, fiscal consolidation depends largely on spending restraint, which increases pressures for efficiency gains in the public sector. OECD member countries have experienced some economic recovery but growth remains sluggish and the slowdown in 2011 has been significant. As a result, restoring public finances is more likely to result from reductions in spending rather than limited increases in revenue. In addition, past experience shows that consolidation based on cuts is more likely to be conducive to improvements to long-term growth than relying on higher taxes, which produce short-term effects. In many cases, public sector managers have to square the circle and **do more with less.**

Some countries, such as Denmark, Finland and the Netherlands, are trying to achieve efficiency gains through better organisation and distribution of the workforce in support services (human resources, ICT, finance, audit, accommodation and equipment, communication, and procurement). The introduction of shared service centres and instruments for better financial management such as spending reviews, steering and control of agencies, and automatic productivity cuts is expected to raise efficiency in administrative employment (OECD, 2010b). Efficiency in government spending is another key driver of reform. For example, the latest *Government Efficiency Review* conducted in the United Kingdom revealed the poor quality of much of the data relating to where and how government spends its money. In addition, the review found a lack of a centralised approach to buying goods and services, which has allowed departments to pay hugely different prices for the same items.

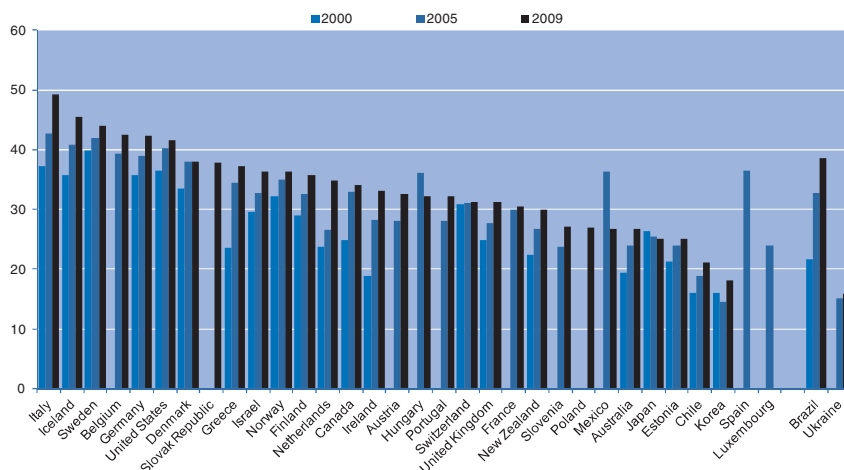
Curbing public sector wages might also go some way toward improving fiscal positions in the short term, although there is a risk that they might rebound at a later stage or that public sector pay might lose competitiveness relative to the private sector. As discussed above, OECD member countries have announced various policy initiatives to cut salaries and benefits – in some cases as a way to reduce public spending, and in others to avoid redundancy cuts.

Ageing, and future talent

Demographic developments are also creating pressures to reform the management of the public workforce. That workforce is ageing in many OECD member countries, in some cases even more rapidly than the rest of society and the wider labour market (OECD, 2007a). The proportion of young employees is far smaller in the public sector than in the private sector. The largest cohorts in the public services tend to be around 40-49 years old, with a sizeable proportion of employees in the age bands 50-54 and 55-59, depending on the retirement age. An ageing public service increases the fiscal burden while decreasing the immediate capacity to respond to the general challenges of population ageing. Governments will have to increase the sums allocated to covering pensions for both society as a whole and the public service in particular. Ageing populations will put new pressures on the public service as the demand for long-term social and healthcare services for the elderly is expected to rise. Invariably, the large proportion of retiring public servants will affect capacity for service delivery. Moreover, the costs of maintaining capacity conflict with the pressure to decrease staff costs, to meet the costs of essential new recruitment, to pay for retaining older and hence more expensive workers in the workforce, and to increase resources devoted to training. Addressing the challenge of ageing in the public service

is therefore a priority and provides an opportunity for governments to adapt to an ageing society in the context of limited financial resources.

Figure 1.5. Per cent of central government employees aged 50 or older (2000, 2005 and 2009)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data are not available for the Czech Republic, the Russian Federation or Turkey. Data are not available for Austria, Belgium, France, Hungary, Luxembourg, Mexico, Poland, Portugal, Slovenia, Spain or Ukraine for 2000. Data are not available for France or Poland for 2005. Data are not available for Luxembourg or Spain for 2009.

Data for Italy are for 2001 instead of 2000. Data for Korea are for 1998 instead of 2000. Data for Switzerland are for 2002 instead of 2000. Data for Austria, Mexico and Norway are for 2006 instead of 2005. Data for Korea are for 2003 instead of 2005. Data for the United States are for 2004 instead of 2005. Data for Brazil, Japan, Italy and Korea are for 2008 instead of 2009. Data for Portugal are for 2010 instead of 2009.

For Brazil, Estonia and Hungary, the data represent the per cent of government employees over 51 years old. For Chile, data represent the per cent of government employees over 55 years old.

Source: OECD “2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, as published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

Although ageing public workforces are creating pressure on government's capacity, younger generations ("Generation X"¹ and "Generation Y"²) are also having an impact on the traditional culture of the public sector. As older generations retire (baby boomers³), middle and upper management positions are being filled by younger generations. The public sector has traditionally been seen as a safe, secure career – a job for life, where workers can move up the career ladder until retirement. Younger generations do not hold that traditional view towards employment. They look for meaningful assignments, results, protection from arbitrary treatment, regular and meaningful feedback, and recruitment and promotions based on merit. This dynamic may bring about permanent changes in public services such as the introduction of more competition-oriented, performance-focused and career-based management systems. In order to attract and retain young talent, governments in OECD member countries have to adapt human resource management strategies to satisfy the need of younger generations for greater mobility, career development, cross-cutting careers, a variety of work experiences (topic and responsibilities), differentiated compensation for differentiated careers, and work-life balance. This is why some countries are preparing the ground to develop appropriate policies to attract and retain competence in the public sector. France, for instance, has favoured diversity in the public workforce by making recruitment less academic and more competency focused. The training of public servants has become more practical, and the management of human resources is becoming more individualised (Baroin, 2011).

There is also a need to invest to create future talents. Young persons, no matter how talented they may be, cannot replace experienced public servants overnight, as key jobs in the public service require substantial experience and training and the work of public servants has become more technical and service oriented. Public managers have to get the best out a workforce with people of two or three different generations who embrace very different philosophies and work ethics. This is one of the reasons why some OECD member countries are focusing on developing future middle and, above all, senior managers through high-flyer programmes. These schemes aim to detect talented workers and develop them through their careers to ensure that the best and most talented are placed in the most challenging jobs.⁴

Attracting skilled labour

The public sector also faces competition for skilled labour. Scouting the best candidates for the public workforce is important at a time when the loss of experienced employees due to redundancies caused by spending restraints is creating a looming talent shortage. It would be natural to think that governments are finding it easy to recruit public employees with the

adequate competencies and skills, given the high unemployment levels. However, policy issues such as climate change, migration and economic development now cut across ministries and state boundaries, and the civil servants of tomorrow will have to be lateral thinkers and negotiators and not just pen-pushers. High-flyers want multi-disciplinary careers, the ability to develop a career as fast and high as their talent allows, and the freedom to move in and out of public employment work at any time. While the current economic context may certainly increase the number of applicants, governments will have to offer something more than a steady job and possibly lifelong employment to get top-profile people. Governments are facing competition with private firms offering competitive and socially acceptable salaries. In some cases, the negative image of government may also make attracting qualified personnel that much tougher. The extent of the problem obviously varies across the OECD: in some countries, joining the public service is still viewed as a positive environment in which to develop a professional career. The talent shortage may also vary across different sectors: in some countries, recruitment of qualified staff is indeed not necessarily a problem due to the high unemployment rates.

Demands for better equality and inclusiveness

Although most OECD member countries have implemented policies aimed at enhancing equality between men and women and promoting inclusion of all groups of society into the public workforce, progress has been slow. Recent OECD studies (OECD, 2009) show that although women are well represented in the public workforce, they occupy mainly administrative and middle-management positions; the top management positions are mostly filled by men (OECD, 2009b).⁵ The gender pay gap remains the main concern in many OECD member countries where women are in many cases paid less than men for equal work (see Chapter 4). In addition, opportunities to enter the public workforce are not the same for every member of society. Under-represented groups such as indigenous populations, immigrants, and disabled people face tougher challenges joining the civil service as they do not generally have the same means of education and training possibilities. It is still common for HRM policies not to contemplate measures to integrate people with different backgrounds and experiences into the public workforce. These kinds of practices limit the possibilities for the civil service to acquire a wider array of competencies and skills needed to adapt itself to a changing environment.

Better management for a more efficient public sector

Public sector reform – part of wider structural reforms

The *OECD Economic Outlook 2011* suggests that implementation of well-designed structural reforms is essential if the recovery is to strengthen in a balanced and sustainable manner. A combination of structural and fiscal reforms constitutes the best strategy to reduce risks that weak growth, observed in many OECD member countries in the post-crisis period, will turn into stagnation. For structural reforms to work, they should aim at increasing employment, reforming benefit and short-time schemes, raising productivity in the public sector, and changing the tax structure (OECD, 2011a).

Priority should be given to reforms that offer the most likely prospects of strengthening near-term growth and that help the unemployed remain in close contact with the labour market. Reforms should also be consistent with the need to strengthen confidence in the sustainability of public sector debt dynamics. They should moreover aim at meeting other government priorities such as demographic changes, climate change, and growing demands for better public service delivery.

Reforms to increase productivity in the public sector would improve fiscal positions markedly in many countries (OECD, 2011a). Particular measures could, for example, include improving public sector efficiency by moving to national or international standards in the provision of health and education services. There is significant scope for efficiency gains in large spending items like infrastructure, healthcare and education. For the healthcare sector it is estimated that the potential efficiency gains from moving to best practices while leaving health outcomes unchanged could amount to 2% of GDP, whereas in primary and secondary education that amount may represent around 1% of GDP.

Better public governance to support growth-enhancing strategies

Strong and efficient public governance is required to support economic recovery and growth.⁶ Good government performance and proper public management are necessary to deliver on development goals. This requires modernising the governance structures of the public sector. The governance system should guide, lead, challenge and support government in the long-term interests of citizens. However, “[g]overnance structures should neither follow a rigid instruction manual nor be a free-for-all; instead they should adapt to the particular circumstances of each of the disparate

departments in central government, but only insofar as they meet given principles” (Macauslan and Addison, 2010: 248).

Research (Andrews, 2010) has found that good government means different things in different countries.⁷ It cannot simply be assumed that there is a single best governance structure suitable for all. Countries that exhibit good outcomes can have very different governance structures.⁸ These findings raise the issue of the importance of context in shaping governance. This may explain the various options chosen by countries to deliver public services either through public institutions (e.g. Scandinavian countries) or through private and non-profit organisations (e.g. Japan, United States).

Nonetheless, research also shows that some general preconditions for good governance structures have the potential to allow the whole system to work well (see Macauslan and Addison, 2010 for an in-depth discussion on reconciling accountability and the capability to strengthen governance). First, there should be clarity in the articulation of roles and responsibilities of all bodies and office-holders. Second, there should be regular lines of internal and external accountability informed by relevant and reliable data linked to existent power relations and with clear consequences for both poor and good performance. Third, the governance system must provide the capacity to reach decisions at the highest possible level, integrating the range of key perspectives (political, financial, delivery and capability). Finally, the appointments of office-holders or members of governance bodies must be based on merit, with adequate safeguards for the integrity of the recruitment process, good induction and training, and suitable terms of appointment including tenure.

The double objective of public management and administration reform

Public sector reform has to meet a double objective. On the one hand, governments have to restructure public management and administration to make them more effective and efficient for service delivery. On the other, reforms should also contribute to fiscal consolidation plans by reducing operational expenditure (Boxes 1.1, 1.2 and 1.3).

Modernising public management and administration is necessary in order to improve the efficiency and effectiveness of public service delivery. Indeed, building an honest, reliable, efficient and effective public administration is arguably one of the most important structural reform priorities, as it will bring direct benefits to entrepreneurs and ordinary citizens and also facilitate the successful pursuit of other reforms.

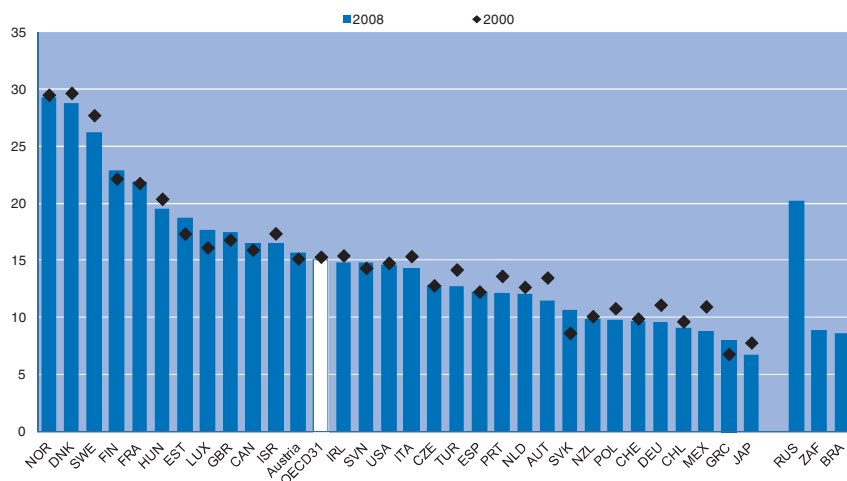
Over the past decade, as Figure 1.6 shows, the public employment share of the labour force remained fairly constant in most OECD member countries.⁹ The share is one indication of how public services are delivered in a country – whether predominantly by government workers or through the private and non-profit sectors as well – and is an important factor in determining the costs of service delivery. The size of the domestic workforce is also an important factor, since the public sector has to compete with the private sector on the labour market. If labour is scarce and expensive, efficient production is less labour intensive. The distribution of spending over policy areas is an important determinant of public employment itself. For example, a country that spends more on a labour-intensive policy area like social service than another country that spends relatively more on a capital-intensive area like infrastructure is likely to have larger public employment, all other things being equal (OECD, 2010b).

However, as Figure 1.7 suggests, general government compensation increased in most countries between 2000 and 2009. On average, the wage bill in the OECD area increased from 10.5% of GDP in 2000 to 11.2% of GDP in 2009.

A critical question for OECD member countries is how to reconcile strong political and financial control with the flexibility to respond to actual situations at the point of delivery and develop management structures appropriate to the different types of business conducted in the public service. This involves the need to ensure public service capacity and capability for delivery, while at the same time contributing to a lasting fiscal consolidation by restraining expenditure (notably with respect to government consumption and transfers).

Reforming public management and administration also provides an opportunity to better prepare the public service to face future challenges such as financial, natural, and social crises. A high proportion of public business is reactive to demands that are in practice unavoidable and difficult to plan for. While this is a difficult task, the public service will in the end be assessed by the way it handles crises.

Figure 1.6. **Employment in general government as a % of the labour force (2000 and 2008)**



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Japan: employment is not classified according to the SNA definition and is substituted by direct employment by central or sub-central governments.

Data for Iceland are missing. Data for 2000 for Korea are missing and this country is not included in the average (OECD31).

Data for Australia, Chile and United States refer to the public sector (general government and public corporations).

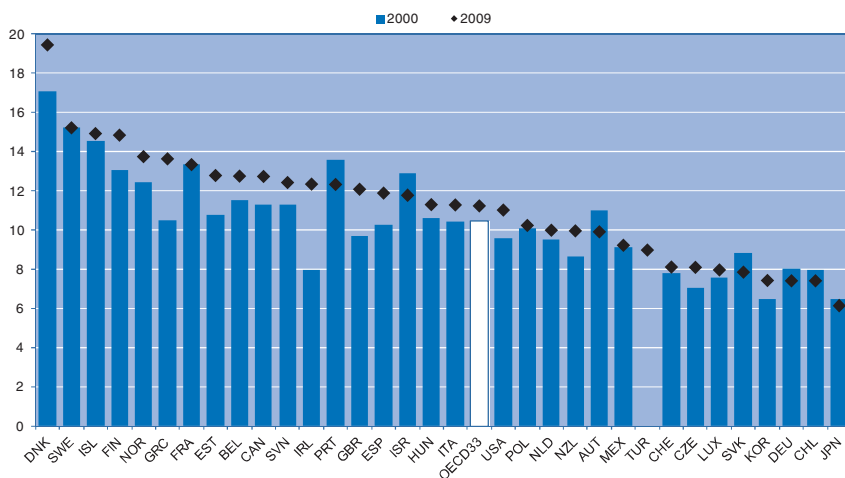
Data for Austria, the Czech Republic, Italy, the Netherlands, New Zealand and Poland are expressed in full-time equivalents (FTEs). In New Zealand, FTEs are included for education, health and community services and personal and other services.

Finland, Israel, Mexico, Poland and Sweden: 2007 instead of 2008. France, Japan, New Zealand and Portugal: 2006 instead of 2008. Russian Federation: 2005 instead of 2008; Brazil and South Africa: 2003 instead of 2008. Ireland, Japan, Luxembourg, Slovenia and Switzerland: 2001 instead of 2000. Data missing for 2000 for Brazil, the Russian Federation and South Africa.

Data extracted on 18 March 2011.

Source: International Labour Organisation (ILO), *LABORSTA Database*. Data for Turkey are from the Ministry of Finance and the Turkish Statistical Institute. Data for Japan are from the Establishment and Enterprise Census. Published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

Figure 1.7. General government compensation of employees as a % of GDP (2000 and 2009)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data missing for Australia; 2000 data for Turkey are missing.

OECD33 does not include Turkey.

Chile, Japan, Korea and New-Zealand: 2008 instead of 2009. Mexico: 2003 instead of 2000. Russian Federation: 2008 instead of 2009, 2002 instead of 2000.

Data extracted on 18 February 2011.

Source: *OECD National Accounts Statistics*, published in OECD (2011), “Restoring Public Finances”, special issue of the *OECD Journal on Budgeting*, 2011/2, OECD Publishing, Paris.

Reform to strengthen government's performance

Civil service systems are key to enhancing government's performance and good public governance. A well-functioning civil service helps foster and sustain good policy making and implementation, effective service delivery, and accountability and responsibility in utilising public resources. In the context of a fragile recovery, structural and administrative reforms rationalising the structures of government are important to improve the

efficiency of the public service, and facilitate consolidation to retake and sustain the path to economic growth.

Civil service systems have been a target for public administration reformers. Efficiency and effectiveness in government's performance depend on the talent of public employees and the quality of their knowledge and skills. Civil service reform has to be undertaken along with administrative reforms for effective results. Civil service systems are often signalled for their rigidity and cumbersome aspects; portraying government's most pressing performance issues are seen in terms of human resource management (Coggburn et. al., 2009). In fact, well-run civil service systems are central to government effectiveness and efficiency.

Traditional career-based and position-based civil service systems are increasingly under pressure. Both types of systems are in need of adjustment. For instance, position-based systems are trying to maintain government coherence and collective culture through more centralised systems for senior management. Career-based systems are tending to increase the number of posts open to external competition, delegating HRM practices to line ministers and lower hierarchical levels, as well as increasing accountability for performance at individual level. The goal is to increase the capability of the civil service to implement policy and fulfil the expectations of the government and citizens.

Better management as a response to emergency planning

“Good” workforce management at senior and political levels is critical if the civil service is to fully exploit its potential, and represent an asset to foster economic growth. First, better management of the public workforce could produce the savings necessary in a climate of limited financial resources. Second, mobilising the skills and competencies of the public workforce will help develop and implement better policies to **do the right things in the right way at the right time**. As such, the management function plays a critical role in unleashing the talent available in the public workforce and making use of it in an efficient and effective manner. Significant changes in the management of the public workforce could not only enhance policy making but also ensure more efficient, effective, innovative, and competitive delivery of public services.

The key question is whether the management function in the public sector is well equipped to respond to the challenges ahead as budgets are cut. The government's response to crises and its management practices influence the way in which risks are dealt with, and how crises are being handled. Modern management practices have the potential to better control risks and insecurities.

Line managers and supervisors have to adapt management skills to get more out of their staff and build the kind of team spirit that can help organisations face constraints and uncertainty successfully. Public management cannot be reduced to the manipulation of resources to achieve given outputs. A cardinal principle of successful management is that the most practical contributions to policy formation are those made by people who will bear a responsibility for resulting actions, and not by, for example, advisers (Rimington, 2009).

Public managers need to be prepared and trained for emergency management and crisis management. The former refers to planning how best to mitigate, prepare for, respond to, and recover from anticipated catastrophic events. The latter is a response rather than a planning function that deals with the unexpected or unanticipated events that threaten high-priority values of the organisation and that present a limited amount of time in which a response can be made (Waart and Kapucu, 2011). Crisis management does not deal with long-term solutions but focuses on short-term solutions, which may or may not be incorporated in long-term strategies.

Training public managers and public employees to manage risk should be an integral part of governance. Risk management is a growing priority, as governments have to deal with direct threats such as terrorism, health and safety issues (i.e. influenza), environmental problems (climate change and pollution), financial and budgetary risks, and even the risk of damage to government reputation.¹⁰ Proper risk management needs to be supported and promoted by political leaders and senior and middle managers. This requires a clear strategy and adequate training, support and resources. Building risk management frameworks, such as those in place in Australia and the United Kingdom, entails comprehensive approaches and benchmarking to assess progress. Public sector organisations should assess risk and risk treatments, linking criteria to government policy, organisational objectives and stakeholder expectations, using cost-benefit analysis wherever possible. Good risk management is based on a well-planned, logical, comprehensive and documented strategy; it is forward-looking and helps to improve decision making. In this sense, governments have to make open judgements about the nature of risk and how responsibilities should be allocated, recognising that some uncertainty is and will always be unavoidable.

Dealing with both unplanned and planned change requires a wide variety of competencies, including flexibility, social skills, communication, motivating, problem solving, mission and vision articulation, and decision making. The competencies that require long-term perspectives would be continuous learning, innovation and creativity, personnel planning, personnel change, environmental scanning, strategic planning, and

organisational change. In the face of adversity, calmness is a necessity – no matter how inwardly challenged a leader may feel – as is the ability to make authoritative decisions.

There is a need for transformational leadership that is flexible and adaptable to enable organisations to deal with sudden change. Another personal characteristic of the leadership needed is the ability to delegate. Leaders trying to make every decision themselves will simply generate bottlenecks in response efforts, and that leads to inefficiency. This required ability presupposes that managers have trained their staff well prior to the event, and that the manager is self-confident.

Other competencies required in the response phase of crises include operational planning – to lead the team and give directions, team building – the internal dimension of collaborative action, and networking/partnering – the external dimension. Experience suggests that all team building occurs prior to crises, especially through training, and it is the management of the team that makes the difference in responding to crises.

How could the management capability of the public service be enhanced?

The challenge for OECD member countries is to ensure that the public workforce is motivated and committed to delivery, and actually produces change, despite the need for pay restraints and redundancies. Recent public management reforms involve delegating responsibility for human resource management and strengthening the focus on performance. Although these issues are critical for the sound functioning of the public service, the **management** dimension has been generally underestimated. Research conducted by the Chartered Institute for Personnel and Development (CIPD) in the United Kingdom found that “to a very large degree, how hard-pressed public sector professionals are managed on a day-to-day basis will decide if the fundamental changes in prospect for the public sector deliver the intended improvements in service delivery”.

Senior managers indeed play a crucial role in policy implementation, and the quality and capacity of senior public management has become a key public governance issue. However, improvements in management quality, particularly among line managers and supervisors (middle management), are crucial for more effective delivery of public services and greater accountability. Middle managers and supervisors across the public service generally lack the necessary management skills to get the most out of their staff, to manage conflict, absence and performance, and to ensure that public servants are coached and developed on the job to improve service delivery.

Thus, any reform initiative to improve productivity in the public service and spending cuts to drive efficiency should be accompanied by a substantial push to improve the quality of people management.

Public service delivery objectives need to be underpinned by improved standards of human resource management across the public sector as a whole, together with a commitment from the top to achieve effective and lasting transformational change. This requires greater investment in skills development, despite scarce resources. Ultimately, senior and middle managers will remain accountable for the performance of their units, given their day-to-day responsibility (Risher, 2011).

Restoring trust in political leadership and senior management

One of the key issues that need to be addressed to enhance management capability is to restore trust in political leaders and senior managers. Restoring trust in government was high on the OECD public governance ministerial agenda in 2010, and was the key theme of the 2005 ministerial meeting. (This issue is widely researched in the academic domain as well; see Worthy, 2010.) Restoring the trust of public employees in their management team remains a challenge that has received less attention. A focus on restoring trust in managers will help to improve public employee motivation.

Box 1.4. Trust in the British public management

In 2009, a survey conducted by the Chartered Institute for Personnel and Development in the United Kingdom showed that just a quarter (24%) of public sector employees say they have confidence in senior managers compared to 41% among private sector respondents. Twenty-two per cent of public servants said they trust their senior managers, compared to 39% in the private sector. Twenty per cent of public sector employees said their senior managers consult about important decisions, compared to 26% of private sector employees.

Results also showed that public sector employees are more likely than those in the private sector to feel their senior managers do not have a clear vision for the organisation, and they are less likely to believe organisational communication. More frequent and honest communication and more meaningful consultation were identified as key drivers to improve trust in senior managers.

Source: CIPD (Chartered Institute for Personnel and Development) (2010), *Building Productive Public Sector Workplaces*, CIPD? London, www.cipd.co.uk, accessed 27 April 2011.

One of the reasons for low levels of trust in senior and middle management is the political framework of the public sector. That may hinder meaningful consultation and timely and open communication with employees. Senior managers tend to be more preoccupied with responding to the requirements of political masters than with giving their staff the consistent leadership they need. Not complying with political decisions may mean dismissal from the public service at senior level. The OECD “2010 Survey on Strategic Human Resource Management” found that the level of politically influenced turnover in OECD member countries is one indication of the extent to which politics and/or political affiliation plays a role in staffing the civil service. Among the six levels of senior civil servants (with Level 1 representing the most senior staff and 6 representing the least senior), the lower levels (3-6) tend to experience little if any turnover with a change of government. Politically motivated turnover is higher in the upper levels (Levels 1 and 2) (OECD, 2011c).

In order to empower front-line staff to deliver public services efficiently and effectively, the strategic leadership must prove that it is not easily derailed by kneejerk reaction of the media and politicians. This involves providing more autonomy for the senior managers to manage. It would also be necessary that the public service as an employer highlights to public employees the core purpose and values of public organisations, as well as the benefits of working for the organisations and the standards of behaviour, performance and service delivery expected in return. Restoring trust in management may require investing in developing people management skills at senior levels; adopting a direct, open, fair and participative style of communicating with staff; and ensuring that consultation arrangements provide real opportunities for employees’ views to be taken into account before critical decisions for the organisation are made. It is also critical to foster accountability, transparency and integrity, with leaders being more visible and approachable.

Upgrading the quality of middle management

An important lesson drawn from situations of crises is that the public sector as a whole will be immersed in a process of constant organisational change. Public organisations should engage in organisational development to improve performance by getting the organisation’s whole system to work coherently.¹¹ Therefore, it is crucial that the public service invests in developing and supporting leaders at all levels who understand the dynamics of organisational change and are able to take and implement tough decisions. Employees should be involved in the change process – which does not always happen – with front-line staff and managers providing key

intelligence about the obstacles to service delivery, as well as about the changing needs of service users. Building up internal organisational development support for managing the change process, so that the negative impact of any necessary cuts on front-line service delivery is minimised, is critical to produce a more positive attitude across the public workforce. This requires improving the quality of the public service's middle management.

High-quality middle management is crucial to ensure motivation of staff, the acquisition of new skills at work, the well-being of staff, and ultimately their productivity. Middle managers and supervisors must understand the crucial link between the strategic objectives of the organisation, their department or team objectives, and their day-to-day people management, in areas such as communication and consultation; training and development; and conflict, stress and absence management. It is essential that line managers learn the key people management skills necessary for their role. In fact, managers should be promoted not only because of their particular skills or technical expertise, but also because of their ability to actually manage people. For example, in some OECD member countries – Portugal is an example – fulfilling management functions depends on the compulsory attendance of training that includes, *inter alia*, leadership, communication, negotiation, conflict management, inclusion policies and ethics.

This leads to the issue of employee performance management, one of the basic responsibilities of managers and supervisors (Risher, 2011). With the number of better-educated public employees growing, managers and supervisors need to learn to develop working relationships that will enable them to monitor results, make needed resources available and create an environment where employees are given incentives to take action, which occasionally can result in mistakes. Public managers, like their counterparts in the private sector, are now expected to manage people they may not meet regularly, who are often dealing with issues that involve complex data analyses or negotiations with people the manager has never met, and who are empowered to make decisions without checking with their superiors. Public employees, and especially new generations, want to grow, have more autonomy to carry out their activities, and develop their capabilities – and it is the managers' and supervisors' task to support and encourage their development.

The key to effective management of employees' performance is the immediate manager or supervisor, who is instrumental in creating a high-performing team. Providing constructive, job-specific feedback should be a priority for managers as it helps employees improve on their weak points. Managers must understand that moving into a supervisory role amounts to a career change, with new responsibilities and a need to develop

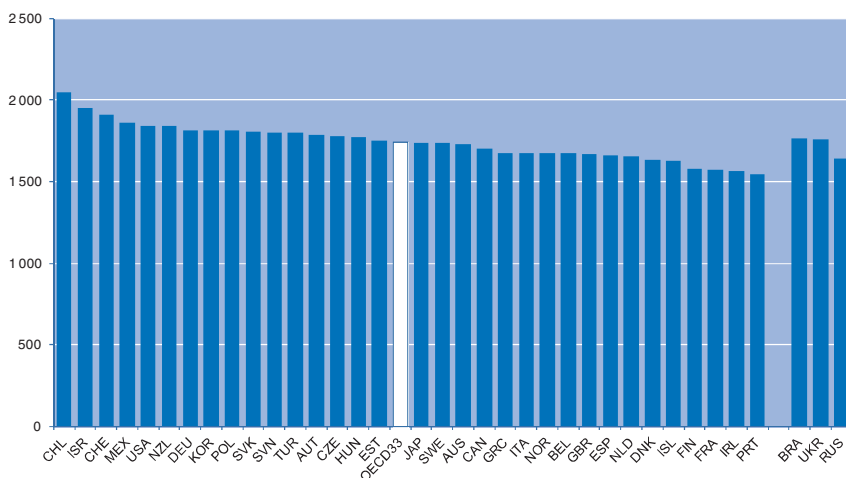
new skills; it is not merely an extension of a technical career path with added supervisory duties. Middle managers should be able to decide if goal setting is accepted and working, and identify competencies that contribute to high performance. Public employees could be surveyed regularly as a way to monitor attitudes. The data could be used to identify managers and supervisors who need training and coaching, and reward those who are building highly engaged work teams (Risher, 2011).

Maximising the potential of public servants

In the context of crises and strains in resources, managing stress and encouraging the development of public employees are key challenges (OECD, 2007b; 2008b; 2010a; 2010c; 2011d). Managing absence, stress and conflict while encouraging learning and development provide opportunities to improve management quality in the public service. Indeed, work-related stress has become the top agenda item for many government organisations nowadays.¹² Flatter organisations, teams that are *ad hoc* interdisciplinary and even interchangeable, and changing employees' values mean that today's public managers face a rapidly changing and often non-traditional environment to work which produces enormous performance pressure on organisations.

The increased competitive pressure, the recession, the dangers of being made redundant and the salary freezes or cuts can only add to the levels of stress at work in the public service. Stress-related absence is likely to be high in the public sector, with the high proportion of staff in challenging public-facing roles causing the stress. Moreover, stress is likely to be the cause of conflict at work and contribute to staff turnover, job dissatisfaction, behavioural problems, production turnover, increased absenteeism and accidents, and lower productivity. CIPD's (2010) research suggests that managers are in many instances the cause of the problem, as workloads and management style are the top causes of stress at work. Indeed, the OECD "2010 Survey on Compensation of Employees in Central/Federal Governments" found that, excluding holidays, the average working hours per year among civil servants in OECD member countries is 1 742 hours, ranging from 1 545 hours in Portugal to 2 048 hours in Chile. The statutory weekly working hours for public servants are the lowest in France and Portugal at 35 hours, and highest in Chile and Israel (44 and 42.5 hours, respectively). Civil servants in the Russian Federation are entitled to the highest annual holiday leave (43.5 days) while Korea has the lowest (3 days). However, when bank public holidays are also considered, Korean civil servants are entitled to 18 days per year.

Figure 1.8. Average working hours per year by central government employees (2010)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for Luxembourg are not available.

Maximum working days per year if 5/7 days per week: 261.

Maximum working hours per year if 8 hours per working day: 2 088.

Contractual working time, h/week do not include lunch break.

Maximum and extra holidays, special agreement: the maximum reported holidays reduced by minimum number of holidays (formula: $\text{min holidays} + [\text{max holidays} - \text{min holidays}] / 2 = \text{average holidays}$).

Source: OECD “2010 Survey on Compensation of Employees in Central/Federal Governments” and OECD “2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, as published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

Better management of staff helps to deal with stress. A **stress management programme** could be implemented that focuses on different categories of employees at all hierarchical levels. There is scope for redesigning jobs that are taxing to employees’ abilities and capacities. Managers should conduct adequate role clarification whenever necessary to eliminate ambiguity, and undertake stress audits at all levels in the organisation to identify causes of stress. Middle managers could also

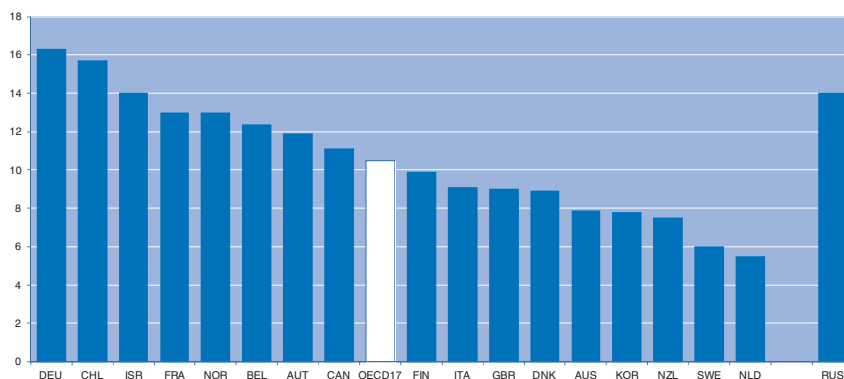
encourage open channels of communication to deal with work-related stress, and provide counselling on work-related and personnel problems. An attractive system of reward and recognition of good work is also an important element.

Another alternative to deal with stress is to establish the conditions for a healthy work/life balance. Increasingly, OECD member countries like the United States are recognising the importance of providing employees with a flexible and supportive work environment that enables them to be focused and productive at work. These flexibilities help not only with employee morale but also with recruitment and retention. Strong work/life policies and programmes have potential as strategic managerial tools for greater efficiency, morale and commitment. Workplace flexibilities like alternative work schedules, telework, and various leave programmes also have the potential to retain staff, and would give them more control over where and when they can accomplish their best work. Managers should know the potential benefits that work/life balance may bring to work. A work/life balance may also pave the way for disabled people, women, and people living in remote places to join the workforce.

With the support of HR departments, middle managers and supervisors are key to effective absence management. High levels of absence have a direct and negative impact on public service delivery because they increase the workloads and stress levels of the remaining staff, which also suggests low levels of employee engagement and productivity. Managing stress levels is pivotal in addressing this issue. Improvements in supervisors' skills in managing workloads, emotions, difficult situations and acting with integrity would help manage stress and improve performance. Managers should receive training in, for example, having difficult conversations about high levels of absence and the disciplinary process when necessary. Effective absence management involves finding a balance between providing support to employees with health problems to stay in and return to work, or facilitating their working from home, and taking firm action against employees who try to take advantage. As Figure 1.9 shows, managing absence due to sick leave is a management issue in the civil service in several OECD member countries. The number of working days that public employees are absent on sick leave each year is another indicator of the quality of management and the working conditions in the public service. It is also an outcome indicator for HRM policies, since poor working environments can lead to a greater incidence of employees requiring time off. Information is available for 17 countries, in which on average about 11 days are taken each year on sick leave, varying from about 6 days in the Netherlands to 16 days in Germany. Interestingly, in Chile – where the

annual working hours are the highest – civil servants are also among those reporting the highest number of sick leave days taken: 15.7.

Figure 1.9. Average number of working days public employees are absent on sick leave per year (2009 or latest available year)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for the Czech Republic, Estonia, Greece, Hungary, Iceland, Ireland, Japan, Luxembourg, Mexico, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland, Turkey and the United States are not available.

Data for France refer to 2003.

Korea: data refer to average sick days taken per year in the Ministry of Public Administration, according to the employee survey. No data are available on the average for the whole of the civil service.

Source: OECD “2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, as published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

Responsibility for managing absenteeism primarily falls on immediate managers or supervisors, as they are in the best position to understand the circumstances surrounding an individual’s absence and to notice a problem at an early stage. Therefore, their active involvement in the organisation’s absence procedures is pivotal to the overall effectiveness and future success of an absence policy or programme.

Yet most public managers and supervisors have not received any guidance or training in handling absenteeism. They have been left on their own to carry out the often unpopular task of identifying, confronting and resolving absence abuse. To ensure that supervisors are comfortable and competent in their role of managing absenteeism, they need to have the full support of senior management. All parties must be aware of the aim of absence policies and procedures. If there are discrepancies between departments, a policy can lose its effectiveness. To provide more consistency, managers and supervisors should be trained to manage absenteeism, advised on how to conduct effective return-to-work interviews, and educated in the use of disciplinary procedures when necessary. The return-to-work discussion will enable the supervisor to welcome the employee back to work, in addition to demonstrating management's strong commitment to controlling and managing absenteeism in the workplace. The interview will enable a check to be made that the employee is well enough to return to work. The goal is to foster an open and supportive culture.

Management of conflict is another particular area offering the opportunity to improve performance management. Public service middle managers and supervisors are in general not well equipped to manage conflict informally. Some of the issues that can cause conflict between individuals and groups at work include poor management, unfair treatment, unclear job roles, inadequate training, poor communications, poor work environment, lack of equal opportunities, and bullying and harassment. A lack of conflict management may lead to a drop in motivation, changes in behaviour, falls in productivity, and increased sick leave due to depression or stress.¹³ Conflict management should be an integral part of training. Managers must be able to manage underperformance firmly and pick up when workloads become excessive and banter borders on bullying. Some basic policies and procedures that can help manage conflict include: having systems for handling grievances and disputes, training managers to have difficult conversations with employees, encouraging open expression of opinions, recognising the importance of feelings, and focusing on public service's interests, not on positions and personalities. More importantly, managers should develop the ability to manage in a way that does not create conflict by listening to employees, treating them fairly and looking after their health and safety, and communicating effectively and planning and managing individual and team workloads appropriately.

Fostering learning and development

Another key area that needs to be reinforced, which has perhaps not received sufficient attention, is the increasing role of the manager in supporting and encouraging learning and development (OECD, 2010a,

2011d). The manager is central to the work experience of public servants (Risher, 2011). Today's public employees want to grow and develop their skills, they want to be challenged and make a contribution to the organisation, and they want to be recognised and rewarded. So, it is the task of the manager to let them know what they are expected to accomplish and empower them to act. The goal should be to extract value from the knowledge accumulated in the workforce. Thus, it is critical that managers encourage employees to develop and apply the expertise that defines their value. OECD member countries should define clearly what high-quality people management means for the organisation so that line managers can develop the necessary skills as a priority, despite budget cuts. Senior managers should be models of "a good people manager" and must empower middle managers to innovate and engage their staff.

Conclusion

The current economic slowdown and the need to implement fiscal consolidation plans to restore public finances are creating pressures to reform the management of the public service. However, policy makers face the dilemma of implementing consolidation plans that emphasise cutting expenditure (mainly salaries and staffing levels) over raising revenues to meet fiscal targets and reduce deficit budget gaps, whereas they also need to ensure capacity for an increment in the demand for service delivery. Moreover, consolidation plans are often at odds with the political platform of government. Political support is expected to diminish when cuts in wages and staffing levels are proposed. Although reductions in operational expenditure are "expected" to have a positive impact on the short-term budgetary aims of government, they may also act to the detriment of government's long-term capacity for service delivery. Kneejerk reactions towards deep crises could have negative effects on capacity.

Since reductions in operational expenditure are currently deemed unavoidable, and the public service is expected to continue meeting rising demands for public services, public managers are expected to do more with less. Improving the quality of management at senior and middle levels could help governments to maximise the potential of the workforce. If the public service is to lead the way to economic recovery despite budget cuts, investing in developing line management should be regarded as one of the key priorities of public service reforms. The changing demographic profile of the workforce, the need to create efficiency gains, the search for talent, and the demands for equity and inclusiveness are also contributing to raise the quality of public management practices. Enhanced performance is not the only reason for this; the economic and performance cost of poor

management to public finances in the form of stress-related problems, sick leave, conflict, turnover, low motivation and commitment should also be considered when reforming the public service and as part of operational expenditure.

Although budget deficit requires a short-term answer, reforms should be based on a long-term approach: What type of public service is needed? What is its role in society and the economy? Adopting a strategic approach when conducting operational reforms can help governments to minimise the negative impact on government capacity that reductions in salary and staffing levels may bring about.

Notes

1. People born between 1960 and 1980.
2. People born between 1980 and 1995.
3. People born between 1945 and 1960.
4. Some examples of these programmes are the “Public Management Cadet Programme” in Israel; “Nurturing Course for the Executive Candidates” in Japan; “Civil Service Fast Stream” in the United Kingdom; and “Presidential Management Fellows Program” in the United States.
5. A number of cultural aspects can be taken into consideration as justification for this situation; these have to do with influence over collective representations of female and male roles inside family and, more generally, with social structures. It is also important to recognise the existence of mechanisms that allow for reconciliation of professional and private life (flexible work organisation, incentives for men to increase their participation in family life, childcare service networks, and care delivery to the elderly).
6. Paradoxically, the economic context has established the belief in many OECD member countries that what is needed is limited government.
7. Nonetheless, there should be some general common basis to indentify good governments; more research is needed.
8. For example, Sweden chose to have a large but decentralised government system for providing its healthcare, because it fits the context. The

United States has a system dominated by the private sector. The two governments and societies adopted different menu selections of different practices to achieve similar objectives – in this case, to provide world-class healthcare.

9. However, the available data do not yet reflect the potential effects that the financial and economic crisis and/or fiscal austerity measures could have on the size of government employment.
10. Risk management is the systematic application of management policies, procedures and practices to the tasks of identifying, analysing, assessing, treating and monitoring risk.
11. Organisational development involves a comprehensive diagnosis of problems and the effective use of this information to create interventions that are owned and supported by the workforce as a whole.
12. Research is needed on the costs to the public service of poor management at senior and middle levels.
13. Staff attitude surveys or questionnaires may provide an indication not only of levels of stress but also of underlying dissatisfaction with management.

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Chapter 2
Getting it right:
restructuring the government workforce

At a time of limited financial and human resources, adjusting and reallocating the public service workforce have become policy priorities. Strategic workforce planning and management are crucial here, so that governments are not caught in a purely reactive mode and resort to taking more immediate cost reduction measures that are ultimately detrimental (budget cuts imposed in an undifferentiated way, job cuts, recruitment freezes). Possible paths for reform include shared services, outsourcing, creation of arm's-length agencies, developing a more flexible HRM system, redeployment arrangements, strategic reviews, and movement of staff to sub-national levels of government. But the workforce implications of any public service reform need to be considered and planned for from the outset, if governments are to secure and build capacity, maintain trust and morale, ensure continuity while meeting changing public service needs, and improve efficiency, productivity and value for money.

Objectives, scope and approach

Getting the right size and allocation of the public service workforce has become an important issue for governments, because they need to secure and build the capacity for delivery at a time of limited financial and human resources, as well as tough labour market competition for scarce skills. That entails developing a more flexible HRM system, both to organise the workforce around current priorities and to prepare for future challenges.

While for many member countries the economic and financial crisis is the most immediate problem affecting decisions about size and allocation, it is by no means the only issue. Ageing populations are forcing reallocation of resources to services for the elderly, and also affecting the supply of labour and the sustainability of public finances. Another key challenge, given that OECD member country economies are faced with changing global competition, is to make the public sector more competitive, innovative and inclusive. Private sector companies are undergoing enormous changes; public services have to follow suit. New approaches to delivery are taking root, reflecting the demands of public service users, the imperative of securing better value for money, and the possibilities that ICT offers in redesigning services.

All of these factors will have a bearing on policies. Governments will now have to engage in strategic workforce planning and management so that they are not caught in a purely reactive mode, forced to take *ad hoc* measures that relieve fiscal pressures while simultaneously generating other problems. Proper management of the workforce, using an array of instruments, has made a difference in the past in how well governments deal with pressures to make adjustments. In fact, many countries were already embarked on workforce initiatives well before the economic crisis began. According proper attention to this topic is a way to help countries recover from the crisis and prepare the public service to deal with other challenges.

This chapter is an exploratory first step. It looks at ways in which governments are currently dealing with workforce management, and some lessons that can be learnt from previous experience. Based on a request for information sent to OECD member countries in April 2010, the chapter provides an overview of: *i*) the main reforms expected to have an impact on the size of the workforce and/or its allocation across sectors in central/federal government in the near term; and *ii*) reforms that have had an impact in the past 20 years. The discussion focuses on the instruments used by governments and the drivers behind these initiatives. Analysis of workforce data on size and composition is beyond the scope of this initial investigation; future work would benefit from inclusion of some analysis of

trends in public employment, particularly data on the allocation of staff among priorities and longitudinal data to see whether workforce adjustments are sustained over time.

The chapter primarily reviews previous OECD work and, to a lesser extent, other relevant literature on the topic,¹ focusing on:

1. Measures to adjust the size of the public service workforce through:
 - regular pressures for efficiency (automatic productivity cuts, performance practices, management accountability frameworks);
 - downsizing, restructuring and general policy/spending reviews.
2. How governments have carried out staff reallocations across sectoral priorities and organisations.

The chapter proposes a classification of the adjustment methods used by governments and explores the successes and failures of different approaches – particularly as regards longer term costs and benefits, the impact on the capacity of the public service, the impact on trust and morale, and the political economy of reform. The second section looks at historical trends since the 1980's, focusing on the context for changes and mechanisms governments have used to respond to pressures for change. Assessment of the results achieved may help to inform current approaches. The following section looks at the steps governments have taken or plan to take to manage the size of the workforce and reallocation of staff since the onset of the current economic and financial crisis, as well as current initiatives that were designed and under way prior to the crisis. The final section concludes with lessons that can be learnt.

Historical background

The question of size

There is no “right size” of the public service workforce. There are large differences in the share of government employment among member countries, reflecting different choices with regard to the scope, level and delivery of public services. The proportion of the labour force employed in general government across a sample of OECD member countries in 2008 ranged from 6.7% in Japan and 7.9% in Greece to nearly 30% in Norway and Denmark. On average, government employment as a percentage of the labour force remained stable between 2000 and 2008 at 15% (see Figure 1.6). However, the available data do not (yet) reflect the potential effects of the financial and economic crisis and/or fiscal austerity measures.

Past policies

Since the 1980's, government initiatives to adjust the size of the public workforce and/or to reallocate staff have been determined by various structural variables. These have included the need to reduce budget deficits, demographic trends, decentralisation to sub-national levels of government and reorganisation of activities in line with changing government views as to the appropriate role and size of the public sector. Other factors have included the changing demands of citizens and businesses, developments in ICT that enabled changes in how government work is performed, and the ongoing pressure for efficiency and value for money.

Budgetary considerations have played a major role in workforce policies. In periods of economic downturn, the need for fiscal consolidation has led governments to seek savings on the cost of the public service. These usually are achieved through a combination of reforms and cuts, although the instruments used have varied from country to country and period to period. Canada's deficit reduction measures in the 1990's involved a 15.5% reduction in the public service workforce. Ireland implemented significant cuts in the 1980's as part of an economic recovery strategy. Sweden laid off around 50 000 employees from government agencies during the recession of the early 1990's; to put that in perspective, the number of employees in that country's central government sector was 355 000 in 1990. Such reduction measures indeed figure among the austerity measures adopted in many countries during the current recession.

Ageing populations are creating pressures for changes in the scope and delivery of public services as well as changes in government's management of the workforce. As noted by the OECD (2007), two main challenges have emerged. First, there is the need to reallocate staff across sectors and institutions within the public service as the demand structure changes. For example, some countries are increasing staffing in health and long-term care while decreasing it in other sectors. Second, there is a need to increase productivity due to the fiscal pressures created by an ageing population. This is prompting cost containment and downsizing measures as increased productivity is pursued through investment in ICT, public sector reforms and other measures.

Public service workforces are ageing more rapidly than the wider labour market in a good number of OECD member countries, many of which face high rates of retirement in the coming years. This creates opportunities for downsizing (by not replacing retiring staff), reorganising, reforming employment conditions and bringing in new skills. It also, however, poses the risk of capacity loss, particularly as a higher proportion of managers rather than other staff are retiring. And that signals the need for better

workforce planning in the public service in order to manage the demographic transition. Some public services are concerned about labour shortages and recruitment difficulties; others need to ensure that future hiring policies do not tighten the wider labour market as the overall labour force ages. This is driving productivity measures in some countries in order to create a smaller, more productive public service.

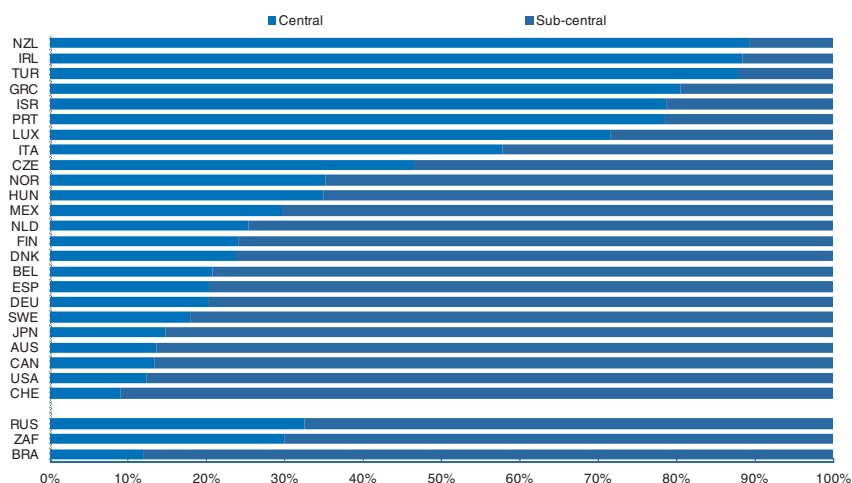
Decentralisation of government. The share of government staff employed at sub-central levels is an indicator of the level of decentralisation of public administrations. Across OECD member countries, the proportion of employees in sub-national levels of government varies significantly (Figure 2.1). While OECD data indicate that the relative proportions of employees at federal/national and sub-national levels have remained relatively stable between 2000 and 2008 (OECD, 2011a), decentralisation has in some countries had an impact on size and allocation. For example, France and Spain have both pursued decentralisation policies, while (as noted below) there are indications that some countries may be moving to decentralise as part of a post-New Public Management trend.

Public administration reforms. Since the beginning of the 1980's, public services in OECD member countries have undergone major changes that have had significant impacts on the size and allocation of the workforce. Three periods of reform can be distinguished in many countries (OECD, 2010b), to varying degrees:

1. A period of “receding government” in the 1980's, during which governments in a number of countries (the Netherlands, the United Kingdom and the United States among others) implemented policies to restructure the public sector, reducing its size (decentralisation, privatisation, outsourcing and corporatisation). This entailed reductions in government employment in some countries as well as moving staff out of central government ministries.
2. The period of New Public Management (NPM) in the 1990's and into the current century, which led to major restructuring of the public service in a number of countries (Australia, New Zealand and the United Kingdom among others). Impacts on the workforce included transfer of staff from core ministries into executive agencies and outsourced entities, significant downsizing in some countries, and reform of employment conditions to make the public service more flexible.
3. Recently there has been some rollback of NPM reforms and new ideas have come to the fore. The latter are aimed at achieving more integrated public services and more value for money – examples include the use of ICT to re-engineer service delivery, shifting the balance of staff in

favour of frontline services and decreasing the number of “back-office” staff, decentralisation to sub-national levels of government in order to bring services closer to citizens, and the establishment of shared support services.

Figure 2.1. **Distribution of employment across levels of government (2008)**



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for Austria, Belgium, Chile, Estonia, Iceland, Korea, Poland, Slovenia, the Slovak Republic and Turkey are not available.

Data for Australia and United States refer to the public sector.

Data for Austria, the Czech Republic, Italy, the Netherlands, New Zealand and Poland are expressed in full-time equivalent employment.

Data for Hungary do not include other non-profit institutions at the central/sub-central level.

Data for Finland, Israel, Mexico, Sweden and Israel are for 2007. Data for France, Japan, New Zealand and Portugal are for 2006. Data for the Russian Federation are for 2005. Data for Brazil and South Africa are for 2003.

Data extracted on 26 November 2010.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en, based on International Labour Organisation (ILO) data.

Efforts to improve efficiency, productivity and value for money have been central to public sector reforms in past decades and are again at the top of the agenda for many countries. A number of countries (e.g. Australia, Canada, the Netherlands and the United Kingdom) have used spending reviews as a way of reallocating resources to new priorities. Since the 1990's there has been a movement towards measuring public output and productivity gains. Some countries, such as Finland, have established public sector productivity programmes, and a number (e.g. Australia, Denmark, Finland, New Zealand and Sweden) use automatic productivity cuts to maintain efficiency incentives. Several countries have recently initiated “value for money” initiatives (e.g. Australia, the Netherlands, Sweden and the United Kingdom) (OECD, 2010a, 2010b). These types of initiatives require a more flexible HRM system to organise the workforce according to current priorities, and suitable instruments to achieve restructuring of public services and workforce reallocation.

ICT, especially the Internet, offers the opportunity to transform work, enabling organisations to re-engineer processes and redeploy or divest themselves of staff previously employed to carry out paper-based functions. In the public sector there has been major ICT-based reorganisation of revenue services in many countries. Most if not all OECD member countries now have e-government initiatives, although it is difficult to quantify the precise impact on the size and allocation of the workforce. Comparative research undertaken by the French Government (Centre d'analyse stratégique, 2009) provides some examples. In Canada the federal government had 130 administrative services online by 2005 and estimated that the number of clerical and secretarial staff was reduced by a factor of 1.5 between 1983 and 2007 as a result of ICT, while the number of IT staff increased fivefold and the number of economists trebled. In the United Kingdom, 13 500 posts out of a total of 33 000 were redeployed to frontline activities in 2005-07 as a result of ICT.

ICT is likely to be an important driver of workforce reorganisation in the coming years. As noted in a recent report by the Working Party of Senior Budget Officials (OECD, 2010b) the development of ICT is important because of its potential for improving service quality and expanding choice for citizens and businesses, and also because of its potential for generating large savings through horizontal integration of executive agencies, automatised information processing, large economies of scale and electronic communication (e-government). Realising workforce savings as a result of ICT and redesign of work depends, however, on governments having instruments at their disposal to redeploy staff and to separate from surplus staff.

The impact of the changing demands of citizens and businesses is reflected in many of the factors discussed above. Citizens are demanding more integrated, individualised and accessible services, while businesses are demanding that governments become more efficient, agile and innovative. These and other demands will continue to create pressure for a flexible public service workforce.

Policies and instruments affecting size and allocation

While the challenges outlined above are common to most if not all OECD member countries, the instruments used by governments to adjust the size of the public service workforce and reallocate staff vary greatly:

- Some reflect a **passive approach**. These are measures to curb the growth of the workforce, such as natural attrition or a partial or total recruitment freeze. Others represent an **active approach**, e.g. cutting existing staff.
- Some are in place to respond to **regular pressures for efficiency**; these include automatic productivity cuts, performance management practices and management accountability frameworks. Others are **exceptional measures** – *ad hoc* downsizing of budgets and/or staff numbers, structural reforms, etc.

The choice of instrument(s) to use is shaped by a combination of factors: political views regarding the size and activities of government; expediency (a need to reduce budget deficits rapidly, political economy of reform); reform trends (e.g. NPM, outsourcing); and human resource management (HRM) policies (e.g. employment conditions for public servants, availability of workforce planning tools).

It seems useful for purposes of this discussion to group policies that have an impact on workforce size and allocation into three broad categories, as shown in Table 2.1. The information in the table is based on questionnaire responses received by the OECD Secretariat in April 2010 and on the literature review. It covers instruments used in past decades as well as current and planned measures that are discussed in the following section, and is illustrative rather than exhaustive. The categories are:

1. Structural and organisational reforms:

- Moving activities out of the public service through privatisation, outsourcing or corporatisation. Although the corporations involved may be fully or partially publicly owned, they operate on a commercial basis according to normal corporate rules.

- Moving activities into arm's-length agencies or transferring them to sub-national levels of government.
 - Organisational restructuring or streamlining – for example, the merging or reorganising of ministries, development of shared services, process re-engineering, flatter hierarchies, process automation and teamworking.
2. Budgetary measures:
- *Ad hoc* budget cuts.
 - Automatic productivity cuts.
 - Programme reviews, strategic reviews, spending reviews.
3. Human resource management measures:
- Job cuts/redundancy programmes.
 - Early retirement programmes.
 - Recruitment freezes.
 - Redeployment provisions.

Within the three categories, it is possible to distinguish between longer term strategies to change the scope of the public service and the way it operates and more immediate cost reduction measures (e.g. budget cuts, job cuts and recruitment freezes). The remainder of this section reviews the use of each of these groups of measures in past decades and, to the extent information is available, discusses the results achieved.

Structural and organisational reforms

Public management reforms in the 1980's and 1990's (earlier in some countries) involved, among other things, privatisation of government activities, outsourcing of activities to the private sector, and corporatisation of activities. There has also been significant restructuring of functions retained in the public service, involving the transfer of responsibilities to sub-national levels of government and shifting activities into arm's-length agencies of central government, principally in the 1990's and first half of the 2000's (OECD, 2005).

Table 2.1. Examples of reforms and instruments that have an impact on the size and allocation of the workforce

	Structural and organisational reforms			Budgetary instruments			HRM instruments			
	Corporatisation, privatisation, outsourcing	Transfer of activities to agencies or sub-national levels of government	Organisational restructuring/ streamlining	<i>Ad hoc</i> budget cuts	Automatic productivity cuts	Programme reviews/strategic reviews/spending reviews	Job cuts/ redundancy programmes	Recruitment freeze	Early retirement programmes	Redeployment provisions
Australia	1975 – late-1990's	In an <i>ad-hoc</i> manner	1996-99	1996-99	1987 on		1990's	1990's (some depts.)		Ongoing
Austria			Planned 2011-14	Planned 2011-14				1999 on		
Canada	1990's	1988-93	1989 on	2010		1990's on	1990's		1990's	Ongoing
Finland	1986-91, 2003	1986-91 2003	2003 on	1997 on	2006 on		1990's on	2003 on		2006 on
France	1990's	1980's on	Ongoing			2003 on		2007 on		2009 on
Japan	2005 on	2005 on	2005 on			2005 on		2005 on		2006 on
Korea		1993, 2008	2003							
Mexico		2007 on	2010 on	2007 on						
Netherlands	1982 on	1990 on	2007 on	1994 on		1981	2010 on			Ongoing
Norway	1992-08	2006								
Portugal		2005 on	2005 on	2010				2005 on		2006 on
Spain		2000 on	2010 on	2010				2010		
Sweden	1990 on	1988 on	2010 on	1990's	Ongoing		1980's, 1990's			1989, 1994 on ²
Switzerland		1996 on	1986-95	2003 on			2010			
United Kingdom	1990's	1990's	2004 on	2010		2004 on	2004-08		Occasionally	2008

Privatisation and corporatisation

The transfer of activities out of the core public service and into commercial public entities or into the private sector has been a frequent means of reducing the workforce in a number of countries.

The research to date did not reveal much information about what happened to staff when activities were transferred to the private sector or into public corporations. Were staff retained when their jobs moved? And if so, were they compensated for the change of status? Did staff have access to redundancy programmes? Were there changes to HRM policy that allowed staff to move at their own will, or that facilitated a more flexible transition? These aspects are important for harmonious industrial relations and in terms of costs. What were the transfer costs? Were lessons learnt that would lead countries to manage such reforms differently in the future?

An earlier OECD study (OECD, 2005) notes that outsourced government employees are often transferred to the private provider with their working conditions guaranteed – at least for a time – and that there is specific legislation in place for such situations in the European Union (EU) and some other OECD member countries. Some governments (e.g. Australia and the United Kingdom) have developed policies and guidelines for managing the staffing aspects of outsourcing relating to aspects such as negotiation with unions and a “clean break” approach versus a transfer of employees.

Outsourcing decisions should be taken strategically and not simply in order to take staff off the government budget. Experience shows that outsourcing requires significant in-house investments in specialist staff to manage the outsourced contracts. There is a risk that unless outsourcing is accompanied by concomitant changes in the level of public employment and rigorous monitoring of contracts, it may increase production costs rather than producing efficiency gains (OECD, 2010c, 2010d), and lead to a decrease in service quality (OECD, 2010b).

Transfer of activities into arm’s-length agencies

A number of countries followed the NPM trend of transferring activities into arm’s-length executive agencies. New Zealand and the United Kingdom were early movers in this field; Denmark and the Netherlands also make extensive use of agencies. Transfer is sometimes accompanied by major reforms in the terms of employment of public servants, to bring them more into line with conditions in the private sector (e.g. New Zealand). Other countries such as Canada, Germany and Sweden have a long-standing

tradition of central government bodies that are separate from traditionally structured ministries.

Moving activities into agencies was expected to be a more efficient organisational model capable of producing savings in operating budgets, and providing a more flexible framework for managing human resources. However, recent OECD work (2010a) suggests that sustainable workforce reductions and efficiency improvements are by no means a certain outcome. A review of experience in Denmark, the Netherlands and Sweden found that staff numbers in agencies increased, and in some countries there were indications that programme resources had leaked into administrative budgets.

Accountability and management frameworks for agencies are clearly key to efficient, effective workforce management. Sweden offers an illustration of how such frameworks can create ongoing pressure to continuously adapt staffing levels and the allocation of staff to evolving priorities. Each central government agency gets a framed budget appropriation from the government once a year. This is a lump sum that the head of the agency may use for localities, technical equipment and staff at their discretion. Politicians normally do not interfere in these decisions, but there are a number of drivers for increased efficiency. For instance, there is continued dialogue between the agency heads and their ministries about goals, results, new tasks and priorities, and methods for optimising the competence needed for given missions. There are also automatic yearly reductions in appropriations to increase productivity, based on measured productivity development in the private sector. When vacancies occur, agencies consider how to use the newly available resources, and when staff is needed the focus is firmly on the kind of competence needed. In short, the heads of agencies – who are themselves on temporary contracts – are to continuously adapt size, structure, processes and staffing in order to achieve the results needed.

Given the proliferation of agencies of various types in many countries in recent years, one area for further work should be the workforce implications of this trend – not only for individual agencies but also for the government as a whole – in terms of numbers and costs, the impact on the quality of services provided by staff, and the conditions under which staffing can be managed most efficiently.

Achievement of productivity gains is likely to depend to a great extent on the control and management arrangements applying to agencies, outlined below (OECD, 2005):

- Personnel rules:
 - Whether personnel are employed under general civil service rules, under a different framework applying to agencies, or under general employment laws.
 - The agency management's degree of flexibility in fixing grades, pay, bonus schemes, recruitment and promotion systems.
 - The degree of flexibility in adjusting staffing levels and mix.
- Budgeting rules:
 - Output/outcome-oriented budgeting and management. In many cases, contract management (see below) goes hand-in-hand with output/outcome-oriented budgeting and management, with relaxation of controls on inputs.
 - Multi-year budget allocations in exchange for commitment to a range of services and results.
- Management autonomy:
 - Senior management's ability to make decisions concerning the overall organisation and financial and personnel management of the entity without the constant involvement of, or need for approval by, the line minister or ministry or central management agencies.
 - Contract management: the extent to which agencies have a quasi- or fully contractual relationship with their line ministry/minister. An example is whether targets are set jointly by the line ministry and the chief executive and boards (where they exist), and chief executives report on and are accountable for achievement of these targets.

An area for possible further work is assessment of how the tools and degree of flexibility available to agency managers to adjust staffing and manage performance correlates with achievement of greater or lesser efficiencies in staffing.

Transfer of activities to sub-national levels of government

In a number of countries (France, Italy, Japan, Korea, Spain, Turkey and the United Kingdom are examples), there has been significant transfer of functions from central government to regional and local levels. As with the other structural reforms, such changes are not primarily about the size of the

workforce and should not be done simply to move costs off the central government budget. A major consideration has been to bring services closer to users and to provide increased autonomy to regional and local governments to deliver those services. Nevertheless, reducing the number of central government employees has also been an explicit objective in countries such as France and, more recently, Japan.

Organisational restructuring/streamlining

Most countries reviewed for this study have taken steps to streamline organisations and processes to improve public services and realise savings. In this regard, services are adopting some of the organisational reforms seen in the private sector over the past two decades or so. Initiatives commonly mentioned include process re-engineering, flatter structures, more use of ICT and redesign of tasks based on teamwork.

Some countries (e.g. Australia, Canada and Switzerland) carried out streamlining operations in the late 1980's or 1990's, whereas others have embarked on organisational streamlining more recently. For example, Austria has launched a major reform of its finance administration, involving merging 80 finance offices into 41, halving the number of hierarchical levels, simplifying processes, reorganising work around teams, and implementing e-government projects.

While these types of measures should be part of the ongoing effort to improve the functioning and accessibility of public services and to ensure that organisations are adopting best practices, they can have perverse effects if not managed carefully. The quality of change management is extremely important for preserving the capacity of the organisation following the changes, as well as for acceptance of the changes by the staff. Poorly managed reforms can result in costly mistakes, loss of talent and depressed morale. For example, a study of the effects of organisational de-layering in the Australian public service in the 1990's found that it did not produce as much as expected in terms of productivity gains, and in fact had a negative impact on the morale of managers (Dunford et al., 1998).

Budgetary instruments

A variety of budgetary measures have been used to manage the size and allocation of the workforce. These include both short-term measures such as *ad hoc* budget cutbacks, and longer term instruments such as programme reviews and automatic productivity cuts.

Ad hoc budget cuts

In periods of economic downturn and fiscal pressure, governments have often resorted to cutting or freezing operational budgets and in some cases budgets for services and transfers, forcing ministries and other public agencies to find savings. Such measures are sometimes driven by political as well as economic pressures, with calls for smaller, leaner government.

Examples of such exercises in past decades have included major cutbacks in Australia in the 1990's; a series of across-the-board cuts to departmental budgets from the second half of the 1980's to the early 1990's in Canada; and severe cuts in Ireland in the 1980's, affecting both services and administration. In Sweden, during the severe economic recession in the first half of the 1990's, around 50 000 employees are thought to have been laid off due to cutbacks in public expenditure.

These types of cuts have often been imposed across the public service in an undifferentiated way, forcing all areas to reduce their operating budgets equally. In contrast, however, to direct staff cuts (discussed below under human resource management measures), budget cuts typically allow the individual ministries or agencies to decide how to achieve the necessary savings, typically ruling out only the use of programme resources for administrative tasks. Line managers are free to fill their budget reduction target in different ways (OECD, 2010a).

Across-the-board cuts are a relatively crude measure and difficult to manage smoothly in terms of the workforce aspects, as shown in a number of negative reviews (see e.g. Dunford et al., 1998; Rusaw, 2004; GAO, 1999). For example, an assessment of the Canadian experience concluded that:

Across the board cuts and freezes that affect programs and services in an undifferentiated way have significant perverse effects. Such cuts erode the quality of public services, reduce the quantity of available services for the same level of taxpayer contribution and affect morale in the public service. Over time, they erode citizens' confidence in government, in the public sector and in public organisations. (Bourgon, 2009)

An OECD report (OECD, 2010c) warns that across-the-board cuts and freezes that affect programmes and services in an undifferentiated way have generally not helped reduce deficits in a sustainable way. On the other hand, the Swedish experience in the 1990's points to ways of managing workforce adjustment and restructuring that can help reduce the negative impacts (OECD, 1998).

Some countries have sought to mitigate the effects of cutbacks by applying them in a differentiated way, for example by applying less severe cuts to areas such as education and health. The current round of cuts in the United Kingdom, announced in the 2010 budget, exempts health and development aid, while education and defence will receive smaller cuts than other areas of spending. Austria has exempted education, the judiciary and the police from cuts. In Norway in the 1990's, staff reductions were specific to defence-related agencies and public companies. In Denmark, the decrease in the public workforce has been especially significant in the armed forces. In Sweden, the police force and the universities have grown in numbers in the past ten years, while the public service as a whole has decreased its workforce by approximately 9%, with general administration and defence shrinking most.

More needs to be known about the effects of differentiated approaches. For example, if some sectors are protected from cuts, has this resulted in proportionately larger cuts to other sectors, and what has been the impact in terms of the capacity of organisations to absorb these cuts? How have smaller organisations coped? Has it been possible to redeploy staff from sectors that are being downsized to sectors that are protected from cuts?

Automatic productivity cuts

A number of countries (e.g. Australia, Denmark, Finland, New Zealand and Sweden) use automatic productivity cuts (APCs), sometimes called “efficiency dividends”, which function on the assumption that the public service can deliver the same output with fewer inputs each year, including staffing levels. As noted in an earlier OECD report (2009a), when properly focused, APCs can not only reduce public expenditure, but also force ministries and sub-units to think more strategically about their workforce allocation and to plan for the future.

Countries that do not use this approach emphasise that productivity gains differ among policy areas, and that if a single productivity estimate is used for the entire government sector or for central government, sectors with relatively low productivity growth suffer. They also claim that productivity growth percentages cannot be determined objectively. However, these risks can be mitigated: first by flexible reallocation rules and the second by choosing a low productivity gain percentage that in the long run can still lead to savings (OECD, 2010a).

If a stable regime of APCs is put in place, this can lead to greater predictability of budgets and might reduce the need to resort to *ad hoc* budget cuts (OECD, 2010a). In terms of the impact on workforce size and allocation, it seems reasonable to hypothesise that APCs would lead to better

results when combined with instruments such as performance management, flexible allocation of human resources within and between organisations, and workforce planning. Nevertheless, it does not appear that APCs are very widely used. This is an area that merits further investigation from the viewpoint of workforce management.

Programme reviews, strategic reviews, spending reviews

The use of reviews to inform restructuring of government activities and to identify opportunities for efficiency and savings is indeed widespread (OECD, 2010a). Some countries use forms of policy evaluation in the context of performance-based budgeting (e.g. “strategic policy reviews”, Australia; “strategic reviews”, Canada; “general review of public policies”, France; “interdepartmental policy reviews”, Netherlands; “spending reviews”, United Kingdom – see OECD, 2010a). Reviews can be occasional (e.g. Ireland’s Special Group on Public Service Numbers and Expenditure Programmes, set up in 2008) or regular (e.g. the Netherlands’ periodic reviews, conducted since the 1980’s).

These types of reviews typically analyse not only the effectiveness and efficiency of current programmes but also the likely impact on outputs and outcomes of different resource allocation scenarios. As such, they offer a more strategic and sustainable way of driving efficiency and reallocating resources among priorities than *ad hoc* budget cuts, although the resulting workforce reductions could affect the morale and capacity of the public service. The lessons learnt in the United Kingdom show how review processes can be combined with specific measures to address workforce capacity (Box 2.1).

It is important to note that the efficiency programmes in the United Kingdom civil service are not stand-alone measures. Productivity measurement techniques are being refined in order to provide more accurate assessments of productivity movements. (Developments in this area are mentioned in UK Civil Service, 2010, which refers to Phelps et al., 2010). Initiatives are also being taken to assess the capability of the civil service to meet current and future challenges, with the launch of a series of departmental Capability Reviews (UK Civil Service, 2010). The United Kingdom has, since 2007, moved to a process of spending reviews as part of a wider set of reforms to modernise public spending and the performance management framework (OECD, 2010a).

Box 2.1. Review of the United Kingdom's Efficiency Programme 2004-08

In the United Kingdom the spending review process started in 1998. In 2004 the government accepted the recommendations of a report on public sector efficiency by Sir Peter Gershon. As a result, each department was set a series of efficiency targets to be achieved by March 2008, including:

- GBP 21.5 billion of annual efficiency gains;
- a staff reduction of 70 600 persons;
- 13 500 reallocations of posts to the “front line” of public services.

A progress review carried out by the National Audit Office found that the Efficiency Programme resulted in:

- greater focus on value for money issues among senior staff;
- improvements in the way public services were delivered;
- good progress in addressing efficiency measurement issues although problems persisted, which created a degree of uncertainty about some of the efficiency gains that were reported.

The workforce reduction target was exceeded, with a net reduction of 86 700 achieved by late 2008 compared to the targeted reduction of 70 600.

The review concluded that the headcount reductions reported were broadly robust but that reported reallocations of staff were found to be less reliable, partly because reported figures include projected rather than actual numbers of staff transferred, and partly because there was no overall agreed definition of what constituted a “front-line” role.

The review identified some issues with the transparency of headcount reductions reported by departments. In some cases, reductions made prior to the start of the Efficiency Programmes were included in departmental figures, there was not full disclosure of expansions in headcount, and staff reductions may have been counterbalanced in some cases by agency staff or outsourcing of staff to the private sector, thereby reducing the efficiency gains.

Source: National Audit Office (2007), “The Efficiency Programme: A Second Review of Progress”, report by the Comptroller and Auditor General, The Stationery Office, London, 8 February; and United Kingdom Civil Service (2010), “The 21st Century Civil Service”. Cabinet Office, London.

Programme reviews such as the United Kingdom's appear to offer a robust framework for identifying opportunities to adjust and reallocate, provided they are accompanied by workforce planning frameworks and that the public service employment framework facilitates redeployment and mobility, as well as separation of excess staff. As discussed in the following section, OECD member countries are at different stages in terms of developing workforce planning; only a minority appear to have reached the stage of integrated frameworks capable of bringing together budgeting, business and workforce planning.

The workforce management aspects of these instruments should be investigated more thoroughly in order to gain insight into how HRM policies and tools may influence outcomes, in terms of both workforce adjustment and medium- to longer term impacts on the performance and capacity of the public service. Experience to date suggests that the following aspects are important:

- Strategic reviews are likely to lead to significant reallocation of staff and/or changes in the size of the workforce (usually reductions). Human resource management aspects should therefore be treated as an integral part of such reviews and planned for from the outset.
- Workforce planning should be integrated with the strategic review and the medium-term budget framework.
- Strategic reviews should duly consider the capacity of the public service to meet current and future challenges, including matters such as leadership, skills and flexibility of the workforce and likely needs to renew the workforce in the medium term, for example through recruitment and staff development.
- Specific measures should be in place to support mobility and reallocation of staff if these do not already exist, and assessments should be made of the success in reallocating staff.
- Reviews could usefully seek to assess the impact of performance management arrangements on productivity, and to identify opportunities to improve these arrangements.
- Particular attention should be paid to the impact of reviews on the morale of the public service and on retention of key staff, and to change management aspects.

Human resource management measures

The scope for using different types of human resource management tools to adjust the workforce size and allocation depends partly on the employment framework applying to public servants, e.g. statutory provisions and/or collective agreements relating to matters such as job security, tenure in a particular position and provisions for dismissal. A key consideration affecting the measures available to governments in their role as employers is whether there is provision for voluntary or involuntary redundancy in the public service, and under what conditions. Provisions relating to mobility and redeployment of public servants are also critical.

Job cuts/redundancy programmes

Job cuts, in the sense of setting headcount reduction targets, do not appear to have been widely used in the past, the preferred approach being to implement budget cuts and leave managers to decide where to achieve the required savings. Canada implemented significant job cuts in the 1990's in the context of the Programme Review. As mentioned above, the United Kingdom's Efficiency Programme in 2004-08 set targets for headcount reductions as well as monetary savings. Some countries have set staff reduction targets in the past few years and there are indications that fiscal pressures may be leading to more widespread use of this approach (see Table 2.2).

In the past, countries with position-based employment systems have found it easier to use redundancy measures to reduce staff than countries with career-based systems, because the legal obligations to maintain employment tend to be more restrictive in the latter. However, this may change as career-based employment frameworks become more flexible in a number of countries.

Most countries have provisions in place for redundancy with leave allowance and/or reallocation assistance for the dismissed employee. This gives governments a wider range of options to manage downsizing and workforce restructuring. However, few countries regularly devise plans to encourage voluntary redundancy, and it seems that in general efforts are made to avoid compulsory redundancies, although these are not ruled out. It also seems that public service redundancy provisions are often more generous than those applying to private sector employees, although this would need to be verified on a country-by-country basis.

Redundancy provisions clearly favourable to the employee can help manage the political economy of downsizing in terms of avoiding industrial unrest. However, they do not avoid the problems associated with downsizing

(effects on morale, capacity and trust) that have been mentioned above in the section on budget cuts and that are discussed in more detail later on. One important aspect of redundancy programmes is how employees are selected, as this directly affects the capacity of organisations following a downsizing exercise. If there is a voluntary redundancy programme with employees self-selecting, or a “last-in-first-out” policy, this can lead to loss of staff that the organisation would have preferred to retain. An approach based on decisions about restructuring work and identification of surplus positions or staff is likely to provide more scope to manage the process smoothly. However, staff and unions are likely to oppose compulsory redundancies.

Early retirement measures

Few countries have used early retirement incentives to downsize (see Table 2.1). Presumably one of the reasons for this is the cost involved, given the relative generosity and structure of public service pensions in many countries. Indeed, the trend now is to reform public service pension schemes to bring them closer to private sector provisions, and to raise the retirement age.

For a limited time in the 1990’s, Canada introduced two incentives to encourage departures from the public service:

- An Early Retirement Incentive – a three-year programme for permanent employees who were declared surplus from any department or organisation where the Treasury Board was employer. Employees who took early retirement within 60 days of being declared surplus would not have their pension reduced as a result of retiring early.
- An Early Departure Incentive – a three-year programme for permanent employees who were declared surplus from departments most affected by downsizing (where the employment impact was beyond what could be managed through existing methods). The employees affected received a cash payment if they resigned from the public service, which varied based on salary, age, years of service and pension eligibility.

Over a four-year period, 1995-99, some 60 000 staff took advantage of early retirement programmes. The assessment was that the programmes enabled the public service to accomplish substantial personnel reductions with few involuntary departures and without labour unrest or service disruptions (Bourgon, 2009). However, it was a costly exercise: the cost significantly exceeded what was forecast and also seems to have exceeded the permanent salary savings achieved (CAD 4.2 million as opposed to the

projected CAD 2.3 million and permanent salary savings of CAD 3 million) (Centre d'analyse stratégique, 2009).

The fact that early retirement measures have not been used on a wide scale probably reflects the fact that such measures are costly in terms of both the immediate departure benefits and higher pensions costs over the long term. Moreover, as with voluntary redundancy, early retirement programmes do not give managers much control over who leaves and who stays, and therefore risk causing the departure of experienced staff whom managers might prefer to retain.

Freezing recruitment

Recruitment freezes, leading to downsizing by natural attrition as existing staff retire and resign, have been used to reduce public employment mainly (although not exclusively) in countries where there is no provision to make public servants redundant. A recruitment freeze can mean stopping all external recruitment or placing a limit on the percentage of vacant positions that can be filled. A freeze may be applied across the board, or certain sectors may be exempted, typically front-line staff in areas such as education, health or the police. In public services where large numbers of staff are to retire due to the ageing of the workforce, there may be scope for substantial reductions in staffing over a relatively short period by freezing recruitment.

These types of measures, while able to stabilise or reduce employment, do not facilitate active restructuring of the workforce. Indeed, recruitment freezes tend to create problems with the structure, allocation and skills base that can take a long time to repair. And like job cuts, they tend to depress the morale of remaining employees who have to take on additional work; indeed, because they are long-drawn-out, they may have a more detrimental effect on efficiency and morale than staff cuts, which are accomplished more rapidly. The nature of attrition and non-replacement of departing staff is such that organisations cannot control which posts will be left vacant and which organisations will be most affected. That depends largely on the organisations' age structure and previous recruitment patterns. Moreover, unless there is flexibility to redeploy or reassign staff (something that is still problematic in many public services despite reforms for more flexibility), a recruitment freeze can cause severe problems in the organising of work with remaining staff. As there is also generally a restriction on internal promotions to vacant posts, management structures may be affected. Finally, total or partial recruitment freezes restrict the injection of new skills into the workforce and so create skills gaps that will have effects elsewhere unless remedial action is taken sooner.

The impact of downsizing

Previous experience in a number of countries shows that job cuts (whether resulting from workforce reduction targets, redundancy programmes, large-scale early retirement programmes, recruitment freezes or budget cuts) have tended to have serious detrimental effects on the public service in terms of morale, capacity and trust, and can almost never be implemented smoothly (OECD, 2010a). Moreover, personnel reduction targets were not always achieved (although in some cases, as with the UK Gershon Review, they were exceeded). For instance, the various personnel downsizing operations that took place in the 1980's, and in the Netherlands in the 1990's (OECD, 2010a).

In Canada in the 1990's, the human resource aspects of cutbacks were not given sufficient attention and significant efforts were needed to restore morale and capacity. Similarly, in Australia in the 1990's, large-scale staff reductions were assessed to have had negative effects on the surviving labour force in terms of low morale and loss of expertise (Dunford et al., 1998). This was also the experience in the United States, where a number of factors, including workforce reductions in the federal public service in 1970's and 1980's, led to concerns in the 1990's and 2000's about loss of human capital, in turn leading to an emphasis on renewal of the public service. One of the assessments in this context was that many agencies did not strategically assess their HR requirements before downsizing and as a result lost some of their best talent (Soni, 2004). Another review in the United States found that a lack of adequate strategic and workforce planning during initial rounds of downsizing by some agencies may have affected their ability to achieve organisational missions. Some agencies have reported that downsizing in general led to such negative effects as the loss of institutional memory and an increase in work backlogs (GAO, 1999).

Concerns have also been raised that downsizing has reduced the capacity for organisational learning and knowledge management. Referring to the experience in the United States, Rusaw (2004) contends that “downsizing has eroded individual and organi[s]ational knowledge bases on which capacity for future operations rest” and that it “harms the capacity for individuals and organi[s]ations to tap information, develop long-term change strategies, and cultivate a climate for continuous learning and growth”.

A recent OECD report (2010c) cautions against *ad hoc*, arbitrary staff cuts for a number of reasons:

- Arbitrary staff cuts have generally been restored within five to ten years if the public's demand for services was not reduced or if no change in the operational delivery modes was undertaken.
- Even in the cases where there were successful cuts, the impacts have been limited, as compensation of government employees generally represents only about a quarter of government expenditures.
- Some staff cuts are in fact the result of “hidden” institutional changes, in which government entities are transformed into other types of organisations that may have some sort of hybrid status but are still funded by government or mandatory fees, or are at best semi-public organisations.
- Staff cuts tend to produce a huge level of anxiety. During implementation, employees tend to focus on saving their jobs and careers rather than on the delivery of public services.
- The best staff members tend to leave first, and the public sector ends up with the least productive people. In addition, when the government starts hiring again, it has to train people and devote scarce resources to hiring procedures.
- Politically driven staff cuts may also affect continuity in policy implementation by diminishing the professional culture of some organisations, a culture that can provide the values, capacity, knowledge, and memory necessary for effective service delivery.
- Many countries have ageing public services (older than the rest of the population) and are looking to retirements to cut staff. This can be less disruptive than across-the-board cuts, but if combined with incentives for senior workers to retire, it can lead to higher pensions. And if increased rates of retirement are combined with across-the-board cuts, there can be a significant impact on the ability to provide public services.

The Swedish experience with carrying out major staff reduction and restructuring programmes in the 1990's suggests that while cuts are never the ideal approach, there are steps that can be taken to lessen the negative impact. While the measures taken reflect Sweden's highly decentralised HRM system and strong tradition of union-employee relations, there are nevertheless important general lessons that are worth considering and still likely to be relevant, as outlined in Box 2.2.

Box 2.2. Lessons and promising practices from the Swedish experience of staff reduction and restructuring in the 1990s

Agency executives and leadership should increase their visibility and availability to staff during periods of staff reductions and restructuring.

Encourage innovative thinking from agency staff involved in staff reductions with regard to seeking and evaluating outplacement strategies. For such a focus to be successful, however, it pre-supposes substantial delegation of authority and streamlined channels of clearance for staff to develop action plans, commit resources, and even enter into agreements with other institutions or prospective employers.

Provide staff with continuous information on the status of and strategy for reductions and reorganisations. Work on the principle that one can never provide too much information.

An outplacement programme should seek to “activate” every individual in taking responsibility for finding their own new employment. To this end, each employee should be required to work out a personal development and strategy plans based on careful assessment of their particular situation conducted with the guidance and support of trained staff. The process of “activation” should include attention from management and human resource staff and a structured programme that includes regular activities, counselling, and follow-up.

In agencies engaged in large-scale staff reductions, one individual in the organisation should have full-time responsibility for co-ordinating the operations of the activity, and serve as a central point of information and expertise. Moreover, the responsible individual(s) must have secure employment, and not themselves be in fear or position of layoff or transfer.

There may be merit in removing redundant workers from the regular workplace and housing the downsizing organisation in a separate location, both to allow time and space for redundant workers, and to maximise opportunities for a new culture and positive environment to grow in the new organisation.

Provide managers (particularly mid-level managers) with training and support for managing reductions among their staff. Recognise the personal difficulties and stress involved in firing and reorganising staff.

Provide support and counselling for staff that are remaining with the organisation to ensure that they are both technically and emotionally prepared to deal with their new roles in the new organisation.

While staff reduction programmes should be decentralised, it is important to have some central mechanism for sharing expertise and best practices across government.

Box 2.2. Lessons and promising practices from the Swedish experience of staff reduction and restructuring in the 1990's (*cont'd*)

Human resource management staff should work to express the costs and benefits of staff reductions in quantitative financial terms. This is particularly important in maintaining credibility, accountability and control. Staff reduction programmes could include innovative features such as making financial deals with private sector employers and providing costly training and development that might lead to new jobs. It is possible to show that where these programmes are carried out well, the agency can save money or break even again severance costs while, at the same time, securing employment for redundant workers.

Source: OECD (1998), "Public Sector Workforce Adjustments in OECD Countries: Interim Report", PUMA/HRM/RD(98)1, pp. 56-57, OECD, Paris.

Redeployment provisions

Box 2.3 shows examples of redeployment provisions applying to surplus staff. Redeployment measures are important tools for employers to manage staff reductions and reallocations, and for retaining the skills and experience needed to deliver services. They are also important in terms of supporting surplus staff and managing change smoothly. Some of the measures outlined below are very recent, and it seems that governments are trying to do more in this area. It is interesting to note that some career-based public services that do not have provision for redundancy have recently introduced statutory measures relating to redeployment of surplus staff (Portugal in 2006; France in 2009), or concluded collective agreements providing for more flexibility to redeploy staff so as to facilitate restructuring of public services (Ireland in 2010).

While surplus staff in some countries have a right to seek redeployment (statutory rights or guarantees under labour laws or provisions in collective agreements), in other countries there is no such automatic right and redundant staff are supposed to seek work on the general labour market (Sweden, where a special job security arrangement provides support for this).

Box 2.3. Examples of redeployment provisions

Australia: Excess public service employees are given two options: *i*) termination of employment with receipt of a retrenchment benefit (based on years of service and capped at a maximum of 48 weeks pays), or *ii*) retention in employment for up to 7 or 13 months, depending on the employee's age and length of service, during which time the employee seeks to be redeployed elsewhere in the Australian Public Service (APS).

There have been a variety of arrangements to deal with redeployment in recent years. In 2008, a Career Transition and Support Centre was established for two years within the Australian Public Service Commission to assist excess and potentially excess employees with redeployment in the public service. It provided career guidance to employees before and after restructuring operations. In 2011, at the government's initiative, a register was set up to assist excess and potentially excess APS employees seeking redeployment to another APS agency.

Canada: Laid-off employees have a right to priority placement in the public service for one year (6 months paid surplus, 12 months unpaid surplus status, and 12 months following the layoff). After a deputy head informs an employee that s/he will be laid off and before the layoff becomes effective, the Public Service Commission may appoint the employee before all other persons to another position under the deputy head's jurisdiction if the Commission is satisfied that the employee meets the required qualifications. Transition services such as career counselling, job search assistance, and financial and employee assistance counselling are provided for surplus employees.

Finland: Redundant civil servants have a right to priority redeployment in their own agency; there is no right to priority placement in the state sector generally. A 2006 government resolution on the arrangement of government staff positions in the event of an organisation's restructuring presents a framework and general outline of ways to find new tasks for government employees at risk – firstly, within the same government unit; secondly, within a government unit operating in the same administrative branch; and thirdly, within a government unit operating in a different administrative branch in the employee's commuter area.

The Civil Service Act allows employees to transfer to another agency or employed for a fixed-term in order to improve their skills before being let go completely. During this period the employee remains employed by their "home" agency. An agency reduction staff is responsible for putting a support scheme in place.

Redundant staff may partake in short-term development and vocational training courses arranged by their agency. With their consent, staff may be transferred to another agency permanently and can get training for their new tasks funded by the "home" agency. There is no central inter-governmental mobility programme.

Box 2.3. Examples of redeployment provisions (*cont'd*)

France: A law adopted in 2009 promotes geographical and occupational mobility in the civil service by consolidating possibilities of secondment, outplacement and integration of civil servants in jobs unrelated to their previous position. It increases possibilities to combine part-time jobs, use temporary agency staff and recruit staff under private law employment contracts. After drawing up an occupational plan with their line managers, employees whose position is abolished or changed have to engage in occupational guidance, training and validation of their work-based experience. Their department must propose redeployment solutions in line with their pay grade and personal career plans, which take into account where the employee lives and their family situation. The law provides more possibilities for civil servants to combine part-time jobs and makes it easier to recruit staff on private law employment contracts – that is, without civil service status. Moreover, the law extends the recruitment of temporary agency staff to the national civil service and local authorities – this option was previously only possible in public service hospitals.

Japan: A programme launched in 2006 to reduce personnel and costs has necessitated a redeployment programme, the aim being to avoid dismissals. Redeployment, rather than new recruitment, is the preferred option. The government has set up a Headquarters for Redeployment of National Civil Servants under the Cabinet. The headquarters is supported by a secretariat and regional promotion councils. The functions of the secretariat include providing information for target staff; collecting their wishes, with regard to redeployment matching between staff and new employer ministries; matching by regional level, a task co-ordinated by regional promotion councils; and providing training for redeployed staff as well as HR managers in the new employer ministries.

Netherlands: When a reorganisation occurs, an action plan must be drawn up; the plan should include the measures to be taken in respect of individual civil servants whose jobs have disappeared or who have become supernumerary. A placement and redeployment committee is established and an individual counselling plan drawn up for civil servants who are being redeployed. The basic principle of redeployment is that candidates should be moved to another position within the central government sector. The ministry or agency has to offer the employee an appropriate job within its own organisation or elsewhere in the central government sector within 18 months, and candidates are obliged to accept the “appropriate job” when it is offered. During the 18 months, employees receive full salary.

Redeployment candidates post their details on a *Civil Service Mobility Database*. Candidates and their employers search the database for suitable vacancies. If necessary, the employer brings the candidate to the attention of another ministry that seems to have a suitable vacancy.

Box 2.3. Examples of redeployment provisions (*cont'd*)

New Zealand: The government believes that a whole-of-government approach for redeploying surplus staff with the state services will improve the quality of change management processes used by agencies, and help to:

- retain the skills, experience, institutional knowledge and specialised competencies of public servants;
- ensure that state services agencies are good employers throughout any change management process;
- reduce the financial cost of redundancy compensation payable;
- increase the pool of credible candidates for vacancies in the state services.

A “redeployment pool” of redundant public servants has been established to retain and redistribute talent. The redeployment process is also available for non-public services departments and Crown entities both within and outside “core government administration”, should they wish to participate.

Portugal: A law passed in 2006 establishes a common mobility regime for the public administration, covering both civil servants and contract employees. Those affected by organisational restructuring or rationalisation may be offered mobility within their employing service, or placed in a “special mobility situation”.

Staff members placed in a special mobility situation go through a procedure that includes:

- A transition phase of up to 60 days, intended to allow the person to continue their functions without the need to attend vocational training initiatives. Staff members continue to be paid their monthly basic remuneration during this phase.
- A re-qualification phase of up to ten months after the transition phase is complete. This is designed to strengthen professional abilities. Staff members are paid five-sixths of their monthly basic remuneration during this phase.
- A compensation phase that runs for an indefinite period, intended to support the civil servant/employee to take on new functions.

Two special mobility methods exist:

- reassignment to another service, on a transitional basis or for an indefinite period of time;

Box 2.3. Examples of redeployment provisions (*cont'd*)

- resuming of functions in any service, also on a transitional basis or for an indefinite period of time.

A key tool has been the retraining and support to assist staff as they move on to activities in other sectors.

Departments and ministries can send surplus employees to a central pool; managers from other departments are required to recruit from this pool first. The pool provides a mechanism for dealing with workers who are no longer required, but who have been nominated as civil servants for life, and therefore cannot be made redundant. In the employment pool, employees are paid a percentage of their former salary that diminishes over time, until two-thirds after one year for an indefinite period. Staff members retain their rights to vacation and special leave since the period in the pool counts for retirement entitlements, and there is an obligation to attend training.

Source: OECD (1998), “Public Sector Workforce Adjustments in OECD Countries. Interim Report”, PUMA/HRM/RD(98)1, OECD, Paris; New Zealand State Services Commission (2009), “Government Expectations for Redeployment in the State Services”, Government of New Zealand, www.ssc.govt.nz/redeployment; presentations by national delegates to the OECD Employment Working Party 15-16 December 2009.

Summary of experience with past approaches

While the historical review has provided a great deal of information on the types of measures that have had some impact on the size and allocation of the workforce, there appears to be much less information on the precise impact, isolated reviews aside. The results of many of measures are unclear, in terms of effects on the size and reallocation of public service employment, and effects on matters such as capacity, morale, performance, service quality, continuity of service and efficiency. Scarcity of information suggests a lack of evaluation – and if that is the case, it is a serious shortcoming that could eventually force governments to deal with unplanned and unanticipated consequences.

This review has not turned up much information about managing the political economy of reforms. The only evidence to emerge is that in Australia and Canada, redundancy packages and an early retirement programme respectively have helped achieve large staff reductions without industrial unrest, and in Sweden measures to support reintegration in the general labour market and careful management of the human aspects of downsizing helped win acceptance for restructuring the public service.

Large-scale workforce reductions have been achieved through structural reforms of the public sector – involving, for instance, privatisation and outsourcing of activities, or their transfer to public corporations – although those reductions were not the primary aim of the reforms. Such exercises need to be accompanied by effective change management arrangements for staff – transitional terms and conditions of employment, redundancy and redeployment arrangements for surplus staff, and consultation or negotiation with unions are examples. These arrangements are important for avoiding industrial unrest and forecasting and managing the costs associated with the HRM aspects.

Small-scale staff reductions have been achieved by efficiency measures such as organisational streamlining (use of IT, delayering, etc.) or restructuring of organisations (merging ministries, shared services, etc.). Such measures improve productivity, but they require redesign of work, reskilling staff and managers, and the flexibility to redeploy staff.

Apart from restricting the scope for workforce planning and restructuring, *ad hoc* downsizing exercises could generate substantial longer term negative effects on public services in terms of loss of capacity, depressed morale, and loss of trust between staff and the employer. All of these are likely to reduce staff performance, and so place continuity of service and the reputation of the public service in jeopardy. Downsizing has often been conducted across the public service in an undifferentiated way,

rather than being targeted on lower priority areas. Furthermore, in countries where redundancy provisions are not available to achieve more rapid staff reductions and restructure the workforce, the recourse to natural attrition has had a suffocating effect on the public service. As a result, any entry of new talent is stymied, there are difficulties reorganising services, and it takes managers that much longer to rebuild morale. These are critical issues requiring close attention and careful management. For public services, continuity of service is a core value and a structural requirement for maintaining the trust of citizens in government. Once weakened or lost, trust can be very difficult to rebuild.

If undertaken, downsizing should be part of a broader strategy to improve efficiency and service delivery; that strategy should include measures to safeguard morale, trust and capacity. Also, it should be undertaken within a framework of strategic workforce planning aimed at minimising adverse impacts and optimising decisions about the reduction and reallocation of staff. Although used in only a minority of OECD member countries, automatic productivity cuts (APCs) – combined with greater flexibility and autonomy for managers – appear to be useful in managing the size of the workforce in a more sustainable (orderly and cost-effective) manner over the longer term. Programme reviews or spending reviews are seen by the countries that use them as a better way to find savings or reallocate resources than across-the-board cuts (OECD, 2010a). However, experience has shown that unless the workforce aspects of the resulting initiatives are well analysed and carefully implemented, the results can be just as detrimental for the capacity of the public service as *ad hoc* across-the-board cuts.

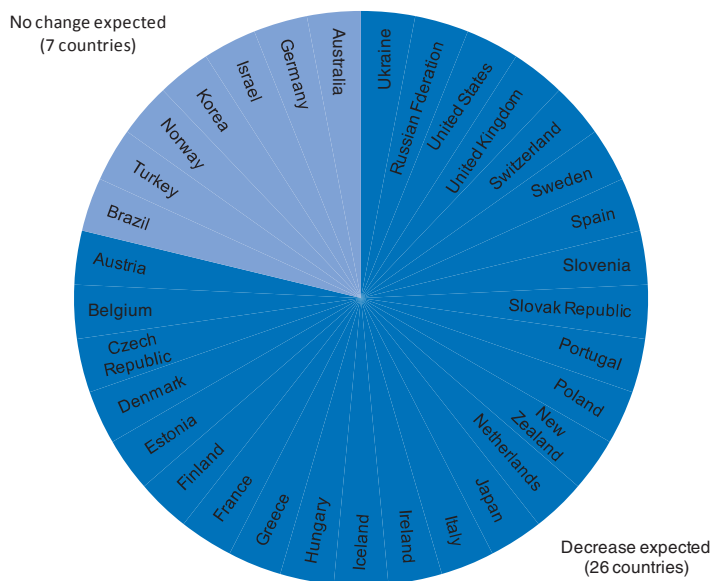
Current workforce initiatives

Measures to adjust size and allocation

The need to reduce budget deficits is driving cuts in public spending in many countries, with concomitant pressures on public employment (both the size and the allocation of the workforce), as well as salaries and pensions of public servants. At the same time, many governments are committed to ongoing investment in reforms of the public service designed to address issues of productivity, quality, ageing populations and other longer term challenges. Reforms of the public service are viewed by many governments as essential for coming out of the recession. The problem for governments is how to balance these objectives so that cutbacks do not undermine reforms.

Countries' responses to the OECD 2010 HRM survey indicate that over three-quarters of the countries that responded are planning reforms that will decrease the public workforce in more than half of the agencies and ministries within central government. In addition, while seven countries have indicated that they do not plan to decrease workforce levels, none plan to increase workforce levels.

Figure 2.2. **Anticipated changes in employment levels in more than 50% of agencies and ministries (2010)**



Note: Data are not available for Canada, Chile, Luxembourg, and Mexico.

Source: OECD (2010), "2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries", GOV/PGC/PEM(2010)2, OECD, Paris.

Based on information provided by a selection of countries in late 2009 and April 2010, Table 2.2 provides examples of measures recently launched or planned in a cross-section of member countries. It is important to note that most of these initiatives were designed and had begun to be implemented before the crisis, although they have been supplemented by additional cost-cutting measures in some countries.

Table 2.2. Examples of measures to adjust the size and/or the allocation of the workforce in central/federal government currently and in the next few years

Country	Type of measure implemented or planned
Austria	The number of permanent posts on the federal level will be reduced by 2 900 through an increase in productivity in the period 2011-14. The replacement ratio for staff leaving through retirement is one to two. Occupational groups such as police and judges as well as teachers and administrative staff in schools will not be affected by these savings.
Canada	Budget 2010 – restrain overall federal spending: freeze departmental operating budgets, that is the total amount spent on salaries, administration and overhead; launch a review of administrative services to improve their efficiency and eliminate duplication; closely review all departmental spending to ensure value for money and tangible results.
Estonia	In April 2008, the government instructed ministers to keep the personnel costs of their ministries at that year's levels. In July 2008, the government instructed the ministers to reduce their operational costs for 2009 by 8%. As of 2010, the personnel costs were approximately 15.5% less than in 2007. In spring 2010, the national retirement age was increased.
Finland	A number of structural measures were implemented in 2009 and 2010, including merging agencies (e.g. in the fields of health and welfare, transport and police); a major university reform and a regionalisation programme that will transfer 4 000 to 8 000 government jobs out of the capital city region by 2015. The regional state administration is being reorganised to enhance services for the citizen and customer, as well as to increase efficiency and productivity in its functions. All state provincial offices, employment and economic centres, regional environmental centres, environmental permit agencies, and occupational health and safety districts were phased out, and their functions and tasks reorganised into two new regional state administrative authorities from the beginning of 2010: the Regional State Administrative Agency and the Centre for Economic Development, Transport and the Environment.
	The Ministry of Finance is continuing to redesign administrative and HRM processes across the government. A combined, fee-based Administrative and Human Resources Management Service Centre for central government began operating at the beginning of 2010.
France	The General Review of Public Policies (RGPP) which took effect in 2007, aims to rationalise costs and improve the quality of public services. About 400 decisions have already been taken during this process, and a new step was launched in 2009 (RGPP2). HRM is a key aspect of the reform, with the goal to only replace half of the retired state administration agents. The effect estimated since the launch of the reform is a reduction of about 100 000 agents in the state administration.
	HRM processes, e.g. recruitment and training, will be reviewed in the RGPP2 framework. The review will be extended to state agencies.

Table 2.2. Examples of measures to adjust the size and/or the allocation of the workforce in central/federal government currently and in the next few years (*cont'd*)

Country	Type of measure implemented or planned
Greece	Since the end of 2009, there has been an effort to substantially decrease the number of employees in public administration. Starting from 2011, the replacement rate for staff leaving through retirement will be set at 20%. Reorganisation of public administration is a strategic goal of the government, the long-term goal being the implementation of “one-stop” services. The government has been restructured, with fewer ministries. The number of local councillors has been halved and from 2014 the number of MPs will be 200 instead of 386. Administrative authorities have regained the right to examine the legal functioning of local councils within their areas, a measure intended to combat corruption. The administrative authorities are state institutions with wide-ranging jurisdiction; from 2011 they will have stronger rights, becoming government offices. With a view to renewing the public administration with a young, professionally qualified generation with foreign language abilities, the government has announced a programme unique to Hungary called Government Career Expo with the slogan “Re-Generation”, aimed at professional graduates and career starters. The government wants to develop the recruitment of leaders with experience and talent in administration. A new programme, the Hungarian Scholarship in Public Administration, provides 300 career starters with the opportunity to gain experience by spending several months in the public administration system of another EU member state, and then in the Hungarian system.
Iceland	There has been considerable restructuring in the public sector as a result of the financial crisis that Iceland has faced since October 2008. There have been major changes within agencies and hiring freezes. Some agencies have wanted changes to their retirement age, and agencies have carried out a full-scale needs analysis to find out which, if any, assignments they can either contract out or halt. There has also been a degree of delegation to other public or semi-public organisations. Major changes in the structure of ministries was planned for fall 2010, which were to be decreased in number and combined.
Japan	Net reduction of staff by more than 5% since 2005. In 2006, net reduction was set at 5.7%, or 18 900. Natural attrition will afford a 1.5% reduction, while structured review of specific sectors is expected to result in reduction of the remaining 4.2%. In the sectors reviewed, no new recruitment shall be carried out to replace retirees. In addition, an estimated 2 900 staff will be redeployed among ministries over four years, with a commensurate decrease in new recruitment.

Table 2.2. Examples of measures to adjust the size and/or the allocation of the workforce in central/federal government currently and in the next few years (*cont'd*)

Country	Type of measure implemented or planned
Netherlands	Differentiated approach to staff reduction. Targets set for 2008-11: policy staff -20%; support staff -20% (establishment of shared services); implementation staff -5% to -10%; inspection staff -20%. The Budget for 2010 focuses on central government reform by reducing the size of the civil service. By the end of 2011, the number of civil servants is expected to have been cut by 12 800 full-time equivalents. Half of this operation was expected to be complete by the end of 2010.
Norway	No major reforms planned. Two major structural reforms that had an impact on the size and allocation of the workforce were carried out in 2002 and 2006. In 2002, hospitals owned by the government and the counties (municipality sector) were transformed into 100% state-owned companies with about 100 000 employees the majority of whom came from the municipality sector. In 2006, two government agencies – the Norwegian Directorate of Labour and the National Insurance Service – were fused to establish the Norwegian Labour and Welfare Administration, which also took on the responsibility of the municipalities for social (financial) help. In 2000-05, employment in the central government administration grew at an annual average of 1.6%. In 2005, the government introduced the Programme of Reform of the State Central Administration (PRACE); its aim was to cut costs and increase efficiency by simplifying and modernising public administration, and streamlining its structures through reorganisation of ministries and their duties. As a result, there has been a 26% reduction of general management bodies and public agencies as well as a 24.5% reduction in managerial positions. In the PRACE, the current duties of central government were reassessed to establish which should be maintained, ended or transferred to other public or private entities, as well as the decentralisation of duties to local authorities (in the areas of public service delivery). The restructuring was followed up by a staff rationalisation process. The government set up a new “Special Mobility System” (SME) to deal with redundant staff. Staff linked to public administration or in a Special Mobility System are given preference in recruitment. The government has brought the social protection scheme for public sector workers more into line with the general scheme, with the double objective of extending the working life of the workers and ensuring the future financing of the pension system. Several measures were introduced: <i>i</i>) raising of the legal age of retirement progressively to 65 years; <i>ii</i>) change in how pensions are calculated; <i>iii</i>) introduction of a sustainability factor that takes account of the increasing average life expectancy; <i>iv</i>) introduction of a pension bonus for each additional year worked beyond the legal retirement age; <i>v</i>) limitation on the conditions of access to early pension and an increase in the penalty amount for early retirement.
Portugal	

Table 2.2. Examples of measures to adjust the size and/or the allocation of the workforce in central/federal government currently and in the next few years (*cont'd*)

Country	Type of measure implemented or planned
Spain	In 2010, the Spanish Government approved a plan of immediate action for 2010 and a plan of economic austerity for the general administration of the state during 2011-13. The government's short-term goal is to restructure the volume of public employment, reducing recruitment of new personnel in areas not considered priorities while at the same time maintaining the quality of services offered to the public. In the 2010 plan, efforts to reduce personnel costs were focused on reducing the public employment offering to 10% of cash replacement value and in not hiring interim staff. The replacement rate is higher in priority areas such as health, education and security forces. The 2011-13 plan includes a 3-point reduction of state costs in GNP. In order to reach this objective, a policy will be implemented for controlling personnel costs, including a considerable moderation of salaries and a strategy for restricting offers of public employment (practically freezing recruitment, with a global replacement of only 10% of positions).
Slovenia	Since 2004, the government has decreased the number of employees in public administration bodies by 1% each year. The same target is set in the "Common Staff Plan" for the years 2011-12.
Sweden	The tax administration has been merged into one body, as has the social insurance administration. As of 1 April 2010, a new agency – the Swedish Transport Administration – was formed by merging the former Road Administration and the Rail Administration into a single body, whereas the construction divisions of these two agencies have become companies.
Switzerland	A consolidation programme for 2011-13 aims to reduce the budget of the Confederation by CHF 1.5 billion per annum. Current estimates indicate that this will be sufficient to meet deficit reduction targets over the current financial plan period. The programme will enable rapid implementation of budget cuts and reforms resulting from a review of functions, as well as suppression of some functions.

Table 2.2. Examples of measures to adjust the size and/or the allocation of the workforce in central/federal government currently and in the next few years (*cont'd*)

Country	Type of measure implemented or planned
United Kingdom	Significant investment since 1997. However, the impacts of the current recession and the commitment to halve the current deficit over the next four years have forced a review of the public sector pay bill. Efficiency Programme implemented in 2004-08 generated GBP 21.5 billion of annual efficiency gains. reduced head count by 70 600, and led to 13 500 reallocations of posts to front-line services. Most recent announcements have focused on a leaner central government and protecting the front line, as well as reducing the cost of redundancy (with reform of the Civil Service Compensation Scheme). Measures include merging or abolishing arm's-length bodies, integrating back-office functions, selling off government assets, streamlining the senior civil service, and reducing management layers and cost. Workforce productivity improvements that recognise the balance between costs and quality.

Source: Information provided by governments in response to a request for information issued by the OECD Public Governance and Territorial Development Directorate to national delegates to the Public Employment and Management Network in April 2010; presentations by delegates to the OECD Public Employment and Management Network, 15 December 2009 on “Recent Experiences in Government Downsizing and Reallocating”, as well as additional research undertaken while preparing this paper; and responses to OECD (2010), “2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries”, GOV/PGC/PEM(2010)2, OECD, Paris.

Longer term strategic actions vs. shorter term reactive measures

The measures shown in Table 2.2 fall into longer term strategic actions to restructure the workforce and shorter term reactive measures designed to help restore fiscal balance.

Longer term strategic restructuring:

- productivity improvements (Austria, Finland and the United Kingdom);
- efficiency/value-for-money measures (Canada, France, Japan, the Netherlands, Switzerland and the United Kingdom);
- process re-engineering/shared services (Finland, France, the Netherlands and the United Kingdom);
- structural reforms (Japan, Norway, Sweden and the United Kingdom).

Shorter term cost reduction measures:

- freeze on departmental operating budgets (Canada);
- downsizing operations (Finland, the Netherlands and the United Kingdom);
- partial or total recruitment freeze (Austria, France, Greece, Ireland, Italy, Japan, Spain, Portugal).

Governments continue to engage in reforms aimed at improving productivity, efficiency and value for money, as well as structural reforms of the public sector. For example, Finland expects to achieve staff reductions through productivity measures and rationalisation of support services; Norway and Sweden continue to implement structural reforms that have an impact on the size and allocation of the workforce, such as merging agencies and transforming government entities into companies; and the United Kingdom is using a combination of structural reforms, efficiency and productivity measures, and staff reductions.

Some countries have imposed ceilings on staff numbers through the budget, as a device to control the size of the workforce. This may be done in a centralised or decentralised way. In the Netherlands, staffing ceilings, which are set by the budget law, are decentralised to ministries and agencies. In New Zealand, a global cap currently applies to the size of the core government administration. Applying a global cap is intended to allow for greater flexibility in rebalancing staff numbers and resources between and

within organisations to focus on front-line service delivery. Crown entities and non-public service departments excluded from the “core government administration” are expected to exercise restraint in back-office staffing and focus on front-line service delivery.

The current economic crisis has seen a return to *ad hoc* budget cutbacks in many countries, as part of a package of measures intended to rapidly reduce budget deficits, as noted earlier. The recent budgets in Germany, Spain the United Kingdom and a number of the smaller euro area countries have included significant cuts in public spending as well as measures targeted specifically at reducing the . Australia has increased the rate of the efficient dividend to the operation expenditure of the public service agencies from 1.25% to 1.5% in its 2010 - 2011 budget. Canada’s 2010 budget has frozen departmental operating budgets as well as launching a review of administrative services to improve their efficiency and eliminate duplication. Poland’s new Act on Rationalisation of Employment will mean a 10% cut in ministries. In Portugal, recruitment restrictions in place since 2006 mean that only 50% of retired public servants are replaced. In Italy, the replacement rate for 2010-11 is set at just 20% (see Box 1.1 for further examples).

Where countries already have budgeting and performance management tools in place that create regular pressures for efficiency, along with strategic workforce planning frameworks and flexible tools to reallocate staff, it might be expected that they would have less recourse to reactive measures. However, this is not always the case. Countries such as Canada, the Netherlands and the United Kingdom that have invested extensively in planning, budgeting and workforce management tools as well as HRM reforms have opted for cutbacks as well as longer term strategic measures to restructure the workforce and improve productivity.

It is important to note that in most cases, cost-cutting measures are not being taken in isolation. There seems to be an appreciation that sustainable savings require sustainable reforms. For example, Portugal implemented major reforms of public service employment and human resource management policies starting in 2005. Ireland has recently concluded a collective agreement with public service unions to transform working practices and make redeployment more flexible in the public service. Canada’s latest measures to restrain spending come against a background of strategic reviews of public service activities, significant investment in public service renewal, and human resource management reforms. In other countries, such as Finland, the Netherlands and the United Kingdom, there is significant restructuring of the public service going on, including for example, shifting more staff into front-line services and achieving staff reductions and savings on administrative budgets through setting up shared

services. In Belgium, where all ministries are obliged to cut expenses and there are restrictions on recruitment, ageing is expected to result in an overall exit of 40% of the workforce in the next ten years, and this is viewed as an opportunity to free up funds for more selective recruitment.

Some countries evidently have longer term workforce strategies in place that seek to balance fiscal discipline with responses to demographic pressures and ongoing improvements aimed at improving capacity, but it is not clear that governments everywhere are focusing adequately on these matters in the current context of cutbacks or indeed that there are adequate workforce planning frameworks in place.

While countries may opt for short-term cuts to deal with their budget crisis, and indeed may have little choice but to do so in some cases, they face the problem that (based on past experience) this risks impairing the capacity of the public service to meet longer term challenges. However, at least in some countries, current cutbacks appear to be combined with a range of other instruments, which may help to mitigate damage to the capacity of the public service. Factors that may affect the medium- to longer term outcomes include:

- whether budget cuts are applied in a selective way or imposed to the same extent across-the-board;
- whether the cuts are combined with programme reviews or spending reviews that identify opportunities to improve efficiency and to target cuts in ways that avoid priority areas;
- whether budgetary mechanisms such as rolling expenditure frameworks and medium-term planning will make it possible to manage cutbacks more smoothly;
- whether workforce planning systems are used, so as to avoid cuts that would in the medium- to longer term damage capacity in terms of staff numbers and competencies;
- whether there are selective redundancy tools that enable cuts to be applied in ways that avoid the loss of talented people;
- whether, in addition to cutting budgets, governments are reforming public services to improve performance and efficiency, eliminate hidden costs, and introduce more flexibility in human resource management;
- whether the age structure of the workforce offers the possibility to target cuts in ways that make it possible to renew the skills base by bringing in new talent – for example early retirement.

At the same time, the current pressures may offer the opportunity to renegotiate work practices in order to increase flexibility, thereby laying the basis for improvements in efficiency and service delivery. The crisis also offers the opportunity to reform public service pension schemes so as to prepare for the ageing of the workforce.

It is essential that governments make the most of these opportunities to protect capacity and increase flexibility in order to place public services on a sound and sustainable footing for the coming years. A core aspect that should be at the top of the agenda in this context is maintaining the trust of citizens in public administration. This is something that can easily be weakened if the quality and continuity of public services are perceived to be damaged by cutbacks. Trust also depends on maintaining high standards of ethics and integrity in the public administration and in government generally. It is most important, therefore, that the search for increased efficiency and flexibility in the public service does not lead to any weakening of strict HRM rules that prevent patronage and corruption. Citizens' trust is likely also to be affected by their perception of fairness in how cutbacks are allocated between employees in the public and private sectors, so governments need to consider carefully which aspects of public service employment conditions are necessary to protect integrity and ethics, and which should be reformed and brought more into line with conditions in the private sector.

Shared services

As noted in a recent OECD study (OECD, 2010a), before 1990, support services such as human resources, internal audit, procurement, and accommodation and facilities tended to be managed by central offices for the national administration as a whole. However, with the establishment of arm's-length agencies and loosening of central controls in order to give line managers more flexibility, centrally managed support services were broken up in a number of countries. More recently, the assessment in some countries is that this approach has led to inefficiencies and there is a trend towards establishing shared services among ministries or across central government in areas such as finance, HRM, ICT, procurement and other such support functions.

This trend does not simply represent a return to the past, as the shared service models that are being put in place now benefit from the experience of the private sector, where such models are used extensively. If implemented well, the streamlined processes, client-provider relationships and extensive use of ICT that are features of shared services have the potential to produce significant savings, as well as sustained improvements

in the services concerned. (For some examples of recent shared services initiatives, see OECD, 2010a.)

Realising the potential benefits of shared services is not, however, a given. Factors that appear to be important for efficiency and savings (OECD, 2010a) are:

- the willingness of ministries and agencies to transfer tasks to service centres;
- concentration of responsibility for organisational policy and standard setting in one ministry (e.g. the Ministry of Finance);
- imposition of savings targets to be achieved in the context of expenditure frameworks.

Other factors that are likely to affect the success of such initiatives are:

- the capacity of managers in both the shared services and the client agencies to negotiate service agreements and monitor the quality and cost-effectiveness of the services provided (skills development may be required);
- careful selection of the work that is transferred into shared services (not all work is suitable for this model);
- careful selection and training of staff;
- the quality of the ICT used in providing services (there may also be issues with standardising ICT systems if services have previously been decentralised to ministries and agencies);
- how well rules and procedures are redesigned to enable services to be offered on a shared basis (rules and procedures may have diverged if services have been run on a decentralised basis; redesigning is a critical task, particularly in areas such as HRM, and should not simply be delegated to external consultants or ICT experts).

HRM reforms to increase the flexibility of the workforce

HRM reforms to increase the flexibility of the workforce began to be adopted in the late 1990's in many OECD member countries (OECD, 2008a). Indeed, a few countries, including Canada, New Zealand, Sweden and the United Kingdom, introduced provisions for more flexibility earlier. These developments are analysed in detail in other OECD reports (OECD, 2008a) and need not be repeated in detail here. However, it is worth

mentioning a few developments. Those that are particularly relevant in terms of managing the size and/or allocation of the workforce include:

- alignment of the government employment framework with general labour laws and weakening of the traditional job security applying to public servants;
- delegation of responsibility for HRM and financial management;
- reforms to career structures and job classification systems;
- more open recruitment in career-based public services;
- recruitment of contract staff.

Job security and changes to the employment framework

Public servants have traditionally enjoyed stronger job security than private sector employees and this, along with career structures (e.g. corps) and job classification systems, has often made it difficult to restructure or reduce staffing. Public service statutes, regulations and collective agreements (depending on the country) have typically contained strong protection against loss of employment.

The situation regarding employment security is changing as governments seek to gain more flexibility in managing public service employment. This is reflected in reforms of employment frameworks to bring them more into line with private sector labour laws. In Italy for example, Legislative Decree No. 29/93 and successive laws have introduced so-called privatisation of the civil service: the special statute based on administrative law, which governed the majority of public sector employees including senior civil service officials, has been abandoned and the law in force for the private sector is now applied to working relations of public employees. In Portugal, most government positions have been placed under general labour law, except for positions related to sovereignty (foreign affairs, armed forces, justice and inspection). And with the exception of a very few positions, all lifelong employment in the Swedish Government administration has been replaced by employment on a permanent contract basis. This means that government employees work under the same legislation as any employee in Sweden (OECD, 2008a).

Delegation to managers

Giving managers more freedom to adjust the size and composition of their staff has been one of the features of reforms in many countries. However, this has to be part of a coherent employment framework (OECD, 2008a): the framework needs to be sufficiently flexible to enable managers to use this freedom, and a sound performance and accountability framework is needed.

In the context of this chapter, the questions to be asked are whether delegation of HRM is being used to best effect to adjust and reallocate the workforce, and whether managers (both line and HR managers) have the right tools (e.g. workforce planning systems, competency frameworks and training) and the necessary skills.

Reforms to career structures and job classification systems

Reforms in this area can be important for increasing workforce flexibility (ability to redeploy staff, reorganise work and increase mobility) as career structures and job classification and grading systems can set up barriers to the movement of staff as well as increasing the transaction costs associated with managing employees in different groups. Examples of reforms include creating broader occupational groups (Canada), merging professional corps (France and Spain), reducing the number of separate career structures and pay scales (Portugal), and developing standard competencies for jobs across the public service (France, Ireland and Japan).

More open recruitment

Career-type public services have traditionally recruited at entry-level grades, with higher level positions being filled through internal promotion. However, this is changing in a number of countries in order to provide more flexibility and to bring new skills into the workforce at higher levels. Flexibility, combined with competency-based recruitment and a focus on increasing the diversity of the workforce, is necessary for public services to renew their skill base to meet changing service needs and as their workforce ages.

As countries come out of the current recession, labour markets will get tighter and public services will have to compete for talent once more. It is essential therefore that public services plan for future workforce needs even during the current cost reduction phase. Recruitment freezes should not prevent planning for future recruitment, and attention must be paid to retaining key skills during staff reduction exercises. Also, maintaining trust

and morale is essential to the reputation of the public service as an employer and its ability to attract good people.

Recruitment of contract staff

Changes to the employment framework of public services have also included removing restrictions on employing staff on fixed-term contracts, in order to have a more flexible workforce. However, most countries appear to make limited use of contract staff. Data collected by OECD for the 2006 “Survey on Strategic Human Resources Management (HRM) in Government” indicate that the number of staff employed on contracts ranged from 2% in the United Kingdom to 22% in Finland and was below 10% in most of the countries that provided data (OECD, 2008a).

Data collected by the OECD in the latest “Survey on Strategic Human Resource Management” in 2010 suggest a continuation in the increase in the number of employees under fixed-term contracts in most OECD member countries, such as Australia, Chile, Denmark, Israel, Italy, Mexico, Portugal, Slovenia and Switzerland. Canada and Finland reported decreases in the number of contracted staff. In some countries the increases were considerable. For instance, in Chile, fixed-term employees (88 069) outnumbered employees under open-term contracts (67 517) in 2009. In Denmark, the number of fixed-term staff passed from 200 (full-time employment numbers) in 2000 to 1 235 in 2009. The objective is to achieve greater mobility and flexibility, with a broader basis for recruitment, particularly in management level positions.

Workforce planning

While the OECD has not conducted an in-depth study of workforce planning, the available information suggests that most member countries engage in some form of workforce planning, and that in a number of countries its effectiveness has been reinforced by:

- Linking it to the strategic planning of organisations, including business forecasting and planning, budgeting, accountability and reporting mechanisms for managers and strategic human resource management.
- Making it an integral part of the performance management framework of organisations, which seems to have taken root more quickly in countries with more decentralised human resource management systems than ones with more centralised public services.

- Increased use of competency management and development of strategies to close identified competency gaps.

Integrated planning is, for example, one of the core pillars of the Public Service Renewal in Canada, where it is maintained that good planning allows for a better sense of organisational strengths and of the gaps that need to be filled, whether through recruitment or development or by bringing in specialised skills at mid-career. There are five steps to integrated planning at the departmental level: *i)* determining organisational business goals; *ii)* analysing the organisational environment to see if there is the right mix of skills and people to meet current and future needs of the organisation; *iii)* assessing the gaps or surplus in the organisation's workforce – what is missing or what is no longer required from an HR perspective in order for the organisation to achieve its goals; *iv)* setting priorities and taking action – initiating strategies to close the gap and help get the quantity and quality of the resources required; and *v)* reviewing, monitoring and measuring whether efforts were successful.

Workforce planning is an essential tool for anticipating possible future developments and maintaining a well-structured workforce of an appropriate size, which is able to meet the changing needs of the public service in a cost-efficient manner. It appears that a systematic approach to workforce planning continues to be a challenge for public services in many countries, and exchange of information and mutual learning in this domain would prove helpful. For example, the OECD study on *Ageing and the Public Service* (OECD, 2007) found that only a few countries had devised strategies that take advantage of the opportunities created by an ageing civil service. Some OECD member countries, especially those worst affected by the recession, will also have to contend with loss of skills as a result of rising levels of emigration.

While several countries – for instance Canada (Carpentier, 2009), Denmark (Planthin, 2009), the United Kingdom (McDonald, 2009) and the United States (Mahoney, 2009) – are taking steps to plan for ageing public services (e.g. focus on skills, recruitment strategies and pension reforms), this still seems to be an area where governments need to focus more attention and develop their strategies. The risk is that current cost-cutting measures will overshadow the need to plan ahead for ageing workforces and also to adapt to other demographic changes such as loss of skills through emigration and more diverse workforces.

Focus on future capabilities and human capital

The OECD study *Government at a Glance* (OECD, 2009) notes that while measures to cut the number of public service staff and limit recruitment and promotion may create opportunities to lose unproductive staff, administrations need to ensure that they are not losing the best of their staff to the private sector, or creating “generational gaps” or future skills shortages that will affect their capacity to address long-term challenges. That study underlines the need for the public services to pay attention to their future skills requirements and for governments to integrate workforce and human capital considerations into broader policy changes that could impact on service delivery.

A step that most OECD member countries have taken is to develop competency management frameworks, a practice described in detail in Chapter 3 of this volume. These frameworks identify the capabilities needed in the workforce and link together a number of human resource management activities (recruitment, staff development, performance management) to enhance capacity.

The majority of the OECD member countries are focusing on improving training and knowledge management. However, longer term assessments of capability requirements are required and public services need to put in place strategies to ensure that they will have the necessary capabilities in the future. Capabilities will depend both on having the necessary human capital and on having the requisite leadership, management and organisational capacity. While a few countries are focusing on longer term capability strategies, it would appear that many have yet to develop their workforce strategies in this area.

The United Kingdom has developed, as part of its strategy for the 21st Century Civil Service, a system of departmental Capability Reviews. These reviews aim to present an honest and robust assessment of future capabilities and to identify the specific measures that are needed if central government departments are to play their part in enabling the United Kingdom to meet the considerable challenges of the future. They focus on cross-cutting aspects such as service delivery, innovation, working across organisational boundaries, identifying weaknesses as well as strengths, and pointing to what needs to be done to strengthen capabilities. With regard to action that could be taken, the latest Capability Reviews suggested basing choices on evidence, setting direction, and taking responsibility for leading delivery and change. Areas for development included building capability and developing clear roles, responsibilities and delivery models. The next phase of reviews will put more emphasis on innovation, collaboration and value for money (UK Civil Service, 2010).

The United States federal Government has taken several initiatives to address human capital requirements. Centred on strategic workforce planning and organisational performance management, these initiatives cite specific action to improve managerial competence and leadership skills (Soni, 2004). Reforms implemented since 2002 aim to improve the capacity of public agencies to deploy and adapt their workforces quickly to meet changing needs. Measures include the following:

- workforce planning and restructuring is undertaken as part of the strategic management of human capital, defined in terms of each agency's mission, goals and objectives;
- agency restructuring is expected to incorporate organisational and staffing changes resulting from “competitive sources” and expanded e-government;
- agencies are expected to identify statutory impediments to good management;
- agencies are instructed to strengthen and make the most of the knowledge, skills and abilities of their people.

The United States Government has implemented a Human Capital Assessment and Accountability Framework to enable federal agencies to formulate, implement and assess their human capital strategies and make the investments necessary to achieving their missions. A key feature of the approach taken is that a set of common standards has been developed jointly by the central management and oversight agencies, providing a common language for agencies and all interested stakeholders to assess progress on the strategic management of human capital, and on a common framework for action.

While this approach and the United Kingdom's Capability Reviews initiative differ in many respects, they share some important themes:

- They both emphasise the need for forward-looking assessment of organisational capabilities, with a strong focus on aspects such as delivery of services, working across organisational boundaries, value for money and innovation.
- Both have developed rigorous frameworks with a strong emphasis on implementation, designed to drive a common approach in public services in which management decision making is decentralised.
- They link what might be termed the “macro” aspects of organisational capability with the “micro” aspects of human resource management and human capital development.

It would be of interest to know whether other countries are developing similar or any different approaches to human capital and organisational capability, and how this might be affecting their management of the workforce.

Performance measures

Most OECD member countries have moved towards measuring performance of their organisations using financial or non-financial measures and targets. Performance measures are used internally by ministries and agencies to set programme priorities and allocate resources (including staff), and also for purposes of budgeting and public accountability (OECD, 2010d). As noted by the OECD (2009), performance information can help improve decisions on staffing levels and allocation; depending on the quality and scope of the information which varies considerably between countries (see OECD, 2009).

What lessons can be drawn from past experience?

The economic crisis may have focused attention on costs, but investment in the skills, leadership and management capacity of the public service is even more important for dealing with current and emerging challenges. A key issue for governments is how to maintain and improve the capacity of the public service while at the same time producing savings.

The review of current and past measures that have had an impact on the size and allocation of the workforce points to a number of lessons, although the workforce impacts of many structural, organisational and budgetary measures remain under-analysed.

1. The workforce implications of any public service reform or innovation need to be considered and planned for from the outset, both in terms of any anticipated staff reductions or redeployment and in terms of managing the change so as to minimise disruption, protect capacity and continuity of service, and avoid to the extent possible depleting trust or eroding morale.
2. Workforce reduction and reallocation measures should not be stand-alone but part of broader reforms. There appears to be scope for making better use of a combination of instruments to manage the workforce, particularly through better integration of HRM instruments – such as workforce planning, skills strategies and redesign of work – with budgeting instruments such as automatic productivity cuts, performance management and programme/spending reviews.

3. Using a combination of instruments can help reduce the disadvantages associated with any one instrument. For example, spending reviews can help target cuts, instruments that drive ongoing productivity improvements may reduce the need to resort to *ad hoc* cuts, investment in skills renewal and support for redeployment of staff can help preserve capacity and maintain the trust and morale of employees.
4. While countries appear to be continuing with reforms aimed at improving the productivity and capacity of the public service even while implementing cutbacks, this will in fact be a difficult balance to achieve. There is a risk that the focus will shift to seeing staff as costs rather than as assets. The challenge is to implement workforce productivity improvements that recognise the balance between costs and quality and continuity of service. For government services, continuity of service is a core value related to citizens' trust in government and the public administration.
5. Countries need to plan better for dealing with the impact on the public service of ageing populations and other demographic developments, and to pay more attention to future skill needs. Planning can be part of a coherent set of productivity-focused reforms aimed at reshaping the public service.
6. Workforce planning remains an underused instrument in many countries, although some have developed sophisticated systems to link workforce planning and management with strategic planning, budgeting and public policy evaluation.
7. Other instruments that remain underused include assessment of future capacity and human capital requirements and development of strategies and instruments to address future needs (e.g. skills strategies, recruitment strategies, competency management, HRM policies that will support innovation, development of leaders).
8. There appears to be considerable scope for some countries to make HRM and employment provisions in the public service more flexible in order to support the adaption of the workforce. The economic crisis may offer a window of opportunity for reforms. Governments have to make sure, however, that when pursuing flexibility they do not undermine HRM rules that prevent patronage and corruption.
9. There needs to be better evaluation of how structural reforms such as outsourcing, creation of arm's-length agencies, movement of staff to sub-national levels of government and privatisation or corporatisation have affected the size of the workforce and production costs of publicly funded goods and services over the long run, and how the workforce

aspects of such reforms can best be managed. Keener insight into these aspects is especially necessary given that governments in some countries are now embarking on further rounds of privatisation and corporatisation.

10. The use of automatic productivity cuts to drive more efficient staffing (not only staffing levels but also redesign of work and other changes in how services are delivered) remains under-analysed. More needs to be known about the advantages and disadvantages of this approach and how it can be integrated into workforce planning and management.
11. Large-scale downsizing is the most problematic option for workforce adjustment. Assessments have highlighted a variety of negative effects on the capacity of the workforce as well as on trust and morale, and questioned the longer term sustainability of staff reductions achieved in this way. Citizens could also lose trust if downsizing undermines the continuity of services. If governments feel they have no option but to embark on such programmes, they need to be aware of these risks and take steps to minimise the adverse effects. Experience suggests that close attention to managing the human aspects (for remaining staff as well as those leaving) and use of strategic planning to assess workforce requirements in advance of implementing cuts are essential elements in this regard. A differentiated approach to staff reductions appears preferable to across-the-board cuts.
12. Recruitment freezes are probably the most detrimental approach to downsizing, because they are indiscriminate and limit the ability of organisations to restructure and reskill. Moreover, as they tend to be protracted, the negative impact on the morale of staff and managers and on the capacity to deliver services is likely to be significant.
13. Redeployment arrangements in the context of staff reductions can help retain skills and experience, and moreover help manage the industrial relations aspects of downsizing. More needs to be done also to break down barriers to redeployment and mobility, in order to support the restructuring of services and optimal use of skills.

Notes

1. While an attempt has been made to identify general literature on this topic, little recent work was found and the analysis relies mainly on OECD studies.
2. In Sweden, the approach is to support redundant staff in finding employment on the general labour market rather than redeploying them within the public service.

Annex 2.A1

Provisions relating to termination of employment of public servants in situations of workforce reduction*

Australia: The Workplace Relations Act 1996 establishes common provisions for the private, voluntary and public sectors, regarding an employer's power to hire and fire staff. The employment of ongoing Australian Public Service (APS) employees may be terminated if the agency staffing levels are beyond the requirements of the agency. Termination may be voluntary or involuntary. Employees may receive a redundancy benefit based on their years of service in the APS. The amount of that benefit is capped across the APS by limiting the amount that can be negotiated in an industrial agreement. Data on redundancies are available in the *Australian Public Service Statistical Bulletin 2008-09*: www.apsc.gov.au/stateoftheservice/0809/statistics/index.html.

Canada: Authority lies with the deputy head of a department (Public Service Employment Act – PSEA). The fundamental principle is that declaration that an employee is surplus will be linked to the discontinuation and elimination of that employee's function or position. If several employees occupy similar positions and perform the same function, the identification of staff as surplus is based on the "reverse order of merit" process. The PSEA has been complemented by the Public Service Modernization Act (2003), which contains significant reform of federal HRM, and by the Public Service Labour Relations Act.

As regards provisions for involuntary layoffs, the first responsibility of the employer is to attempt to relocate affected or surplus employees. If placement is not possible or is an uncertain option, the employee is then (and only then) given options that include a departure package negotiated with the unions. If the surplus employee chooses to waive the monetary package and hold out for placement, the government will attempt to place the employee for a period of 12 months. The employer may lay off the employee if no placement occurs in that period or sooner if the employee turns down a reasonable job offer.

Finland: The job security provisions in the State Civil Servants Act correspond to the provisions of the Employment Contracts Act applying to

other employees with regard to the grounds for terminating an employment relationship. Employment may be terminated if the whole agency or the unit in which a civil servant is working is closed down or when the measure is due to production-related or financial reasons and the employee cannot be relocated or trained for new duties in the same agency. Under such circumstances, the employee may also be laid off for a fixed term or until further notice.

New provisions to facilitate management of change were introduced by the government in 2007. These made it possible to offer compensation for resignation, equivalent to up to ten months' salary, in situations where a civil servant's job has already ended or will clearly end soon and the employer has not been able to redeploy the person. The employee must have at least five years of service in the state civil service and must not have refused an offer of redeployment. Approval from the Ministry of Finance is required.

Netherlands: The terms and conditions of Dutch civil servants are to a large extent harmonised with the private sector as a consequence of the government policy of "normalisation" of labour relations and employment conditions. The last remaining step in that process, replacing public labour law by private labour law, is currently under consideration. Civil servants do not have a contract of employment, but are employed on the basis of a (unilateral) public appointment from the government body that employs them. They can be laid off on grounds of redundancy.

In the framework of social dialogue, measures are agreed with unions as regards regulating priorities in the sequence of termination of contracts (e.g. last-in-first-out) and compensation for loss of employment. Dutch civil servants possess a differentiated level of unemployment benefits: older generations possess more statutory benefits and younger generations are more or less harmonised with market terms and conditions, thus with less supplementary benefits.

Portugal: When posts filled by staff through a public employment legal relationship and for an indefinite period of time are abolished due to restructuring, there is a selection procedure to determine who among holders of similar posts will lose their jobs. Well-defined rules regarding the selection criteria are applicable here – for example merit appraisal– to safeguard transparency and fair treatment. There is no individual negotiation, such as in the private sector. At the end of this procedure, two situations may occur depending on the staff selected to leave. Appointed staff and staff under a public employment contract for an indefinite period, who held an appointment before 1 January 2009, are placed on a special mobility situation; staff on a public employment contract admitted to public

administration after 1 January 2009 terminate the public employment legal relationship, and an unemployment allowance may be granted within the scope of the social protection general scheme.

Sweden: The Swedish public sector is governed by labour law, and there is no lifelong employment guarantee in central government posts. Conditions of employment are governed by collective agreements concluded between the Swedish Agency for Government Employers and unions. The rules applicable to public sector employees are nearly identical to those applicable to private sector employees; there is no specific civil servant status. Every agency is its own employer.

Employees may be dismissed only on “objective grounds”, including scarcity of jobs stemming from (for example) agency reorganisations and general reductions in the workforce. Dismissals are according to a seniority-based (last-in-first-out) system.

Dismissed employees have the right to a minimum period of notice of 2 to 12 months (based on age and seniority); full pay during the notice period; and free time during the notice period for activities related to finding a new job – including, for example, seeking professional or vocational training or trying out temporary jobs.

A Job Security Agreement negotiated with unions (that applies to the state sector only) contains three parts: *i*) an agreement of job security that regulates the measures and benefits for an employee who is given notice of dismissal for structural reasons; *ii*) a job security foundation that from state-funded money is able to support these individuals when reorienting themselves on the labour market; and *iii*) a special agreement regulating how to identify people to be made redundant.

United Kingdom: Working conditions in the public service and the rules regarding HRM were codified in the Civil Service Management Code in 1996. Most public servants are employed on a contractual basis and as such are subject to general labour code legislation. Employment conditions vary among public employers. Each ministerial department or agency is responsible for its own rules of recruitment, deployment and redundancy.

Priority is given to limiting involuntary redundancy by emphasising redeployment within a department, retraining for redeployment, placing temporary restrictions on recruitment or promotion, allowing redundant workers to temporarily fill vacant posts at lower grades, and encouraging eligible staff to accept early retirement.

Civil servants are not legally entitled to redundancy pay provided by law to other workers; however, it is common practice for departments to follow

the statutory provisions regarding termination affecting other sectors. The period of notice is six months if appointment is terminated compulsorily.

The Cabinet Office and the Council of Civil Service Unions have agreed on protocols to ensure that best endeavours are made to avoid recourse to compulsory redundancies for those who want to continue their civil service careers and to ensure that opportunities for redeployment are maximised, both within and across departmental boundaries. The process applies prior to issuing any compulsory redundancy notice. In situations where jobs may be transferred out of the civil service (as a result of outsourcing or privatisation), there is separate guidance on good practice, contained in an agreement between the Cabinet Office and the Council of Civil Service Unions, that departments should follow.

Note

- *: Information is drawn from the country profiles prepared as part of this project, and results from OECD (2010), “2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries”, GOV/PGC/PEM(2010)2, OECD, Paris.

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Chapter 3

The government shift to competency management

Governments are increasingly adopting competency management as a system for both clarifying the specific abilities – knowledge, skills and (importantly) behaviours – needed for a given job, and ensuring effective performance from employees. This shift from the traditional approach to job description, selection, development, appraisal and rewards is seen as a vehicle for bringing about necessary cultural change and injecting more flexibility, adaptability and entrepreneurship into organisations. Proper integration of competencies into a framework allows human resource management to develop strategic workforce planning, and employees to develop their career plans. Organisational readiness, stakeholder commitment and periodic review are among factors needed if the system is to succeed.

What is competency management?

Competency management is increasingly becoming standard practice in both the private and public sector in OECD member countries, because it has proved an effective way of:

- defining the abilities and behaviours people need to do their jobs well;
- linking a number of key human resource management activities so as to ensure that an organisation is staffed by people who perform effectively.

Competencies can be made the basis for focusing and integrating human resource management policies and practices around an organisation's goals and performance. This is called strategic competency management.

Competencies are most of the time defined as the combination of knowledge, skills and behaviours that result in good performance needed to perform well in a given job; they are usually identified and validated through observation and analysis. The behavioural aspect is crucial; employers understand that, for example, communication, teamwork, flexibility and interpersonal skills have much to do with how people perform. There is a great deal of literature on competency management, but practically no consensus on a single definition of competencies (Kirton and Healy, 2009; Nunes et al., 2007). Australia, Belgium, Canada, Korea, the Netherlands, and the United States consider competencies as behavioural characteristics that are observable. Attributes such as knowledge, skills, attitudes and other personal characteristics constitute competencies. In some countries, competencies are related to high/effective performance or performance to a prescribed standard. A comprehensive definition of competency **management** is given by Income Data Services (IDS):

Competency management, sometimes called competency-based management, involves identifying the competencies that distinguish high performers from average performers in all areas of organisational activity, constructing a framework and using it as the foundation for recruitment, selection, training and development, rewards and other aspects of employee management. (IDS, 1997)

Most OECD member countries have introduced or are planning to adopt at least some degree of competency management. Some, such as Canada, the United Kingdom and the United States, have used it for several decades; in these countries it is widely used and well embedded. Belgium, Finland, the Netherlands, Sweden and Estonia have introduced it more recently. In

France and Germany it is limited and still at the experimental stage.¹ At the end of the 1990's, competency management was given a boost in the public sector; for example, the first signs began to appear in the governments of countries such as Australia, Belgium and Korea in 1999. In most cases, competency management was introduced as part of a broader reform or change process – in Australia's case the changes had been taking place over 25 years. That country's 1999 Public Service Act also introduced the shift to a values-based environment in the public service. In Belgium, the Copernicus Plan was introduced to reform the public administration, and competency management was a fundamental element in the modernisation of personnel policy. Between 1998 and 2002, the Korean Government thought it urgent to initiate government reforms to enhance competencies and create a more competitive workforce, with the ultimate goal of increasing national competitiveness. The United Kingdom, one of the first to introduce competency management in government, was influenced by New Public Management ideas for reforming the role of the state and its civil service.

The nature of the shift

The human resources management (HRM) literature describes the notion of competency management as having taken a strong hold; some authors describe the move from job-based to competency-based organisations as a paradigmatic shift (Lawler, 1994; Brans and Hondeghem, 2005). A changing world increasingly demands flexibility and autonomy, including in HR practices (Nunes et al., 2007). Table 3.1 shows the differences between competency and traditional approaches concerning job description, selection, development, appraisal, and rewards.

The major difference between competency and traditional approaches to personnel management is that competency management stresses inputs, including behavioural characteristics of staff, while performance management is about outputs and performance on the job. Naturally, when certain competencies are selected for a job description, they are supposed to have an impact on performance. But as they are the inputs that lead to the necessary performance (outputs), the link between competencies and outputs is an indirect one. Competency management also represents a cultural change towards greater employee self-direction and self-responsibility, and the search for excellence rather than standard performance (Horton, 2000a). As organisations are changing rapidly, it is important to ask what kinds of people are needed in the future (Hondeghem and Vandermeulen, 2000).

Table 3.1. Differences between a functional and a competency-based approach to HRM

Functional approach	Competency approach
Job description	Competency profile
What is done?	What is done, why, and how?
Cluster of core tasks and functional requirements (knowledge, skills, self-responsibility)	Cluster of core tasks and competency requirements (knowledge, skills, personality, attitude, values and norms, incentives)
Selection	Selection
How is the person?	How does the person function?
Selection in order to realise a fit between the function and the individual	Selection in order to realise a fit between the individual and the organisation
Selection in order to fill a vacancy	Selection with a view to the growth and development of an organisation in the long term
Selection criteria based on the current function	Selection criteria based on the future
Selection criteria focusing on knowledge, personality, and attitude	Selection criteria: knowledge, personality and attitude, but also skills, values and behaviour
Development	Development
Development of knowledge	Development of knowledge, ability and willingness
Aimed at hierarchical promotion	Aimed at horizontal mobility and maximum use of human potential
With a view to raising job skills	With a view to developing skills and behaviour
Appraisal	Appraisal
Focus on functioning in the job	Focus on functioning in the job, performance, results and potential
Focus on dedication	Focus on behaviour
Reward	Reward
Pay according to the job	Pay according to work
The relative weight of the function determines the wage	The competencies required for the organisation determine the wage
Focus on responsibility, knowledge and seniority	Focus on output

Source: Limbourg, M. (1997), "Competenties: een HR-hefboom om ondernemingsstrategie te realiseren", *Personeel en Organisatie*, 6(66): 2-12.

The case for competency management in the public service

Change in the public service is a major factor behind the need to implement competency management practices. Lawler (1994) refers specifically to four forces at work. First, the nature of work has changed from mass production to consumer-focused production, knowledge and service work. Second, globalisation brings with it growing competition in

which human resources play the role of key competitive assets. Third, the changing environment implies a growing competition among organisations. Fourth, flatter organisational structures entail revising traditional organisational careers. These factors explain the growing importance of competencies and competency management in private organisations, but they can also be applied to a certain extent to the public sector (Hondegheem and Vandermeulen, 2000; Lawler, 1994; Nunes et al., 2007).

Additionally, competency management is seen as a vehicle for bringing about cultural change and injecting more flexibility, adaptability, and entrepreneurship into organisations (Hondegheem et al., 2005). Governments usually introduce competency management as part of a broader cultural and organisational reform, and use it to provide leverage for change (Van Schaardenburgh and Van Beek, 1998). In the transformation of traditional bureaucracy into a modern and flexible organisation (Hondegheem et al., 2005), the individual becomes the focus, underlining the importance of human resources for reaching the organisation's objectives.

There are other factors behind the spread of competency management in the public service:

- Organisations wish to inculcate managerial values and skills, especially among senior public servants, through frameworks that define the generic leadership and management competencies senior managers should have. This was, for example, one of the reasons for introducing competency management in the United Kingdom civil service in the 1980's (Farnham, D. & Horton, S., 2002).
- Competencies can improve workforce planning and recruitment and selection processes, so that these critical activities are based on analysis of the competencies needed by public services. For example, the GPEEC (*Gestion prévisionnelle des emplois, des effectifs et des compétences* – Employment, Workforce and Competency Planning) initiative in the French civil service introduces the notion of competencies for the first time. This raised the issue of how recruitment methods might incorporate competencies without abandoning the established principle of selection through competitive examinations.
- Competency management has also spread as public services have placed greater emphasis on upskilling their workforce, continuing professional development and lifelong learning. Indeed, one of the most common uses is for staff development with the focus on the organisation's business needs.

- Competencies can be used as a way of defining what excellent performance looks like and what skills employees need to have in order to perform well (although there are problems for using competencies effectively in this way).
- There is increasing competition with the private sector for qualified personnel. Competency management increases the employability of public servants and hence their productivity, now and for the future. If the organisation decides to run a different course, then the flexible civil servants are better able to shape that new direction. Employees themselves thus reduce uncertainty for the organisation, and so can help it to survive in bad times (Horn, 2004).
- Competencies provide a common language and common understanding of the necessary and desirable behaviours needed to achieve organisational objectives. They therefore can be used as powerful communication tools for translating business strategy and changes in structure and processes into behavioural terms that people can understand and so implement (Hondeghem *et al.*, 2005; Vakola *et al.*, 2007).
- In a fragmented public sector, competency frameworks are also seen as integrative instruments for maintaining coherence. Ideally, competency management furthers both vertical and horizontal integration. Vertical integration ties individual employees and their behaviour to the mission and strategy of the organisation. Horizontal integration ties each component or instrument of the HR cycle, from recruitment to reward, closely together in one frame of reference and language.
- Not all efforts at competency management in the public sector (or indeed in the private sector) have met with immediate success. A public sector review in Europe carried out by the European Group of Public Administration (EGPA) notes a number of problems. Competency frameworks can become too static. Measuring competencies for purposes of performance management can be difficult and may lead to excessive focus on inputs rather than results. Implementation can be difficult unless all stakeholders – top managers, line managers, staff and trade unions – are involved and supportive. Finally, the frameworks utilised can become overly bureaucratic, and run the risk of becoming ends in themselves (Horton *et al.*, 2002). The experience of public services that have used competency management the longest is that frameworks need to be reviewed and revised regularly to ensure that they remain effective.

Table 3.2. **Benefits of competency management**

For employees	A fair people management system. Greater encouragement of personal development. Better understanding of what is necessary to achieve high performance at work. Better understanding of the organisation's mission and the role staff plays in the organisation.
For managers	An additional instrument for motivating collaborators. A common language for people management. More transparent and appropriate criteria to make selection, performance evaluation, or training and development decisions.
For organisations/ the state in general	A means of identifying the organisational activities that need the most improvement. A clear view of the objectives to be met and the way to meet them. Better integration of the organisation's requirements with people's characteristics. A basis for developing a global approach to HRM.

The general intentions when introducing competency management in the selected OECD member countries are numerous and divergent: e.g. creating flexibility (Australia and Belgium), increasing efficiency and effectiveness of people management (Australia and Canada), providing clarity over employees' development priorities (Denmark), overcoming the classic bureaucratic model (France), strengthening government competitiveness (Korea), creating a flexible and highly professional civil service that easily adapts to the challenges confronting government (Netherlands), a vehicle for organisational and cultural change (Belgium and United Kingdom), and strategic alignment between the individual and the organisation (United States).

A basis for strategic human resource management

Many countries have been establishing procedures and processes that make workforce planning – including accountability mechanisms for managers – part of the wider strategic planning of organisations. Ministries and agencies also report on human resource achievements in terms of numbers and costs, but good competency management has allowed for more subtle strategic workforce planning.

Competency frameworks

In order to use competencies as a strategic management tool, they need to be integrated into a conceptual model or framework that will enable the people in an organisation to understand, talk about and apply them (Marrelli, 1998). The model is thus both a list of competencies and a tool through which these competencies are expressed, assessed and measured (Strebler et al., 1997). A model may be developed for an entire organisation or just for specific business units, functions, work processes, or jobs within the organisation (Marrelli, 1998).

Competencies are linked to different elements of human resource management, mainly recruitment and selection of staff, training and development, and succession or career planning. These activities are then well aligned with the organisation's needs and well integrated with one another. There has been increasing focus on competencies as an element of performance management, as behavioural aspects of performance have come to be better understood: performance is not only a question of what people do, but also of how they do it in interaction with other people. Organisations may also use their competency framework to reward management, although competency-based pay systems are relatively rare and remain quite controversial (Hondeghem, 2002: 190). It is the linkages with other elements of HRM that enable organisations to use competency management to shape the organisational culture and create a strong performance orientation.

Competency frameworks vary enormously in terms of how they are developed and structured. Some organisations define a few generic competencies that all employees are expected to demonstrate, thus driving integration around core values and capabilities considered crucial to the organisation's success. Others focus on competencies required of those in leadership and management positions, or in different job families or occupational groups. These approaches may also be combined, with both generic and job-specific competencies.

However, as noted in another OECD report (OECD, 2007b), the key aspect of competency frameworks is not their structural design, but the fact that they enable the government to work more systematically and in a more goal-oriented way on workforce planning and on investments in human resources.

While most OECD member countries have a centrally developed competency model, their target groups will differ significantly. Often, a general model is developed for leadership functions (senior civil service) but not for civil servants at lower levels, which is the case with Austria.

Australia's Human Resource Capability Model is a competency model developed only for HR staff. Some countries have developed general competency frameworks that cover their entire civil service: Australia, Belgium, Canada, Korea, the United Kingdom and the United States. Canada has developed a single competency model that applies to all civil servants including senior management, and in Belgium there are ongoing discussions to introduce a single model for senior managers. In most of the other countries, at least two competency models were developed: one for senior management and one for all civil servants. From the above, we can conclude that the senior civil service in particular is considered as a special target group for competency management in the public sector.

Table 3.3. **Competency models: country overview**

Country	Competency model	Target group
Australia	APS Values Framework	All Australian public servants
	Human Resource Capability Model	HR staff
	Senior Executive Leadership Capability Model	Senior executive service
	Integrated Leadership System	All Australian public servants
Austria	Competency Model	Senior civil servants
Belgium	Federal Competency Model	All Belgian federal public servants
Canada	Key Leadership Competencies	All Canadian public servants
	Canada also has several other (government-wide) competency profiles that are managed centrally and target functional groups across their public service.	
Denmark	Code of Public Governance Excellence	Top executives
Japan	Standard Capability to Accomplish Duties (SCAD)	Standard government positions according to the hierarchy of the organisations
Korea	Government Standard Competency Dictionary	All Korean civil servants
	Junior Management Competency Model	Junior managers
	SCS Competency Model	Senior civil service
Netherlands	<i>Algemene Bestuursdienst</i> (ABD) Competency Model	Senior management
United Kingdom	SCS Competency Framework	Senior civil service
	Professional Skills for Government	All British civil servants
United States	General competencies for the federal workforce	All US civil servants
	Executive Core Qualifications	Senior management

Source: OECD (2009), "OECD Survey on Competency Management in Government", unpublished.

Furthermore, because of the specificity, general competency frameworks only contain behavioural competencies; technical competencies are hardly mentioned but instead are often identified at agency/departmental level. In that way, the technical competencies can be totally adjusted to the particular needs of the agency or department.

Moreover, public service values (e.g. commitment, service, integrity) can play an important role as core competencies. Australia, Belgium, the Netherlands, the United Kingdom and the United States defined values that they consider as core or fundamental competencies for their government and that should be held by all civil servants (or by all who work under the competency model to which the values belong). The Australian Government constructed a separate values framework for their civil service. Its focus on values-based management provides the necessary flexibility and sets a framework of enduring principles of good public administration. OECD studies (2009a) have found that there is an evolution toward a broader focus on public governance, which entails reincorporating basic public values such as integrity, transparency, accountability, equity, etc. In this way, values are considered a foundation of the public service.

Table 3.4. Specific public service competencies in selected OECD member countries

Country	Competencies
Australia	Public service professionalism and probity
Belgium	Service, loyalty
Canada	Serving with integrity and respect
Denmark	Safeguard the public sector's legitimacy and democratic values
Korea	Ethics for an official, organisational commitment
Netherlands	Affinity of public managers with public sector management (dedication, integrity, political awareness)
United States	Political savvy, public service motivation, innovation and creativity

Source: OECD (2009b), “OECD Survey on Competency Management in Government”, unpublished.

Some of the competencies frequently appearing in the competency frameworks developed by OECD member countries are: strategic thinking, vision, achieving results, building relations, commitment, adaptability, communicating, decision making, learning, coaching/developing, and teamwork.

Competencies and job profiling

Job profiling is a valuable opportunity for applying competencies, particularly for purposes of recruitment and ensuring a clear link between competencies and outputs. A job profile combines a statement about what is expected from a job with a view of the competencies – the skills, abilities and behaviours – that the person doing the job must have in order to deliver those results (OECD, 2008). If used properly and supported by appropriate assessment methods, a set of competencies provides a rigorous and reasonably objective method of assessing the suitability of a candidate.

Many OECD member countries now use job profiles rather than job descriptions in order to focus attention on the outputs or results to be attained rather than on the tasks to be done. This signals a move away from rigid, mechanistic definitions of jobs to a more flexible, performance-oriented approach. The competencies required are determined by the job profile. For example, behavioural competencies may include aspects such as the ability to work in teams or build networks. If there are managerial responsibilities, competencies would typically include interpersonal skills and leadership abilities. Other examples of competencies might be strategic thinking, customer focus or analytical skills. Depending on the type of job, both generic competencies and job-specific competencies may be included in a job profile.

While competencies can be a very useful anchor for integrating different areas of human resource management and sending a consistent message to employees about what the organisation values, they can also easily become unwieldy and mechanistic. There are plenty of examples of organisations that have ended up with large competency handbooks that are not particularly useful to managers or staff, and also of organisations where competency management has become bogged down in negotiations with unions about what it takes to progress from one grade to the next. How can this be avoided? Organisations that use competencies well appear to do a number of things. First, they involve staff and managers in defining competencies and, importantly, in reviewing them periodically to ensure they are still relevant. Second, they focus on the things that affect outcomes for customers and keep it simple by not having too many competencies. Third, they invest heavily in training managers and developing staff.

Another key consideration in using competencies successfully is to carefully integrate them into HR processes, particularly staff development and performance management, so that they help employees to understand what is needed for effective performance. This is not to say that competencies should be integrated into all HR processes, as this can easily become unmanageable. Linking competencies directly to pay and rewards

can be fraught with problems, as that can result in competencies becoming an issue in industrial relations and can also focus more attention on the inputs than on the results achieved by employees (Marchington M., and A. Wilkinson, 2005).

Some organisations prefer to use competencies to express job-related behaviours and to list the required knowledge and skills separately in job profiles. Whichever approach is taken, what is important is to focus on things that clearly contribute to job performance and the achievement of outcomes.

Competencies can also be generic lists of attributes that apply to groups of jobs. For example, a number of public services have sets of competencies that apply to the senior civil service. Other examples would be competencies applying to job families, managerial positions or staff dealing with customers.

Box 3.1 provides an example of a set of generic competencies used as selection criteria for a senior executive service role in the Australian public service.

Box 3.1. Australia: Generic competencies for a senior executive service role

1. Shapes strategic thinking

- Inspires a sense of purpose and direction.
- Focuses strategically.
- Harnesses information and opportunities.
- Shows judgement, intelligence and common sense.

2. Achieves results

- Builds organisational capability and responsiveness.
- Marshals professional expertise.
- Steers and implements change and deals with uncertainty.
- Ensures closure and delivers on intended results.

**Box 3.1. Australia: Generic competencies
for a senior executive service role (*cont'd*)**

3. Exemplifies personal drive and integrity

- Demonstrates public service professionalism and probity.
- Engages with risk and shows personal courage.
- Commits to action.
- Displays resilience.
- Demonstrates self-awareness and a commitment to personal development.

4. Cultivates productive working relationships

- Nurtures internal and external relationships.
- Facilitates co-operation and partnerships.
- Values individual differences and diversity.
- Guides, mentors and develops people.

5. Communicates with influence

- Communicates clearly.
- Listens, understands and adapts to audience.
- Negotiates persuasively.

6. Special criteria

- Extensive experience in economic policy development in a Ministry of Finance, Treasury or similar agency.

Source: OECD (2008), “Note on Job Profiling”, GOV/PGC/PEM(2008)5, OECD, Paris.

Table 3.5 illustrates the job-specific competencies used in recruiting for the job of Public Information Manager in a New Zealand Government ministry.

Table 3.5. **New Zealand: Specific competencies for the job of public information manager**

Job competency	Key behaviours/indicators
Research and preparation of information	Uses a variety of research and information-gathering skills in order to prepare reports and releases. Uses independent thought to challenge and seek out accurate objective information. Consults widely and uses networks to gather and verify information. Prepares reports and releases best suited to the mode of media and current situation. Prepares reports and releases for key personnel that are easy to convey and are appropriate to the person and situation.
Release of information	Only releases information as approved by the controller. Releases information that is accurate and timely in relation to the situation. Critical and descriptive information is communicated in an appropriate manner. Expresses complex ideas and concepts in a manner that can be easily understood. Communicates information in a way that increases and builds positive relationships with key groups, the media and the public. Provides effective advice to the controller regarding the release of information.
Relationship with media	Maintains an effective working relationship with key media personnel. Communicates information in a way that increases and builds positive relationships with key media personnel. Manages intense media interest efficiently and effectively. Ensures where possible key personnel are briefed before media events.
General communication	Builds strong working relations with external agencies and groups through effective communication. Listens attentively and understands what other people are saying, including the undertones, nuances and body language. Demonstrates integrity in all relationships and inspires confidence among CDEM staff, the media and the public. Communicates information in a way that increases and builds positive relationships with key groups, the media and the public. Uses a range of public relations skills to ensure effective communication. Acts accordingly or seeks guidance or clarification before taking action in relation to Maori protocols and sensitivity. Understands general principles underpinning Tikanga Maori.
Information centre and visitor management	Uses public information skills and leadership in order to assist in the establishment and operation of the enquiry/information centre(s). Assists in the operation of the Enquiry/Information Centre(s) through the provision of timely and appropriate information. Maintains close and effective working relationships with key staff at the Enquiry/Information Centre(s). Maintains a visitor control policy that ensures safety and appropriate response to VIP visitors.
Undertakes ongoing development and training	Maintains and develops knowledge and skills through participation in training and simulation exercises. Actively seeks feedback, appraisal and opportunities for development.

Source: OECD (2008), “Note on Job Profiling”, GOV/PGC/PEM(2008)5, OECD, Paris.

Competency management in the HRM process

When deciding to introduce competency management, one of the questions to be answered is: who will be responsible for what in the development, implementation, and co-ordination of the new system? In OECD member countries, competency management is mainly organised by the relevant agencies or departments with the support and advice of a central personnel agency. The role of the central agency may, however, vary from one country to another. Nevertheless, in general, the relevant agency or department implements competency management in line with the specificity of their organisation, while respecting the generic guidelines of the central personnel agency.

Table 3.6. The central personnel agency in charge of competency management

Australia	Australian Public Service Commission
Belgium	Federal Public Service Personnel and Organisation
Canada	Office of the Chief Human Resources Officer (Treasury Board Secretariat), Public Service Commission
Denmark	Ministry of Finance, the State Employers Authority (the Centre for Development of Human Resources and Quality Management, financed as a joint venture between the State Employer's Authority and the State Employees' Organisations, is partly responsible for the implementation)
Japan	Ministry of Internal Affairs and Communications
Korea	Personnel Management Office (Ministry of Public Administration and Security), Civil Service Commission
Netherlands	<i>Algemene Bestuursdienst</i> (ABD) Office
United Kingdom	Cabinet Office
United States	US Office of Personnel Management

Source: OECD (2009), "OECD Survey on Competency Management in Government", unpublished.

Competency models are put to use best when all HR activities are integrated. Thinking in terms of competencies becomes a way of life in the organisation, from planning to selecting employees, and guiding and rewarding their performance (Marrelli, 1998).

Recruitment and selection

Competency assessment can be used to judge how well an internal or external candidate fits the requirements of a specific job. By developing a competency management framework, recruiters and managers can screen

candidates based on proficiency in relation to each required competency. A competency management framework has the potential to improve the accuracy of the candidate selection, increase employee retention, improve staff perception of job-fit, increase the job satisfaction of new recruits, produce efficiencies by reducing hiring costs, and improve interview effectiveness and decision making.

In Australia, the Public Service Commission provides additional assistance with recruitment. They have designed the “Get It Right” recruitment kit, which for example contains capability cards. These cards assist in clarifying the responsibilities of existing roles and identifying effective selection options. On each card, one capability is defined and its behavioural indicators described.

In Canada, the Key Leadership Competencies (KLC) Profile was developed for leadership development and for the recruitment and selection of executive-level positions within the federal public service. Profile assessments currently remain mandatory.

Box 3.2. Managing competencies in the Japanese national public service

Between 2007 and 2008, the National Public Service System was reformed to include management of competencies (capabilities) and performance management as the basic underpinnings of personnel management, to make the latter more flexible. The new appointment system identifies the standard government positions according to the hierarchy of organisations and variety of jobs. The system also distinguishes the **standard capabilities to accomplish duties** (SCAD) required of government officials. Officials are appointed according to the results of a personnel evaluation that assesses whether candidates to join the public service have the aptitudes and capabilities necessary to perform their tasks. This system is expected to enhance merit-based recruitment and make the appointment system work effectively and efficiently. A similar assessment is conducted to grant promotions.

Source: Hirai B., and S., Hara (2009), “Getting the Right Competencies in Government: Management of Competencies in the Japanese National Service System”, presentation to the OECD Public Employment and Management Working Party, Paris, 15-16 December.

In the Netherlands, competencies are specifically used in creating job vacancy profiles for the senior public service and in assessment centres that check on the presence of certain competencies required for a post.

Box 3.3. Recruitment and selection in Belgium and Korea

Belgium: Recently, there has been an attempt to replace the educational qualification requirements (diplomas) with competency requirements. This means that people can also be appointed to specific functions if they can demonstrate the necessary competencies (elsewhere acquired competencies) even if they do not have the required diploma (Hondeghe, A., 2009). The elsewhere acquired competencies logic means that candidates who do not have the appropriate diploma but do have the right competencies (acquired through experience, training...) get the opportunity to participate in the selection procedures.

Sometimes people are willing, fit and, through experience, able to do certain functions – especially in jobs for which there are not enough workers – but for one reason or another do not possess the required certified diploma(s) or certificate(s). If that is the case, the Minister for Civil Service Affairs can decide to overrule the obligation of having the diploma or certificate necessary to perform or even to apply for those specific jobs. SELOR, the federal selection and recruitment agency, will then organise tests to assess whether the competencies (both generic and specific) that correspond to the required qualification level but were acquired outside the system have been mastered. The certificate will be valid for five years (agreed in collective bargaining 2009-10) (FOD P&O, 2009).

This procedure is, however, resisted in Belgium, as diplomas are regarded as more objective and a barrier against nepotism. So far, this competency philosophy can only be applied in selection procedures in cases of scarcity of specific qualifications on the labour market (e.g. IT professionals) and it is rarely implemented (Hondeghe, 2009).

Korea: Competency management is used at selection examinations for recruitment of new civil servants. There are several stages, and each stage uses various selection tools for evaluating different competencies and knowledge. For a Grade 5 (junior manager) position, the first exam (the Public Service Aptitude Test or PSAT) evaluates the basic traits and competencies necessary for civil servants; the second measures professional knowledge; and the third estimates behavioural competencies, attitudes, and values through interviews and group discussions. The competency model is now emphasised throughout the selection process. For example, for competency-based interviews, at the third entrance examination for Grade 5 specific competencies are identified for each job category by applying qualitative and quantitative approaches; the government then constructs a competency encyclopaedia by mapping the competencies identified. In the interviews, competency assessment – applying a Behavioural Event Interview (BEI) and Assessment Centre (AC) tactics – is performed.

Source: OECD (2009), “OECD Survey on Competency Management in Government”, unpublished.

Training and development

Competency management has the potential to effectively identify employees' current skill gaps and help them map out training and development plans targeted at closing those gaps. Competency gap analysis thus becomes the learning needs assessment. A personal development plan is created for each employee, listing the specific competencies the employee needs to develop for improved performance. The objectives of all learning activities (workshops, courses, etc.) are based on the development of specific competencies. If effectively managed, competency gap analysis could help to eliminate unnecessary training; it could improve retention rates of high-performing employees as they further develop their own employability; just-in-time training would be available; training would be perceived as having a real purpose; and more accurate projected outcomes of training would be available.

The Australian Public Service (APS) Commission designed three programmes to support training and development in agencies throughout the public service. First, the HR Capability Development Programme focuses on developing skills that will give HR staff greater ability to be effective in strategic HR roles. Second, a good practice guide was launched, entitled *Building Capability: A Framework for Managing Learning and Development in the APS*. This framework aims to foster a learning culture and provides a source of audit criteria for any future evaluation in this area. Third, a Career Development Assessment Centre was established (see Box 3.4).

Belgium introduced “development circles” focused on building competencies in order to achieve personal and organisational objectives. A crucial element in the development circles is the individual training plan made for each public servant. The development circle consists of four phases: function discussion, planning discussion, performance review, and assessment interview. The last phase is followed by another planning discussion, which is the beginning of a new development circle. In theory, these development circles should be based on defined competency profiles. In practice, however, only some organisations use the profiles. Furthermore, according to the OECD (2007b), certified training has become one of the main competency management tools in the Belgian federal Government. The goal of certified training is to develop the competencies of public servants in order to meet the needs of the organisation. When training objectives are met, public servants receive a competency allowance in addition to their normal pay (Dupont, 2006; Hondelghem et al., 2005; Scheepers, S. & Parys, M., 2005; see Box 3.5). In 2009, the range of certified training programmes was extended and new ground rules and

quality requirements were fixed, which enhanced the transparency of the system.

Box 3.4. Training and development in OECD member countries

Australia: The Australian Public Service (APS) Commission has been working closely with agencies throughout the APS to address some of the strategic issues around building APS capability. In 2001, it decided to address the development challenges of one particular group of employees: those working in human resource management areas. The role of HR practitioners has broadened in the APS, as attempts to integrate HR planning, policies and practices increasingly link it with organisational change, workforce planning, and achieving business outcomes. The HR Capability Model articulates the capabilities required of HR staff in the APS. To support agencies further, and in conjunction with 13 agencies that contributed to its funding and realisation, the APS Commission designed an HR Capability Development Programme to assist participants in developing their capabilities in relation to the Model (APSC, 2003). The HR Capability Development Programme is very practical in both approach and design. The programme's focus is on developing skills that will give HR people a greater ability to be effective in strategic HR roles. The programme does not explore HR theory in depth, nor does it focus on the theoretical or operational aspects of different HR practice areas. What it does do is help participants develop the capabilities necessary to understand key business issues in their agencies, and how these issues need to drive HR services and initiatives (APSC, 2009a).

In 1999, a Career Development Assessment Centre (CDAC) was established to assess members of the Senior Executive Service through identifying their development needs with a view to their possible future promotion to the SES. It uses the Senior Executive Leadership Capabilities (SELC) Framework as a basis for assessing participant performance through a series of formal scenario activities, and for supporting 360-degree feedback. Participants are measured against the SELC Framework and the ILS, the APS Commission's benchmarks for APS career advancement. At the end, programme participants are provided with detailed feedback to guide their future development (APSC, 2009b).

Korea: For training and development, the Korean Central Officials Training Institute implemented competency-based education, using the competency models developed for each grade and various other methods, such as online lectures and participatory case analysis. For example, since 2006 the SCS Candidate Development Programme has used competency models to conduct competency-based education. In this programme, division directors in the national government receive learning-based training through a series of procedures: *i*) competency assessment; *ii*) competency training; *iii*) action learning and real-world application; *iv*) problem-solving activities; *v*) supplementary training; *vi*) performance evaluation; *vii*) comprehensive evaluation; and *viii*) training completion. The SCS members can also receive customised training to raise the level of competencies if needed. In addition, since 2009, the Central Officials Training Institute has operated education programmes that provide problem-based practical tasks and feedback on the results; this helps the trainees identify

Box 3.4. Training and development in OECD member countries (*cont'd*)

competencies that need improvement, and has them actively participate in the learning process.

United Kingdom: The United Kingdom's SCS Competency Framework provides senior managers with guidance on how to do their own work and to identify leadership potential in others. Some 100 individuals are invited each year for a series of challenging leadership workshops, which are complemented by psychometric assessments designed to give the selectors a better idea of the match between competencies and individuals. The aim is to develop a leadership profile for each candidate so that individual-specific trajectories and development interventions can be made. The extent to which this has resulted in a more competent SCS than in the past remains an open question (Hondeghe et al., 2005).

United States: The Executive Core Qualifications (ECQ) serves as a guide for Federal Executive Institute and Management Development Centers curricula. The United States Office of Personnel Management designs all its leadership development programmes around the ECQs. For the individual federal manager or executive, the ECQs represent guideposts along the pathway to career and organisational success. One of the most successful training programmes for managers is the "Core Leadership Curriculum" (below). In this multi-phased approach, participants are engaged in a career-long process of leadership development, from the pre-supervisory level through preparation for the Senior Executive Service (US Office of Personnel Management, 2009).

- LPS: "Leadership Potential Seminar" for emerging leaders;
- SLS: "Supervisory Leadership Seminar" for new supervisors;
- SNM: "Seminar for New Managers" for new managers;
- MDS: "Management Development Seminar" for mid-level and experienced managers;
- EDS: "Executive Development Seminar" for senior leaders and SES candidates;
- LDS: "Leadership for a Democratic Society" for senior leaders and SES candidates.

Source: OECD (2009), "OECD Survey on Competency Management in Government", unpublished.

In Canada, learning activities at the Canada School of Public Service have been associated with Key Leadership Competencies mentioned above, to help public service employees and managers select the school's courses that will meet their learning needs. The KLC were also integrated into the federal government's leadership development programmes.

Since 2007, the Danish Government has made considerable efforts to focused **on** leadership development programmes. During the same period, there has been a significant investment in competence development for all civil servants. Still, the overall principle is that the local employers should choose the most relevant programme for their employees. The degree of central co-ordination is reduced to counselling local employers and ensuring that the market provides relevant high quality programmes for civil servants.

Performance management and remuneration

Competencies clarify what is expected from individuals. By providing an objective set of measures, they serve as an effective benchmark from which to measure the performance gains of both employees and teams, set against both competency requirements and objectives. The appraisal system focuses on specific behaviour, offering a roadmap for recognition, reward and possible advancement. When competencies are behaviourally anchored and adequately validated, they support merit and competency-based pay strategies.

One reason for the increased use of competencies in performance management is that behavioural aspects of performance are better understood. As mentioned above, performance is not only a question of what people do, but also how they do it in interaction with other people (OECD, 2009a). To some degree, competencies are represented in the countries' (annual) performance assessment of civil servants. Competency-related pay, however, remains underutilised and is only applied (to some degree) in Belgium, Canada, and the United Kingdom.

In Canada, once public service employees became familiar with the use of competencies in training and development activities, organisations introduced the Key Leadership Competencies in performance assessment. The Directive on the Performance Management Program (PMP) for Executives and related "Guidelines on the Performance Management Program for Executives 2009-2010" require deputy heads to assess the key leadership competencies when determining the performance ratings and performance pay of executives. Performance ratings are based on **what** results were achieved as well as **how** they were achieved.

Box 3.5. Competency-based remuneration in Belgium

One of the most important changes to the Belgian federal Government's remuneration system is the introduction of competency-based pay. The new appraisal system offers public servants from levels A to D the possibility to earn an extra "competency allowance" on top of their normal pay. This additional allowance is linked to an examination taken at the end of the certified training, some of which is open to participants at different levels. Once public servants succeed in this competency exam – a grade of 60% is necessary to pass – they receive the competency allowance each year for six to eight years depending on the public servant's specific situation. According to the level, access could be granted to a higher salary scale (FOD P&O, 2009). This connects remuneration to public servants' ability and willingness to develop their competencies in order to meet their personal, as well as the organisational, objectives (Hondeghe, A. & Parys, M., 2002).

Questions about the scheme have been raised (Hondeghe et al., 2005). One issue is that competency management in the case of the federal government might undermine implementation of a performance-based approach of HRM. That is to say, the appraisal system is disconnected from the remuneration system. At this time, remuneration is linked to the will of public servants to develop their competencies instead of to the way their competencies are being translated into (the quality of) performance. As a result, staff and management attention may become disproportionately focused on competencies, rather than on results and individual performance.

Source: OECD (2009), "OECD Survey on Competency Management in Government", unpublished.

In Japan, the new personnel evaluation system includes a capability (competencies) assessment and a performance assessment. The capability assessment is conducted once a year and gauges whether the employee's job performance consistently met the required levels. The performance evaluation is carried out twice a year and gauges the extent to which the employee achieved his/her goals, set in advance with agreement with the direct manager or supervisor. This new personnel evaluation system has to meet at least two main challenges: *i)* how to set goals that are specific, measurable, achievable, result-based and time-oriented; and *ii)* how to develop the evaluators' skills to conduct fair assessment and provide appropriate coaching.

In the Danish case, a tool for self-assessment, the Common Assessment Framework, has been developed in parallel with introduction of the Code of Public Governance Excellence. This instrument allows senior civil servants

to review their own managerial practices in light of the recommendations put forward in the code.

Box 3.6. Performance and remuneration in the United Kingdom

Since 2001, each member of the United Kingdom's senior civil service (SCS) has to agree on an annual performance plan that identifies four or five objectives, two of which relate to SCS competencies. The annual performance appraisal assesses and reviews performance against the goals and objectives set, and allocates individuals into one of three classifications: exceptional, satisfactory or unsatisfactory performance. A system of performance-related pay (PRP) is in place and those in the top category receive bonuses while those in the lower two do not. Unsatisfactory performance involves line managers establishing performance improvement plans, which are reviewed after six months. All other staff have performance development plans, which may involve training, secondment, or other development strategies (Horton, S., 2005).

Source: OECD (2009), "OECD Survey on Competency Management in Government", unpublished.

Workforce planning and succession management

A gap analysis can reveal the chasm between the competencies that individual employees, groups, or even the organisation should have to contribute to workforce development plans, and the competencies of staff in place. Organisations assess potential replacements for key positions based on the competency requirements identified, which are then used to identify and rank employees with high potential for succeeding in each position. Finally employees are trained, to ensure that they are prepared to assume each critical leadership position in the event that it becomes vacant.

Australia places emphasis on succession planning that focuses on developing internal or employee capability in an organisation. An important part of this planning is the Career Development Assessment Centre, mentioned in Box 3.4. In Korea, every five years a workforce plan for improving competency levels needs to be established by each central ministry and agency, based on the current competencies of civil servants and the competencies required in the near future. The objectives of the workforce plan must be accomplished by the end of the five-year period.

France actively uses "competencies" in workforce planning. A key instrument, the RIME (*Répertoire interministériel des métiers de l'état*), was launched in November 2006 to provide a catalogue of competencies to be used by all departments. The RIME reviews the different job types and

functions within the state administration in order to reinforce linkages with the competency needs analysis and to increase cross-departmental staff mobility. Another workforce planning instrument in France is the GPEEC (*Gestion prévisionnelle des effectifs, des emplois et des compétences* – Employment, Workforce and Competency Planning). Introduced in the early 1990's and restructured in 2001, the GPEEC is an ambitious government-wide strategy that analyses the current staffing picture by functions and categories, and aims at forecasting adjustments of staffing needs. The GPEEC has established a common framework across government departments, although each ministerial department is responsible for its own GPEEC plans under the supervision of the central HRM body. Evaluation of current GPEEC plans shows that all ministries have made progress in aligning staff with missions and integrating HRM strategies into the plans (OECD, 2009b).

Career management

Competencies are also used to create the personal career plans of the employees, who can review what is needed for all the positions and, through comparison with the competencies they possess, identify potential positions and develop their career path.

Thus a final HR process in which competencies are used is career management. Some OECD member countries – Korea, the Netherlands, the United Kingdom and the United States are examples – apply competency management in their career development programmes. A competency assessment generally results in the identification of career possibilities, development needs, etc.

In Korea, competency assessment is used when candidates apply for a promotion to a higher grade or to the SCS. Furthermore, central ministries and agencies individually operating career development programmes base career consulting on the results of competency analysis.

The United Kingdom's SCS Competency Framework is used, as mentioned above, to identify leadership potential. Moreover, the Professional Skills for Government Framework serves as a tool for civil servants to plan their civil service career. In the future, opportunities will also depend increasingly on a civil servant's ability to demonstrate his or her competencies.

The United States Government tracks its federal managers through the Core Leadership Curriculum, through which participants are engaged in a multi-phased and career-long process of leadership development.

Box 3.7. Career management in the Netherlands

In 2004 and 2005, the programme “Management Learning Lines” was prepared under the “Modernising Government” umbrella. The idea was that a prospective manager follows a partly structured path towards a top management position. The paths may vary but will, as a rule, consist of a variety of work experiences, training, coaching, and other developmental activities (ABD, 2005, 2006). The actual offer of a variety of work experience opportunities increased, because the ABD career programme expanded to include, *inter alia*, the ministries and the four largest municipalities (Amsterdam, Rotterdam, The Hague, and Utrecht).

Management Learning Lines aims at providing career possibilities and instruments for the development of prospective managers. One project consists of enhancing collaboration between the ministries’ management development programmes. Another project is “portfolio management”, a concept for exchanging information about the qualities, performance, and potential of people on the basis of a personalised dossier with objectified information, such as a CV, an assessment, and 360-degree feedback reports.

Source: OECD (2009), “OECD Survey on Competency Management in Government”, unpublished.

A roadmap for implementing competency management

A number of core elements for the introduction, development and implementation of competency management are listed below. The steps presented could be considered as a checklist. The attention is mainly focused on bringing together recommendations and lessons for the future based on the experience of OECD member countries.

Step 1. Building a strategic long-term planning framework

Deciding to introduce competency management is a strategic choice and hence a long-term commitment. Competency management is, however, not an objective in itself, but a means to achieve an objective. Therefore, it is important to establish objectives for the competency-modelling project in advance. Furthermore, clearly formulating the objectives can contribute to creating a shared perspective on competency management among the different stakeholders. As required by strategic HRM, the first link to the organisational mission and vision should be made in this step (vertical integration). Questions that need answering at this point are: Why does the

organisation want to introduce competency management? And how does competency management connect with the mission and vision?

Generally, competency management starts from a need or a problem. Twenty-first century challenges still include globalisation, but also include the demand for a diverse workforce, financial crisis, an ageing workforce, etc. These are macroeconomic factors that will further influence the need to revise traditional personnel management practices and evolve towards a competency-based system.

In the nine OECD member countries selected, the primary reason for introducing competency management was a broader cultural and organisational reform. Competency management is leverage for change. In most cases, it is a vehicle to transform a traditional bureaucracy into a modern and flexible organisation. Since the 1990's, and under the influence of New Public Management, many governments have been undergoing a radical reform process. In this context, competency management often served as an underpinning in the creation of more strategic human resource management.

Step 2. Organising, planning and communicating the shift to competency-based management

This second step involves three aspects: *i*) determining how competency management is to be organised (HR governance); *ii*) planning the development of a competency management system; and *iii*) developing and implementing communication plans. It is important to mention that the decisions referred to in this step need to be made before the actual development and implementation of competency management.

Organising competency management

Organising competency management refers to the HR governance structure that is applied. In other words, the questions to be answered are: Who will develop competency management? And, who will co-ordinate implementation?

The main choice to be made here is between managing competencies centrally or in the agencies, departments or ministries. General practice in OECD member countries shows that governments implement a mixture of both: agencies, departments or ministries implement competency management in line with the specificity of their organisation while respecting the generic guidelines set by a central personnel agency. However, a distinction must sometimes be made between the target groups

of competency management. For leadership functions, a competency framework is generally developed at the central level. Frameworks for civil servants at lower levels are, in some cases, developed separately in agencies. The involvement of agencies in development and/or implementation means that the government's competency management system can be adapted to the specific needs of the different organisations. Also worth mentioning is the Dutch Government's belief that a competency framework requires expert implementation. Contrary to the increasing human resource role of line managers, the Netherlands is shifting its focus to expert support from HR professionals to implement competency management.

Planning for the development of a competency management system

Planning the competency management approach involves defining concepts, determining the relevant parts of the organisation, and selecting the development tools. From the outset, it is important to clarify which approach will be used.

Defining the concepts is an essential starting point in order to avoid misunderstandings in the short term during development, but also in the long run when competency management is being implemented. The main concepts to be defined are “competency” and “competency management”. What is understood by these terms?

Also to be determined is the part or part(s) of the organisation in which competency management will be developed. It can be the entire organisation; a certain agency, department, or ministry; or a specific employee level. In government, it seems suitable to introduce competency management throughout the organisation. Generally, governments have a competency management system for leadership functions only.

A draft competency framework is set up, implemented, and then tested for effectiveness. Based on that evaluation, adjustments can be made to the framework.

Developing and implementing communication plans

An integrated project such as the introduction of a competency management system requires a great deal of support from people in the organisation. It naturally follows that communicating new developments to the different stakeholders (HR professionals, supervisors, employees, trade unions, etc.) is indispensable. This implies an intensive communication effort, but it will be helpful in pushing the project forward and promoting its implementation throughout the organisation. Governments may develop a

competency management system, but that does not guarantee the use of it in practice. For that reason, encouragement through targeted communication is necessary.

It is important to develop communication plans for everyone in the organisation who will be affected by the system. Ideally they should begin to be implemented before the analytical work starts. It is crucial to let everyone in the organisation know what to expect before they are asked to participate in the project. In particular, the support of executives and senior managers is essential from the beginning. They need to understand that for a competency-modelling project to be successful, thinking in terms of competencies needs to become a way of life in the organisation.

Step 3. Identifying competencies and developing competency models for the specified target groups

This diagnostic phase begins with specifying target groups. Several options are possible: one set of competencies for all civil servants; one set for senior management and one for civil servants at lower levels; one set for each employee level; etc. From the countries studied in this report, it appears that senior management positions are a priority, and therefore should certainly be involved when introducing competency management for the first time.

There are two ways to continue the development process: *i*) top-down – start from an existing competency model and adjust the competencies to the needs of the organisation; or *ii*) bottom-up – identify the competencies that are needed in the organisation, and structure them in a model. Either way, a few points require attention.

First, the ideal competency management system does not exist. A good system must always be aligned with the specific goals of an organisation – its strategy, mission, and vision. This is referred to as vertical integration. It is also advisable to take into account the current HR instruments and procedures used in the organisation.

Second, there are a number of guidelines with regard to the types of competencies that should be included. In a general model, for example, behavioural competencies should prevail. Because of the specificity of technical competencies, it is better that these be identified at the agency level. That way, the technical competencies can be fully adjusted to the particular needs of the agency, department or ministry.

Third, the government's model would ideally include a mix of competencies both specific to public service and linked to public and private sector organisations. In OECD member countries, the competencies specific to public service generally take the form of (public service) values. According to *Government at a Glance 2009* (OECD, 2009a), this trend of incorporating basic public values is associated with an evolution toward a broader focus on public governance. Values considered a foundation are, for example, commitment, service, integrity, transparency, accountability and equity. Other competencies with a public service emphasis are professionalism and probity, affinity with public sector management, political awareness, political savvy, and public service motivation.

Fourth, there are competencies common to both public and private sector models. A comparative analysis of the OECD member countries' models of both stripes highlighted 11 competencies: strategic thinking, vision, achieving results, building relations, commitment, adaptability, communicating, decision making, learning, coaching/developing, and teamwork.

Finally, a fully developed model includes clusters of competencies, the particular competencies that make up each cluster, and a definition of and several behavioural indicators for each competency. Furthermore, it is recommended to cast the competencies, or at least the clusters, in an attractive conceptual framework that can then be communicated to the different stakeholders.

Step 4. Integrating competencies into various HR processes

The next step is to apply the model(s) to people management systems, such as selection, employee development, succession planning. Integration of competencies into the various HR processes can happen gradually or all at once. When gradual integration is chosen, it is possible to start with a pilot project in one department, with a group of employees or with one HR process. Starting at the top of the organisation (e.g. senior management or supervisors) immediately sends a strong signal to the base. As a result, implementing competency management for civil servants at lower levels will probably be easier.

The HR processes (selection, remuneration, workforce planning, etc.) to which the competency model(s) will be applied also need to be selected. In some OECD member countries, HR processes such as selection and employee development already have a strong competency basis. The link between competencies and performance, however, should be made stronger so that competency-based pay can be introduced at a later stage.

Nevertheless, competency management is more than simply using competencies in various HR processes. It is a system that needs to bring about organisation-wide dynamics: the competency-based people systems within an organisation should be integrated so that they are aligned and mutually supportive. The challenge is to develop competency management as an integrated, core part of HRM and to avoid the risk of it becoming an isolated tool or an end in itself.

Step 5. Revising and updating the competency management system on a regular basis

The last step involves revising and updating the competency management system on a regular basis. Global challenges imply changing (competency) needs for each government. Therefore, it is particularly important to grasp the dynamic nature of individual job-related competencies. In this context, the effectiveness of the entire system (models and the integration of competencies into HR processes) needs to be evaluated. Possible questions in this step are: How can the competency management system be improved? And, how well are the applications of the model working?

It is best to schedule regular updates and revisions of the competency management system. Competency modelling is a continuous process, not a one-time project. To be useful, the list of competencies needs to be revised as business strategies and conditions change. In terms of timing, there are several options, such as a periodical evaluation or a comprehensive review covering several years.

Barriers and limitations of competency management

Difficulties experienced in competency management

Two of the major difficulties of competency management are encountered at the outset: identifying appropriate competencies and constructing a framework (Horton, 2000a; Vakola et al., 2007). Recent research also shows that one of the most difficult managerial and leadership issues remains the translation of business strategy into the individual competencies needed for implementing and supporting that strategy at the operational level in organisations (Kaplan and Norton, 2005). Additionally, several competencies are still formulated at a high level of abstraction and are thus “fuzzy”, which reduces their usefulness (Lievens, 2006).

Nunes, Martin and Duarte (2007) find that commitment is one of the main problems encountered in implementation. Senior and middle management, as well as employees, often have a reduced level of commitment and participation.

Another issue of concern is that the competencies defined most often end up being backward-looking rather than future-oriented with respect to strategy and organisational change. Competency models also tend to focus on what managers currently do rather than what is needed to perform effectively in the future, something that jeopardises the potential of competencies to act as levers for implementing change (Vakola et al., 2007).

These are general difficulties; some of the selected OECD member countries have experienced other challenges linked to their particular cases.

Factors determining the success of competency management

In order to overcome the barriers and limitations of competency management, it is important to take into account the success factors discussed below.

Success factor 1: Organisational readiness

The reason(s) for introducing competency management should be well considered. There are many possible grounds, but each government has to establish its own justification based on organisation-specific needs. A common reason for introducing competencies in government is the need for a broader cultural and organisational reform. Competency management can support this reform and hence provides leverage for change. However, public employees should be aware of the scope and objectives of organisational programmes – what the organisation and the government as a whole are trying to achieve, and why. This is one of the most difficult (and often neglected) elements of introducing a competency management framework.

Success factor 2: Commitment and participation of stakeholders

Introduction of competency management hinges on the support and commitment of the civil servants. Despite its importance, commitment remains one of the major problems encountered when introducing competency management. Top and middle management especially should demonstrate the commitment and willingness to enter competency management from the start of the project. That way, they can garner support and encourage participation from civil servants at lower levels. Support from senior management should also be kept visible throughout the process,

because civil servants will not see competency management as a priority unless they see management associated with it. Also, getting support at the political level is important for public organisations.

It is particularly important that stakeholders be involved during development, which usually is a process of trial and error. Development and implementation plans should be detailed and include the assignment of clearly defined roles and accountabilities for top management, line management, HR professionals, employees, and trade unions. Working with line managers in the design of the entire competency modelling process is particularly important, so that they become co-owners of that process. Finally, employees should be provided with abundant support throughout all the stages of the competency implementation effort.

As with any organisational initiative or change process, intensive and frequent communication is key to forging the solidarity of the different stakeholders. Once it is decided to introduce competency management, civil servants need to be informed of the purpose and steps of the process. Any miscommunication can lead to tensions and resistance among civil servants. By properly informing them, potential conflicts can be countered to some extent.

Success factor 3: Emphasise values specific to the public sector

It is recommended to incorporate public service values and/or other competencies specific to public service. Values such as service, integrity, and loyalty can be considered as fundamental competencies for governments. Next to these it is possible to add other public service-specific competencies, such as political awareness and public service professionalism.

Success factor 4: Adaptability to needs at agency level

Since competency management is mainly implemented by the agencies, departments, or ministries (with the support and advice of a central personnel agency), the competency management system needs to be adapted or adaptable to their particular needs. Certain competency models, such as those for civil servants at lower levels, can for example be developed in the agencies. Furthermore, it is recommended to identify technical competencies at the agency level so that they can be fully adjusted to the particular needs of the agency, department, or ministry.

Success factor 5: Comply with the three dimensions of integrated competency management

In a decentralised public sector, competency management is often seen as an integrative instrument to maintain coherence and facilitate central steering. Successful implementation of a consistent and unambiguous competency-based management system requires three dimensions of integration: vertical integration, horizontal integration, and the implementation or integration in the organisation. In case of vertical integration, it is important to continuously emphasise the connection between achievement of organisational objectives and the identified competencies. Furthermore, competency models are put to best use when all HR activities are integrated. Thinking in terms of competencies must become a way of life in the organisation, from planning to selecting employees and guiding and rewarding their performance. Not only are the alignment with the strategy (vertical integration) and integration of the various HR systems (horizontal integration) important, but competency management is also primarily a question of putting implementation into practice (i.e. the third dimension of integration). Until now, the degree of vertical or horizontal integration greatly depended on the implementation and actual practice of competency management in the various agencies, departments or ministries. Each of the selected OECD member countries experienced difficulties in implementing centrally developed HR tools and guidelines in their agencies. Consequently, the main problem, but also the main challenge, lies in the third dimension of integration, i.e. throughout the organisation.

Success factor 6: Planning for competencies

Planning for the competencies needed in the organisation is an essential step to secure a competent workforce now and in the future. Workforce planning is one of the strategies to operate in environments that are more turbulent and to anticipate 21st century challenges, such as ageing or financial crisis. Yet it is still not sufficiently appreciated as a process in the HR toolbox. The introduction of competency frameworks is an ideal opportunity to work on workforce planning more systematically and in a more goal-oriented way.

Success factor 7: Review and continued interest

Once competency frameworks are developed and implemented, there should be efforts to sustain competency-based management throughout the entire government. Competency management should be reviewed

periodically to identify incongruence between current models and changing needs. Constant review is necessary because competency frameworks can become too static. The future of competency management depends on continued interest among top and line management, civil servants, and trade unions.

Competencies of the future

Employees' competencies and the integration of HR policies and practices with business strategies play a central role in sustained competitive advantage. The culture of lifetime employment no longer exists. Rather, we are witnessing a shift from "people as workforce to people as competitive force" (Prastacos et al., 2002: 67). Strategic thinking, innovation, creativity and business sense are absolute requirements for succeeding in almost any kind of job, and that drives the need to define and develop new competencies. It is particularly important to grasp the dynamic nature of individual job-related competencies and recognise, as indicated by success factor 7, the need to connect them with changing business needs (Vakola et al., 2007).

Any changing policy environment has a significant impact on both the public service workforce and the range of skills it needs for the future. Table 3.7 highlights the future competencies governments have identified to face the challenges of the 21st century. The sources of these competencies are speeches and statements from politicians and senior officials, policy notes, reports on the civil service, annual reports, and local experts' perceptions.

Australia explicitly puts an emphasis on two global competencies for the future: strategic thinking and agility. "If the current financial crisis tells us anything, it is that we need to be more strategic globally so that we are able to recognise policy and implementation failures before they happen. [...] Furthermore, agility needs to become a core public service competency in our decentralised and complex world. Agility means both how quickly and how flexibly we respond in our uncertain environment" (Briggs, 2008).

Based on Table 3.7, eight "key" future competencies clustered into four meta-competencies can be identified: creative thinking (creativity and innovation), flexibility (flexibility and change management), co-operation (work collaboratively across boundaries and relationship building), and strategic thinking (vision and future orientation).

Table 3.7. **Future competencies for governments**

Australia	Act early and decisively	Honesty
	Agility	Impartiality
	Anticipating	Innovation
	Considering the big picture	Intellectually agile
	Commercial skills	Multi-skilled
	Creativity	Participatory approach
	Development of relationships	Project management
	Early problem diagnosis	Public service excellence
	Effective and efficient	Purpose and direction
	Embrace change	Qualitative leadership
	Entrepreneurship	Renewing
	Establish and maintain productive working relationships across and beyond government agencies	Risk management
	Establishing and managing partnerships	Strategic leadership
	Facilitating	Strategic and creative thinking
	Fairness	Vision
	Flexibility	Work across boundaries
	Forward-looking	Work swiftly
		Work together
Belgium	Continuing reflection of the solutions offered	Leading based on results
	Culture of ownership and loyalty	Quality orientation
	Customer orientation	Responsible
	Effective	Results orientation
	Ethno-communication and networking	Self development
	Flexibility	Service orientation
	Innovative and creative capacity	Transparency
	Knowledge management and knowledge sharing	Vision
Korea	Change management	Strategic thinking
	Problem recognition and understanding	Vision
Netherlands	Ability to imagine and develop connections across borders	Make connections in a broader context
	Create space for initiative and creativity, including space for experiments with new ideas	Make the best use of the talents of employees and citizens
	Development of employees	Network collaboration
	Diversity management	Professional substantive knowledge
	Facilitate dialogue with society	Sensitivity for societal and political developments
	Future orientation	Sustainability

Table 3.7. **Future competencies for governments** (*cont'd*)

United Kingdom	Asking	Marketing skills
	Building trust and genuine engagement	People management
	Campaigning skills	Project management
	Change management	Relationship management
	Collaborative mindset	Seek alternative viewpoints
	Communication and technological skills	Social and interpersonal skills
	Emotional intelligence	Sociological and psychological skills
	Entrepreneurship	Spotting and nurturing talent
	Flexibility	Staff engagement
	Imagination	System and process design skills
	Innovation	Teamwork
	Learning	Transformational leadership
	Listening	Understanding the end user
United States	Results orientation	Work collaboratively across boundaries

Source: OECD (2009), “OECD Survey on Competency Management in Government”, unpublished.

Planning for future competencies

Planning for the future competencies mentioned above is the next step in securing an effective workforce now and in the future. An ageing workforce, for example, implies a loss of capacity and thus a loss of competencies; Workforce planning is one of the strategies to anticipate this potential loss (OECD, 2007a). Once limited to calculating the gap between talent supply and demand, workforce planning is now a far more sophisticated process that enables an organisation to adjust and respond quickly to immediate and future changes (The Conference Board, 2006). Meanwhile, the need for strategic workforce planning and execution of workforce plans has never been greater, as both public and private organisations operate in environments that are more turbulent and confront 21st century challenges (Lavelle, 2007).

Nowadays, workforce planning goes as far as creating a workforce architecture through segmentation. The trail (and escape) from “basic gap analysis” leads first to active use of “workforce analytics”. These include mining current and historic data to analyse the relationships between different employment types and skill clusters, as well as the links between HR and business data. The next step on the evolutionary path is “modelling and forecasting”, which takes workforce analytics into a more dynamic setting. Activities in this stage include building various “what-if” scenarios

to analyse the strategic reliability of different staffing models. This is naturally an intrinsically difficult, resource-intensive undertaking that is fraught with unknowns and justified only when the organisation in question operates in a business environment in considerable flux. Finally, the path leads to “workforce segmentation”, which comprises a variety of approaches distinguishing staff in terms of strategic contribution to completing a task. Workforce segmentation, however, seeks not to differentiate performance or individual contribution, but rather to distinguish roles and skill sets in terms of how vital they are to organisational success.

Box 3.8. Workforce planning in Australia and Korea

Australia: According to the Commonwealth of Australia, workforce planning is “a continuous process of shaping the workforce to ensure it is capable of delivering organisational objectives now and in the future”. Workforce planning involves *inter alia* identification of workforce requirements and any capability gaps through assessment of the demand and supply dimensions. Such planning is essential if demand is to be met (ANAO, 2001, 2005, 2008).

The APS Commission developed a general workforce planning model, but agencies may substitute their own agency-specific model. The Commission’s guide points out that workforce planning is not an isolated process or system, but should be integrated with business practices; incorporate an analysis of the agency’s current and possible future operating contexts; and include ongoing monitoring of the environment, workforce issues, and organisational strategies. The Commission’s guide suggests that a capable, available, adaptive and effective workforce is required to enhance organisational performance and accountability.

In workforce planning, it is important to focus on critical data and emerging trends. The APS Commission states that three questions should be answered:

- Where are we heading? This is about understanding the strategic context; for example, identify the organisational and business unit-specific skill requirements emerging from the most likely future scenarios.
- Where are we now? This is about knowing the current workforce and work programme; for example, examine critical workforce data of the agency.
- How are we going to get there? This is about identifying gaps/deviation in current and future workforce capability.

Box 3.8. Workforce planning in Australia and Korea (*cont'd*)

In order to identify workforce planning issues, agencies need to know their workforce, in terms of both characteristics and competencies. A number of agencies now have competency frameworks in place that are linked to performance and learning management systems. Such systems can facilitate the identification of occupational groups or competencies required by the organisation (ANAO, 2005).

Korea: In the Korean Government, a workforce plan is established by each central ministry and agency every five years. In its planning, the central ministry or agency needs first to analyse the current workforce: its size, disposition, structure and composition, recent change, personnel management practices, and current competency level. The second step is to predict what will be necessary for the next five years: personnel size, composition, and the competencies required for achieving any mid- or long-term vision and strategies. The third step is to estimate the gap between the current level and future demand. If a significant gap is identified, likely problems are analysed, and possible alternatives are reviewed. The final step is to develop strategies for reducing the gap so that, by the end of the five-year period, the objectives of the workforce plan – personnel size and competency levels – will have been accomplished. A workforce plan includes recruitment (selection, promotion and transfer), development (education, outside training and mentoring) and disposition (career development and job posting).

Source: OECD (2009), “OECD Survey on Competency Management in Government”, unpublished.

Conclusions and challenges ahead

Governments play larger roles in the societies and economies of OECD member countries than they did half a century ago. They thus need to improve the capacity, competency and efficiency of public administrations and public services. Efforts to achieve this encounter a broad range of issues, including how to organise and govern public administration, how to budget, how to use modern information technologies, how to involve citizens and how to co-operate with private enterprises and organisations. Consequently, the performance, effectiveness and efficiency of public servants have become key concerns for governments. Appropriate human resource management practices are increasingly seen as essential in the quest for enhanced performance. One common thread running through reforms in most OECD member countries is, however, a greater focus on the competences of public servants. Countries that play a leading role in this respect develop and implement systematic competency management, linking

recruitment, training and staff development to competency frameworks and competence profiles.

Although it continues to evolve, competency management is now fairly mature and well integrated into governments' HR systems. However, there is still the need for a holistic approach to the system. The main problem lies in implementation throughout the organisation. OECD member countries experience difficulties in implementing centrally developed HR tools and guidelines in their agencies, departments, or ministries. Despite encouragement from the centre, marked variation exists among agencies, departments, or ministries with respect to the extent and intensity of implementation. In most cases there is a central personnel agency and multiple agencies or departments, each with its own HR unit. This conflict between the central level and the decentralised level seems to cause problems in terms of integration. To solve them, the central level should have more control in this matter. However, that runs counter to the trend for delegation of HRM authority to line ministries and agencies.

Competency management has the potential to play a major role in the modernisation of public administration and of the public workforce. However, it is also well known that a reform in personnel management is a long-term process that requires continuous attention over a number of years if it is to achieve actual changes in civil servants' behaviour and culture. Additional research is therefore needed to determine future directions. Furthermore, competency management should be reviewed on an ongoing basis to identify incongruence between current competency models and changing needs. Relating competency requirements to external developments and their impact on the organisational strategy is equally essential.

Note

1. The European Group of Public Administration (EGPA) has undertaken a comprehensive study of competency management in the public sector in Europe. See Horton, Hondeghem and Farnham (2002).

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Chapter 4

Fostering diversity in the public service

Workforce diversity makes for a stronger, fairer public service, one that better understands and meets people's expectations. By improving representation in government of the different social groups, diversity in policy making can play a part in maintaining core public values, increasing managerial efficiency, improving policy effectiveness, raising the quality of public services, and enhancing social mobility. Governments do, however, need to see diversity as an asset, and unfortunately real evidence of the benefits has been weak. Other obstacles to introducing diversity include the lag between political and managerial timing (this is a long-term process), regulatory barriers, budgetary constraints, rigid HRM frameworks, lack of flexibility, and HRM arrangements already in place. Diversity requires a common vision, coherence, a strong link to strategic workforce planning, firm leadership, managerial flexibility, a good balance of responsibility between central government co-ordination and delegated implementation, addressing discriminatory practices already in place, and regular programme evaluation.

Introduction

The basic premise of this chapter is that workforce diversity makes for a stronger and fairer public service that better understands and meets people's expectations. In the future, the public workplace will be characterised by increased geographical mobility and personnel with a wide variety of backgrounds, experiences and competencies that will, in fact, be required to satisfy social needs. The design and adoption of more flexible and long-term employment policies will be a priority for OECD member country governments. By improving representation in government of the different social groups, diversity in policy plays a part in maintaining core public values, increasing managerial efficiency, improving policy effectiveness, raising the quality of public services, and enhancing social mobility.

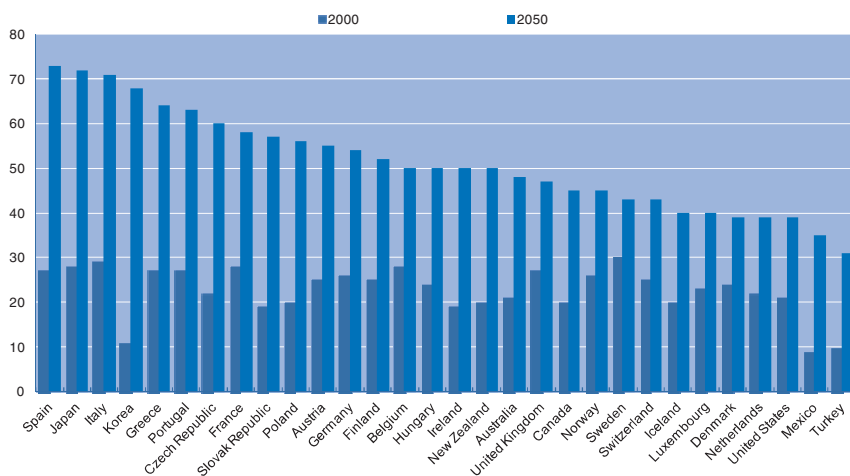
However, to benefit from the advantages of a diverse workforce, governments need to see diversity as an asset through which the different experiences, knowledge and competencies of individuals play a part in improving government's performance. It has been suggested in a number of academic studies and government reports that workforce diversity may bring about gains in efficiency, effectiveness and equity in the public sector, but empirical evidence remains weak.

Why is it relevant for governments today? Diversity in the public service, and the public sector as a whole, is necessary because each individual has different skills and knowledge that can contribute to the enrichment of the sector and broaden its perspectives in a positive way for all employees and citizens (Mullers, 2011). OECD member countries are aware that understanding the needs of different groups in society is linked to delivering better public services. In the large majority of member countries, the population is diverse in terms of gender, religion, age, disabilities, sexuality and national or ethnic origin – and all groups come with different socio-economic and educational backgrounds. Governments have a responsibility to satisfy the needs and concerns of every member of society, which of course differ according to people's characteristics.

Moreover, the population in OECD member countries is ageing rapidly, a phenomenon that is creating pressures on government to provide public services – the current public service delivery systems were designed to meet the demands of relatively young societies. Ageing refers not only to an increase in the population aged 65 and over but also to a decline in the number of children, youths, and those of working age (people between 15 and 64 years old). Increases in life expectancy, and low fertility rates are factors that account for these changes. The old-age dependency ratio is expected to change dramatically over the coming decades as a consequence

of population ageing:¹ in 2000, the ratio in the OECD area was 22.8; it is forecast to increase to 51.2 by 2050. With the backdrop of ageing clearly in view, OECD member countries need to design a service delivery system able to operate in an environment of continuously changing public demands – and the delivery must be not only flexible and adaptable but also highly efficient, accountable and equitable. The demographics of ageing face the public service itself: a large proportion of public employees will retire over a relatively short period. Maintaining the capacity of the public service to deliver the same level and quality of public services for all citizens is a complex management task, considering that this has to be achieved in tandem with service delivery changes to meet demands from an ageing society. Thus, to replace retirees and attract competent staff, the public service has to be an attractive employer by providing each and every employee with the opportunity to develop regardless of their gender, disability, ethnic origin, age, or educational and social background.

Figure 4.1. **Old-age dependency ratios in OECD member countries (2000-2050)**



Source: OECD (2009), “Ageing and Changes in Public Service Delivery – Findings and Conclusions”, GOV/PGC/PEM(2008)7/FINAL, OECD, Paris.

If the departure of retirees from the public service places pressures on government, it also provides a unique opportunity to reorganise the workforce in terms of staffing levels, distribution and competencies. Governments will be in a position to hire new staff in sectors other than those losing them, rather than having to engage in the somewhat more costly

option of retraining staff before reallocating them to different sectors (OECD, 2007b). The search for new talent will, it must be said, be tough – even with the economic crisis. Specific measures will be needed to address capacity needs at managerial level. The looming talent shortage will lead some countries to take all the talent available in the population for service delivery. OECD member countries like Canada, the Netherlands, Sweden and the United Kingdom expect that diversity will help create a positive link in the civil service between workforce representation, service delivery and knowledge of the customer population.

Thus, the aim of this chapter is to locate innovative practices – and indeed the tradeoffs generated – in the pursuit and management of workforce diversity in the public sector, and to suggest some practical guidelines to enhance and make the most of a diverse workforce in the public service.

This discussion is in five parts. The first will provide a definition of diversity, trying to widen the scope of existing definitions. The second will present the expected gains from diversity policies and programmes. The third part will discuss the main obstacles to achieving diversity in the public sector. The fourth will explore the strategies OECD member countries are adopting for implementing diversity policies. Finally, the report proposes a reference framework to foster diversity in the public service.

Defining “diversity”

Diversity is defined many different ways among OECD member countries. The differences are not just semantic; they reflect priorities in government strategies. Definitions and terms adopted by individual countries have shifted as those priorities change and as progress is made towards particular objectives. Diversity is dynamic, and policies and definitions need to be changed or adjusted to specific contexts. The definitions found in member country policy reports and programmes fall into three main groups:

- **Diversity as equal opportunity**, which mainly refers to the prevention of discrimination with regard to gender, age, ethnicity, religion or belief, sexual orientation, political views, disability, and physical appearance, guaranteeing the neutrality of HRM processes and that of public employers.
- **Diversity as a resource**, which has to do with understanding, appreciating and realising the benefits that different life experiences, competencies, and socio-economic and cultural backgrounds may bring to public service performance regardless of the personnel’s

ethnicity, cultural background, sexual orientation, disability or age. That resource increases both the capacity of government and the satisfaction of people employed in the public service.

- **Diversity as inclusiveness**, which alludes to working in a strategic, long-term and joint manner to ensure that changing structures and systems make use of the relevant competencies people have.

These definition groups reflect not only the different approaches adopted by individual OECD member countries in pursuing better representation of the society in the public service; they also reflect different stages of development in the pursuit of diversity. Member countries' policies and programmes recognise that fostering diversity in the public service is only possible when equal opportunities and affirmative action are more or less part of the very organisational culture. There seems, however, to be growing awareness among countries that equal opportunities and fairness do not necessarily mean that everyone must be treated in exactly the same way. Sometimes treating people differently is a way to ensure equal opportunities of employment in the public service.

The term **diversity** should here be understood in its widest sense. It describes not only a mixture of skills, competencies, perspectives, experiences, and backgrounds, but also a valuing and use of that diversity to improve government's efficiency and effectiveness and to meet public servants' professional expectations. Diversity should be seen not as an end in itself but as a mechanism to achieve broader social and economic policy goals.

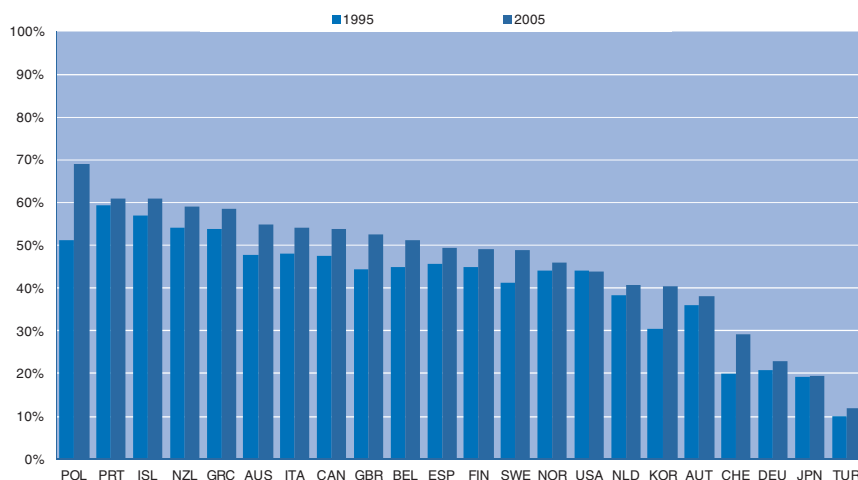
The case for diversity in the public service

Even so, there are in fact a number of reasons for OECD member countries to embrace diversity policies in the public sector. Most of them admittedly remain expectations, because a major problem for building the case for diversity is the weak empirical evidence.

Diversity may enhance core public service values. There seems to be growing consensus among OECD member countries that pursuing diversity may enhance core public service values such as fairness, transparency and impartiality. Hence, policies have been implemented in a number of OECD member and non-member countries to improve the representation of women; remove the barriers preventing minorities and disabled people from accessing public employment; and remove discrimination due to disability, age, religious belief, sexual orientation, political views or national or ethnic origin.

Diversity may help improve representativeness and equal opportunities. Guaranteeing equity in gender representation at all levels of hierarchy and pay is still a major concern for OECD member countries. Representation of women differs widely across countries. For instance, the 2006 OECD “Survey on Strategic Human Resource Management” found that at the national level of government, women represented more than 50% of the public sector workforce in countries like Ireland, Portugal and New Zealand, whereas in countries like Japan and Switzerland the figure was less than 30%.

Figure 4.2. **Per cent of central government employees who are female (1995 and 2005)**



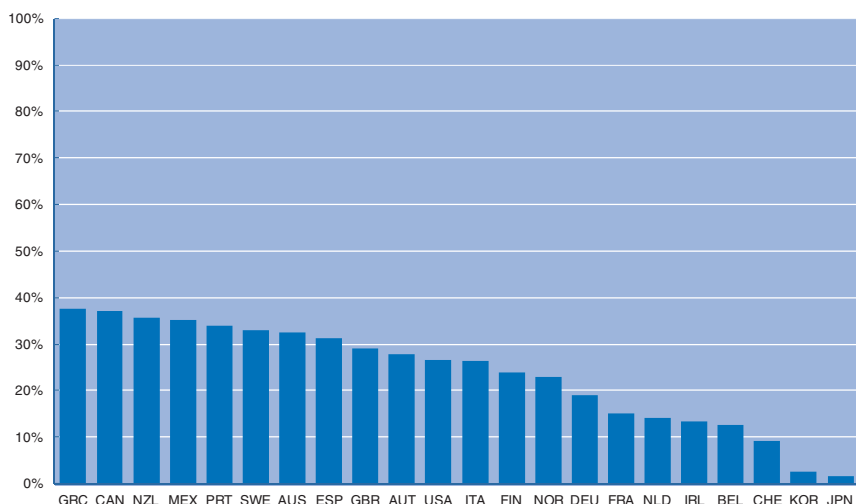
Notes: Data are not available for the Czech Republic, Denmark, France, Hungary, Ireland, Luxembourg, Mexico or the Slovak Republic. Data for Greece are for 1996 and 2005. Data for the Netherlands are for 2000 and 2005. Data for Poland are for 1995 and 2004.

Source: Data provided by the OECD Public Employment and Management Working Party. Published in OECD (2009), *Government at a Glance 2009*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264075061-en>.

The survey moreover showed that the senior management level is dominated by men in most countries, although the share of women is increasing in most countries. Women are generally more represented at lower levels or in administrative posts (see Figures 4.3 and 4.4). In the United States, for instance, despite women representing 44.2% of the federal workforce, they fill only 29% of executive positions.² Germany has adopted a Working Aid methodology to facilitate identification of gender-specific

impacts when drafting legislation, in order to promote the actual implementation of equal rights for women and men and eliminate disadvantages that currently exist. For German authorities, regulatory impact assessments and gender-sensitive budgeting are bound together.

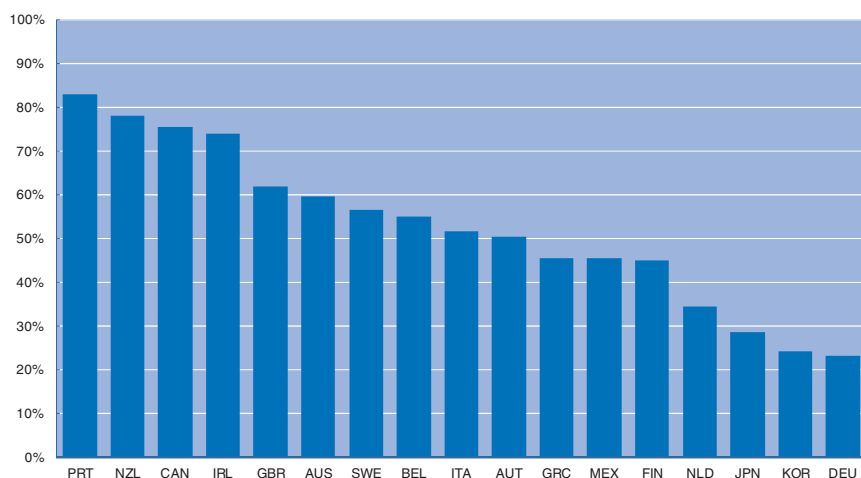
Figure 4.3. Per cent of senior positions in central government filled by women (2005)



Notes: Data are not available for the Czech Republic, Denmark, Hungary, Iceland, Luxembourg, Poland, the Slovak Republic or Turkey. Data for Italy are for 2003. Data for Ireland are for 2001. Data for Austria are for 2006. Data for Spain refer to the number of women in “*alto cargo*” (senior position) positions (not including ministers and state secretaries) as well as career officials at levels 28-30.

Source: Data provided by the OECD Public Employment and Management Working Party. Published in OECD (2009), *Government at a Glance 2009*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264075061-en>.

Figure 4.4. Per cent of central government administrative positions filled by women (2005)



Notes: Data are not available for the Czech Republic, Denmark, France, Hungary, Iceland, Luxembourg, Norway, Poland, the Slovak Republic, Spain, Switzerland, Turkey or the United States. Data for Italy are for 2003. Data for Ireland are for 2001. Data for Canada refer to employees in the “administrative services” occupational group in the core public administration.

Source: Data provided by the Public Employment and Management Working Party of the OECD. Published in OECD (2009), *Government at a Glance 2009*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264075061-en>.

Gender differences are also found when it comes to salaries. Salaries for the same post can sometimes be slightly lower for women than for men in countries where women are well represented in the civil service. In Finland for instance, women’s monthly earnings reach 80% of those of men. One of the reasons is segregation in the labour market, as the majority of women work in the fields of social care, health, education and culture, while the majority of men work in the fields of technology, agriculture and security.

Table 4.1. Gender pay gap in the New Zealand public service

	2003	2004	2005	2006	2007	2008	Labour force (2008)
Gender pay gap (%)	15.8	17.0	16.4	16.1	16.0	15.4	14.9

Source: New Zealand Government (2008), “Human Resource Capability Survey of Public Service Departments as at 30 June 2008”, State Services Commission, Wellington.

Other countries addressing this problem are Belgium, which has implemented policies to promote the hiring of women to senior management positions; Finland, which has put into effect legislation on equal pay; Japan, which has implemented programmes to enhance and promote gender equality policies to build a gender-equal society and avoid gender discrimination in public employment; and Mexico, which created an institute to promote equal opportunities for women and runs programmes to institutionalise a gender perspective within public administration. In the Netherlands, one of the main priorities for government is to increase the number of women in decision-making positions because, as Table 4.2 shows, the number of women in managerial positions is still rather low.

Table 4.2. Percentage of women per level in the Dutch civil service

Level	Year	% of women
Junior administrative officers	2007	39.5
	2008	39.4
	2009	39.3
Senior administrative officers	2007	48.1
	2008	48.6
	2009	49.0
Junior policy officers	2007	35.6
	2008	36.1
	2009	36.5
Senior policy officers	2007	21.6
	2008	22.5
	2009	22.9
Senior civil servants (management)	2007	16.1
	2008	18.2
	2009	18.9

Source: Kleefkens, B. (2009), presentation given at the OECD MENA meeting on “Addressing Gender in Public Management”, 2 October.

Many OECD member countries have launched specific programmes to foster the recruitment of minorities. For instance, Australia implemented traineeships in government at entry point for indigenous Australians to the public service; in Ireland, the Traveller Internship Pilot Programme places people of the Traveller Community³ in clerical positions to develop the necessary skills to improve their employability; the Canadian Immigrant Internship Pilot Program aims to accelerate integration of foreign professionals into the labour market; and in Norway, authorities recommend to companies providing goods and services to the government to integrate

minority groups. In countries like Belgium and France, integration of minorities in the civil service is a political priority but differentiation according to ethnicity is forbidden by law. In France, equality means being recognised as a person with civil rights rather than as a person with characteristics (gender, age, disability).

Box 4.1. Representativeness of US federal employees by ethnic background and disability

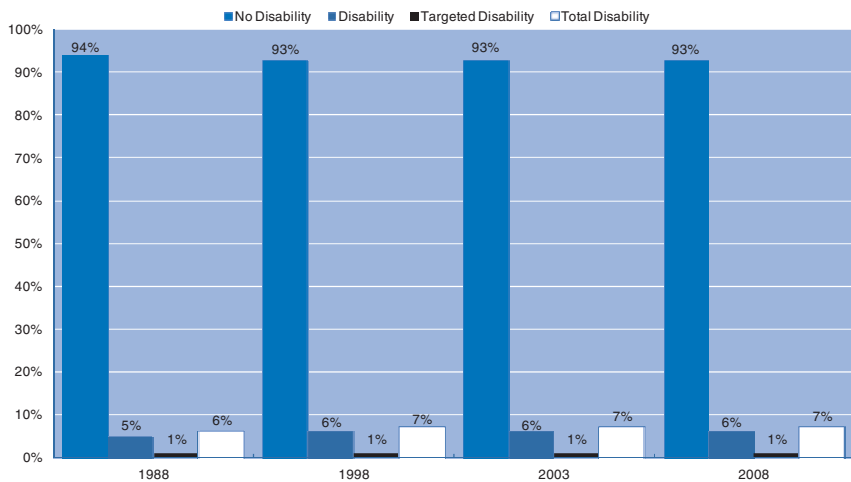
In the United States, minorities are represented in the federal workforce in numbers that exceed the civilian labour force. In 2008, the representation of minorities in the federal workforce was 33.4% compared to 29.3% in the civilian labour force. The representation of minorities at top general schedule (GS) grade levels rose to 82 511 in 2008, from 80 927 in 2007.

However, significant problems remain. Latinos represent 13.2% of the civilian labour force, but less than 8% of the federal workforce. African Americans are well represented in the lower pay grades, but not in the higher pay grade or senior executive levels. Native Americans are under-represented at the senior levels, and the representation of Americans with disabilities at executive levels is very low and even then the rates are falling.

Source: Montoya, E. and J. Mason (2009), “Attracting, Recruiting and Promoting Diverse Talent”, presentation given at the experts’ meeting on “Building a Stronger and Fairer Public Service by Fostering Diversity”, 1 October.

These programmes notwithstanding, opening positions in the public sector to people with disabilities is still work in progress for a number of OECD member countries. As Figure 4.5 shows, for instance, in the United States federal Government, the number of people with disabilities has not changed over the past 20 years and their proportion in relation to the total workforce remains rather low. Policies in this respect could include the establishment of quotas, as in Korea and Portugal, or the use of targets as in the Netherlands and the United Kingdom. Policies could also include the opening of specific posts exclusively for persons with disabilities, as in Australia. Another possibility is to include adjustments to working conditions, as in Ireland where job descriptions are framed on the basis of qualities and attributes required for effective performance and should not contain any requirement that directly or indirectly discriminates against individuals on the grounds of disability, ethnicity or gender.

Figure 4.5. **Proportion of disabled people in the United States federal government**



Source: Montoya, E. and J. Mason (2009), presentation given at the experts' meeting on "Building a Stronger and Fairer Public Service by Fostering Diversity", 1 October.

Diversity may produce efficiency gains. The search for efficiency gains is a major driver of diversity in the public service. One of the main expected benefits is the innovation increase that may help to foster efficiency. Research indicates that organisations that have a diverse pool of staff in terms of background and ways of thinking – for example coming from contrasting disciplinary and professional perspectives – are more likely to be innovative (Maddock, 2009; and Meier and Hawes, 2006). Innovation demands a diversity of characteristics and opinions. Indeed, the incorporation of different views, opinions and perspectives derived from a diverse workforce may help improve decision making and policy making. The New Zealand Government considers that equality and diversity help to improve services to the government and people, and to attract and retain talented staff. For the Dutch Government, teams with a diverse composition have a broader reference framework that enables them to examine issues from multiple perspectives and respond more adequately to the needs of society. For Australian authorities, diversity in the public service ensures a mix of perspectives and ideas when developing and implementing public policy. For the Canadian Government, a diverse labour force enhances creativity and innovation, and provides a broader range of skills and decisions that take into account varying perspectives. For Belgian authorities, diversity may represent an opportunity to make a better use of

resources and competencies to increase personnel's satisfaction and effectiveness.

The image of the public sector as an employer may have to improve. Attracting and retaining women, people from minorities, ethnic groups or people with disabilities are the most pressing concerns for diversity programmes in OECD member countries. To a large extent, this is considered the result of rigid HRM processes that do not focus on the special requirements of these groups to attract them to the public sector.

Diversity may help improve public service quality. One might think that the final aim of diversity policies is to foster the representation in government of the different groups in society, but they also have an economic motivation. Improvement of government services is a common objective of equality and diversity programmes in countries like Australia, Belgium, Canada, the Netherlands, New Zealand, Sweden and the United Kingdom. The core element of these policies is the adoption of a customer orientation, with the specific objective of providing citizens and government with public services that truly reflect and satisfy their needs. As the Canadian Government put it, “[citizens] ...expect that their needs, concerns and interests will be reflected in the services, programmes and policies provided by the federal government. Meeting these expectations requires a public service that is competent, non-partisan and representative of the population it serves” (Canadian Government, 2009). Indeed, diversity can contribute to raising the quality of public services by improving the understanding of the needs of the community and ameliorating social dialogue and communication with the wider population.

Diversity may help increase policy effectiveness. Diversity's contribution to policy outcomes may take many forms, but a characteristic of effective initiatives is the **strategic** use of the competencies, experiences and perspectives of a diverse workforce based on workforce planning. For example, one of the current challenges OECD member countries face is an ageing population and workforce (OECD, 2007b, 2009a). For a number of OECD member countries like Canada, Finland, Japan, the Netherlands and Sweden, this is a short-term priority as large numbers of people are expected to retire in the near future, generating a gap in knowledge and experience but at the same time creating the need for government to provide public services especially for an ageing population. Facing the ageing challenge requires making full use of talent and competencies available in the labour market regardless of age, ethnicity, disability, religious belief, sexual orientation or political views. This may help compensate for the lost labour force as new competencies and skills necessary for a changing environment are acquired. Another of the expected benefits of fostering diversity in the public sector is that it may help promote diversity in the private sector. For

that, it would be important for government to take the initiative, demonstrating the advantages of diversity and leading the way in terms of respect for and inclusion of citizens in working life and participation in society.

Diversity may enhance social mobility. In enhancing the quality of public services and the employability of disadvantaged groups, diversity contributes to social mobility, providing better job opportunities to people who normally would not qualified for employment in the public service. Diversity policies may contribute to human development, *inter alia* by reducing the gender gap in economic and political participation and decision making, and fostering equality in achievement between men and women.⁴ The Korean Balanced Personnel Policy, for instance, includes as one of its building blocks assistance to low-income individuals entering the civil service: it removes all barriers to equal opportunities and supports the economic independence of low-income families. Moreover, such benefits extend to the wider public: people from disadvantaged groups generally depend on public services (health, education, transport) to meet their daily needs; by improving the delivery of public services and having them better reflect society's needs, diversity may help improve people's quality of life.

Diversity may contribute to forwarding the reform agenda and making reform happen. Reform of the public administration to achieve a better government has been on the agendas of OECD member countries for at least two decades. A government committed to diversity in the public sector ensures that civil servants are motivated and involved in the reform process, and have the competencies and experiences required for a new environment. Different opinions and perspectives derived from a mix of backgrounds may trigger a “constructive conflict” from which innovative reform proposals may emerge. It should be noted that innovations are mostly initiated by front-line staff, middle managers and even users. There is consensus across OECD member countries that if government employees are not on board or do not feel connected with the reform process, reforms will not happen. Diversity raises good governance issues by helping to improve relations between government and citizens, and strengthening trust in government. By contributing to increase awareness and understanding of different cultures and perspectives, diversity can help to improve decision making and design policies closer to citizens' expectations. This is fundamental to achieving good governance and in turn fulfilling broader economic and social goals. Diversity is a mechanism that facilitates dialogue and understanding between government and citizens, but in particular between government and social groups considered to be disadvantaged.

Pursuing diversity in the public sector increases pressure for reform in HRM. Building a diverse workforce requires changes in HRM practices so as to offer every person employment and career opportunities linked to their competencies and aspirations and so improve the employment experience. Some OECD member countries are already integrating diversity principles into the HRM system of the public sector; such is the case in Australia, Belgium, Canada, the Netherlands, and New Zealand.

Finally, diversity in the public service can contribute to national cohesiveness. When all groups of society see themselves represented in government, and recognise that reform policies and programmes are close to their needs and cultural identity, their commitment to the national project may be enhanced.

The obstacles to diversity

Implementing diversity policies can face a number of problems, many of which relate to unclear or complex regulatory frameworks, insufficient financial resources, rigid human resource management frameworks, and cultural barriers. These limitations need to be addressed from a whole-of-government perspective to be overcome.

The lag between political and managerial timing. Balancing managerial and political time is an issue for evaluators and promoters. Politicians require quick results to communicate to people, and managers need longer times to achieve results. This is an issue experienced in most reform initiatives, but the case of diversity is particularly tricky as it is certainly a long-term project. Failing to provide quick positive results may jeopardise support for the policy, and trust in government may be compromised.

Lack of hard evidence. None of the OECD member countries taking part in this review reported concrete cases in which improvements in government performance were due to diversity. Thus, it is not currently possible to link evidence of, for instance, efficiency gains to a diverse workforce. This lack of evidence could hamper the case for diversity, as there is no real proof of the benefits it may eventually produce. Without evidence, diversity policies may need to be based on conventional wisdom or theory alone. Pursuing diversity is a long-term project; evidence building takes time. Consequently, the case for diversity in the public service requires a continuous process of **confidence building** for policy makers and decision makers and to build it in others. So far, the case for diversity is rooted in academic research and the experience of private organisations (Maddock, 2009; Chavez and Weisinger, 2008; Alonso and

Ruiz-Rufino, 2007; Pitts and Jarry, 2007; Meier and Hawes, 2006; the Danish Equal Project).

A major problem of OECD member countries has been the **failure to generate the data needed to support the case for and evaluate diversity initiatives**. In particular, there has been a lack of effort to develop the baseline data essential for before-and-after comparisons. It has been acknowledged by diversity experts that data problems bedevil diversity reform agendas and that data deficiencies inhibit evidence-based analysis. Generation of data on ethnic or national background, sexual orientation, religion or belief, and disability is sometimes constrained by regulatory barriers and the need to protect people's privacy. Nonetheless, the experts agree that generation of data may help governments to substantiate the need for diversity and build confidence in the reform initiatives. Clear regulatory frameworks on what ministries and agencies can do to collect and use data on ethnic origin or even record cases of discrimination may be needed.

Regulatory barriers. A basic requirement for the implementation and success of diversity policies is a proper legal framework for their operation. The lack of coherent regulatory measures that bind organisations and public servants to pursue diversity in the workplace may minimise the impact of the policy outcomes. It seems that most OECD member country governments are aware of the need for a framework for guidance on the optimum objectives and priorities relating to diversity. All policies and programmes reviewed for this chapter are based on a clear legal framework that compels organisations and individuals to take action. However, the complexity of relevant regulations and requirements facing ministries and agencies may inhibit participation and a coherent response. Countries like New Zealand or the United Kingdom have issued revised versions of their regulatory frameworks, ensuring that they are short, simple and accessible.

Governments, through their diversity co-ordination authorities, must assume responsibility for ensuring that every ministry and agency is clear about the legal frameworks on diversity. Clear rules and regulations can impose resource obligations on ministries and agencies to pursue equality and diversity objectives. The appointment and responsibilities of specific people to work on diversity – like the workplace diversity co-ordinator in Australia – and who are accountable for the results must be clear in the regulations.

The difficulty of protecting individual privacy can be an important barrier to diversity policies. In Australia for instance, provision of equal employment opportunity data by public employees to their agency is voluntary with the exception of gender. In France on the other hand, the Data Protection Authority forbids collection of ethnic or religious

information, but data on national origin and place of birth can be collected and used on the condition that the statistics include groups of more than ten people. Generally, improvements in data quality suggest that people feel more comfortable in identifying their ethnic and disability status – which means that a better working environment is being built.

Budgetary constraints. It is worth noting that in the diversity policies and programmes consulted for this review, there was little or no reference to either the financial resources needed or the way to obtain them to meet objectives. Diversity policies are expected to contribute to improving public service quality, but they also incur costs. Additional costs to the ministry or agency may be generated by, *inter alia*, the organisation of special recruitment processes for ethnic minorities or disabled people, payments for traineeships, infrastructure improvements to accommodate disabled members of staff, training courses for members of staff, or acquisition of special software for disabled people. The likely explanation for that lack of reference is the difficulty of measuring costs compared to the potential benefits that diversity may bring to the public sector, making it hard to develop funding cases in a budget-setting context. Most diversity proposals are being argued for in terms of the outcomes rather than in terms of advancing diversity *per se*. Thus, the level of resources devoted to diversity initiatives is, it seems, determined in the light of governments' priorities. Moreover, building a diverse workforce is a long-term project that requires governments to commit resources on a multi-year basis. Budgetary rigidities may prevent the use of resources as a sort of joint funding that would allow resources earmarked for a single purpose like diversity to be spent in any part of the public service where diversity is most needed. After all, building a diverse workforce can be considered a shared project in the public service.

Rigid HRM frameworks. The success of diversity policies largely depends on its integration into all stages of the human resource management process, from recruitment and training to career development and retiring. HRM practices must be able to avoid or limit discrimination on any basis, securing equal opportunities while still basing recruitment and promotion on merit.

The **type of HRM arrangements** in place may constrain or facilitate pursuit of diversity objectives in the public service. Building a diverse public workforce entails acquiring new skills and competencies that in the past may have not been considered essential for public service work. Thus some countries like Australia, Canada, Finland, Norway and the United Kingdom have adopted a more “managerial” approach to workforce adjustments that seek to balance the need to achieve staffing targets with the need to ensure that organisations maintain the needed skills and capacities to carry out their work.

The nature of the civil service system may also be an element that dictates the pace for achieving diversity objectives. Career-based systems are characterised by the limited possibilities for entering the civil service at mid-career and a strong emphasis on career development. Position-based systems allow more open access, and lateral entry is relatively common. Technical considerations are likely to be more important in position-based systems than in career-based systems. That is not to say that one system is better positioned to build a diverse workforce than the other, but rather that each faces particular challenges to achieving diversity objectives. For instance, it may be argued that position-based systems are more able to deliver today's specialised skills and competencies thanks to the wider mixture of backgrounds and experiences of society members. However, position-based systems may create biases at entry when there is a lack of transparency in the recruitment process. Career-based systems, while trying to ensure fairness at entry based on competitive examinations and diplomas, may indirectly limit the entry possibilities of people who never attended university training but whose experience in life and work may be of added value to public service work. With all applications automatically handled under the same rules and conditions, career-based systems may not attract a diverse mix of skills and competencies.

Lack of strategic workforce planning may effectively prevent any opportunity to determine the diverse skills, competencies, experiences and perspectives needed to drive broader governmental strategies. Building a representative workforce should be part of any personnel planning and management arrangement. Workforce planning, while identifying current and future staffing levels and competency requirements, must also clarify the contribution of diversity policies to the wider aims of the government. The fact that achieving diversity in the public service is a long-term process may in turn put its sustainability at risk. Indeed, OECD member countries seem to recognise that there is no quick option to build a diverse public workforce: progress is slow and impact minimal, as annual recruitment is marginal compared to the existing stock of employees – thus policies have to be sustained over a long period.

One of the truly formidable obstacles to diversity is the **lack of flexible working conditions** that would facilitate attracting applicants and retaining employees from disadvantaged groups. Having the possibility to reconcile work life with family life is a major incentive for people to prefer working for the public sector. Possible alternatives to improve working conditions in the light of diversity policies are the use of ICT, part-time working schemes and teleworking. For instance, Greece is in the process of implementing more flexible employment practices for staff members with children, which would attract more women to the public sector and mainly to senior

positions. Ireland has introduced some working programmes such as Flexi-Time, Job-Sharing, Career Breaks, the Term-Time scheme, and Work-sharing, which provide significant opportunities for staff to balance work and life commitments.

The persistence of **discrimination in the recruitment and promotion processes** constitutes yet another barrier to diversity. Recruitment and selection criteria must be in line with workforce planning and the processes regularly audited to avoid unfairness. The experiences of Belgium, Ireland, New Zealand, Norway and Sweden suggest that equality and diversity criteria should be integrated into the recruitment and promotion strategy to obtain the necessary variety of skills, knowledge and experiences to improve how work is performed in the public service. In countries with large multi-cultural populations, linguistic issues can act to the detriment of diversity, efficiency and service quality if not addressed properly. These issues are complex and sensitive, particularly in countries with rivalry among ethnic groups.

Cultural and behavioural obstacles (attitudes). People's behaviour towards each other and how people feel about the public service constitute elements that condition or facilitate diversity in the public service. The prevalence of prejudices, stereotypes, discrimination and/or harassment towards particular members of staff because of their ethnic origin, race, gender, gender identity, disability status, age, religion or belief, sexual orientation, or socio-economic and educational background can seriously damage the image of the public sector and compromise the achievement of diversity objectives. A culture of toleration and inclusiveness can largely contribute to attracting talented people from the widest possible pool into the public service and retaining them. It is crucial that people feel valued for what they are and bring to the workplace. Some countries highlighted that political clientelism and personal loyalties may also constitute barriers to seeking diversity in the public service when there are no solid mechanisms to ensure the adoption of the merit principle in the selection and promotion processes.

Possible side effects. Pursuing diversity in the public service has its tradeoffs. If on the one hand diversity has positive effects on service quality, efficiency, effectiveness and the promotion of core values, on the other it may trigger conflict due to cultural differences, communication problems, and a tense atmosphere in the workplace that may affect organisational performance (Pitts and Jarry, 2007). Recruiting people to the public service who are unqualified but belong to any of the target groups of diversity policies may be contested for going against the principle of merit and fairness. Creating a work environment with people from different cultural backgrounds and perspectives might slow down decision making or generate

arguments in the organisation if there is no proper managerial leadership. Fostering diversity in the public service is not a magic wand. Merely pretending to pursue diversity but without commitment is likely to be counterproductive, as trust in the initiative and government may be compromised. However, the political and social costs and risks of creating a culture of toleration and inclusiveness that values diversity are ultimately lower than inaction.

Developing diversity policies

From analysis of the different OECD initiatives on equality and diversity, it is clear that the question for governments is not whether to pursue diversity but **how** to do it, in a sustainable, responsive and professional manner. Given the complexity of diversity policies, and given that pursuing diversity does not differ from other major organisational change management efforts, this section discusses policy development around three general areas: planning, implementation and evaluation.

Planning diversity policy

Building a strategic framework. For a diversity policy to be successful it should be coherent and intelligible to all stakeholders. Consistency reduces the probability of muddling situations, provides a sense of purpose, and increases the prospects for acceptance of the reform. In that sense, a vision statement can help senior managers in the different organisational units establish a plan of action, monitor progress, co-ordinate and orient individual initiatives, and make mid-course corrections. As with any policy reform initiative, a common vision is crucial to engage political leaders and public servants and to impress upon them the importance of diversity. In OECD member countries the most advanced diversity initiatives contain a vision statement linked to the political commitment of government to pursue diversity as part of its political, social and economic agenda. A government-wide vision helps to tie diversity initiatives in with broader strategic and reform objectives.

Box 4.2. Vision statements of diversity policies in OECD member countries

Australia: The Australian *State of the Service Report 2007-2008* (Australian Government, 2008) states that the public service is committed to ensuring a highly diverse workforce where employees have a range of gender, age, cultural background, disability and indigenous statuses. The result should be a mix of perspectives and ideas for consideration when developing and implementing public policy, and should also support stronger citizen engagement.

Japan: The “Guidelines for the Personnel Management of the National Government FY2009” state that government should facilitate the recruitment and appointment of women and people with disabilities.

New Zealand: The New Zealand Public Service Equal Employment Opportunities Policy states that equality and diversity in the public service workforce will enable the best service delivery for the government of the day and to New Zealanders. Recognising the employment aspirations of the Maori, ethnic and minority groups, women, and people with disabilities will ensure fairness in employment for all persons and groups of persons. It adds that the integration of equality and diversity throughout the public service is a key aspect of strategic planning and performance, and chief executives should provide the lead in working towards this.

Norway: Norwegian authorities expect to build a more robust and competent government sector able to understand and serve a more diverse society, utilising all the competencies of the workforce. The government sector is also expected to be more innovative and dynamic, since different perspectives, backgrounds and experiences will probably contribute to better decision-making processes. Through increasing the participation in working life and especially in the civil service of disadvantaged groups, the civil service and wider work environment will hopefully be regarded as more legitimate and representative of the public. The Inclusive Working Life Agreement between the government and working life parties was established to reduce sick leave, include more disabled persons, and raise the actual pension age; thus it is closely related to (civil service) diversity policies.

Sweden: The Swedish Strategy for Diversity in the Central Government Sector considers that the workplace of the future will be characterised by increased mobility and by a mixture of background and competence that is of importance for work, quality and customer orientation. The need for change and an increased international exchange will demand flexibility and long-term planning.

United Kingdom: The British Strategy for Promoting Equality and Valuing Diversity establishes that: “The Civil Service is committed to improving the delivery of public services for everyone in society. Through understanding the diversity of society, by better reflecting the aspirations, experiences and needs of the people we serve and by respecting and valuing differences, we can provide the policies and services that people want from us. To do this effectively, we need a workforce with the best possible mix of existing and future talent.”

Source: Country reports. Information provided by member countries for the OECD Diversity project.

Strategic (workforce) planning. The vision statements of OECD member countries' diversity policies reflect the need for diversity goals to be linked to strategic workforce planning. Achieving diversity is a long-term process that must be considered an integral part of strategic planning. This means that planning should consider not only staffing levels, skills and competencies but also a representative workforce. In fact, as the New Zealand Equality and Diversity strategy points out, integrating equality and diversity into workforce planning helps to identify the diverse skills, knowledge, experiences and different ways of thinking needed to drive strategies forward.

In building a strategic framework towards diversity, it is important to translate the vision into the concrete outcomes desired. Indeed, diversity policies in OECD member countries generally indicate broad goals or more specific targets. These goals are useful not only to give direction to individual initiatives but also to establish priorities, monitor progress and evaluate outcomes.

Thinking strategically about building a diverse public workforce means:

- i)* preparing an in-depth analysis of the current demographic situation within the public service and comparing that with the national demographic composition;
- ii)* establishing objectives to be achieved that are closer to the wider aims of government;
- iii)* defining a target population of diverse backgrounds (language, ethnicity, age, gender, education, etc.) at whom actions will be aimed – the important element here is to be inclusive;
- iv)* defining the tools or means to achieve the targets and realise the vision – many OECD member countries tend to rely on flexible HRM practices and procedures;
- v)* specifying how and by whom policy is going to be co-ordinated – in OECD member countries this is generally done by the central HRM body;
- vi)* establishing the resources needed (financial or human capacity) to achieve the targets; and
- vi)* defining criteria for evaluating policy results – some strategies point out the necessity to revise the policy and programmes annually.

Building a diverse or representative workforce is a long-term project, and therefore one of the main challenges is to keep up the momentum and make the project sustainable. Linking diversity to the strategic goals of government is a way to sustain diversity policies over a long period and have them become an integral part of the core values of the public service, touching all public organisations.

In order to ensure cohesiveness, commitment and whole-of-government implementation, diversity policies can be formulated under a **joint approach** that reflects better government priorities and more realistic objectives and mechanisms for realising them. The central HRM body or authority in charge of co-ordinating diversity policy may act as an enabler of this joint exercise.

Implementing diversity policies

Leadership. Most of the reform initiatives analysed in this review place considerable emphasis on leadership in bringing about diversity in the public sector. Indeed, the OECD study on *Public Sector Leadership for the 21st Century* (OECD, 2001a: 18) concluded that “[d]eveloping leaders is more important in a diversified society than in a homogenous society, because leaders are required to transmit new values, mediate differences, and create coalitions in support of reform.” However, leadership is not just about motivating people and generating new values. Leadership plays an important role in the implementation of public sector reform because it involves change and people. Building a representative public workforce is to a large extent changing people’s attitudes and behaviours, for which leadership is required. In sum, leadership is a critical element of equality and diversity policies; it is needed to motivate, promote institutional adaptations in the public interest, and make reform happen.

Implementing diversity policies is particularly difficult and risky, because the impact and benefits will take a long time to become manifest. Thus, sustained leadership is necessary to maintain the impetus for reform through persuasion, negotiation and influencing people’s values and culture. Leadership is a key factor in reducing resistance to change by explaining the potential benefits of the reform and obtaining people’s commitment. Moreover, as the Belgian diversity strategy points out, the leadership team must realise and accept that in the public sector, despite all efforts, there is still work to be done to ensure equal opportunities and fight direct and indirect discrimination. Leadership is required at all levels of the organisation because of the required change in the way the organisation functions as a whole. Political leadership helps to obtain and shape support for diversity initiatives. Managerial leadership is crucial to obtain the necessary resources, to motivate staff, and to ensure co-operation across ministries and agencies.

Leadership can also be considered a tool for co-ordination. This is very important when initiatives involve a whole-of-government approach and all ministries and agencies are taking part in the initiative. Moreover, some countries have created an individual figure in charge of co-ordinating diversity initiatives within the ministries such is the case with Australian workplace diversity co-ordinator. This means that leadership in promoting diversity is not about centralising functions and responsibilities but rather about delegating responsibilities. Creating local leaders is a way to promote decentralised management and decision making power over diversity issues in the workplace.

Box 4.3. The leadership factor in equality and diversity strategies

Australia: The Australian workplace diversity strategy provides for a **workplace diversity co-ordinator** whose role and responsibilities vary depending on the nature, size and structure of the agency. Some agencies may even have a network of co-ordinators. The co-ordinator's role is to: articulate how diversity can enhance the business performance of the agency; promote the benefits of diversity; help all staff to be aware of workplace diversity issues; promote the integration of diversity issues in HRM policies and practices; develop, implement and monitor the workplace diversity programme. However, since diversity is a mainstream responsibility, senior managers should also provide support.

Ireland: The Irish strategy for diversity in the civil service establishes that departments have a duty of care towards their staff and are legally responsible for upholding equality legislation. The Department of Finance, in consultation with the Civil Service General Staff Panel, is responsible for developing and promoting best practice in equality of opportunity across the civil service. Responsibility for implementation of equality of opportunity lies with the head of department or a person designated by the head of department.

Sweden: The Swedish strategy for diversity in central government places special emphasis on the leadership of managers of government agencies in achieving diversity goals, as they have ultimate responsibility for their accomplishment. In particular, the strategy considers that managers should be able to reposition themselves from focusing on anti-discrimination and activities and actions aimed at specific groups, to focus on inclusion aimed at ensuring a competency management may require altered processes, procedures and follow-up systems within the management framework of the agency. It considers that agency managers should be able to create commitment and involvement among managers and employees by using their own motivation, knowledge and understanding of the joint employer-policy task to accomplish diversity. Organisations' behaviour should be guided through clear and consistent leadership.

United Kingdom: Leadership is a key element in the British strategy to promote equality and value diversity. Political leadership is placed on the Prime Minister as Minister for the Civil Service, who is accountable for government commitments on management issues involving equality and diversity. The Minister for the Cabinet Office has day-to-day responsibility for civil service management issues. Permanent secretaries and their chief executive equivalents are accountable for delivering all of their equality and diversity responsibilities and commitments, through their performance appraisal discussions with the Cabinet Secretary and Head of the Home Civil Service.

Source: Country reports. Information provided by member countries for the OECD Diversity project.

Government managers are increasingly operating in an increasingly diverse society. In the United States for instance, by the year 2050 just over 50% of the population will be Caucasian, compared with over 70% today. A similar pattern is expected in the United States Government workforce. Leadership of a diverse society and workforce requires a perspective and set of skills that many government managers lack today. Managing diversity is not just a positive thing to do but, as the Dutch and Swedish diversity strategies put it, a **business** necessity. In the majority of OECD member countries, the training for leaders has focused on affirmative action, equal employment opportunity and valuing others. However, these elements are not enough in themselves; government leaders need to be able to create institutions – including systems, processes, and policies – that support the development and contributions of all members of the workforce and society. Thus most OECD member countries have integrated equality and diversity issues (and skills) into the training programmes for managers, in order to get leaders' commitment to the initiative.

Central co-ordination and delegated implementation responsibility.

One of the striking features of the OECD diversity initiatives analysed in this study is the central co-ordination of diversity policies and a delegated responsibility for implementation. In general, the central HRM body acts as a focal point for promoting diversity policies through a whole-of-government approach. This central co-ordination body is responsible for developing the diversity strategy, monitoring progress, promoting the benefits of the initiative, linking diversity issues to strategic workforce planning, and providing guidance and support to line ministries and agencies for policy implementation. This reflects a top-down approach in the definition of the general principles, guidelines, policy orientation and priorities regarding equal opportunities and diversity initiatives.

Promotion of diversity by central co-ordination offers certain advantages. It ensures coherence among the different individual organisational initiatives in the ministries and agencies through the publication of guidelines and the monitoring of progress. It also facilitates the dissemination of good practices and knowledge through the implementation of centrally defined guidelines and in so doing can also generate innovation in diversity policy implementation.

OECD member countries are aware of the need for managerial flexibility in implementing diversity policies. Central co-ordination bodies thus define general principles and priorities, whereas every line ministry and agency is responsible for implementation of the initiative. The experience of OECD member countries participating in this study suggests that a key element in the success of diversity policies is to get a correct balance between central government co-ordination and delegated implementation. If

central control is too strong, implementation of the initiative may be overwhelmed by rules to be followed and that may affect the initiative's momentum.

Box 4.4. Central co-ordination and delegated implementation of diversity policies

Australia: The Australian Public Service Commission is in charge of defining the general guidelines for agencies to implement their own diversity programmes. The Commission also works with agencies to develop and implement their own wider employment strategies as well to meet their specific business needs.

Belgium: Belgian diversity policy is promoted by the Unit on Diversity of the Federal Public Service Personnel and Organisation (FPS P&O). Among other activities within the FPS P&O, “diversity” initiatives involve the selection centre (SEJOR) and the training centre (IFA). The unit is also in charge of managing networks of people responsible for diversity and supporting the implementation of diversity projects in the different federal public services. The members of this network have a duty to implement diversity within their organisation.

Canada: The Treasury Board and its administrative agency, the Canada Public Service Agency, are responsible for overall Employment Equity Policy. The Employment Equity Division further helps departments implement that policy in a consistent fashion and on a government-wide basis.

Japan: The Personnel and Pension Bureau of the Ministry of Internal Affairs and Communications is in charge of developing and promoting diversity policy in the national public service. Every office and ministry is responsible for implementing employment policy, including diversity policies, under the co-ordination of the Personnel and Pension Bureau.

Mexico: The Career Professional Service of the federal government is a mechanism to guarantee equal opportunity in accessing public employment. It is co-ordinated by the Ministry of the Public Function and operated by every line ministry and agency of the federal public administration.

Netherlands: The Ministry of the Interior and Kingdom Relations is responsible for the civil service, the senior civil service and the police. It has direct influence on implementation of workforce diversity agreements, mainly with regard to frameworks, regulations and instruments. Most employers in the public sector operate independently and have established their own responsibilities (municipalities, provincial authorities, water authorities, secondary and higher education, and university hospitals). Responsibility for personnel policy lies with each individual organisation. The ministry only acts as a co-ordinator but it is believed by Dutch authorities that it should have a more direct control.

Box 4.4. Central co-ordination and delegated implementation of diversity policies (*cont'd*)

New Zealand: The State Services Commission (SSC) promotes, develops and monitors equality and diversity policies and programmes for the public service, and reviews chief executive-led progress in equality and diversity throughout the organisations. Public organisations are responsible for integrating equality and diversity into their strategic planning. Each year, SSC's deputy commissioners discuss with chief executives the implications of equality and diversity policy for their organisational strategies, service delivery, and achievement of the SSC goals.

Sweden: The Employer's Council of the Swedish Agency for Government Employers (SAGE) defines the general guidelines and priorities for state employers. Every governmental agency and ministry is responsible for implementation of employment policy, and in particular diversity policy, under the co-ordination and supervision of SAGE.

Source: Country reports. Information provided by member countries for the OECD Diversity project.

One of the measures adopted by OECD member countries to get the responsibility balance right is the establishment of what could be called “collaborative networks”. These are generally comprised of senior managers responsible for implementation of diversity policies in central government, but they can also include agents from the private and voluntary sectors. The aim of these networks is to foster dialogue among the key actors in the promotion of diversity and the exchange of information; they can even make suggestions to improve the general guiding principles. One of the additional advantages of having such networks is that they ensure a whole-of-government approach and coherence in the pursuit of diversity, create ownership of the reform, and constitute a forum where results can be discussed at executive inter-organisational level.

Box 4.5. Collaborative networks to pursue diversity in the public service

The **Japanese** Government has set up a series of networks for implementation and monitoring of the different diversity policy areas. Annual assessment of the expansion of recruitment and appointment of female employees is implemented by the Personnel and Pension Bureau of the Ministry of Internal Affairs and Communications, in co-operation with ministries and agencies as well as the National Personnel Authority; this is in accordance with the agreement at the Meeting of Directors in charge of personnel management at each ministry and agency every year. For policies regarding job opportunities for disabled people, Japanese authorities established the Team for the Promotion of Employment of Persons with Disabilities in the Public Sector with the chairmanship of the Personnel and Pension Bureau.

Norway has based its strategy for a more inclusive working life on a formal co-operation between public and private organisations that includes the government itself, employer organisations, professional associations and trade unions. The rationale for the co-operation is to pursue the goals of the Inclusive Working Life Agreement (IA Agreement), an instrument for achieving general objectives in employment, working environment and inclusion policy. It is expected that through this co-operation, the various parties will contribute to ensuring that the individual workplace can take part in a binding effort to reach the common goals expressed in the IA Agreement. The basic objective of the agreement is to help more people enter and stay in the workforce through appropriate organisation of policy instruments and increased use of ordinary working life to provide training, experience and qualifications to fill the requirements of the labour market.

In the **United Kingdom** the Cabinet Office leads on strategic HR issues for the entire civil service, but most of the day-to-day responsibility for HR issues is delegated to departments and agencies. In that sense, a network of senior – usually board-level – Diversity Champions from across the civil service was formed in 2005. This Diversity Champions Network (DCN) is chaired by the overall Civil Service Diversity Champion, and overseen by the Cabinet Office. DCN members have responsibility for leading on equality and diversity within their departments, including employment. The DCN has three key roles: *i*) to maximise the value of lessons learnt in individual departments, by sharing good practice and ensuring it is implemented in the most effective ways; *ii*) to help individuals provide effective leadership in diversity in their organisations, by helping them keep up with the latest thinking; and *iii*) to help drive behavioural and cultural change and articulate the business case for diversity across the service. In short, the DCN is the senior strategic leadership group that develops, agrees, drives and manages implementation of equality and diversity in employment in the civil service.

Source: Country reports. Information provided by member countries for the OECD Diversity project.

Integrating diversity principles into HRM processes. There is growing agreement among OECD member countries that in order to build a diverse public workforce and ensure equal opportunities, it is necessary to address the direct and indirect discriminatory practices that may permeate all stages of the HRM process. This would also help deal with two challenges currently faced by most OECD member countries in pursuing diversity: *i)* attracting and retaining employees from minority and ethnic groups or with disabilities; and *ii)* people from different backgrounds. Thus, special emphasis has been placed on ensuring that the recruitment process is free from discriminatory elements, on creating a favourable environment for career development, and on creating a culture of inclusiveness and toleration as part of the core values of the public service. Paradoxically, ensuring equal opportunities requires treating certain groups differently to ensure they have the necessary tools to compete on their own merit to access the public service.

Improvements to the recruitment process need to be conceived and carried out in a way that ensures fairness and equal opportunities, and makes the process sufficiently flexible to attract people who would not commonly view the public service as a possible employer. OECD member countries have adopted a wide range of instruments that can be classified into three groups. The first group refers to the instruments or mechanisms aimed at diversifying the communication channels to reach a wider audience, so as to invite them to apply for vacancies in the public service. Countries such as Australia, Belgium, Ireland, Japan and the Netherlands have established partnership networks with recruitment agencies, voluntary organisations (NGOs), and/or the private sector to reach that wider audience through advertising employment opportunities in the public service, especially those opportunities reserved for the target population. To incentivise the members of minorities and ethnic groups and disabled people to apply for vacancies, some countries like Ireland and the United Kingdom and international organisations like the OECD and the World Bank include pro-diversity statements in their job advertisements. In order to attract would-be public servants, it is advisable for government to advertise vacancies without jargon or acronyms and make sure that all requirements for the job are fully explained.

Box 4.6. Examples of pro-diversity statements

- Ireland: The civil service is an equal opportunity employer. Recruitment to posts within the service is on the basis of qualifications and the ability to carry out the responsibilities of the grade and posts.
- Mexico: In the Secretary of the Public Function we are committed to contributing to the integral development of every public servant following the model of gender equity, ethic values and equal opportunities regardless of social, economic or disability condition, and preventing sexual harassment and discrimination.
- OECD: We are an equal opportunity employer and we encourage all qualified candidates to apply.
- World Bank: The World Bank Group is committed to achieving diversity in terms of gender, nationality, culture, and educational background. Individuals with disabilities are equally encouraged to apply. All applications will be treated in the strictest of confidence.

Sources: Irish Government (2009), “Diversity in the Civil Service – A Policy on Equality of Opportunity”, The Equality Authority, Dublin; Mexican Government (n.d.), www.funcionpublica.gob.mx; OECD (n.d.), www.oecd.org; World Bank (n.d.), www.worldbank.org/jobs.

Some countries have implemented initiatives to enhance equity at entry through education/training in order to ensure a fair recruitment process. The premise is that equal opportunities in employment cannot be guaranteed without having equal opportunity in education to open those opportunities. Some OECD member countries, like Australia, Japan, the Netherlands and New Zealand, have implemented traineeships to provide young people from minorities, ethnic groups and disabled people with work experience to increase their employability in the labour market. This also serves to familiarise them with the working environment in the public service and creates a pool of future candidates to join the public workforce. Other strategies include financial assistance for study or scholarship schemes.

Other countries have a more comprehensive scheme. For instance, the United Kingdom Government has implemented the Civil Service Fast Stream Programme to attract some of the country’s most talented graduates for training to develop a career; Fast Streamers are selected for their potential and not background to become future members of the senior civil service. In France, students from a disadvantaged social background receive scholarships to support their preparation for the competitive exam to enter the National School of Public Administration. In order to eliminate possible

biases in the competitive exam, French authorities removed the exam on general culture because in the past there was a tendency to select the same category of candidates based on their responses. The Japanese Government has established the Challenge Employment Programme in each ministry and agency to provide casual employment opportunities to people with intellectual disabilities in order to give them working experience to obtain longer term employment in either the public or private sector. The Korean Government introduced the Career Internship Programme for Regional Talents in order to ensure regional representativeness. Outstanding graduates are selected after their abilities are verified through recommendation by local colleges and their internship supervisors. The aim is to recruit local college graduates as local government officials. Israel implemented the Public Management Cadet Programme to cultivate leadership groups and professional management in public administration, rejuvenate the public service, and improve personnel quality. The programme is targeted to young people from the social and geographically vulnerable periphery of Israel. There is no affirmative action or quotas, as all students must compete with all other candidates for access to the programme.

The second group comprises instruments aimed at relaxing the selection process and criteria, to make them more inclusive but still focused on analysing skills, qualities and competencies required for the job, rather than on the applicants' cultural and socio-economic background or physical disabilities. For instance, Greece has abolished the maximum age limit for work, to avoid discrimination in terms of age. Other initiatives include adoption of non-discriminatory selection tests in order to guarantee equal opportunities for everyone and stimulate the participation of people from minority or ethnic groups. In Norway, public employers have the obligation to invite one qualified applicant with an immigrant background and a person with a disability to an interview.

Box 4.7. Diversity in recruitment – the French experience

French authorities have implemented a number of measures to foster diversity in the civil service and promote equal opportunities. These measures are intended to address the problem of the overqualified, and to deal with the excessively academic nature of some competitive examinations. It should be noted that the French civil service is a career-based system, and access is indeed through competitive examination.

The first area of action has to do with training prior to recruitment. In September 2005 the Defence 2nd Chance scheme was launched by the Ministry of Defence to help young people 18-21 years of age who are having difficulties integrating socially and professionally, have no professional qualifications, and are in danger of being marginalised. The objective is to enable these young people to learn standards of behaviour and respect for others; supplement their education in terms of reading, writing and basic skills in arithmetic; and provide them with the means to gain an apprenticeship in a trade or profession. Recruits are “volunteers” with a six-month contract governed by public law and renewable up to three times (not an employment contract). Recruits receive a EUR 300 monthly allowance, social security and medical insurance.

In February 2007, the French Government launched the operation “Sponsorship in the Civil Service” to: *i*) increase the information available to potential candidates on civil service examinations; *ii*) increase the availability of individual tuition provided by some members of the Civil Service College Network (RESP), to help the most deserving candidates prepare for the exams; and *iii*) provide financial support to the most deserving candidates, again to help them prepare for the exams. On this last point, the scheme grants allocations to unemployed persons and graduates to enable them to pass a higher category examination (categories A and B) assisted by a tutor. Other actions include special classes to prepare for the competitive examination. Selection of the beneficiaries is based on academic level, socio-economic criteria and motivation. In 2008, 90% of the beneficiaries passed the competitive examination for entering the civil service.

The second area of action refers to innovative measures in the field of recruitment:

- The “Recruitment without Competitive Examination” scheme, introduced in 2007, allows entry to category C, the first level of the civil service. The process is based on a dossier (comprising an application letter, *curriculum vitae*, and interview with a committee). In 2008, 32% of junior staff was recruited under this scheme.
- The *Cadets de la République* scheme was introduced in 2005 to enable young people without a Baccalauréat to prepare for the police examinations.

Box 4.7. Diversity in recruitment – the French experience (*cont'd*)

- The Pathway to Civil Service Careers at National and Regional Level and Hospitals (PACTE) is a new way of recruitment that aims to offer young people the opportunity to join these three sectors as an established civil servant. The scheme is addressed to people 16-25 years of age who left the education system and do not have a diploma, professional qualification, or vocational training leading to a specific occupation.
- The RAEP – Recognition of Professional Experience is a civil service scheme that includes new selection procedures for recruitment and internal promotion. It places more emphasis on achievements from experience than on academic tests: what really counts is all the professional knowledge, skills and expertise acquired while working in the civil service, or in salaried, unpaid or voluntary jobs relating directly to the professional experience required for the future work with the service. Examinations are more professionally rather than academically focused, which means they include case studies, role playing, etc.

Source: Poinssot, V. (2009), *Diversity: Innovative Practices and Future Challenges*, presentation given during the experts' meeting on "Building a Fairer and Stronger Public Service by Fostering Diversity", 1 October.

Other diversity programmes, like in Ireland, consider that job descriptions should be framed on the basis of the qualities and attributes required for effective performance, thereby eliminating requirements that discriminate directly or indirectly against certain groups of people. Application forms are designed to elicit only information relevant to the requirements of the job.

Box 4.8. Job profiling as a tool for diversity

Job profiles say a great deal about the culture of an organisation – what sorts of people it wants to attract, what it expects of its staff and how much scope it gives them to exercise initiative. In doing so, job profiles also say much about diversity – how the attributes needed for a job are described reflect whether an organisation wants to maintain the *status quo* or tap into a broadly diverse pool of potential recruits. It is necessary to ensure that the profile does not include criteria that could be discriminatory, to reduce the likelihood of bias (for example against people with disabilities), and to design the profile so that it helps to attract and recruit the best candidates from a broad and diverse pool. This requires careful consideration of what the essential requirements of the job really are.

A job profiling exercise may be an opportunity to reconsider some aspects of how a job is done, the work environment in which it is done, and the tools at the employee's disposal. An equal opportunity or diversity adviser should be involved in the job profiling. Well-designed job profiles can be a valuable part of an organisation's equal opportunity and diversity policy, as well as enabling the organisation to compete more effectively for talent.

Source: OECD (2008), "Note on Job Profiling", GOV/PGC/PEM(2008)5, OECD, Paris.

Given the fact that the public service is becoming a graduate workplace, some countries such as Belgium (Box 4.9) and Mexico certify competencies acquired through work experience so that people who for any reason had no opportunity to have formal graduate training are able to participate in open competitions to join the public service. This opens the possibility of having people with different backgrounds and experiences in the public sector. In some countries like Norway, there is even the possibility of choosing the second best candidate for the job if the applicant comes from an immigrant background. This possibility has been offered within the framework of a two-year project in 12 government agencies, and its effects are evaluated closely. So as to ensure non-discriminatory judgements and acquire a deeper understanding of other cultural backgrounds, some countries – Ireland, the Netherlands and New Zealand are examples – train interviewing board members on diversity issues to be considered during the interview process, and integrate the interview boards in such a way that they themselves reflect diversity. This may sometimes be enhanced by appointing one member of the panel from minority or ethnic groups or the disabled population.

Box 4.9. Belgium: SELOR's Project *"Compétences acquises antérieurement"*

SELOR is the recruitment agency of the Belgian Government. It provides services to more than 150 agencies and organisations. It recruits people to work mainly for the federal administration but also for communities and regions. Its policy is to guarantee equal opportunities, chances and treatment for all, as well as neutrality and impartiality in selection, recruitment and career management procedures.

As part of its diversity strategy, SELOR adopted the MIA Model for Diversity Management, which is divided into two main parts: *i)* rights-based diversity that aims to ensure non-discrimination and promotes equal opportunities; and *ii)* resource-oriented diversity management that aims at increasing diversity and, more importantly, employing diversity.

One of the key aspects of SELOR's diversity strategy is the focus on competencies. The basis for that choice is the recognition that the labour market places on diplomas that enable candidates to take part in job competitions, when often people may not have the required diplomas but the competencies. In order to comply with the policy of equal opportunities, SELOR began evaluating people's competencies acquired in the past and/or elsewhere and for which they may not have a diploma that certifies them. The project aims at giving candidates a ticket of access to apply for positions for which they may not have the required diplomas but the competencies. SELOR conducts a test to verify four generic competencies and reasoning capacities. Once SELOR assesses people's competencies, it grants a *"carte d'accès"* (entry ticket) with five years' validity. However, the "ticket" does not allow taking part in all public competitions. The jobs for which it is valid are determined by the Ministry of Public Administration.

Source: Akif, S. (2011), "Promoting Access for Women to Jobs with High Level of Responsibility in Belgium", presentation given at the Symposium on "Promoting Diversity within the Public Service in the European Union", Amsterdam, 23-24 June; and www.selor.be, accessed 3 August 2011.

In order to increase the number of public servants in top positions from minority groups, disabled people or women, some OECD member countries use quotas. Korea for example has established a 2% quota of people with disabilities to work in the civil service; Portugal's Basic Law for Disabled People establishes that the public administration should contract a percentage equal to or higher than 5% of public employees from people with disabilities. Some countries prefer the use of targets. This is the case with the Netherlands, where the government has set targets for 2011 to improve the representation of women, minorities, older and younger generations and

disabled groups in the public service. The United Kingdom has also established targets for the short and medium term.

Table 4.3. Targets for 2011 regarding the diversity in the Dutch public service

	2006	2007	2008	2011 target
Women as percentage of new employees	57	58	59	50
Women as percentage of new senior civil servants	31	31	41	30
Percentage of ethnic minorities	5.5	5.6	5.9	8.4
Percentage of employees aged over 50 (retiring)	4.4	3.8	N/A	5.0

Source: Dutch Ministry of Interior and Kingdom Relations.

It might be said that in OECD member countries there is a growing tendency to prefer the use of targets rather than quotas because targets constitute milestones to measure the achievement of goals, creating pressure for organisations to act. Targets, moreover, may be integrated into the performance management processes to facilitate ministerial steering mechanisms. In consequence, targets rather than quotas can serve to improve accountability by offering indicators against which to measure performance. Nonetheless, some other countries are moving away from the use of quotas and targets as their use is at odds with the promotion of diversity. Targets and quotas require the adoption of the affirmative action approach, which is regarded as patronising by members of society and may open the possibility that people without the proper competencies and skills are appointed to the public service. Diversity policies are more about clearing the way for every individual to have access to employment in the public sector and treating him/her as an equal. Thus, diversity policies indicate how flexible and inclusive the human resource management system is to attract and facilitate the integration of new talent into the public service.

Box 4.10. Diversity in sub-national levels of government: the case of Vienna and Amsterdam

Vienna: In 2003, the City of Vienna decided to develop its integration policy. The aim was to bring the topic of integration and diversity management into the city administration itself. Because a third of Vienna's 1.6 million inhabitants have a migration background, the city government felt the need to strengthen its administration system for the new requirements of a socially, culturally and ethnically diverse society. The integration of immigrants and diversity management are no longer seen as an issue for one department or a group of "specialists" alone, but rather as a task for all departments. Therefore, Vienna prevented a so-called parallel system of public administration, where immigrants are still seen as being outside the regular system. In the long term, diversity mainstreaming should be seen as an adequate management tool within a modern, customer-oriented administration. This includes the workforce, which should reflect the diversity in society.

In 2004, the city administration introduced diversity management. One in three Viennese has a migration background, so this diversity should be reflected in the services provided by the City of Vienna and in the staff composition of the city administration. Thus, Vienna offers apprenticeships in 30 professions for about 800 students. To reach out to students and their parents, information folders in German, Serbian, Bosnian/Croatian and Polish have been published by the personnel department. The homepage openly advertises apprenticeships for students with a migration background. The city administration now wants to take advantage of the various language skills that apprentices have and gives extra points for tested language skills in the application exam. While all apprentices receive basic training courses in intercultural management, students who are trained as office clerks can opt for a voluntary, one-hour weekly intercultural competence course. The subjects are ethics, religious and cultural basics, stereotypes, intercultural communication and integration.

While Vienna is increasingly aware of people's ethnic backgrounds, a quota system would not be appropriate as it would be established through the affirmative action approach. To bring more people with a migration background into public administration is in line with the view that these people can contribute much to the success of the organisation through their particular skills, knowledge and experiences. The approach is, therefore, to find the most qualified ones to meet the needs and challenges in public administration over the next decades.

Box 4.10. Diversity in sub-national levels of government: the case of Vienna and Amsterdam (*cont'd*)

Amsterdam: Diversity and integration policy in the broadest possible sense are high on the political agenda of the City Council as there are 178 different nationalities in Amsterdam. The diversity and integration policy's target groups include: women (in a deprived position), immigrants (in a deprived position), native Dutch in a deprived position, the disabled, and homosexuals. In the City of Amsterdam there are 770 000 inhabitants: 52% are originally Dutch, 34% have a non-western background, and 14% are western immigrants, for instance: Surinamese (69 000), Moroccans (65 000), Turks (38 000) of which the large majority are Muslim. Relatively high percentages of these groups face difficulties in terms of unemployment, debts, language, health, and school dropout rates.

The City Council wants to reflect the diversity of the population in its workforce. Diversity is part of its social responsibility: equal chances for all on the job market and no exclusion but inclusion policies. Moreover, developments in the labour market and employer interests (the job market is shrinking and changing, municipal staff is ageing, and baby boomers will be retiring) have also called for a diversity policy. It is expected that through diversity the quality of public services will increase as accommodation of clients' needs is expected to improve. The City Council authorities anticipate that through diversity the quality of administrative advice will improve, making the council more creative. The council is of the view that an honest government does not exclude anyone – either consciously or unconsciously – from participating in policy, and from having influence on it.

The diversity policy focuses on non-western immigrants. More and more positions require a high level of education, and the 16% staff turnover is due to retirement in the next five to ten years. At the same time, there is an increasing number of immigrants with a high level of education (2010 forecast: 40% nationally). It is expected that the proportion of immigrants will increase further.

The internal measures adopted by the City of Amsterdam include the following: *i*) always incorporate diversity results as part of the yearly appraisal between the city manager and the city services directors; *ii*) include diversity in all HR instruments such as competency management, appraisal, etc. at all levels of the organisation; *iii*) set up training in diversity management; *iv*) reserve places for immigrants in the internal training programmes; and *v*) in recruitment and selection give preferential access, in case of equal suitability, to immigrants. As part of the external measures adopted, the City Council implemented Intercultural Communications and Anti-discrimination programme and the Amsterdam Gay Capital Programme.

**Box 4.10. Diversity in sub-national levels of government:
the case of Vienna and Amsterdam (*cont'd*)**

However, the diversity policy has faced problems due to shrinking organisation/cutback, the negative image of government, the tight job market, the non-correspondence between jobs and the wishes of immigrants, and the lack of will and motivation of middle management.

The main lessons learnt from the experience of the City of Amsterdam are that it is necessary to set targets to give everyone in the organisation a clear purpose and focus, and firmly embed those in all HR instruments and the P&C cycle as a *sine qua non* condition. Targets need to be set and responsibility needs to be assumed. Guiding these processes from the uppermost levels of the organisation is an absolute prerequisite for success. It is paramount to have a discussion about quality, as the criterion of “the best” can actually be interpreted in many ways. Constant attention needs to be paid to executive appointments at the highest levels, to role models, and to the training of talent. For example, 25% of the management training programme slots are reserved for migrants. Yet the most important lesson drawn is that responsibility should be taken where it belongs: at every management level, with managers taking responsibility for their own teams. Diversity, after all, is a normal part of human resource management policy, and it can become part of daily practice by simply practicing it. What matters are the choices that managers act upon, or fail to act upon, when building and developing their teams.

Source: Danish Ministry of Finance (2007), *Diversity through Equality in Public Administrations in Europe*, State Employer’s Authority, Department of Gender Equality, Copenhagen; Schendel, A. van (2011), “Diversity Program of the City of Amsterdam”, presentation given during the CESI Symposium on “Promoting Diversity within the Public Service in the European Union”, 23-24 June.

An additional approach is provided by the Swedish Women to Top Positions programme. This is a three-year programme initiated to promote the career development of women in the central administration; it is expected to conclude in 2011. Three lessons that may be drawn from this programme are that to increase the number of women in top positions, top management needs to get involved to make gender equality part of the daily business; strategies, structures and work conditions must be developed to attract the right person for the job (merit); and there is a need to link gender equality to innovation and growth.

Box 4.11. Norwegian diversity programme

In Norway, the total workforce is composed of 2.5 million people, 10% of whom have an immigrant background and 10% of whom are disabled. The public workforce is composed of 138 000 employees, of whom 6.9% have an immigrant background and 8.5% are disabled. Diversity objectives should be reflected in civil service employer policy. The aim is to recruit competent staff among the whole population regardless of their background, but the public workforce should also reflect the cultural and ethnic diversity and life experience of the population.

The Norwegian diversity initiative is linked to reform policies for government renewal, the fight against discrimination, the inclusion and integration of persons with an immigrant background, and to policies for a more inclusive working life. Diversity programmes directed at persons with an immigrant background are based on different forms of positive discrimination. Government employers are also obliged to encourage potential applicants from disadvantaged groups to apply for vacant positions. Among the qualified applicants, employers are obliged to invite at least one with an immigrant background and one with a disability to an interview. On a permanent basis, employers have the possibility to recruit a qualified disabled applicant even if there are better qualified candidates. The applicant should, in this case, comply with the objective formal qualification requirements, but not necessarily at the same level as the best contender. That could be seen as a relatively substantial deviation from the qualification principle, which states that the applicant with the overall best qualifications should be recruited. However, positive discrimination of this type is still rarely used.

In a special project during 2008 and 2009 in 12 government agencies, the Ministry of Government Administration and Reform assessed the effects of a special recruitment process directed at persons with a non-western immigrant background. In this project the employer, having interviewed candidates with approximately identical qualifications, can recruit an applicant with an immigrant background even though the applicant would be ranked behind the best-qualified applicant. This could be seen as a relatively moderate deviation from the qualification principle. Quotas have been rejected by some organisations representing the disabled, as they fear a B team in working life.

Source: Norway country report. Information provided by the government of Norway for the OECD Diversity project.

The third group covers the mechanisms designed to facilitate the integration and retention of new recruits in the workplace, particularly of those from the target population. This is of crucial importance so as to have a smooth transition to the public service working environment and facilitate adaptation. The use of mentoring schemes for junior staff seems to be a useful alternative for this purpose. The introduction of flexible working arrangements like part-time work and telework has certainly proved useful

in attracting people with different backgrounds and experiences. Diversity issues are also being incorporated into public sector training programmes for new staff, trainers and managers, in order to encourage the adhesion of civil service personnel to the values of equal opportunity and respect, and for new recruits to get acquainted with the working environment. In addition, training sessions should have the purpose of making people, particularly from minority and ethnic groups, the disabled and women, to be aware of their own competencies and apply for promotions, even to managerial levels. Finland, for example, implemented a project called Female Managers Career Advancement in the State Administration (2008-09), which includes the training of supervisors to recognise women's management ability and encourage women to participate in management training.

Merit and equal opportunities should prevail in any recruitment and promotion process, so as to value individuals for their own accomplishments and not as part of a disadvantaged group. The Australian and Swiss experiences suggest that gaining an understanding of the work styles, employment and professional interests of the different specific groups is a way to attract and retain staff from the target populations. Australia and New Zealand, for instance, conduct periodic surveys not only to assess the progress made in implementing diversity policies, but also to know how well employees' expectations are being met and how the public service is being perceived by members of the target populations. The Irish experience suggests that exit interviews are an effective means of ascertaining the reasons why staff resign.

Box 4.12. The Swiss integral approach to equality in the federal administration

In 2004 the Swiss Government adopted an integral approach for equality in the federal public administration, publishing guidelines for considering equality between women and men as federal employees. Swiss authorities consider that for the government, adoption of this approach implies examining the eventual consequences of every action, project and measure taken by the administration with regard to men and women. The aim is that all projects and measures show equal advantage to men and women. The approach is based on the fact that gender has a key role in all domains and periods of life, which is why the approach focuses on both genders and the relationships between them as it aims to establish a general equality. The people responsible for the elaboration and implementation of programmes are also responsible for incorporating into the programme an integral approach that makes equality between sexes a top political priority.

*Source: Swiss Government (2004), *Approche intégrée de l'égalité dans l'administration fédérale: guide pour la prise en considération de l'égalité entre femmes et hommes dans le travail quotidien des employées de la Confédération*, Bureau fédéral de l'égalité entre femmes et hommes, Bern.*

Some OECD member countries with large multi-cultural populations have realised the advantages of promoting the use of the different official languages in government; it has a positive impact on cultural diversity and promotes mutual respect among members of the different linguistic groups. Moreover, it sends a positive message to society as it allows people from the different linguistic regions or communities to access public information in their own language.

One further aspect that may contribute to transforming the working environment into a diversity-friendly one is, according to the Canadian and Irish experiences, offering applicants or public employees the possibility of denouncing unfair, discriminatory or hostile practices. Investigating cases of discrimination, inequality or intolerance during the recruitment process or in the workplace would send the message that those practices are not part of the core values of the public service. Sweden established the Ombudsman against Ethnic Discrimination in charge of providing advice to individuals, authorities and social partners on issues related to fighting discrimination. The Ombudsman can financially penalise employers or education providers that do not implement measures to prevent and counteract discrimination. Even applicants can appeal the result of a recruitment process. In Israel, the Equal Employment Opportunities Commission is responsible for fostering public awareness of equal opportunities, receiving and handling complaints, instructing employers to submit data through a legal order, and filing lawsuits in the labour courts on behalf of the complainant or the commission.

Countries such as the United Kingdom are analysing how activities like public procurement could help deliver equality objectives through incorporation of equality-related contract conditions and the use of equality-related award criteria. Seeking partnerships with the private and voluntary sectors is becoming increasingly important to obtain the competencies, knowledge and skills required to meet government goals. Governments will have to master the challenge of managing networks, as links with organisations working with minorities, ethnic populations or disabled people, or promoting equal opportunities in the labour market, will intensify in the interests of diversity.

Box 4.13. Language policies in OECD member countries

Belgium has three official languages, Dutch, French and German. The use and status of these languages in the different governments are covered by a detailed and complex Language Law (*Loi sur l'emploi des langues en matière administrative*, first adopted 18 July 1966). The federal government is bilingual (French and Dutch) but not in a homogenous manner. The central administration is grouped into separate French- and Dutch-speaking divisions or directions, and a federal employee is formally classified as one or the other. A person having another mother tongue, be it German or another foreign language, has to choose between being classified as French- or Dutch-speaking. The proportion of French speakers to Dutch speakers in the federal government is fixed by royal decree, and regularly amended to reflect changes in the composition of the Belgian population. The Flemish Government, the French Community and the Walloon Region only use their own language, and thus require that all applicants be able to work in that language.

Canada has two official languages, English and French. The Canadian public service has designated some positions as bilingual so that the Canadian population can be served in their official language of choice; in bilingual regions, the work environment is conducive to use of both languages. To those ends, the Public Service Commission develops and oversees administration of tests to evaluate second language proficiency; the Canada Public Service Agency is in charge of developing policies that create and maintain a work environment conducive to the effective use of both official languages; and the Canada School of the Public Service provides second language training to persons employed in the public service.

Switzerland has issued guidelines to promote pluri-lingualism in all administrative units of the federal government, and make it possible for any public servant to work in any of the three official languages (French, German and Italian). The guidelines consider that commitment from senior management is crucial to producing coherent policy with regard to language equality and propose delegating responsibility to an official in a strategic position to provide support to that policy. In addition, recruitment must guarantee an equitable representation of the different linguistic communities in the administrative units. The linguistic competencies of staff are developed through training and linguistic information provided by the federal administration. A central aspect of this policy is the practice of pluri-lingualism in daily life. The organisation of work should facilitate communication in any of the official languages, for instance during work meetings where colleagues from other linguistic communities are in attendance and participants must express themselves in their own official language to prevent the predominance of one of the languages.

Source: OECD (2007), *OECD Reviews of Human Resource Management in Government: Belgium 2007: Brussels-Capital Region, Federal Government, Flemish Government, French Community, Walloon Region*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264038202-en>; Public Service Commission of Canada (n.d.), “Merit – Achieving Representativeness”, www.psc-cfp.gc.ca; Swiss Government (2009), *Guide pour la promotion du plurilinguisme*, Office fédéral du personnel, Bern.

Box 4.14. Summary of practices to improve recruitment and induction

- Use all available mechanisms in job advertising and include pro-diversity statements in job advertisements.
- Enhance equity at entry with education through traineeships, scholarships, etc.
- Move away from purely academic competitive examinations.
- Focus on job descriptions detailing skills, competencies and experience required for good performance.
- Have interview and selection panels reflect diversity.
- Design neutral recruitment exams, eliminating elements that may be considered causes of discrimination.
- Adopt mechanisms to facilitate transition to working life in the public service (training, mentoring).
- Open the possibility to denounce cases of unfair and discriminatory practices.

Evaluating diversity policies

There are two main aspects to be considered in this section. The first refers to how diversity policies are being evaluated and the mechanisms used by policy makers to assess progress. The second has to do with the results achieved by the current evaluation policies and programmes.

How to assess progress? OECD member countries agree that evaluating programmes on a regular basis is critical to correct deviations, change aspects that are not working, argue the case for continuing the programmes, allocate resources, and ensure achievement of objectives. However, OECD member country initiatives reflect a number of difficulties in evaluating diversity policies and programmes. Some of them have to do with the lack of clarity of objectives, strategic planning and vision, which makes hard to assess progress. Another difficulty is the lack of good-quality data on workforce diversity, as not all public organisations keep a record of the background of their staff. The argument is to preserve people's privacy, but that complicates producing reliable assessments and arguing the case for the reform. Probably the biggest difficulty is – and will be – how to assess the contribution of different backgrounds, competencies, perspectives and

experiences so as to improve the government's operation. Such assessments will largely rely on qualitative data, with all the tradeoffs that that implies.

According to the experience of Australia, Finland, the Netherlands, Norway and New Zealand, it seems that surveys, interviews, reviews, opinion polls and benchmarking are effective methods for obtaining and assessing data on diversity policies. Annual reports on the progress of diversity policies are commonly prepared by individual organisations and sent to the central co-ordination body, which in turn prepares an overall assessment of diversity in the public service. In countries like Australia and New Zealand, participation in surveys and integration of equality and diversity issues into strategic performance reporting figure among the responsibilities of the organisations. In Norway, as part of the evaluation process the Ministry of Government Administration conducts fact-finding projects in several rounds directed at all government agencies, to examine activities and results. The use of benchmarks in Finland (Diversity Barometer) and the Netherlands (Diversity Index) have allowed authorities to examine attitudes towards diversity, and compare the workforce composition of the individual organisations with the average workforce in a particular sector, geographical area or national labour market. The United Kingdom's diversity strategy defines a series of short-, medium- and long-term objectives and activities to track progress with key elements that indicate gauge success (Box 4.15).

Box 4.15. Assessing diversity policies – the UK experience

The United Kingdom's strategy for promoting equality and diversity focuses on four key themes that are linked and designed to drive the mainstreaming of these values into every aspect of civil service work. The themes are: *i*) changing behaviour to create a civil service-wide inclusive culture; *ii*) strong leadership and clear, transparent accountability for delivering diversity; *iii*) talent management systems that enable everyone to realise their potential; and *iv*) a diverse workforce at all levels, measured against workforce targets to be reached over the next few years.

Every theme states the outcome expected in the short, medium and long term (2020), and a benchmark to determine when success has been achieved. On the representation theme for instance, the strategy states:

- **Outcome:** A civil service that is making good progress towards reflecting society by 2020, at all levels.

Box 4.15. Assessing diversity policies – the UK experience (*cont'd*)

- **We will achieve this through:** Continuing to increase representation of women in the senior civil service, women in top management posts and minority ethnic and disabled staff in the senior civil service. We will aim to reach within five years: 34% of staff in top management posts to be women (26.6% at October 2007); 39% of the senior civil service to be women (32.1% at October 2007); 5% of the senior civil service to be people from minority ethnic backgrounds (3.4% at October 2007); 5% of the senior civil service to be disabled people (3% at October 2007).
- **In the short term we will:** work in partnership with key stakeholders to review the quality, coverage and consistency of our data on disability and ethnicity; evaluate the pilot monitoring exercise to collect data on religion or belief and sexual orientation conducted under the diversity ten-point plan, by end 2008 ... provide guidance to support departments and agencies to start collecting data.
- **In the medium term we will:** review progress against the overall senior civil service targets and the departmental senior civil service and feeder grade targets, to identify where we need to take further action, by end 2009; have built our data on religion or belief and sexual orientation at departmental level by end 2009.
- **In the longer term we will:** review progress against improving the quality, consistency and coverage of our data and put in place action to address any remaining barriers to declaration, all by end 2011; evaluate progress towards monitoring religion or belief and sexual orientation, and publish the findings, by end 2011.
- **We will know we have succeeded when:** our analysis shows that we are making good progress towards reflecting the society we serve at every level by 2020; the civil service is acknowledged as the employer that leads the way in valuing and promoting equality and diversity in its workplace, at all levels, and has a senior leadership that is both visibly and culturally diverse.

Source: UK Cabinet Office (2008), *Promoting Equality, Valuing Diversity: A Strategy for the Civil Service*, Diversity Strategy Team, Cabinet Office, London, www.civilservice.gov.uk/wp-content/uploads/2011/07/diversity-strategy.pdf.

Governments need to have the results of the evaluation translate into action so that the effort put in pursuing diversity makes sense. The results need to be communicated within and outside government through reports or reviews. Publishing them would contribute to transparency and accountability, which would in turn generate evidence and build confidence

in the reforms. After the evaluation, governments can draw lessons and modify their activities or policies. The experience of OECD member countries shows that in order to evaluate a diversity policy, data needs have to be defined beforehand, and that investments in guidelines, benchmarks and training can help develop the practice of evaluation.

There are some common points across the different practices: *i)* diversity policies and programmes should be evaluated on a regular basis – annually seems to be the common practice, but *ii)* it is necessary to establish long-term evaluation frameworks that: *iii)* must be prepared from the outset, clearly defining a vision and what will be considered a success; *iv)* clear definitions are needed of what diversity, disability, discrimination and other related concepts mean in terms of the project to facilitate evaluation; and *v)* a methodology should be established for data collection and analysis. The importance of conducting an evaluation is that it may help provide the evidence that diversity policies are delivering the expected results.

The results so far: It is difficult to talk about results achieved by OECD member countries in the search for diversity in the public service, as the majority of the policies and programmes are ongoing. Moreover, the information provided largely shows expected results rather than concrete achievements. The information also uncovers a mixed scenario in which a large majority of countries are focusing on dealing with discrimination and the promotion of equal opportunities, whereas a smaller group has merely gotten to the point where they see diversity as a resource to improve public governance.

One of the main achievements so far has been to raise consciousness regarding diversity and equal opportunities: governments and public employees are now more than ever aware of the advantages of building a diverse public workforce. There is a positive change of perceptions and attitudes towards people with different backgrounds, experiences and competencies regardless of their age, gender, sexual orientation, beliefs, political affiliation, disability or physical appearance. In this regard, women in OECD member countries are finding more favourable conditions for career development and job opportunities at different levels. Demographic changes together with diversity policies have helped increase the percentage of older people in the public workforce, as some countries reported an increase in the retiring age. In the United Kingdom, the introduction of the Equality Bill, intended to eliminate discrimination and promote equality of opportunity and good relations within the public sector, has led to culture change, and raised the profile of the equality agenda. Progress in member countries regarding minority and ethnic groups, however, appears to remain limited.

The way forward

OECD member countries seem to be of the view that if the civil service is to be efficient and effective in delivering public services to a socially, ethnically, culturally and economically diverse society in a personalised way, it needs among other things to reflect society. For that purpose, a diverse workforce must be seen as added value. Achieving diversity is a long-term, confidence-building process. However, diversity cannot be achieved without first dealing with discrimination and enhancing equality in public employment, where merit should prevail.

Challenges

Achieving diversity policy goals creates several challenges for governments, among them:

The issue of sustainability: Benefits from the implementation of diversity policies are very likely to emerge slowly and be less apparent to the outside world. This is why leadership at all levels and commitment from all stakeholders is indispensable. In the absence of hard evidence, pursuing diversity becomes a confidence-building process whose success largely depends on how good governments or organisations are at collecting and analysing data on their progress, and communicating the benefits diversity may have or has had for government performance. Thus periodic evaluations, development of methodologies for data collection and analysis, and a communication strategy can enhance employers' confidence in diversity initiatives.

Tackling discrimination and ensuring equal opportunities: Many OECD member countries have stated in their reform programmes that if discrimination and intolerance are not dealt with, diversity will be harder to attain and the impact of any reform in this direction will be minimal. Although OECD member countries have made some progress in dealing with discrimination and ensuring equal opportunities, there are issues yet to be addressed like gender pay gap and access to managerial positions for women, disabled people, and members of minority groups. Dealing with discrimination on the basis of age, gender, sexuality, disability, ethnicity or socio-economic background is still work in progress for a number of OECD member countries. To move forward, cultural or attitudinal change is essential.

Making the HRM system more flexible and inclusive: As already mentioned in this report, progress on diversity issues will be determined to a large extent by how flexible and inclusive the HRM system is. This means

that governments will need to adopt dynamic employment policies. To that end, a focus on mobility, multi-disciplinary careers, leadership (negotiation), long-term planning, competencies, delegation of HRM authority, and adjustable working conditions are likely to be on the agenda for civil service reform. For instance, managers and HR experts will need to design mechanisms to meet the demand for a long-term supply of competencies, identify and understand the factors that may attract people from the different social groups and traditions to the public service, find the balance between assessing qualifications and the importance of a different background, and manage people's expectations regarding public employment. The financial crisis by itself is not likely to bring to government the required skills; governments will have to attract them through flexible, inclusive and merit-based HRM practices.

Diversity from a whole-of-government approach: Fostering diversity is a continuous process of government improvement. This is a long-term project that will need to be revised regularly, but it will require changes in other aspects of public management like human resources, budgeting, integrity and transparency. Diversity principles should therefore be part of any public management reform, as diversity initiatives cannot succeed as isolated strategies.

Conclusion

In general, although progress has been made towards equal opportunities, there is still a long way to go to build a truly diverse public workforce in OECD member countries. There seems, however, to be a growing tendency among OECD member countries to see different backgrounds, experiences and competencies as an opportunity to improve government performance. Governments seem to realise that increasing the share of people from disadvantaged groups so as to build a diverse public workforce is only part of the solution. Measures that promote affirmative action may indirectly create room for discrimination towards certain groups, and would be regarded as patronising by others. Experts on diversity seem to share the view that diversity policies are about designing mechanisms to empower particular social groups to compete for public employment on their own merit, and facilitating the access of people with different backgrounds who may contribute to government goal achievement. It is true, however, that treating everyone in the same way and under the same rules would paradoxically exclude certain social groups from joining the workforce – thus the different initiatives to promote equality in terms of gender, ethnicity, disability, and national origin. So far, the major impact of equal

opportunities and diversity policies has been reflected in the promotion of better governance practices: fairness, equality and tolerance.

This report identified some common policy elements that enable the OECD to propose a reference framework for future work to advance equality and diversity policies. The framework does not pretend to cover all aspects of policy making, but is instead a general framework that may be of relevance in pursuing diversity in different contexts. Its main strength is that it is based on the policies and practices that appear to be yielding good results in OECD member countries.

Box 4.16. Towards a general reference framework to foster diversity in the public service

Basic elements of equality and diversity policies

- **Define a vision of the type of public service required for the future.** A common vision is essential to co-ordinate works, to obtain political commitment to the initiative, and to help to stay the course over the long term. The vision must be based on a diagnostic of the current situation and identification of areas of adjustment. Establishment of a clear conceptual framework is crucial.
- **Regard diversity as a resource and a priority.** Diversity is a prerequisite for governmental efficiency and the promotion of good governance practices. Therefore attracting, using and retaining a mixture of backgrounds, competencies and experiences of members of society are paramount.
- **Integrate diversity principles into broader strategic policies.** Diversity principles need to be integrated into broader policies of management reform and defined from a whole-of-government approach.
- **Define a strategy from a participative-joint approach.** To maximise the effectiveness of diversity policies, their goals should be based on inputs from a wide variety of actors (agency managers, members of NGOs, trade unions, members of the target population). This helps ensure ownership, facilitates implementation and strengthens cohesiveness in the public service.

Box 4.16. Towards a general reference framework to foster diversity in the public service (*cont'd*)

- **Counteract and prevent discrimination.** Fighting and preventing discrimination are considered the basic underpinning of diversity. Thus, human resource management processes and instruments must be designed and used in a way to prevent a discriminatory, hostile or intimidating working environment or harassment. Efforts should be made to build a culture of toleration and respect towards diversity in terms of gender, age, religion or beliefs, sexual orientation, physical or mental disability, ethnic or foreign background, political views, or physical appearance. Provide applicants and employees with the possibility to make a formal complaint or ask for the revision of recruitment and promotion processes when discrimination is believed to have occurred.

Management measures

- **Leadership and commitment** are required at political and managerial levels to ensure policy success. Working towards building a representative public workforce demands managing change, and leaders are in a strategic position to keep the focus, correct deviations, motivate people and seek further support and commitment for the initiative.
- **Central co-ordination.** Establishing a central co-ordination unit serves to create a focal point for promoting diversity, providing support and guidance to line ministries and agencies, monitoring progress, sharing information, facilitating co-operation and strengthening coherence. This implies that line ministries and agencies should have their own initiatives based on their own needs, priorities and strategic goals, but based on central guidelines and vision.
- **Inter-organisational collaboration.** Enabling inter-organisational co-ordination and collaboration through networks is an effective way of working together towards a common goal and keeping a whole-of-government approach. Networks make it possible to share expertise or more general knowledge, save resources, renew organisational commitment to diversity, and maintain diversity.

Box 4.16. Towards a general reference framework to foster diversity in the public service (*cont'd*)

- **Make diversity principles part of the HRM system.** Diversity principles should be regarded as an integral part of the HRM system, from strategic workforce planning to recruitment, training, promotion and evaluation. This is a visible part of the diversity strategy, as it has to do with the daily business of personnel management within an organisation. The HRM processes and practices should enable attracting and retaining a representative workforce with the competencies, backgrounds and experiences that contribute to organisational and broader national goals.

Evaluation and accountability

- **Monitoring and evaluation.** Evaluating diversity programmes on a regular basis provides the information necessary to determine progress, identify deviations and propose changes. Evaluation results may also be used to keep up the reform momentum.
- **Accountability.** The legal framework should clearly specify who is ultimately responsible for the initiative as a whole and within individual organisations. It is crucial to establish what is expected from managers and public employees in pursuing diversity and to then assess their contribution to the initiative.

This report has argued that there is a case for fostering diversity in the public service. Diversity is now a political priority for a number of OECD governments, and action is needed so as not to lose momentum and allow reforms to mature. Perseverance will be required from leaders, as the impact and benefits will most likely not be manifest in the short or medium term. So, what could support the initial stages of this long process? Based on OECD member countries' experience, it is possible to identify political and managerial first impacts or "quick wins". From the political point of view, fostering diversity would send the right message regarding promotion of good governance practices that may contribute to strengthening trust in government. It would help to portray government as **responsive**, as it takes citizens' expectations and needs into account; **responsible**, because of adopting fair and inclusive policies that look at the medium and long term to ensure better conditions for current and future generations; and **legitimate**, as it deserves the trust of citizens. From the managerial point of view, the search for diversity may help to uncover the capacity of government for strategic planning and help to correct or update any deficiency. At the same

time, pursuing diversity may contribute to improving the HRM system by updating recruitment, selection, promotion, training and evaluation processes on a regular basis. After all, as some OECD member countries have stated, diversity principles should be part of a modern HRM system.

Notes

1. The old-age dependency ratio is the number of working age persons (15-64 years old) per older person (65 years or older); it is used as an indicator of the dependency burden on potential workers.
2. Information provided by the US delegates during the experts' meeting on "Building a Stronger and Fairer Public Service by Fostering Diversity" on 1 October 2009 at OECD headquarters in Paris.
3. Irish Travellers are a traditionally nomadic people of ethnic Irish origin, who maintain a separate language and set of traditions. They live in Ireland, the United Kingdom and the United States.
4. It should be noted that the Gender-related Development Index (GDI) and the Gender Empowerment Measure (GEM) are two of the indicators used by the United Nations Development Programme in its annual *Human Development Report*. The GDI focuses on the expansion of women's capabilities, whereas the GEM is concerned with the use of those capabilities to take advantage of life's opportunities. For further information see <http://hdr.undp.org/en/humandev/hdi>.

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Chapter 5

Policy lessons for restructuring public workforce management

Fiscal consolidation goals require a high-performing public service, yet consolidation strategies call for reducing government operational expenditure – a paradox that can only be solved through reforming public service management. That reform will entail a coherent, strategic framework rooted in forward-looking assessment of organisational capabilities, with a strong focus on innovation. An integrated approach to HRM should introduce flexibility and adequate mechanisms for accountability, to foster innovation and value for money. Investment in the public workforce should balance costs and quality, and regular assessment of HR policies will be critical for reallocating resources and ensuring achievement of objectives. Competencies can strengthen performance management; diversity can enhance core public service values as well as efficiency and effectiveness; and upholding merit can boost not only capacity but also morale and commitment. Ultimately, real leadership is needed for the kind of high-quality change management capable of building confidence and sustaining capacity for reform.

Attaining the goals of fiscal consolidation requires a high-performing public service. Paradoxically, consolidation strategies call for reduction in government operational expenditure, which may act to the detriment of public service capacity to contribute to government's strategic objectives. In a time of salary cuts, reductions in staffing levels, limited financial resources, and increasing and changing demands for public services, one of the solutions is to stick to good management practices. Making the most of the resources available and the workforce is now one of the main priorities of OECD member countries.

Investing in strategic human resource management and upgrading the quality of management could help governments compensate for the loss in numbers of staff and motivation of employees in the wake of salary decreases. Strategic human resource management should lead countries to think about the type of public workforce needed for the medium and long term in terms of numbers, competencies, allocation and diversity. Priority areas such as education and healthcare should probably be given more attention in the context of an ageing population. Strategic HRM reforms should embody a clear vision of the connections between the HRM system's particular features and the objectives and priorities of the public service.

Reforming management of the public service is an important structural reform initiative because of the gains that would benefit government: greater agility in responding to emerging challenges, better use of resources to pay for its operation, and a committed, qualified workforce to implement its policies. But those gains would not be immediate; this is a slow, largely confidence-building process involving a fully fledged change management strategy. Perhaps the key lesson from the experience of OECD member countries is that HRM reforms should not be approached as stand-alone modernisation initiatives. They must be based on an overall view of how government should function, in order to meet emerging challenges – and they should be consistent with public service values and linked to other public management reforms. Changes suggested in this report have to be not only thought through but also run through a coherent framework rooted in a long-term perspective – even when responding to short-term challenges.

What are the lessons?

1. Develop a strategic long-term vision through forward-looking management

Strategic long-term vision is the cornerstone of public management, and in particular of HRM reforms. The civil service must be given a purpose for

the short, medium and long terms. Decisions about degrees of system openness, staff sizes capable of delivering new government priorities, and competencies required should be spelled out in detail and involve policy makers and senior managers at the very least. A common vision is crucial to engage political leaders and public servants and for giving coherence to reforms, which calls for an efficient communication policy. Developing a vision means positioning the civil service a number of years into the future. One of the lessons emanating from the current economic and financial crises is that “emergency, short-term actions that are not perceived to be part of a medium-term strategy will only bring short-term relief” (Gurría, 2011). Important questions need to be answered. What type of civil service is needed? What role will it play in society? What is its contribution to the wider aims of the government? Building and sharing a vision requires consulting citizens and public servants. If government employees are not on board, the viability of any reform is compromised. A broad-based consultation is needed to enhance fairness and strengthen trust in government. Consultation with stakeholders such as interests groups, civil society organisations, trade unions, consumers and other groups is crucial to see that the right things are done and done correctly, and to define a purpose for the public workforce. Civil service reforms are generally complex, and so there must be openness and transparency about the risks, tradeoffs and realistic expectations of what the civil service can achieve.

Workforce restructuring requires a forward-looking assessment of organisational capabilities, with a strong focus on issues such as delivery of services, working across organisational boundaries, value for money, and innovation. When countries do not assess their HR requirements in a strategic fashion, what results is the loss of talent, capacity and trust. For example, the United States Office of Personnel Management has established a strategic and operational plan to guide management of the workforce based on a clear mission: “to ensure the federal government has an effective civilian workforce” (US Government, 2009). As a response to pressures for efficiency, a number of countries such as Canada, the Netherlands and the United Kingdom are introducing not only short-term measures such as budget cutbacks, but also longer term strategic measures to restructure the workforce and improve productivity. Competency-based management is also increasingly used as a way to ensure workforce capability. Similarly, in pursuing a more inclusive and representative workforce, a government-wide vision helps to tie diversity initiatives with broader strategic and reform objectives. A vision statement may help senior managers in the different organisational units establish a plan of action, monitor progress, co-ordinate and orient individual initiatives, and make mid-course corrections.

2. Focus on strategic planning and HR management

Strategic planning is a key instrument for setting a longer term context for government's action. This is important, as the public workforce is in constant flux: employees flow into, out of and across government organisations, and the competencies and qualifications of the workforce change. The general labour market also evolves, and those changes can affect not only the public workforce but also the overall labour supply. It is essential for all public organisations to understand and develop a capacity for effective workforce planning as a way to stay ahead of the game, i.e. of rapidly developing economic and financial crises, demographic changes, and social change in the workplace. And yet much of workforce planning is still left to chance in many countries, with public organisations accruing over time a workforce that may or may not have met the mission needs of the organisation.

Effective workforce planning requires high-quality information and discussion linked to organisational strategies and efficiency concerns, and organisational arrangements that support workforce decisions efficiently. Workforce planning could: *i)* spread a common understanding of the public service vision across government; *ii)* help raise awareness of the demographics and current and future skill and competencies gap within public organisations; *iii)* allow more efficient and effective use of the workforce; and *iv)* allow organisations to prepare for restructuring, reducing or expanding their workforces.

Strategic workforce planning should prepare the civil service for the future through:

- strengthening departments' and ministries' capacities for workforce management and make managers accountable;
- ensuring the adequacy of the workforce for the organisation's mission;
- enabling more flexible human resource management;
- promoting whole-of-government goals in terms of workforce planning, especially in terms of numbers and costs;
- fostering diversity, competences, and level of education across government.

The planning should be integrated with other workforce management measures. Indeed, workforce planning requires close tracking of employee numbers, costs and competencies, alignment of workforce planning strategies with the specific strategy of each government organisation, management flexibility, a whole-of-government perspective on allocations

across sectors and on the size and costs of the workforce, and managers' planning accountability. Increasingly, OECD member countries are establishing processes that link workforce planning to the strategic general planning and include accountability mechanisms. In Portugal for instance, staff boards predict the work posts that will be needed for permanent and temporary activities; their characterisation (qualifications and competencies) and quantification are worked out in accordance with the service mission and strategic objectives to be attained every year.

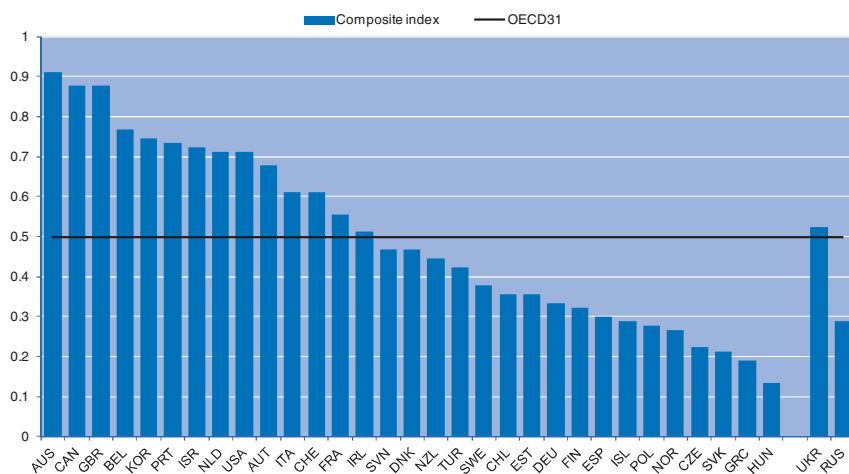
The implications of any public service reform or innovation need to be considered and planned for from the outset, both in terms of any anticipated staff reductions or redeployment and in terms of managing the change so as to minimise disruption, protect capacity and continuity of service, and avoid to the extent possible losing trust and morale. Strategic planning increases the effectiveness of structural and organisational reforms (e.g. transfer of activities to agencies or sub-national governments), budgetary instruments (e.g. automatic productivity cuts, programme reviews) and HRM instruments (e.g. redeployment provisions). The experience of Australia, Denmark, Finland and Sweden, for instance, reveals that when automatic productivity cuts are combined with greater flexibility and autonomy for managers, they offer the potential for managing the workforce size in a more strategic manner. Nonetheless, the scope for workforce planning is more limited in the case of short-term or reactive measures such as recruitment freezes, natural attrition, and *ad hoc* downsizing exercises. Today, one of the challenges for central organisations is to control staff numbers as they increasingly turn to services contracted out and short-term employees.

OECD member countries should also invest in strategic human resource management (HRM), as it is key to aligning people management with the strategic goals of public sector organisations. It allows governments to have the right number of people at the right place with the right competencies, and also increases the efficiency, responsiveness and quality of service delivery. Strategic HRM also encourages governments to look to the future and think about the right mix of people and skills that will be needed to respond to changing societal needs.

There is room for improvement in strategic HRM across OECD member countries (Figure 5.1). Eleven of them (Australia, Belgium, Canada, Denmark, Israel, Italy, Mexico, Portugal, Switzerland, the United Kingdom and the United States) reported they had a general accountability framework in which strategic HRM practices are a core component and fully linked to ministerial planning and reporting requirements. Most countries have workforce-planning mechanisms in place to consider such issues as demographic changes, new policies and possibilities for outsourcing. However, a number of OECD member countries only implement such

practices in an *ad hoc* manner (Chile, the Czech Republic, Estonia, Greece, Ireland, and Israel). To adopt a strategic approach to HRM is to use the HR function as a key tool in formulating and implementing government strategies through HR activities, such as recruiting, selecting, training and rewarding personnel, and in developing an organisational culture that fosters innovation and flexibility. This creates for the public service a competitive advantage.

Figure 5.1. Utilisation of strategic HRM practices in central government (2010)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for Japan, Luxembourg and Mexico are not available.

The index is composed of the following variables: the existence of a general accountability framework; the existence of HRM targets built into performance assessment of top and middle managers; elements that top and middle management should take into account when planning and reporting within the general accountability framework; regular review and assessment of ministries'/departments' HRM capacity; the existence of forward planning to enable adequate workforces to deliver services and elements considered in governments' forward planning. The index ranges between 0 (low utilisation of strategic HRM practices) and 1 (high utilisation of strategic HRM practices).

Source: OECD "2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries", as published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

3. Enhance competitiveness through an integrated approach

An integrated approach to human resource management helps in managing essential HR processes – the same concepts, definitions and metrics are used across all public administration. The processes could also be supported by a common information system. One of the lessons learnt from the economic and financial crisis is that most of the challenges faced by governments are diverse, multi-faceted, and fast-paced; the public service therefore needs to respond in an integrated fashion to crosscutting issues. Fragmenting HRM processes, or giving grounds for dissimilar concepts and procedures, poses the risk of driving up costs and decreasing the efficiency and effectiveness of the public workforce. A key step forward has been the introduction in some OECD member countries (Canada and France are examples) of an integrated system of human resource management and business planning in order to align workforce planning with government's priorities and budgetary resources. Apart from allowing improvements to the different HRM processes, an integrated approach would avoid differences between ministries and agencies' application processes; complex application requirements; and the lack of communication across the different agencies and ministries regarding the hiring process and the applicant's status.

OECD member countries are moving towards the use of competency frameworks as an instrument for maintaining coherence in HRM. Competency frameworks are expected to enable development of a global approach to HRM, and establish standards to test the effectiveness of training and improve recruitment. Thinking in terms of competencies should begin with planning and selecting employees, and involve guiding and rewarding their performance.

Linking individuals' behaviours with the mission and strategy of the organisation is considered to improve both vertical and horizontal integration of personnel management. This helps connect each and every component of the HR cycle to one reference framework. Several initiatives have enhanced vertical and horizontal integration in Canada, for example, such as *La Rèleve* in the late 1990's and HR Modernisation in the 2000's. In Belgium, the government has revised the **employee life cycle** in the public service using a competency model as a roadmap to align HR strategy with organisational imperatives. In Korea workforce planning is conducted through analysis of current and future competencies, which are then incorporated into the whole HR process. The Dutch Government relates organisational strategy to the competencies required for a member of the senior civil service to be able to contribute to the organisations' mission and objectives. Moreover, those competencies are referred to throughout the HR process to evaluate, control and develop managerial qualities. Competency frameworks are generating common concepts, definitions and metrics in

HRM. Through them, governments have been gaining greater flexibility to move staff across the public service where it is more needed, improving the efficiency and effectiveness of the recruitment and hiring processes.

4. Introduce flexibility into HR management to foster innovation and value for money

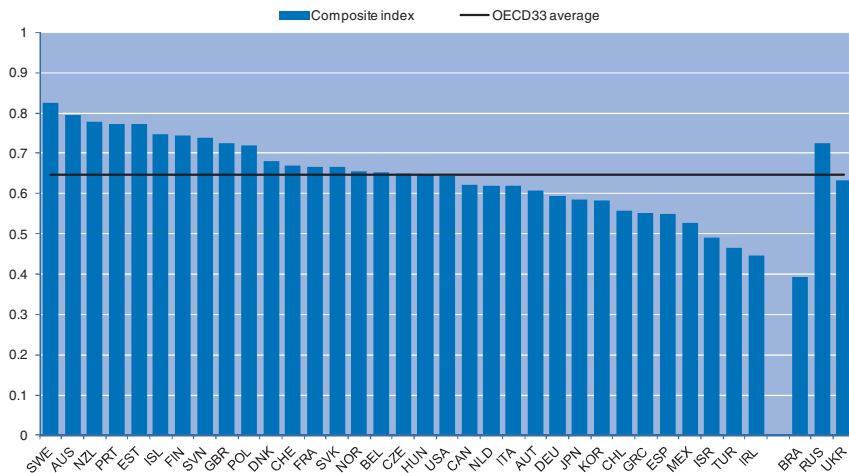
Fostering innovation is central to increasing the efficiency and effectiveness of public workforce management. Thus, establishing the conditions to stimulate innovation is an imperative in the search for more dynamic and fairer management. This is not an easy task, as the ability to trigger innovation depends on how receptive and flexible the HRM system is. The economic crisis may in fact offer a window of opportunity for reforms to render the system and its provisions more flexible. Moreover, the experiences of Australia, Canada, Finland and Sweden suggest that the more flexibility can be built in to enable efficient working practices and reallocation of staff so as to improve performance, the less likely the need for exceptional measures to cut costs and jobs will be.

Making HRM systems flexible means empowering managers, enabling them to have a role in the planning of human resources for the short, medium and long term. Middle managers must be able to plan for future levels of staff: they should have the ability to redeploy staff, define competencies, reorganise work and increase mobility. There appears to be a tendency in OECD member countries to grant senior managers the ability to make decisions concerning the overall organisation and financial and personnel management of their unit without the constant involvement of, or need of approval by, the line minister or ministry or central management agencies (Figure 5.2). However, evidence is still lacking as to whether this flexibility has a direct impact in terms of efficient staffing. Flexibility in the workforce also entails working conditions that permit not only full development of the employees' capacities but also a healthy balance between work and private life. As OECD member countries have experienced, traditional working conditions tend to generate a risk-averse culture that inhibits innovation and delays modernisation. Traditional conditions also limit the scope for citizen-oriented approaches, provide little flexibility in arranging for various skills mix, and limit the capacity to adapt quickly to a changing environment.

More innovative approaches entail greater delegation of responsibility. Some OECD member countries, like Australia, Finland, Iceland, New Zealand and Sweden, have moved towards greater delegation of HRM responsibility to line managers and ministries in order to strengthen performance management and develop new models for service provision.

This has enabled managers to pursue service improvements and strengthened their sense of accountability.

Figure 5.2. Extent of delegation of human resource management practices to line ministries in central government (2010)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for Luxembourg are not available.

This index is composed of the following variables: the existence of a central HRM body; the role of line ministries in determining the number and types of posts within organisations; allocation of the budget envelope between payroll and other expenses; staff compensation levels; position classification, recruitment and dismissals; and conditions of employment. The index ranges from 0 (no delegation) to 1 (high level of delegation). Missing data for countries were estimated by mean replacement.

Source: OECD “2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, as published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

Delegation of authority has the potential to make the civil service a more attractive employer. Jobseekers are now better educated and more demanding when it comes to job content and work conditions and opportunities – and public employees are increasingly contemplating moving to the private sector. Public managers have to be able to enter into

meaningful dialogues with jobseekers and employees, and be able to respond to their needs and requests. Delegation of manpower planning enables organisations to determine how many employees and which skills and competencies are needed. OECD member countries are also delegating the recruitment function, where a key aspect is the possibility for managers to specify the required competencies and selection criteria. The centre normally establishes minimum standards or guidelines for recruitment, selection and competency frameworks.

In 2010, several OECD member countries reported a high degree of delegation, with Sweden and Australia as prominent examples (Figure 5.2). In these countries, departments and line ministries have greater flexibility to determine their staffing needs, recruit staff, and set conditions for employment. Turkey and Ireland report relatively lower levels of delegation; central HRM bodies in these countries retain greater responsibility over such decisions. Today, many OECD member countries have accorded ministries and agencies large amounts of managerial room for manoeuvre, allowing them more flexibility regarding staffing levels, recruitment and some working conditions. Performance-related pay and performance appraisal systems also tend to be delegated to ministries and agencies, although general management of the overall pay systems remains centralised in a majority of countries. The imperative of cost control and the institutional structure of collective bargaining in member countries may partly explain these trends.

The competitive hiring processes must be improved in order to attract and retain people with the right competencies. More open recruitment provides the flexibility to bring new skills into the workforce at different levels of the hierarchy, particularly in career-based systems. This type of flexibility, combined with competency-based recruitment and a focus on increasing the diversity of the workforce, is necessary for public services to renew their skills base to meet changing service needs and as their workforce ages. Effective recruitment, assessment, hiring and retention strategies are needed to attract and retain staff with the specific experience, skills and competencies deemed essential to achieving government's goals and mission. The competitive hiring process should also try to attract applicants from very different backgrounds and provide them with the means to compete on equal terms.

In seeking greater flexibility in workforce management, OECD member countries need to ensure that adequate mechanisms for accountability are in place. In countries like Sweden, heads of agencies have been given the responsibility to continuously adapt the size, structure, processes and staffing in order to meet agencies' goals. Agencies have to deliver annual financial and operational reports, and managers are held accountable for

staffing. Accountability applies not only to hierarchical superiors but also to public employees in general. Open and frank communication with employees is critical to boost morale and trust. Thus if, for instance, restructuring of the workforce or redeployment of staff is conducted, public organisations should assess and inform employees of it in a timely manner (why and how the process will be made) in a first stage, and subsequently inform them of the results of such measures, so as to foster trust and ensure transparency in public service.

5. Balance costs, quality and investment in the public workforce

In times of fiscal consolidation, OECD member countries face the challenge of implementing workforce productivity improvements that recognise the balance between costs and quality. This is difficult, as the economic crisis has seemingly focused attention solely on the costs of the public workforce. Responses to the OECD “2010 Strategic Human Resource Management Survey” indicate that 75% of the countries that responded are engaged in or planning reforms that will decrease the size of the workforce. Measures reported include longer term strategic restructuring of the public service as well as shorter term cost reduction measures such as workforce-downsizing operations, a partial or total recruitment freeze, and a freeze on departmental operating budgets.

Maintaining the cost/quality balance leaves the government with the need to maintain and improve the capacity of the public service while at the same time producing savings. Investing in skills, leadership and the management capacity of the public service is critical in this context. This issue is not new, as past reforms have shown that decisions regarding the size of the public service have been taken mostly on the basis of short-term budgeting considerations rather than strategic priorities of government. This is because the public workforce tends to be regarded as a cost rather than an asset to achieve strategic objectives of government. For instance, *ad hoc* downsizing exercises involving redundancies or recruitment freezes have been used at times to achieve large-scale staffing reductions, either as a result of budget cuts or direct staff reduction targets. These exercises limit the ability of managers to engage in workforce planning and competency management, although budget cuts that allow managers to decide how to achieve the required savings are less detrimental in this regard than outright imposition of direct staff cuts. Recruitment freezes and natural attrition appear to be the most damaging in terms of restricting the scope for workforce planning and restructuring.

Spending reviews can help to target cuts; instruments that drive ongoing productivity improvements may reduce the need to resort to *ad hoc* cuts; investment in skills renewal and support for redeployment of staff can help to preserve the capacity of the public service.

6. Manage competencies with a view to performance

Competencies may be used as an element of performance management. Performance is not just a question of what people do; it is also how they do it in interaction with other people. Organisations may also use their competency framework to reward management, although competency-based pay systems are relatively rare and remain quite controversial. The link with other elements of HRM enables organisations to use competency management to shape the organisational culture and create a strong performance orientation. The use of competency management across OECD member countries and its target groups varies. For example, whereas in Austria, Estonia, Denmark, Japan and the Netherlands competency frameworks focus on specific groups – generally senior managers – in other countries such as Australia, Belgium, Canada, Korea, the United Kingdom and the United States, the focus is on all civil servants.

Competencies have proved useful to promote managerial values and skills, especially among senior public servants (Australia, Austria, Belgium, Canada, Denmark, Korea, Netherlands, the United Kingdom and the United States), and to introduce more flexible ways to work in the public service (Belgium, Korea, the United Kingdom and the United States). Competencies are also used to improve workforce planning and recruitment and selection processes (Belgium, France, Japan, Korea and Portugal). OECD member countries are extensively using competencies for staff development. Governments have placed greater emphasis on up-skilling their workforce, ongoing professional development and lifelong learning. (Australia, Belgium, Canada, Denmark, Korea, Netherlands, the United Kingdom and the United States). The spread of performance management in the public service has benefited from competency frameworks that allow defining what excellent performance looks like and what competencies employees need to have in order to perform well (Australia, Belgium, Canada, Denmark, Japan and the United Kingdom). Some countries, like Belgium, Canada and the United Kingdom, are beginning to explore competency-related pay schemes as a way to increase performance focus within public organisations.

7. Cultivate diversity policies in the interests of efficiency, effectiveness, and inclusiveness

Policy makers and political leaders increasingly realise the benefits that different life experiences, competencies, socio-economic and cultural backgrounds may bring to public service performance. Such is the case in countries like Australia, Belgium, Finland, Ireland, Japan, Netherlands, New Zealand, Norway, Sweden and the United Kingdom. Diversity should be seen not only as a mixture of skills, competences, perspectives, experiences and backgrounds, but also as valuing and using that mixture to improve government's efficiency and effectiveness and to help public servants meet professional expectations. Diversity entails valuing people for their own merit regardless of their socio-economic and cultural background, age or disability. It is not an end in itself but a mechanism to achieve broader social and economic policy goals.

Diversity is expected to enhance core public service values such as fairness, transparency and impartiality. It may also help improve representativeness of the public workforce and foster equal opportunities. Guaranteeing equity in gender representation at all levels of the hierarchy is still a major concern for OECD member countries. Although women are generally well represented in the workforce, their representation differs widely across countries. Women are still underrepresented in top-level positions (see Chapter 4). The search for efficiency gains and effectiveness is one of the main drivers for diversity in the public. In addition, diversity is expected to contribute to raising the quality of public services by improving the understanding of community needs and ameliorating social dialogue and communication with the wider population. Even more importantly, by being instrumental in enhancing public service quality and the employability of disadvantaged groups, diversity might contribute to social mobility. There is increasing awareness that diversity can help achieve important outcomes in major policy areas, by tackling challenges such as ageing populations. Diversity can also help advance the reform agenda and promote good governance practices by helping to improve the relations between the government and citizens, and by strengthening trust in government. Diversity initiatives cannot succeed in isolation: they must be part of a whole-of-government reform strategy.

Fostering diversity requires addressing discriminatory practices that may permeate all stages of the HRM process. In particular, the recruitment process needs to be fairer, more transparent and more flexible to attract talented people with a mix of backgrounds, experience and perspectives. Improving the recruitment process requires instruments or mechanisms that aim to: i) diversify the communication channels to reach a wider audience;

ii) motivate people to apply for vacancies in the public service; *iii)* relax the selection process and criteria to make them more inclusive but still focused on analysing skills, qualities and competencies required for the job; and *iv)* facilitate the integration and retention of new recruits to the workplace.

In attempting to build a more representative public workforce, some countries tend to recruit applicants according to their personal characteristics (gender, age, disability) or backgrounds (immigrants, ethnic groups, etc.) as well as their achievements. OECD member countries are realising that in order to ensure equal opportunities sometimes it is necessary to create those opportunities. Indeed, policies aimed to foster diversity in the public service are introducing measures to provide people from disadvantaged groups with the means to obtain the necessary skills and competences to be able to take part in a competition to join the public service on their own merits. Competence frameworks may be of help in this case, to ensure that unfair discriminatory elements are removed from the HRM processes.

8. Uphold merit, to underpin capacity and boost morale and commitment

Upholding the principle of merit should be key in any attempt to reform management of the public workforce. A merit-based HRM system helps attract and keep a workforce that is talented, helps boost morale and commitment, helps make the public service more competitive and attractive in the job market, and assists in dealing with stress and conflict in the workplace. Merit could be seen as a facilitator in making HRM reforms happen, giving them a more rational and legitimate underpinning. While a professional, non-partisan and merit-based public service is often taken for granted in many OECD member countries, for many others this is still work in progress (OECD, 2011d). Ensuring a merit-based HRM may be easily forgotten in pursuing other goals such as building a representative public service, introducing competency management, or even restructuring the size of the workforce. Top and middle managers should be held accountable for ensuring the prevalence of merit in their management of the workforce.

A merit-based HRM system should in fact ensure both types of merit: legal and substantive. For example, requirements to join the public workforce are generally expressed in legal terms; these have to do with academic credentials and general cultural knowledge only, rather than experience, capabilities, aptitudes or cultural fit. Competence frameworks adopted in a growing number of OECD member countries provide a mean for ensuring both legal and substantive merit.

Measures to reallocate the public workforce or redefine its size should also include merit elements. For example, when implementing downsizing measures such as redundancy programmes, it is necessary to consider carefully how employees are selected, as this directly affects the capacity of organisations and has pervasive effects on morale and trust. If there is a voluntary redundancy programme, with employees self-selecting, or a “last-in-first-out” policy, this may lead to loss of staff that the organisation would have preferred to retain. Determining the current and future strategic competencies needed to meet the organisation’s goals is likely to provide a more rational and fair approach to downsizing. This suggests that workforce planning cannot be disassociated from the merit principle.

9. Strengthen performance management to enhance accountability and increase efficiency

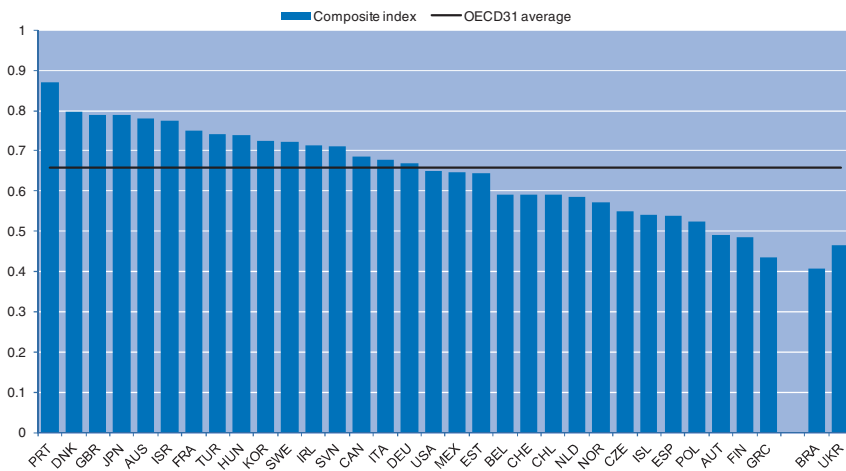
Over the past two decades, the majority of OECD member countries have strengthened performance-oriented management in public sector organisations in order to increase efficiency and quality in service delivery. This approach not only provides the tools to assess the level of performance through objective criteria, but also enhances transparency and above all accountability for attainment of results. There has been an increasing focus on the use of competencies as an element of performance management, since behavioural aspects of performance are better understood.

To some degree, competencies are represented in the countries’ performance assessment of civil servants. Competency-related pay, however, as mentioned above, remains an under-utilised tool and is only applied, to some degree, in Belgium, Canada and the United Kingdom. OECD member countries like Canada and the United States are implementing “performance management frameworks” that constantly assess the level of workforce performance, differentiating between low and high levels while linking individual/team/unit performance to organisational goals and desired results. Performance management frameworks have allowed aligning individual to organisational goals and subsequently to the goals of government, and facilitated an emphasis on results. They have made it possible to establish distinctions in performance, with implications for the reward of good and penalty for poor performance. They have the potential for involving employees in the process of goal setting, which is crucial to obtaining their commitment. They also offer managers opportunities to provide feedback to their employees on their performance, and to make decisions on training needs in order to achieve the agreed goals and promote lifelong learning. They also support the processes of strategic decisions with objective information on outcomes and costs, with

implications for managing responsibilities, organisation and activities. Ultimately, they represent a key tool to enhance accountability.

Performance assessment is used to a varied extent (Figure 5.3). Portugal and Denmark have put performance assessments at the core of their decision-making process regarding individual staff (career, promotions, pay), managers and organisations. Finland and Greece use performance assessment to a lesser degree. Today, almost all OECD member countries have formal performance assessments that are mandatory for central government employees, except in the Czech Republic where they are not used, and in Canada, Iceland, Mexico, and Norway where they are used for some staff only. In the United States, for instance, as part of the strategy to improve management of the public workforce, the Office of Personnel Management (OPM) implemented a senior executive service (SES) pay-for-performance system in 2004. For SES members to have access to higher pay rates, agencies must first obtain OPM certification and the concurrence of the Office of Management and Budget (OMB) of their performance management systems. Certification criteria incorporate key aspects of successful performance management systems, which must be evident in the design, implementation, and implementation results of the system. The SES performance-based pay system has changed the way SES members are appraised and rewarded. This is because it focuses more on the achievement of organisational goals and accountability for results than on complying with procedures. Now in the US public service, all agencies must have OPM-approved employee performance management systems that provide for appraising employees annually, recognising and rewarding good performance and addressing poor performance.

Figure 5.3. Extent of the use of performance assessments in HR decisions in central government (2010)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for Luxembourg, New Zealand and the Slovak Republic are not available.

The index is composed of the following variables: existence of a formalised performance assessment; use of performance assessment tools (meetings with supervisors, frequency of meetings, written feedback, etc.); performance assessment criteria used; and the importance of good performance assessments for career advancement, remuneration, contract renewal for the same job / remaining in the same job, and employment contract renewal in the public service.

Source: OECD “2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, as published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

10. Ensure that management at senior levels possesses strategic foresight and leadership

Strategic thinking, adaptability, innovation, creativity, and the ability to work collaboratively across boundaries will foster the capacity for leadership and foresight, which translates into dynamic and forward-looking management of the workforce. While many operations in the civil service depend on a stable set of skills and experience, more is required in the

current economic context, with sudden change and multiple economic but also social or economic crises, and natural disasters.

At senior level, the civil service needs to integrate the talent to deal with complex and multiple issues, based on an accumulation of knowledge, with the ability to address uncertainty as well as short and long timescales. In addition, political leadership and support are needed to grant the necessary authority to implement reforms.

This has significant consequences for public workforce management. Two elements need to be considered: *i)* how to get a suitable quality of managers; and *ii)* the role of managers in HR reforms. A number of OECD member countries are establishing specific competence frameworks intended to provide guidelines for acquiring adequate managerial competences for the public service. It is also considered that those who lead public sector organisations must have the capacity to innovate by listening to all their stakeholders and properly evaluating their responses. Managing a workforce composed of a mixture of socio-economic and cultural backgrounds should also be one of the key managerial skills.

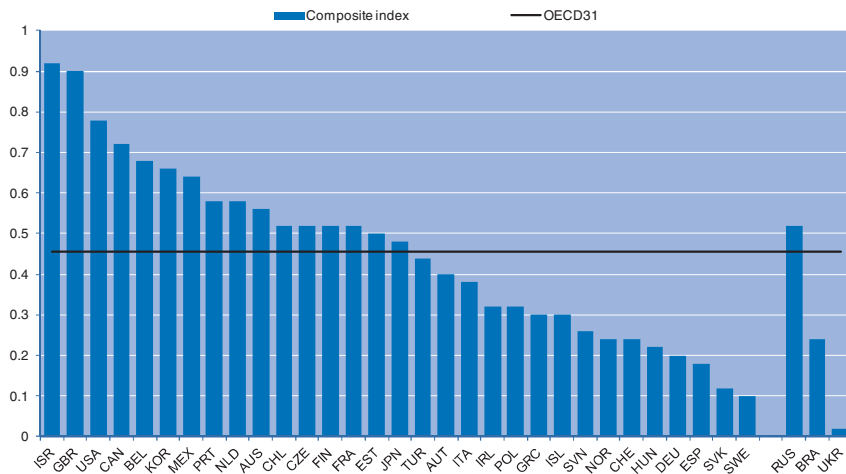
Managers are an important and crucial variable in organisational performance. For example, the experience of Sweden's staff reduction and restructuring during the 1990's suggests that whereas executives and leadership should increase their visibility and availability to staff during periods of staff reduction and restructuring, managers – particularly those at mid-level – should be provided with training and support for managing staff reductions among their staff. Support from senior management should also be kept visible throughout the process, because civil servants will not see competency management as a priority unless they see management associated with it.

There is an increasing tendency among OECD member countries to group senior civil servants separately and manage them under different HRM policies because of their strategic roles in government. Figure 5.4 shows the extent to which separate management rules and practices are applied to senior civil servants (even if separate rules are not an indication of how well senior civil servants are managed or how they perform).

Greater emphasis is being placed on capacity building and on incentivising improved performance. Twenty-two OECD member countries report paying greater attention to management of senior civil servants' performance, and in 12 countries the portion of their remuneration that is performance related is higher than for other staff. Senior civil servants also tend to be recruited through a more centralised process than other civil servants, and in a majority of countries there is a defined skills profile applying to them specifically. However, France, Israel, Korea and the

United Kingdom have mechanisms in place to identify potential senior civil servants earlier in their careers.

Figure 5.4. Use of separate HRM practices for senior civil servants in central government (2010)



Notes:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Data for Luxembourg are not available.

Denmark and New Zealand do not have a centralised HRM policy regarding senior civil servants and have therefore been removed from the index.

The index is composed of the following variables: the existence of a separate group of SCS; the existence of policies for the identification of potential SCS early in their careers; the use of a centrally defined skills profile for SCS; and the use of separate recruitment, performance management, and performance-related pay practices for SCS. The index ranges between 0 (HRM practices not differentiated for SCS) and 1 (HRM practices are very differentiated for SCS). Missing data for countries were estimated by mean replacement.

Source: OECD “2010 Survey on Strategic Human Resource Management in Central/Federal Governments of OECD Countries”, as published in OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en.

Senior civil servants must display leadership capabilities and execute high-level policy directives quickly and effectively. Leadership is a key factor to reduce resistance to change by explaining the potential benefits of reforms and obtaining people's commitment and support. Leadership is required at all levels of the organisation because what is needed is a change in the way the organisation functions as a whole. Senior managers should draw from bottom-up institutional knowledge and the experience of the civil service to contribute to evidence-based decision making. Improving governmental performance, adaptability and efficiency thus rests partly on the pre-existing quality and capacity of the senior civil service. The United States Government, for example, identifies three different types of leadership in the hierarchy: *i*) strategic leadership, required at higher levels for such components as strategic thinking, political savvy, vision, external awareness, negotiating and cultural awareness; *ii*) team leadership, with team building and interpersonal skills as crucial competencies; and *iii*) technical leadership, emphasising professional and technical skills.

11. Systematically assess HR initiatives to support effectiveness, credibility and continuous learning

Evaluating HR policies on a regular basis – assessing what works and what does not – is critical for reallocating resources and ensuring achievement of objectives. A systematic assessment of HR reform initiatives would provide senior managers and decision makers with the evidence necessary for making the case to sustain the course or even change direction. Some OECD member countries, like Australia, Canada, France, the Netherlands and the United Kingdom, are using strategic reviews not only to assess the capacity of the public service to handle current and future challenges, but also to assess the impact of performance management arrangements on productivity and to identify opportunities for improvement. Moreover, given that governments in some countries are now embarking on further rounds of privatisation and corporatisation, better insights into these aspects are needed. The use of automatic productivity cuts in managing the size of the workforce is rather limited across OECD member countries. More needs to be understood about the reasons for this; only a thorough evaluation of such initiatives may provide some clue as to their impact on, for example, workforce planning.

Similarly, when competency frameworks are developed and implemented, efforts are needed to sustain competency-based management throughout the entire government. Management should be reviewed periodically, as the Belgian and Korean experiences suggest, identifying incongruence between current competency models and changing needs.

Constant review is also necessary because the frameworks can become too static. In addition, the future of competency management depends on continued interest among top and line management, civil servants and trade unions.

Policies towards diversity are more difficult to assess. This may have to do with the lack of clear objectives, strategic planning and vision, which makes it hard to determine whether progress has been made. Lack of good-quality and updated data on workforce diversity represents another difficulty, as not all public organisations keep a record of the background of their staff. The argument is to preserve people's privacy, but that complicates having reliable assessments and arguing the case for reform. Probably the biggest difficulty is (and will be) how to assess the impact of different backgrounds, competencies, perspectives and experiences on government's performance.

The evaluation results need to be communicated within and outside government through reports or reviews. Publishing results would contribute to transparency and accountability, and in turn generate evidence and build confidence in the reforms. In the United States for instance, OPM publishes an *Annual Performance Report* to communicate performance measures and assess results. In Portugal, the overall results of the performance assessment in central government administration organisations are publicised annually on the website. In Sweden, communication of the costs and benefits of staff reductions in quantitative terms has been key in maintaining credibility, accountability and control.

There are some points to be considered for assessment of HR initiatives: *i)* policies and programmes should be evaluated on a regular basis – annually seems to be common practice, but *ii)* it is necessary to establish long-term evaluation frameworks that *iii)* must be prepared from the outset, clearly defining a vision and what will be considered a success; *iv)* clear conceptual frameworks are needed to facilitate evaluation; and *v)* a methodology should be established for data collection and analysis.

12. Sustain reforms through quality strategy

High-quality management of change is necessary to build confidence and to sustain capacity for reform. Poorly managed civil service reforms can result in costly mistakes, loss of talent and depressed morale within organisations, but also loss of belief in the capacity of government to govern. Introducing HRM reforms is never uncontroversial or uncomplicated, mostly due to the technical complexities of the issues and the political sensitiveness they involve. Positive results depend on a number of structural and agency factors. While the current economic and financial

context provides a unique opportunity to implement structural reforms in the management of the workforce, this does not guarantee the support of public employees nor a smooth implementation. The experience of OECD member countries suggests that HRM reforms need to be introduced in progressive steps.

The key message obtained from restructuring and reallocating the workforce, introducing competency management, and fostering diversity in the public service has been mentioned above and is worth repeating: HRM reforms should not be approached as stand-alone modernisation initiatives. They should be based on an overall view of how government should function in order to meet emerging challenges, and they should be consistent with public service values and other public management reforms. Strategic HRM reforms should be shaped by the centre of government and should embody a clear vision of the connection between the features of the HRM system – such as how people are recruited, organised, promoted, assessed, and motivated – and the objectives and priorities of the public service.

A related key lesson is that reforms should build upon one another, and that this is best achieved by having a coherent and overall roadmap of reforms rather than a series of disjointed initiatives. HRM reforms, such as diversifying the composition of the workforce, are usually lengthy processes; results may not be apparent for a number of years. Hence governments need tools to sustain reforms, and the experience of OECD member countries suggests that evaluation and reporting are the most effective ones. The reform process could be seen in three phases: *i) planning* – defining the need and motivation for reform and setting its strategic objectives by developing a vision that can be communicated convincingly to all key stakeholders and implemented in the political timetable available to the government; *ii) implementation* – setting an action plan, building leadership for the reform, overcoming resistance to change and creating a sense of ownership of the reform among affected stakeholders; and *iii) sustainability* – avoiding reversal of the reform.

Box 5.1. Organising principles for restructuring the public workforce towards growth

The conclusions of the work of the OECD Public Employment and Management Network on restructuring the size and allocation of the public workforce, the introduction of competency management, and the search for a more diverse composition of the public workforce are that:

1. The management of the public workforce should be forward-looking with a clear strategic vision.
2. Efficient and effective management of the public workforce requires developing capacity for strategic workforce planning under an integrated approach.
3. Flexibility in HRM is critical to set the conditions for innovative management of the public workforce that seeks value for money.
4. In improving the productivity and capacity of the public service, the public workforce should be seen as an asset and as part of a broader managerial reform rather than as a cost.
5. Competence-driven management of the workforce may enhance public service values, inject more flexibility, and orient management towards performance.
6. A diverse composition of the workforce should be seen as an advantage in the search for efficiency and effectiveness in service delivery, and for greater inclusiveness in the public service.
7. A more performance-oriented public service activity may foster accountability and efficiency in public workforce management.
8. Adequate managerial competencies and leadership that ensure merit are essential to promote fair and dynamic management of the workforce and to boost morale of public employees.
9. Developing evaluation frameworks and methodologies for constant monitoring and regular assessment of government's initiatives on workforce management should support efficiency, effectiveness and continuous learning.
10. The quality of the change management strategy determines the capacity of government to sustain reforms.

Conclusion: Getting ready for the future

Achieving strategic and long-term change while meeting short-term objectives

Undoubtedly, OECD member countries have made progress towards a more dynamic and fairer management of the public workforce. Measures have been taken to use the civil service in a more strategic, rational and equitable manner. However, there are windows of opportunity to improve or consolidate what has been achieved so far.

OECD member countries are still struggling to think and act strategically so as to prepare for the future. This requires improvements in the strategic capacity for workforce planning. While some countries evidently have longer term workforce strategies to balance fiscal discipline with responses to demographic pressures and maintain the capacity of the public service, it is not clear that all countries dispose of such adequate workforce planning frameworks.

Finding a healthy balance between short-term staffing cuts while maintaining the capacity to meet longer term government challenges is one of the main challenges currently faced by OECD member countries. The use of certain structural, budgetary and HRM reform measures has produced encouraging results. However, there needs to be better evaluation of how structural reforms such as outsourcing, creation of arm's-length agencies, movement of staff to sub-national levels of government and privatisation or corporatisation have affected the size of the workforce and production costs of publicly funded goods and services over the long run, and how the workforce aspects of such reforms can best be managed. Given that governments in some countries are now embarking on further rounds of privatisation and corporatisation, better insights into these aspects are needed.

There is a need for more in-depth assessment of how the tools and degree of flexibility available to agency managers to adjust staffing and manage performance correlates with the achievement of efficiency in staffing. Government so far has been working under the assumption that greater flexibility and delegation of authority to line managers to manage the workforce would lead to better levels of efficiency – but real hard evidence that this is the case still needs to be built.

A further challenge is to develop the capacity to actually implement policy decisions. Competency management frameworks enable organisations to identify and address gaps in the capabilities of the

workforce, and provide a basis for developing strategies to address anticipated skill requirements. And yet OECD research reveals that implementation remains one of the main difficulties member countries are facing, due to the particularities of individual organisations.

Dealing with discrimination on the basis of age, gender, sexuality, disability, ethnicity or socio-economic background is still work in progress for a number of OECD member countries. Without dealing with discrimination and intolerance, diversity will be harder to attain and the impact of any reform in this direction will be minimal. Although member countries have made some progress in dealing with discrimination and ensuring equal opportunities, there are issues still to be addressed such as the gender pay gap and access to managerial positions for women, disabled people and members of minority groups. Cultural and attitudinal change is essential.

All the HRM processes should be underpinned by financially sustainable and fair compensation of employees. Defining competitive and fair compensation should be a tool not only to attract talent but also to motivate staff without incurring on any unnecessary spending. It should ensure external competitiveness in relation to the overall labour market and internal efficiency and equity. It should reward jobs that are more demanding in terms of complexity and responsibility. It should also reflect the values of the organisation. If service delivery is critical, then a pay scheme for the quality of service delivery may be considered. The compensation system needs to be aligned with organisational objectives; the performance measures used to determine levels of salary, bonuses and incentives should reward the achievement of business objectives.

HRM reforms need to be framed under a whole-of-government approach. Restructuring the size of the workforce, introducing competencies management and fostering diversity should be part of a more comprehensive reform package that understands and views public administration and governance structures as part of an interconnected whole. For instance, fostering diversity entails continuous improvements. This is a long-term project that will need to be revised regularly, and will require changes in other aspects of public management, such as human resources, budgeting, integrity and transparency.

The current measures to tackle the economic crisis and budgetary deficits have led to implementation of restructuring reforms that are affecting the morale, trust and capacity of public employees. Governments need to find measures to renew pride in being a “public/civil servant”.

Directions for change in the 21st century

The management of the public workforce is evolving. The current HRM reforms implemented in OECD member countries points towards an evolution process in **seven directions**: *i*) from a reactive public service to a more proactive public service; *ii*) from expensive service delivery to providing value for money; *iii*) from a knowledge-receptive public service to one that values learning and innovates; *iv*) from a fragmented to an integrated approach in workforce management; *v*) from a job-based to a competency-based public service; *vi*) from a bureaucratic culture to a more personalised organisational culture; and *vii*) from a homogeneous workforce to valuing diversity in workforce composition. These directions provide a hint of the characteristics of the public service of the 21st century.

Nonetheless, the degree of evolution differs in every country, and not all countries are experiencing changes in all these directions. Countries that have moved to consider the public workforce as a strategic partner in pursuing government's goals are leading this evolutionary process. The assumption underlying the process seems to be the transformation of the public workforce into a strategic instrument with which government can better position the public service as an entity to meet economic, demographical and social challenges.

This evolution is the result of multiple interactions, including recent economic trends, long-term demographic developments, and social and technological changes. However, the context in which this evolution is taking place has uncovered some weaknesses in management of the workforce. Some of those reforms, such as investments in workforce planning, introduction of competency management, and diversity policies have nonetheless been instrumental in allowing the public service to better respond to pressures for efficiency, responsiveness and fairness.

New approaches to integrate social and technological change in the 2.0 era

Moreover, the current crisis context has opened the door to new approaches in public management. The world has changed dramatically, which requires new efforts to understand the nature of these accelerating changes. Government organisations have to face complex and accelerating changes in their environment, and have to adapt if they are not to create a gap between the performance of the public workforce that is required and the effectiveness of their responses.

New approaches point to the need for more dynamic, integrated, functional and operational human resource information systems, aimed at detecting dysfunctions, rigid structures, behaviours and hidden costs. Civil servants will have to change too, considering the results of their work – not individually, but as part of the achievement of overall strategic human and organisational purposes. Moreover, networks, social technologies and 2.0 models in the digital age offer new opportunities and entail new risks. They facilitate collaboration and co-creation of solutions, by empowering not only the public service but also citizens and NGOs. Implementation of collective intelligence activities and processes can facilitate the generation of better solutions for society. Some OECD member countries are seeking to implement more holistic and integral approaches with an “ecosystem” perspective, a more human-centred vision, and (at the same time) a socially digitalised collaborative approach that can help them face the global financial and economic crisis. Drawing the lessons of these experiences can inform development of strategic human resource management policy in the 21st century.

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Public Servants as Partners for Growth

TOWARD A STRONGER, LEANER AND MORE EQUITABLE WORKFORCE

Contents

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