

The Public Service of 2025 - Themes, Challenges and Trends:

Human Resources Management Trends in OECD Countries

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In many countries, the main architecture of employment in the public service has traditionally been built around the idea that working for governments is significantly different than working for other employers and therefore requires a special employment system. Work in the civil service has traditionally offered a high level of job security, or even “jobs for life”. But over the past two decades, many areas of public service employment have lost this distinctiveness and have become quite similar to the general employment system (OECD, 2004, p. 2).

This paper discusses trends in the reform of employment practices in the civil services of member nations of the Organization for Economic Co-operation and Development (OECD). In particular, it describes the various methods that governments have been using to adapt public sector employment systems and human resources management regimes to the changing needs of their society. This paper also looks at some of the emerging issues and challenges governments will be facing in the future with respect to managing their human resources. Much of the discussion in this paper is based on a survey on strategic human resources management that the OECD conducted of its members in 2004 and an unpublished survey on public employment the OECD recently conducted.

Civil service refers to a group of people with a distinct set of privileges and obligations set out in law (OECD, 2005, p. 2). In some cases, the term “civil servant” refers to a rather small category of public servants; in other cases, it represents the majority of the employees. Many countries use the term “public service” or “public servants” when it refers to the broader public sector. In general, the public service is characterized by various immunities granted to public servants such as:

- protection *against arbitrary dismissal*;
- protection *against punishment without enquiry* and;
- *internal promotion without competition from the outside talent*.

Trend One: The Hybridisation of Public Human Resources Models

Traditionally, the management systems applying to the core public service have been categorised as providing a *career-based* system or a *position-based* system.

In career-based systems, public servants are usually hired at the beginning of their career and are expected to remain in the public service more or less throughout their working life (OECD, 2005, p. 4). Initial entry is based on academic credentials and/or a civil service entry examination. Once recruited, people are deployed depending on the needs of the organization.

Position-based systems are based on the principle of recruiting for skills/competencies associated to specific positions or area of work. Recruitment can be done internally or externally, with no guarantee of subsequent promotions (OECD, 2005, p. 4). Generally speaking, there is more openness in these systems because appointments are made from a wider pool of candidates.

No civil service is a pure example of either the career-based or position-based system, although some countries clearly emphasize one set of characteristics over the other. There is a growing tendency for countries to adopt practices from both types of systems in an attempt to mitigate the weaknesses to which each system is prone. For instance, the Public Service of Canada operates under a job-based model, but also uses a career-based approach for senior managers, economists, and an identified pool of future senior leaders. Similar to Canada, most countries are now effectively operating under a *hybrid regime* that combines some aspects of career-based and job-based models. Table 1 highlights the differences of emphasis for some countries.

Table 1. Recruitment in the Civil Service: Differences of Emphasis

Emphasis on competition for posts and professional experience	Emphasis on competitive examination, education at entry
Australia	Czech Republic
Canada	France
Denmark	Hungary
Finland	Ireland
Iceland	Japan
New Zealand	Korea
Norway	Luxemburg
Sweden	Spain
Switzerland	
United Kingdom	
United States	

Source: OECD (2005)

The challenge for career-based systems is how to have a civil service which is responsive to the rapidly changing and specialised skill demands of contemporary society. The challenge for position-based systems is how to encourage common values across the core public service.

Trend 2: A Reduction of Protection, Immunity and Privilege

Permanent employment has traditionally been the norm in many public service settings, with much greater job security than the private sector. This situation has changed significantly since the late 1980s (OECD, 2004, p. 3). The differences between public sector and private sector employment are lessening. For example, legislation is becoming more flexible and fixed-term contracts are becoming more prevalent. *The employment status of civil servants is increasingly similar to that of employees generally in 16 OECD countries.*

In some countries, specific rules guaranteeing lifelong employment in government have been abolished and civil servants have been put under general labour laws (OECD 2005, p. 7). According to the OECD survey on strategic human resources management, *13 countries have changed the status of their civil service over the past five to ten years.* In **Australia, New Zealand, and Sweden**, this process started in the early 1990s and in

some cases continued throughout the 1990s. **Switzerland** has undergone the most radical reforms in the area of civil service status. All federal staff in this country are now under employee status, except for a few small categories of personnel including members of federal appeals commissions. Table 2 gives a detailed description of the development of civil service status in 12 countries.

Table 2. Changing Civil Service Status

Countries	Development of civil service status
Australia	The ratio between "ongoing" and "non-ongoing" employees is more or less the same since 1996. Neither ongoing nor non-going employees are guaranteed life-long employment. Ongoing employees may be retrenched if they are not needed following a change in workplace needs.
Belgium	Six-year "mandate" system for managers (Director General, and two levels below).
Canada	The ratio of term/casual employees is increasing against employees on indeterminate terms.
Denmark	Significant reductions are to be expected in the number of civil servants. Civil service employment is being replaced by collective agreement employment. Temporary employment is becoming more popular in hiring at the managerial level. In 2001 about 19% of all heads of divisions had fixed employment contracts.
Finland	In jobs of a permanent nature, permanent contracts/employment relationships are used. But there is no tenure <i>i.e.</i> there is always a possibility to give notice if there are legal grounds. There is also a possibility to use fixed-term contracts if needed on operational grounds.
Hungary	In 2001, 18 930 administrators and blue collar workers were placed under the scope of the Labour Code. Following a 2003 new amendment to the Civil Service Act, administrators have been placed back under the rules of the civil service act, but lower ranking officials remain under the scope of the general labour code.
Ireland	Contractualisation has taken place on an <i>ad hoc</i> basis and applies to a minor proportion of civil or indeed public service staff and affects only lower grade staff.
Korea	Since 1998, 20% of senior posts in central government have been open for competition. Those recruited from non-government sectors are appointed under a fixed-term contract.
New Zealand	In the public service, 93% of staff are on open-term contracts, 7% are on fixed-term contracts.
Sweden	With the exception of very few positions (such as judges), all lifelong employment in the Swedish Government administration has been replaced by employment on a permanent contract basis. This means that government employees are under the same legislation for employment protection as any employee in Sweden. Today, more than 95% of government staff are employed under a permanent contract basis.
Switzerland	As from 1 January 2002, there are no more civil servants. All federal staff have employee status except only a small category of personnel such as members of federal appeals commissions.
United Kingdom	The civil service makes use of both fixed-term and casual appointments alongside its permanent staff in order to give managers flexibility to meet genuine short-term needs sensibly and economically.

Source: OECD (2005)

In **Austria**, unlimited employment tenure for senior civil servants was replaced by limited appointments in 1995 and new employees tend to be employed under contracts rather than under civil service status (OECD 2005, p. 7). In **Spain**, there have also been transformations of the legal framework of public employment in specific sectors where statutory employment was replaced by contract employment.

Several concerns have emerged from changes in the employment status of public servants. Firstly, there is the issue of whether or not civil servants may become more vulnerable to political pressures. Secondly, there are fundamental cultural values embedded in a national civil service which need to be safeguarded. Thirdly, the loss of traditional job guarantees in the public sector may make it even more difficult for governments to compete with the private sector for a shrinking pool of talented people.

Trend 3: The Emphasis on Individual Performance

In the current environment where governments are facing the challenges of transforming their public services, many have been attempting to create results-oriented organizational cultures where the performance of individuals and units are linked to organizational goals. The view has been that effective performance management systems can help create results-oriented cultures by providing objective information that allows managers to make meaningful distinctions in performance in order to reward top performers and deal with poor performers.

Over the last five years, a majority of OECD countries have reformed their performance management systems and performance appraisal systems based on target-setting and objectives. *All OECD countries now have a performance management or performance appraisal systems, except Greece, Iceland, Japan, Luxemburg, and Spain* (OECD 2005, p. 8).

The incentives for good performance and sanctions taken in case of low performance vary among countries, but differentiated pay according to performance achievements is increasingly an important concern for all governments. The reasons for introducing performance-related pay focus essentially on increasing the individual motivation and accountability of civil servants as a way to improve performance (OECD, 2005b, p.1). The adoption of performance-related pay reflects the influence of widely used practices in the private sector on public administration.

Table 3. Differences of emphasis in incentives

Relatively more emphasis put on monetary incentives	Relatively more emphasis put on promotion/career opportunities
Australia	Austria
Canada	France
Denmark	Poland
Finland	Portugal
Italy	
Korea	
New Zealand	
Sweden	
Switzerland	
United Kingdom	
United States	

Source: OECD (2005)

While performance-related pay is one way to reward merit in the public service, its implementation has been riddled with difficulties.

Empirical evidence on the efficiency gains from performance pay is both inconclusive and ambiguous (Katula & Perry, 2003). Several concerns have emerged. Firstly, performance pay may promote behaviours that emphasize success in the short-term at the expense of achieving long-term results. Secondly, focusing on rewarding individuals does not allow enough recognition of the collective and collaborative efforts to address cross-departmental challenges. Thirdly, too much of a focus on material incentives downgrades other reward and incentive measures that may be just as important, such as satisfying job content, promotion possibilities or flexibility in work organization. Finally, performance rewards could be susceptible to political influence and make public servants too responsive to the government demand. In Australia, for example, the concern over ‘excessive responsiveness’ has led to the recent abolition of performance pay schemes for department secretaries. It remains to be seen whether performance pay will be phased out in the rest of the Australian public service.

Trend 4: Decentralisation of Human Resource Management Policies

Authority for human resources management (HRM) policy is centralised in most OECD countries, but in many of them *the design and implementation of these policies is now decentralised (OECD 2005, p. 12)*. Although the scope and pace of decentralisation vary from one country to another, most OECD countries have moved towards delegating responsibility for human resource management to departments and agencies to give managers more flexibility and freedom. In general, there appears to be three strategies of delegation: transferring responsibility for human resource management from central bodies to line departments; simplifying rules and procedures; and developing more flexible policies.

A good indicator of decentralisation is the degree to which departments, rather than central agencies, control operating budgets including salaries and wages (OECD 2005, p. 13). The devolution of budgetary authority is essential before central control over key human resource management aspects such as staff numbers, classification, grading and pay can be relaxed. In countries where decentralisation has been most extensive, bulk funding of operating costs was used to initiate decentralisation. Those countries include the **United Kingdom** (1986), **Denmark** (1988), **New Zealand** (1989), **Finland** (1990), **Sweden** (1992), **Canada** (1993), and **the Netherlands** (1994). *The introduction of bulk funding of operating costs appears to be a necessary condition for the devolution of HRM authority-but not a sufficient condition* (OECD 2005, p. 14).

An OECD survey reveals that, in general, *central human resource management bodies* still play a significant role in HR management. *In a few countries, like **Belgium** and **Sweden**, these bodies have been abolished, while in others, their operating roles have been reduced.* Table 4 illustrates the operation of central human resource management bodies in 22 countries.

Table 4. HRM bodies in central government

<u>Involved bodies</u>	<u>Belong to ...</u>	<u>Countries</u>
No central HRM bodies		Belgium, Sweden
Single ministry/agency	Finance ministry Management ministry/agency	Denmark, Finland, Portugal, Spain Australia, Austria, France, Norway New Zealand, United States, Germany
	Prime Minister or Cabinet	Czech Republic, United Kingdom Poland, Slovak Republic, Mexico
Multiple agencies	Commission + management ministry	Japan, Korea
	Commission + Finance Ministry	Ireland
	Commission + Finance Ministry + Treasury Board Secretariat	Canada

Source: Adapted from the OECD (2005) and modified by the author.

In many countries, the emphasis is shifting from exhaustive controls to providing guidelines and defining basic standards. This implies a more strategic role for central bodies (OECD, 2005, p. 13).

The trend towards a decentralisation of HRM policies calls attention to the tension between achieving flexibility while maintaining coherence. While decentralisation tends to promote flexibility, centralised systems emphasize coherence in standards for recruiting, hiring and salary-setting. The challenge for governments is to develop a system that balances the greater need for flexibility with the consistent application of public service-wide values and practices.

Trend 5: Senior Civil Servants

Special attention to senior management is currently becoming a common theme in many countries around the world. Many countries have created or restructured the senior civil service group in an effort to manage their senior managers in a different manner from the rest of the civil service (OECD, 2005, p.10). These countries have established this differentiated group for several reasons including the need to induce a performance-oriented civil service culture, to promote policy coordination between departments and to cultivate a sense of cultural cohesion between high level civil servants. These points are particularly important at a time when there is some concern about possible erosion in public service values and a greater need to adopt a whole-of-government approach to public management.

Many countries operating a senior civil servant system have unique recruitment and selection procedures, which differ from those for other civil servants (OECD, 2005, p.10). Recruitment and selection of SCS is more collectively managed in most cases. Many countries also have a pre-defined competency framework for selecting high level candidates.

In recent years, many governments, particularly in position-based systems, have placed a high priority on leadership development (OECD, 2005, p.15). Behind this leadership development, priority lies in the need to have a senior civil service with a whole-of-government perspective and the need to enhance the competencies and accountability of senior management.

Transforming the senior civil service is not a simple task. Countries need to find and maintain an appropriate balance between the two faces of the senior public service; that is as the stewards of the professional public service and as the responsive servants of the elected government (OECD, unpublished). This will require appropriately designed measures to introduce and strengthen the ethos of the public administration and protect it from political influence and corruption. These are really challenging tasks to fulfil in the years ahead. The great task for any government is to find out its own indigenous practice of senior civil service.

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