

### 3.3 Crises and waves – changes in the system of public employment in Europe

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The recent decades of public employment have passed in a continuous wave between the maintenance of the Weberian “bureaucratic ideal” (*Weber, 1978, pp. 220–221*) and the new trend of the seventies, the 3Es (*economy, effectiveness, efficiency*) The essence of the “fight” can be summarised in the way how, and by how much, individual countries deviate from the ideal of the public servant independent of the daily fluctuations of politics towards the direction of a public employment that operates cheaply, effectively and efficiently (*OECD, 1999, pp. 8–14*).

Different countries have built up distinct public employment systems depending on their actual economic situation, social conditions and traditions and, even today, they also react differently to the challenges. As far as the systems of public employment are concerned literature applies numerous types or categories (*Linder, 2010, Gajduschek, 2005*), but the substance of them is the same in an employment aspect, where the individual public employment systems are situated at some point on an imaginary Weberian – open employment scale.

#### New Public Management

The conditions of public employment that used to operate in a Weberian framework had changed at the end of the seventies: the pressure of the socialist world order disappeared, taxes were reduced in order to increase competitiveness, the middle class extended, and the new toolkit of management became available (summarized by *Hajnal, 2004, p. 34*, and about the reasons: *Pollitt and Bouckaert, 2000, pp. 25–27*). And the answer is: the *New Public Management* (NPM), which intends to integrate the system of public management into the economy as a whole.

As *Christopher Pollitt* summarizes:

“... I will here assume that the NPM is a two level phenomenon: at the higher level it is a general theory or doctrine that the public sector can be improved by the importation of business concepts, techniques and values, while at the more mundane level it is a bundle of specific concepts and practices, including:

- Greater emphasis on ‘performance’, especially through the measurement of outputs.
- A preference for lean, flat, small, specialized (disaggregated) organizational forms over large, multi-functional forms.
- A widespread substitution of contracts for hierarchical relations as the principal coordinating device.

- A widespread injection of market-type mechanisms (MTMs) including competitive tendering, public sector league tables and performance-related pay.
- An emphasis on treating service users as ‘customers’ and on the application of generic quality improvement techniques such as TQM.” (*Pollitt, 2007, p. 1.*)

*New Public Management* has completely changed principles in employment that were believed previously untouchable. The system of “jobs until retirement”, life-long employment that used to be considered as a basic condition has been suppressed, although not radically.

“This suggests that the principle of life-long employment seems to belong – as opposed to promotion criteria or pay systems – to those traditional elements of the civil service that have been subject to the least modification during the reform processes in the EU Member States and particularly in career systems. While the principles of recruitment and pay are increasingly being influenced by current practices in the private sector, this does not seem to be the case for life tenure.” (*Bossaert, 2005, p. 18.*)

Nevertheless, significant changes have occurred in its content. Dismissal of public servants has become easier. As the most important element of change is that performance is taken into consideration, though we cannot speak about its widespread expansion.<sup>1</sup> Even so public servants remained safe from “rationalisation” type dismissals in most countries. If it has occurred then the conditions of the dismissal for them are more favourable than in the market.

Although measures to increase flexibility had poor results in this area, financial difficulties and the constraints and spread of the *New Public Management* also brought another solution: the fixed term contract. Of course, it has nothing to do with lifelong employment, i. e. it is far from the principles of Weberian public management. At the same time, in systems where employees are hired for concrete tasks this also fits logically. Many countries have increased the rate of fixed term contracts in order to bridge the headcount and generate cost reductions due to the economic changes (as in Germany where the volume of public servants is definite).

Occasionally, these measures created situations where employees of different status may be used in the same workplace or even in the same job. However the basic question for these clerks having a differing status but working at the same time or even together is the following: if a non public servant can perform the task why do we need clerks with a specific status? Although, from many aspects we would expect the expansion of this more flexible employment in Europe – whilst the picture is very colourful – this tendency cannot be clearly observed.

Probably, the largest impact on the traditional employment was effected by the performance measurement systems. Earlier, individual public servants

<sup>1</sup> We should note that the new EU member states mostly chose less stringent solutions just in this field (*Bossaert, 2005, p. 23.*)

were remunerated according to the competences demanded by their jobs or the time spent in service. When the remuneration of the personnel is bound to performance, numerous problems have to be faced and the predictability of a public servants' existence, the unidirectional nature of the path are generally questioned. In order to let the whole system completely "come into play" in the public servant's life, not only does the traditional order of remuneration have to be broken but the model of promotion, the strict order of hierarchy changed, traditional values questioned, and public servants easily fired. Depending on an individual countries' determination to break with tradition, varying systems were introduced. This is true as to the system itself (its size, elements, etc.) as well as the way of the introduction, the methods used, the range of stakeholders, the person of the appraiser, etc. The experiences of the EU member states concerning the introduction are listed by *Cardona* (2006) based on a report from May 2002:

- Performance-related pay systems are costly and time-consuming to implement.
- In many cases such systems are only applicable at senior levels.
- Discretion of managers is confined to issues such as measurement of performance and distribution of the small pool of money available for performance-related pay.
- Some systems have been introduced as pilot projects with a view to wider application at a later date, but in absence of rigorous analyses of the effects of the pilot projects it is not clear how wider application could be introduced.
- Almost none of the current schemes addresses the issue of underperformance (no punishment for failure to deliver).
- Measurement of performance, particularly in areas where there are no obvious quantifiable outputs, is a very difficult issue.
- No evidence has been found that performance-related pay schemes have contributed to an improvement in performance, in human resource management or in the quality of the service delivered.
- Additional remuneration was not a significant motivator for the employees concerned.
- The regular, annual or more frequent, formalised discussions between managers and employees on performance, targets and progress achieved have positive effects on motivation (recognition of the contribution of an individual to the organisational performance) (*Cardona*, 2006, pp. 3–4).

The author of the report draws our attention to two aspects. One of them is the complexity of the system. "Performance management needs to be based on strategic management according to which goals and results are established in a consistent way during the political, policy-making and managerial processes." (*Cardona*, 2006, pp. 4–5) That is, while the higher level political and institu-

tional objectives and consequences are not yet unambiguous, and are not obviously defined, it is also very difficult to establish a consequent performance management system at a managerial – even more at an individual – level.

The key of the other aspect is that objectives and results are different for the political institutions and for the individual institutions and their managers. It is a very rare “state of grace” in the development of public institutions when subsequent governments are able to modify the operation of the public management along similar lines with similar aims, although the introduction of such large systems concerns more than only the government actually in power.

It does, however, seem evident that the system of performance management can contribute not only to the introduction of the performance based remuneration. The system can be specifically useful – even economical and efficient – if the other, hidden opportunities of the performance management system receive more emphasis, such as having goals focused on development and improvement, to enforce the relationship between leader and follower, and the development of human resource management. The aspect not really favoured by many people is also important, that performance appraisal supports measurability of the differences between the public sector and the market, increases permeability, and thus makes the internal and external assessment of the public management more realistic.

The aim of the reforms as mentioned earlier is to make employees of the public sector work more economically, efficiently and effectively. To this end, the next step would be to motivate employees by giving them some tools to do this. It has already been widely determined that the most important motivation tool is money, a higher income, and this supports experiments connected to performance based remuneration.

Of course, contemporary motivation theory doesn't support this one-sided approach to a great extent. As different research works proved public employees' wages significantly surpassed market wages on average in pre-crisis Europe – this is partly explained by the higher average age, and the higher rate of those with higher education and in managerial positions (concerning these see the 2.5 sub-chapter of this actual *In Focus*) –, while the working hours of public employees are less everywhere (at least according to the legal regulation) than of those employed in similar jobs in the private sector. These considerations would imply that the conditions of public employees do not justify their motivation through higher salaries. Numerous research papers concerning the motivators of public work testify (see e.g. *Steen, 2006, Cerase and Farinella, 2006, Forest, 2006*), that higher income doesn't appear as the primary factor among the motivators for public employees. Well regulated work, activity for the public good, or political neutrality are much more important for them (*ILM, 2010. p. 6*). (Although, only very few analytic works have been prepared in this field based on facts, we can probably state that in the poorer

European countries where the public servants' incomes are more moderate the wages play a significantly more important role. Here, public opinion is fairly steadfast that salaries are good tools to reach long term performance improvement. About this topic see also the 2.5 sub-chapter of this In Focus.)

Analysing the impacts of the New Public Management we can establish in general that it has generated significant but not radical changes in public administration. In countries more open to change – in Scandinavia, in the United Kingdom, etc. – not only has the structure of public administration essentially altered but also its model of operation. Numerous activities have been outsourced thus radically reducing the number of public employees and management of the institutions has been decentralised, both of which has basically modified the operation of these institutions. Less open countries also took steps in this direction – Germany, France, etc. – but we cannot speak about a real breakthrough in this respect in their cases. Between the two extremes we can find several countries (Mediterranean countries, etc.) which are radical in the transformation of the public administration only in their political slogans.

“What was an option ten years ago is not an option anymore today. I would say that in PA [public administration – *ed.*]

- in 1995, it was still possible to believe in NPM, although there were the first strong and substantial critiques
- in 2000, NPM was on the defensive, as empirical findings spoke clearly against it as well
- in 2005, NPM is not a viable concept anymore.

Yet, in many areas, both of scholarship and of the world, as well as in policy, NPM is very alive and very much kicking. It is, therefore, necessary to look both at the concept itself and at the reasons for its success.” (*Drechsler, 2005, p. 17*)

### **Search for equilibrium – Neo-Weberian approach**

In the light of experience both theoretical and practical approaches tended towards some mixture of the Weberian and the market elements. The essence of the thus born Neo-Weberian concept is that the principals of public service with a distinct status, culture and conditions should remain in employment associated with “A professionalization of the public service, so that the ‘bureaucrat’ becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his or her citizens/users.” (*Lynn, 2008, p. 11*)

Lesser or greater changes have taken place in the public administration of each country, and practically in all the countries which have had to face the fact that – as quoted – the traditional instruments are already not necessarily effective, while the new market oriented tools also haven't brought about the

impact demanded. It has meant a specific difficulty for the decision makers of the EU because, in the enlarging organisation, diversity – not only in general but very concretely in public administration and in public employment – has further increased. In addition, one of the main objections against the New Public Management was that it couldn't operate as a generally accepted best practice, as it didn't take into consideration the traditions, the situation and the specifics of the individual countries. Therefore, the EU could only suggest an initiation that is sufficiently flexible, and, at the same time, presents a certain direction for the member states.

In reaction to the above mentioned problems the European Union created and announced the principle of flexible security (flexicurity) in 2006–2007 (EC, 2007). The concept was intended to provide a solution framework essentially to the market problems, however, the same two directions also had to be harmonised in the case of public employment. Through the announcement, as we said, they wanted to combine the flexibility created by the incorporation of the market models with the elements of traditional employment security. This comprehensive approach was also embraced by the public administrations themselves. Multiple trends are outlined again in the implementation 1) countries with systems based on a secure public service (*career-based*) (Austria, Belgium, France, Germany, Greece, Ireland, Romania, Spain, etc.); 2) more flexible but secure systems based on given tasks (*position-based*) (Denmark, Finland, Netherland, Sweden and the United States) and 3) neither flexible, nor secure systems (Bulgaria, Czech Republic, Estonia, Hungary, Slovakia and Slovenia, etc.) (Kuperus and Rode, 2010, p. 21).

### **Decomposition – effects of the crisis**

However, the crisis in 2008 interfered in the debate concerning how to proceed. The majority of countries introduced austerity measures in the employment of public employees either sooner or later. They made a choice from the possible methods or we might say the different options of escape, basically according to their budget situation (Glassner, 2010, p. 32).

As Christopher Pollitt states, the solution of the situation of the European public administration can be centralised around three key areas: 1) reduction, liquidation of waste, 2) renovation of processes, innovation, and 3) cooperation of the different social actors to find the common solutions. In an optimal case, measures in all the three areas, should work in synergy together strengthening each other in the long run, or in a better scenario even in the short one (Pollitt, 2011).

Although, these intentions sound good, there is only a vague chance for their implementation in reality. Most countries introduced radical constraints in the field of employment: froze or rather decreased wages, cut allowances, benefits, ordered a recruitment shut down, or even fired large numbers, and en-

gaged in short term, occasionally “special” employment contracts.<sup>2</sup> The results of these measures were growing workloads, deteriorating quality and consequently evaluation, risk evasion due to fear, decisions being pushed to higher levels, centralisation, and thus overwhelming bureaucracy, as well as growing costs. Under these circumstances, fear of the employees in public administration from privatisation is increasing, as well as their resistance towards cooperation with the private sphere. Accordingly, the chance to renovate the systems, to find the multilaterally useful and successful solutions is very limited.

Of course, in the countries where they were not forced to introduce widespread and long run constraints we can observe excellent examples of systematic reform measures. In many countries the number of public employees remained stable, and the tool of dismissing people was not used or only used to a limited extent. The numbers of personnel in industries that they considered strategic (education, health care) were increased, or women’s share in the numbers of employees was improved thus implementing a highly anti-cyclical economic model.

Nevertheless, measures have had their impacts along the same lines in most countries.

- Fairness of the system deteriorates, *ad hoc* measures smash the hierarchy, disrupt responsibility relationships.
- Different employment or contract relations tilt the balance within the public administration (between sectors, age groups, social cohorts, etc.).
- Decreasing financing, growing workload, increasing internal and external expectations, remuneration changes and deteriorating workplace atmosphere – as we mentioned above – degrade working conditions.
- Social dialogue transforms. The weight of the trade unions that are generally very strong in the public administration declines, employees’ vulnerability increases.
- Development in general is suppressed due to the austerity measures, consequently there is less process development and thus less training and other personal development. The quality of public administration worsens and therefore, its authority and attraction reduce.
- Promotion of the employees slows down and may even be blocked for a period. Career programs are often frozen, most talented young people can only with difficulty be kept in public administration.
- If there is an option, migration reaches a high level from public employment (policemen, firemen, doctors, teachers, IT professionals, etc.), and international migration can also increase in some jobs.
- Earlier reforms may become partially or totally meaningless. The performance based remuneration becomes a nonsense by the freezing of wages, just like fixed term contracts by the constraints on benefits, and the appraisal system by the blockage of promotions.

2 Here we don’t speak about the public works programme just designed to eliminate the effects of the crisis. Professional literature assesses its impacts as doubtfully positive even for the individuals in the long run, and evidently negative for the market (EC, 2010, p. 86).

Certainly, there could be procedures to improve the situation, even though they could hardly significantly change the essence of it. Nevertheless, it would be important that governments a) fix the timely and the economic limits of the constraints, b) negotiate with the stakeholders (even if they fail to agree), c) choose solutions that cause less damage in the long run, d) support strengthening social solidarity with their decisions, endeavour to draft a widely acceptable public employee career path. With these measures they can improve the chances for the acceptance of the crisis measures and also of their implementation.

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