

Public Services HRM Policies & Practices



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**TRENDS & CHALLENGES FOR HR
MANAGEMENT IN THE BROADER
PUBLIC SECTOR IN THE INTERNATIONAL
ARENA**

Introduction & Outline of Paper

This short paper attempts to survey Public Sector Human Resource Management Policies & Practices in the international arena (HRM). A daunting undertaking. The paper adopts a hybrid approach: in part it offers a practitioner's perspective of what is known to be happening – what works and what falls short of expectations - and; in part it touches on what is emanating from academia and the professional HR journals and magazines. It needs to be stated at the outset that the relationship between HR practice and research is a problematic one: unlike other professionals and functional areas, HRM is unique in the extent to which practice and research fail to connect or mutually inform in any meaningful way. As recently pointed out, there seems to be a wide chasm between what is published in the monthly professional practitioner-oriented publications and what constitutes more scholarly work.¹

No pretense is made that the paper constitutes an exhaustive survey of international practice. Country-specific examples are, of necessity, selective but hopefully representative of broader trends. There is, in any event, a certain repetition in practice and thinking, irrespective of location.

The terms **Public Services** and **Public Sector** are used inclusively and interchangeably. The focus of the AAPAM Roundtable Conference is on the public service as understood to be central government and the permanent civil service. An international survey, in order to dovetail with this African domain, must trawl more broadly because what is located in the Public Service in Africa may very well be housed in the greater Public Sector in other countries or indeed be found in the private sector.

The structure of the paper is as follows:

- Firstly, some observations are made about the current status of HRM and the challenges it faces. The premise is that HRM applies equally to both the public and private domains, even if the particular challenges and priorities differ somewhat by industry, location and across the public/private divide. The paper will reference but not enter the fray on these possible distinctions.

¹ AMA Quarterly Winter 2008

- Secondly, a brief look is taken at HRM at the national policy and legislative level. Labor laws tend to hold considerable sway over HRM, particularly, though not exclusively, as it applies to the public sector. Labor negotiations at the national level also have significant ramifications for public sector HRM, transferring important discretion out of the hands of HRM professionals. Both national legislation and negotiations can be significantly impacts by political considerations and political ideology as can the very scale, scope and prestige of the Public Sector. This is a fascinating topic in its own right deserving of a separate paper. Again some passing reference only.
- Next, a deliberately critical look is taken at some core areas of Public Sector HRM. While conceding that process has been made and pilot testing new approaches in deliberative ways is an inherently good thing, the paper will argue what much of what passes for innovation is little more than “old wine in new bottles” leaving familiar trails of unintended consequences and recidivism in their wake. The areas selected for scrutiny are: **Compensation & Grading Systems**; **The Performance Appraisal Process**; **Rewards & Recognition Schemes**; and the **Appointment Processes for Senior Civil Servants**. Finally, three: “in vogue” HRM tools actively being promoted in the professional journals (and marketed aggressively by the large HR consulting practices) are touched on briefly. They are: **360 Degree Feedback**; **Executive Coaching**, and; **Staff Engagement** Surveys. The lesson is caveat emptor: each has potential to add value but proper use needs to be situational and, in the case of staff engagement, no proven link to individual or organizational effectiveness has been established.
- Penultimately, some contextual observations are made about the impact of national culture on the efficacy of HRM practice. The argument presented is that, while there is a generally accepted body of HRM policy & practice, application needs to be culturally sensitive. This is particularly so in locations, such as China, where HRM is still emerging.
- And finally consideration is given to the possible future when HRM in the public sector turns its attention to Human Capital Management, begins to think strategically about workforce segmentation as its priority and, in so doing, begins to advance up the ladder of organizational influence and impact.

Trends in Public Sector HRM

Two, inter-related trends in Public Sector HRM are worth taking stock of: first the traditional distinction between the Public Service model of employment and career and its Private Sector counterpart is being seriously rethought in many countries. The long accepted belief was that working for government is so significantly different than working for other employers that it requires a special employment system, offering a high level of job security and the guarantee of a lifetime career. In recent years belief in this fundamental distinction between the two models

has been eroding in a growing number of countries and convergence of the employment models is underway.

Table 1 below adapted from a quite recent OECD study² summarizes the scale and scope of employment reforms various governments have been adopting to bring about convergence between public and private sector employment.

Current thinking revolves around the distinction between career-based employment systems and position-based system. In the former, public servants are typically hired at the beginning of their career and remain in public service throughout their working lives. Initial entry is competitive, based on academic credentials and/or a civil service entry examination. In some countries the entry level examination is accorded considerable stature. In Taiwan, for example, an entire arm of government, the Orwellian sounding **Ministry of Examinations**, is dedicated to this particular task. Once recruited, people are deployed depending on the needs of the organization and are assumed to be highly fungible.

Position-based systems are premised on the principle that recruitment is on the basis of skills and competencies required for specific positions or area of work. Recruitment can be conducted internally or externally, with no guarantee of subsequent promotions but with still an expectation of tenure and employment security.

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. It is important to note also that an increasing share of public employment is not career-based and is instead genuinely contingent. Finally Table 1 also demonstrates that the trend is towards extending national labor law to all workers, public and private including those who would have enjoyed separate protections under older civil service statutes. This may appear radical at first blush and to a degree it is. However, it is worth noting that countries which are trending in this direction tend to have robust national labor laws that enshrine considerable protections to workers in general. Loss of employment security for civil servants is effectively at the margin.

² OECD (2005). *Trends in human resources management policies in OECD countries: An analysis of the results of the OED survey on strategic human resources management*. Paris: OECD Publishing.

Table 1

Countries	Trends in Public Sector Employment
Australia	The ratio between “ongoing’ and non-ongoing’ employees unchanged since 1996. Life-time employment not guaranteed for either category
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 expected in the number of civil servants. Temporary employment becoming more popular in hiring at the managerial level. In 2001 about 19% of all heads of divisions had fixed employment contracts.
Finland	Permanent contracts/employment relationships used extensively but, no tenure. Fixed-term contracts can be used when warranted
Ireland	Contract employment on an ad hoc basis and only at lower levels
Korea	Temporary employment becoming more popular in hiring at the managerial level. In 2001 about 19% of all heads of divisions had fixed term contracts.
New Zealand	93% of public sector staff on open-term contracts. Remainder fixed-term.
Sweden	With the exception of very few positions (judges). Swedish Government employees on permanent contract basis subject to universal employment protection legislation. Civil Service status and protections abolished in 2002
Switzerland	Civil servant status abolished in 2002. All federal staff has employee status with the exception of a small category of personnel such as members of federal appeals commissions.
UK	The civil service makes use of both fixed-term and casual appointments alongside its permanent staff
US	Increase in number of political appointees. Sometimes more than 50% of staff (DOD) are

Authority for human resources management (HRM) policy is centralized in most OECD countries, but, as Table 2 below illustrates, in many of them the design and implementation of these policies is now decentralized. Although the scope and pace of decentralization vary from country to country, most OECD countries have moved towards delegating responsibility for HRM 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.

One other matter under debate is where the locus of central policy authority, whether in a highly centralized Public Service HRM system or a more decentralized one, should best reside. As Table 2 shows, the choice tends to be either the Ministry of Finance or separate Public Management/Service ministries. There may be no one best location but developments gradually unfolding in the US are revealing.

Formally, Public Service HRM policy authority in the US lies with the Office of Personnel Management (OPM) but in recent years the Office of Budget Management (OBM), the keeper of the Federal purse strings, has been exerting considerably more influence, particularly over the more substantive decisions and initiatives, while OPM's sphere of influence has been shrinking markedly.³

This slow demise of OPM may not be entirely its own fault, for at least two reasons:

- Nearly half of the government workforce is already beyond OPM's policy purview because they work in exempted areas where OPM holds no policy or fiduciary sway;
- And with the creation of departmental Chief Human Capital Officers, more day to day policy decisions have been devolved to the local level (or have been usurped).

One lesson from the above is that, in a more fragmented workforce environment government HRM control may better be served by linking responsibilities for HR policy with responsibilities for overall budgeting and expenditures.

³Fred Mills, Civil Disservice, Federal Employment Culture & The Challenge of Genuine Reform, 2010

Table 2

HRM Ministry/ Agency	Location in Central Government	Country Examples
No Central Ministry/Agency		Belgium, Sweden
Single Ministry/Agency	Finance	Finland, Denmark, Portugal, Spain
Single Ministry/Agency	Public Service/Management	Australia, Austria, France, Norway, New Zealand, US, Germany
Single Political Location	Prime Minister/Cabinet	Czech Republic, UK, Poland, Slovak Republic, Mexico
Fragmentation of Authority: Multiple Ministries/Agencies		Japan, Korea, Ireland, Canada, US

HRM at the National Level

HRM is typically elevated to the National level in one of two ways, both with significant implications for HR practice at the local level:

- Binding labor laws and employment legislation
- National Public Sector pay agreements

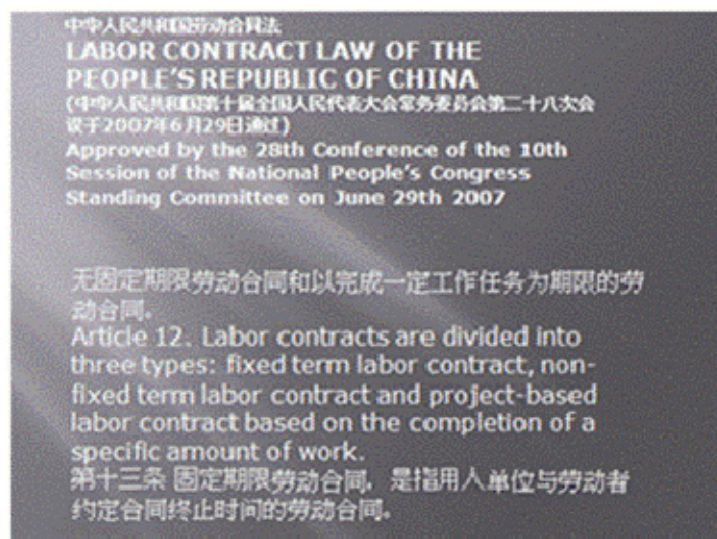
Labor laws are relatively ubiquitous and serve up different combinations of employee protection and proscriptions on certain employer behavior. Sometimes, the mix greatly favors the employer as it does in the US private sector and in certain sections of the US public sector, known as Non-Title 5 or exempted organizations, where “At Will” employment status is permitted. Roughly 50 percent of Federal employees belong to exempt agencies. “At will” means “at the employer’s will”: permitting summary dismissal without cause or recourse, except for certain procedural violations. (Regrettably the sitcomish scenario of a terminated employee being escorted off the premises in indecent haste moments after being fired is not a myth. It happens frequently.) There are other exceptions and protections provided by other legislation such as the American Disability Act of 1990 but the categories of staff offered protection is restricted – hiring bias against disabled persons as an example. On the extreme

other hand, Federal employees in non-exempted agencies effectively enjoy bullet proof employment protection courtesy of the Pendleton (Civil Service Reform) Act of 1883, which was originally passed into law to curb rampant cronyism and patronage in 19th century Washington by setting recruitment standards and procedures. Its original drafters, however, never intended that it would become the legal basis of Federal worker lifetime job security.

In many parts of Europe – Sweden and Germany being particular cases in point – employment legislation tilts strongly towards the rights of employees. The process for terminating employment is onerous and as was discussed earlier, increasingly both workers in the public and private sectors enjoy the protections of an omnibus set of labor laws. Employment protection is strong but so too are rights of employees to take, under certain circumstances, extend breaks or leaves of absence from their jobs with guaranteed rights of reentry and full reinstatement. Sometimes the hiatus from the workplace can be several years in duration. Enabling legislation clearly provides a social benefit: for one thing, it gives parents important degrees of freedom to strike work-life balances of their choosing at crucial stages in family life. But this social benefit also comes with a countervailing social cost. It effectively disenfranchises the workers who fill in for employees on extended leave and inadvertently creates a category of contingent/pro tem worker. Demographics compound the matter as retirement ages are raised in Europe and older workers tarry longer in the workplace. This makes it more difficult for younger people and those entering the labor market to gain open-ended employment and ultimately tenure under the labor laws: their senior counterparts are exercising property rights to employment under the same laws and shrinking the pool of available job positions.

Generous (to the employee) labor legislation also curbs the freedom of HR functions to align staffing needs with business of public sector agency strategic needs. And it confines HRM to a role of enforcer of legislation rather than creator of business solutions.

Unintended consequences: The experience of China's Labor Contract Law: Employment legislation does not always achieve its intended goal. The 28th Conference of the People's Congress, PRC approved China's first comprehensive labor protection legislation in June 2007.



The law was subsequently enacted in December of that year. The law covered many facets of employment and was a deliberate step in swinging the pendulum from the completely laissez faire employment regimen that had obtained previously to one in which employment was subject to regulation and employees were

afforded some protection and compensation (redundancy payments) in the event of losing employment.

Three categories of employment were specified: fixed-term; non-fixed term, and; project-based. The law stipulated correctly that after a period of years in fixed-term appointments (the threshold was set at 10 years continuous employment) a staff member was effectively in open-ended employment and deserved the corresponding benefits and protections of same. Critically, continuous service was to be applied retroactively on the enactment of the law. This led to wholesale terminations of staff that were approaching the 10 year service mark as organization, both public, government and private sought to evade potential redundancy payment obligations. In many cases staff was hired back by the same employer but now as contract-in fixed-term employees of what are known as “talent agencies” in China and “body shops” elsewhere. Not only did the staff not succeed in obtaining improved rights and securities; their employment status regressed as an unintended consequence of the new law.

National Pay Bargaining

The recent South African public sector pay imbroglio will doubtless be a topic for discussion and reflection at the AAPAM Roundtables Conference. It is important to note that, while some of the tactics employed during the bitter stand-off between government and trade unions were beyond the pale, South Africa is not alone in facing problems with national pay negotiations. A general observation, illustrated by other country experiences is that, left unchecked, national bargaining will trend towards the unsustainable and create serious and potentially intractable downstream problems for the countries in question. And, as a byproduct, it serves to disempower HRM in the public sector because discretion to negotiate at the local level is removed.

The Greek debt fiasco and the Papandreou government’s draconian response to the threat of imminent default pulled back the curtain on a practice of public sector employment which had caused the country to slip clear of its fiscal moorings. Greek public sector expenditures amount to 40 percent of GDP. All employees are covered by National Central Labor Agreements. And yet strong arm union negotiating tactics may be only part of the problem. The trade union movement is actually relatively decentralized and not inherently combative. (After initial violence protects, the unions quickly changed course and rallied round the government austerity program.) It seems that runaway public sector employment and a “jobs for life” ethos may also be linked to Greece’s difficult recent history and a government’s desire to extend a middle class lifestyle and job security to as broad a cross-section of citizens as possible. Still, the scenario of legions of idle workers in secure jobs is hardly the backdrop for innovative, hard-charging HRM in the public sector. A strong entitlement sentiment and general organizational inertia clearly prevailed.

Ireland is in some ways a more interesting case study of what can go array with national bargaining. The Irish economic and debt situation has also ended shockingly badly but, before calamity struck, many of the fundamentals – including strong fiscal management, a booming economy and a powerful public sector HRM arm – were in place, attracting extensive plaudits and imitation. The lesson from Ireland's current woes is that while national pay bargaining tends to push the boundaries beyond what is prudent in general, it can be a particularly roguish process during economic boom times. The Irish economy underwent rapid and genuine growth in the past decade, ushering in a period of shared prosperity never before enjoyed: a nation of emigrants metamorphasized over night into a land of immigrants for returning citizens and skilled professionals from the more recent EU members such as Poland and the Czech Republic. Prosperity also attracted many economic asylum seekers from the poorer Eastern European EU member countries as well as many from the African sub-continent.

Public Sector pay levels were set by a succession of National Public Sector Pay Agreements, negotiated by the Department of Public Service (the central HRM arm of government) and the powerful central Trade Union Congress. Public Sector trade unions happen to be very active and combative and boast overwhelming Public Sector employee membership. As a result of the national agreements, public sector pay more than doubled in the space of 6 years. A growing economy and fiscal hubris effectively neutered the budgetary checks and balances normally present in Public Sector pay bargaining. By the time of the crisis, Public Sector pay was estimated to have moved ahead of the Private Sector (which had also surged) by as much as 25 percent, this without factoring in the discounted present value of a suite of very generous long-term benefits including defined benefit, indexed pensions. The fully discounted differential was, in effect, much higher than 25 percent.

Public service has always been prestigious in Ireland and been a career destination for highly talented individuals, even if not traditionally as well compensated as other countries such as Singapore and Korea with envied government systems. The rapid advances in public pay and benefits effectively rendered the public side of the labor market the *"Employer of Choice"* for many top graduates and skilled workers who would not previously have considered public employment. There seemed to be no downside. Until that, is the public debt crisis exploded⁴. In the past year, Public Sector pay has been slashed by 20 percent on average (up to 25 percent for senior civil servants and managers) by a combination of direct pay cuts and making a previously non-contributory pension scheme fully contributory. Interestingly the reaction of the workforce has been muted. After some desultory resistance from the trade unions and token protests in the street an air of resignation set in. Ireland had been for too long a net exporter

⁴ Caused primarily not by reckless public expenditure but by the staggering burden of the exchequers efforts to underwrite the crippling losses of the Irish Banking sector which did behave recklessly in fueling a property sector bubble.

of people and the boom had been too ephemeral to allow a collective entitlement mindset to have taken hold – in sharp contrast to Spain, Portugal, Greece and France. Sobering as the experience has been, a clear lesson to emerge is the importance of maintaining constraints on Public Sector pay increases even (or especially) when the good times are rolling. The HRM professionals in the Department of Public Service must accept much of the blame for what happened.

We now turn to the next section of the paper where a sample of HRM practices and policies, of interest to Public Sector HRM practitioners, are examined critically.

Compensation & Grading Systems (The Pitfalls of Broadbanding)

Increasingly in the Public Sector, Broadbanding is seen as the answer to all compensation and grading difficulties. The theoretical advantages of pay banding are several folds. They are supposed to greatly simplify some dreary aspects of HR administration, most particularly job classification. Fewer levels mean fewer decisions (and bureaucratic battles) about where particular jobs belong in the pay structure: in intensely broadly banded systems, classification is rendered pro forma and relegated to clerical task status. Fewer grades or levels also mean fewer promotion decisions to make, with resulting lowering of administrative and transactional costs. Banding is often cited as a means of facilitating skills acquisition and career development, by easing restrictions (real or imagined) on occupational or functional mobility within an organization. Proponents also point to the worth of eliminating artificial distinctions between levels of work and downplaying hierarchical distinctions.

But, as we will see with the World Bank sobering experience with Banding, some of the above “benefits” are illusionary. According to the literature, the system lends itself to organizations in a constant state of flux, be it caused by intense competition from rivals, rapidly changing technology or altering market conditions. Organizations confronting such volatility need workforce flexibility: the twin pillars of bureaucracies – specialization and hierarchy are dead weights. Some parts of a particular public sector may meet the conditions above but most do not. The more stable operating environment of a Weberian bureaucracy and Banding has proven to be a lethal cocktail, as much of the US Federal Government, which embraced Banding with a passion in the past decade, can attest.

The traditional US Federal grade structure, the General Service (GS) consisted of fifteen grades with overlapping pay ranges of approximately 30 percent. When Pay Banding was widely introduced, two, three or sometimes more grades were combined. Over time, studies by the Office of Management and Budget (OMB), the US Federal watchdog agency on budgeting and

expenditure of public funds began to sound the alarm that salary increase discipline was breaking down. The structure of incremental grade steps which placed checks on increases had been removed with nothing substituting for it. Over time various ameliorative measures were taken to reassert restraint, for example, by inserting “control points” or “speed bumps” setting ceilings on annual salary increases. The problem is that this simply creates, de facto, a shadow traditional multi-layered grade structure, negating the fundamental rationale for embracing pay banding in the first place.

But the issues are not just technical in nature. As the case study of the World Bank’s experience below illustrates, there are important behavioral and motivational factors that can be ignored at an organization’s peril.

In 1998, as part of a comprehensive HR Reform agenda, the institution cut its Hay-based grade structure by 50%. The new structure was inaccurately dubbed “Broad banding” though it more accurately resembled what IDB is planning. The rationale for the new structure was two-fold: the proliferation of grades compromised ability to make meaningful distinctions between levels; and it compressed salary bands for particular grades. As a result annual salary increases played out across a narrow range with little differentiation between outstanding and average performers. It was assumed that fewer grades with longer salary ranges would allow managers to make bolder distinctions between staff and truly reward the top performers. While the rationale may have been impeccable the new structure failed to meet expectations and is viewed in retrospect as a mistake.

Put simply, the collapse of grades was not accompanied by the necessary change in management behaviour. Annual salary increases continued to regress towards the mean, robbing the process of the potential to differentiate aggressively. This was attributable, for the most part, to managerial caution, particularly the deep-rooted inclination to shy away from singling out poor performers. (It also stemmed from the complicated design of the annual salary increase system which has a built in zero-sum dimension: stretching the rewards of the outstanding performers means taxing those of the average performers.)

Much more damaging, however, was the fact that attitudes to promotion remained unchanged with the unintended consequence being that the pace of annual promotions continued unchecked. Grade bloat was the predictable result over time. What was not factored into the original design was the fact that, in an institution like the World Bank, minor differences matter and promotion is one of the few symbols of recognition available to managers; there is considerable pressure to promote staff over time, regardless of formal policy, particularly when annual salary increases are bunched in the middle of the award range.

Performance Appraisal Systems

Many performance appraisal programs suffer from a subtle but significant problem – confusion about what exactly is being appraised (and ultimately rewarded). Is the performance metric about results? Is the focus on competencies, or “behaviors” or knowledge or potential? The



truth is, paradoxically, that, as performance appraisal engineering grows more intensive, the outcomes become more convoluted and confusing to all concerned. Most, so called “sophisticated” systems are freighted with random and incoherent combinations of the above metrics options, adding considerably to the transaction costs of managing the process and delivering consistent messages to staff.

Other factors at play generally but most particularly in the public sector includes:

- The intractable problem of combating subjectivity in assessing performance, particularly in the kind of knowledge work performed in the Public Service.
- True Performance outcomes often do not match the annual performance appraisal cycle. Time span of discretion can be much longer. Appraisal as a result focuses excessively on means rather than ends.
- Finding common performance definitions can be challenging in the Public Service. As an example – Responsive as a desired performance indicator. Is it about speed alone? What about the softer qualitative aspects of service, or some elusive combination.

Rewards & Recognition (The Pitfalls of Performance Bonus Schemes)

The literature is split on the value of performance reward and recognition systems. Those who believe that people are intrinsically motivated to perform to high standards of their own setting see performance rewards as getting in the way and sending sub-textual signals that, without tangible rewards, performance would fall out – that staff cannot be trusted in other words. Others see it differently. A sizeable component of HRM is predicated onto the belief that there

is a causal link between external rewards and performance. (For what it is worth, the author is squarely in the former camp.) Too big a topic to do justice to here but worth making a few points based on experience. Again the World Bank's sobering experience is worth sharing:

A Performance Award Scheme was launched with much fanfare in 1998 only to be quietly abandoned in 2001. The scheme provided managers with a pool of money enabling them on an annual basis to award up to 10% of their staff up to 10% of salary as a non-pensionable performance bonus. The scheme wasn't an abject failure but was judged as adding insufficient value given the considerable administrative costs associated with it. And it was unpopular with both managers and staff, if for different reasons. It failed to take proper hold and become institutionalized for a number of reasons:

Firstly, and as mentioned above under Grading, aggressive differentiation of performance was (and is) something managers in the institution typically found difficult to do. A scheme that permitted sizeable monetary rewards to be given to a small subset of staff compounded this difficulty.

The literature indicates clearly that bonus schemes work when the criteria are transparent and clear cut – sales force bonuses as an example – particularly to non-recipients in a given period. The intangible nature of much of the Bank's world makes the scope for interpretation of performance wide and the allocation of rewards harder to justify to staff at large.

In much of the institution, performance is a long-term phenomenon: true results can take years to emerge. An annual reward system is almost by definition out of sync with the true performance cycle and prone to recognize means rather than ends.

Since most work is carried out by teams of interdependent staff members, individual bonus awards were perceived as divisive and injurious to team esprit.

Eventually the pressure on managers to justify rewards led to a shift towards rewarding teams rather than individuals and to bureaucratizing the decision-making process with the formation of reward committees. The former was plagued by problems of defining team membership correctly whereas the latter takes ultimate accountability out of the hands of individual managers and dilutes both message and symbolism.

After three unhappy years of experimentation, the scheme was mothballed.

Appointments of Senior Civil Servants:

HRM Policy & Practices in the Filling of Permanent Secretary and Department Head Positions

Special attention to senior management in the Public Service 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). 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.

Filling positions at the pinnacle of the non-political public service and the roles and relationships of cabinet ministers and their civil service counterparts attracts ongoing attention. For the purposes of this survey of international practice, the experiences of Canada and the United Kingdom are singled out for attention: both share a common public service tradition but each part ways in important respects –most specifically Canada’s increasingly lax stance on strict separation of political and civil service career paths⁵. In both countries, average time in role has decreased – in Canada average time in role in a mere 1.5 years – and roles, employment rights & protections and performance expectations have been increasingly formalized.

In Canada the top departmental civil servant is the deputy minister. Appointments are effectively made by the cabinet on the recommendation of the prime minister – with adjunct involvement of the Privy Council. Appointments are open-ended but “at pleasure”: deputy ministers have no statutory job or employment security and can be terminated by the prime minister at any time without recourse or process (except in the cases of misconduct or documented poor performance which trigger a formal review process by the Privy Council). Security of tenure thus hinges on the ability of the deputy minister to adopt a policy mantle highly in sync with that of the cabinet minister. In practice removal from office tends also to be less draconian than theoretically possible: “defrocked” deputy ministers are by convention

⁵ J. Halligan: Department Secretaries in Canada and the United Kingdom, Australian Journal of Public Administration, 56 (4): 26-31 December 1997

found soft landing alternative posts, nudged towards comfortable early retirement or offered the option of reaching a negotiated settlement.

The genesis of the current UK appointment system is the 1968 Fulton Report which pried power to unilaterally recommend permanent secretary appointments away from the head of the civil service and transferred it to a Senior Appointments Selection Committee (SASC), drawn from a roster of rotating members heavily representative of the ranks of permanent secretaries. (The SASC makes recommendation to the head of the civil service who relays them to the prime minister for disposition.) The committee's autonomy was tested somewhat during the Thatcher years when the then prime minister was more explicit in her expressed preferences without seeking to wholly politicize the appointment process.

Following the creation of the Next Steps Program in 1988, the concept of executive agencies was systematically applied across the Whitehall departments. Following the publication of the 1994 White Paper, *The Civil Service: Continuity and Change*, recruitment to the senior civil service – while by competitive internal promotion in the main – meant a shift to individualized compensation and acceptance by the appointees of written contracts of service. Interestingly, the paper explicitly rejected, as a general proposition, the notion of fixed-term or rolling contracts except for “newly recruited senior managers” (confusing time-bound employment needs with probation). The White Paper also tried hard to balance the twin but potentially competing needs of supporting merit-based competitive appointment with that of the cabinet minister in question to have input into the SASC winnowing process.

In the case of chief executives of agencies, the presumption – but, strictly speaking, not requirement – is for open competition orchestrated by the civil service commissioners: in that of permanent secretaries four options exist: (1) open internal competition; (2) external advertising or headhunting combined with and an internal service-wide canvass; (3) a closed more targeted internal canvass; (4) or simply deployment of an existing permanent secretary. Internal competition or targeted internal canvass tends to be the preferred mode-in-use.

As with Canada, permanent secretaries and agency CEOs can be terminated with notice and severance. In practice involuntary exits or coaxed early retirement are uncommon – a testimony, perhaps, to the diligence of the SASC.

It is worth acknowledging another explicit and quite different tenure model: permanent secretaries in the public sectors of Ireland, Australia and New Zealand hold non-renewal fixed-term appointments which require them to retire from public service when their contracts

expire. This draconian-on-the-surface contractual stipulation is designed to accomplish several things : (1) Ensuring that ambition to reach the pinnacle of the career civil service is clear eyed and purposeful and not based on a “Buggin’s Turn” entitlement mindset; (2) fostering independence and principled behavior since all future options within the service are nullified; (3) and, by engineering turnover, creating a constant stream of opportunities for the up-and-coming ablest in hot pursuit of the top positions – the corollary bring that, after a while, the demographics of the permanent secretary cadre shift downwards, and secretaries begin to retire at an age when it is possible to start a new career.

Returning to the UK, the appointment processes to extra-governmental organizations and “quangos” – collectively ABC (agencies, boards and commissions) - has also been the focus of attention in recent years. Despite the fact that *Distributed Wealth*, a 2002 OECD study found that ABCs can account for 50-75% of both public expenditure and public employment, appointments to boards and senior management positions of such bodies in developed economies were typically highly unregulated and prey to political patronage⁶. That changed with the publication of the first report of the Committee on Standards in Public Life (CSPL) which advocated strongly for the creation an independent public appointments commissioner to oversee key appointments to extra-governmental bodies. This led directly to the establishment of the Office of the Commissioner for Public Appointments (OCPA).

The CPA is an independent crown appointment. The office’s mandate is not to usurp the long-held prerogatives and reach of cabinet ministers in making appointments but rather to ensure that such appointments observe high standards of rigor and principle. Its modus operandi involves promulgating standards and auditing and reporting on practice. (See Table 1 below for a summary of Principles of Public Appointments, taken from the OCPA website.)

The original purview of the OCPA was originally quite limited. Under the “New Labor” reforms of the 1990s, it was considerably expanded to encompass ministerial appointments to nationalized industries, public corporations, and utility regulators. By all accounts, the role and actions of OCPA help engender greater public faith in the integrity of the public appointment processes.

⁶ Matthew Flinder, *The Politics of Patronage in the UK: Shrinking Reach and Diluted Permeation*, Governance, An International Journal of Policy Administration and Institutions, Vol, 22, No. 4, October 2009 (pp. 547-570)

Office of the Commissioner for Public Appointments's *Principles for Public Appointments*

- | | |
|------------------------------|--|
| 1 Ministerial responsibility | The ultimate responsibility for appointments rests with ministers. |
| 2 Merit | <i>All public appointments should be governed by the overriding principle of selection based on merit, by the well-informed choice of individuals, who through their abilities, experience, and qualities, match the needs of the public body in question.</i> |
| 3 Independent scrutiny | No appointment shall take place without first being scrutinized by a panel that must include an independent assessor. |
| 4 Equal opportunities | Departments should sustain programs to promote and deliver equal opportunities principles. |
| 5 Probity | <i>Board members must be committed to the principles and values of public service and perform their duties with integrity.</i> |
| 6 Openness and transparency | The principles of open government must be applied to the appointment process, its workings must be made transparent, and information must be provided about appointments made. |
| 7 Proportionality | <i>he appointments procedures need to be subject to the principle of "proportionality"; that is, they should be appropriate for the nature of the post and the size and weight of its responsibilities.</i> |

Source: <http://www.ocpa.gov.uk>

What's in Vogue

Finally a few brief observations on several HRM processes which are very much in vogue in corporate America and increasingly in Europe also: **360 Degree Feedback; Executive Coaching; and Staff Engagement Surveys**. The literature is replete with articles and papers extolling their respective merits. The HR consulting world is also full of positive marketing materials on same. Still, as the signs are that each in different ways is being variously taken up by Public Sector HRM, It may be useful to quickly look at what is emerging from the practitioner side of the house.

360 Degree Feedback.

On the credit side:

- Considerable upside potential if used judiciously. Affords managers a unique perspective on how their styles impact colleagues in reporting, supporting and supervisory relationships.
- Particularly valuable when individuals have recently assumed new sets of responsibilities, especially for the first time.
- Confidentiality of feedback sources typically not a problem if handled in a common sense and entirely honest way.

On the potential debit side:

- Institutionalizing the process can quickly lead to diminishing return in terms of novel actionable feedback (the feedback becomes formulaic and tedious).
- Rater fatigue can soon set in if process becomes a regular feature (this compounds the problem of formulaic or pro forma inputs -raters default to generic shorthand to save time).
- Potential for “gaming” the process exists, particularly at the peer-to-peer level. Can be used to damage a rival, for example, or positive feedback reciprocity can set in.
- Biggest mistake organizations can make is to link 360 with performance management. Should be strictly developmental only.

Executive Coaching

- Clearly can be of benefit to individual managers if circumstances are right.
- Often the best coaches are senior personnel or retirees in good standing.
- The fast growing coaching professional lacks professional accreditation or agreement on ethical standards or other modus operandi.
- Admission to a program must be on a strictly voluntary basis. Compulsory participation is self-defeating and leads to compliant behavior and defensive routines.
- Chemistry between coach and coachee is a vital ingredient. Either party must have the latitude to declare the relationship as not working and opt out.
- Evidence strongly suggests the coaching is much more effective when used for positive developmental purposes and not as a remedial exercise.

Staff Engagement Surveys

Tends to be something HRM enjoys getting involved in. Lots of interesting data to pour over and speculate as to cause, but

- While it is intriguing to discover how well or otherwise staff felt engaged, often difficult to identify concrete action steps to ameliorate a suboptimal situation

- There is no evidence that engagement is a causal determinant of individual or unit performance. Positive scores are prey to the halo effect particularly in the Public Sector where contentment with benefits and job security spill over into other unrelated areas.
- And, like all survey exercises, engagement surveying can mutate into an administratively heavy cottage industry.

A Word on Culture

Much has been written about the alignment of public sector HRM with stages of national development. It was, *inter alia*, a major theme of the 2005 World Public Sector Report (WPSR). The debate continues on whether HRM in the developing World context is a converging or diverging topic. The WPSR conclusions and recommendations were cast in universal terms. That was unquestionably correct in certain cases—purging public sectors of corruption, as an example. From a successful implementation point of view however, socio-political context also matters. To take one clear example, the implication that new public management (NPM) may be better suited to certain socio-political settings. The report notes that the best known examples of NPM in action (even when the long-term benefits remain open to some debate) are to be found in Anglo-Saxon countries—chiefly Australia, New Zealand and the United Kingdom, each of which has energetically embraced far reaching initiatives to devolve public sector managerial responsibility, closely track performance outputs and outcomes, impose internal market discipline, contract out, aggressively recover costs and promote semi-autonomous agencies.

Some of this gusto is traceable to political ideology; it is hardly coincidental that privatization of public services gained real momentum in the UK during the Thatcher era. Some may also be attributable to stages of economic development: successful privatization and imposition of market-based rules of service delivery depends on the existence of a strong private sector available to take up the transfer of ownership of services. Some, though, may also be cultural. In addition to a shared political destiny; all three of the Anglo-Saxon countries mentioned are remarkably similar on the Hofstede⁷ ratings of national cultural differences, being relatively unhierarchical, individualistic and tolerant of risk; the perfect cultural disposition for a devolved, flexible but highly accountable model—NPM, in other words.

Which leads to a question, pertinent to this paper: to what extent should national cultural attributes or others such as, say, religious beliefs be factored into decisions as to what HRM should look like in a particular country Public Service context?

⁷ Gertt Hofstede: Culture in Organizations

Power Distance Index (PDI) that is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.

Individualism (IDV) on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups.

Masculinity (MAS) versus its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found.

Uncertainty Avoidance Index (UAI) deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations.

Long Term Orientation Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'.

The Hofstede national culture dimensions are set out to the left. Many readers will of course be very familiar with them.

To take some example of where culture and/or other factors play a role in shaping an appropriate HRM system, Malaysia offers an interesting case study.

Major reforms have been underway in the Malaysian public sector

and wider economy since the 1980s. The desired paradigm is one of an innovative public sector which anticipates global change, is strongly customer oriented and supportive of the private sector in its efforts to compete globally and manage successfully an open economy (Malaysia is currently the 17th largest trading nation in the World).

Intriguingly, this model of the public sector as an agent of change has been imposed by prime ministerial fiat⁸ and is credited in part to the stability of the Malaysian economic and social order since the 1980s: a paradox of change emanating from the wellspring of stability and order. It also reveals a willingness to blend the old with the new; to at once look outwards and inwards with the "Look East Policy" and "Malaysia Incorporated" focusing attention on lessons from other Asian economic success stories (Japan and South Korea for example) and the embrace of Islamic Values and the so called "Twelve Pillars" (a set of work ethic values rooted in Islam) that spawned the 1989 Excellence Culture initiative launched by the then prime minister.

The resulting public sector HRM model is one that places emphasis on values and behaviors-in-use—respect for public sector customers and emphasis on continuous knowledge acquisition. Reinforcing the latter objective is the public sector remuneration system which has a competency-based merit component in contrast to a NPM narrow performance-based one. So a collective instilling of the centrality of innovation in the public sector ethos, imposed softly from above in a nation where hierarchy power difference is accepted as the norm and reinforced by HR systems which emphasize the upholding of shared values rooted in religious belief *and* the imperative to stay open to the world beyond.

⁸ Intriguing that is until one discovers that Malaysia ranks number 1 on Hofstede's Power Distance dimension

A similar reliance on Islamic principles can be found in the management and performance management systems of the Sharia banking sector in the Arabian Peninsula and in organizations such as The Islamic Development Bank. Failure to factor in the import of these immutable guiding principles in the design and application of any HRM system dooms it to failure.

Singapore offers another interesting case study, particularly in the way a forceful public sector agency has managed to provide deep strategic support to the private sector in the execution of a dynamic economic development blueprint. Edgar Shein's fascinating assessment of the culture of Singapore's Economic Development Board (EDB) reveals the successful blending of a centralized Confucian-based managerial culture of authority and mutually understood responsibilities and positions with HR practices that are strongly meritocratic and long-term in orientation, concentrating on identifying and grooming talent while being resigned to the fact that much of this in-house talent will ultimately migrate to the private sector—an "up and out" approach, in a sense. EDB alumni occupy strategic positions in the indigenous and multi-national private sectors and the shared bonds reinforce strong working relationships between EDB and clients. The EDB investment in human capital ultimately pays dividends to its clients in both direct and indirect ways. Shein fittingly titled his book *Strategic Pragmatism*.

Of course in the longer terms, this model of a public sector as the driver of economic development can have its limitations. Shein noted (and others have risen similar alarms more recently) that the emergence of a highly qualified Singaporean managerial and technocratic cadre may have suppressed the emergence of a companion entrepreneurial class or venture capitalist esprit, public sector values being inevitably somewhat risk averse. In a gloomy scenario in which foreign direct investment and multi-national presence atrophies, a virtuous HR strategy could quickly mutate into a vicious one.

More generally, the HRM model in use has largely been developed in the US and Europe, particularly the UK where - again falling back on Hofstede's dimensions of cultural difference - high degree of individualism, relatively moderate power difference and moderate to high masculinity. In such cultures, HRM policies and practices, whether public or private sectors, which focus on individual performance and achieve and competitive differentiation of reward and recognition will not be second guessed. But HRM is finding a footing in places with very different cultural characteristics. All of Asia displays high power difference, strong collectivism and, with the notable exception of Japan, moderate masculinity. A couple of examples of misalignment between current HR best practice and cultural context might include:

- HRM systems such as 360 Degree Feedback are problematic in a high power distance culture because they essentially demand staff to suspend their habitual fealty to authority and their immediate bosses in providing honest (and critical bosses) feedback. Strong collectivism also calls into question the veracity of peer feedback. Conclusion: 90 degree feedback but on a strictly top-down basis.
- In the Chinese public sector where bonus awards are being used, it is expected of the person receiving an award that he or she will use the money to treat coworkers to a

celebratory banquet. In other words an individual rewards quickly turns into a collective celebratory event in a sense defeating the HRM design intent.

In conclusion, the argument advanced here is that culture, faith and possible other factors merit attention in designing and implementing HRM systems and processes.

Toward Public Sector Human Capital Management

So in what direction should Public Service HRM be heading? One elegant way of charting the evolution of HR and its future course is illustrated below. HRM can be thought of as having three roles, two firmly established, and one still largely on the drawing boards. Firstly there is what is now considered traditional Personnel Management, focused on Control through conformity with rules and policies, keeping staff records, maintaining job descriptions and



profiles and so on. It is facile to dismiss these functions and responsibilities as staid or obsolete but it is an error to do so. Policy compliance is the vital bedrock upon which consistency, fairness and order rests. This is particularly true of the Public Service.

However, these are also custodial functions: they may bring order and guarantee internal equity but they are static and thus incapable of being

influential. Their strengths also define their limitations.

Over the past few decades, a second set of HRM roles and functions have emerged and constitute what is now thought of as the Human Resources panoply or HRM to all extent and purposes. The Human Resources Function (HRM) delivers Services to organizational clients: recruitment, performance management to managers; training development, career management or counseling to staff. Most of these services are essential but they come with some limitations:

- Firstly, some of them could be purchased from without rather than being kept in-house
- Secondly, they are delivered at some remove from the strategic priorities of the institution.
- Thirdly they do not impact senior management decision-making.
- Fourthly, measuring their absolute effectiveness is problematic. The length of the recruitment cycle can be measured but whether the process yielded up the best

candidates really cannot be; HRM metrics tend to get stuck at the means rather than ends part of the outcomes range,

- And finally it is impossible to connect HRM activity with overall organizational effectiveness (many HR consulting practices would argue differently, naturally.)

In summary, HRM, the service provider is useful, arguably essential, but again not truly influential.

And so to the still inchoate third set of roles and responsibilities. To become influential, HRM must impact organizational decision-making: to achieve this, it must become much more analytical and comprehending of which elements of the workforce are most critical and most value creating. To accomplish this, a more sophisticated workforce planning approach will be called for; one capable of making distinctions between required skills and areas of expertise which are “business critical” from those which are needed but less critical.

One taxonomy, developed by Corning Glass, a pioneer in workforce planning, is described briefly below:

Corning Glass: Four Key Roles

Strategic: critical to business growth and/or innovation/speed to market. These roles require unique capabilities that are difficult for competitors to copy.

Core: essential to delivering consistently high-quality services and products, sustainable results and improvements in business processes

Requisite: support business performance but that could be staffed differently to reduce costs while maintaining quality and consistency. Could be outsourced or readily filled from the labor market

Noncore: roles that are not aligned with the strategic direction of the business and could be eliminated or redirected

The above is offered for illustrative purposes only. Different organizations employ different approaches to workforce segmentation but nevertheless share a common goal: developing means to think dynamically about current and future staffing and skills needs. The key point made forcefully earlier and supported empirically⁹

⁹ OECD 2005

The natural, reflex reaction is that workforce segmentation is unworkable in the Public Service, for legal, equity, mission and precedent reasons (and perhaps a host of others). But as has been demonstrated earlier in the paper, most Public Sectors, and more narrowly, Public Services, are already segmenting staff with gusto – career, professional, fixed-term, casual - even if in ad hoc way and perhaps only because of exogenous pressures, be they budget-driven or ideologically based. Strategic segmentation moves extant practice to a different level.

Lastly, a more strategic segmentation of the workforce and future needs will enable Public Sector HRM to move beyond gap analysis staff planning which tends to reinforce the status quo to a planning model capable of providing direction on how best to secure and retain talent—



often described as the **Build-Buy-Borrow** options approach. **Build** is a strategy of growing talent from within: **Buy** is a strategy of competing in the external labor market for fully developed talent, and; **Borrow** is one that focuses on using non-career or possibly fully contingent staff for significant amounts of work. In Most other organizations, some combination of all three strategies is in play. The key question is whether they add up to a coherent and cost effective means of securing the skills and expertise required. Often strategies are misaligned. The challenge is to align

them.

About the Author

John Lavelle was formerly, the World Bank's Senior HR Strategy Advisor. Since leaving the Bank he has consulted widely internationally, chiefly in the areas of aligning business and HRM strategies and large scale institutional reform. He lectures and writes and is a Senior Associate with **The Centennial Group**, a Washington based policy and strategy practice which focuses on Emerging Market challenges and reform of international financial institutions. He can be contacted at jlavelle1@gmail.com