

REFORM OF PUBLIC SECTOR MANAGEMENT

**A relevant question for Unions
in the Public Sector? ¹**

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Foreword

Public services have always represented an important factor for social cohesion and a significant contribution to the economic infrastructures essential for the operation of social market economies. In public debate allusion is frequently heard to the inefficient, ineffective and over-expensive nature of public services. Generally speaking, however, such comments are evidence of radical free market leanings seeking to justify the dismantling or even the destruction of public services. That in a context of overwhelming structural change there is a need for adjustment and modernisation of public services is, from a trade union angle, undisputed. Thus, among other things, the ETUC at its 8th statutory congress held in May 1995 concluded that “in order to fulfil their tasks and modernise so as to be able to meet the needs of the people who use and benefit from them, the public services need to adapt to the new situation in Europe. (...) The public sector is confronted by the various structural changes in society, which will influence the role it should play and the measures it should develop”. But the trade unions continue to regard the public services as a cornerstone of the European social model. And this was acknowledged – in spite of all contradictions – in the new Amsterdam Treaty (see Article 7d).

In many European countries there has been for some years now widespread discussion in the trade unions of the possibilities for modernisation of the public services (see *TRANSFER* Volume 3 no 1: the public sector in Europe: modernisation and social dialogue, May 1997). Not infrequently the trade unions have themselves been active in the processes of modernisation and, indeed, these processes are much more likely to succeed in the long term when their introduction takes place with the involvement of the employees concerned. Some years back the European industry federation for the public services (EPSU) took the initiative of promoting this discussion at European level also. This commitment led, among other things, to the adoption by the EPSU in November 1996 of a joint declaration with the CEMR employers' platform on modernisation of the public services, outlining the prerequisites for efficient and modern public services. The Luxembourg Jobs Summit held in November 1997 also saw the adoption of a joint declaration on employment in which it was stressed, among other things, that stable employment relationships in the public services have a catalysing function for economic growth in local and national contexts and can play an important role in achieving the employment goals laid down by the Commission in its employment policy guidelines.

That reforms in public sector management are also required is a point that emerged clearly from a seminar held by the EPSU in conjunction with the ETUI in October 1997. It was stressed at this gathering that the trade unions in the public sector are also required to turn their attention to the need for management reform in the public sector. In his introductory contribution, Brendan Martin (Consultant at *Public World*, London) examined, among other things, the question of the management required by the public sector. What are the major driving forces behind the current reforms and what are the relevant aspects of management reform ?

We would like to thank the author for allowing us to publish this contribution in our *Discussion and Working Papers* series.

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Director of the ETUI

1. Introduction

This paper explores the reform of public management in the European Union with a focus on the challenges managers face in the changing environment. It begins with an exploration of the politics of the subject, before tracing the main driving forces of change. It then goes on to discuss the effects of change in particular on pay systems, performance appraisal and career development, training, equal opportunities for women and the ethical environment. It does so by reviewing some of the literature and through interviews with participants in processes of change in a number of particular cases, before concluding by identifying some possible elements of a trade union alternative for the management of high quality, accountable public services.

2. Old Wine in New Bottles?

It is unconventional to begin a paper such as this with a personal anecdote. However, as the whole subject of public service management is about breaking with tradition, perhaps it is a suitable way in which to start. So here goes.

One of the first jobs I ever had, while I was still at school, was on a production line in a wine bottling plant. There were half a dozen of us, men and boys, working on the track, which was in a slimy dungeon of a basement close to the south side of London Bridge. Wine would pour down from a vat into the empty bottles placed on the track by the first worker, whose performance for some reason became increasingly ragged as the day wore on. The next man, fortunately for the health and safety of the rest of us, supervised the machine which stamped the corks in. Next in line was me -- I placed the little aluminium seals on top, and my machine stamped them tight to the bottle neck. The worker to my right slapped the labels on the bottles as they wobbled by, the next put them all in boxes and the last stacked the boxes on palettes ready for the forklift truck driver.

Halfway through my first morning, the foreman stopped the track, gave the worker to my right a different set of labels and started the track again. Nothing else changed, and no-one batted an eyelid. This, it became clear in the ensuing days, was routine. I said nothing.

What has the unscrupulous behaviour of a long-gone wine bottling company to do with public service management nearly three decades later? To the cynic that will be all too obvious, but let us begin more hopefully. One positive parallel is that citizen-users² of public services throughout Europe have changed in a similar way to British wine drinkers over the intervening years. They are no longer prepared to be palmed off with any old rubbish. They increasingly know the difference between good and bad quality and they demand value for money.

² The term 'citizen-user', a product of the French language reflecting an approach to public management reform there, will be used to denote people's dual interest in public services, and in preference to terms such as 'customer' and 'consumer', which have more commercial connotations.

You need not be a cynic, though, to suggest some less encouraging parallels. For one thing, there is the ethical dimension. Most public servants enjoy much better working conditions than 1960s London wine bottlers did (and better too than the average 'New World' wine worker does, a point which serves as a reminder that an often overlooked aspect of good 'value for money' for the consumer is poor money for value from the producer) but how much safer is their environment for blowing the whistle when things are not what they seem? And are things as they seem? Or could it be that the continuous production line of public service management reform has involved a fraud similar to the wine label scam? As far as public services are concerned, the stuff in the vat is changing, that much is sure. Seldom if ever has public service management experienced such rapid change as it has done in recent years right across Europe, and beyond. But how much can we tell about the nature of that change from the labels under which it is sold?

3. The Politics of Terminology

What makes the task of understanding the endlessly changing lexicon of public service reform even harder is that what is meant by any term and (which is a more critical point) the effects of the measure it describes depends crucially on its context. Terminological differences can reflect more fundamental distinctions. As a result, what can look like consensus around the basic objectives of public service reform and approaches to it can conceal some rather fundamental differences of outlook.

To illustrate the point, consider the following observation by the Public Management (PUMA) department of the Organisation for Economic Cooperation and Development (OECD), a source this paper will quote extensively because it has done more research on the subject than any other inter-governmental organisation (EU institutions included) and both reflects and influences the views of EU member governments. OECD has noted:

'A focus on service quality is part of the general direction of public sector management reforms being pursued by OECD member countries, namely to improve the responsiveness of public sector institutions by requiring and encouraging a greater emphasis on performance or results. There is a general consensus that the previous orientation towards administration of rules must be replaced by an orientation towards results generally, of which the needs of the client are an important aspect. Focusing on service quality is fundamentally simple and uncontroversial. Its basic theme is that public sector institutions exist primarily to deliver a service or product to a client (or consumer or customer or user ...), as opposed for example to simply providing employment for public servants. There is a general acceptance of greater empowerment of clients, rather than having all key decisions made by the supplier.'³

³ *Service Quality Initiatives in OECD Member Countries*, Background paper for eponymous symposium, by the secretariat of the OECD Public Management Service (PUMA), Paris, November 1994.

The very fact that the quoted passage employs the term ‘client’ and then offers no fewer than three alternative terms is indicative of the often nuanced political debate about public service management reform. The variety of terminology to describe the people who use public services is attributable in part to the nature of the service concerned; people engaged with social services might expect to be treated and described as ‘clients’, whereas when those same people use the local swimming pool they are more likely to view themselves as ‘customers’, and expect the employees there to treat them as such.

Of course, we are all both citizen and customer -- as citizens we expect to be democratically involved in collectively shaping services some of which we individually consume. Where the political differences tend to arise is in defining which role we are filling in particular public service relationships. That point can be illustrated by reference to the special case of the United Kingdom, whose former government’s enthusiasm for public service commercialisation was expressed thus by one minister:

‘The user of public services is entitled to be treated as the customer for the same reason that he is treated that way by Sainsbury’s [a UK supermarket chain] and Marks and Spencer’s. He pays the bills. He may not pay at the point of use as he does in Sainsbury’s, but the payment is real enough. The citizen pays for public services through taxation and is entitled to expect that those of us who are responsible for those services respect his wishes in the use of those resources.’⁴

It is ironic that, even while so determinedly insisting on commercial core of the concept of customer rights, the British minister referred to what ‘citizens’ should be entitled to expect, only to define those entitlements not in terms of civic rights, which bring with them civic obligation to contribute to the cost through taxation and charges, but in commercial terms in which, by implication, rights derive from payment. In France, by contrast, reforms aimed at increasing service responsiveness have tended to address the issue from the point of view of citizens as such, as well as in their capacity as consumers. Perhaps the OECD is right in its implication, though, that in most countries the issue has been fudged.

4. New Wine in Old Bottles?

In any event, these political differences underpinning apparent similarity of technical approaches to public management reform certainly need to be borne carefully in mind when considering the voluminous output of the OECD-PUMA, which maintains that there are ‘strikingly similar (human resource management) reform trends and priorities in many OECD countries, although the strategies used to achieve these reforms often (has) varied greatly’.⁵ That implies that there is a variety of different routes to the same destination, but others insist the differences are more fundamental than that.

⁴ *The Future of Public Services*, speech by Stephen Dorrell, MP, Financial Secretary to the Treasury, to British Trades Union Congress conference, London, March 1994.

⁵ *Integrating People Management into Public Service Reform*, OECD, Paris, 1996, p.17.

A recent commentary by Theo A.J. Toonen and Jos C.N. Raadschelders of the Department of Public Administration at Leiden University argues that while ‘a superficial glance’ at current reform activities ‘might easily give the impression that in the 1980s many countries, irrespective of their political and administrative systems, have embarked upon a similar type of public sector reform’, and that ‘many of the same items, slogans and principles seem to be returning in various cases’, in reality ‘the amount of variation in public sector reform activities and approaches is considerably larger than schematic action-reaction schemes, where one “modern” approach replaces another “traditional” one, suggest.’⁶

The implication is that, while the OECD’s analysis tends to interpret various different approaches as being essentially the same as those undertaken in Anglo-Saxon countries (i.e., in Europe, the United Kingdom), and amounting to a ‘global paradigm shift’, an alternative explanation is ‘that the Northern European Welfare States of Scandinavia and the Benelux have been engaged in drastic restructuring efforts as well, be it along different principles’ and that the ‘“Napoleonic” systems of France, Italy and Spain are also engaged in rather substantial public sector and government reform enterprises’, but also along different lines.

The OECD, which includes all EU members among its membership, does indeed argue that there has been a ‘paradigm shift’ characterised by:

- a greater focus on results and increased value for money
- devolution of authority and enhanced flexibility
- strengthened accountability and control
- a client- and service- orientation
- strengthened capacity for developing strategy and policy
- introducing competition and other market elements
- changed relationships with other levels of government⁷

The OECD expects reforms in these categories to continue and to produce ‘in the decades to come’, a ‘well-performing public sector’ that ‘will be radically different in appearance and behaviour’ and which, typically, will:

- be less involved in direct service provision;
- concentrate more on providing a flexible framework within which economic activity can take place;
- regulate better, with more complete information about likely impacts;
- continuously evaluate policy effectiveness;
- develop planning and leadership functions to respond to future economic and social challenges; and

⁶ Background paper for the Presentation on Public Sector Reform in Western Europe, Conference on Comparative Civil Service Systems, School of Public and Environmental Affairs (SPEA), Indiana University, Bloomington (IN), April 5 - 8, 1997.

⁷ OECD, 1995 (op.cit.), p.25.

- take a more participative approach to governance.

Claiming that ‘there is a widely held belief, supported by available evidence, that a results-oriented culture is emerging and that public sector performance has improved’, the OECD suggests that ‘reforms need to be pushed further’. It maintains that its research reveals that ‘in general, the reason for changing the way people are managed in the public sector’ has been ‘very similar across OECD countries’, although there is ‘no one approach to human resource management reform’ and ‘reform activities fall across a wide spectrum with a few countries on either end showing either fundamental reforms or very little change and the majority of countries at various points in-between.’⁸

However, Toonen and Raadschelders argue:

‘As a consequence of this focus on a particular type of reform, observers seem happy to overlook the historically spectacular examples of administrative reform: the German unification, the Italian war on corruption, the French decentralisation, Spanish economic consolidation efforts or Belgian Federalisation to mention just a few. From the managerial angle these countries are sometimes perceived as cases of non-reform. They are presented as ‘laggards’ in the international administrative reform game.

It might just as well be concluded, however, that the respective countries have had a new and different ‘business’ to attend to.’ They ask, challengingly, which really deserves the epithet ‘modernisation’: ‘The system that puts old contents in new managerial forms, or the system that puts new content to traditional administrative structures?’ Far from various different approaches in Europe heading for the same goals, it could be that ‘the only thing they have probably in common is language’.

Others also point to diversity. Geerd Bouckaert argues that there are substantial differences in development of performance management and other reforms which can be explained by differences in tradition, culture, environment, politics and managerial needs⁹, while Vincent Wright categorises the approach taken by different European countries according to style, nature and timing of reform, identifying three groups:

- evolutionary and internally generated reform (Germany);
- reformist and negotiated reform (France & Spain);
- imposed radicalism (UK).¹⁰

⁸ *Integrating People Management into Public Service Reform*, OECD, Paris, 1996, p.9.

⁹ Halachmi & Bouckaert (eds.), 1996, *Organisational Performance & Measurement in the Public Sector: Towards Service and Accomplishment Reporting*, Quorum Books, Connecticut

¹⁰ Wright, Vincent (1994). *Reshaping the State: The Implications for Public Administration*. In *West-European Politics*, vol.17no.3, 102-137.

5. Pressures for change

However diverse the country (and intra-country) approaches to management reform, and the political, institutional and industrial relations contexts in which it is taking place, there is an increasingly convergent set of pressures for change, shaped in part and reflected in part by European integration. 'No-one expects the driving forces behind current reforms to diminish in the future. If anything, the pressures for reform will intensify,' says the OECD, adding: 'Doing more with less will continue to be a feature of the public management environment. Expenditure pressures show no signs of abating.'¹¹

In relation to the social services field in particular, Mikko Kautto has commented:

'Social services have recently had to consider new subject matters. Policy issues range from the implications of ageing populations for social and health services with rising costs and the need to find optimum care arrangement solutions, to the acceleration of the de-institutionalisation movement with the accompanying need to establish new forms of care, the growing emphasis on the rights of years, the consequences of high levels of unemployment and social exclusion, gender and ethnic inequalities, financial problems leading to attempts to reduce costs, etc.'¹²

These various pressures can be categorised as follows:

Pressure on supply of resources

The changing criteria of competitiveness in an increasingly integrated international economic environment has put pressure on governments to reduce budget deficits and public debt. The demands of the Maastricht convergence criteria for currency union have been salient -- most member countries have struggled to move towards deficits of no more than three per cent of GDP and debts of no more than 60% of GDP, in accordance with the treaty. Such adjustment might well have been necessary anyway, but the Maastricht criteria have not only formalised common standards across the EU but also imposed a tight timetable of achievement.

This pressure has been exacerbated by political demands to limit the rise of taxation, or even to reduce taxation, clearly a contentious issue. Some politicians tend to think electors simply will not tolerate tax increases, while others believe that popular resistance to them is related to perception of inefficiency and poor quality in service provision, and that people will pay more for better service.

Demographic change

Happily, life expectancy is increasing across Europe. In 2020 the European population will include more than 22 million people aged over 80, 55% more than in 1990, while in the same period the total population is expected to rise by 6%. Of course, many people enjoy a high quality of life into their eighties, but there is evidence that added years of life are not necessarily all years of healthy independence. The main debilitating diseases of old age - stroke, Alzheimer's disease and arthritis - have become proportionately more prevalent as populations age, and the World Health

¹¹ *Governance in Transition*, OECD PUMA, Paris, 1996.

¹² *European Social Services -- policies and priorities to the year 2000*, Mikko Kautto (ed.), National Research and Development Centre for Welfare and Health, Helsinki, 1997, p.13.

Organisation has warned of ‘epidemics’ of heart disease and cancer as people live longer.

The ageing trend simultaneously increases demand and reduces supply of resources. Demand for retirement pensions, residential and domiciliary care and health services increases while supply of tax and insurance contributions to pay for them decreases. The growing challenge was highlighted by a report from a body called the Federal Trust in 1995. For the 12 countries which were EU members at the time of its study, the report projected changing age dependency ratios as in the following table.

Persons aged 65+ as percentage of persons aged 15 - 64, actual and projected

Year	B	Dk	Fr	G	Gr	Ire	I	Lux	NL	Port	Sp	UK	Total
1990	21.9	22.2	21.9	23.7	20.5	18.4	20.4	20.4	17.4	16.4	17.0	23.5	21.4
2040	41.5	43.4	39.2	47.1	41.7	27.2	48.4	41.2	48.5	38.9	41.7	39.1	39.1

Source: Federal Trust, London, 1995

Those trends are aggravated by declining official and unofficial retirement ages. In France in 1995, fewer than one in six of the population aged 60 to 64 was economically active. In Belgium, only half the population aged 50 to 55 was economically active.

Among other demographic factors shaping change in public services is migration, which plays a much bigger part in some countries and localities than in others.

Structural economic change

Structural economic change has produced pressures which have upset the balance between contribution to and benefit from a range of services. According to the OECD, there have been increases in structural unemployment rates in most European countries, and these have been particularly difficult to manage in countries which already had high unemployment (France, Italy and Spain) or where the increases were especially abrupt (Finland and Sweden). Country data on unemployment might not be reliable and comparable, since they are based on evidence provided by governments and according to different definitions. The UK government changed the measurement criteria for unemployment statistics no fewer than 17 times in the decade up to 1996, in almost every case with the effect of reducing the total. Nevertheless, the following table illustrates the pressure on resources arising from changes in unemployment.

Comparisons of unemployed, long-term unemployed and public spending on labour market programmes

	A	B	Dk	Fi	Fr	G	Gr	Ire	It	Lx	Nl	P	Sp	Sw	UK
U% 1993	6.8	13.6	12.5	17.6	11.6	8.2	10.8	19.2	12.7	1.7	6.7	5.5	16.0	n/a	10.0
U% 1990	3.3	11.4	9.6	3.4	10.8	7.1	9.0	13.1	14.3	1.3	9.5	5.9	20.2	1.5	5.7
LTU 1993	n/a	52	26	30	34	40	50	58	58	33	52	43	50	10	40
LTU 1989	13	76	26	7	44	49	52	67	70	29	50	48	59	7	41

Source: Human Development Report 1996, UNDP, New York.

Note: U% = official figure of unemployed as percentage of labour force.

LTU = long term unemployed, i.e. unemployed more than 12 months as % of total unemployed.

Changes in social relations and culture

Changes in the nature of production and employment also put pressure for change on public service managers by reshaping both external and internal expectations and aspirations. Systems designed when men were seen as the sole breadwinners in rigidly structured families cannot be expected to be suited to the different demands of today's more varied lifestyles and households, and the changing ethos with which they are associated. Not only have more women gone out to work, and more families come to depend on two incomes, but the nature of kinship itself has been undergoing quite profound changes. There has been a well-documented rise in the number of single parent families, and the significance of freely chosen friendships over family ties and the increasingly liberal environment for gay men and lesbians have changed the nature of demands on services and of employees in relation to their working life and the way in which their work is rewarded. In addition, popular concerns, translated into political demands, such as the rise of environmentalism, demand new services and change in the way existing ones are run.

Although change in public service management is sometimes treated as something that is done to public service employees, not least among the pressures for change have been demands from public service employees, whose aspirations have been changing. The bargaining agenda for SPS employees and their unions is increasingly reflecting their interest in working patterns which allow easier and more satisfactory balance and mix of work and home life; for greater involvement in workplace decision-making; and for skills development, training and enhanced job satisfaction. These concerns have complemented rather than replaced more traditional demand for employment security, better pay and working conditions, and health and safety arrangements.

Particularly salient among the latter is the trend which has been called 'individualisation', expressed in increasing concern among employees to develop their own careers, to have their contributions individually recognised and to have that reflected in their rewards and opportunities. A factor in this trend has been increasing professionalisation associated with an influx into public service employment of well educated young people with different career expectations than the previous generation. A generation ago, long-term employment security was a major motivational imperative for many people entering public service employment. Clear career paths based on seniority and

progression through a steep hierarchical system seemed to be the way in which that security was ensured. In today's atmosphere of lower expectation of security, and with greater mobility between private and public sector employment, younger employees put a greater premium on gathering to themselves the requisites of 'getting on' in the more competitive environment.

Pressure for greater responsiveness and quality of service

Citizen-users have also been demanding more say in the way in which some services are run, which has given rise to new forms of participation and 'direct democracy'. This has been a challenge in itself, as well as stimulating other pressures, such as increasing interest in measuring performance and making results of such measurement public so that comparisons can be made and the public better informed about standards and trends. Demand for greater transparency has also been related to insistence on higher ethical standards on the part of politicians and public servants and reflected in user demands for redress when things go wrong. These shifts have been expressed in the emergence of various types of public service charters in a number of EU countries.

Changing expectations have also helped to drive demands for greater efficiency, effectiveness and quality of service. According to the Public Management Service (PUMA) of the Organisation for Economic Co-operation and Development (OECD):

'A focus on service quality is part of the general direction of public sector management reforms being pursued by OECD member countries, namely to improve the responsiveness of public sector institutions by requiring and encouraging a greater emphasis on performance or results. There is a general consensus that the previous orientation towards administration of rules must be replaced by an orientation towards results generally, of which the needs of the client are an important aspect.'¹³

Pressure to innovate

For the reasons outlined above, public service organisations have been under pressure to innovate in the range of services they provide and the way in which they provide them. The necessity for innovation is also stimulated by its possibility. This is a particularly significant factor in rising costs of health care. As more treatments become available, and more doctors are trained in them, demand also rises. In particular, the rapid development of information technology has transformed the way in which services, both public and private, can be supplied, and this and other factors have also stimulated change in structure and methods of service delivery.

A further dimension has been the pioneering of a new range of types of service, often through the voluntary or small business sectors. The hospice movements, self-help and advocacy groups representing people with particular sets of problems and the alternative medicine movement provide examples of such trends.

Political pressures

¹³ *Service Quality Initiatives in OECD Member Countries*, Background paper for eponymous symposium, p.3, by the secretariat of the OECD Public Management Service (PUMA), Paris, November 1994.

Political pressures for change in public service management have come from more than one direction. In recent years, there has been an increasing focus on social exclusion of particular groups, which has forced change in the range of services provided and the way they are provided to work towards equality of opportunity. Particularly important have been movements for equality of opportunity for women, ethnic minorities, people with disabilities and homosexuals.

In addition, the range of pressures already outlined -- particularly those which push governments and managers to produce better outputs with fewer inputs -- have found expression in some countries in ideological shifts which have fuelled and driven change. These have been well documented elsewhere, and this paper will, therefore, not dwell on the subject.

6. Forms of change

Whilst urging readers to be cautious about the extent to which pan-European generalisation is appropriate, it is nevertheless necessary in a pan-European paper to categorise aspects of management reform. In that context, the following classification of the form taken by inter-related management reforms is offered:

- decentralisation of responsibility from central management bodies to line departments, agencies or external service delivery organisations
- devolution of responsibility within each of the above closer to front line management, often associated with 'delaying'
- shift away from management by rules towards management by results, associated with definition of performance targets and standards
- devolved budgets, often, but not invariably, including devolution of responsibility for personnel and administrative costs
- competitive mechanisms, both external and internal
- cost-cutting, applying pressure on budgets, including limits on global or specific human resources costs
- increased flexibility of function, mobility and remuneration systems
- reorientation of career development and training programmes consistent with the trends of decentralisation, devolution, management-by-results and flexibility

Frieder Naschold identifies quite significant differences in the balance between these in different countries, classifying those in eight different countries along the lines of the following table.¹⁴

¹⁴ *New Frontiers in Public Sector Management*, Frieder Naschold, WDG, Berlin, English translation (by Andrew Watt) -- the titles of some of the categories in the table have been slightly changed where I believed they were unclear in translation.

Table 1: Reform Trends in Europe

	Aust	Dnmk	Fin	Germ	Neth	Nor	Swed	UK
Market type mechanisms	1	2	1	1	1	0	1	2
Privatisation	1	1	0	1	1	0	1	2
New role of strategic management	0	1	1	0	1	0	1	2
Decentralisation/devolution	0	2	1	0	2	1	1	1
Limits to size	0	0	0	0	0	0	0	2
Reorganisation of public enterprise	1	1	1	1	1	1	1	2
Development of agencies	1	2	1	0	2	1	2	2
Management by results	0	1	2	0	1	1	2	2
Changes to work organisation	0	1	0	0	1	1	1	0
Human resources development	0	1	0	1	1	1	0	0
Normalisation of industrial relations	0	0	0	0	2	0	2	0

(1) = small scale initiatives. (2) = large scale. (0) = denotes none.

The OECD's analysis shows that of its 25 member countries, 22 reported downsizing or employment caps and 16 moves to decentralise and/or devolve managerial responsibility. However, only seven mentioned delayering and six reported new performance management systems.¹⁵

7. Tension between objectives

In some countries, at least, there is evidence that some pressures are much greater than others, and that -- whatever the terms in which governments explain their reform programmes -- some objectives are more important to them than others. Norman Flynn has written:

'In a recent survey of managers in the public sector, 91% of respondents declared that their organisations' objectives had been changed to increase the focus on customer or client needs, while 85% said that they were attempting to consult with customers or clients about relevant standards of performance. Of 15 factors that influence their organisations' objectives, these two had the highest scores. Meanwhile, the same survey revealed that the changes in internal management arrangements were most influenced by an emphasis on controlling spending (89%) and increasing efficiency and effectiveness (85% and 82% respectively). These have been the contrapuntal themes of the public sector in the United Kingdom and elsewhere in the past decade.'¹⁶

¹⁵ *Integrating People Management into Public Service Reform*, OECD, Paris, 1996, p18.

¹⁶ *Customer-oriented public services*, Norman Flynn (London School of Economics and Political Science),

December 1994.

The same tension is highlighted in a report by the European Foundation for the Improvement of Living and Working Conditions, which studied 16 examples in eight different countries of innovations designed to make welfare services combat social exclusion more effectively, and concluded that:

- new programmes to improve service quality and consumer responsiveness have consistently suffered from problems of lack of continuity, underfunding and even withdrawal of resources; and
- insufficient attention has been paid to issues of monitoring and evaluation and use of their results, with significant consequences for the extension, transfer and dissemination of good and successful practice.¹⁷

In many cases, public service employers have tried to resolve these tensions at the expense of the job security, living standards and employment conditions of their employees, who are also under pressure from other underlying trends, notably those driving up labour productivity in general. Therefore, at the same time as having to deal professionally with all the problems associated with change in their organisations -- by being responsible for implementing change and ensuring that it is effected as well as possible, whether or not they agree with it -- public service managers are having to deal with change as employees as well. In Finland, for example:

‘In the beginning of the 1990s the municipal sector faced severe economical, functional and political challenges. As a response and consequence, a number of changes have been characterised by increasing productivity, cuts in personnel and in all forms of municipal expenditure and modernisation of service systems. Increased local autonomy, decentralisation of authority and externalisation have also been key features in these developments.

At the same time, the Finnish system of industrial relations has been in transition. Centralised incomes policy has disappeared and there has been a resurgence of local bargaining. New procedures of participation have been developed.’¹⁸

8. Impact on pay systems

The shift in Finland referred to in the previous paragraph has been manifest in other countries as well. OECD figures show that of those countries in which more personnel responsibility has been devolved, 13 mentioned greater flexibility for managers to design job descriptions, 12 reported greater say in recruitment and promotion selection, eight in training and development, seven in equal opportunities and only five in industrial relations. But in most countries, overall pay determination has remained at a centralised level.

¹⁷ *Public Welfare Services and Social Exclusion: The Development of Consumer-oriented Initiatives in the European Union*, p.103, Nicholas Deakin, Anne Davis, Neil Thomas, University of Birmingham, 1995.

¹⁸ *Interests, Action and Trust Relations: Workplace relations at the transforming municipal sector*, Petri Räsänen, University of Tampere, undated.

Nevertheless, in some countries more than others, a system in which pay rates were tied to posts and grades rather than individuals, and with classification decided centrally, has given way to a more flexible system with market adjustment, decentralisation and individualisation. Typical features of flexible pay policy have included:

- to pay according to measured performance
- to pay according to the job not the title
- to pay according to the salary levels in other labour market sectors
- to pay by the way of flexible determination and no longer by automatic increments
- to decentralise the pay system in allowing the agencies or ministries to introduce their own pay and grading arrangements.

The OECD has devised a formula through which it quantifies the 'degree of decentralisation'. According to that, Sweden has done most to decentralised pay issues, followed by Finland, the United Kingdom, Netherlands and Ireland. Germany is placed at the bottom, just behind Austria, France, Italy and Spain. Sweden's reforms were initially prompted, according to a study by Norman Flynn and Franz Strehl, by the problem of losing quality staff to the private sector and the need to give managers flexibility to provide incentives to stay. Increasingly, however, the motivation has been to boost efficiency and productivity. The UK and the Nordic countries have gone furthest along road of performance-related pay (PRP).

In an analysis of the range of pay reforms, Nicole Lanfranchi of the OECD has written:

'These reforms have led to radical changes in the industrial relations systems in these countries. Because governments clearly remain reluctant to devolve all pay setting to decentralise tiers, centralised collective bargaining and unilateral pay setting still play a key role. However, there is an increasing trend towards the use of a two-tier bargaining system. Under such a system, the central tier fixes across-the-board pay rises or the total pay bill, while the decentralised tier distributes productivity gains, organises the promotion and regrading process, and rewards individual or group performance.'

Lanfranchi's research suggests, however, that the combination of decentralisation and flexibility, although supposed to enable sharper responses to diverse labour market conditions and to boost internal efficiency, might have undermined government financial controls:

'In the final analysis, it would seem that changes in public employment management methods and the introduction of pay flexibility and differentiation carry a risk of jeopardising the governments' goal of curbing public sector wage costs. This is because the decentralisation of pay determination may lessen central government control over the pay bill.'¹⁹

¹⁹ *Public Management Forum*, OECD SIGMA home page.

Conversely, by prioritising containment of the global payroll, governments can undermine the effectiveness of pay system reforms, as analysis of national administrations by the European Institute of Public Administration has suggested:

‘Pay systems in public administration should perform several important functions. They should attract a sufficient number of employees with the necessary qualifications and capacities to perform the tasks needed by an efficient public administration. Their structure and dynamics should enable the public administration to retain such persons and to motivate them to work efficiently. One additional and important objective is to maintain or achieve pay comparability or parity with the private sector. If properly realised, this should ensure that the public administration can compete with the private sector with respect to personnel. In reality, this is, at least for top civil servants, very often not the case. In most member states, the private sector is paying much more for top managers than the public sector.’ Budgetary restraints mean it is ‘becoming increasingly difficult for member states to keep top civil servants in the civil service.’²⁰

9. Performance-related pay

Pursuit of greater efficiency and quality have prompted some governments -- especially in the UK and the Nordic countries -- to tie managers’ pay to performance measurement. This has been generally expected to spread increasingly to other countries. However, an accumulating body of evidence suggests it does not work. A recent OECD survey of middle and senior level public service managers in Australia, Denmark, Ireland, the UK and the United States found that ‘for the most part, none of the schemes surveyed fully satisfied the core motivational requirements for effective PRP schemes’ and that ‘overall, the survey findings reveal widespread dissatisfaction with PRP schemes and raise important questions as the impact of these schemes on the motivation and performance of managers.’²¹

Based on responses by the managers themselves, the report added: ‘A majority of the managers surveyed believed that the PRP schemes in their agency were generally ineffective in that they were not easy to understand, were not generally accepted by managers, and there was not a clear link between performance pay awards and the performance achievements of managers. A majority also reported that they were not motivated by the prospect of receiving the PRP awards available to them. Although the survey found no objective evidence of bias in the distributions of awards, only one in three of the managers surveyed believed that awards were distributed fairly and equitably in their agency.’

Although the managers tended to refer more positively to their personal experience of PRP than to their impression the overall impact of the scheme of which they were part -- most viewed their own achievement standards as challenging and said they were reflected in PRP awards -- they also reported that ‘the potential benefits of those effects on motivation were undermined by a lack of

²⁰ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.91.

²¹ *Performance Pay Schemes for Public Sector Managers: An Evaluation of the Impacts*, OECD, Paris, 1997, p.7.

clarity on the part of many managers concerning the standards used to allocate PRP awards, and a widely held belief that the awards available were too small to be motivating'.²²

There was evidence of resentment and suspicion among the managers about the qualitative approach to evaluation of achievement, and a much more positive attitude to appraisal of their work against clearly stated goals and quantitative indicators. However, it was not clear that the motivational impact of appraisal of the latter kind was enhanced by linking the results to PRP. Indeed, in a passage worth quoting at some length, because (given OECD's influence with governments) it could spell the beginning of the end for the notion that PRP is the way in which to improve motivation of public service managers, the OECD reports:

'The survey provides strong evidence therefore that the processes used to measure performance in public sector PRP schemes are fundamentally important to the success of the schemes, and that certain design elements clearly produce negative results, while others produce more positive results. For motivational states, satisfaction levels and attitudes of managers, the key design and implementation considerations are in the measurement of performance and not in the allocation of awards. If the measurement process for determining performance is not accepted as valid, then the types of awards and other aspects of the PRP allocation process are less relevant as determinants of managers' reactions to PRP schemes.

'At a more fundamental level, however, the results of the survey suggest that PRP may be mismatched to the values and preferred work conditions of many public sector managers. Performance pay was consistently ranked lowest in managers' expressed preferences for thirteen different work conditions. The survey also showed that a substantial majority of managers are unlikely to be motivated by PRP awards currently available to them because they do not value PRP as much as many other work characteristics, such as challenging job opportunities, a sense of accomplishment, recognition for one's achievements and respect and fair treatment from one's colleagues.

'There is no strong evidence from the survey that PRP schemes have led to strong relationships between job goals and organisational goals. The data raise, but do not conclusively answer, the question of whether PRP awards **of any form or size** (my emphasis -- BM) will ever have sufficient incentive value for public sector managers to enable PRP schemes to be effective in public sector organisations, even if they were very well funded and optimally designed.'

This conclusion is well supported by anecdotal evidence from the UK. Flynn and Strehl quote the President of the Association of Chief Police Officers as saying: 'I joined the police force out of a sense of public service .. the notion that I will work harder or more effectively because of performance-related pay is absurd and objectionable, if not insulting.'²³ And, according to Barry Nesbitt, Institution of Professionals, Managers and Specialists (IPMS) branch secretary at the Ordnance Survey agency, PRP remained deeply unpopular with his members even after it had

²² *Performance Pay Schemes for Public Sector Managers: An Evaluation of the Impacts*, OECD, Paris, 1997, p.8.

²³ *Public Sector Management in Europe*, Norman Flynn and Franz Strehl (eds.), Prentice Hall, Hertfordshire, 1996, p.35.

contributed to an above-inflation salary increase in 1996.²⁴

The OECD report recommends that:

- Existing PRP schemes which rely solely on simple -- subjective -- performance appraisal should be redesigned to incorporate more specific and verifiable measures for assessing performance, such as evidence of specified performance objectives, or quantitative measures.
- New PRP schemes should also be designed on this basis.
- Where prime outputs of individual jobs cannot be captured in verifiable objectives of valid quantitative measures, individual PRP schemes should be discontinued or should not be introduced.
- Existing PRP schemes should be evaluated from their effects on the motivations of the public sector managers who are working under them, and for their fit with the preferred work characteristics of those managers.
- These issues should also be examined before the introduction of any new PRP schemes.
- Serious consideration should be given to replacing PRP schemes for individual managers in the public sector with PRP schemes that reward good performance at the team or organisational level, or with non-monetary reward schemes.²⁵

Which is about as close as the diplomatic language of inter-governmental organisations is likely to come to saying ‘the unions were right all along’. The paradox is, however, that in offering a more quantitative approach to appraisal as the only way to save the life of PRP, the recommendations are going strongly against European trends on how to make appraisal itself most effective, as we shall examine in the following sections.

10. Separation of policy making and implementation

A fundamental issue in measuring performance of public service managers is related to the extent to which separation of policy making from implementation is really possible. Frieder Naschold writes of a ‘precarious compromise between bureaucratic rule steering and results steering’. He emphasises a distinction between management by results and management by objectives, defining four different ‘steering concepts’ of public service management as:

- administrative rule steering within bureaucratic organisations
- management by objectives, as practised in the 1970s
- management by results, as developed in the ‘new public management’ of the 1980s and 1990s
- directive and decentral contextual steering, developed by systems theory²⁶

²⁴ Personal interview

²⁵ *Performance Pay Schemes for Public Sector Managers: An Evaluation of the Impacts*, OECD, Paris, 1997, p.8-9.

²⁶ *New Frontiers in Public Sector Management*, Frieder Naschold, WDG, Berlin, English translation (by Andrew Watt), p.67.

The trend is certainly in the direction of separating policy making from implementation -- indeed one commentator has described it as 'the doctrine that underlies the development of the new public management'²⁷ -- and adds:

'Yet there are dangers in the new doctrine. A distinction has to be drawn between such a separation as one possible approach to the management of public services to be adopted where it is appropriate and the doctrine that it should be applied in all circumstances, which its advocates appear to hold. It can become a dogma to be applied rigorously, with the emphasis not merely on separation of roles, but on an organisational division that can lead to a confrontational relationship with each side determined to secure the full advantage of the situation as though they had no common interest.'²⁸

He goes on:

'The interactive and recursive nature of the policy-action or the policy-implementation relationships should not be seen as a weakness, but as a necessary response to the problems of making policy in situations of complexity and uncertainty. Policy is adapted and changed through the experience of implementation. Indeed, problems emerge where policy is not adapted to the reality of the situation as it emerges by experience and is changed over time.'²⁹

This paper is not primarily concerned with consideration of such structural changes, but that context is necessary in order to grasp the problems of performance measurement and appraisal of public service managers, which is, increasingly, having a decisive impact on the circumstances and conditions of their career development. As one recent study of the theory and practice of public service management has put it, the 'notion of performance in public services ... encompasses two concepts which stalk the literature: policy-making and policy implementation'. It adds:

'To talk about the performance of a service is to combine these into one concept: to convey the idea that a service is to be evaluated by what it does, which will inevitably be a combination of what policy decisions have been taken, often over a very long period of time, and the processes whereby those policies are translated into action. To be accountable for the performance of a service, in our definition, is thus to be answerable to the performance of multiple objectives (which may or may not be expressed in terms of explicit policy decisions of either policy-makers or service providers).'³⁰

²⁷ 'A Dogma for Our Times -- The Separatio of Policy-making and Implementation', John Stewart, om *Public Money and Management*, July-September 1996, p.1.

²⁸ 'A Dogma for Our Times -- The Separatio of Policy-making and Implementation', John Stewart, om *Public Money and Management*, July-September 1996, p.2.

²⁹ 'A Dogma for Our Times -- The Separatio of Policy-making and Implementation', John Stewart, om *Public Money and Management*, July-September 1996, p.3.

³⁰ *Public Sector Management: Theory, Critique and Practice*, David McKevitt & Alan Lawton, Sage, London, 1994, p.196.

The extreme form of the tensions this can cause has been colourfully described by Derek Lewis, who was head of the UK's Prisons Service Agency until being axed by Michael Howard, the minister to whom he reported, following a series of service failures which revealed that, as well as scapegoating senior managers when things go wrong, politicians are not above intervening inappropriately in implementation matters at other times. Lewis told a television documentary:

'Well, I was extremely surprised one day to be asked by one of the special or political advisors to the Home Secretary to take into account and to incorporate a number of concerns that Mrs Howard [i.e., the minister's wife] apparently had about the code of standards. She was concerned in the area of housekeeping. That, for example, the code's requirement to provide a balanced and nutritious diet was somehow too generous for prisoners. I considered these suggestions. The majority of them, apart from some minor changes in wording, I considered were unacceptable and were not included in the final code.'³¹

11. Performance management and appraisal

That, then, is the problematical context of assessment of the performance of public service managers and which -- through the links with appraisal and performance rewards -- can lead to career development and pay and conditions of public service managers being subject to factors outside their control, but for which they can be held responsible or accountable. (We shall briefly consider the implications of the distinction between those terms in a later section, on ethics.)

Every EU country has personnel appraisal schemes for public service managers. Their main aims are:

- to improve performance
- to fix salaries and bonuses (or PRP)
- to decide on promotions
- to determine training needs
- to reinforce communication and increase transparency between employer and employee
- to develop personnel policies.³²

The relationship between such schemes and reform of management systems more generally has been highlighted by a recent study by the European Institute of Public Administration, which found:

'The growing importance of evaluation systems is widely recognised in all EU member states. The tendency to introduce performance-related pay systems and to reform the pay systems is, for example, very closely related to the reform of the personnel evaluation systems in the public services of the Member States and it can be even said that personnel appraisal systems are becoming a key element in the reform of personnel management in the Member States.'³³

³¹ *World in Action*, Granada Television, February 24, 1997, transcript.

³² *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p74.

³³ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.73-4.

Setting out the background to this trend, the report noted:

‘In the eighties and nineties, several countries considered it necessary to reform the rules in force with a view to replacing them with systems that were better adapted to the requirements of modern and effective administration. In fact, the existing systems were sometimes considered too rigid. It was therefore decided to relax the rules and make the administrations more autonomous (especially in the United Kingdom)’³⁴ In several countries, ‘the focus shifted from a list of detailed marks, initially seen as an instrument par excellence, towards a more nuanced qualitative assessment.’

The move away from highly detailed quantitative analysis to more qualitative evaluation is in line with devolution of managerial responsibility to the extent that it allows for more managerial discretion, but at the same it creates challenges regarding accountability. In addition, as we have seen, it accentuates tension between performance management as a way of raising efficiency and quality and PRP as a way of rewarding those achievements.

A central criticism of ‘traditional’ appraisal systems was that their reliance on rigid quantitative measures failed to capture the special characteristics of public service management, and not least the distinction between *output* and *outcome*. As Alistair Liddell, Director of Planning and Performance Management with Britain’s National Health Service, has pointed out, a faster turnover of patients does not necessarily mean that hospitals are raising health standards. Indeed, it could mean quite the opposite, and there is evidence in the UK that it has done so. ‘Measuring outcomes is most difficult of all and interpreting outcome measures even harder,’ says Mr Liddell. ‘So many factors contribute to the health status of the population and the contributions of the NHS may not be the most significant.’³⁵

A frequent source of criticism of NHS performance targets is that, by focusing on increasing the number of patients admitted to hospital, they can -- and have -- encouraged hospitals to release beds as fast as possible, and this can lead to patients being discharged too soon. In a climate of tightening spending restrictions it is easy to see the source of such indicators. The problem is compounded if the same patient returning a week later with complications caused by premature exit from hospital counts statistically as a new ‘episode’ for the purpose of performance targets on turnover. Therefore, a clear health failure is not only obscured by such performance targets but actually measured as a double success.

These difficulties are evident also in other services in the UK, where most civil service agencies have Key Performance Indicators (KPIs). One commentary has noted that KPIs ‘are not without problems’ and that ‘in many cases there is insufficient coherence to a plethora of vision statements, mission statements, aims, objectives and plans’.³⁶ The study found that in only half of cases did

³⁴ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.73.

³⁵ Paper to *Economist* conference on ‘The changing public sector: delivering market-driven service’, London, December 8, 1994.

³⁶ *Ministers and Agencies -- Control, Performance and Accountability*, Colin Talbot, University of Glamorgan, 1996.

agencies reflect in their KPIs the aims and objectives they had themselves set out in Framework Documents, a finding borne out in the case of the Prison Service by an official government study which showed that the service had failed to incorporate any target in relation to staff development into its KPIs, even though this had been identified by the service as one of its core values and strategic priorities.³⁷

Precisely these sorts of problems have been pushing some countries in the opposite direction from that in the UK. According to the EIPA study:

‘The recent tendency in several countries has been characterised by the creation of new regulations following criticism about the traditional systems. The old systems were often based on assessment principles which were unsuitable and too detailed. A further concern of offering a detailed system was the cumbersome nature and complexity of such a system. The traditional evaluation systems are increasingly being brought into question; in this respect, we would refer to the various evaluation criteria which often cover several pages.’³⁸

As a result, says the study, several countries (particularly Denmark, France, Belgium, Austria and the Netherlands) brought in new evaluation systems. ‘In this approach, evaluation systems are considered as a necessary way of creating an effective instrument to manage human resources, by bringing out the importance of the "personnel function". In this perspective, personnel are no longer considered only as cost factors and sources of “problems”. On the contrary, increasing account is taken of the concept of developing human resources, which now forms an integral part of the success and efficiency of the public administration. Personnel management therefore appears as a management instrument based on the assumption that efficiency of action depends on the quality and performance of staff.’³⁹

The report adds: ‘Although the evaluation is essentially written, all member states stress the increased importance of dialogue between the line manager and the staff member being assessed. Personnel management is, quite rightly, being increasingly decentralised. The much sought after increase in the autonomy and self-responsibility of decentralised sectors and staff consciously reduces the influence of the centre on management behaviour and means.’⁴⁰

³⁷ *Review of Prison Service Security in England and Wales and the Escape from Parkhurst Prison on Tuesday 3 January 1995 -- the Learmont Report* (Cm 3020, HMSO, London). quoted by Talbot (*op. cit.*).

³⁸ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p77.

³⁹ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.79.

⁴⁰ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.87.

These conflicting trends underline the tensions inherent in separating policy making from implementation and the way in which conflicting objectives of public management reform impact on the effectiveness of different mechanisms.

12. Public management reform and equal opportunities

Such tensions are also evident in the relationship between public management reform and equal opportunities for women managers. Every European Union country has special programmes to promote equal opportunities and treatment of women employees. The approach they take varies and how effective any of them are is another matter. What is striking, however, is that these programmes appear not to be built into management reform programmes aimed at raising efficiency and quality.

As the EIPA report notes, with regard to civil services, the higher reaches of public service hierarchies have 'traditionally been male domains'.⁴¹ EU law has required governments to combat that by guaranteeing equal access to either sex, by encouraging women candidates and the recruitment and promotion of women in sectors and professions and at levels where they are under-represented. However, while in some countries -- such as Austria, Finland, Italy and Netherlands -- this has been tackled through quotas, in others, such as the United Kingdom, governments have believed positive discrimination to be unlawful.

Similarly, there are mixed views as to the impact of general managerial reforms on women. 'In all systems in which career development is exclusively based on seniority, women are the most disadvantaged as being child care givers,' says the EIPA. 'Performance-related promotion decisions are more encouraging to women. Special promotion competitions are the most favourable way for women civil servants because they are independent of previous achievements and length of service.'⁴²

On the other hand, one of the arguments in favour of clear pay scales based on seniority is that their transparency encourages equality of pay between men and women. Moreover, since the majority of carers are women, there is strong reason to believe they are disadvantaged by flexible systems based on performance.

In short, the impact of public management reforms on progress towards equal opportunities for women is one area in which there is clear diversity, and many paradoxes, between EU country experiences. The United Kingdom, for example, is well ahead of other EU countries in terms of putting in place flexible working arrangements to enable women to balance them with working life. Yet for many years the UK government blocked progress of an EU directive on parental leave which would have made it easier for men to take more of the domestic share in the period after the arrival of a new baby. Union initiatives to secure 'equal pay for work of equal value' -- although that

⁴¹ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.119.

⁴² *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.123.

is a principle enshrined in EU law -- is hardly known outside the UK, which has also -- unlike most of its EU partners -- based interviewing techniques on standard procedures supposed to equalise the chances of male and female candidates routinely in public service organisations for years. In terms of public services for working parents, however, other countries make the UK look Neanderthal. Moreover, one of the management reforms which has characterised the UK approach -- compulsory competitive tendering for a range of services in local government and hospitals -- has been damned by a report of the UK's official Equal Opportunities Commission (EOC) precisely for, in effect, discriminating against women. An EOC survey revealed that 77 per cent of the jobs lost as a result had been held by women; that women's employment fell by 22 per cent while male employment fell by 12 per cent in the cases studied; and that pay rates of jobs mainly occupied by women tended to fall as a result of tendering, while those mainly occupied by men did not.

The UK's compulsory competitive tendering regime is a special case, but according to analysis of 16 case studies of public welfare service reform in eight countries commissioned by the European Foundation for the Improvement of Living and Working Conditions, even in cases in which in other respects the initiatives had been highly successful:

'No systematic attention has been paid in public welfare service reform to equal opportunities policies in their widest sense, and in particular little attention has been paid to gender issues, despite the significant role of women in service provision and in the management of poverty in the home and local community.'⁴³

The German public service workers' union ÖTV has recently subjected public management reform initiatives in that country to an assessment of the extent to which women have been involved in their design and benefited from the results. According to the union's study, 82 out of 84 German large cities by 1995 had tried the New Steering Model, as the dominant approach taken to municipal reform there has been called, following both the vocabulary and the methods of the initiatives associated with the Dutch city of Tilburg. ÖTV disputes what it says is the frequent assumption that modernisation of public administration is gender-neutral, insisting that that cannot be so because, even if public service employment generally is shared roughly equally between men and women, the representation of women decreases the further up the hierarchy you go.

'Against this background,' says the union's study, 'there is a growing concern among female employees and among women's officers that women will be left out of the potential benefits of modernisation.'⁴⁴ It adds: 'Whereas everyone recognises that you have to differentiate between management and employees, the awareness that they are men and women is missing.'

The union studied management reforms in detail in four municipalities and discovered that in only one of them was the equal opportunities dimension built in. In the others, although there were women's equality plans, they were not integrated into management reforms, with the result that the equality issues were marginalised. A much wider survey of women's officers in local government found that

⁴³ *Public Welfare Services and Social Exclusion: The Development of Consumer-oriented Initiatives in the European Union*, p.103, Nicholas Deakin, Anne Davis, Neil Thomas, University of Birmingham, 1995.

⁴⁴ Title of ÖTV book to come. I am extremely grateful to Ariane Hegewisch of Cranfield University School of Management for her assistance with translation of the quoted passages.

only 15% of municipalities were actively informing and consulting women's officers about management reforms, and in 25% of cases the women's officers were not even kept informed about them.

The union concluded that the main factors excluding women from the processes were:

- structural -- because the promoters of reforms were in higher management levels, in which women are under-represented;
- cultural -- women were not pressing to be involved, and men in positions of power were doing nothing to involve them.

Since management reforms are typically involving decentralisation of responsibility, says the union, efforts to involve women in them and to ensure that women's opportunities are enhanced rather than further undermined by them also has to be decentralised, by placing appropriate responsibilities on line managers. In the one municipality in which the study found the equality dimension had been integrated, it was because, in addition to there being a central equal opportunities policy, line managers were made specifically responsible for implementing it. The union recommends that equal opportunities policies should be a consistent and explicit dimension of reform programmes; that equal opportunities issues should be incorporated into terms of reference and reports from consultants; and that evaluation criteria should explicitly include consequences for male and female employees.

13. Public management and ethics

The discussion in an earlier section about the problematical issues associated with measurement and appraisal of the performance of public managers, and how they are held accountable for their performance, leads directly to a central question about the ethical context in which managers operate. Flynn and Strehl point out: 'It is generally agreed upon that under conditions of increasing decentralisation and management focus, administrators find themselves in an area of tension between probity, efficiency and effectiveness, and are confronted with an increasing pressure of ethical issues and the question to whom they are accountable and for what.'⁴⁵

Although New Zealand is a long way from Europe, one would not think so judging by the extent to which that country's reforms have been promoted as providing answers to problems of public service management in Europe. It is, therefore, relevant to refer to the New Zealand case, and a recent government-commissioned assessment of its reform programme has shed important light on the connection between new public management and the ethical responsibilities of public managers. The report is in many respects a glowing one. It notes, for example that:

'Development of new means of accountability has been one of New Zealand's most conspicuous and important contributions to public management. The accountability relationship of purchasers and providers has stimulated the invention of new forms of contracting for and assessing performance. This relationship can be labelled, with only slight exaggeration, as accountability by

⁴⁵ *Public Sector Management in Europe*, Norman Flynn and Franz Strehl (eds.), Prentice Hall, Hertfordshire, 1996, p.266.

specification. No other country has accomplished what New Zealand has in building accountability into the framework of government.’⁴⁶

However, it is surely significant that the report concludes with the following observation:

‘In this report, as in the literature of public management, accountability and responsibility are sometimes used interchangeably. But the words lead down very different managerial paths. Responsibility is a personal quality that comes from one’s professional ethic, a commitment to do one’s best, a sense of public service. Accountability is an impersonal quality, dependent more on contractual duties and informational flows. Ideally, a manager should act responsibly, even when accountability does not come into play. As much as one might wish for an amalgam of the two worlds, the relentless pursuit of accountability can exact a price in the shrinkage of a sense of responsibility. Responsibility itself is not sufficient assurance of effective performance; if it were, there might have been no need to overhaul public management. Yet something may be lost when responsibility is reduced to a set of contract-like documents and auditable tenets of managerial responsibility, while strengthening the modern instruments of managerial accountability.’⁴⁷

Those comments do not amount to a plea for return to the past. Indeed, one of the criticisms levelled against the disciplinary systems in place in some civil services internationally has been precisely that, in focusing on what public servants should not do, they discourage the emergence of a more positive culture of promoting what they should do.

The way in which the changing environment is changing in turn the circumstances, if not the essential character, of the ethical challenges facing public service managers has been acknowledged by the OECD:

‘They are subject to greater public scrutiny and increased demands from citizens, yet they are also facing stricter limits on resources. They are having to assume new functions and responsibilities as a result of: devolution and greater managerial discretion; increased commercialisation of the public sector; a changing public/private sector interface; and changing accountability arrangements. In short, they are having to adopt new ways of carrying out the business of government’.

‘While public management reforms have realised important returns in terms of efficiency and effectiveness, some of the adjustments may have had unintended impacts on ethics and standards of conduct. This is not to suggest that changes have caused an increase in misconduct or unethical behaviour. But they may place public servants in situations involving conflicts of interest or objectives where there are few guidelines as to how they should act. There may indeed be a growing mismatch between the traditional values and systems governing the behaviour of public servants and the roles they are expected to fulfil in a changing public sector environment.’⁴⁸ (My emphasis - BM).

⁴⁶ *The Spirit of Reform: Managing the New Zealand State Sector in a Time of Change*, Allen Schick, State Services Commission, Wellington, 1996, p.84.

⁴⁷ *The Spirit of Reform: Managing the New Zealand State Sector in a Time of Change*, Allen Schick, State Services Commission, Wellington, 1996, p.84-85.

⁴⁸ *Ethics in the Public Service: Current Issues and Practice*, Occasional Paper No. 14, OECD PUMA, Paris, 1997, p.7.

That latter sentence bears re-reading, since it portends either a rethink about the value of the new public management school of reform from an ethical standpoint, or, alternatively, a rethink about the public service ethos from the standpoint of the efficiency gains said to be the product of new public management. The OECD does not come down on one side or the other:

‘It would be inappropriate to suggest that either the public administration or the managerial paradigm is superior, including for the management of ethics. Countries will draw their own conclusions based on their political and administrative traditions. But it would seem that a country’s ethics management regime should be consistent with its approach to public management in general. For example, it would be inconsistent to marry a strict centralised compliance based ethics infrastructure with devolved results-based management systems.’⁴⁹ Ominously, the OECD adds: ‘Governments may have to decide if there is an implicit trade-off between ethics and efficiency, and where the appropriate balance lies.’⁵⁰

A further set of ethical challenges arising from reform of the structure and methods of public service organisations is related to the undermining of managers’ employment security and fair remuneration systems, which have traditionally formed part of the bedrock underpinning the expectations as to their impartial and proper conduct. There is no doubt that recent changes in public services have increased the workload of public servants while restricting scope for improving their pay and conditions and that these and other factors have frequently undermined morale. There is no evidence that this had led public servants in the European Union into breaches of ethics at the criminal end of the spectrum (although there is abundant evidence in poorer countries that underpaying public servants has helped to sustain, and might have helped to cause, the widespread incidence of behaviour such as bribe-taking and moonlighting). Common sense suggests, however, that low morale, as well as pressure on resources, can contribute to unethical behaviour at the non-criminal end of the spectrum, in forms such as cutting corners, withholding information and failing to take enough trouble.

More concretely, the OECD points to an additional set of concerns. For example:

‘Is it fair to impose conflict-of-interest post-employment restrictions on employees who have lost their jobs in the process of downsizing? What happens if groups of employees leaving the public sector -- a real probability in cases where governments have decided to privatise or contract out whole services areas or functions -- decide to set up as a company and compete for public sector contracts? Does their “inside information” put them at an advantage vis-à-vis private sector competitors?’

It seems obvious that it does. What is less clear is whether there is necessarily anything ethically wrong with that. The experience and knowledge held by public service managers is a valuable resource that it would seem (not literally) criminal to waste. That can, indeed, be an argument against privatisation and contracting-out. In the event that a service is privatised or contracted out, why should not the advantages of doing so be wedded to the advantages of not doing so?

In any event, ethical failures in public service management can contribute not only to a decline in

⁴⁹ *Ethics in the Public Service: Current Issues and Practice*, Occasional Paper No. 14, OECD PUMA, Paris, 1997, p.8-9.

⁵⁰ *Ethics in the Public Service: Current Issues and Practice*, Occasional Paper No. 14, OECD PUMA, Paris, 1997, p.22.

standards in particular cases but -- perhaps even more importantly -- to a decline in civic confidence in governmental institutions, a trend with profound implications for the future of democracy itself. A rather banal example can, perhaps, serve to stress the corrosive effects. At a micro level, the ethical behaviour of public servants is a vital ingredient of service quality and efficiency, since, whatever services are supposed to do, what matters to citizen-users is what they actually do. So it is important that refuse collectors, for example, are expected to replace the lids of dustbins if that is a service standard the community wants. A municipality telling its staff to replace the lids and telling its service users it has told its staff to do so is, however, the easy bit. Employing staff in sufficient numbers that they have time to do it, training them in the importance of doing it, promoting a peer group culture in which they expect each other to do it and putting in place a management system able to generate and maintain such standards is a considerably tougher task. Failing to succeed at it, however, not only undermines the quality of the service but can induce or sustain a cynical view of the municipality's commitment to doing what it says, which in turn helps to erode confidence in democratic accountability.

Ethical tensions associated with the ways in which public service management is changing are not limited to structural reforms already noted, but can also arise from the changing ethos of public services. As the OECD points out: 'The concept of "loyalty to the Minister" or to the government of the day as a guiding principle for administrative action is challenged when public servants are also asked to directly serve another boss, "the citizen". In theory, there is no conflict between serving a government and servicing clients: clients get what they are entitled to, as determined by government policy. But in practice, in the interests of "responsiveness" and "service to the citizen", public servants are increasingly expected to use discretion in day-to-day dealings with citizens. In reality, this expectation often amounts to their balancing (or even defining) the "public interest" against taxpayers' interests, or against the individual clients' or 'customers'" interest.'⁵¹

What these tensions imply is that resolution of the conflict between 'traditional' systems of control and new management systems demands the emergence of new approaches to ethics, training and career development programmes. Some countries appear to be attempting to tackle the challenge in such as way. The EIPA study notes:

'A modern civil servant who works under his or her own responsibility and in teams, who is in close contact with political leaders and takes important decisions by him/herself needs a disciplinary system which contrasts sharply from the classical system. France is therefore currently working on a system which is moving away from a simply disciplinarian system to a genuine system of professional ethics for civil servants. From this viewpoint, the civil servant is becoming much more the subject of a professional ethic rather than a discipline. This debate on a new professional ethic for civil servants opened by the French government is still ongoing.'⁵²

⁵¹ *Ethics in the Public Service: Current Issues and Practice*, Occasional Paper No. 14, OECD PUMA, Paris, 1997, p.20.

⁵² *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.112.

One very broad brush approach comes from the Public Administration faculty at the University of Arkansas, which seeks out links with personnel relationships and training, and with a modern approach to public service management, in its definition of 'an ethical organisation' as one which:

- has a management philosophy based on a value system
- strives to balance stakeholder needs and interacts responsibly with diverse internal and external stakeholders
- is committed to learning
- is working to be best in its field
- encourages and supports morally courageous leadership and followership
- is committed to fairness and equity
- views responsibility as being individual and collective
- supports its employees by appropriate procedures, processes, practices (ethics codes/statement of ethical principles, education and training, equitable enforcement).

Yet, as we shall see in the following section, the tendency is to cut training and to undermine career development structures without putting new ones in their place.

14. Public management reform and training

'When cost cutting is in order, training is often the first thing to go, including induction and ongoing ethics training.'⁵³ So says a recent OECD study, and the record in various countries confirms it. Yet the new range of tasks and responsibilities thrust upon managers by organisational reforms implies there is a need for more rather than less management training, not least -- in view of the weakening in traditional forms of control -- in the field of ethics.

The vital role of managers in making reforms work is obvious enough, but the sheer scale of the problems they face is worth drawing attention to and has been well described by Flynn and Strehl:

'When ... competing demands are combined with a multiplicity of initiatives, managers can be overloaded. Maintaining service levels can be difficult while also introducing a combination of performance management, costing systems and quality initiatives. Sometimes, the initiatives themselves can be inconsistent, such as the devolution of performance management with insufficient delegation of powers, or the introduction of performance contracts with inadequate performance measures. Even when new systems have been introduced consistently, there has been a tendency towards information overload. Nervous central departments imagine that the production of a mass of retrospective statistics puts them in control. Middle managers are asked for information purely to satisfy people further up the hierarchy, rather than to help them manage better.

In turn, this can lead to distortion in the information flows which produces an incorrect picture of

⁵³ *Ethics in the Public Service: Current Issues and Practice*, Occasional Paper No. 14, OECD PUMA, Paris, 1997, p.19.

the success of the changes. For civil servants, the multitude of reforms causes confusion. Not only are traditional work methods challenged as people move from a requirement to conform to rules to a requirement to perform well, but the managerial instruments offered are diverse and in many cases new. There is frequently a suspicion that the overriding objective is to save money by making people work harder. Middle managers and workers naturally resist these efforts, which in turn makes other aspects of the reform process more difficult to implement.⁵⁴

Add to this cocktail a decline -- evident right across the EU -- in employment security for public managers and you have a heady concoction indeed. Yet the evidence suggests that training and career development programmes are not receiving sufficient attention in most countries, and that in some they are being undermined.

In Sweden, the National Institute for Civil Service Development was closed down in 1992, while in the Netherlands the State Training Centre has been privatised and there is now no national career development programme. In Austria, although 'topics like leadership, leadership style, motivation, pay and training are identified as being of primary importance for a positive long-term development and performance improvement for the federal public administration,' according to Flynn and Strehl's account, 'the major weaknesses are the lack of training and the underdeveloped performance appraisal system'⁵⁵. In the United Kingdom, 'there has been a complete lack of professional training and support for personnel officers to handle the tasks with which they have been faced' says a civil service union.

'The bigger, better resourced departments have coped but many of the smaller bodies have been in considerable difficulty.'⁵⁶

Similar contradictions are evident in the case of mobility. Some countries see encouragement of mobility between services as an integral part of reforms, and in the Netherlands, 'at the top levels, a change in position of employment and tasks is even required for promotion.'⁵⁷ In Austria, Belgium, France and Greece, mobility conditions are being simplified to encourage it, and Denmark and Finland are said to have used it as an active personnel development tool, while Ireland has taken steps to lower barriers between general administrative career paths and those applying to professional and technical staff.

However, a concurrent trend away from lifetime career security for civil servants, while it might be encouraging mobility between the private and public sectors, could be discouraging it within the public service by tying personnel to a particular job. And in Spain, according to EIPA, 'experience indicates the danger of excessive mobility;' because 'it has been observed that the need to

⁵⁴ *Public Sector Management in Europe*, Norman Flynn and Franz Strehl (eds.), Prentice Hall, Hertfordshire, 1996, p.269.

⁵⁵ *Public Sector Management in Europe*, Norman Flynn and Franz Strehl (eds.), Prentice Hall, Hertfordshire, 1996, p.196.

⁵⁶ *Civil Service 2000: A Strategy for the 21st Century*, IPMS, London, 1996, p.49.

⁵⁷ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.52.

continually change posts has led to deprofessionalisation.⁵⁸

⁵⁸ *Civil Services in the Europe of Fifteen: Current Situation and Prospects*, Astrid Auer, Christoph Demmke and Robert Polet, EIPA, 1996, p.53.

In the United Kingdom, fragmentation of the civil service pay and conditions bargaining arrangements has been blamed for undermining mobility. Under the previous centralised system, 'since all grades were covered by the same job evaluation system it was possible to relate posts across different bargaining groups and employers' and was therefore 'relatively easy to redeploy staff within a department, or even redeploy them to other departments'. However, 'none of this applies to the new arrangements' in which 'virtually every area has chosen a different pay and grading structure with different grade boundaries and pay rates' and 'each has a different performance pay system'.⁵⁹

15. Good practice? -- Case 1

Many, probably most, people in the United Kingdom would struggle to place Braintree on a map of Britain, yet the town's municipal council has won international acclaim. It claims to be the only local authority in the world to have all its services accredited under the ISO quality mark⁶⁰, which ranks it with major multinational companies. In 1994, Braintree won the not-for-profit organisation category in the first Management Today/Arthur Anderson best practice awards for service excellence⁶¹. And in financial year 1996/97, its achievements include:

- Receiving praise from the Audit Commission -- the UK's supervisory body for public service efficiency -- as one of seven authorities practising the best financial management techniques⁶².
- Being named by the UK's Local Government Information Unit as practising best practice in local democracy.⁶³
- Qualifying en bloc -- as opposed to only in some service departments -- for the third year running for the UK government's for Investors in People.⁶⁴

The council's strategy focused on achieving their targets in a style summarised, in its submission for the 1993 Bertelsmann Prize in five core values:

- We are customer-orientated.
- We believe in the abilities of the individual.
- We must be responsive and responsible.
- We believe in quality.
- We are action-orientated.⁶⁵

⁵⁹ *Civil Service 2000: A Strategy for the 21st Century*, IPMS, London, 1996, p.49.

⁶⁰ Furthermore, Braintree District Council claimed to be the first local authority to be awarded the BS5750 quality management standard for its entire IT function (*Computer Weekly*, 19/8/1993, p.4).

⁶¹ Roger Trapp, 'Lifted by the best practices -- Management Today/Arthur Anderson Awards', *The Independent on Sunday*, 29/5/1994, p.14.

⁶² Simon Leek, 'Council is one of the Best', *Braintree and Witham Times*, 17/4/1997, p.1.

⁶³ The publication, *Hear Hear*, looked at good practice in local government, and named Braintree as demonstrating best practice in local democratic development.

⁶⁴ Simon Leek, 'Council is one of the Best', *Braintree and Witham Times*, 17/4/1997, p.1.

⁶⁵ These five core values are set out in the pamphlet, *Braintree Means Business: Submission for the Bertelsmann Prize 1993*, Braintree District Council, pp.1.

The next stage of Braintree's strategy was to operationalise these core values by establishing, firstly, how well they were performing and, secondly, setting service guarantees agreed by all stakeholders to be desirable and achievable. This led to a system of performance appraisal applied not only to employees but also to council committees, departmental directors and councillors. The essential feature of the system is a spiral of 'continuous improvement loops'. 'As the needs of the organisation change, the employees are told, and in turn they explain the consequences of the change as they see them.'

The 'loop' operates through a number of stages:

- Council committees conceive their policies and what will be required to turn them into strategy.
- Council officers collate the information required.
- The information is then formulated into the corporate strategy, which is used to set targets throughout the council.
- Each council committee then sets targets to effect its strategy.
- These targets then become the draft annual plan for the following council year.
- There then follows a period of negotiation, whereby the requirements of each council committee are matched to the available resources.
- Once any conflicts have been resolved, the goals are incorporated into the annual plan. Targets may be fixed with fixed achievements dates or are ongoing with fixed review points.
- The directors then receive strategic targets from the councillors at their performance appraisal panels.

The main concerns voiced by the employees, when Braintree adopted the system, centered on the increase in workload. Braintree UNISON branch vice-Chair David Triggs recalls that it involved 'an incredible work load at the time to go through all seventy odd procedures.'

Michael Letch, Braintree's Quality Management Advisor, comments:

" Braintree has built a quality improvement programme out of many different philosophies, choosing the appropriate steps from each. None of the steps have been revolutionary, or innovative. Individually, they have been seen before. What is different about Braintree's approach is that they have been applied in a steady and systematic way. We recognise that quality is a journey, not a destination, and at all times our aim must be to define and improve good service practice."

In 1996, it was decided that a formal partnership agreement should be signed between the recognised trade unions committing both sides to:

- work together in trust and openness;
- share information about the working of the council;
- contribute to open communication with all staff;

- make practical and forward looking decisions;
- spread confidence by acting responsibly;
- work within nationally negotiated frameworks;
- secure competitive local conditions of employment;
- work hard at creating a truly harmonised workforce;
- focus on meeting the council's objectives.

The values underpinning the agreement are declared to be that:

- We value staff and want them to trust their employer and their representatives.
- Every member of staff shall have an equal voice.
- We will treat all staff fairly and without favour.
- We will seek the views of staff before making a decision that may affect them.
- We will take action together to ensure all parties deliver on their high standards.

According to UNISON's David Trigg:

'We feel that we're involved and consulted at every important decision making process that's made throughout the council. Even if are views aren't necessarily acted upon to our liking, we have always got the opportunity to register our point. We do feel that we have got a very good relationship, on the whole, with management.'

Good Practice? - Case 2

The World Bank is not in the habit of praising the initiatives of the Brazilian Workers' Party (Partido dos Trabalhadores (PT)), but this year's World Development Report, which focused on the role of the state in a changing world economy, noted:

'In Porto Alegre, Brazil, an innovative process of public investment planning and management was launched in 1989, to mobilise citizen groups to take part in formulating the municipal budget. In 1995, some 14,000 people were engaged in the process through assemblies and meetings. Indirectly, an estimated 100,000 people were linked to "participatory budgeting" through local associations and popular organisations.'⁶⁶

An example from Latin America is not obviously appropriate to a report on public management change in Europe, but is included here because of it adds a dimension usually lacking in discussion of public management reform in the EU context and which unions might think worthy of addition to the policy mix. Managers, too, might be attracted by Porto Alegre's record of producing financial efficiency. In a paper for a conference organised by, among others, the World Bank and the Organisation of American States, Zander Navarro wrote: 'Porto Alegre is one of the few Brazilian capitals, if any, to show an unusual record of a healthy financial management entirely under control.'⁶⁷

⁶⁶ *The State in a Changing World*, World Development Report 1997, World Bank, Washington, D.C., 1997, p.122.

⁶⁷ 'Participatory Budgeting' -- the case of Porto Alegre (Brazil), Zander Navarro, p.i.

The machinery of the participate budget, like the projects which it has produced, has itself taken shape only through a consultative process. City-wide open meetings and open meetings in each of 16 districts form the base of what has become a somewhat complex organisational machinery. Each of the 21 bodies holds two open meetings per year, early in what has become an established annual cycle. The meetings are attended by any citizen who chooses to turn up but in practice are dominated by representatives from various civil society organisations.

Chief executive Cezar Alvarez says the next stage of the reforms will change relationships internally:

‘We need to develop decentralised operations as well as decision-making. At present our methods of work do not correspond to the necessity of the way people decide. This demands new ways of working internally. The participative budget shows we cannot do it the old way any more. But there is a very strong culture of resistance to change internally.’⁶⁸

Good Practice? -- Case 3

A reorganisation of the tasks of ancillary workers in a group of Danish hospitals and social care institutions is simultaneously challenging efficiency, service quality, job satisfaction and gender inequality among the workforce. Developed by the Union of Public Employees (FOA -- Forbundet af Offentligt Ansatte) and its allies in the Danish Confederation of Municipal Employees (DKK), with the support of the chief executive of Frederiksborg county council, the programme involves reorganising all the ancillary workers into largely self-managed teams in which each member can carry out a range of varied tasks. Hitherto, the employees’ roles had been more specifically defined -- cleaner, porter, etc. -- and the mainly male porters enjoyed higher status and better pay than the rest of the largely female ancillary workforce.

The programme grew out of the county’s financial problems in 1994. Needing to make savings, the county decided to cut personnel numbers in its around 100 health and social institutions, which between them employed some 90 per cent of Frederiksborg’s staff. The employees’ seven labour unions urged management to try another way and made proposals which chief executive Jørgen Iversen described as ‘too good an opening to ignore’. In April 1996, Iversen commented: ‘It is fantastic that we were able to produce four operational reports in two months and two years on they are still the basics of what will be implemented. Savings are no longer a factor at all -- this is about human resource development. All the textbooks about human resource development tell you that if you do it to make savings, it will make the process if not impossible then certainly very difficult.’

In September 1996, the workers involved began taking it in turns to go on 15-week training courses, with the whole of each new team taking part in the same course while temporary staff covered their jobs. The first six weeks of each course are devoted to developing the employees’ capacity to work as a team. Only then do the workers go on to learn, over the following nine weeks, the new tasks they will be expected to tackle under the flexible arrangements.

⁶⁸ Personal interview, October 1996.

Both management and unions agree that the impetus for change came from above but that if it were reversed now there would be rebellion from below. On the other hand, the reorganisation has not been universally welcomed by the employees themselves, whose attitude is said to be divided broadly along gender lines. One of the cleaners' representatives, Ruth Olson, of the Women's Union, has said: 'At first the cleaning staff were concerned that the changes would lead to lower quality of work. Now everybody is looking forward to their new jobs. But the porters still feel it is a rope around their necks.'

Training will not stop after the 15-week courses. The whole idea of the new approach is that the workers should continue to develop, individually and collectively, as a normal part of their working lives in a 'learning organisation'. The latter is the buzz term comfortably adopted by all concerned in Frederiksborg. Helle Stuart, a consultant with the FOA union who had a leading role in designing the changes in consultation with the staff, comments: 'The intention is for a very broad area for self-management, deciding on their own schedules, off-days, and so on. But this will develop over time, it is unrealistic to begin with.'

Good Practice? -- Case 4

Both major local government unions in Sweden, SKAF (Kommunal) and SKTF, have developed models which have demonstrated the possibility of simultaneously reducing costs, increasing quality, protecting employment and improving job satisfaction. In the health and social welfare services, it is the Kommunal model that has especially enjoyed widespread application and success. The union has set up a special development and management unit called Komanco which sells its services to municipalities at commercial rates and has been starting around 60 new projects every year since 1995. Komanco's brochure maintains that 'tax increases are no longer possible' and that 'municipalities and county councils cannot count to any great extent on being able to solve problems with the help of increased resources'. Instead, it adds, 'on the basis of existing (and occasionally even smaller) resources, they must ensure that they do the right things in the right way'.

The union-owned company takes its title from the name the union gave to its model, Kom An!, meaning Come On! It is led by Lars-Åke Almqvist, who had pervasively for several years been a trade union officer of the more conventional type, and who is now the union's vice-president. Recalling the early days of his union's change of approach, Almqvist says:

'Faced with demands from employers for cuts in public services or privatisation, SKAF realised that just trying to refuse changes is not very constructive, especially as some of the accusations of inefficiency in the public services have definitely been true. In fact, we had for many years stressed that the traditional hierarchical organisation of work in local government administration must inevitably be inefficient if it does not involve the knowledge and experience of the employees. So we started to develop a model to build more efficient, non-hierarchical organisation by involving the employees, with the aim of saving money without making people redundant.'⁶⁹

⁶⁹ Comments from Lars-Öke Almqvist are based on interviews conducted at various times between May 1994 and August 1997 and on his own writings.

What happens is that, soon after a decision has been taken (jointly by management and unions) to set up a project in a workplace, all the employees are informed and divided up into groups of up to 12 people. Each group elects a tutor from its membership while a project leader is appointed by agreement between management, unions and Komanco. The tutors lead the process of drawing out from their group as many ideas as possible to improve services and reduce costs. This process takes several months, during which time the tutors have eight days of special training from Komanco, in four lots of two days. The project leaders also undergo that training, as well as an additional day dedicated to their specific roles.

In the municipality of Östersund, 147 tutors were elected from among 1,800 employees for the Kom An! project in the health and social services there, which began in 1995. Östersund's political leaders wanted savings of five per cent over the following year, while the union wanted to improve work quality and safeguard jobs. The workplace groups had a series of meetings, led by their increasingly competent tutors, which consisted mainly of brainstorming to identify ways of improving quality and cutting costs. The process produced an astonishing 800 ideas for large and small changes.

The project leader was Ingrid Gustafsson, who, as well as being a nurses' union (SHSTF) representative, held a management position in a department providing services to people with disabilities. Among the major lessons Gustafsson has learned from her role in the project is that 'from the beginning there needs to be a very strong commitment from the steering group and from management to respond to ideas coming from workforce.'⁷⁰ That commitment fuels the process, making it possible to produce both short-term and longer term benefits. 'The most important thing is not the fact that we save a bit of money but the change process itself -- it has created a new working environment.'

Almqvist says: 'The process has enabled employees to see they can make big savings by working together in a different way. They are developing team work at the same time as developing themselves as individuals. Their training needs are identified and personal initiative encouraged. The more people get to control their own jobs, the more interesting it becomes and the greater their job satisfaction. It leads to better management and pay systems, which produces real job security in the long run because it is the only way to increase productivity.'

16. A new union approach

The experience of public service management reform suggests that it brings both threats and opportunities to public service managers and their unions. In exploring elements of a trade union approach to the subject, a number of issues emerge.

⁷⁰ This and all other comments from Kom An! project tutors and project leaders are drawn from personal interviews conducted in 1997 in January 1997.

Issue 1: Taking the offensive

In two of the cases outlined above, those in Denmark and Sweden, unions have taken the offensive, but in doing so they have not eradicated the threats but have sought to shape the negotiating agenda in which they are addressed. Unions in other countries are also reported to be reaching agreements about their involvement, with positive results. In Belgium, unions at the provincial level have reported the introduction of a collective labour agreement covering technical staff, secretarial staff, police, firefighters and health staff and aimed at achieving more efficient public services and higher quality through enabling managers and other employees to adapt to new working methods, and providing for increased pay and training opportunities.

In Austria, unions say they have encouraged collaboration to improve communications with employees and to have wider discussions with citizens, and that they have been involved in discussions about responsibility for identifying how to manage hospital beds use more effectively. This is said to have produced savings and greater staff efficiency.⁷¹

In the United States, too, public service unions are increasingly shaping public service change through labour-management committees. In particular, what is striking about those two cases in particular -- and there are others like them -- is that unions are taking steps towards more involvement of front-line employees in shaping change and in managing services, and that trend perhaps emphasises the heterogeneous impact of public service management reform on different groups of employees, and especially the challenge to middle management.

Issue 2: Dialogue, involvement and participation

On the other hand, if union strategies rooted in preserving the status quo in defensive ways are not only unsuited to the times but doomed to failure, that does not mean unions can get involved at any price. Where hostile solutions are being imposed stiff resistance and the kind of means of organisation and struggle unions have developed over the years is clearly necessary. If it is important to have something to say at the table, it is no less important to keep well oiled the means of persuading employers to meet you there.

A fundamental is that unions and employees must be involved in processes of change, not only because that is good industrial relations and employment practice but also because it can improve the process and outcomes of change. Therefore, maintenance of the institutions and processes of social dialogue, at all levels, is a prerequisite. As well as being the basic platform of fair employment, it enables conditions in which the experience and knowledge of managers and the people they manage can be fully mobilised as a resource, which is often wasted in the process of top-down management reform.

Issue 3: Values and objectives

Unions, in general, share with governments and management the overall aims of using public resources as efficiently and effectively as possible, but define these aims within their imperative of promoting secure, fair and quality employment for their members, and democratically accountable public services of high quality for the people their members serve. The way in which some

⁷¹ Notes from AFETT/EPSU seminar, Brussels, October 1996.

governments and public service employers have addressed management change is as though those aims are irreconcilable. Unions are showing it need not be so, and are promoting approaches which achieve simultaneously the three sets of objectives around which politicians, managers and unions can unite, if there is an atmosphere of goodwill and institutions to nurture it, namely:

- more efficient use of public money
- higher quality services
- secure, fair and quality employment

Issue 4: Diversity

It is one thing to proclaim such goals, another to achieve them, especially against the background of the different political, institutional and industrial relations traditions and environments of different countries. There is no one simple answer across Europe, even though common features emerge. Nor is there any template, good or bad, to impose from outside or above. As John Stewart and Kieron Walsh argue:

‘What has to emerge if the changes are to be successful is a new balance as institutional traditions interact. The danger is that the balance is not likely to be achieved if management change is based on an uncritical adoption of approaches developed for the private sector. That is to assume that there is a generic approach to management which can be applied in all circumstances. Organisation analysis of management in the private sector has shown that management varies with the technology of the task and that service management has to be distinguished from the management of manufacturing processes. There are distinctive tasks in the public domain, but there are also distinctive purposes and conditions. It is for this reason that the private sector model is inadequate as a basis for management.’⁷²

They go on to emphasise that this does not mean public services can learn nothing from private sector management, only that ‘the test must be as to whether these approaches support the distinctive purposes, conditions and tasks of the public sector,’ adding:⁷³

‘One of the dangers of the emerging patterns of public management is that approaches that have value in particular situations are assumed to have universal application. Public organisations carry out a wide range of activities subject to very different conditions. If, in the past, there were dangers in the universal application of direct provision of services in organisations structured by hierarchical control, there may, equally, be danger in the new assumptions that are replacing it, if universally applied.’⁷⁴

⁷² ‘Change in the management of public services’, John Stewart and Kieron Walsh, in *Public Administration*, Vol. 70, Winter 1992, p.511.

⁷³ ‘Change in the management of public services’, John Stewart and Kieron Walsh, in *Public Administration*, Vol. 70, Winter 1992, p.511

⁷⁴ ‘Change in the management of public services’, John Stewart and Kieron Walsh, in *Public Administration*, Vol. 70, Winter 1992, p.512.

Issue 5: Leadership and empowerment

The evidence suggests that success comes through a combination of clear leadership from above and empowerment from below, not only in the process of change itself but as core principles of new styles of management in the longer term. A participative workplace in which employees at all levels are empowered to use their judgement and discretion creatively and to co-operate with others in a mutually supportive and non-authoritarian atmosphere is one which can be more responsive to the people it serves. Emphasis needs to be on improving processes and the contribution of each to them, which in turn demands open sharing of information throughout an organisation.

Issue 6: Efficiency

It also implies making the case for a long-term view of investment and efficiency, rather than short-term cost cutting dominating the reform agenda and producing a downward spiral of efficiency and quality as well as of employment security and quality. That in turn points to the need for budgeting systems which recognise how investments in one place and at one time can produce savings in others.

Issue 7: Security

But what incentives do managers and employees have to participate in such a way, to release knowledge about how to improve services and reduce waste, if they fear the price they will pay for change is to lose their employment or negotiated terms and conditions? Flexibility must be firmly rooted in security. Employees cannot be expected to move away from clearly defined sets of tasks into more flexible ways of working if their increased productivity is used to destroy jobs. The paradox is that the condition of job flexibility is employment security, just as employment insecurity produces incentives to resist job flexibility. However, since productivity increases are among the key aims of management change, it implies a commitment at a macro level to employment policies related to the expansion and development of services to meet growing and changing needs.

Issue 8: Flexibility

On the basis of security, however, it is possible to unleash a great deal of flexibility in what employees do and how and when they do it. The experience is clear that rigid, hierarchical structures and ways of working are outmoded, and that employees no longer want to work in them any more than service users want their results and taxpayers can afford their costs. New ways of working, both in teams and individually, based on releasing the creativity, knowledge and experience of employees, is one of the essentials of effective reform. But it is a contradiction in terms to impose it - it must be enabled and encouraged and supported.

As with flexible tasking, flexible work time can work either for or against employees. As many try to change the balance of their working and domestic lives, there is a real need for part-time working arrangements and job-sharing, usually for specific periods. Similarly, public service users need services to be open at times which suit them in an age when they are becoming used to be able to buy groceries and check their balance of payments at all hours. Union-led initiatives in Germany have shown how these different interests can be very effectively reconciled through more devolution or working time management to staff who to cooperate to tailor each individual's working time to

her or his needs while shaping the working time of the team as a whole to the needs of service users. This is not only a fairer way of matching employees' needs with those of users, but is also more sustainable and conducive to the provision of quality service.

Issue 9: Incentives

That does not mean, however, that employment security and increased job satisfaction -- important and fundamental though they are -- are the only incentives managers and their staff deserve or need to respond positively to the reform of their workplace organisations. Other incentives are necessary, too. But PRP demonstrably does not work, and tends to undermine the very motivational assets of responsibility and commitment which it is supposed to enhance. Financial rewards for particular achievements, particularly those which are designed to strengthen rather than undermine team working, sharing of information and mutual support, may well have their place, but it is probably more important that, as their contribution to improved efficiency and quality manifests itself, managers and other staff see that reflected in their prospects, for career development, skills acquisition and future financial rewards.

Issue 10: Targets, measurement and tools

But how is their contribution to be measured? Although it is obvious that performance indicators must be closely related to policy goals, research indicates that this is often not the case, with the result that pursuit of performance indicators can actually steer an organisation away from its planned goals. Similarly, when quantitative values are applied to services not easily measured in quantitative terms, inappropriate performance indicators can be the result. Therefore, consultation and negotiation with affected personnel, and their ongoing involvement in definition of efficiency and quality targets and in the criteria and processes through which their attainment is measured, is essential not only to a fair workplace but also to producing a learning organisation.

External or top-down imposition of performance management and appraisal tools is bound to alienate those to whom they are applied. It is the difference between being passive victims of evaluation and being agents and partners in improvement and evaluation, in an environment in which responsibility is valued as highly as accountability. The latter approach also helps to ensure that not only financial criteria but also criteria deriving from service quality and good employment standards are reflected in performance targets.

Similarly in the case of technology, public service managers and other employees should be able to help define its nature and application to improve the way in which they do their jobs in workplaces in which health and safety are protected, rather than being treated as extensions of imposed technology and its applications. This does not imply a veto; it does imply involvement and participation.

Issue 11: Career development

All of this demands a new approach to career development. Much of the emphasis here is on less hierarchical organisations with more team-based self-management and individual responsibility. The threat to middle managers in such organisational change is obvious. They too must be involved in the process of change and enabled to learn, through on-the-job and off-the-job training, the critical new skills and approaches which define their changing roles, such as acting as internal consultants, coaches and mentors. This implies new career structures based around rewards and promotional possibilities arising from acquisition of skills and experience in place of the eroding career paths related to seniority.

Issue 12: Ethics

The kind of public service management environment outlined above implies, especially, the need for social dialogue about what the OECD has called the 'ethics infrastructure'. As Flynn and Strehl have pointed out, 'it is generally agreed upon that under conditions of increasing decentralisation and management focus, administrators find themselves in an area of tension between probity, efficiency and effectiveness, and are confronted with an increasing pressure of ethical issues and the question to whom they are accountable and for what.'⁷⁵

Public Services International has tried to address these issues, focusing on enforceability as well as content, in the approach recommended by its Managerial Staff Working Group to consider the issue. Urging transparency as a core condition of an ethical environment, PSI states unequivocally that 'ethical managers act (and are seen to act) in such a manner that they do not use their position for further any scheme or project or contract in which they have a personal interest'. More positively, PSI point also to an imperative on managers to 'perform the duties of their office with skill, care, diligence and impartiality', to 'respect the appropriate privacy of personal information', and to 'aim to provide as open and free an information system as is possible for use by politicians, workers, users and the community'. Managers, says the PSI, should also promote and protect 'whistle-blowing', as well as giving 'full support to the concept of political neutrality'. Emphasising the positive implications of such an approach, it adds:

'Such whistle-blowing legislation of policies are not restricted to corruption and dishonesty. The concept of wrong-doing extends to mismanagement in general and, where workers have tried unsuccessfully to bring to attention, it too should be exposed. It is interesting to note that in Sweden, not only is it acceptable for a public servant to reveal these matters to the news media but it is illegal for a politician to try to discover from the journalist the source of the story.'

Stressing also the conflicts which shape a manager's ethical choices, PSI points out that 'managers have at least five sets of accountability relationships: to their politically elected leadership; to taxpayers; to the users of their services; to their staff; and to other members of the management team.' The regime begins to sound so onerous that it is perhaps not unreasonable to suggest, within ethical bounds, a sixth -- to themselves! Especially since PSI adds:

⁷⁵ *Public Sector Management in Europe*, Norman Flynn and Franz Strehl (eds.), Prentice Hall, Hertfordshire, 1996, p.266.

Issue 13: Training

‘Managers should provide leadership models for their organisation and for their staff. This leadership is not merely a matter of rhetoric but of practise. In other words, managers should not just practise that they preach, the usual aphorism, but be prepared to preach what they practise, a much more committed approach to defending one’s behaviour. As part of this leadership, managers have a specific responsibility to provide training and development to their staff. Such training should encourage all staff to maximise their potential personally, professionally and in ways suited to the best delivery of the service’s output.’

Training in new ways of working, team building and other skills associated with flexible and improving organisations is essential, as is training in the use of new production methods and technology. Some such training can be done on the job, and, indeed, needs to continuous there. It also requires, however, the maintenance and adequate funding of training institutions suited to the purpose, and access in work time to them for managers and other staff. They have a vital role to play in the induction and orientation of new entrants to public services as well as retraining and reorientation of long-serving personnel, especially senior and middle managers.

Unions and employees also need to be able to help shape the curriculum of such programmes, so that their approach to issues such as policy management, strategic planning, change management, project management, leadership and organisational development finds expression in the way in which new and existing generations of managers are being trained in new competencies linked to recognised frameworks of qualifications. Such programmes must also include training in gender and race awareness as essential components of a new body of public service ethics.

Issue 14: Equal opportunities

However, the incorporation of those issues into public management reform cannot wait. It also demands that the goals and processes of change is reoriented to reflect goals of equal opportunities for women and minorities, issues which have signally been overlooked and even undermined in many of the approaches to public service management up to now. It could be that one of the many key strategic alliances unions need to construct and nurture in their attempts to shape the future of public service management is with women’s and equal opportunities officers in public service organisations, to work together for their mutual full involvement and participation.