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THE PUBLIC SECTOR IN THE 1990s:
ITS ROLE AND EFFECTIVENESS

Report on a meeting of trade union experts
held under the Labour/Management Programme

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Paris 1991

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Experts' Meeting 1991-2

THE PUBLIC SECTOR IN THE 1990s:
ITS ROLE AND EFFECTIVENESS

Report on a meeting of trade union experts
held under the OECD Labour/Management Programme

(Paris, 18th-19th April 1991)

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Summary

As part of the OECD's Labour/Management Programme for 1991, a Meeting of Trade Union Experts on "The Public Sector in the 1990s: its Role and Effectiveness" was held in Paris on 18 and 19 April 1991. The Meeting was prepared in co-operation with the Trade Union Advisory Committee to the OECD (TUAC).

There is increasing awareness in OECD Member countries that economic competitiveness and the effectiveness of social policies depend largely on the role occupied by the public sector and on its performance. Reforms have been undertaken aiming generally to restrict the public sector's field of action in order to reduce public spending and expand the market sector. Internal reforms have also been introduced to break down some of the obstacles to flexibility in the public sector. As a rule, these measures have been criticised or opposed by the trade unions. It would seem that, as regards the next ten years, government authorities and the unions are agreed that policy emphasis must be placed on modernising structures and the internal workings of the public sector to enable it to fit in better with the economic activity of the country.

The Meeting provided an opportunity to examine the public sector's role in meeting the challenges of the 1990s. Considering the heavy new pressures on public spending, which raise important questions concerning government action, the following main themes were discussed: do present or planned reforms point in the right direction? how may the public sector be managed so as to achieve greater effectiveness and savings while preserving traditional standards of service? how may responsibilities be better shared? what changes should be made in labour management and pay systems? how can working conditions be improved? how can customer needs be better satisfied?

The following Report summarises the proceedings of the Meeting of Experts. It was drafted by Mr. Marcel Pinet, {Conseiller d'État} (France), who had been appointed Rapporteur-General.

A list of those taking part in the Meeting is attached in Annex.

THE OPINIONS EXPRESSED AND ARGUMENTS EMPLOYED
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FINAL REPORT ON THE MEETING

by

by Mr Marcel Pinet,
Conseiller d'Etat (France)

The public sector's role in economic activity and social organisation, as well as the modernisation of public administrations and services, have for the past twenty years come under increasing scrutiny in all the economically developed democracies. Both nationally and internationally these issues have been the subject of numerous high-level analyses.

This paper is not intended as one more item on that already long list. Its purpose is rather to attempt a general long-range assessment of how these questions may be expected to develop during the last decade of the 20th Century, as that decade begins, in the light of a symposium attended by Trade Union representatives from fifteen countries (see Annex). Those present expressed the opinion of workers and public sector employees on the issues under discussion, the merits of the national policies being pursued in the matter and the probable medium-term outlook.

The role of the public sector in the economic and social context varies greatly, and sometimes radically at present, from country to country, but there is little reason to expect any major turnaround during the 1990s in the national policies practised over the past ten years. Differences in approach and action will probably continue to exist, along with the domestic tensions that some types of action generate within national populations. There does seem to be, however, greater national and international agreement on the need to modernise the public sector and reform thoroughly its methods of action and its goals. This Report will attempt to explain this conclusion.

1. The role of the public sector in the economic and social context of the 1990s

1.1. Defining the public sector

The components of the public sector may be classified in descending order according to how marked their public character is:

1.1.1. Ministers and their departments dealing with the traditional "sovereign" functions of the State -- foreign affairs, finance, budget, taxation, police, defence, justice, national administration, public works.

1.1.2. Ministers and their departments dealing with more recent governmental concerns and administering certain broad subjects of national interest -- for example, agriculture, industrial development, labour regulations.

1.1.3. Public services, that is to say, activities of public interest responding to the collective needs of the population -- such as education,

health, postal services, telecommunications, radio and television, energy production and distribution (gas, electricity, fuel), water supply, sewage treatment, waste and refuse collection and disposal, rail/sea/air transport, city and intercity public transport. These activities may be exercised by:

- government departments
- local authorities
- national or local public agencies
- private agencies subject, under special legal or financial arrangements, to control by central or local authorities
- or by purely private interests.

1.1.4. Commercial or industrial activities normally the province of the private sector but government-run by "public enterprises" taking various legal forms -- for example, in banking, insurance, motor vehicle production, aeronautics, arms manufacturing, electronics.

This Report deals primarily with the first three categories. Because of its limited length, however, it is not possible always to distinguish adequately between services to individuals and services of an economic nature (e.g. transport, telecommunications), which are more affected than the former by change.

1.2. The situation at the beginning of the 1990s

Two main features characterise this situation:

- the difference between countries
- a general tendency, with a few exceptions, to restrict the public sector to some degree.

1.2.1. Attention must be paid to the differences between national situations

The public sector in the countries concerned is composed of a variable mix of the categories outlined above, giving rise to considerable diversity in their situations.

It is true that most OECD Member countries devote a similar proportion of their public spending to police, defence and traditional administration. The per capita share for infrastructure, public works and amenities is also roughly similar. But differences exist in the amount budgeted for satisfying community needs in terms of welfare or employment-related spending.

Some countries (such as the United States) devote only a very limited share of their budget to the public sector, whereas others (such as the North European countries, Sweden in particular) have an extremely large public sector.

It should be emphasised that this contrast has nothing to do with the level of economic development or growth potential of these countries, on the standard of living of their population: this should be kept in mind when discussing the argument that economic growth and rising living standards depend necessarily on reducing the size of the public sector.

1.2.2. The overall trend is towards a smaller public sector

Apart from countries where nearly all social needs are shouldered by the State or local authorities (e.g. Sweden and Finland) and where this situation remains unchanged, government policy has been to cut down, more or less extensively, the size of the public sector. The choice of the extent of the public sector is a political decision to be taken by government authorities.

1.3. The reasons for limiting the public sector

Awareness of the public sector's economic and social impact has engendered what is called the "crisis" in the public sector, but political and ideological considerations are also involved.

1.3.1. The weight of public sector activities in the national economy

For a long time, public sector activities were considered from a purely financial standpoint, i.e. as reflected in the budgets of central and local government and public institutions. Nowadays, every country seeks to gauge the importance of these activities for the national economy, ascertain the proportion of GDxP devoted to them and assess the effects on the major economic and monetary balances of using resources in this way.

Because countries define the public sector and what it contains in a variety of ways, international comparison is often difficult and must be handled with caution. One certainty, however, is that in all countries the proportion of gross domestic product devoted to the public sector has been rising so steadily and steeply that a large, often major percentage of the public, and thus the electorate, as well as the authorities, agree not merely that the rise must be halted but that the proportion itself must be reduced. Furthermore, the fiscal burden has not always been fairly shared, with the result that tensions and differences of opinion have arisen between those who pay more and those who pay less.

1.3.2. Public sector activities distort the market economy

Public sector activities involving production and marketing of goods and services can directly distort market rules, particularly when monopolies or virtual monopolies are created or public enterprises are sheltered from normal market risks, in particular that of failure as a result of the free play of competition, when public funds are used to cover trading losses.

Even in the traditional fields of public administration, public sector activities can interfere with normal market operation by the promulgation of regulations that may create constraints and obstacles capable of hampering or even stifling private initiative and entrepreneurship.

1.3.3. Unwieldiness of government action

Wherever government regulations are imposed, businesses and private citizens find themselves having to apply to government departments in order to

obtain permits, comply with before or after inspection requirements, and so on. Officialdom everywhere has long stood accused of using old-fashioned methods, failing to heed the importance of such things as allowing for delayed reaction, simplifying procedures or simply being available for consultation by the taxpayer or user.

Matters are made worse by the fact that government departments are not much concerned with the effectiveness or cost-benefit efficiency of their action and do not always have the most up-to-date technologies at their disposal. They are often thought of as paying too little attention to changes in society and mentalities.

1.3.4. Ideological and political considerations

Quite apart from the economic considerations mentioned earlier, the role of ideological and political choices must not be underestimated. It might even be said that these choices have determined government policy and that analyses by the economists are used merely to provide justification. The past ten years have seen a strong come-back by liberal economic theories, sometimes pushed to extremes.

1.4. Ways of restricting the public sector

Central or local government authorities have, in their respective spheres, used the following measures to reduce the weight of the public sector.

1.4.1. Review of the scope of the public sector, which has been reduced in various ways under the general heading of "disengagement", mainly through the privatisation of public enterprises or the transfer to private management of activities that had formed part of the public sector (energy, transport, communications, health, education, etc.).

1.4.2. Subcontracting public service work to private firms.

1.4.3. Lifting or relaxing regulations affecting the business sector (commonly called "deregulation") in order to stimulate private enterprise and encourage innovation; also changing the procedure for framing regulations by consulting the private interests concerned.

1.4.4. Measures to cut public spending:

- * reducing the scale of government intervention
- * introducing payment or part-payment for formerly free public services
- * raising public service fees, practising a policy of realistic prices to make the customer pay the actual cost
- * staff cuts (either forcible, by dismissal of serving staff, or more discreet, by not replacing staff departing for natural causes - retirement and death - together with some reshuffling of posts from non-priority to priority services)

- * slowing or stopping the rise in the public sector wagebill, or even reducing it, by deferring pay rises, imposing a wage freeze, or indeed lowering certain components of pay, at the risk of widening the gap that often exists between average pay in the public and private sectors
- * slowing down, freezing or cutting back on capital investment, even if this means failing to maintain or replace existing infrastructure.

1.4.5. Rethinking the structural elements of public service activities

- * review of public sector employee status, sometimes making changes where it is considered to be too highly protective or inflexible, notably as regards security of employment
- * challenging the trade unions' role in public sector operation and union attitudes towards the government authorities regarding the problems posed by the public sector crisis (sometimes to the point of showdown).

1.5. Reactions to cutbacks in the public sector

1.5.1. Public opinion

Over the past ten years, public opinion has been voiced with increasing vigour and frequency in open debate on the public sector, through the media (press, radio and television), political parties, interest groups and in other fora.

The authorities have often quoted, and sometimes even curried, public opinion to support and justify the kind of action described above.

The usual subjects of public controversy are the public sector's size, its working methods, functionaries' attitudes, trade union tactics, and the failure of public employees to ensure uninterrupted service. Where the last point is concerned, criticism focuses on strikes that paralyse "essential" services, given that the monopolistic position of the public sector rules out the existence of private replacement services. There are also complaints that public employees do not always honour the rules governing strike warnings and skeleton services, are rarely punished and do not even have their salaries docked for striking.

1.5.2. The trade unions

The feeling expressed by most public sector trade unions is that there is no proof that a country's increased economic growth depends on cutting the size of the public sector. On the contrary, they claim that a robust high-quality public sector makes a valuable contribution to a healthy and prosperous economy. Consequently, a proper balance between the public and private sectors should be sought in preference to an across-the-board reduction in the public sector.

Another point is that privatisation, whether in the form of returning to private hands enterprises nationalised after the Second World War or the transfer to private interests of activities usually administered by government departments or agencies (education, health, transport, postal services and telecommunications, for example), unfailingly involves going concerns capable of generating profits and never bodies that are structurally deficit-ridden because of their public obligations. The public sector thus finds itself saddled with the country's least rewarding operations. This further demeans its image -- already under severe attack -- and strengthens the case against it, where public opinion is concerned.

Convincing proof is still awaited that user services are better and more economically supplied by private enterprise.

The policy of curbing public spending by freezing public service wages or blocking infrastructure maintenance budgets merely puts off the moment of reckoning, since the backlog will eventually have to be paid for. If the cuts take the form of a halt in capital investment or severe reductions in staff, service to the public will suffer badly, once the public sector falls below the point where it can offset the cutbacks by productivity gains.

The trade unions also claim that public opinion is actually more favourably disposed towards the public sector than might commonly be supposed. People, in fact, want the public sector to survive, while expressing sharp criticism of its modus operandi and calling for an improvement in its quality. Their reaction is not always logical, as they complain of the fiscal burden imposed by the public sector but do not want the public sector to disappear. This proves the need for patiently educating public opinion on the value of the public sector without disguising the obligations, financial and other, that its existence and the quality of its work entail. The trade unions consider themselves qualified to deliver this message and are ready to join with users in evaluating the public sector's record of service and performance.

It is also important to remember that the authorities have a duty to ensure that the principles of modern democracy -- such as the rule of law and the equal rights of citizens -- are respected, and to work for the common good of the country. They alone are in a position to put the general interest ahead of private concerns, however legitimate these may be, with all that this implies with regard to the authorities' field and methods of action, in traditional administration and but also in the public services catering to citizens' needs.

While upholding these arguments, the trade unions do not deny that structural reform of the public sector is inevitable, because of newly appearing needs (in environment, child care, training and retraining, for example) and the concern of policymakers to review public spending instead of allowing it to grow further.

Lastly, the trade unions stress that there are alternatives to privatisation:

- better government economic and social policies aimed at avoiding situations (e.g. in the areas of unemployment, pensions, health) which might cause increased public spending and reduction in fiscal resources;
- application of realistic pricing for public services, accompanied by advertising, comparable with prices on competing markets;
- greater co-ordination between sectors of public activity (for instance, between training and employment, health and social security) in order to increase their overall efficiency;
- making local bodies compete to provide specialised services.

1.5.3. The current situation

The purely quantitative approach to the public sector as described above has not been enough and any analysis which looks only at the adverse effects of public expenditure on a country's economy, completely disregarding or making too little of the public sector's role in economic activity and national economic growth is not satisfactory. The scope of study has to be widened and directed rather towards ideas and projects which lead to reform and modernisation of the public sector's structures and internal operations so that it will fit in better with the country's economy and society.

A move in this direction has been under way for several years, and some experiments have already been made.

It is worth mentioning here that the effects of measures to prune the public sector in certain countries have already been studied. Opinions are mixed. There are claims of beneficial consequences, in the form of a strengthening of market economy rules and reductions in overheads, where parts of the public sector have been restored or transferred to private interests. But these benefits are also said to be offset by the poorer quality of public services resulting from severe cutbacks in human and material resources, and lasting harm is said to be done to the psychological climate and relations between public sector employees, policymakers and citizens when no prospect can be seen of a peaceful solution to spontaneous or engineered dissension among them.

1.6. The outlook for the 1990s

It should be remembered here again that the role and importance of a public sector in a country's business and social life is primarily a political choice, and that there are no undisputed objective criteria governing this choice.

1.6.1. In the North European countries with a large public sector, which looks after many of the community's needs, especially regarding welfare and health, the authorities can count on unanimous popular and trade union support for this

policy and its accompanying personal obligations, the tax burden in particular. This policy choice does not, moreover, have an adverse effect on these countries' economic and social development.

Only if the consensus weakens or collapses will the situation change and produce policy decisions seriously affecting the present scale of the public sector.

There is one serious cause for concern for the future of these systems, and that is the gradual ageing of these countries' populations. The consequence will be a growing demand for services and benefits, without it being possible to increase the funding of the systems owing to the refusal of the working population to pay beyond a certain threshold of charges. Any solution to this problem might well involve reconsidering the role of the public sector. Such a reappraisal would require structural reform, and reorganisation of the system to obtain greater cost-effectiveness even if this implies greater compliance with market rules.

Even if the inhabitants of these countries are in favour of their present welfare systems, they demand better service and better value for money. They know that productivity gains are a partial answer to the problems posed by ageing populations.

1.6.2. In the other countries covered by this Report, the trend towards compressing the public sector will probably continue during the 1990s, although perhaps not with the same virulence and shattering effect on employer-employee relations that some countries have experienced. The ideological and political motives for this, as described above, have not disappeared.

Trade union disagreement will almost certainly continue to foster a climate of tension.

Wage and employment claims will, however, be increasingly accompanied by action to upgrade the quality of government-supplied and other public services with the aim of satisfying customers and achieving productivity gains. Policymakers, the public and the employees' organisations are all agreed on this point.

All in all, the main thrust of government policy in every country during the 1990s is likely to be the improvement of public service quality and efficiency.

1.6.3. In the case of Japan, novel solutions for meeting the community needs of an ageing population are reported. One idea is that of voluntary action by "citizens' clubs" to supplement or replace government services. The clubs, which may receive funds from private sponsors, provide community services at cost.

It is not a model which other countries can easily adopt, beyond what they are already doing in the way of business sponsorship (for culture and sport) or welfare and health work by charitable associations. It seems too dependent on mental attitudes that are the product of Japanese culture. Even in Japan, fund-raising for this system is an expensive and time-consuming activity.

The model is not considered practical as a basis for providing uninterrupted permanent service which is generally available and of guaranteed quality.

2. The special position of the public sector with regard to the labour market

The relationship between the public sector and the labour market deserves especially close scrutiny, given the serious unemployment that is affecting, to varying degrees, virtually all the economically developed countries.

2.1. The public sector is a participant in the labour market

2.1.1. The public sector draws on the labour market for manpower

Like private employers, central and local government and public agencies and corporations recruit on the labour market, whether for their traditional administrative services or for their goods and services trading activities.

International comparison of the proportion of manpower taken by the public sector from the labour market as a whole is not easy, again owing to the wide variety of ways in which different countries define the concept and content of the public sector. But it is invariably a high proportion, and this means that every policy decision taken by the authorities as regards staff strength and recruitment has a direct impact, favourable or otherwise, on the labour market.

2.1.2. The public sector draws on the labour market for qualifications and skills

The public sector exerts not only quantitative but also qualitative pressure on the labour market. Like the private sector, it has to recruit a skilled workforce trained to different levels. It thus creates qualitative tensions at certain levels and in certain areas of training. It is often at a disadvantage in competition with private employers, given the lower average pay it usually offers.

2.2. The public sector is often a regulator of the labour market

2.2.1. Because its employment policy is comprehensive

Governments may first be tempted to bring influence to bear by making play with the effects described above of their own job offers and so create quantitative and qualitative tensions. It has to be said, however, that as a result of the measures to cut public spending referred to earlier this means of action can have only a limited effect.

A government may then act in more direct ways:

- by offering financial or tax incentives to create new enterprises or to prevail on existing enterprises not to dismiss workers whose jobs may be under threat;
- by freeing existing jobs through lowering the retirement age or introducing early retirement schemes (although these measures may have the unwelcome effect of increasing the burden on pension funds).

2.2.2. Because it implements a training policy

In most countries, the education of children and young people is the responsibility of government, which can therefore intervene directly in vocational training by making it available in schools.

The authorities may also allow companies, either individually or collectively, through employers' associations, to look after the vocational training of young people, perhaps requiring them to set aside a certain percentage of their turnover for that purpose.

Nowadays, however, providing training for young people is not enough. What is increasingly needed is ongoing in-career training to keep workers abreast of new technology and enable them to switch to a new job if restructuring of production of goods and services makes manpower transfers necessary. Here again, governments may take direct responsibility or leave it to the private sector to take the required action, in which case they will offer financial incentives or impose legal obligations, whichever is more appropriate.

2.2.3. Because it can intervene in the management of the labour market

Management of the labour market consists basically in matching job supply and demand. A government will often handle this by setting up employment agencies for the purpose. Or it may delegate the task to the private sector, whether it be to private firms or labour and management organisations. Or again, the authorities may allow official and private employment agencies to work side by side and so introduce competition between the two.

Each country has its own system, and it is impossible to say which is best.

2.2.4. Because it can apply welfare remedies when job demand cannot be satisfied

Some kind of system has to be set up to ensure that jobseekers who do not find employment are provided with a replacement income for a given period in order to attenuate the consequences of unemployment for the individual and for society.

Here too, governments may choose to take direct responsibility, or they

may leave the matter in private hands -- with individual workers taking out insurance against unemployment as they would against any other risk, or with labour-management organisations administering a system approved under a joint agreement, which may be required by statute.

No one of these systems has been found to be better than the others, although attention is quite often drawn to the possible undesirable effects of State or labour-management unemployment compensation schemes where relatively high replacement incomes may remove a jobseeker's incentive to look seriously for work.

2.3. Differences of opinion on the public sector's role

2.3.1. Questions arise concerning several points:

- Is it right that government should claim prime and extensive responsibility in the areas mentioned above or, on the contrary, should that responsibility gradually be fully assumed by the parties directly concerned, i.e. workers and employers?
- Should government in any event retain a "hard core" of responsibility for employment policy by setting, for example, medium- and long-term objectives even though it does not handle day-to-day operations?
- What part should trade unions and employers' associations play in formulating and implementing employment policy, whatever the framework in which it is established?

2.3.2. Some economists think that government should stop influencing the labour market

They point out that in the fairly near future the problem will not be unemployment due to a manpower surplus; it will be a manpower deficit caused by the decline in the cohort of young people reaching working age and the impossibility of calling in immigrant labour to offset labour shortages, owing to the ever-higher degree of technical training required.

This school of economists stresses the importance of training over the next decade. It will become the dominating factor on the labour market and will complicate the matching of labour supply and demand. In their view, any government employment policy should lean more towards training than towards job creation. And government action should take the form of finely detailed up-to-the-minute information on the labour market sector by sector rather than job placement, which should be left to private enterprise.

This being so, labour and management, employers and unions should gradually take over from government in jointly managing and funding job action and in organising occupational training.

2.3.3. The trade unions and public opinion, on the other hand, strongly support government involvement in labour market regulation, perhaps because of the labour market's uniquely human dimension.

There is general agreement that the authorities, given the widespread and probably lasting unemployment currently affecting the industrialised countries, must pursue an active labour policy aimed at increasing the supply of jobs and improving the qualifications of jobseekers. This is especially true at a time when economic globalisation is making the operations of national labour markets more complex and mobile.

The authorities should control the labour market with a view both to remedying its failings and malfunctioning, since the private sector is in no position to do so, and boosting its good points. Government action should focus in particular on "risk groups" such as women or part-time and temporary workers. By taking measures in favour of these categories, the public sector could act as a role model.

At the very least, the trade unions believe that it is the task of government to lay down the rules governing salaried employment (minimum wage, health protection, safety standards, working hours), providing what the competitive market does not offer and ensuring that workers benefit from adequate welfare cover.

An effort along these lines is considered to be particularly necessary in certain economically developed OECD Member countries, according to the criticisms levelled by their trade unions which feel that the public sector should stand up as a model employer in contrast to the sorry record of private sector employers.

The unions further remind the governments of ILO (International Labour Organisation) member countries of the obligations to which they have subscribed as part of the Organisation's basic rules.

In the light of the powerful political pressures outlined above, it seems very unlikely that governments will relinquish control of the labour market in the near future, despite the barely perceptible success to date of official employment policies.

- 3. The modernisation of the public sector in the 1990s

3.1. The existing consensus and its limits

Whatever opinions might be as to the role of the public sector in modern-day societies, there is general agreement about the need to reform and modernise management methods in the public sector. While not everyone may be equally convinced about the need for such reform, it would seem inescapable because developments at national and international level are making it necessary and it is better to take the initiative in this respect so as to be able to control the process rather than be overtaken by events.

This is why every country has already begun carrying out studies and making moves in this direction. As we shall be seeing later, these tend to be aimed at securing greater efficiency, higher productivity, greater customer satisfaction and better management of human resources in the public sector.

But these moves may involve risks that must not be underestimated: a weakening of the administrative ethos and the values of the public service, less protection for the citizen and the user against arbitrary decisions and discrimination, the fragmentation of responsibility and internal tensions within the administrative system, and employees' fears that the measures adopted may result in staff cutbacks or transfers and in less protection for them against unfair decisions or infringements of their rights.

3.2. The aims of an internal reform of the public sector

3.2.1. The introduction of the concept of effectiveness and better performance at lower cost

Current thinking requires public sector employees to show concern for efficiency.

The first benchmarks that come to mind in this connection are the productivity and performance criteria applied in the private sector, considered to be a model for emulation. Some analysts remain convinced that these benchmarks are valid and that all the efficiency criteria adopted in the private sector ought to be used in the public sector for both traditional administrative activities and the production of goods and services.

Nowadays, however, it has to be said that, while the productivity and performance criteria applying to private manufacturing are transposable to the strictly commercial branches of the public sector, i.e. those in which goods and services are produced and sold to the consumer under normal trading conditions, they are not transposable as such to the traditional management activities of the public services proper, which are subject to specific constraints as regards the interest of the public as a whole. For example, in the case of these activities the criterion of financial gain loses its meaning. Admittedly, cost-benefit analysis is relevant, but the end is a social and not merely an economic one. Efficiency from the social standpoint, together with concern to give greater satisfaction to the user of services provided free of charge, ought to be given higher priority. Moreover, the unions are very concerned to maintain a "public service ethos".

Despite the many studies of this subject that have been carried out, no credible model applicable to all the various areas of administrative activity has yet been found.

3.2.2. Redistributing responsibilities

The aim here is to review structures, first in order to allocate responsibilities more rationally among the different territorial levels of government and, secondly, to set up decision-making centres of a new type. What is more, this helps to avoid bottlenecks at the central level and to give a fresh boost to the activity of the regions.

Territorially, the reform means that where policy-makers are still acting on behalf of central government, responsibility is devolved to a lower level, and where responsibilities previously assumed by central government are

handed over to autonomous regional authorities there is decentralisation. Obviously such reform is meaningful only in a formerly highly centralised country; in one which already has a decentralised administration, and even more so in one with a federal structure, it is pointless. Measures of this kind have, in many cases, been adopted many years ago in those countries where they were called for.

However, it should be said that those countries in which decentralisation is a long-established fact and those where it has been introduced more recently have started to take a closer look at the possible perverse effects of decentralisation. When responsibilities are transferred to an autonomous territorial authority it is by no means certain that the efforts made by central government to contain public expenditure and raise administrative productivity will be imitated by the regional or local authorities concerned; there is a tendency in many cases for these authorities, without there being any change in their overall workload, to increase their staff, their operating expenses and their facilities, thereby offsetting the benefits of central government's good housekeeping at national level.

Redistribution of responsibilities has another side in that it changes the hierarchy by inserting into the day-to-day management of government administrations and public services new decision-making centres possessing sufficient functional distinctiveness for them to be identified and allocated financial resources that they are free to use as they wish, retaining any savings made and thus increasing the amount available for the following year. This is one way of attempting to convert money "that has to be spent" into money "that has to be managed".

3.2.3. The development of systems of evaluation

In view of the growing concern for effectiveness and better performance at lower cost, and within an institutional context of greater decentralisation and a broader division of responsibilities, one of the things for which provision must be made is a corresponding development of systems of evaluation, qualitative as well as financial, and accountability. The setting up of such systems is essential in order to provide a continuous input for the operation of improving the quality and performance of the public sector.

This is an aspect that has increasingly to be taken into account in the relationships that have to be established on the one hand between public services and the policy-making centres and, on the other, between the devolved or decentralised levels and the central level. Moreover, public sector managers must more generally recognise that the call for accountability vis-à-vis society and the individual, at both local and national level, is justified.

3.2.4. Making government departments more "receptive"

A number of countries have conducted a good many studies and experiments with a view to making government departments more "receptive", in other words to improving their understanding of and response to the requirements of their customers", i.e. the public (individuals and businesses).

Measures have included restructuring, provision of more personalised service, fuller information, a warmer reception, giving the public a chance to say what it wants and the installation of more user-friendly facilities.

It has to be said, however, that although in many cases the outcome has been interesting, none of these studies and experiments has been conclusive.

3.2.5. Changing mentalities

Overhauling public services means persuading employees to change their manner of seeing, thinking and acting. In particular, initiative and awareness of personal responsibility for the task in hand has to be inculcated or re-awakened. Officials must be made to understand that they are not working in a vacuum, that they are there to serve the public interest, in other words the interests of all users. Their work involves more than simply holding down a safe job that provides them with a living; they occupy a position in a structure whose prime purpose is to serve the public.

What they also have to accept is a change in their approach to public service. An official in his work must no longer be concerned solely with following rules and instructions from his superiors; his prime concern must be to satisfy the customer and provide a service, in other words the emphasis has to shift from following the right procedure to achieving the right result.

Changing mentalities in this way is by no means easy and will probably take time. It ought to be made one of the prime objectives not only of initial training for new recruits but also of in-service training for officials of long-standing. The aim needs to be backed constantly by encouragement from higher-ranking staff, who must set the example by displaying the same spirit.

All in all, if the ill effects on civil servants' ways of thinking of critical or hostile attitudes on the part of some sectors of public opinion are to be countered, governments must seek to restore to those who serve the public a sense of the dignity of their functions, the sentiment that their work is worthwhile and that they play a useful part in society and the daily life of their country.

3.2.6. Human resource management

Plans to reform the public sector must include redefining employee status with a view to more flexible management, eliminating or at least reducing rigidities so as to offer more diversified career paths based on individual merit and performance, and more opportunities in response to the legitimate desire of staff to change jobs or move up the ladder.

There has sometimes been a temptation to use this pretext in order to take away the statutory or acquired security of employment generally enjoyed by civil servants in many countries. This is a frequent bone of contention between governments and the trade unions, the latter maintaining that insecurity of employment in itself does not necessarily instil a greater sense

of commitment and that there is no reason why civil servants should be placed under the same threat of loss of employment that hangs over private sector employees, since such insecurity is in fact an evil that ought to be done away with and must by no means be confused with occupational mobility.

Furthermore, care must be taken to ensure that occupational mobility does not result in a brain drain, with executives deserting the public for the private sector, notably because pay in the latter is higher. If that were to happen, the quality of work in the public services would be seriously impaired.

To sum up, it is not good enough simply to claim peremptorily that there are too many civil servants. In the first place it is up to governments to decide, on the basis of policy options, how far government intervention should extend. Once that has been decided, in order to estimate the size of the establishment that will be needed to handle the services maintained in the public sector, there has to be forward planning of manpower requirements based, first, on careful analysis of the number of posts that are really necessary and, second, on a recruitment and careers policy allowing for possible future changes in requirements.

It is important to ensure that this reform of human resource management involves broad decentralisation of the latter, so that managers are closer to their staff and their day-to-day work, and so that there can be more levels at which negotiations can be conducted with staff representatives.

3.2.7. Improving working conditions

One good way of inducing civil servants to see their work in a new light is to offer them better working conditions.

A start can be made by adjusting these conditions in such a way as to enable employees better to reconcile occupational commitments and personal constraints (e.g. family responsibilities, journey to and from work, pursuit of studies, etc.). This may involve allowing employees to work flexible hours and organise their tasks in their own way, the emphasis being on getting things done as and when needed rather than on obliging everyone to work exactly the same hours.

Premises and equipment need to be upgraded too, in line with the standards expected of today's civil servants. In particular, they should be given the up-to-the-minute tools (e.g. computer and office automation facilities) that advances in technology have made available. In this regard, reservations must be expressed about recourse to systematic and lasting cuts in appropriations for equipment as a means of reducing public expenditure.

Obviously, too, when new equipment is installed, employees have to be trained in its use.

3.2.8. Revision of pay systems

As far as pay systems are concerned there are two aspects which need to be looked at.

Firstly, it is important to recognise, in order that this can be remedied, that "civil service" type salary scales can have disadvantages if, because of the wide range of occupational activities they cover, their often outmoded definition of the functions involved and, above all, their rigidity, they hinder the matching of the supply and demand for skills, the nature and level of which have become far more diversified within the public sector. It is important to envisage both modernising the job categories used in these pay scales and applying them more flexibly so that they can be adjusted more readily to changing requirements. This would not be an easy reform to implement and its potential effects should not be over-estimated, since pay is not the only motivating factor for civil servants. It is a reform that would need to be negotiated with the unions.

Secondly, civil service pay usually rises steadily with seniority, although at some stages in a career promotion may be selective.

Thus the idea that remuneration should rise essentially in line with the performance of the individual concerned, so that a hard-working and efficient civil servant may receive substantially higher pay than less efficient or inefficient colleagues, is an innovative one. However, suitable criteria would have to be defined on which general agreement could be secured between the parties concerned, together with simple and clear guidelines as to how these are to be applied, which is not only a difficult matter but a source of much disagreement, particularly on the part of the unions.

Alternatively, performance can be taken into consideration in setting the level of remuneration by looking, not at individual, but at team performance and awarding the team as a whole a productivity bonus to be divided among its members. It is, however, just as hard to decide on the right criteria here as it is for the award of individual bonuses.

Lastly, to do away with the frustration felt by civil servants who have the impression that their pay rises less rapidly and by smaller amounts than remuneration in the private sector, and that their contribution to the formation of gross domestic product goes unrecognised, total civil service pay should be linked to the rate of growth for the country's economy as a whole. This would be one way of bringing the public sector more into line with the way that the private sector operates and integrating it within the overall national economy.

3.3. The strategy of change

3.3.1. A unilateral or multilateral approach?

In taking the kind of steps described above in order to bring about changes, a government may prefer to decide, introduce and conduct operations entirely on its own, i.e. to act unilaterally. In choosing to do this it tends to signal its intention not to modify its plans in any way in line with suggestions arising out of discussions with the parties concerned, and its determination to keep to a minimum, if not actually to combat, trade union influence. Such a choice implies that the ideological and policy options are set by government policymakers and by them alone, but in this case it is highly

likely that the reforms would not be very well received by the officials who would have to put them into effect!

Thus it is far more common for policymakers to decide to act in association with the partners concerned.

This association can take a number of forms, depending on the extent to which the partners are involved in the process, either directly or through their representative organisations:

- simple consultation: the partners are invited to consider projects and give their opinions and suggestions on them;
- negotiation: the partners are invited to enter into multilateral discussion of the projects, the object being to reach an agreement which may then be set out formally in a document describing the content of the projects, stating how they are to be implemented and setting a timetable;
- participation: here the partners are invited not only to take part in drawing up projects, but also to run them jointly.

3.3.2. Choice of partners

When government policymakers opt for the shared management of change, their first thought is naturally to turn to the civil service unions.

But the question that arises is whether the unions are the only partners which can justifiably be called upon. The users deserve to be treated at least as well as the civil servants, considering that the public services operate on their behalf and that the object of the reforms proposed is supposed to be to provide them with better services. It has to be said that, as a general rule, in those countries which have embarked on reform projects users have not always been consulted. This may be because the civil service unions did not want the public to be involved, but usually it is because the representation of users is not organised or not well enough organised. Moreover, this concept of user involvement may be widened still further by allowing all economic and social interests to participate. So the extent to which representatives of users and other interests are involved in public sector reform projects varies substantially from one country to another, depending on accepted practice and the extent to which these interests have national representative structures.

As for the involvement of civil service unions, this will be more or less straightforward depending on whether there is one or more than one representative organisation, given that the representativeness of each has to be assessed in order to judge whether it has sufficient credibility and legitimacy to be associated with the reform process.

Overall, the level of union membership has been falling steadily for at least the past ten years, although the fall has been less marked in the public than in the private sector. The reasons are still by no means clear, and unions disagree about them, as indeed they disagree as to the very existence of the downtrend or at least its alleged extent. For example, it may be due to

the fact that average wage levels have risen, to a shift in the prime concerns of civil servants, to the insecurity of employment, to improvements in working conditions, to the upholding of the quality of the public service or to recognition that doing a worthwhile job for the good of society is more important than wage claims.

Moreover, the level of union membership is not the only measure of representativeness. It has, after all, been found that the rate of participation in elections to staff and professional bodies has not fallen to the same extent as the rate of union membership. The votes obtained by unions may thus be a criterion of their individual representativeness at least as significant as the levels of union membership, since the number of these votes indicates the real following of each one of them.

In any event, aside from differences of opinion on these questions, the existence of the unions remains an objective reality which governments can overlook only at the risk of seriously jeopardising the processes of public service reform.

3.4. The outlook for the 1990s

3.4.1. Progress in the modernisation of the public sector

There can be no doubt that the next ten years will see a substantial development not only in the number of studies carried out but also in the amount of action undertaken to modernise the public sector in all countries. The point is self-evident.

However, within this vast movement there are a certain number of aspects to which a suitable response has still not been found and that need to be looked at more closely.

In particular, while the analysis of the shortcomings of the public sector and the proposals for reform are based primarily on the concept of performance and its evaluation, so far however there has been a serious inability to define objective and generally accepted criteria for evaluating the performance of organisations and individuals in the public sector. This therefore is an important aspect that needs to be given priority in research which should be undertaken without delay.

There are other aspects that also need to be emphasized. One is the development of the process of collective bargaining between employees' unions in the public sector and the authorities, a process which in some countries (e.g. Italy) is not sufficiently used compared with the private sector. Another is the use of the techniques of arbitration to solve conflicts (and, more particularly, to avoid the use of more drastic methods such as the strike weapon). In these areas, however, a fact that must not be overlooked is that the public sector is an employer unlike those in the private sector in that, as the government, it can always impose its will by means of laws or regulations if the outcome of the bargaining or arbitration process is not to its liking.

Lastly, it should be emphasized that an international organisation like the OECD is an important means for disseminating information among its Member countries on experiments and studies conducted in one or other of them; the dissemination of such information is an essential element in promoting discussion and the harmonisation of action.

3.4.2. Union participation in the effort to modernise the public sector

Nowhere is such participation refused, but the situations differ.

In countries where the public sector is highly developed and where its existence and its extent have not yet been called into question by the powers that be (as is the case at the moment in Sweden and Finland), the unions are willing participants in the discussion and definition of actions and even in their implementation and evaluation.

But in countries where there is tension between the government and the unions, the latter, even if they take part in the deliberations on medium and long-term policy, feel that they need to remain alert and ready to take action on a day-to-day basis to defend or restore the image of the public sector and defend the interests of its employees, while not ruling out in principle the possibility of situating such action within a political framework if it appears useful to do so. As regards the strike weapon, this is looked on as a last resort, perhaps inevitable in some cases but something to be avoided through the development of arbitration and collective bargaining procedures. What is more, public sector employees in these countries seem less receptive to reform operations involving possible transfers of staff because they feel they do not have adequate guarantees regarding job security, with the result that, while the unions are demanding to be involved in the formulating of policies and projects for the modernisation of the public sector, they are not willing to practice the sharing of responsibilities in the present state of affairs.

ANNEX

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END-OF-TEXT