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PUBLIC SECTOR WORKFORCE ADJUSTMENTS IN OECD COUNTRIES

INTERIM REPORT

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This document presents selected chapters of the PUMA publication Public Sector Workforce Adjustments in OECD countries. Chapter 1 and Annex 1 were prepared by Frederic Boudier and Christine Lidbury, Secretariat, on the basis of the survey conducted by the PUMA Secretariat in 1996-1997. Chapter 2, prepared by Christine Lidbury, Secretariat, considers the Swedish experience with workforce adjustment. Chapter 3, prepared by Vernon Dale Jones, Syracuse University, considers the United States Federal Government experience.

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INTRODUCTION

1. Major reforms in public sector management have been underway in the national governments of most OECD Member countries for more than a decade. These reforms have resulted in a variety of changes to the conditions, structures and expectations governing employment for public servants and the ways they carry out their jobs (e.g., via customer-service initiatives, results-based versus compliance-based accountability, contract employment, corporatisation, competitive tendering). However, the reform trend that is having, arguably, the greatest effect on the individual public servant and the culture of many public services is the trend toward a smaller public sector workplace and the emphasis on providing better and more efficient programmes and services with fewer resources -- a trend that has become commonly referred to as "downsizing".

2. Broadly speaking, from the 1950s to the 1980s a career in the public sector was seen as offering substantial job security. While this is still true in some OECD countries, it is becoming less so in most. The internal labour market of the public sector is gradually moving toward its private sector counterpart in considering an occupation to be a part of a business environment subject to changing needs from its workers, shifting job requirements and a need for workers to be flexible and replaceable. The business of "downsizing" has been written about, as has the best means for retooling and reshaping the workforce to meet changing needs and dealing with termination of employment in ways that do not undermine the productivity of the rest of the organisation.

3. There is a perception that the public sector is not good at making large-scale workforce adjustments -- especially in the area of downsizing. The literature on downsizing and the case studies provided later in this report suggest concerns are related to issues such as lack of experience and management capacity in managing large-scale organisational change, cultural issues related to expectations of long-life employment and job tenure, and the political nature of public sector management promoting short-term solutions to fiscal and organisational constraints.

4. Despite these concerns, models and lessons for good change management as regards workforce adjustments can be found in the experiences and successes, and indeed even the failures, of public sector organisations. Good practices in this area are important to the extent that links can be made between good change management and organisations that achieve and sustain their reforms goals, and poor change management and organisations that fail to achieve their goals or may fail to sustain the achievements over time. The literature on workforce restructuring indicates that that where workforce restructuring and downsizing is managed well the result can be improved productivity and cost effectiveness, more employment stability for those workers that remain, and improved management capacity for dealing with new organisational and staffing structures. Where such reforms are managed badly, the literature provides that problems with morale, productivity, and general workforce capacity may deteriorate, seriously impairing the ability of government to operate effectively and efficiently and may threaten the sustainability of restructuring over time. It is reported, for example, that poorly managed downsizing can create (or reinforce) a professional culture that is risk averse and innovation-fearing.¹ The examples

1. Robert Tomasko, *Downsizing*, American Management Association, New York, 1987.

provided in the case studies indicate that workforce adjustments, and particularly staff reductions, do result in “ripple effects” in management and performance across an organisation.

5. Decisions for undertaking, structuring and administering programmes aimed at workforce adjustment -- particularly reducing the size of the national public sector -- will vary considerably from country to country based on a variety of political, economic and structural priorities. This report does not address issues of whether or not governments or organisations should engage in workforce restructuring. Nor does this report in any way promote downsizing as a preferred alternative to achieve reform goals. Simply, this report seeks to highlight a number of common features that, from a human resource management perspective, may offer lessons and ideas for developing and implementing change management in those public sector organisations that choose to undertake staffing reductions and other workforce restructuring measures as part of their reform agenda.

6. This paper provides an overview of the activities of Member countries with respect to workforce adjustments, and particularly, staff reductions. The paper is organised around two principal information sources. First, this paper reports the results of a survey of policies and priorities for workforce adjustment in the national governments of OECD countries. The main issues and trends from the survey are discussed in Chapter 1; summaries of the actual country responses are provided in Annex 1. Second, two country case studies draw on the experiences and lessons-learned by Sweden and the United States in undertaking large-scale workforce adjustments programmes as a part of wider government reforms aimed at reducing cost and increasing the efficiency and effectiveness of government programmes and services. The case studies are provided in Chapter 2 (Sweden) and 3 (United States).

7. In reading the case studies, it is important to note that it offers only selected examples from a broad range of departments and agencies that have undergone major workforce adjustments. It is not the intention of this report to praise or criticise any particular organisation or approach, nor does it have an intention to promote particular models to be transplanted into other organisations. Robert Tomesko in a series of case studies of private sector organisations undergoing downsizing noted that where organisations made mistakes or ran into barriers, it was usually done honestly, often because of crisis pressures or a perception that they lacked alternatives.² The same is true of the organisations discussed in this report. Indeed, it is the honest portrayals by managers of the difficulties inherent in workforce restructuring that may offer the greatest learning value to other organisations. It is our intention that executives, managers and other policy-makers focus on the general principles behind the examples and assess how those principles can be applied to particular organisations facing restructuring and to stimulate thinking about the range of alternatives.

8. The specific information contained in this report is based on the interpretation of the authors. While every attempt is made at accuracy, any errors or omissions are solely the responsibility of the authors. Moreover, the analyses and opinions provided in this report are solely those of the authors and do not propose to speak for or represent the views of the governments or organisations discussed.

2. Robert Tomasko, *Downsizing*, American Management Association, New York, 1987.

CHAPTER 1: AN OVERVIEW OF WORKFORCE ADJUSTMENT TRENDS AND PRACTICES IN OECD COUNTRIES

The Study

1. During 1996-1997 the OECD Public Management Service undertook a survey of workforce adjustment trends in the national administrations of OECD countries. The purpose of this survey was to identify whether and to what extent governments were undertaking workforce adjustments, including workforce reductions, as part of broader public management reforms. The results of the survey are reported below, offering an overview of the range of policies and practices being used across OECD countries and an analysis of the main trends. For purposes of this report, workforce adjustments include, for example, policies and practices related to staff reductions, hiring freezes, mobility opportunities, re-deployment, and programmes to re-train and re-skill workers. The survey was sent to the central management departments and agencies in national governments that have responsibility for workforce management programmes. The initial round of survey information was collected in 1996, and the information was subsequently updated in the Fall of 1997. The survey information is supplemented by two country case studies (Sweden and the United States) offering practical insights into how some of these policies and practices are being used to achieve workforce adjustment goals. The survey results are provided in Annex 1.

Introduction

2. The national public administrations of OECD countries offer both similarities and contrasts in their approach to workforce adjustments and, particularly, in their approach to workforce reductions. On the one hand, pressures for more efficient government have resulted in a rapidly changing environment and a common set of constraints and challenges for carrying out the business of government within resource limits. On the other hand, variety between countries in human resources policies (e.g. employment conditions, management flexibility, performance orientation) often result in different solutions to similar problems (e.g. government modernisation, fiscal control).

3. Where national governments are seeking to modernise and rationalise the public sector workforce, policies in OECD Member countries appear to fall into two broad categories. In some cases, , reducing the number of public sector workers appears to be both a means and an end. Government is viewed as overstaffed or too expensive, and needs to be “downsized” or “rightsized”. Although downsizing is part of a larger reform agenda, such as fiscal consolidation, it is not linked explicitly to organisational reforms aimed at redirecting the scope and organisation of work. In this context, downsizing tends to be ‘numbers-driven’ focused on achieving staff reduction targets through means such hiring freezes (not replacing workers that leave). There is a concern, though, that numbers-driven reductions that are not linked to organisational reform carry risks for good management and organisational capacity, and produces rigidities that hinders rather than contributes to efficiency gains. How can government keep pace with new skills if recruitment is frozen? How can redundancies be spread sensibly to allow new staffing needs to be realised?

4. Faced with such questions, other countries have adopted a more “managerial” approach to workforce adjustments that seek to balance the need to achieve staffing targets with the need to ensure organisations maintain the needed skills and capacities to carry out their work. In this latter case, staff reductions flow from broader policies to reorient or restructure public service organisations, allowing organisations to better target workers, occupations or particular departments for re-training, redeployment, reduction or other staffing adjustments. The idea is less about focusing on the overall size of the public sector workforce, but more toward facilitating change in the context of achieving greater organisational efficiency and effectiveness.

Frameworks for managing staffing levels

5. The national public administrations of most OECD Member countries are facing similar constraints, particularly in terms of the need to operate the public sector with fewer resources. There is a widespread determination to control or reduce public expenditures to contribute to fiscal consolidation. As the public sector paybill represent a major share of a government’s operating budget, initiatives to reduce the size and cost of the public sector workforce are either seen as a direct means to limit public expenditure, or included in a programme aiming at improving public expenditure efficiency.

The common goal to ‘rationalise’ staffing levels

6. While most OECD countries are interested in reforms aimed at rationalising the size and structure of the public sector workforce, there is less consensus as to the pace and content of such reforms. Workforce adjustment policies can be distinguished based on whether they take a passive approach or an active approach. In some countries, policies focus on more passive measures to curb growth in the public service workforce, rather than on making significant reductions in the number of existing staff. This type of policy may be preferred because public service has strong job security and tenured employment. This type of approach prevails mainly in countries with a *career-based* public service (i.e. life-long employment with a single employer). This type of strategy can be found most notably in continental Europe (e.g., Belgium, Greece, Italy and Turkey).

7. Mexico and Ireland pursued policies based on workforce stabilisation or more moderate efficiency-types gains rather than broader workforce reductions. For example, in Ireland the reductions were in the range of two per cent in 1997. Switzerland has also opted for stabilisation along with a two per cent cut in personnel expenditure in 1997.

8. Australia, Canada, Finland, Hungary, Norway, Portugal and the United States have introduced more active workforce reduction programmes of various levels of intensity. Some are on a national scale, as in Canada where a 16 per cent reduction in federal staffing levels was planned for the period 1995-1998. In other cases the policies are more devolved, as in Australia. There, reductions are focused on overall cost-cutting targets which allow agencies to tailor reduction targets to their needs and budget levels; however, central guidelines ensure that devolved practices remain consistent within overall administration policies.

9. Active workforce adjustments are also taking place through shifting government programmes (and their workers) from central government into other levels of government or into public enterprises. For example, in the Nordic countries workforce reductions occur mainly by transferring staff to other sectors by converting government services into public enterprises or privatising state-owned enterprises.

10. Trends in workforce adjustments can also be distinguished by whether they are broad-based or sector-specific. In Norway, for example, staff reductions have been specific to the defence-related

agencies and public companies. Spain's policy is based on five sectoral employment plans that cover the Post and Telegraph, National Employment Institute, Tax Collection Office, civilian staff in the Ministry of Defence, and CIEMAT (a body reporting to the Ministry for Industry and Energy). In the United States, a broad-based workforce reduction programme implemented in 1991 initially focused on civil defence-related agencies, but was later extended across the national government as part of the "Reinventing Government" initiative.

11. Another group of countries, including Denmark, Finland, Iceland, New Zealand, the United Kingdom and Sweden, have implemented broad-ranging workforce adjustment programmes with specified targets. In these countries, workforce reductions have resulted from reforms aimed at creating a more "management-oriented" public service. The central goal is to rationalise the provision of government services and tailor them to organisational requirements, rather than focusing on "downsizing" via pre-set staffing targets. In most cases, rationalisation has led to a needs-driven staffing reductions. In some of these countries privatisation and an increased focus on competitive tendering and outsourcing have a direct impact on the size and structure of public sector employment. In New Zealand and the United Kingdom, public service rationalisations has emphasised reducing surplus staff.

The legal environment: varying degrees of flexibility

12. Differences in policy are only part of the story in identifying trends in public sector workforce adjustments. Implementation strategies also vary considerably between countries. Some governments put priority on reaching agreement with labour unions to gain support and a degree of social consensus before undertaking major changes in the public sector workforce. Such agreements have been reached in anticipation of redundancies (as in some Westminster-type countries) or changes to service conditions (as in the Nordic countries). During the 1990s, collective agreements regarding workforce adjustments were signed (at either central or devolved level) in Australia, Canada, and the Netherlands. In Sweden, a major public sector collective bargaining agreement on employment security complements national labour laws. In most of continental/Mediterranean Europe, Mexico and the United States, the official role of the trade unions is primarily advisory or consultative, with legislation as the main vehicle for implementing workforce reduction policies. Differences in approaches may stem from the differing legal cultures across countries, and is also reflective of the differences in cultures regarding the relationship between government and the labour unions.

13. In comparing staffing systems generally within the national administrations of OECD countries, a distinction may be made between "career-based" (life-long tenure) and "job-based" public services. The majority of OECD countries appear to operate with career-based systems. On close inspection of staff reduction policies, the information collected in the survey also reveals that there is a similar distinction that can be made between countries with a "job-type rationale" and those with a "career-type rationale". Closely related to career structure is the legal culture that underpins the staffing and administrative systems of national administrations. These variables are key in understanding the differences in design, implementation and priorities for workforce adjustment programmes in OECD countries and discussed in relation to each of the topics that follow below.

The career rationale and the job rationale

14. The job-type rationale assumes workers are hired to carry out a particular function, but if that function ends or changes, there is no guarantee (or obligation) for continued employment. However, the worker has some protection through various forms of 'compensation' such as a period of notice before dismissal and redundancy payments. The career rationale assumes that public service employees will generally be recruited to service on a *lifelong* basis and will be offered another position within government

if posts are cut. Indeed, both rationales can be found in a single country, such as when staff are not all subject to the same legal regime (e.g. tenured versus non-tenured civil servants, use of employment contracts).

15. In the national administrations of many OECD countries, particularly in continental Europe, many categories of staff have protection against the redundancies generated by programmes to identify surplus staff. Dismissal is seldom used and then it is primarily a disciplinary measure. The situation is different for untenured public servants. In Austria, for example, a probationary period allows public servants to be dismissed without reason during the six months following appointment. In Germany, public servants (as opposed to workers under contract) have full job security. While collective agreements allow for staff reductions among contractual staff, public servants have life-long employment and the only reductions in a department come from natural attrition (i.e. retirement, resignation). This accounts for small annual fluctuation in staffing levels of approximately 1.5 per cent.

16. In Spain and Portugal, service conditions provide considerable protection against job loss. When a post is cut, the public servant may be placed on 'non-active status' but will generally not be dismissed. Ultimately, the government is obliged to offer another post. The implicit relation here between public servant and government is not just an "economic" link between employer and employee: the public servant assists the government in exercising its authority, and in exchange the government offers material security and hence a career for life. If a post is suppressed, the only option is in-placement. In this case, governments has duties as an employer exceeding those of private-sector employers. In Italy, which has a traditional career-based public service, staff on suppressed positions may be put on 'leave of absence' for a maximum of three years. At the end of that period, staff who have not found a post in another government department via mobility programmes (voluntary or otherwise) are dismissed.

17. The legal obligations of a government towards its staff are less restrictive in systems based on the job rationale. Here the duties of a public service employer are closer to (or even the same as) those of a private sector employer. However, it is worth noting that generally even public services under the job-type systems offer more protection to its workers than private sector employers. For example, in Australia 'redundant' staff have a seven month notice period during which time they continue to receive their salary as active government employees and may use the time to build their skills and seek new employment; immediate dismissal based on redundancy is legal is very rare in practice.

18. The rules for identifying staff as 'redundant' are relatively similar across OECD countries:

- The post-holder must be officially notified of the redundancy, as is the case in the United States, Sweden and the United Kingdom.
- There may be a period of notice. For example, in Canada, workers receive six months notice on full pay; in Sweden workers may receive up to 12 months on full pay. Notice may vary according to age and length of service. In Australia, staff aged over 45 or with more than 20 years service receive 13 months notice.
- A redundancy payment is usually made. This may consist of a lump-sum payment in exchange for immediate resignation or retirement (rather than living out the term of the notice period), often with additional formula-driven payments based on length of service. The amount of the redundancy payment varies substantially between countries.

19. Canada's Early Departure Incentive Program offers an example of a redundancy scheme that sets out financial incentives for voluntary resignations. Under this system, officials receive a redundancy

payment based on length of service, plus a fixed lump-sum payment, which is increased for those with more than five years of service. Additional weeks of salary may also be paid based on age and years of service.

20. New Zealand provides an example of a kind of the more extreme end of the job-type rationale where the terms of employment vary depending on the type of contract. Conditions governing the end of the contract period are based on what is negotiated into the contract terms and the employment courts. Similarly, Iceland shifted to a job-type rationale and since 1 July 1996 officials whose posts have been cut are no longer entitled to an equivalent position or priority placement, as was formerly the case.

Definitions of surplus staff

21. Legal definitions of identifying staff as “surplus” vary between countries, if they exist at all. Therefore, it is difficult to identify any trends. In Australia and Norway, staff can be declared “surplus to agency requirements” using legally defined procedures, or they can be declared “potentially surplus to agency requirements” (in which case they may be redeployed, but will not have priority status for positions). In Canada and the Netherlands, a function or post must be cut before an official can be declared “surplus” to requirements. The unions may be involved in negotiating over which staff are declared surplus, such as in Sweden. Moreover, there is variation between countries on the type of criteria used to identify which workers will be made surplus. In some cases, selection is based on merit (e.g., Canada), and in others length of service is the main factor or, more commonly, length of service in combination with merit (as in the Netherlands, Sweden and the United States).

22. In some countries, the designation is particularly important because staff must be declared surplus in order to be eligible for early departure incentives or other government programmes to assist workers in finding new employment (e.g., Canada, Norway, and the Netherlands).

23. The majority of OECD countries do not report a standard definition of surplus staff. Switzerland does not have general regulations in this area, nor does the United Kingdom (although departments and agencies are expected to use consistent and uniformly applied criteria.) In Spain, Employment Plans are developed on a case-by-case basis to specify the criteria that will be used to reassign workers in terms of skills, training, experience and length of service.

Applying staff reduction policies

24. Maintaining control over overall staffing levels in the public sector is reported as on the agenda in most OECD countries. The survey shows that legal possibilities for “rationalising” the workforce vary between countries. That said, the policies pursued are similar in some ways -- for example, most countries give priority to not systematically dismissing staff. However, as with the laws, the national contexts vary considerably in the amount of flexibility in designing and implementing staffing practices at the central level and with managers. As a results, there are both converging and diverging trends in applying staff reduction policies.

Converging trends: a common interest in preserving jobs

25. As discussed earlier, analyses of the workforce adjustment systems described in the survey indicate to two parallel trends: 1) a tendency to operate on a job-type rationale for dismissing public sector employees (without formal guarantee of another post); and 2) to redeploy officials within the public sector in career-based systems (in such countries leaving the public service is not encouraged and no allowance is payable on dismissal). But in practice these opposing positions are not so clearly

differentiated. In most cases, OECD countries seek as far as possible to protect jobs for public sector workers or at least to find alternative solutions to large-scale redundancies. Redeployment within the public service is often possible and, moreover, is often promoted by programmes to give redundant workers priority status in applying for vacancies within the public service. Indeed, these are the only legal alternative to dismissal of established staff (although early retirement is sometimes available).

26. The close involvement of trade unions in the public sectors of many OECD countries may bear on this determination to give priority to job stability in the public sector. Union participation in staff reduction policies is the rule in most OECD countries, whether in the form of consultation or negotiations. In some countries unions play an important part in policy-making, as for example in Norway.

Help for staff redeployment

27. Most countries have established systems to encourage redeployment of redundant workers. In systems with no provision for redundancy, redeployment of staff is designed to avoid long periods of non-active status or dismissal. Depending on the administrative traditions and the flexibility of the labour market, redeployment may be solely within the public service or may also offer access to the private sector (such as through re-training or transition programmes to help employees adapt to new jobs). Canada and the United States have also sought to encourage employees to leave quickly by offering incentive payments. For example, in Canada, officials who have been made redundant can opt for “a payment in lieu of employment”. If they refuse the “payment” they can keep their official status and continue to receive a salary for up to twelve months. Incentives of this type appear to be rare in OECD countries and most countries only pay compensation for loss of employment under fixed (unilateral) arrangements that function more simply as “severance” than as an “incentive” for departure.

28. Countries with career-based public services encourage mobility within the public service rather than exit from it. This is the case in France, Belgium, Germany, Spain, Portugal and Turkey. Mobility is sometimes backed by training programmes to equip staff to take on new jobs. In France, staff are given personal assistance and financial assistance for relocating geographically for a new job. In these countries staff are generally given priority status when filling vacant posts.

29. Internal redeployment is found in some public services which have evolved in a “managerial” direction, although government here does not have the same level of obligations. This is the case in Australia where employees designated as surplus to agency requirements are given priority over their colleagues for appointment to any jobs at the same level. In Canada, excess staff are given priority when filling internal government vacancies and benefit from advisory services for redeployment. Similar provisions are reported in the national administrations in Mexico, Norway, the Netherlands, the United Kingdom and the United States. These programmes generally include measures to encourage the training and adaptability of surplus workers in seeking new job opportunities. In Sweden, due to the high level of managerial devolution, mobility is generally sought within, but not between, agencies. In seeking mobility assignments, the worker is often required to take positive action to seek out opportunities. For example, in Switzerland, failure to be proactive can lead to dismissal without compensation and there is no priority placement for vacancies.

30. Most countries support mobility within the government. However, some governments operate on an even broader principle of labour market flexibility where staff may freely move within the public sector and between the public and private sectors. This is the case in New Zealand, for example, which sought to unify its labour market as from the beginning of the 1980s. In terms of mobility in this broader context, emphasis is on using mobility as a means for training and professional development.

Recruitment freezes

31. Hiring freezes are another strategy used in OECD countries to reduce public sector employment levels without redundancies (voluntary or involuntary). In general, this means stopping (or limiting) external recruitment, resorting to the labour force available and leaving vacant posts unfilled and eliminating the posts. In recent years there have been recruitment freezes in many OECD countries. In Belgium a freeze has been applied across the board for lower-level posts. In Greece, outside recruitment has been largely frozen providing that only one official may be recruited for every five vacancies.

32. For most OECD countries that elect to use recruitment freezes, some degree of flexibility is provided. For example, in Spain one quarter of vacant positions may be filled. Similarly, in Portugal, a "total" freeze applied since 1982 actually allows a certain number of critical posts to be filled each year. A complete freeze would indeed threaten organisational flexibility and undermine both efficiency and effectiveness of government programmes.

33. There are many potential management problems associated with hiring freezes -- even those that allow for some degree of flexibility. The nature of attrition means that agencies cannot control which posts will be left vacant and whether it will be possible to ensure key posts remained filled with qualified staff. Moreover, modernisation and changing service demand requires creation of new jobs based on up-to-date skills that may not be readily available in the remaining workforce requiring properly qualified staff. Total or partial freezes may also result in a stagnant workforce that lacks the injection of new skills and ideas. In this regard, inter-governmental mobility programmes may be an important complement to policies to freeze recruitment. Although there may be benefits in examining whether individual vacant posts should be filled (indeed, this would be considered part of a good strategic management programme), across-the-board hiring freezes have been purposely avoided by a number of countries (e.g., Australia, New Zealand, the United Kingdom) due to the potentially negative effects on management and the workforce.

34. Freezes on recruitment are found at both the central and department and agency levels. In France, the decision whether or not to freeze recruitment to vacant posts is taken by the Ministry for the Budget; however, in Australia, New Zealand and the United States such decisions are taken at the agency level. Even so, objectives and general procedures may still be set at central level. Budget reductions for agencies may also have an incentive effect on the choices and the amount of flexibility in this regard.

Encouraging early retirement

35. Employment conditions and political considerations will effect the choice of strategy and options for achieving workforce restructuring and reductions. The composition of the workforce itself is also a key consideration. Public services with a large population of workers over age 50 or that wish to reduce management layers, may wish to use retirement incentives, particularly early retirement incentives, as a voluntary means to effect reductions and restructuring.

36. Early retirement incentive programmes are generally authorised only under special conditions (such as during a period of workforce adjustment) and may require special authorisation by a central management agency (such as the Ministry of Finance) or legislative bodies. In Norway, early retirement can only be used as part of restructuring measures and must be authorised by the Parliament. Belgium has also encouraged early retirement when faced with cutting public sector jobs. In the United States early retirement incentives are widely used as a means for reducing staff numbers. The authority to approve early retirements is centralised in the U.S. Office of Personnel Management, which has periodically delegated this authority to departments and agencies for limited time periods during periods of

restructuring and staff reductions. Indeed, in some cases (as in the United States), early retirement incentives are structured to serve as a clear alternative to workers layoffs or policies to promote voluntary attrition from younger staff.

37. Where early retirement incentives are used, the incentives programmes and rules governing eligibility vary between countries. The age for eligibility varies from age 50 to age 65. Seniority of staff and length of service requirements also differ between countries. Special conditions are often attached to the offer, such as requiring that the retiree not become re-employed elsewhere within the public service. There is also variation between countries on the pension incentives. In the Netherlands and the United States, the amount of the pension is reduced if taken before reaching full retirement age. In Canada, pensions are paid in full with various allowances (salaries for the non-expired part of the priority period for excess staff, service allowance, leaving allowance).

38. The question of whether early retirement should be the main way of reducing staff numbers remains open. From a managerial perspective, there is a serious concern that it promotes the loss of experience and expertise -- an issue highlighted often in the case studies provided later in this report. In an economic context, it offers short term savings to government agencies (particularly as older workers are likely to be higher paid), but places a substantial burden on the pension system (often an unacknowledged cost to government). There is also a problem of equity and discrimination. Is it legitimate for age to be the primary criterion for redundancy? In New Zealand it is planned to abolish outright the legal retirement age as from 1999 and make eligibility a function of number of minimum age and number of years of service. This orientation makes the idea of "early retirement" essentially meaningless.

39. It is important to note that many countries do not offer early retirement schemes. Germany, Austria, Denmark, Finland, Hungary, Ireland, the Czech Republic, Turkey and New Zealand make no reference to such arrangements. Neither is early retirement to be found in the French public sector. However, France does provide for special leave on termination of employment and for arrangements for leaving on a gradual basis. In Italy, while early retirement is possible as from age 57, no financial incentives are provided. The conditions imposed are also quite strict: to retire at age 57 contributions must have been paid for 35 years.

The role of central government

40. In several OECD countries, control over policies as regards the evolution of the workforce remain in the hands of finance ministries -- if only through the control exercised over departmental and agency budgets. This is particularly the case in Austria (since 1997), the Czech Republic, Finland, France, Iceland, Ireland, Mexico, Switzerland and the United States. The degree of supervision varies between countries. In another group of countries supervision of workforce adjustment policies is primarily in the hands of a ministry for public service (often part of the Ministry of the Interior), as in Belgium, Italy, Portugal and Spain. In Greece, the Interministerial Committee exercises its control jointly with the Ministry of Finance.

41. In another group of OECD countries, responsibilities for workforce adjustment has been entrusted to a public service oversight committee. This is the case in several Westminster-type countries including Australia, Canada and New Zealand. Hungary is also planning to set up a system on this model.

42. In OECD countries, central government appears consistently to be involved (to a greater or lesser degree) in measures to reduce public sector staffing levels, while the autonomy of individual agencies in this regard varies considerably. The administrative tradition of each country is crucial in this regard. In the Netherlands and the United Kingdom, for example, where jobs are generally managed on a more

decentralised basis, recruitment and management of surplus staff remains in the hands of the agencies. In the United States, agencies have substantial autonomy in managing reductions, but must submit measures for review to a central management agency.

Towards more flexible work organisation

43. The survey indicated that many OECD countries had put in place a variety of different policies and practices for promoting a working environment that is flexible and adaptable to the needs of employees and employers. These included:

- use of part-time work (Austria, Belgium, Canada, Finland, Iceland, Italy, Netherlands, New Zealand, Spain, Sweden and United States). In Austria, part-time work is presented as a way of helping staff to adapt to new jobs.
- tele-working (Canada, Netherlands and New Zealand).
- use of flexible working hours (Belgium, Canada, Finland, Italy, New Zealand, Netherlands, Sweden and United States) and four-day work-weeks (Belgium, Canada and Netherlands).
- work-sharing (Canada, Finland, Italy, Netherlands, New Zealand, Sweden, and United States).

44. Other programmes to aid workforce adjustment mentioned in survey responses included counselling, particularly on career development (e.g. Canada, New Zealand, United States), and a wide variety of development and re-training programmes. These types of professional support and development programmes (also discussed in the case studies provided later in this report) are often linked to staff redeployment efforts to help workers be better prepared for seeking and finding new employment. Indeed, such programmes are inseparable from efforts to unify the labour market and to help satisfy individual needs and make skills more mobile.

Conclusions

45. Policies for workforce adjustments, and particularly staff reductions, face a number of obstacles. In many OECD countries, rigid career systems by their very nature limit the scope of workforce adjustments. As a result, these countries have tended not to view staff reductions as a specific problem to be approached by active restructuring. These countries have tended to make use of passive measures for adjustment such as hiring freezes and natural attrition as a way to stabilise or reduce employment levels. In some countries such measures have been linked to mobility, redeployment and training programmes, as well as flexibility to fill key posts, in order to ensure organisations remain appropriately and sufficiently staffed. At the same time, a number of countries have taken on more active programmes of reducing the size of the public sector workforce through voluntary departure incentives, involuntary layoffs, and transferring functions to other sectors of the economy. Such programmes have often been linked to a variety of support programmes to assist workers in finding new employment or by giving them priority placement and career assistance to find new jobs in the public service. The case studies which follow also indicate that large-scale staff reductions are also generally linked to organisational restructuring and re-directing programmes, whereas small scale staff reductions (linked to efficiency-type gains) may occur without substantial organisational reform. In conclusion, though, it is fair to say that they survey results indicate that, in practice, most countries have given priority to minimising job loss, where possible, for their workers. Programmes for priority placement, mobility, and re-training appear to be a regular feature of more active programme geared at reducing overall employment levels.

46. From a managerial perspective while both job-type and career-type systems may have similar bottomline priorities, there is a key difference in the amount of flexibility the systems offer in managing the workforce to carry out the business of government. Hiring freezes, untargeted attrition and early retirements may appear to offer a 'friendly' means of achieving reduction, but over time may tie the hands of managers and employees alike through a stagnant workforce and inflexible policies for filling key positions. On the other hand, when the decision is taken to make use of more proactive means of reductions, it is clear that they must be accompanied by supportive programmes for the workers affected by job loss, as well as identify possibilities to retain the skill and expertise of surplus workers in other parts of the organisation.

CHAPTER 2: FROM REDUNDANCY TO NEW EMPLOYMENT: THE SWEDISH EXPERIENCE WITH "WORKFORCE ADJUSTMENTS"

Introduction

1. In seeking promising practices in the area of management tools for restructuring the workforce, examples found in the Swedish State Sector often come to the fore. With nearly a decade of experience with organisational and structural changes and the resulting workforce adjustments, including staff reductions, Sweden's national government has a track record of success in building innovative programmes to support the people side of managing change. Built in partnership with unions, programmes for staff reductions, in particular, are based on principles of employment security that seek to balance government's need for rapid and conclusive restructuring with a strong social conscience on behalf of those workers facing unemployment or redeployment. The purpose of this report is to identify the tools public sector managers have at their disposal to implement workforce adjustment programmes (based on the views of practitioners such as managers and union officials), and draw from these experiences, promising practices in the field of public sector workforce adjustments.

2. This chapter is organised in four parts:

- public sector employment and restructuring in Sweden in the 1980s and 1990s;
- Swedish labour law in Sweden and the legal basis of employment security;
- case study examples of downsizing programmes from three State Sector authorities; and
- discussion and conclusions of promising practices based on the Swedish experience.

3. The case studies provided in Part 3 of this chapter offer examples of workforce adjustment programmes stemming from closing down an organisation and reorganising it into new State Sector and commercial organisations (National Bacteriological Laboratory), diminishing the size of an organisation as part of reorganisation and restructuring (Agency for Administrative Development), and closing down selected parts of an organisation to increase efficiency in response to commercialisation (Swedish Rail).³

Part 1: Change and Restructuring in the Swedish Public Sector

4. Approximately one-third of the workforce (1.3 million) are employed by the public sector in Sweden. The great majority of these public sector workers are employed by local government which maintains responsibility for primary school education, health care and municipal governance. The State Sector (the national administration), which is the focus of this case study, employs 20 per cent of the public sector workforce, or nearly 250,000 people.

3. The information provided in this report is drawn from a series of interviews and briefings conducted in the Fall of 1995 by senior managers responsible for carrying out workforce adjustment, and particularly downsizing activities, in their agencies, as well as officials in the central management agencies and officials from two of the large public sector unions.

5. Between 1960 and the mid-1980s public sector employment in Sweden accounted for the nation's entire increase in employment. Of particular significance were increases in local and regional governments. Up to about 1980 more modest increases occurred in State Sector. Since 1980, the employment level in the State Sector has consistently gone down. When corrected for the effects of organisational changes (such as changes in responsibilities or corporatisations) there was a reduction of about 10 per cent during the 1980s. During the period 1990 to 1995, the central government was further reduced by 10 per cent. Not correcting for organisational changes, employment has shifted from 410,000 employees to 242,000 employees, with 100,000 of that reduction resulting from corporatisations.

6. The 1990s to-date have been a period characterised by major public sector restructuring. As many as 65 per cent of State Sector employees work in agencies that have been affected by the birth or disappearance of functions. The "turnover" of agencies has also been significant. From 1990 to 1996 nearly 140 agencies were phased out and 30 per cent of State Sector employees were affected by closures.⁴ In only about 10 per cent of these cases were activities actually discontinued. More often, activities were transferred to another new or existing agency or corporatised. An overwhelming proportion of 'closures' involve the formation of new entities, so that to date one quarter of State Sector employees work in agencies that have been formed since 1990.

7. Since 1990, approximately 27,000 workers (outside the state-owned enterprises; 40,000 including state-owned enterprises) have actually been dismissed. In the early 1990s, most dismissals resulted from closures of State Sector agencies. The cutbacks have affected most spheres of the national government, although the majority of the dismissals are from the defense-related agencies. Organisational and policy changes in other spheres also account for significant reductions, mainly in the sectors of tax administration, immigration, central public administration, social welfare, judicial administration, and services for businesses and industry. A summary of Sweden's key public management reforms and concerns from the 1970s through the 1990s is provided in Table 1.

The 1980's -- cost cutting, devolution and redefining the State Sector

8. Swedish public management in the 1980's was characterised by large-scale attempts to modernise and decentralise management of the bureaucracy. Reforms included providing increased flexibility to agency management and frame-type budget in place of detailed budget and personnel allocations. In exchange, it was expected that agency performance (outputs) would be reported in a measurable way. The values extended to agency management through these new priorities were those of agency renewal, goal-setting, and staff and personnel policy development. To rein in costs, agency budget were reduced 11 per cent across the State Sector from the mid-1980s to the early 1990s.

9. Under the current structure, the Director General (the highest career civil servant in the agency) is responsible for the effectiveness of the organisation, and as such, is given control over management and staffing priorities in the agency, including investments in information technology, recruitment, training and development, and, in most cases, salaries (through local negotiations with unions). Therefore, it is up to the Director General, with little oversight or "interference" from the Minister, as to how to achieve outputs. This high degree of management flexibility in the hands of top civil servants is an important difference from the situation in many OECD countries where Ministers take an operational interest in agency operations, particularly on decisions to remove and restructure staff. However, in Sweden, the Minister would only provide budget limits and the general priorities for expected outputs for the agency. From that point forward, implementation rests solely in the realm of the Director General.

4. This is a gross figure, so that individuals may be counted more than once -- counted once in an agency closure, counted again in a new agency, and thirdly by having its tasks changed.

Public Sector Restructuring and Employment in Sweden

**Table 1 -- Summary
Key Public Management Reforms (1970-1995)**

- | | |
|--------------|---|
| 1970s | <ul style="list-style-type: none"> • Growth in public sector employment and the pay bill, including large increase in employment between the mid-1970s and mid-1980s, as well as new fringe benefits. • Increase in workers' rights, including Law on the Security of Employment (1974) limited flexibility of the employer in dismissal and deployment; Act on Joint Regulation (1977) required employers to negotiate with unions before decisions on major issues; and the Working Environment Act (1978) required workers to be involved in designing their own jobs and workplace. |
| 1980s | <ul style="list-style-type: none"> • Numerous activities to decentralise the bureaucracy, enhance productivity, increase customer satisfaction and regard for the public sector. • Budget reforms with emphasis on “management by objectives” and allowing agencies to manage their resources, including the ability to retain surplus funds from year to year, and shift funds between budget accounts with fewer restrictions. • Adopting private sector labour practices and “harmonisation” of working conditions, including the Personnel Policy Bill (1985) which emphasised the concerns of the employer in staffing and deployment. This bill also called into question the issue of government as a single employer, with focus instead on operating each agency as its own “corporation” and its own employer. |
| 1990s | <ul style="list-style-type: none"> • Large-scale efforts to restructure State Sector Ministries and agencies, combined with reductions in the size of the State Sector workforce, including the Job Security Agreement which provided new measures of job security and employees rights in situations of staff reductions, while also giving increased flexibility to agencies in designing workforce adjustment programmes; continued efforts to devolve human resource and organisational management in the public sector. • Further effort in adopting private sector labour practices with a Law on Public Employment (1993) which substantially increased management flexibility with regard to staffing and deployment and diminished remaining differences between public and private sector labour laws. • Real staff reduction in the State Sector by the mid-1990s with total employment strength reduced to 250,000, from a strength of 400,000 five years earlier. Job loss accounted for 40,000 of the reductions, with the remainder due to transferring functions to other sectors of government and conversion of agencies into public enterprises. |

Table adapted from Lois R. Wise and Per Stengard, “Public Sector Reforms and Internal Labour Markets: Examples from Sweden and the United States”, (unpublished).

10. Within this decentralised agency structure, an employee moving from one agency to another is equivalent to moving from one private company to another. This is change from the pre-reform era of the early 1980s when the State sector operated as a unified company and the hiring priority was determined by seniority and tenure in the State Sector. "Now", said one official at the Agency for Administrative Development, "skill is the number one priority. How long you have been working in the State sector just doesn't matter very much. Mainly, you renegotiate your salary." The only continuity that remains is the carryover of supplemental pension benefits and unused vacation leave.

Table 2 -- The State's Function as Employer

- . Every agency is its own employer.
 - . Moving from one agency to another is equivalent to moving from one private sector company to another. Selection is based on skill over other considerations such as tenure or seniority in the public sector.
 - . Ministers have responsibility for policy but not operations. Clear responsibility and authority for agency operations is delegated to an agency's Director-General (highest-level civil servant).
 - . Government and the Parliament have no direct influence on conditions of employment.
-

The 1990s - rationalisation and cost control

11. The 1990s has been characterised by continued devolution of management authority, but with a larger emphasis on "rationalisation" in the context of cost control and keeping up with changing demographics in the workforce and the workplace (i.e., technology has reduced the need for many types of administrative personnel). Rationalisation also involves reassessing the appropriate role and function of the State Sector, including ongoing discussions in the Government about "back to basics" -- what should be the State's core business and in allocating limited financial resources, determining explicitly whether a programme or service is a priority and, moreover, whether it is best provided by the State Sector.

12. The effects of long-term budget and staff reductions and pressures to be more flexible carrying out the work have begun to show in operating statistics. For example, in the mid-1980s, on average, 60 per cent of the budget for an agency was for salaries and personnel. By the mid-1990s, that figure had decreased to an average of 48 per cent. Such a reduction suggests extensive changes in the means of production. Although comparative spending data has not been compiled, it is hypothesised that agencies are buying more services from the outside that used to be carried out by agency staff. Factors such as information technology have change the demands for labour intensive work of typing and data collection and reduced the number of people needed for work in administrative-type organisations. In addition, growth in service industries has made it easier to buy support service (printing, computing, equipment maintenance) from outside government without engendering the fixed costs of employment and benefits, as well as provide more flexibility in tailoring the service to the particular job needs at any given time.

Part 2: Swedish Labour Law and the Legal Basis for Employment Security

13. “In labour law nothing is ever “obvious” because it is always a question of negotiating a solution. Even the truth is bargained for.” This statement by an expert on Swedish labour law is important in the Swedish context where the labour market operates under a strong spirit of co-operation between management and the labour unions. The principles and priorities set out in the labour laws are important in understanding the strategies behind workforce adjustment practices at the agency level. In general, there are three main acts applicable across labour market (private and public sector) and one special act which applies only to the State Sector. The main provisions of each law are summarised in Table 3.

14. The *Law on Joint Regulation* and the *Job Security Act* provide for a large measure of “co-determination” by management and unions in agency operations. They provide a significant role for the local unions to work in partnership with the agency in carrying out a reorganisation or staff reduction programme. The *Job Security Act* goes further to ensure that State Sector workers have maximum job security (or opportunities to find new employment) in the event of redundancy.

15. *The Law on the Security of Employment* establishes a seniority-based process for identifying redundant staff. This has been the focus of much debate by agency management who see a “last-in, first-out” principle as contrary to overall public management principles for flexibility in staffing practices and the mandate for management to run their agencies as effectively as possible. However, this policy has been “softened” in the State Sector in the *Job Security Agreement* through the creation of “precedence circles” that allow individuals of similar job function to be grouped together before applying the seniority principle (rather than applying it to all staff). This provision is discussed in the next section.

Identifying Staff As Redundant

16. In the private sector, seniority rules (i.e., “last-in, first-out” rules) are decisive in determining which employees will be dismissed. In the State sector, the rule has been modified *by collective bargaining* as part of the *Job Security Agreement* (discussed below). In a staff reduction, an agency creates a number of seniority units called “precedence circles” from which staff are prioritised for dismissal. Each circle is made up of employees who provide “in the main” the same work and duties. While it is ultimately the employer who makes the final decision on how the number of circles and which employees will be put into each circle, establishing circles involves negotiations between management and the local unions. However, works and unions may challenge management decisions in Labour Court .

17. In practice, agencies often create many circles because people do not “in the main” perform the same duties. However, union officials argue that management structures circles to get rid of whomever they choose. While the unions, on the other hand, often press for a single seniority unit, arguing that all employees in a given agency perform the same function “in the main.” Despite the potential for abuse on both sides, labour and management describe its functioning favourably.

Table 3
Swedish Labour Laws- Summary of Main Provisions

<ul style="list-style-type: none"> • Law on Public Employment 	<ul style="list-style-type: none"> * increases management flexibility with regard to rules for hiring, termination and disciplinary procedures, and further diminishes differences between private and public sector labour law.
<ul style="list-style-type: none"> • Law on Joint Regulation 	<p style="text-align: center;"><i>provides procedural rules with regard to the:</i></p> <ul style="list-style-type: none"> * right to establish and negotiate with local trade unions. * obligation for employers to call for deliberations with the unions on important changes in activities; * obligation to keep the local unions continuously informed about production and economic status; * obligation for parties to maintain industrial “peace”.
<ul style="list-style-type: none"> • Law on Security of Employment 	<p style="text-align: center;"><i>establishes:</i></p> <ul style="list-style-type: none"> * seniority-based “last-in, first-out” principles for determining which employees will be dismissed in a redundancy exercise; * criteria for the minimum period of notice of dismissal (from one to six months); * the right to full wages during the notice period; * permanent employees may only be terminated on a programmatic basis such as lack of jobs, including workforce reductions.
<ul style="list-style-type: none"> • Job Security Agreement (applies to the State Sector only) 	<ul style="list-style-type: none"> * <i>Key provisions:</i> * priority for permanent employment, with temporary employment permitted only in specified circumstances; * notice of redundancy is based on a variation of the seniority-based system set out in the LAS; * State Sector workers are extended twice the notice period provided by the LAS. * <i>In addition, the Job Security Act provides for:</i> * pay supplements for up to four years if a lower-paid job after dismissal; * the right to early retirement beginning at age 60; * the right to help for education and training courses, if needed to find new employment.

Table 4
Labour law and the legal basis for employment security
Summary

Swedish labour laws and labour agreements with the unions are important factors in shaping agency workforce adjustment policies and strategies. Key legal principles governing the actions of State Sector management include:

- Terms of **dismissal**:
 - Employees may be dismissed only on “objective grounds”, including scarcity of jobs stemming from, for example, agency reorganisations and general reductions in the workforce.
 - Dismissals are delivered according to a seniority-based (last-in, first-out) system where workers are placed in “precedence circles” which are defined as including employees in an organisation who “in the main, have the same work and duties.” The number of jobs related to each “precedence circle” are compared to the number of workers in the “circle”, and workers in excess of the number of jobs are dismissed beginning with those with the least seniority.
 - Dismissed **employees** have the right to:
 - a minimum period of notice of two to 12 months (based upon age and seniority);
 - full pay during the notice period;
 - free-time during the notice period for activities related to finding a new job, including, for example, seeking professional or vocational training, or trying out temporary jobs.
 - The role of the **employer**:
 - call for negotiations with local unions regarding important changes in activities;
 - keep the unions continuously informed about the status of the agency;
 - serve as the “motor and co-ordinator” providing space and support for employees to seek employment alternatives, including assisting them in forming action plans.
 - inform employees about the job security system and their rights under law;
 - finance vocational or professional training during the dismissal period, determined to be needed to lead to new employment;
 - co-operate with the Job Security Foundation, the local employment exchange (unemployment office) and other social partners.
 - The role of the **unions**:
 - to serve as a co-operative partner in helping dismissed individuals find new employment options and secure their rights as provided under the job security system.
 - to work in co-operation with management to carry out mandates to create, close-down or reorganise public sector organisations.
-

The Job Security Agreement

**Table 5 -- Summary
Main Provisions of the Job Security Agreement**

- Establishes the Job Security Foundation
 - Provides funding for the Foundation and other financial benefits for redundant State Sector workers.
 - Establishes definite rights for State Sector workers given notice of dismissal due to redundancy.
-

18. As a companion to the Job Security Act, the second labour policy, perhaps most relevant to discussions and consequences of staff reduction programmes, is the Job Security Agreement. Although not a law, *per se*, it is a legally binding agreement between the government and the labour unions. Under the Agreement, State employees have greater job security and assistance when they are laid-off, than employees in other sectors. This priority and the provisions of the act stem from historical agreements between the State and the trade unions.

19. Since the 1930s the Swedish trade unions have said "yes" to technical change and "yes" to restructuring in the private sector on the principle that in the long run healthier, more competitive industries would be able to pay their workers better salaries. Large-scale public sector restructuring in the mid-1980s put this tacit agreement between the State and unions to the test. One official noted that, "we came to the unions and asked them: are you with us or against us in the work of reforming? The answer was "yes", we are with you, but *only if* you give some additional job security." The result was the Job Security Agreement. Noted one official "it has made it easier for the politicians to make a number of tough decisions, they can say, well, we have this excellent job security act that takes care of people, and so it has helped management to do this kind of downsizing." Representatives from the Union for Civil Servants explained the importance of the Agreement in securing their support:

"The [Job Security] Agreement has been, we think, a very important condition for making the downsizing come true in a reasonable way. Without a system for job security, we see it as very hard for us as unions to be part of the downsizing or to be able to support it. ... You can say [to your members], this is the system we have and we will use it. That is essential. If you don't have such a system, you have nowhere to go. You meet your members and say, this is how it is, and these are the pre-conditions and how we and they have to do [the downsizing]. It's important in the whole system to have it to backup the processes and lessen the tensions."

20. The Agreement is based on three key provisions: 1) creation of the Job Security Foundation (discussed below); 2) rights for State Sector workers, including: a 12 month notice period (twice that provided for other sectors), full pay during the notice period, freedom to use their time for seeking jobs, testing out job possibilities, education and training, an income security supplement (paid by the Job Security Foundation) if they take a job at a lower income than their original job, future security (i.e., to come back to the Job Security Foundation if made redundant again), and redundancy pay and pension compensation (for the latter only if over age 60); and 3) clear responsibilities for agencies undergoing staff reductions, including: an obligation to inform workers about their rights and the system, help them create personal action plans, and support them in seeking new work. The employer is also obliged to co-operate with the Job Security Foundation and allow the Foundation to meet and work with redundant staff.

The Job Security Foundation

“Finding a new job is the first priority. We help persons to help themselves.”⁵

Benne Lantz, Director General

Structure of the Foundation

21. The Job Security Foundation operates with a Director General and a Board comprised of six individuals -- three from government and three from the labour unions. Operations are strictly delegated to the Director and the staff, with the role of the Board limited to policy and principles. In general, the Foundation is free from oversight or control from the Government or the Parliament for its programmes, policies, and budget. The Director explains the philosophy of the Board as follows:

“When you are noticed [for dismissal] you don’t feel very well. You have a lot of problems. So you must not wait for our decisions or our money or anything else in our system. Which means that every member of our staff has the right to make all decisions needed. I have a deal with the staff that above a certain cost level they inform me about the decision. If I find that this decision is crazy, we don’t change it but we don’t do it again. What we gain is rapidity and effectiveness. We gain for those noticed that they can get their answer immediately. They can get this help, or that money, or well, anything they need. They get the answer from our representatives in the working place. And this reflects how the board works. They don’t interfere with our decisions.”

22. The cornerstone of the Foundation’s operations is the degree of individuality applied to each individual’s situation. The job security system is not designed to ensure “justice between individuals”. There is no standard formula, no attempt to provide comparative levels or kinds of resources between individuals -- even individuals from the same original employer or occupation. According to the Director:

It is not fair. It is very *unfair*. If you come to us and say that “I got too little support from you because my friend or my neighbour got much more from the same Foundation.” You know what? It doesn’t matter. We try to find out what is this individual person’s possibility to find a job ... what are the needs for this person. They have different age, different education, different backgrounds. There are never two people in the same situation. It is very individual to decide the level of support.

23. Despite of the large degree of variation between individuals, there had been only 21 appeals over a five year period. The Foundation prevailed in all cases and the formal appeals process was eliminated.

Activities of the Foundation: focusing on individual responsibility

24. In assisting State Sector workers facing redundancy, the Foundation operates what it calls the “work line”, representing a path straight from redundancy to new employment. A summary of the activities carried out by the Foundation is provided in Table 6. The Foundation’s flow chart for the “work line” provided in the Appendix. Within 10 days of the lay-off, the Foundation begins a series of contacts between the agency, the employees and the local labour exchange (the local unemployment service) to determine what activities will be provided for these individuals over their redundancy period. However, while the Foundation is active during the notice period, co-ordination is the employer’s responsibility.

5 Benne Lantz, “Staff Reductions and Job Security System in the State Sector in Sweden,” presented at ...

25. Once the notice period is finished, redundant workers still without jobs become the responsibility of the Job Security Foundation and the local unemployment service. The Director emphasised the importance of focusing on the employment goal and getting directly to a new job, rather than focusing on additional training or education. Education, he notes, is time consuming, expensive, and often not needed to lead to a new job. However, the Foundation does finance training and even supplemental training funds for agency activities, where it is deemed useful. They also offer support for individuals interested in starting a business. As of 1995, the Foundation had helped 1,100 individuals gain employment by starting the own businesses.

Table 6 -- Work of the Job Security Foundation

<ul style="list-style-type: none"> • Seeking jobs by making contacts with private sector employers; • Sponsoring job seeking courses; • Providing “telemarketing facilities” for individuals to contact with potential employers; • Sponsoring “restart” programmes for people feeling they are without options; 	<ul style="list-style-type: none"> • Financing professional or vocational training; • Helping people start their own businesses; • Special job seeking and support groups for people over age 50 and other individuals with special difficulties in accessing jobs; • Funding trainee salaries for individuals to try jobs or gain entry into new occupations
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26. Networking is seen as a key strategy for job seekers. The Foundation sponsors job seeker programmes which gather individuals together to help each other find jobs. They also encourage a telemarketing-type model and provide telephone facilities for individuals to hunt for opportunities for themselves and their colleagues. According to the Director, “anything you can find out we will try to do during this period. Our aim is that no one should pass [the redundancy period] without having a job or a new education or something that leads to a new job.” Indeed, individual responsibility on the part of the worker is a key operating principle. According to the Director:

If they don't want to be active, no one can do anything. ... We do not succeed when we try to do the job for the individual. They have to do it themselves. They have to be motivated and understand that it is them who shall try to find a new job. You know, sometimes, when we get a new job we make a deal with the employer, but we don't tell the individual [we made a deal]. Why? Because it is very important that the individual believes that he fixed this himself. This is very important.

27. The Foundation is a strong advocate of “prevention” and works with agencies to anticipate staffing reductions. They stress the benefits of any advance opportunity to work with staff, especially to try to re-skill individuals early-on for different jobs in the same agency. Public sector organisations often have an advantage given the lengthy political processes of studies and debates that may shed light on the direction of change.

28. As of 1995, the Foundation had provided services for more than 50,000 redundant workers over a five year period, and worked with more than 3,000 workplaces. It is estimated that they have had direct contact with approximately two-thirds of these people via counselling, advice, or other forms of support

services for finding new jobs. More than one-third have also received financial support from the Foundation via income subsidies, training funds, or unemployment supplements.

Staffing the Foundation

29. The Director credits much of the Foundation's success to the staff mix. The Foundation employs 40 people, 20 based in Stockholm and 20 in various locations in the countryside. In larger cities around Sweden, Foundation staff live and work in the local communities and have their own local resource networks. The Foundation also has a policy of rotating staff based in Stockholm out to the regions to share information and ideas.

30. The Foundation's staff was formed with great care and strategy to ensure a mix of important competencies and resources. The Director reports that the staff, most of whom are at a senior experience level, have been drawn from the trade unions, the central government agencies, local unemployment offices, occupational health organisations, heads of personnel departments in industry, and the like. According to the Director, "[t]here is an important balance in the staff because you can't, if you're 25 years old and newly examined from the university, you can't stand in front of fifty noticed people to explain how the world works. It's not possible, they don't respect you."

The balance of services -- budget costs

31. The Foundation is funded from the salary budgets of government agencies. The Job Security Agreement provides that every State Sector authority (agency) pays 0.7 per cent of its total salary budget to the Foundation. The total assets of the Foundation are currently in the range of 560 million SEK (amt in \$/FF).

32. The Foundation divides its budget into passive costs (redundancy payments) and active costs (costs for getting people jobs). Passive costs, approximately 15 per cent of the budget, include payments required under the Job Security Agreement. For example, redundant workers who finish the notice period without finding a job are entitled to an unemployment benefit from the labour exchange. In some cases, the Foundation provides an additional supplement of up to 80 per cent of the individuals prior salary. Problems occur when employees near retirement remain on unemployment without seeking work until they reach pensionable age (age 60). This is seen as a waste, but unavoidable under the current system.

Table 7

Active Costs (1995)

50%	Education and vocational training
18%	Costs for new jobs directly
15%	Income subsidies for clients who accept a job with a lower salary
9%	Sponsored group job seeking activities, and special support groups such as project "restart" and programmes for older clients
8%	Total costs of helping clients start new businesses

33. Table 7 provides a summary of how active costs were disbursed during the 1995 fiscal year. By far the largest expenditure is for education and vocational training. The Director is quick to point out that while education accounts for half of the total, it does not represent half of the individuals being served. It is much more expensive to give individuals education than to work on other, more direct, job seeking activities. The Foundation staff believe that too many resources are devoted to training costs and, as a matter of policy, is trying to reduce these costs in favour of getting individuals directly into new jobs.

Future role of the Job Security Foundation

34. The work of the Foundation is changing as the pattern of workforce adjustments is changing. Since the mid-1990s staff reductions have tended to involve only a few staff at a time, rather than the large-scale reductions and agency closings of the later 1980s and early 1990s. "It is much hard for us today," said the Director, "working with 100 people in ten places rather than 100 people in one place." Whereas large-scale redundancies are likely to result in a coherent and organised staff reduction programme, small reductions often mean that agencies have few resources and little expertise to know how to handle workers or how to apply labour laws. Frequently, the Foundation finds itself substituting for employers' role. Moreover, the Foundation anticipates that its work will continue unabated, estimating that nearly 10,000 State Sector employees per year will face redundancy due to restructuring and cost reductions in the State Sector administration, particularly in the defence-related agencies.

Part 3: Agency Experiences with Staff Reductions

Common Themes

35. The three agency case studies that follow make it clear that there is no one "normative" process for workforce adjustments in the Swedish State sector. However, best practices shared within the State Sector have convinced most agencies to adopt a standard framework for workforce adjustments. Most agencies create a "**special downsizing agency**." This special organisation exists within the parent agency to manage the staff reduction process. The special downsizing agency operates with its own staff, office space and budget for approximately a one-year period. In some cases an agency may have several special downsizing organisations, one to manage at the central level, and branches to manage local or regional offices.

36. They have also developed a **psychological profile of redundant workers**. This profile reflects the trauma and various stages of anger, denial and understanding that dictate the speed at which agencies can most profitably provide information and begin placing expectations on workers. The Director of the Job Security Foundation discussed this issue in terms of the guidance they provide to the agencies:

"We try to teach the agencies. We know that you can't "inform" people really the first month. It takes one month to accept that you are noticed. You don't take any information of any kind. So we may give out initial information, but we wait with our information meetings one month or more. Otherwise we have to come back because they didn't listen first time. ... We also know that it takes four months for people to find, well, to "think", to find new solutions, to feel what they want to do. We have the aim that after four or five months of notice they should have what we call a "handling plan" or an "action plan" for their activities -- what job do they want, what education do they need, what firm do they want to start. It takes that time."

37. Another feature common to agencies facing staff reductions is the overall process for planning, implementation and review. In reviewing workforce adjustments strategies across the public service,

analysts at the Swedish Agency for Administrative Development have found that, in general, they are conducted in three phases:

- **Analysis of the problem and options** - done by the Ministry with oversight for the undertaking the reductions, in co-operation with the Ministry of Finance and the Parliament.
- **Implementation** - done by the Agency itself through the special "downsizing agency" and with support from agencies with certain functions such as archives.
- **Follow-up and Evaluation** -- done variously by the Ministry with oversight for the Agency, the National Audit Bureau, and the Parliament's auditors.

38. There was consensus among union and government officials with experience in reorganisations and staff reductions that if the first phase it is well done, it is much easier to go forward with the next phase, particularly, for example, as regards finding agreement between labour and management for goals, orientation and staffing of a restructured organisation. Follow-up and evaluation seem the least well founded of the three steps in the process. However, managers from agencies make the point that following a difficult workforce readjustment exercise there is little enthusiasm for revisiting the issue, but rather the need to focus on the positive aspects of moving forward with a "new" agency or mandate.

39. The overall analyses of the lessons learned from the case studies which follow, are provided in the conclusions.

Table 8 -- Summary
Workforce Adjustments at the Swedish Agency for
Administrative Development (SK)

Situation: In late-1992, the Agency for Administrative Development received word that the government proposed a major reorganisation and substantial cut in resources, in combination necessitating a 50 per cent staff reduction. Although changes had been expected, the final results was well beyond any expectations. Moreover, the agency effectively had six months to structure the reorganisation, assess its staffing needs before the new budget limits went into effect and dismissal notices had to be issued to the staff.

Strategy

- Advance preparation: Anticipating a budget cut, the agency had over the previous year built up surplus financial resources by holding off on investments and froze recruitment.
- Structure to manage the reductions: The agency established a special downsizing agency funded out of the surplus reserves. The agency had its own director and office space. Once employees received notice of dismissal, they were physically (as well as administratively) transferred to the downsizing organisation.
- Focus on individual responsibility: Management drafted a policy document for staff providing that the agency would provide resources and support but the expectation was that individuals were expected to take active responsibility for determining options and how to work toward achieving them.
- Strategic planning: Management drafted three policy documents before beginning negotiations with the unions, covering: 1) new structure and orientation for the organisation (developed with the input of line staff); 2) management staffing and staff categories; and 3) shortage of work and precedence circles for redundancies.
- Information and co-operation: The downsizing manager's final report provided that, "the forms of co-operation are important. In such a sensitive and disruptive process, it is tremendously important to retain good, open channels of information both with the trade unions and with all the employees. One can never provide too much information, and informing people once is insufficient."
- Working in partnership with the unions: Management and unions engaged in a four month process of discussions and negotiations regarding the management proposals.

Tools

- Actively promoted internal mobility in order to reduce actual dismissals.
 - Special training and preparation to support managers tasked with dismissing their staff.
 - Individualised assistance for employees in setting and meeting new employment goals.
 - Continuous information gathering and dissemination (e.g., questionnaires, newsletters, seminars)
 - Special resources for personal and psychological support for staff.
 - Financial incentives for potential employers to take on redundant workers.
 - Lump sum severance "buyouts" corresponding to total salary for the notice period.
-

Outcome: The agency was not able meet its original six month deadline. Work on structure and orientation for the new organisation was completed in July, notices of dismissal were delivered in October. (Much of the delay was due to a changeover in Director-General during the year.)

Lessons

The timing issues can give a bad start to the process. Discussions about the future of the agency had been underway since 1989, but it was not until late 1992 that the agency found out that the budget bill (submitted at year end) would entail halving their resources. Moreover, after three years of deliberations they had six months to implement the mandate before new budget limits became effective. A more timely decision with opportunity to plan and assess the agencies possibilities under the new founding level would have reduced stress and morale problems and made the restructuring easier to implement.

Need for management unity during negotiations. The agency engaged in lengthy negotiations with the unions regarding the restructuring and the resulting number of jobs that would be lost. The downsizing manager offered the following advice in his final report: "Co-determination negotiations are a laborious process that takes a great deal of time and energy from the whole organisation. However well one prepares, there remain many issues that cannot be foreseen and tend to entail additional delays. In such situations, it is of the utmost importance for the management to be united and not to abandon the objectives originally adopted."

Importance of a special downsizing agency with its own premises. Given the period of notice of up to one year, the agency believed it would have been seriously impeded in tapping the spirit, creativity and commitment of those workers who remained in creating the new organisation if they were faced daily with those colleagues who would not be moving forward with the new organisation. Moreover, it was felt that workers that had been identified as redundant benefited from an environment devoted specifically to the task of finding new options for work.

Recognising the need for different managerial competencies during periods of workforce adjustments. Agency management recognised that the skills and competencies developed in managers to help them with the job of supporting, managing and development staff were somewhat different than those needed to successfully support and manage staff during workforce restructuring. Specific training and support for managers tasked with dismissing staff was important both to ensure that the process of dismissals is professional and provides proper information and support to dismissed staff, as well as to alleviate some of the increased stress placed on managers in carrying out this role.

**Staff Reductions in the Agency for Administrative Development
(Statskontoret - "SK")**

“Within six months, we had to redefine our activities,
halve our staff, come up with a new financing system, and reorganise our work.
It seemed we had a difficult task ahead of us.”

Johan Haage, Administrative Manager

40. The Agency for Administrative Development (SK) is an example of a Swedish agency faced with a major cutback in staff without closing down the agency entirely. It was also among the first of the Swedish authorities to face a proportionately large staff cutback. In 1993 the agency had 216 employees, just over a year later the level had been halved to 107. The agency is responsible for committees and commissions interested in the finances and structure of the public administration, as well as changes in information technology as they effect administration of the State Sector.

41. As early as 1989 rumblings of reform and cutback for SK had come from the Government. In the Fall of 1992, SK was advised that the Government was proposing in the 1993 budget bill to halve the agency's budget. Moreover, that the reduction would be effective 1 July 1993. Although cutbacks had been anticipated for some time, the reduction was substantially larger than had ever been anticipated and, for all practical purposes, they had six months to implement restructuring and staff reductions to achieve meet the new budget level.

42. In 1992, staff reductions were still unusual in the Swedish State Sector, offering SK management few answers to questions about how to proceed or opportunities to benefit from the experiences of other agencies. A long and drawn out process of decision making regarding the future of the agency. Although the ability to be able to foresee the workforce adjustments was advantageous in some ways, in general, the long period of uncertainty in the restructuring process made it even more difficult to manage the process, particularly regarding staff morale. Moreover, the need to make staff reductions came in the midst of the worst recession Sweden had faced for many years.

Financing the Downsizing Agency from Surplus Agency Funds

43. The funding for workforce adjustments, including operating the special downsizing agency, training and development and severance payments all come from regular agency funds. Because, as in most cases, the need to downsizing is driven by budget cuts, this situation can be particularly tricky for an agency to manage. Being able to anticipate restructuring, for more than a year, agency took several measures to prepare itself in terms of financial resources, including holding off on a number of investments that would normally have been made and freezing recruitment. The ability to carryover unused budget amounts from year to year allowed SK to build up a surplus fund which was ultimately used to fund the process of staff reductions. Senior managers noted that this mechanism for funding workforce adjustments out of the regular agency appropriation is practical for the Minister. Because it is funded by the regular funds, it is run by the agency. All the Minister needs to know is that it was carried out in a way that does not raise controversy. As one executive noted, "When it is run smoothly, it is no practical problem for the Minister."

Communicating reform priorities with staff

44. Ultimately, the agency did not make its six month deadline and notices of dismissal were not handed out until the end of October 1993. During the intervening year, agency management took many steps to prepare itself and the staff for the massive reorganisation. Many of these processes revolved around the dissemination and collection of information, including:

- Questionnaire to all employees regarding future career plans and kinds of support they already perceive a need for.
- Reference group of management and staff to exchange views and experiences, gather information and discuss the viability of various options. Many ideas for supportive action and information for staff came from the group's suggestions.
- Invited representatives of the Job Security Foundation and the unemployment benefit societies to describe their work and answer questions for staff.
- Regular communication forums, including a special information newsletter on reforms and organisation-wide meetings.
- Seminars on the labour-market situation.
- Training on how to find a job and seminars on how to start you own business.
- Personal and psychological support through the Swedish Foundation for Occupational Health and Safety for State Employees and other organisations.
- Financing support and training for those being dismissed corresponding to roughly 50,000 SEK per person dismissed. [provide equivalent in dollar and francs]
- "Emergency psychological support" for staff on the day the dismissals were announced.

45. The Administrative Manager for staff adjustments and reform noted again and again the importance of regular and ongoing communication with staff. In a memo to other departments and agencies highlighting the lessons learned by SK in carrying out the process, he said:

"One can never provide too much information, and informing people once is insufficient. We started a special information newsletter, which was issued as soon as we had information to provide. This newsletter informed the staff about, for example, the current system of regulations and scope for support and training. When particularly important events took place, we also held large meetings to which all staff were invited."⁶

46. Agency management also focus on a strong message to staff about the importance of individuals actively taking responsibility for identifying their own employment options and for deciding how to move forward under the programme of reforms. As part of communicating this message, the managers drafted a policy document articulating this position. The downsizing manager provided the following explanation:

6 from, Johan Haage, "Downsizing Without Closing Down," Memorandum.

"It is very easy -- and also understandable -- for the employees, in a situation like this, to feel unfairly treated. People think it is the agency that is to blame for what has happened, and that it is therefore the employer's duty to secure new jobs for all those dismissed. We sought to counteract this attitude. We pointed out in the policy that each and every employees was responsible for his or her own situation while, at the same time, the Agency would obviously provide support in various forms."

Identifying Redundant Workers in Partnership with the Unions

Table 9 - Timetable for Labour-Management Negotiations

June 1993	<ul style="list-style-type: none"> • Orientation of the new work • Structure of the new organisation • Financial limits
August 1993	<ul style="list-style-type: none"> • Management staffing of the new organisation • Description of staff categories
Sept/Oct 1993	<ul style="list-style-type: none"> • Determining where there was shortage of work • Number of precedence circles • Placing staff in the precedence circles • Setting up the Downsizing Organisation

47. Formal discussions with the trade unions began in May 1993. A summary timeline is provided in Table 9. Initial preparation for the negotiations it was a key activity, not least of all to ensure unanimity among management on the proposals to the trade unions. The downsizing manager noted, "as the employer, one need to have carefully weighted up the consequences of various measures and proposals. ... If negotiations are started without all the material being ready, the employer is almost automatically at a disadvantage compared with the trade unions. If the documentation for negotiations is handed over in stages, there is also a danger of the process being long and drawn-out, since the opposite party is entitled to a reasonable period to study and form an opinion on the new material." A draft proposal on the structure and orientation and skill requirements of the new organisation was also distributed to *all employees* allowing for their input and views to management before discussions began with the unions.

48. Initially, the unions proposed to conduct the staff reductions over five years using normal attrition. However, the SK had no money to support the staff over five years and the reduction needed to be carried out in approximately one year. Faced with staff reductions, the unions had specific views about placing certain workers into the "precedence circles. As the scope of the reductions became clear, labour and management engaged in difficult negotiations, to the point of comparing tasks and skill requirements in the new organisation with the existing workforce on a job-by-job, worker-by-worker basis.

49. As is required by statute, determining which workers would be identified as redundant was based on seniority according to their placement in "precedence circles". A significant part of the negotiation revolved around how many people fell into each circle. As discussed earlier, this is the key tool for management in targeting individuals to keep or dismiss. At SK, they started and ended with 23 circles, but the composition of the people in each circle changed as a function of negotiations with the unions.

50. In the end the composition of the new organisation was agreed to by both parties. In exchange for agreement from the unions, the SK agreed to keep five additional workers in the new agency. SK also mitigated difficulties for some individual workers by extending their notice period. In the final count, 107 staff left the organisation, with only 59 given forced redundancies. Details on the kinds and numbers of staff departures provided in Table 10. Most staff categories were effected -- experts, administrators, clerical, older younger, male, female. Demographically the reductions were approximately equal between male and female staff; 75 per cent of those dismissed were older than 40 years; 25 per cent more than 30 years of service. Table 11 shows the demographics of the 59 staff slated for forced redundancy.

Table 10

Number of Employees, 1 Jan. 1993	216
Transfers to other agencies	12
Regular retirement (age 65)	1
Disability retirement	4
Early retirement (age 60+)	14
Severance pay ("buyout")	19
Involuntary redundancies (dismissals)	59
Total Reduction	107

Table 11

Demographics of Staff Facing Involuntary Redundancy	
Male	56%
Female	44%
Clerical	25%
Executive/managerial	75%
<40 years of age	25%
40-55 years of age	50%
55+ years of age	25%
<10 years public service	29%
30+ years public service	24%

51. To encourage employees to experiment in new jobs, the SK offered to pay the employee's salary during a probation period. They also offered severance "buyouts" in exchange for immediate dismissal (lump sum payment of salary during the notice period). Early retirement pensions were offered to those who had reached or were soon to reach age 60 (of 15 eligible workers, 14 accepted).

Training line managers to cope with dismissals

52. A key issue commented on consistently by SK managers interviewed for this case study, was the preparation provided by the agency in helping them take the first steps toward staff reductions -- telling the individual workers they were being dismissed. Managers were trained before they had to face their employees, including participating in role plays and receiving information on the reactions and questions they might be faced with. Notices were delivered all in one day using a standard procedure. Each worker given notice of dismissal was given an official paper outlining the procedure for dismissal and their rights under the law. One senior executive described the situation as follows:

"I was a manager at the time. We had quite a lot of discussions preparing ourselves, pretending to sit in front of an employee. You know, even if they sort of had a hunch that they might get notice of dismissal it was always a shock. It was quite a tricky thing to do. [The downsizing manager] was wise enough that he organised training for us beforehand. We had excellent training. I mean, I thought it was so difficult to dismiss one person. One of the managers had 20 people! Twenty times he had to do this! Psychologically it was very difficult. I would say that one of the best things we did was to train the managers to do this. Train them to empathise. What would the people on the other side of the desk be thinking? What kind of logic is his logic? If it were you, what would you ask? Also, don't compromise -- you know, the "well, perhaps, in the long run, we may have something." This is bad. This is the end of it. Be very clear and don't compromise on these kinds of decisions. I think that from my point of view it was very important to have this kind of training for all of us. We also agreed that we were going to do it all at the same time. It gave more stability to the whole process."

53. The notice of dismissal did not come as a surprise to many staff. Workers had been getting day to day information from the trade union representatives. Despite this, managers felt that it was a shocking occasion for these workers. Managers involved in the process also comment that they believed it was a bit easier on the staff as a whole that the process of notice all occurred at one time, avoiding a drawn out process of rumours and insecurity. Moreover, for those workers who did get notice, the process was thought to help contribute to a focus on these workers as a "group", rather than as individuals, perhaps mitigating in part the sense of alienation that occurs.

Setting up the Downsizing Agency

54. Early on the SK prepared a downsizing organisation and it was ready when the people got their notice of dismissal. The downsizing organisations worked within its own organisational framework. A special downsizing manager was appointed and special premises for the downsizing agency were rented in a separate building. Persons under notice were at once physically transferred to the downsizing organisation. The decision to move redundant workers to the new organisation was a key strategy in the staff adjustment plan. Given the period of notice of up to one year, the agency felt it would be seriously impeded in tapping the spirit, creativity and commitment of those workers who remained in creating the new organisation if they were faced daily with the colleagues who would not be moving forward with the new organisation. Moreover, it was felt that workers who had been identified as redundant needed to have an environment devoted to ensuring they had the time and commitment to finding new options for work. Remaining in the old work environment offered too many opportunities to avoid the pain and difficulty of facing up to the fact of termination and the work needed to find new employment.

"I must say that we were, and are still, convinced that the solution of the special downsizing organisation was the best way. It is not a good idea to let persons under notice remain in the new organisation. The new organisation must advance and establish new work conditions and [in this context] tensions also instantly arise between those under notice and those who remain. The remaining people feel guilty. And those dismissed often are ignoring the situation." Downsizing manager, SK

55. The downsizing organisation existed for one year. During that time it had one task -- to get new work for those dismissed. Interestingly, for redundant workers transferred to the downsizing organisation, there is no *obligation* to "work". However, they were obliged to be present every day. The focus and effort to find new jobs was established through an action plan drawn up individually between the

downsizing manager and worker, including what kind of job the individual wanted and what support might be needed to get there.

Outcome

56. As noted above, the agency was not able to keep to the original six month deadline for restructuring. A complete timetable for the staff reductions activity is provided in Table 13. Table 12 shows the employment status of redundant workers one year after the notices of dismissal were delivered to staff. Of the 59 people dismissed, 25 per cent already had a new job when they got their official notice of dismissal. Another half secured a new job or established their own business through the assistance of the downsizing organisation. The remaining quarter were still without work when the downsizing organisation closed down. These were then assigned to the Job Security Foundation.

Table 12

Staff situation after one year		
New job by the time of official notification of dismissal	15	25%
Pensions taken during dismissal period	4	7%
New Job or own business due mainly to the assistance of the downsizing agency	13	22%
Others (studying, casual work, future plans for own business)	14	24%
Without work, transferred to the Job Security Foundation	13	22%

57. Initially, an estimate of 50,000 SEK (\$\$/FF) per person was set aside to cover support measures such as training, education and job search activities. In the end, not all of the money was consumed. The average cost per person was estimated at 35,000 to 40,000 SEK (\$\$/FF) per person. It was noted, however, that average costs are quite deceptive as the individual nature of the support might mean that one individual may have consumed 100,000 SEK, while others consumed much less. A breakdown of the agency's costs for the staff reduction programme is provided later in this chapter under the heading *Counting Costs in Agency Staff Reduction Activities*

58. The downsizing manager believes the agency achieved an "acceptable result" in finding options for workers faced with redundancy, particularly given the difficult economic and employment situation in the country as a whole. In addition, the agency was able to fully assist workers in attempting to meet their individual action plans, while still remaining well within the budget set out for the activity.

Table 13
Schedule for the Agency for Administrative Development (SK)
Restructuring, 1993⁷

January 1993	Final budget bill with decisions regarding the Agency's future work and resources, including halving the agency budget (effective 1 July 1993).
January - April	Preparations for restructuring, including: <ul style="list-style-type: none"> - formation of a reform group - questionnaire to all staff - policy document from management - support measures for staff [Awaiting new Director-General]
May	Documentation for negotiations is drawn-up.
June	Negotiations, stage 1: <ul style="list-style-type: none"> - orientation of work - new organisation - financial limits
August	Negotiations, stage 2: <ul style="list-style-type: none"> - staffing the new organisation - description of staff categories
September-October	Negotiations, stage 3: <ul style="list-style-type: none"> - shortage of work - number of precedence circles - placing staff in precedence circles - downsizing organisation
October 12	Employees are informed of their placing in the circles (without the scope of the shortage of work being specified) and given an opportunity to express their views.
October 25	Director-General takes decisions on dismissals. <ul style="list-style-type: none"> - Managers receive training and support in notifying their staff of dismissals.
October 26	Notifications of dismissal are distributed by managers responsible for staff. Information session from the County Employment Board.
November 1	Redundant employees transferred to downsizing organisation. Downsizing organisation starts its work.

⁷ from, Johan Haage, "Downsizing Without Closing Down," Memorandum.

Table 14 -- Summary
Restructuring the National Bacteriological Laboratory

Situation: After many years of deliberations on the fate of the agency, in December 1993 the agency was given a mandate for major restructuring, including a new public agency, a commercial venture, as well as closing down or finding new homes for several smaller functions within the organisation. The agency had six months to complete the restructuring and staffing plans before new budget limits took effect and staff had to be given notice of dismissal.

Strategy

Structure to co-ordinate and oversee the restructuring process. Three oversight committees were formed with each giving full attention to a piece of the restructuring process. All three committees were chaired by the Director of the agency to ensure a big-picture perspective on policy, and ensure fair and consistent application of the labour laws across the organisation.

Structure to manage the staff reductions. A special downsizing agency was created to provide the structure to support the 200 workers who would face dismissal. The downsizing agency, which housed the redundant staff, was located in separate office space from the organisations which would continue.

Communication. Keeping staff fully informed of plans and actions by way of regular meetings and other communications was considered critical to maintaining morale, stemming rumours and keeping the process moving quickly.

Emphasising quality first in staffing the new institutions. The original staff was promised that wherever possible, workers for the new organisations would be recruited internally. However, to emphasise professionalism and the highest standards for research, where management had flexibility (such as for the new commercial enterprise) the criteria for employment would be competence, over trying to promote internal mobility or an focus on retraining staff to fill needed functions.

Tools:

Individualised assistance for employees in setting and meeting new employment goals.
Special emphasis on basic skills training for staff with low skill and education levels.
Entrepreneurial training to start new businesses.
Actively seeking out employers in the private sector and other levels of government as homes for residual agency functions.

Outcome: Within six months the restructuring was complete, including the creating of a new public health institute and a commercial vaccine company. Of the 450 original staff, approximately 250 had been given jobs in the new agency and vaccine company, or retained their jobs in functions that were sold off from the State Sector. However, for the 200 staff that lost their jobs as a result of restructuring, more than half were still without new employment after the one year notice period had ended.

Lessons

Political battles over the location of pieces of the new structure seriously delayed the process of starting the new organisations, and was nearly detrimental to the start-up of the commercial vaccine company. Firm action on the part of the Minister might have minimised the disruption to staff and operations.

Lack of guidance, advice or support from the central agencies on how to interpret and apply the complex labour law and carry out the process in a way that would offer legal protection to the agency for its decisions. Agency officials highlighted the need for central expertise in technical areas to advise and support agencies in carrying out their legal obligations, as well as to ensure the rights of workers are protected.

Managers were not trained sufficiently to cope with the task of dismissing workers. No special training was given and many heads of divisions and high level managers found themselves faced with a cruel and unpleasant task and were not prepared to handle it well. The problem was thought perhaps to have been exacerbated by the fact that in a research institute individuals achieve high management positions based upon their technical skills more so than their talent for management.

Workers facing restructuring take a mental beating -- being told that they are unproductive, inefficient and below the standards of the private sector counterparts. **Boosting the morale and esteem of workers can foster great successes in performance and productivity.** Workers in a largely defeated vaccine division facing closure were given a nearly impossible task. When they rose to the occasion and showed they could produce they created the confidence in themselves and in the administration to make it into a company.

Creativity and innovation in restructuring requires agency heads to have true delegated authority. While the Ministry was content to close down smaller functions with less obvious profitability, the Director was able to find private sector buyers for these functions (and jobs). However, when seeking permission from the Ministry to close the deal, the Director faced delays and frustrations from headquarters staff suddenly thought that perhaps greater profit might be found elsewhere.

Investing in Staff: More than half of those dismissed were still without jobs when notice period ended. These workers had carried out low skilled tasks and were under skilled and educated for the private sector labour market, even in their field of work. Management noted a failure on the part of the agency to invest in staff over the years. The inability to find jobs for individuals during the notice period meant much extra cost for the agency and society, in addition to the personal issues faced by the individuals.

Critical role of communication in a rapidly changing environment: While staff and unions believed that the rapid time frame left people without enough time to adjust or engage in sufficient dialogue over changes, senior management believed that speed was part of the success in making the changes happen. Moving rapidly, however, requires special attention to communication channels with staff and the unions, as well as having structures, such as the committees, in place to think through the details.

Restructuring the National Bacteriological Laboratory

"I could summarise by saying that despite all of the political problems it was possible to end up okay."
Hans Wigzell, former Director

59. The National Bacteriological Laboratory (NBL) is an example of a major Swedish authority faced with major restructuring, involving dividing up the current organisation in several new entities, including a new State Sector institute for disease control and a commercial vaccine company. In December 1993 the agency employed about 450 employees. Within six months the restructuring was in place with more than half the original employees retained in the various new entities and the rest living out their redundancy period. The NBL was also among the early authorities to face staff reductions, leaving them largely on their own in navigating the intricacies of the labour law. They faced significant morale issues as NBL had been based in a place where up to three generations in the same family had worked for them. Rapid restructuring and potential job loss was seen as devastating for many of the people.

60. The NBL had been the subject of active discussions about restructuring since 1987. The main question was whether there was a need to maintain a national laboratory for epidemiology and disease control. In December 1992, six years of deliberations came to conclusion with a decision to reformulate the NBL into the Swedish Institute for Infectious Disease Control and turn several of its activities into commercial enterprises or eliminate them altogether. The new budget limits for the restructured organisation would take effect in 18 months time -- on 1 July 1994.

61. Dismissals would need to be announced by 1 July 1993. Therefore, within six months decisions needed to have been made on the specific staffing needs in each of the new organisational structures. Given task of creating entire new entities and eliminating others, there were no clear cut answers regarding who would stay and who would go. Management and staff were left in a difficult and bewildering situation of wondering whether they would have jobs and where those jobs might be located.

62. In addition, the issue of location soon became a leading political issue. The promise of new jobs in the midst of a recession brought out politicians from all several areas all clamouring for a piece of the economic pie. The result was frustrating for those seeking to implement change in a very short period, and nearly detrimental to the creation of the commercial vaccine company.

Getting Organised

63. At the beginning of 1993, the agency was faced with the following tasks: 1) to be re-created as a new State Sector agency with a mandate to protect the public with regard to infectious diseases; 2) assess the vaccine production unit for its potential as a commercial enterprise; 3) eliminate the bacteriological laboratory and re-create as downsizing organisation for another year to outplace the remaining employees; and 4) decide the fate of two smaller diagnostic facilities. To carry out these tasks in a very brief amount of time, the management put several co-ordinating structures in place:

- Three oversight committees were formed, each given a specific piece of the restructuring.
- A special downsizing organisation was created with separate office space for housing the redundant staff to pursue new jobs.
- Regular meetings and communications were held with the staff on plans and strategies for restructuring the various organisations and job prospects.

64. The committees formed the backbone of the restructuring activity with the Director of the NBL as chairman for all three committees. Although his placement in this position was controversial, in retrospect it was seen as useful in avoiding internal political conflicts, keeping a big picture perspective on policy, and ensuring fair application of the labour laws in the restructuring. Open and regular communication was another critical piece of the restructuring process for maintaining morale and stemming rumours in an otherwise uncertain and fast changing environment.

The Downsizing Agency

65. The downsizing agency was created four months before the dismissals were announced and closed 18 months later. Thus, it could provide resources, information and support to all workers during the period of uncertainty before 1st July, and allowed workers to get a start on seeking new employment from the earliest possible opportunity. Housing the downsizing agency in separate offices was viewed as important in maintaining a positive environment in the face of large scale dismissals. Noted the former director, “you could not have embittered people going within the agency. They had to be moved out.”

66. A total of 205 people were laid-off and placed in the downsizing organisation. The agency helped each individual form action plans, and sponsored seminars and working groups from organisations and schools to help individuals open up to new ideas for jobs. Some individuals used the opportunity to start a business or learn new skill. However, there was a large group of “unskilled” workers that presented great problems in finding new job prospects. In the end, 25 people started their own business, a small few took their pensions, and a few more found new jobs. However, a sizeable group were left without options, and after the notice period were placed into the hands of the Job Security Foundation.

Identifying Redundant Workers

67. Management confronted three large problems in working through this stage in the restructuring:

- lack of adequate information from the government officials in the central agencies on how to interpret the law with regard to the employer and the rights of workers.
- coming to agreement with the unions on staffing issues such as setting the boundaries for precedence circles and the need to recruit new staff while firing existing staff.
- preparing management for the task of giving redundancy notices to staff.

68. In trying to juggle the many pieces of restructuring and constituting new corporate entities, management felt that they were completely alone in interpreting the laws on how they were required to deal with staff. “It was a bust”, said the Director, “we could not locate any single person who could stand up and say this is how you can interpret the law. You may have to go to court, the labour court, and defend [your interpretation]! So, they said, in essence, do something nice.” Feeling like amateurs

navigating the legal environment, they tried "somehow to create out of this mess, you could call it, some maximum human happiness. That was our maxim. That, and being honest and trying to communicate."

69. Both the new Swedish Institute and the vaccine company faced new mandates that would require a different staff mix than had existed in the original organisations. This presented problems for interpreting the laws governing which employees would have to be retained and which could be considered redundant. Yes, staffing issues were key in setting up these new organisations in ensuring that the right employees with the right skills were retained. There were obvious conflicts with a seniority-based "last-in, first-out" system where those with the most up-to-date skills (particularly in the medical field) would be the first to be deemed redundant. Moreover, they would need to dismiss long-standing employees while recruiting people from the outside to fill new functions. This was a difficult position for management, and even more so for the unions who pushed hard to assure job security for existing staff.

We declared, I declared, the following in the agency: that of course it is our intention, it is a kind of letter of intent, that we will recruit whenever we find someone in the organisation who is competent for a position, particularly for the vaccine company - we will where possible recruit from the original staff. It was a promise. But it was also given that if we do not find anyone that has the competence we will not hire them. We will not take arguments suggested by the unions that if you took two of these people you could add up to the needed competence, particularly at the vaccine company it would be devastating to start a company this way. (former Director)

Leaving Line Managers Unprepared to Cope with Dismissals

70. A somewhat unexpected problem became evident when managers were faced with the task of actually giving staff notice of redundancy. Management had not been trained, supported or prepared in advance for this task.

We have professors, former sub-directors, people who were very self assured when the "wind was blowing in the right direction." Some of them completely cracked when they had to do the firing. Because, you know, they had to tell their own people, had fire them, right? ... I'm not sure you can predict that, how if the person that is in front of you is a group leader, if he or she could really stand up for the requirements when you have to downsize. You have to sit in a group, you maybe have worked with 10 people and may have worked with them for 5, 10, or 15 years, and now you have to fire 7 of them? I can think of more pleasant things. I was very surprised that some people that I thought were strong were internally very weak when it came to that. And the opposite, that some people you wouldn't expect were standing up like stainless steel. So, that was another thing that was problematic -- that some of the leaders in the institute should have been a resource for workers when, in fact, they too had to be led by the hand. (former Director)

71. In retrospect it was clear that managers were not sufficiently prepared for the task beyond ordinary management training. A concern was also expressed that the problem may have been exacerbated because in the research environment individuals came to head up departments as a reward for the technical achievements -- not because they are particularly good managers. The NBL's experience offers an important lesson that even the most appearingly self assured managers and directors should not be left alone to face the grim task of dismissing friends and colleagues. Moreover, one should not under-estimate the importance of training and "soft" support for managers faced with workforce restructuring.

Creating the Vaccine Company

72. During the same period, one working committee explored possibilities for creating a commercial enterprise out of the NBL's vaccine unit. From the perspective of finding creative solutions to new employment opportunities, the demise and rebirth of the vaccine company provides an interesting and positive example of what can be achieved through determination and staff morale. It also illustrates some of the problems of truly delegating entrepreneurial authority in the public sector.

73. The vaccine unit as it existed in 1993 was described as extremely underinvested and having poor facilities, but with a very dedicated staff. One problem stemmed from the fact that profits from vaccine sales went to government so that over the years the agency suffered with regard to capital investments in equipment and facilities. Moreover, functioning as a classical bureaucracy, management felt that the structure would not stand up to modern commercial medical standards, noting that "the products were okay, but all the infrastructure was wrong and the facilities were bad. In the face of a commercial analysis it looked pretty doomed."

74. Remarkably, the lifeline for the vaccine company came unexpectedly in the guise of the Gulf War. Unknown to the public, the major loss of fighting manpower was a particular strain of diarrhea. Only the NBL and a leading French vaccine company had the vaccine for it. NBL tendered bids to the U.S. Department of Defence for rapid delivery of one-half million doses of the vaccine.

"It was Christmas time. I told the people that you gotta die or fly. This is the time. In order to bid for this we had to make a 90 day schedule to develop a recombinant vaccine, purify the product, make a large scale production unit and make the clinical trials -- in 90 days. This shouldn't be possible. But they made it and we put in a tender and, in the end, the big company they got no orders, we got all the orders. We made a very nice profit. And we boosted the morale of this largely defeated production unit because they were suddenly, well, they had done something, before this they were told they could do nothing. One could make an argument, that despite a small home market, with regard to certain vaccines this production unit may have a future, if you could make correct global marketing. The analysis was -- okay, the company can produce, let's look into that."

Entrepreneurialism versus politics and bureaucracy

75. Having made the decision to commercialise there were serious logistical problems. First, the company had to be created in the formal form of a Crown company, requiring a decision by the Prime Minister in a government session. This requirement presented a significant delay in moving forward, despite the fact that government funding for the activity would cease as of 1st July. Some officials in the Swedish government saw this as a failure of delegation.

76. Second, political battles over the location for the company delayed start until one week before the end of June. Said the former Director, "These were professionals, workers committed to this new organisation, who hadn't looked for other employment, but who didn't have formal contracts until a week before. ... We had to run and hire people into an artificial company that did not exist in reality. There were not decisions about how much money we could give, anything like that. And, of course, you can imagine people are worrying how safe is it. All I could say was that as far as I could see, it *should* be very safe. The decision had been made, but it hadn't been made."

77. The company now exists as a public enterprise that is 100 per cent state owned. It manages its own budget based on profits and is governed by an appointed Board of Directors. Although the company

received an initial capital investment from the government to help with start-up costs, there is no appropriation from the government. The goal is to sell the company on the stock market by 1998.

Saving Jobs: Finding Buyers for Smaller Units

78. In addition to setting up new structures for the larger units, the committees were also exploring what could be done with two remaining functions that would otherwise be closed down. One function, the diagnostic centre for children's metabolic diseases, had been a profitable enterprise. With a virtual monopoly in the field, the NBL had sold diagnostic services to regional health centres around the country. To find a home for the facility, they consulted with hospitals around Sweden and ultimately a regional health centre/hospital wanted the unit relocated to its facilities. The regional facility with a strong paediatric centre was a good match for the unit. The move kept the unit intact and staff kept their jobs.

79. Another facility which provided routine diagnostics had less obvious profitability. While it had a modest cash turnover, the Minister of Health directed that it be closed it down. While the minister's office was not supportive of turning it into a commercial facility, they allowed the Director to seek buyers.

We had a client register, good people, technology. ... my duty, and I told the staff, was to try to find work for the people. [But] all the regional laboratories said, send us the samples, send us the client register, but we will not hire a single person. So my local trade union people were 100 per cent with me in saying, let's tell them to go to hell. ... We asked two [private] laboratories that were in Stockholm if they were interested to make an offer ... And in the end it meant that 25 people were hired, which means automatically that 25 man years [sic] were subtracted from the downsizing exercise. Not only that, but we got a certain number of million crowns on top of that.

Staffing the New Organisations

80. Once all the organisational units were sold off, relocated or restructured, the task came of making public all the various new positions and allowing the staff to apply. Table 15 provides a count of how the original staff were distributed after the selection process. The committees sorted through the applications and staffed the agencies in line with organisational needs and the requirements of the labour laws. In the end only one individual filed a case with the Labour Court over staffing decisions and the agency won. After all the applications were disposed of, there were several vacancies in the Swedish Institute unfilled, and in the vaccine company many more unfilled positions, particularly for functions that had not been there before (e.g., marketing, sales, financial management).

Table 15

	Agency	Staff
Before	National Bacteriological Laboratory	450
After	<ul style="list-style-type: none"> • Swedish Institute for Infectious Disease Control • Vaccine Company • Absorbed by private laboratories • Absorbed by county health administration • Downsizing Agency (redundancies) 	<ul style="list-style-type: none"> 110 90 25 10 205

Outcome

81. "From my own point of view," said the former Director, "with regard to the workload, I've never been through anything so hectic ... But the speed was actually part of making it happen." Indeed, the agency met its 1st July deadline with all facets of the new organisational structure in place and staffing needs assessed so that redundancy notices were delivered on schedule. Moreover, from an organisational perspective, the restructuring was seen as positive for the Swedish Institute for Infectious Disease Control. The former Director noted that in making clear its focus and role was in the government, the Institute had gained prestige in the professional community and that faculty positions had suddenly begun attracting outstanding candidates. Despite the timing delays and frustrations the vaccine company is also advancing with a growing market and a likelihood of success. The ability to find homes for both the diagnostic facilities was a positive bonus in maintaining employment for staff in their chosen career, while reaffirming that the service is meeting a true need and valued by the health community.

82. There were complaints from the staff and the unions that people did not have enough time to adjust to the changes before they were implemented. The unions felt that the short time period placed undue stress on workers with little time to reflect or assess options. Moreover, they felt that the push for quick action was often used by management as an excuse for avoiding substantive discussions or involvement from the unions in the restructuring activities.

83. The people side of the restructuring is less clear cut in its positive outcomes. The majority of the 205 people in the downsizing agency left it unemployed. They were mainly people with low education who had received little further development during their years in government employment. Noted the former Director, "[the downsizing] showed, in essence, had this government agency been run under "rational" ways, it should have been able to reshape and change according to what society demanded. This was a hidden problem within the agency."

84. Officials who worked with the staff adjustments at the Institute emphasised that how good an employer has been with regard to investment in staff and management training and development come to a head during staff adjustment exercises. This seems to be a particular lesson for government organisations that have often suffered from lack of adequate attention or resources for training, as well as lack of up-to-date facilities which might challenge workers to keep pace with the skills and competencies in their field.

One of the things that struck me most was that when you saw the 200 people who were in the downsizing agency, quite a lot of things that could have been done before were really on the table. ... The people who would just clean up things, they didn't even know Swedish. You have been lax as an employer. There are the women with low education who have been typing and now you tell them you don't need them any more. They have had not training from us, so they were not really prepared to work on the modern labour market. ... You could see that the government, or this agency, had not been a good employer for everybody -- very good for some, but not good for everybody. (official, Ministry of Health and Social Services).

85. In conclusion, the former Director said, "I'm sure if you asked different people, you'd get different views and version of how it felt to be involved in downsizing. What I am telling you, of course, is the happy side -- new institutions and the like. But what I have not been able to convey, of course, is the feeling of despair, the people who feel they have been crushed, separated from people that they've been working together with in the lab for years. The feelings of loss."

Table 16 -- Summary
Making Swedish State Rail More Efficient

Situation: In order to achieve savings mandated by the Parliament and increase efficiency, Swedish Rail closed down six of its 12 major switchyards, eliminating the jobs of approximately 700 workers. Concerned with the fate of these employees and its reputation as a good and secure employer, Swedish Rail adopted a policy of “socially responsible” staff adjustments stating that no workers would leave without an alternative offer. The fact that most of the switchyards were located in small towns with little other industry presented a particularly difficult environment within which to fulfil their promise.

Strategy

- Structure to manage the staff reductions. The agency established a special downsizing agency with a Director based in Stockholm, plus a regional structure under the same Director to co-ordinate in each of the six locations. Downsizing agencies were not moved to separate office space, but existed on site.
- Focus on corporate responsibility. Personnel in the downsizing agency would operate on a case workers system to provide regular and intensive support to each individual. Although individuals were expected to be a dynamic part of the job search process, the emphasis was on providing a strong infrastructure for support and guidance..
- Facilitating individual motivation. Working with the case worker, each redundant worker had six months to complete their individual action plan. Those failing would be dismissed.
- Use maximum creativity and innovation on the part of the downsizing organisation in identifying and even creating job possibilities. Strategies including hiring with business experts and consultants to identify new market areas and evaluate possible partnerships or incentives with private sector employers to absorb redundant workers.

Tools

- Individualised assistance for employees in setting and meeting new employment goals.
- Cash incentives for workers to try out different kinds of employment or take temporary jobs.
- Entrepreneur school to create *new* businesses
- Financial deals with potential *outside* employers to take on redundant workers
- Financial deals within Swedish Rail to provide training or create new jobs
- Developing *new commercial enterprises* in partnership with Swedish Rail, assuming these enterprises would eventually become privatised.
- Did *not* encourage redundant worker to opt for pensions and early-retirements.

Outcome: At the end of the one year notice period, more than 100 new jobs had been created by Swedish Rail through partnerships with organisations both within and outside Swedish Rail. In other cases, financial incentives were used to gain jobs in existing private sector companies or retrain them for future expected needs in other parts of Swedish Rail. Approximately 100 workers remained without alternatives at the end of the notice period. However, Swedish Rail would continue to work with these individuals and seek options on their behalf.

Lessons

Use the opportunity to open up minds. Start from the very beginning with education groups that teach people about the labour market that is open to them and open their minds outside the narrow framework of the job they did. How is the labour market functioning just now? What are the needs and future jobs and development? What will happen with computers influencing jobs?

The dimensioning factor in providing assistance is the number of people helping. Redundant people have all the time in the day. The more people the downsizing agency can have trained to do interviewing and provide assistance, the faster the process and the faster you can get people jobs. “If you can gain time in the process, you’ve paid for the organisation.”

Action programmes should be based on an individual’s thoughts and requests, but not left to the individuals own responsibility. It is isolating and demoralising for the individual to be abandoned on all fronts. In addition, it is inefficient for the agency which simply wastes time that could be used helping the individual pursue promising avenues toward new employment.

HRM staff in agencies need the capacity to express the logic of a socially responsible approach to staff reductions in quantitative financial terms to the finance and budget offices. This is particularly true in a downsizing environment which is driven by financial constraints and concerns over short-term savings. Such a capacity is necessary in order to gain both the authority and the resources needed to carry out creative activities such as making deals with other companies or acting in financial ways in matters that are generally outside the boundaries of personnel offices.

Making Swedish State Rail More Efficient

“By giving 700 persons a fair deal during one year, we could avoid forever paying an insecurity fee.”⁸

Hans Kihlsved, Director for Downsizing

86. Swedish State Rail is an example of a large agency faced with the need to secure efficiency gains by scaling back on unnecessary functions and reducing staffing levels. In 1994, Swedish Rail, a state owned utility company, was advised by the government that it would no longer receive subsidies. Moreover, it was told it should be delivering money the State and solidifying its own capital. Although the agency had made efficiency gains in the past decade (including halving its workforce from 30,000 to 15,000) and considered itself one of the most efficient railways in Europe, a substantial increase in revenue demanded both price increases and more efficient operations.

87. To identify opportunities for greater efficiency, the agency hired a multi-national consulting firm to assess the situation and make recommendations. In April 1994 the firm presented its report, finding that the key efficiency barrier in getting trains to their destinations was in the system of switchyards operated by the railway. They recommended 700 positions be eliminated, including closing down six of Swedish Rail’s 12 switchyards. The agency accepted the firm’s recommendation. Negotiations with the unions ran from April through July, with the numbers of cuts remaining unchanged in the end.

88. Its image and reputation as a good and secure employer was a major issue for Swedish Rail in implementing the reduction. As a result they adopted a radical policy: none of the 700 individuals made redundant would leave Swedish Rail without having an alternative offer (e.g. employment or education).

“With the high level of unemployment [in Sweden] and with our history of being a good employer, Swedish Rail thought that these cuts might be disastrous and foolish. There is a saying -- the cake of the State is small but safe. You could say that you could earn money in the short run by ... sending 700 people out in the street. *But* unsafe employment requires higher pay. ... People who work in the private sector often make more, but have less security. We could argue that this image [of security] has value in money and we wanted to take care of all these 700 redundant people and negotiated on those terms with the trade unions. We came up with a policy that ... each of these 700 persons would have alternatives.” (Swedish Rail official)

89. The difficulties in pursuing this goal were compounded in that many of the switchyards were located in rural areas and small towns. These were places where in the best of labour markets, few employment alternatives existed. The switchyards were closed down from one day to the next in September 1994, without a phase out or transition period. The redundancies corresponded to 500 switchyard workers and 200 mechanics.

8 from, Hans Kihlsved, Address at CEEP Seminar, Brussels, 29-30 May 1995.

“These municipalities where we closed down the switchyards, two or three had a train wheel in their town emblem. Swedish Rail was a large part of the community -- a one firm city. When we closed down all the prices around dropped out. It was impossible to sell a house. ... People identified with Swedish Rail -- their fathers worked for Swedish Rail, their mothers, their grandmothers, grandfathers, older brothers.” (Swedish Rail’s Director for Downsizing)

Setting up the Downsizing Agency

90. A downsizing agency was created through the head office in Stockholm and a Director appointed. A temporary, ad hoc, organisation was set up to send people from Swedish Rail’s administrative offices into each of the effected cities. Local support groups were also formed in each city. Approximately 100 people were trained to work with the downsizing agency, of which about 20 worked full time and the rest on a part-time basis.

91. The views of the director on how to run a downsizing agency were different, in many important respects, from views expressed by other agencies. For example, the downsizing and personnel directors were against the idea of separate locations for the downsizing agencies -- even where other Swedish Rail activities would continue on the same site. Moreover, the director stressed that individuals would not be made individually responsible for their own action programmes or activities. The support function was organised around a case worker set-up whereby a staff person would be responsible for a worker and help that person from forming the individual action plan through to the goal. While individuals were expected to be motivated and active on their own behalf, they worked within an active support framework.

“That was the first thing the Personnel Director said to me -- we don’t want any “ape houses” ... were where they took redundant people and put them in a special building, with desks and nothing on them and said, “well, here you are, take care of yourself, start programmes.” I also made it clear that no redundant people should be made responsible for their own activities or individual action programmes. It should be the responsibility of personnel in the organisation -- people who have safety inside the organisation for their own employment -- and who are trained to help. That is important.”

92. Workers were interviewed about their skills, families, relatives, whether they had family in other cities or the desire to relocate somewhere particular, whether they owned a house, as well as offering ongoing dialogue about studying, changing their field of work, or relocating. The agency also tried to keep abreast of the psychological impact of the changes on individuals, offered support groups, and provided individuals who could offer personal counselling. Along similar lines, the agency sponsored a group called “*Restart*” to offer extra intensive support and intervention to those who felt hopeless about their situation. This group generally included people with handicaps, older people, and other people for whom it was particularly difficult to find options.

93. Workers were required to work with the caseworker to have an individual action plan together within six months. Those failing to meet the deadline would be dismissed. According to the Director, the purpose of this rule was less to protect against abuses than to provide a psychological influence on the process. Initially many workers were quite angry with Swedish Rail over the dismissals and felt little motivation to be particularly co-operative -- even when it was in their best interest to do so. In the end only four workers were dismissed for failing to co-operate, but because the agency was strict about enforcement, they believed it was an effective incentive for others who might have fought the system.

94. A key part of their strategy was to open people up to the labour market and try to inspire new thinking about jobs and employment prospects. Thus, creativity, flexibility and individual attention to ensuring individuals stayed motivated and moving in the job search, were seen as key to succeeding in achieving their goal. The variety of programmes offered by the agency reflect that philosophy.

Finding new jobs -- tools and strategies.

95. Each workers was **assessed for basic skills**, as well as for **training into other places in Swedish Rail**. For example, Swedish Rail extended its training for train drivers and stewards to qualify workers for posts even before positions were available. Workers were also organised into study circles and given access to self-instructed courses that might help them gain skills or identify career options.

96. The agency offered to pay for one year of **professional training** if the workers could provide paper from the state unemployment agency that the training would likely lead to a job. The trainee continued to receive their regular salary during the year. However, it was pre-agreed that at the end of the one year period the worker would leave the Downsizing Agency irrespective of employment status. The agency would also pay for **higher education** that would continue beyond one year, when it appeared to be a good solution for an individual. The individual was required to show that he or she could continue funding the education after the first year.

97. Workers accepting **temporary jobs** could earn extra income above their redundancy salary. The idea being that temporary work might lead to exploring new career options and making contacts with potential employers. It was important, said the downsizing director, “just to promote activity, to get things happening.” Where workers could find temporary work in other cities, they were given allowances for travel and housing in addition to the salary supplement.

98. The agency sponsored an **entrepreneurs school**. The school operated with a strict selection process under the premise that everyone who entered the programme would start their own firm. Although it served only a small percentage of the 700 redundant workers, it was considered a great success. Of the 40 people who began in the school, 85 per cent were still with their firms after 8 years. The Director pointed out that starting business is good for the economy as well as for the individuals, as most small businesses employ at least two individuals.

99. The downsizing director put much time and effort into **making financial agreements with private firms** to facilitate new jobs for workers. For example, they offered to pay the first five months salary. They also made such **financial deals within Swedish Rail** to other parts of the organisation. It was clear to the Director that if you could find employment for someone and pay their new employer five months salary, you saved the downsizing organisation up to seven months salary that could be used to fund education or incentives for other workers that might be harder to place.

100. The agency’s staff reduction strategy *did not* include encouraging workers to take early or regular retirements -- a common strategy in most agencies facing workforce redundancies. The views of the downsizing director in this regard were again quite different from the common view:

“We decided that [promoting pensions] was extremely costly. You can do a lot of things even for a person age 60 instead of giving them a pension. Make an agreement with a private firm. You could pay half of his salary in a private firm and still come out ahead. A person at 60 might be very highly experienced, could do very good work. You could as well say that if there is a use for this person within Swedish Rail that the old position could pay half the salary for five years if there is a new position taken. That would still be better than stressing the pension system.”

Creating Jobs

101. Helping individuals find an opening in the labour market was not enough to ensure placement for more than 700 redundant workers located in the far flung corners of Sweden. Where individuals could not find a place in the labour market, the agency worked at ways for the labour market to find them. To this end, the downsizing agency worked with individuals and consultants to make opportunities to *create* companies, jobs and employment opportunities. In this endeavour the efforts of Swedish Rail and its downsizing manager are likely as creative as any that can be found in the workforce adjustment activities of any OECD country.

102. They found that a growing industry in rail travel was telephone ticket sales. Moreover, for ticket sales, a remote location was not a disadvantage. The downsizing agency made a deal with another part of Swedish Rail to use money that would otherwise fund redundancy salaries to pay establishment and start-up costs to set up a telephone sales office in one of the effected cities. Instead of receiving redundancy pay, 35 people found new jobs. In the same city they convinced a Danish travel agency in a similar project which eventually created another 30 jobs.

103. Working with consultants, the agency bought from a private company a production idea for producing a heat pump. After a serious market analysis it was determined that the product had potential and a production group was established inside an old train maintenance hall. A managing director with relevant private sector experience and 35 former Swedish Rail employees made up the staff. The company was fully privatised within two years. During the two year transition period, medical benefits and salaries were guaranteed by Swedish Rail. Moreover, because the corporate was not considered a new government activity, but would be privatised within a short period, Swedish Rail did not need high level or Parliamentary approval that cost such delays to the National Bacteriological Laboratory.

There were two people who were starting this production idea. There was a city where there was nothing. Nothing, nothing, nothing but Swedish Rail. No entrepreneurship culture. So we had to do something. When we were finished the city had lost 105 jobs and got 120 jobs. So, there were more jobs in that place when we were done. (the Downsizing Director)

104. In other areas Swedish Rail continued to work with consultants and local business and civic leaders to explore development ideas in the rural communities. A number of other smaller and exploratory activities remain under consideration and development at the time of the interviews. “Swedish Rail has chosen to take a responsibility way beyond its field of business to assist communities in which we have played a major role. This wasn’t done previously and experiences are positive. ... Swedish Rail has gained a great deal of recognition and respect in the communities concerned. In spite of substantial cuts, Swedish

Rail has maintained its good reputation as a socially responsible employer and a real partner in joint efforts to secure lasting solutions for local communities.”⁹

Financing the Downsizing Activities

105. The budget for the downsizing agency was based on a lump sum equal to the total amount of pay for redundant workers during their redundancy period -- that is, the equivalent of 10 to 12 months of pay per person. The incentive for the downsizing agency was thus to get redundant workers into jobs as quickly as possible. For each month that could be saved off the dismissal period, the agency saves that money, that can then, in turn, be spent on programmes and incentives. Noted the downsizing director, “you could do a lot with this budget of ten to 12 months pay if don’t just dismiss them. Some solutions are just less costly than doing it the ordinary way. If you do this right, the costs should be nothing. ... If you get one person out one month earlier, you can save a lot or pay for another person’s training.” Although total costs for the production company were still unknown and the work of the agency was not finished at the end of the 12 month period, the downsizing director believed that the organisation had saved money against the total.

People Management versus Financial Management: shifting the boundaries

106. “Is this actually profitable? Isn’t that frightfully expensive, our Financial Director asked. The facts are that, yes, it does make sense.”¹⁰ A main point frustration for the downsizing director in carrying out his mandate was in trying to work between Swedish Rail’s central human resource staff and the financial/budget staff.

There were continuing battles between financial/budget and personnel. Most personnel people are not economists, they can talk about individuals. There is a structural problem working with personnel offices. They don’t have the knowledge and experience and ideas for how to present these programmes to the financial/budget side. They have the figures -- we get rid of more than half -- we can express this in aggregate percentages, in real money terms. But you know what, these [personnel] people don’t have aggregate figures to represent this. I was astonished. They’re working with individuals, they say we should have this because it’s the right thing to do. Maybe so, but if you’re going to get the budget side to go along than you better also have the culture of figures to support you. (Downsizing Director)

107. This was a particular problem in gaining permission to make financial deals with private sector companies. The question arose, can the agency take the money that they would have paid to wages and pay them out 10 months earlier to a private firm who will take on staff? As personnel departments do not traditionally make such arrangements, traditional borders are crossed and it is upsetting and confusing both to the personnel staff and to the budget staff. It is important for such negotiations to be timely and to succeed, that policies and authority lines for such arrangements are clear and straightforward.

Outcomes

108. Of the 700 workers individual identified as redundant, approximately 100 were left without employment at the end of the 12 month period. The downsizing manager was quick to point out that

9 from, Hans Kihlsved, Address at CEEP Seminar, Brussels, 29-30 May 1995.

10 from, Hans Kihlsved, Address at CEEP Seminar, Brussels, 29-30 May 1995.

nobody in the process would be forgotten simply because the notice period had ended and active support would continue from the agency, along with the Job Security Foundation and local unemployment offices. He reported, for example, that recruitment needs at Swedish Rail were sufficient to meet the redundancy problems and redundancy staff have priority selection advantage to be retrained, but taking these jobs means relocating families. One key problem is whether those who cannot find work in their community are willing to accept re-training within Swedish Rail and relocation.

109. The agency's success is calculated both in terms of placing individuals in secure jobs and in succeeding in their goal of maintaining the agency's reputation as a good employer. In summing up the experience, the downsizing director emphasised that, "Swedish Rail has gained a great deal of recognition and respect in the communities concerned. In spite of substantial cuts, Swedish Rail has maintained its good reputation as a socially responsible employer and a real partner in joint effort to secure lasting solutions for local communities."

The union perspective on experiences with workforce adjustments

110. Union officials are supportive of the overall structures in the Swedish State Sector for ensuring maximum job security, and providing an adequate level of money and support for finding re-employment in the face of redundancy. They supported the policy of employing special downsizing agencies as the primary agency structure for supporting redundant workers, noting only that it is important that the downsizing manager be committed full-time to the task. They also emphasised the need to be comprehensive in supporting workers, particularly in the area of mental health and psychological support and not just focusing on the technical aspects of job searches. They also supported the use of creative and preventative solutions to employment and employment alternatives. For example, highlighting Sweden Post which had engaged the social partners to help large groups of current employees retrain for new jobs without having ever having received notice of dismissal.

111. Union officials raised concerns and noted scope for improvement in three main areas:

- **How an agency deals with redundant staff and send a strong message about the value of people to those staff that remain in the organisation.** "How you handle the [the downsizing] has an effect on the activities that are left -- it can get better or worse, performance, that is, depending on how you handle the downsizing situation ... As an employer you can lose out." (Unions of Civil Servants)
- **Ministers and agency top management must offer workers honest, clear and complete information.** "I think that many managers and Ministers in the agencies like to be nice ... [but if] you are in a situation where people could run into unemployment, they like to grab at straws. It's better to be outspoken. Say, 'this is the fact, we are going to close this authority' and take responsibility for that situation. But the truth is that no one really wants to be responsible for the situation." (Union for Service and Communication)
- **Ministers and top management need to allow sufficient time for the *implementation phase of restructuring*.** While the "analysis phase" on the direction of change may go on for years, once decisions are made, the restructuring is often effective within a few months. This approach denies workers the opportunity to prepare psychologically, limits opportunities to be preventative about job loss, and overrides opportunities for dialogue with the unions for thoughtful planning of how to proceed with the new organisation.

Counting costs in Agency Workforce Adjustment Programmes

112. The shadow in an otherwise bright picture of agency successes with staff reduction programmes is cost. While the Job Security Foundation is securely funded, agencies faced with staff reductions as part of restructuring (and often on short notice) are in a much more precarious situation. The large number of individuals with entitlements to payments and services, plus the costs of operating a special downsizing agency, combine in an expensive proposition. Yet, gaining a clear picture of the costs of staff reduction programmes was difficult (if not impossible) with each of the agencies reviewed in this chapter. Indeed, there are no official estimates for the total costs of staff reduction activities in the State Sector. In order to offer some perspective on the magnitude of such a figure, the cost profile of the Job Security Foundation and that of the staff reductions of the Agency for Administrative Development are presented below.

Factors influencing the costs of workforce adjustments

113. A number of key factors influencing costs were common to most agency undergoing staff reduction programmes. The most principal factor being the prolonged duration of the process. Postponements and lengthening of schedules for implementation and closure generated significant additional expenditures. The following aspects and their timing influenced costs significantly:

- Salary costs for dismissed personnel accounted for the highest rates of expenditure.
- Large expenditures on redundant premises resulting from contracts with lengthy time-spans.
- Pay outs for pensions, saved vacation and other individual benefits lead to big expenditures due to the large numbers of individuals with entitlements.
- Similarly, costs pertaining to the Job Security Agreement are significant (e.g., education, competence development, job-training, etc.).
- Costs for consultants, premises, labour, equipment, etc., for the downsizing agency itself. Here, time (and delay) aspects are a key factor in cost levels.

The Cost Profile of the Job Security Foundation 1990-1995

114. Since the Foundation was established in April 1990, expenditures for dismissed personnel amounted to the following approximations:

Table 17 - Spending History

Budget period	Number of dismissals reported	Total expenditure (SEK in thousands)
1990/91	5,400	6,000
1991/92	9,800	55,000
1992/93	13,500	213,000
1993/94	8,200	385,000
1994/95	4,900	373,000
1995/96	(est) 5,500	(est) 325,000

115. It should be noted that the Foundation's commitment are in many cases multi-year by nature, which explains the "lag" existing between rates of expenditure and those of reported dismissals. Another important fact is that most dismissals do not lead to expenditures from the Foundation. Active costs spent on dismissed personnel for the budget period 1992/93 average 33,000 SEK per individual. For the year 1995/96 that figure is estimated at 42,000 SEK per individual.

The Case of the Swedish Agency for Administrative Development (SK)

116. The costs in the case of staff reductions at the Swedish Agency for Administrative Development were as follows:

Table 18 - Cost of staff reductions

A) Preparatory Phase	SEK in thousands
- education, vocational training, redundancy payments, pensions	6,300
- use of consultants	800
<i>Subtotal</i>	<i>7,100</i>
B) Downsizing Phase	
- Labour costs for dismissed personnel	21,010
- Pensions	2,930
- Use of consultants	1,580
- Competence development	550
- Premises	4,330
- Other costs	3,840
<i>Subtotal</i>	<i>34,240</i>
C) Total downsizing cost	41,340

117. The Job Security Foundation contributed approximately 100,000 SEK for individual competence development, plus 'income security payments', neither of which are included in the above totals. The costs for individual competence training averaged 42,000 SEK per awarded individual. The Agency's cost (excluding the Foundation's contributions) were 39,000 SEK per awarded individual. The Agency budget provided above was provided by the Agency's own savings from prior year appropriations.

Cost versus culture

118. In conclusion, it must be emphasised that assessing the benefits attached to the costs is largely a cultural exercise. In this respect workforce adjustment is no different from any other organisational policy or undertaking where investment reflects what the organisation needs and values. The cost of union support for the massive restructuring desired by the government was, in the Swedish culture, almost unreservedly seen as a cost worth meeting. Just as the organisational culture in Swedish Rail placed premier value on its image as an employer. So much so, that even when facing budget shortfalls there is value in near and medium-term costs to preserve that image over potential for short-term gains by rapid dismissal of staff. The cost-benefit trade-off would likely find a different balance in other OECD countries.

Part 4: Remarks and Conclusions

119. Based on the views and experiences described in Part 3, Sweden appears to have been largely successful in maintaining a job security system which balances the needs of agency management balanced

with the needs of workers, particularly workers being displaced by restructuring. The Director of the Job Security Foundation believes that one measure of success for the system can be seen in the fact that the State Sector is operating with an internal "unemployment rate" of 1.3 per cent -- that is, only 1.3 per cent of those who receive redundancy notice face longer-term unemployment. He compares this with an unemployment rate of nearly 12 per cent for the economy as a whole.

120. While the somewhat unique situation in Sweden with respect to decentralisation of human resource management functions to line departments and agencies, as well as the strong cultural emphasis on union/employee relations, feature in the strategies that Sweden has undertaken, there are a number of promising practices, as well as important lessons, that are worth raising for consideration by any public sector organisation seeking to reduce its workforce.

121. The agency experiences described in this chapter suggest that success comes from an equal commitment on the part of both labour and management to balancing the desires of the workers for secure employment, with the needs of the employer to properly reshape their organisation. Both management and union officials were quick to point out that extreme positions were less likely to occur in department with a history of positive and co-operative labour-management relations. However, in assessing the feasibility of Sweden's staff reduction tools for other OECD countries, a similar system might not find the same level of success -- particularly on both sides of the labour-management equation.

122. Union officials emphasised that the way an agency initiates a staff reduction exercise -- the first steps in announcing and planning for a workforce shake-up -- are the most important because they set the tone for the rest of the exercise. Union officials offered examples of agencies where restructuring was used as part of a political game to the extent that the Director-General and staff were first made aware of major restructuring when it announced on television. Both unions and management agreed that given such a start, it took much time for managers and line staff to get over the shock, and to create some kind of trust to allow the process to move forward in a positive and constructive way. Similarly, long and drawn out battles in the political area, or even inside government, over the fate of an agency can damage staff morale to the extent that restructuring becomes a bitter battle rather than an opportunity for positive outcomes.

123. In looking at what **lessons and promising practices** the Swedish experience can offer regarding developing sector-wide policies for workforce adjustments, as well as for implementing individual workforce adjustment programmes, many principles stand out:

Lessons and promising practices: sector-wide policies for staff reductions

124. **Focus on individuals.** There is much consensus among the social partners that the success and strength of the system is its focus on individuals. The system provides what is thought to be adequate time, space and resources to help individuals faced with unemployment find new jobs or education that would lead to a new job. The emphasis is on maintaining continuity of employment -- often in another sector of the economy -- and the burden is on government, not the individual, to provide the means for the individual to find the opportunity. For this reason, the **labour and management supported the six to 12 month notice period as a necessary and sensible**. As noted earlier, for example, the Director of the Job Security Foundation found that it often takes four to six months for workers to be able to think and act constructively about their situation and find work alternatives.

125. **Independent Job Security Foundation.** The existence and structure of such an organisation is unique to the Swedish State Sector across OECD countries. With its growing influence and expertise, the Foundation forms the backbone of the job security system for State Sector workers. The Foundation

allows the government to make the policy and operational distinction between development and downsizing, an issue raised by the unions. While the central government and political officials focus on a new direction for the State Sector, the Job Security Foundation exists as an independent body, **secure in its own funding and existence**, that can give its full attention to those who are left behind by restructuring, **providing continued active support beyond the notice period**. Its growing **expertise and central co-ordinating role** also help fill what appears to be a gap in **sharing and disseminating hands-on information** about operating workforce adjustment programmes across the State Sector. On the other hand, in providing these functions, it offers State sector workers a substantial benefit not enjoyed by their private sector counterparts. This is a situation that is, perhaps, politically unfeasible in many OECD countries.

126. **Role of Ministers and other policy markers in ensuring a smooth process.** Political decisions should be clear, straight-forward and timely. Long-drawn out debates and decision making processes appear to be very stressful on staff, have a serious impact on agency productivity, and hamper the morale and motivation needed to move forward on the new organisation.

127. Role of the preliminary analytical phase in preparing for workforce adjustments. To the extent possible, staffing reductions should be driven by well articulated and complete reorganisation plans and not visa versa. For example, the idea that workforce adjustment provides an opportunity for restructuring is contrary to the current policy direction in Sweden. There was consensus among the social partners that policies should never be implemented as across-the-board reductions which are not founded on the results of staffing needs or organisational priorities on an agency-by-agency basis. Moreover, analysis and subsequent plans should consciously and explicitly include policy decisions regarding the scope of the organisation's mission, activities, structure, and workloads prior to determining the scope of staff reductions. In the same vein, greater attention should be given to internal recruitment, placement of personnel, and training to ensure the skill mix of the workforce is in line with the needs of the new organisation.

Lessons and promising practices: carrying out staff reduction programmes

- **Agency executives and leadership should increase their visibility** and availability to staff during periods of staff reductions and restructuring.
- **Encourage innovative thinking from agency staff** involved in staff reductions with regard to seeking and evaluating outplacement strategies. For such a focus to be successful, however, it **pre-supposes substantial delegation of authority and streamlined channels of clearance** for staff to develop action plans, commit resources, and even enter into agreements with other institutions or prospective employers.
- **Provide staff with continuous information** on the status of and strategy for reductions and reorganisations. Work on the principle that one can never provide too much information.
- An outplacement programme should **seek to "activate" every individual** in taking responsibility for finding their own new employment. To this end, each employee should be required work out a personal development and strategic plan based on careful assessment of their particularly **situation conducted with the guidance and support of trained staff**. The process of "activation" should include attention from management and human resource staff and a structured program that includes regular activities, counselling, and follow-up.

- In agencies engaged in large-scale staff reductions, **one individual in the organisation should have full-time responsibility for co-ordinating the operations of the activity**, and serve as a central point of information and expertise. Moreover, the responsible individual(s) must have secure employment, not themselves in fear or position of layoff or transfer.
- There **may be merit in removing redundant workers from the regular workplace** and housing the downsizing organisation in a separate location, both to allow time and space for redundant workers, and to maximise opportunities for a new culture and positive environment to grow in the new organisation.
- **Provide managers (particularly mid-level managers) with training and support** for managing staff reductions among their staff. Recognise the personal difficulties and stress involved in firing and reorganising staff.
- **Provide support and counselling for staff who are *remaining* with the organisation** to ensure that they are both technically and emotionally prepared to deal with their new roles in the new organisation.
- While staff reduction programmes should be decentralised, it is important to have some **central mechanism for sharing expertise and best practices across government**.

Human resource management staff should work to express the costs and benefits of staff reductions in quantitative financial terms. This is particularly important in maintaining credibility, accountability and control, where staff reduction programmes include innovative features such as making financial deals with private sector employers and providing costly training and development that might lead to new jobs. It is possible to show that where these programmes are carried out well, the agency can save money or break even again severance costs while at the same time securing employment for redundant workers.

Appendix. Resources

Persons interviewed in the course of this study were:

Mr. Per Aldskogius, Swedish Agency for Administrative Development
Ms. Anette Bister, Union of Civil Servants
Mr. Lars Dahlberg, Swedish Agency for Administrative Development
Dr. Ronnie Eklund, Professor
Mr. Johan Haage, Swedish Agency for Administrative Development
Mr. Torbjorn Jansson, Swedish Agency for Administrative Development
Mr. Per Hogberg, Principle Administrative Officer, Ministry of Finance
Mr. Hans Forsell, National Institute for Building Research
Mr. Hans Kihlsved, Swedish State Railways
Mr. Benne Lantz, Director, Job Security Foundation
Ms. Inger Mattsson-Kasserud, Head of Department, National Agency for Government Employers
Mr. Chaes Norrhede, The Union for Services and Communications
Ms. Ingrid Petersson, Assistant Under-Secretary, Ministry of Health and Social Affairs
Mr. Johan Tengblad, Union of Civil Servants
Dr. Hans Wigzell, Professor (former Director), National Bacteriological Laboratory

Publications used in the production of this report:

Johan Haage, "Downsizing without Closing Down" (memorandum describing experience with staff cutbacks at the Swedish Agency for Administrative Development)

Hans Kihlsved, Address at CEEP seminar on switchyard closings at Swedish State Rail, Brussels 29-30 May 1995.

Benne Lantz, "Staff Reductions and Job Security System in the State Sector in Sweden," presented at [name of SIGMA seminar]

Torbjorn Larsson, Governing Sweden, Swedish Agency for Administrative Development (Statskontoret), 1995.

Swedish Ministry of Finance, "The Public Sector Labour Market in Sweden: a presentation," May 1995.

Lois R. Wise and Per Stengard, "Public Sector Reforms and Internal Labour Markets: Examples from Sweden and the United States", (unpublished).

CHAPTER 3: THE PURSUIT OF BETTER GOVERNMENT: FEDERAL GOVERNMENT DOWNSIZING IN THE UNITED STATES

Introduction

1. In 1993 the United States government undertook an ambitious programme to reduce the size of the Federal workforce by 272,900 employees -- an overall reduction of 12.5 per cent -- by 1999. The government has more than achieved its goal well in advance of the 1999 deadline and some organisations continue to engage in staff adjustment programmes resulting from the need to restructure. Central to the programme of workforce restructuring was a set of management priorities centered on minimising involuntary attrition, maintain workforce diversity, use of workforce adjustment as an incentive for organisational restructuring and reform, and preserving the morale of managers and workers throughout the process. Combined with the activities of the National Performance Review to create a government that “works better and costs less” -- these activities have generated many lessons and promising practices for other governments faced with the difficult task of workforce restructuring and downsizing.¹¹ The experiences gained in the past five years have yielded much valuable information to the study of public sector human resource management and the management of change. The purpose of this chapter is to highlight the tools managers in the Federal workforce have at their disposal to implement workforce adjustment programmes, the challenges associated with recent their downsizing experiences, and promising practices gained from their experiences.

2. This chapter is organised in four parts:

1. Public sector employment and restructuring activities during the 1980s and 1990s.
2. Tools available to U.S. Federal executives and managers to implement downsizing.
3. Examples of downsizing programmes from three government organisations.
4. Discussion of lessons learned from the U.S. downsizing experience.

3. The more detailed case studies in Part 3 of this chapter offer examples of downsizing programmes stemming from restructuring an organisation as part of the overall reductions in the defense sector (Defense Logistics Agency), downsizing in the context of establishing a new organisational mission and structure (Bureau of Reclamation), and complying with a directive to downsize in the face of an increasing budget and demand for services (Food and Drug Administration).¹²

11. See, for example, General Accounting Office, *Federal Downsizing -- Better Workforce and Strategic Planning Could Have Made Buyouts More Effective*, GAO/GGD-96-62, 1996; National Performance Review, *Serving the American Public: Best Practices in Downsizing, Benchmarking Study Report*, September 1997; General Accounting Office, *Federal Downsizing: Agency Officials' Views on Maintaining Performance During Downsizing at Selected Agencies*, 1997.

12. The information provided for the selected organisations provided in Part 3 of the report is drawn from a series of interviews and briefings conducted with executives, senior managers and middle managers in the

The Status of Workforce Restructuring in 1998

4. Restructuring and downsizing the Federal Government's workforce -- part of the initiative to create a Government that "works better and costs less"-- became a significant priority with a new political administration in 1993. In 1994, Congress enacted legislation which mandated a reduction of the equivalent of 272,900 full-time workers (12 per cent of the Federal workforce) by 1999. By 1998 this target had already been exceeded. Between January 1993 and January 1998, the Federal workforce had a net reduction of 355,500 employees (16.2 per cent of its workforce).

5. Almost two-thirds of the reduction (64 per cent) occurred from the ranks of civilian (excluding the uniformed military personnel) in the Defense Department. Overall the Defense Department reduced its civilian workforce by 21.4 per cent during this five year period. However, two of the agencies most heavily affected by were from central management agencies in the government: the Office of Personnel Management was reduced by 51.3 per cent (-2,997 workers) and the General Services Administration was reduced by 30.2 per cent (-5,452 workers).

6. A key priority in downsizing the Federal workforce has been an emphasis on encouraging voluntary attrition, with involuntary attrition used only as a last resort. Over the five year period, approximately one in ten of the overall reductions occurred through involuntary separation. The reductions were achieved through, for example:

- Voluntary Separation incentives (buyouts): 158,800 employees in "surplus" jobs were paid voluntary separation incentives of up to \$25,000 to leave the Federal workforce, including 87,800 accepting the offer to take early retirement.
- Involuntary separation (layoffs): fewer than 37,000 employees were separated involuntarily.
- Redeployment: more than 22,000 employees in surplus positions were moved to "critical vacancies" in their own and other Federal departments and agencies as part of a career transition programme that began in 1996. ("critical vacancies" refers to positions that need to be filled in order to carry out the business of government, while priority is generally given to restructuring the work and, where possible, to eliminating the position altogether.)

7. This emphasis on voluntary separations had a number of benefits. It sent a positive message to managers and employees, that while reductions were necessary, they would be accomplished in a way that accounted for and sought to balance the needs and preferences of Federal workers with the needs and priorities of the workplace. This approach also helped preserve the recent gains the Government had made in improving the diversity of its workforce. By avoiding involuntary separations with their rules that give priority to the "last in : first out" principle for targeting workers, the Government has been able to keep the proportional representation of women (44 per cent) and minorities (29.5 per cent) in the Federal workforce at or slightly above their pre-downsizing levels.

three agencies responsible for carrying out workforce adjustment, and particularly downsizing activities, in their agencies. These interviews were collected during 1994 and 1995, the data were subsequently updated in 1997, information on government-wide downsizing policies and results was updated in 1998. "A more complete account of downsizing experiences in the U.S. federal government, with extensive case studies of the Defense Logistics Agency, the Bureau of Reclamation, and the Food and Drug Administration, is available in a recent book by the author entitled, *Downsizing the Federal Government: The Management of Public Sector Workforce Reductions*, (M.E. Sharpe, Inc., Publishers of Armonk, New York, 1998).

Part 1: Two Decades of Pressures for Workforce Adjustments

8. In the United States, civilian federal employment expanded, overall, until the early 1990s. Differentiating between civilian defense and non-defense agencies, there are slightly different patterns of change in public service employment. Non-defense employment took a slight decline during the late 1970s and early 1980s as part of political initiatives to reduce the budget deficit, streamline government, and reduce the size of the national public service. However, by the mid-1980s non-defense employment was back to pre-cutback levels, although the distribution of employment had changed somewhat across government departments. The civilian defense sector continued to expand during the 1980s until the end of the Cold War brought a change in defense spending priorities and the beginning of major staff reduction initiatives in the Department of Defense. In 1993, the Government launched “Reinventing Government” which included a major downsizing component that built on the reductions already underway in the defence-related agencies.

9. This current policy of staff reductions was initially pursued largely through a focus on eliminating jobs via staff controls imposed on agencies centrally through the budget process. The priority was on offering Federal employees cash incentives to voluntarily resign or retire from Federal service. Some attention is being given to privatisation and corporatisation, but such transitions have not been a common or major means of achieving reduction targets.

Federal Staff Cutbacks and Retrenchment: Early 1980s

10. Budget limitations caused fiscal stress which led to cutbacks and retrenchment during the late 1970s and early 1980s. Cutback and retrenchment activities include reducing personnel through normal attrition, voluntary early retirements, across-the-board cuts, and involuntary reductions; targeting cuts; reducing salaries and benefits; increasing workloads; conducting hiring and purchasing freezes; making tradeoffs; stretching resources; rationing or cutting services; transferring functions and services to other levels of government; privatising; reducing or terminating functions; shifting incentives; increasing budgetary flexibility; increasing efficiencies; improving productivity; delaying expenses; and postponing maintenance and capital projects. Some of these activities are again being pursued by federal government agencies during downsizing.

11. During the 1980s the government extended and strengthened cutback programs begun in the latter half of the 1970s. In the 1980s, the issue of the size of the federal bureaucracy became a political issue and was linked to changing national priorities. Goals during this period included reducing federal taxes, government oversight and regulation, and the federal presence in social welfare programs by shifting responsibility to lower levels of government. Reductions were targeted from the political level to specific agencies and programs. Deep budget and staffing cuts were aimed, in particular, at regulatory and social welfare agencies. Bitter political battles were fought between the Congress, the President, and interest groups over the extent of program cuts and reorganizations. In the end, Congress mitigated many of the President's proposed reductions; in other cases, agencies suffered painful and divisive personnel layoffs only to regain their personnel strength by the late 1980s. Reductions were implemented largely by targeted layoffs; there were no incentive programs for voluntary attrition. Struggles over cutbacks, which stretched out over several budget years, in some cases, resulted in a strong negative effect on the morale of federal employees and the appeal of federal employment. At the end of the decade, the National Commission on the Public Service reported that the public service was suffering from low pay, plummeting morale, recruitment rigidities, and attenuated career prospects (Volcker Commission, 1989).

Workforce Adjustments and the National Performance Review: 1993-1998

12. The current round of staff reductions is being driven by a similar combination of political and economic pressures. The pattern of reductions can be seen in three distinct, although overlapping, waves. Force restructuring in the Defense sector, following from the end of the Cold War and subsequent reductions in Defense-related spending, included a major downsizing component. Of an initial reduction target across the government of 272,900 positions (see below), nearly 100,000 of the reduction was achieved by Defense-related organisations. Shortly thereafter the National Performance Review as part of its mandate for change recommended a reduction of 50,000 positions targeted at personnel, budget and administrative occupations. Emphasis was also given to “de-layering” by reducing the number of executives and middle-managers in organisations. Most recently pressure for staff reductions has continued through ongoing budget pressures to reduce overall spending and rationalise resource allocations generally in government departments and agencies. It is the reductions in the second two waves that are discussed in this case study -- i.e., those in non-defense organisations from the priorities of the National Performance Review and continuing budget pressures.

13. The National Performance Review and its mandate for changes in operations and culture linked to greater efficiency and reduced cost under the slogan of creating a government that "works better and costs less" (National Performance Review, 1993, 1994, 1995, 1996). Staff reduction targets were debated and set in the political arena between the President and the Congress. Early on, staff reduction targets were being distributed largely uniformly (in most cases) across civilian agencies through personnel ceilings allocated as part of the annual budget process as a kind of efficiency gain. A underlying assumption being that there was a sufficiently large amount of “fat” and redundancy within the Federal government, that could be eliminated without major disruption to overall programme and service delivery. Over time, however, it became clear that in practice staff reductions were being distributed in a much more rational and programme oriented way, so that organisations such as the Office of Personnel Management has lost more than half of its staff based on changes in purpose and budget levels following reforms, and other organisations such as the Justice Department have had an increase in staffing levels over the period.

14. The Federal government’s National Performance Review (NPR) has played a leading role in the current downsizing programme. Sometimes referred to as “rightsizing” or “downsizing”, the activity has been described as the "centerpiece of the performance review" (Shoop, 1994: 19) and the "keystone of the cost savings" (Kettl, 1995: 17). The NPR expanded the reductions of the defense-related agencies into the whole Federal bureaucracy. The original programme called for reducing the executive branch civilian, non-postal workforce by 272,900 employees by the end of fiscal year 1999 for a total savings of 40.4 billion US\$. Staff reduction targets were allocated through staffing ceilings as part of the budget process. In most cases, agencies were free to determine how to spread the cuts within their agencies. However, there was a requirement that 10 per cent of the reductions come from the executive level, and more than 50 per cent from ranks of middle managers. Clearly a reduction of this scale by its very nature introduced an enormous amount of organisational stress, but as well presented significant challenges and opportunities for federal agencies.

15. In addition to political and economic forces, staff reductions were (and are still) being driven, in some Federal departments and agencies, by the need for modernising agency systems, adapting to changes in technology, and meeting changing societal demands for programmes and services. These factors are also consistent with the goals of the National Performance Review. In some agencies, top management has been able to use the National Performance Review as a vehicle for promoting organisational reforms for which it might otherwise have been difficult to rally employee, and even political, cooperation.

Setting the Targets

16. The original 272,900 figure was arrived at by a three step process consisting of an 'executive order' from the President (February 1993)¹³ calling for a reduction of 100,000 positions; a Presidential Memorandum entitled *Streamlining the Bureaucracy* (September 1993) supporting an NPR recommendation to increase the reduction to a total of 252,000 personnel; and Congressional legislation (March 1994) through the annual process of approving the Federal budget increasing the level to 272,900 employees. The NPR's recommendation specifically linked the 252,000 number to reducing administrative and supervisory staff involved in control, oversight and micromanagement such as headquarters staffs, personnel, budget, and procurement specialists, accountants, and auditors. The Presidential Memorandum ordered departments and agencies to carry out the reductions and directed agencies to "reduce the ratio of managers and supervisors to other personnel, with a goal of reducing the percentage who are supervisors or managers in halving the current ratio within 5 years." The subsequent law was not specific in the details of where the cuts should be taken.

17. Subsequently, Congress passed the Federal Workforce Restructuring Act of 1994 and, in 1997, the Voluntary Separation Incentive Payment authority. These laws authorize Federal agencies to offer voluntary separation incentive payments, commonly known as "buyouts," of up to \$25,000 to eligible employees who voluntarily resign their jobs. The buyouts are aimed at getting employees, especially middle managers, to leave the federal government and to avoid costly and time consuming lay-offs.

18. Early on, many federal career professional managers and executives have reacted with disillusionment. On the one hand, they supported improving government and reducing its costs and accept their responsibility for implementing the changes. On the other hand, many were deeply concerned about the career civil service being faulted for ills of the government, a lack of sufficient participation by their professional associations in the early stages of "reinvention", the justifications for an extremely high number of personnel reductions, a span of control ratio of 15 employees per manager, targeting personnel cuts at their ranks, and the consequences for capacity to deliver complex government programs in the future (Shoop, 1993; Kam and Shaw, 1994; Kettl, 1994; and McCarthy, 1994).

Applying the Lessons of Earlier Efforts

19. Several studies have investigated staff and budget reductions during the period of the 1980s. One of the most comprehensive and analytical overviews was published by Dr. Irene Rubin. Rubin (1985) conducted case studies of reductions in the U.S. Office of Personnel Management (OPM) and four agencies located within the Departments of Health and Human Services, Housing and Urban Development, Labor, and Transportation. Her studies analyze the relationship between the political process of cutbacks and the effects of cutbacks on agencies. She outlines a variety of management and strategic lessons drawn from these exercises. Table 1 contains findings extracted from the Rubin study. The current round of staff reductions differs from previous efforts of the early 1980s in several respects. Interestingly, current agency experiences with downsizing would suggest that many of the lessons raised by Dr. Rubin are equally applicable today.

13. Executive Order 12839, February 10, 1993. An executive order is an administrative directive from the President to establish or modify the practices of administrative agencies, to give force to legislative statutes, and to enforce the Constitution or treaties with foreign nations.

Table 1: Some Key Lessons Learned From Federal Workforce Adjustments in the 1980s

1. Avoiding long drawn-out battles over agency cutback and termination plans between the Administration and Congress by taking quick and definitive action would have minimized agency uncertainty and improved agency productivity.
2. Clearly ending the cutbacks and reorganizations within agencies would have led to stability, reduced workforce alienation, and improved productivity.
3. Struggles over cutbacks, uncertainty and changing decision frames negatively affected staff morale, motivation and productivity due to fear and mis-information.
4. Agency employees suffered from not knowing cutback levels and timetables and experiencing a sense of being punished.
5. Use of lay-offs, demotions, and “bumping” resulted in mismatches between employees, jobs and skill requirements and caused long-term staffing disruptions and problems in agencies.
6. Lack of leadership and clear direction resulted in deterioration and polarisation of relationships and communications among agency staff.
7. The cutback period reduced the quality of work life for federal employees, reduced the appeal of federal employment, and hurt recruitment of new employees.
8. Agency workforces became older and more homogeneous due to hiring freezes and involuntary dismissals; consequently, employment levels of women and minorities decreased.
9. The involuntary redundancies could have been implemented in ways to minimize damage to agencies and employee morale by making greater use of attrition and voluntary incentives, and by using outplacement programmes, and by not using reorganization and personnel ceilings as purposes for dismissals.
10. The overall impact of the cutbacks on Federal agencies was a deterioration of management and productivity.

Source: Irene S. Rubin, *Shrinking the Federal Government: The Effect of Cutbacks on Five Federal Agencies* (New York: Longman, Inc., 1985), 196-209.

Part 2: Tools for Downsizing

20. Table 2 lists the primary downsizing tools listed in order of preference used by agencies in the current workforce adjustments. A major difference with the staff reductions of the 1980s is that involuntary dismissals are currently considered to be an option of last resort. Involuntary measures are only used when agencies fail to meet targets by voluntary means such as normal attrition, hiring freezes, transfers, outplacements, or incentives for voluntary departure. Indeed, it appears there is much consensus that involuntary dismissal should be avoided as much as possible because of high costs to the agency in time, money and morale, and the high cost to the individuals and their families from job loss and unemployment.

Table 2
Tools Used by Agencies for
Personnel Reductions

- 1) Normal attrition
- 2) Hiring freezes
- 3) Transfers to other in-house positions or other agencies
- 4) Buyouts (voluntary separation pay incentives)
 - a. Optional retirements
 - b. Early retirements (early out)
 - c. Resignations
- 5) Outplacement programmes and partnerships with state unemployment agencies
- 6) Register of job vacancies operated by the Office of Personnel Management and the Department of Defense
- 7) Devolved authority to set up transition support activities within an agency
- 8) Involuntary redundancies

21. In general, the use of the tools presented in Table 2 flow from the policy framework being promoted by the government to achieve the personnel reductions: minimize involuntary dismissals, maximize voluntary attrition, protect employment where possible by reorganizing work or facilitating transfers to other agencies, protect seniority in layoff situations, and minimize targeting of individuals in favor of targeting occupational categories.

Buyouts

22. The preferred strategy for personnel reductions is natural attrition. However, policy-makers and union leaders recognized early on that normal attrition would not achieve the necessary reduction targets in most agencies. The second preferred strategy has become incentives for individuals to voluntarily leave their jobs, either by resignation or retirement. Known in the Federal systems as “Voluntary Separation Incentives” (or more commonly as “buyouts”), this authority had been available to the Department of Defense agencies since 1992, and first came to the non-defense agencies in 1994 in the Workforce Restructuring Act. Authority for departments and agencies to use their agency appropriations for this purpose required a change in the law. Law provides departments and agencies with a limited window for using this authority. In defense agencies, the authority extends from December 1992 to September 1999. Civilian agencies received authorization to offer buyouts only from March 1994 to March 1995, although

the law gave agency heads permission to delay the actual separation of employees until March 1997, if continued employment was required to ensure the performance of the agency mission. A second buyout authority was subsequently provided for the period October 1, 1996, to December 30, 1997. In order to ensure buyouts result in an actual reduction in staffing levels, agencies are required to cut one full-time equivalent position for every buyout paid.

23. While the authority was available across the Federal government, each agency head decided if buyouts would be offered to employees depending on the agency's need to use the tool. In general, agency management could offer the buyouts to specific occupational groups or categories and employees within those groups may request a buyout. Additionally, they had the flexibility to offer buyouts only to specific units within the agency or only during specific "windows" of time when necessary to incentivize employees to leave voluntarily. Worth noting, however, is that management could *not* target individuals in promoting buyouts.

24. Under the buyout provisions, eligible employees who resign voluntarily received a payment equal to a severance allotment (based on a formula including salary and years of service) or \$25,000, whichever is *less*. There are three possible categories for buyout eligibility. First, optional retirement refers to employees who are retirement eligible at age 55 or older and with 30 years of service; or age 60 with 20 years of service; or age 62 with 5 years of service. Second, early retirement or early out refers to those at age 50 with 20 years of service or at any age with 25 years of service. The Office of Personnel Management must grant voluntary early retirement authority before an organization can offer this incentive. Third, an employee without sufficient age and years of service can simply resign in exchange for a cash payment.

Cash Incentives to the Private Sector

25. The defense agencies have additional flexibilities not yet available to the rest of the Federal government to assist workers in securing employment in the private sector. For example, private sector firms willing to hire surplus employees can receive cash payments of up to \$10,000 to subsidize retraining costs. Also, the Defense Department may pay moving costs of up to \$10,000 if an employee accepts a private sector job in another geographic area.

Priority Placement Systems

26. All Federal workers identified as redundant have a right to priority placement for vacant positions both within their agencies and across the government. Agencies maintain their own internal priority placement lists and a national vacancy database is maintained by the government central personnel agency, the Office of Personnel Management. The Department of Defense also operates its own central priority placement list in order to match individuals at risk or on notice for layoff with jobs in other government agencies or geographical locations.

27. A more formal career transition programme was established in September 1995 for non-Defense departments and agencies by a directive from the President. This programme incorporates a new concept in the Federal system of giving redundant employees selection priority in their own and other Federal organisations. To use their priority rights, eligible employees must apply for the position and be determined to be "well qualified". The Office of Personnel Management reports that giving redundant employees priority status was designed to "empower" them and provide an incentives for seeking other new employment. Unlike previous Federal programmes that relied heavily on centralised lists of redundant employees and "placement" of these redundant works in departments and agencies by an outside central management agency, the new programmes ensures that the redundant employee is actually

interested in the positions by taking their own initiative to apply for any advertised vacancy, and then ensure that the employee is well qualified for the position from the perspective of the hiring department. Transition rates to new jobs are two to three times greater than under the old placement system. As noted earlier, 22,000 employees have moved from surplus positions to new positions under this programme.

Outplacement Programmes

28. Some agencies with large numbers of staff to outplace hire consultants to work with staff. Outplacement programmes available under the U.S. Job Training Partnership Act are supposed to offer displaced workers (from all employment sectors) with retraining for occupations that are in demand in the labour market, occupational counseling, and other assistance and training such as resume preparation, interview techniques and job-hunting strategies. However, relying on these services is somewhat problematic in the context of current Federal staffing reductions as most state unemployment agencies are not well prepared for dealing with white collar and middle management positions. In the Washington DC area, where there is a heavy concentration of Federal employees (more than 300,000), many of whom are affected by downsizing, Federal departments have pooled their resources with those of local and State governments in the area to establish a network of career transition assistance centers to help Federal workers. One State office near Washington has established a special career transition office to help people in mid-level management occupations. The office is set up on the model of a professional placement firm offering clients access to fax machines, computers with resume software, training courses in interviewing, cubical offices, career counseling, a secretary to take phone messages, and a psychological counselor to assist with stress and other personal issues. However, in other parts of the country, most state unemployment offices are understaffed and lack the resources to offer highly individualised services to clients and ensure the follow-up needed to keep job seekers active and motivated.

Agency Obligations to Provide Transition Assistance

29. All agencies have an obligation to provide assistance to those who have lost or may involuntarily lose their jobs. A presidential directive tasks the heads of all departments and agencies to work in partnership with labour representatives to develop agency plans for methods of career transition assistance and policies for retraining workers for new career opportunities.

30. The Office of Personnel Management and departments and agencies undergoing downsizing have made extensive use of the Internet to assist redundant employees, particularly those in local offices situated in remote locations where personal transition assistance is not often available on a full-time basis. Through the Internet site "Planning Your Future: A Federal Employee's Survival Guide" (located at <http://safetynet.doleta.gov>) employees can find many of the services they could obtain through a full staffed career transition center. More than 30,000 Federal employees use this Internet service each month.

Involuntary Redundancies

31. If an agency does determine the need for an involuntary staff reduction, regulations require redundant workers in non-defense agencies to receive formal notice of their layoff a minimum of 60 days before the date of separation (120 days for employees of defense organisations). However, where there is a likelihood of future surplus staff, they may give employees a six month general notice of possible separation. The six month notice may be relatively specific to occupational groups or organisational units, or broadly distributed to the entire organisation. While not required by law or regulations, this notice serves as an official "ticket" for employees to access the formal outplacement assistance programmes run by state unemployment offices (discussed above). This "early notice" is an important measure in preventing unemployment and ensuring the employee has maximum time to plan and job hunt.

Part 3: Case Studies of Workforce Adjustments in Selected U.S. Federal Agencies

32. Part 3 contains more detailed studies of downsizing initiatives in selected Federal organisations: the Defense Logistics Agency, the Bureau of Reclamation, and the Food and Drug Administration. Findings are based on interviews with members of the Senior Executive Service (SES) and middle managers who led and managed downsizing in the agencies. In the discussions of outcomes and achievements in each agency, the effect of downsizing on middle managers is particularly emphasized because they are central targets of downsizing in the U.S. initiative. Emphasis has also been put on the role of executives in planning and implementing workforce adjustment programmes.

The Defense Logistics Agency

Introduction

33. The Defense Logistics Agency (DLA) is an example of a large agency facing large-scale, long-term reductions in personnel and accompanying changes in mission and structure of work. In 1992, the agency operated with 63,700 employees. Today, DLA operates with approximately 47,500 employees and expects to continue shedding staff through the decade. Formed in 1962, DLA is one of sixteen agencies within the Department of Defense providing expertise, support, and services to the department. DLA is headquartered in a suburb of Washington, D.C. and has a worldwide logistics and contract management mission. DLA performs and is organized around three primary functions which comprise the agency's core logistics missions: supply, distribution, and contract administration services (or acquisition). To perform these functions, operational facilities are dispersed around the U.S. and the world and include supply centers, distribution depots, property disposal offices, contract administration offices, and contractor in-plant residencies.

Driving Forces for Workforce Adjustments

34. The end of the Cold War and the nation's fiscal problems have generated immense changes for the Department of Defense in recent years. The resulting reductions in staffing and budget levels have led to reductions in defense-related infrastructure and support functions. Because DLA's mission is directly linked to military operations, defense reductions have had a direct effect on its operations. While much of the current downsizing in the Federal government is linked to the priorities of the National Performance Review, six major events since 1988 have converged to set the downsizing environment for DLA.

1. **Defense Management Review:** In 1989 the Department of Defense initiated the *Defense Management Review* aimed at improving defense management practices and operations to cope with resource reductions. Its July 1989 report focused on ways to establish business-like practices in defense-related agencies to achieve improved efficiencies, reduce infrastructure, and realize cost savings. Many initiatives coming from this report were implemented in DLA which led to the start of staffing reductions.
2. **Defense Personnel Drawdown:** Since the end of the Cold War, the Department of Defense has reduced its personnel significantly. In 1985, there were 2.2 million active duty military personnel, 1.1 million in the Reserve forces, and 1.1 million civilians. Today, there are 1.45 million military, 900,000 Reserves, and 800,000 civilians. These numbers are expected to decline further to 1,360,000; 835,000; and 640,000, respectively, in fiscal year 2003.¹⁴

14. *Report of the Quadrennial Defense Review* (Washington, D.C.: Department of Defense, 1997).

3. **Defense Base Realignment and Closure Process:** Since 1988, a legislated process of military base and installation closures and realignments has accompanied the personnel drawdown. The process resulted in DLA operations at some locations being consolidated, transferred, or terminated.
4. **DLA Reengineering:** Given the previous three events, many business, management, and systems changes were underway throughout DLA by the beginning of the 1990s. DLA had implemented process reengineering programs focused on improving its business and management operations well before the National Performance Review (NPR) introduced these activities across government. As a result, DLA was already well into organisational planning and analyses before being faced with the additional staff reductions from the NPR initiative.
5. **DLA Restructuring and Streamlining:** Defense restructuring gave DLA more tasks and fewer resources and offices. As a result, in March 1993 DLA began restructuring its headquarters and remaining field offices, including reductions in management spans of control and the implementation of employee teams to solve problems and improve processes. This was expected to streamline information flow, facilitate prompt decision-making, provide greater flexibility in meeting changing demands, empower employees to improve processes, leverage resources, and enhance responsiveness to customers.
6. **Government Performance and Results Act:** Begun in 1993, the act is intended to promote a results-oriented focus by shifting emphasis from program inputs to program outputs and outcomes. The act requires federal agencies to submit five-year strategic plans by September 30, 1997, annual performance plans for fiscal year 1999 in the fall of 1997, and subsequent performance reports for fiscal year 1999. DLA volunteered to participate in the pilot exercise (1994-1996) to test the initiative.

Staff Reduction Targets

35. From 1980 until 1992, DLA experienced continual growth from about 45,000 total employees in 1980 to 63,701 total employees in 1992. However, since 1992, employee figures have dropped each year as indicated in Table 3. Staff reductions are expected to continue in future years, with staff levels falling to approximately 47,312 employees at the end of fiscal year 1997 and 41,718 by the year 2000.

Table 3 DLA Downsizing Statistics Fiscal Years 1993 To 1996			
End of Year Count	Civilian Employees	Military Employees	Total Employees
1993	59,765	1,275	61,040
1994	55,537	1,178	56,715
1995	50,771	1,159	51,930
1996	47,543	1,120	48,663

Organizational Strategies for Downsizing

36. DLA executives are united in how they favor and use what they consider a “humanitarian approach” to achieving the reductions. They prefer the use of normal attrition and buyouts. However, DLA, like other defense agencies, offers buyouts only in certain units of the agency and during specific windows of time when necessary to raise the incentive for employees to leave voluntarily. Consequently, the details of the buyouts regarding buyout categories used, career fields eligible, windows, and "takers" varied throughout DLA. Involuntary dismissals were avoided whenever possible and only used as a last resort because agency management believed they are damaging both to personnel and the organization. Involuntary dismissals were used mainly where a location experienced a significant reduction in workload, base closures, or major skill imbalances due to changing demands or structure. Other major downsizing strategies included consolidating and eliminating organizational units. A lower priority strategy was to reduce or eliminate administrative and no-value-added activities. A common element in all strategies was to increase communications to keep employees informed and reduce stress levels.

37. Although a focus on increasing use of teams was a major part of the reorganisation strategy, there is no consensus in the organisation as to whether a team-based environment increases or decreases management layers. One executive explained that the motive for team work is to be more responsible to the customer, not to achieve personnel reductions. Another executive believed a team structure was undertaken because it required fewer managers. As it turns out, DLA implemented team work and management delayering as concurrent strategies.

Tools for Downsizing

38. Table 4 summarizes the tools used by DLA to achieve its personnel reductions.

Table 4: Tools Used by DLA to Achieve Reductions	
• Normal attrition	
• Hiring freezes	
• Moving people within the organisation	
• Buyout incentives	Optional retirements Early retirements Resignations
• Targeted reductions	Individual positions Groups of positions Functions Management layers Organisational units
• Reengineering business processes	
• Creating work teams	
• Increased communication	
• Outplacement services	
• Involuntary dismissals	

39. Table 4 shows how the reductions were achieved (buyout, retirement, etc.) in the organisation for the years 1994 and 1996¹⁵, organised by the DLA divisions and by staff grade level. Total attrition equaled 6,150 for fiscal year 1993, 5,997 in fiscal year 1994, 4,524 for fiscal year 1995, and 4,230 in fiscal year 1996. The depot regions suffered reductions of 3,633 in 1993, 1,369 in 1994, and 2,270 in 1995, and 1,454 in 1996. Also, the headquarters (HQ), management support activities (MSA), and field operating activities (FOA) were significantly reduced with reductions reaching a high of 1,228 in 1994 and tapering off to 143 in 1996. By grade level, middle managers at the GS-14 and GS-15 levels and supervisors at the GS-13 level, next in line to be managers, experienced continuous reductions in each year since 1992. These losses reflect the inclusion of middle manager positions in the agency's downsizing program based on the current priorities for the Federal government as a whole.

Organizational Preparation for Downsizing

40. The six events described above combined to put DLA on a downsizing track well before the reinventing government initiative brought downsizing into the mainstream of the Federal government. DLA executives highlighted the central role reengineering and reorganization had in preparing DLA for a major workforce adjustment. These executives believe that reengineering should precede downsizing in order for an organization to operate effectively and efficiently in the future. However, despite a high level of preparation for the impact of downsizing on the organisation, there was a lack of adequate preparation for the effect of the human trauma dimension of downsizing. Many executives showed a strong empathy for their employees because of the pressures and difficulties they continued to face. According to one executive, "We took considerable pains to have what we call town hall meetings where we made the staff very much aware of actually what was happening and why. ... Nevertheless, you can never do enough and you certainly can't anticipate the unexpected."

41. Better management information systems could also give agency leaders greater confidence in their downsizing decisions. For example, one executive described the problem associated with the decision to use voluntary departure incentives which, because of its random effect in who stays and who goes, creates major skill imbalances and gaps in the distribution of functions. He recommended a process be used that would "come up with a scheme to orchestrate a flow of departures that was in concert with our work demands and our work measurement."

Middle Manager Reactions and Concerns About Downsizing

42. The majority of middle managers in the agency were very concerned about the effect of downsizing on the staff and the quality of the work. Although a minority of them recognize opportunities in the changes, the majority responded "negatively". The few middle manager that react by seeing opportunity do so because they focus on how more senior managers have left the organization, even though fewer senior manager positions remain to aspire to. Also, many middle managers expressed a variety of feelings about their own positions such as "disenfranchised", "threatened", "frustrated", and "insecure". One executive expressed that downsizing is a very threatening process to middle managers because they view it personally rather than from an organizational perspective. The result, according to another executive, is that it "diverts some of their energies...and that impacts their job performance."

15. Military downsizing figures are excluded as the number of military personnel is relatively small and the military buyout programs are different than the civilian buyouts. The years 1994 and 1996 were selected to show specific data for two recent years of downsizing.

**Table 5
DLA Civilian Downsizing Statistics
Comparative Data for 1994 and 1996**

Activity	Optional Retirement Buyout	Early Retirement Buyout	Resign with Buyout	Involuntary Dismissal	Other ²	Total Attrition	End of Year
Inventory Control	755	216	144	14	75	1,204	1994
Depot Regions	125	169	22	80	615	1,011	1996
Service Centers	164	365	334	58	448	1,369	
Contract Management	149	220	171	54	860	1,454	
Hq/msa/foa ³	120	64	19	3	231	437	
	23	31	5	14	279	352	
	762	272	134	55	536	1,759	
	419	263	92	19	477	1,270	
	73	7	4	545	599	1,228	
	52	29	8	7	47	143	
Total	1,876	924	635	675	1,889	5,997	1994
	768	712	298	174	2,278	4,230	1996

Grade Level	Optional Retirement Buyout	Early Retirement Buyout	Resign with Buyout	Involuntary Dismissal	Other ²	Total Attrition	End of Year
Executives	0	0	0	0	0	0	1994
Middle managers	1	1	0	0	3	5	1996
Supervisory level	98	27	3	0	39	167	
Line staff	44	26	0	0	33	103	
Blue collar workers	157	39	11	2	72	281	
	84	53	4	1	79	221	
Total	1,318	472	378	84	1,276	3,528	
	531	475	193	128	1,590	2,917	
	301	386	243	589	502	2,021	
	108	157	101	45	573	984	
Total	1,876	924	635	675	1,889	5,997	1994
	768	712	298	174	2,278	4,230	1996

Table 5 Notes: 1) The figures differ from numbers in Table 3 because Table 5 includes transfers who remained within DLA. 2) The category "other" includes regular retirements without buyouts, transfers, deaths, and other losses associated with normal attrition. 3) Headquarters (HQ), management support activities (MSA), and field operating activities (FOA). Source: Defense Logistics Agency; Staffing, Labor, and Employee Relations Group.

43. Several executives recognized that many middle managers are especially concerned about the capacity of the agency to accomplish its mission after downsizing in terms of workloads, efficiency, performance, and productivity issues. The following are questions which executives say typify middle manager concerns:

How do I get the job done while this downsizing is going on? How much will be demanded of me? Will all the output still be demanded but half the inputs gone? What is it we're going to stop doing? Or is management going to say "No, I still want everything done, so do it"? Who is going to be out there tomorrow to do the work? What work are we going to do tomorrow?

44. While there are no easy answers to the fears and frustrations, the scope of the staff reductions and its effects on how the work of DLA is managed offers several general insights into the role and challenges of downsizing for middle managers. First, where reengineering has been aggressively pursued before downsizing, middle managers are less threatened by downsizing. Because middle managers understand and accept the new business orientation in reengineered organizations, they are much more likely to maintain high levels of morale, motivation, risk-taking, and productivity despite downsizing actions. Yet, even while faced with great periods of change and personal insecurity, it was clear from the DLA experience that middle managers remain committed and loyal to the agency. They appeared to maintain their motivation by recognizing that the challenges they faced required them to use their talents in innovative ways. Many executives commented about how downsizing often brought out the best in most middle managers and invigorated them to be change agents.

45. The DLA experience suggests (not surprisingly) that increased workload distributions had a direct negative effect on morale. Support for this conclusion comes from comments such as "the number of early out acceptees is indicative ... [that] some people are tired of having a concomitant higher workload" and workloads must be "fairly administered because you run the real risk of just tearing morale to pieces." However, at the same time, some executives expressed great pride in how productivity and efficiency rates are up even while personnel loss rates are exceeding workload reduction rates. One respondent thinks that "people always come through when things get tough" and the employees "just keep pumping." However, another executive's analysis is more ominous:

I think that if you look at productivity, the productivity indices would have to be up because we're still carrying a tremendous workload. We haven't stopped and I think it is an unfortunate circumstance ... we're still carrying one hell of a lot of workload that we brought from the old architecture and we need to start sifting through that and stop doing some things that don't have value.

46. Executives note that the changes are inevitable and whether the organisation responds positively and builds capacity to do the work is as much a matter of culture and adaptability, as one of ensuring there is a body in every chair. They have tried to lend as much support to culture change and keeping a positive focus on the future by treating employees fairly, communicating regularly and providing the necessary support to assist with transitions.

Treatment of Employees During Downsizing

47. Federal organizations are making a serious and organised effort to treat all employees with dignity and respect during the downsizing process. Whether employees depart or remain with the agency, the intent is to "manage it responsibly" and to help employees "the best that we can." For those leaving their jobs, a variety of programs have been established to assist them in making decisions about and transitions into retirement, transfer, or a new job. Field organizations offer employee counseling centers that provide training, testing, interviews and needs assessment, and outplacement services. At the headquarters office, personal consultations, information seminars, "retirement day" events, and outplacement services are available. However, in early years of the restructuring, little attention was given to those middle managers who remained with the agency. Because many of the agency's resources were focused on departures, little time and resources were invested in assisting remaining personnel. It has become clear that middle managers who remain need new kinds of management training and support to give them the skills needed to deal with the problems facing their departments skills imbalances, training lags for new systems and demands, and demotivated employees. Explained one executive, what is important is "getting tools out there to do the job better. Accounting tools, financial tools, and automation tools. They need better tools to do the job."

48. The theme of excessive workload reappears as an issue related to supporting the staff that remain, particularly middle managers. The push to do more and new activities, with fewer resources and perhaps lacking adequate training has led to increased anxiety about accomplishing the workload. Moreover, while some functions are being reduced or eliminated, decisions are not being made about what work will no longer be performed. While executives seem to be aware of this problem, they remain more "philosophical" than action-oriented about it. Said one DLA executive:

There is a part to downsizing that isn't being done by us and I don't think by anybody and that is the making of conscious decisions about what it is that we are not going to do. ... We've got to come to grips with that at the senior management level otherwise we are sending the wrong signals to the agency, workers, and mid-level management and that is we are saying take an already stretched workforce and stretch them a little bit more. ... We have already been doing more with less for a long time and now we want employees to do more than more with less and I don't think that is fair and I don't think that is right.

Executive Views and Management of Downsizing

49. Executives in DLA tended to view downsizing as secondary to reengineering. Moreover, the executives strongly felt that downsizing is "a necessary condition of doing business" and "an essential element of our strategy for the future." Regarding views of downsizing with other change, an interesting contrast exists. Although three executives make it clear that downsizing was not a driver, motive, or excuse for other change, four executives point out how downsizing, nevertheless, produced positive by-products. One candidly states, "I think a by-product will be to get rid of dead weight people." Another says, "You can, generally speaking, through downsizing and streamlining get more bang for the buck and look better to your customer." Downsizing is viewed as helping to change the culture and facilitating multi-functional team-based work.

50. In looking back at their experiences to date with downsizing, DLA executives raised three key management practices as being used or recommended for use during a downsizing programme:

1. More coaching, mentoring, encouraging, and lifting morale of employees.
2. More delegation of authority and a greater participatory style.
3. More attention to internal recruitment and placement of personnel.

51. Indeed, along with their counterparts in middle management, executives are concerned about workforce capabilities and outcomes once downsizing is completed. The agency has been implementing downsizing for quite some time now. However, few comment with confidence about how capable the workforce is throughout the agency. Nor does anyone know if accomplishing the mission will be impaired if the agency is pushed to its limits (i.e., if there were a war). Executives express concerns about loss of experienced personnel, work skills imbalances, lack of resources and flexibility, experience and training gaps, and the need for reorientation training, education, tools, and techniques. However, they are only just starting to address those serious concerns. One agency executive asserts that the leadership is "beginning to now face the problem ... a lot of effort is now being geared up towards retraining."

52. Not surprisingly, perhaps the strongest consensus that emerges from executives is that downsizing is extremely challenging, difficult, and painful. According to one interviewee:

And an awful lot of resistance. I'm telling you, painful. This is not comfortable. I'm pleased to say it worked. And I'm happy about what happened. But I can't tell you how painful the process is.

Outcomes

53. DLA's experience with downsizing reveals much about personnel reductions being undertaken in the Federal government. The agency believes it has thus far accomplished much success in setting targets and managing its downsizing. However, its leaders know that DLA must build upon that success and make improvements both for additional downsizing expected over the next few years and for solidifying the skills and motivation of the remaining workforce. DLA's top leaders are military commanders who perform critical preliminary and continuing roles for the agency's executives in managing downsizing. Based upon analysis of the DLA case, DLA top leaders exhibit four important strengths which enhance executive management of downsizing. The top leaders provide a clear vision, demonstrate leadership with firm direction, communicate the vision, and engender trust among employees. Also, successful downsizing in DLA requires the executive management practices listed above. For middle managers, factors in two categories are important. First, the effects of downsizing on middle managers are disenfranchisement, insecurity, uncertainty, and concerns about workload, efficiency, productivity, and mission accomplishment. Second, middle managers need assistance programs, workload adjustment, retraining, management tools, and other workforce capability enhancements. Clearly, the work of the organisation in managing downsizing is not finished. A large role remains on the horizon to bring the vision of DLA senior executives and top leaders into programmes to ensure workers and managers are properly skilled and positioned to carry forward the mission of the "new" organisation.

The Bureau of Reclamation

Introduction

54. The Bureau of Reclamation (BOR) is an example of an agency facing the need to transform its mission and the staff and structure needed to meet a new mandate. And, at the same time, keep pace with parallel pressures to make staff reductions in line with government-wide targets. In 1993, the BOR operated with a staff of 7,836. By fiscal year 1997, the BOR had reduced that number to 6,200 employees and implemented a major streamlining and reorganisation.

55. The BOR is one of ten separate bureaus within the Department of the Interior. The Reclamation Act of 1902 created BOR to administer the reclamation of arid lands in the Western U.S. BOR operates with a small headquarters office in Washington, D.C., while the majority of its projects and employees are organized into Area Offices in five separate regions throughout 17 Western states. The Reclamation Service Center in Denver, Colorado, provides technical, human resources, management, and administrative support services to the rest of BOR. The new mission of the bureau is "To manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public."

Driving Forces for Workforce Adjustments

56. In the past three decades, several trends pushed the mission of the BOR away from water resources development and toward water resources management. The environmental movement, multiple constituent groups demanding water resources management, changing public values and competing interests over water use, and a reduction in new dam construction projects led BOR to the conclusion that it must focus on water resources management to achieve multiple-purpose use of limited water supplies. However, it took a lengthy process between 1987 and 1993 to finally transition to the water resources management business. The change evolution can best be described through a brief examination of four key BOR review, planning, and report efforts conducted during those years. During the past three years, using the National Performance Review as the change vehicle, BOR finally transformed its mission while downsizing its workforce.

1. **Assessment '87:** In March 1987, the Secretary of the Interior requested an internal assessment of BOR's role. The final report (September 1987) claimed that the time had come for the bureau to "accelerate its transition ... from a premier construction organization to a 'premier resource management organization'" (*Assessment '87, 1987: i-ii, 2*). In October, an implementation plan followed focusing on organizational restructuring, including steps to relocate the headquarters to Denver and decentralise the agency. Also significant were redefined program priorities to initiate cultural change. Although progress on this plan was made in the late 1980s, the momentum was lost in the early 1990s.
2. **Strategic Plan:** BOR next initiated development of a strategic plan in 1990. However, progress again slowed because emphasis was devoted to process while actual priority setting and implementation languished. It was not until June 1992 that the agency published a strategic plan including specific concepts, objectives, and strategies to pursue in its annual programming and budgeting.

3. ***Report of the Commissioner's Program and Organization Review Team:*** In May 1993, progress lacking, the Commissioner convened a team of mid-level BOR employees for a review team to recommend changes to assist BOR in completing its transition. The final report (August 1993) made recommendations for future activities and organizational changes, many of which dealt with reducing bureaucracy, duplication, and inefficiencies; and eliminating unnecessary internal reviews, excessive management oversight, and costly organizational layering.
3. ***Blueprint for Reform:*** In November 1993, the Commissioner released a reform plan. Under the plan, review processes were streamlined or eliminated, core work areas were articulated, and authority and responsibility were devolved to reduce organisational layers. Several top management positions were eliminated, the structure of field-offices delayed, and a central management "service centre" established to provide customer-based support, not review or oversight. In April 1994, the Secretary of the Interior directed BOR to implement the plan.

BOR and the National Performance Review (NPR)

57. The BOR mission transformation was taken on by the National Performance Review as part of the government-wide "reinvention" effort. Indeed, the National Performance Review was used as the vehicle to get reform and provide the momentum for the agency to completely transform its mission, organization, and culture -- as it had intended to do for several years. BOR has been widely recognized for its efforts and identified as an exemplary reinvented agency. A status report published by the National Performance Review highlighted BOR as one of five agencies "at the forefront of reinvention" which "represent the most comprehensive" government reinvention efforts (National Performance Review, 1994: 24-25). Moreover, BOR was awarded one of the 1995 Innovations in American Government Awards, by the Ford Foundation and the John F. Kennedy School of Government at Harvard University, for its reinvention effort.

Organizational Strategies for Downsizing

58. The effort to transform the agency's mission and culture amounts to an extraordinary degree of change for the organization and its employees. Downsizing is an integral part of the many changes. The Commissioner's *Blueprint for Reform* acknowledged that "the reduction in Reclamation's program will be accompanied by a commensurate reduction in current staffing levels" (1993: 7). Like DLA, the preferred strategy for personnel reductions is normal attrition. However, to the extent that this has not been possible, the second choice has been the use of buyout incentives. The least desirable downsizing strategy was the involuntary RIF, which was only used as a last resort.

59. Central to the agency's downsizing approach has been a disciplined use of planning documents and implementation plans. The strategy of developing and implementing detailed plans was largely responsible for the quick progression from the 1993 staff review group to implementation in the summer of 1994. Another key aspect of the downsizing approach taken by BOR is the empowerment of employees and their inclusion in the planning process. Employee participation in change efforts continued during the implementation process. For example, six employee teams with some middle managers devised the plan to create and implement a Technical Services Center within the new "service center", including the workload, workflow process, organizational structure, and staffing plan.

Table 6

Tools Used by BOR to Achieve Personnel Reductions	
• Normal attrition	
• Hiring freezes	
• Surplus Employee Placement Programme for internal transfers	
• Buyout incentives	• Optional retirements
	• Early retirements
	• Resignations
• Targeted reductions	• Individual positions
	• Groups of positions
	• Functions
	• Management layers
	• Organisational units
• Planning and implementation documents	
• Creating work teams	
• Increased communication	
• Employee participation	
• Outside consultants with expertise in outplacement services	
• Employee Service Centre for outplacement services	
• Employee Assistance Programme for counseling	
• Involuntary dismissals	

60. A prime objective of downsizing is to make the service centre more efficient, effective, and customer responsive. One way BOR did this was to cut costs by reducing unnecessary management layers and excessive hierarchy. Specific changes included cutting the number of senior executive positions, reducing management layers at all levels, changing the supervisor-employee ratio from about 1:6 to closer to 1:15, decreasing reviews to a single level, and delegating responsibility to employees at lower levels. Other organizational strategies for downsizing included reduction or elimination of overhead work, functions, supervisory positions, units, reviews and approvals, and regulatory oversight. According to one interviewee, BOR is guided by certain "downsizing philosophies" like empowered workers, empowered field organizations, efficient and effective operations, and less control and more service.

Tools for Downsizing

61. Table 6 summarizes the various tools used by BOR to achieve its personnel reductions.

62. At the end of fiscal year 1993, the total number of BOR employees was 7,929. During fiscal year 1994, the number decreased by an extraordinary 1,274 or 16.1 percent for a year-end total of 6,655. Between fiscal years 1993 and 1996, the workforce was reduced by approximately 21.8 percent to a level

of 6,200 where it has remained since then. Table 6 provides comparative figures for how these reductions were achieved for fiscal years 1994 and 1996. The first half of the table shows staff reductions according to downsizing strategy categories and by organization within BOR. The second half of the table breaks down staff reductions by grade levels for the same downsizing categories. According to the data in the table, total attrition for fiscal year 1994 was 1,473 and for fiscal year 1996 was 236. By grade levels, all levels of employees experienced a reduction in total numbers. Middle managers at the GS-15 and GS-14 levels and those at the GS-13 level, next in line to be managers, showed reductions during each downsizing year. Also, three executives left the agency in 1994. These losses reflect the inclusion of executive and middle manager positions in the agency's downsizing program.

63. To date, BOR opened three buyout "windows" (limited period of time when buyout incentives are available to employees). The first window was April 4 to May 4, 1994, and resulted in 801 "takers". All left the agency right away to "clear the deck," according to an executive, prior to having to begin involuntary dismissals. Two windows in fiscal year 1995, from October 2, 1994, to January 3, 1995, and February 2, 1995, to March 31, 1995, induced 466 employees to accept buyouts. Extensions to keep some of these personnel for limited periods were granted to make future resource decisions on an orderly basis.

64. In January 1994, the BOR established the Employee Service Center to assist employees through the reorganization process. The Center provides multiple services such as answers to questions about the BOR restructuring, an automated government job application form, a list of government and private sector job opportunities, and job hunting videos. Additionally, employees are authorized to use agency computers and official duty time to prepare job applications and allowed time off to attend job interviews and job fairs. Another support service is offered from the Employee Assistance Programme that provides professional counseling assistance to government employees. And in May 1994, the Surplus Employee Placement Programme was activated to help place employees in regional offices and the Administrative Service Center. All of these programs operate to assist employees in getting new jobs prior to involuntary reductions. These efforts in conjunction with the buyout incentives were successful in minimizing the number of employees who were identified as redundant and laid-off.

Organizational Preparation for Downsizing

65. BOR did not conduct any bureau-wide downsizing activities prior to the Commissioner's *Blueprint for Reform* and the National Performance Review activities. Overall, executives reveal that BOR's preparation for downsizing is viewed with mixed opinion. On the one hand, executives believe BOR was right to implement downsizing with a range of organizational measures to help ease the transition for employees. On the other hand, they also express some doubts about the efficacy of those measures in helping people adjust to changes. According to executives, the agency "bent over backwards helping the people" by providing outplacement services during the downsizing. BOR top management increased communications with employees to provide timely information, help employees make decisions, and ease the transition.

Table 7
BOR Civilian Downsizing Statistics
Comparative Data for 1994 and 1996

Activity	Optional Retirement Buyout	Early Retirement Buyout	Resign with Buyout	Involuntary Dismissal	Other ²	Total Attrition	End of Year
HQ/Comm ³	3	4	0	0	12	19	1994
	3	0	1	0	2	6	1996
Service Centre	102	46	28	0	119	295	
	12	0	2	0	8	22	
Admin Service Centre	9	6	6	0	41	62	
	7	2	0	0	12	21	
Regional offices	283	235	79	45	455	1,097	
	41	58	9	19	60	187	
Total	397	291	113	45	627	1,473	1994
	63	60	12	19	82	236	1996

Grade Level	Optional Retirement Buyout	Early Retirement Buyout	Resign with Buyout	Involuntary Dismissal	Other ²	Total Attrition	End of Year
Executives	1	0	0	0	2	3	1994
	0	0	0	0	0	0	1996
Middle managers	39	21	0	1	10	71	
	12	2	0	0	1	15	
Supervisory level	56	23	6	0	16	101	
	9	13	0	0	6	28	
Line staff	247	188	94	40	467	1,036	
	31	35	12	19	61	158	
Blue collar workers	54	59	13	4	132	262	
	11	10	0	0	14	35	
Total	397	291	113	45	627	1,473	1994
	63	60	12	19	82	236	1996

Table Notes: 1) The figures differ from numbers in the text because Table 7 includes transfers who remained within BOR. 2) The category "other" includes regular retirements without buyouts, transfers, deaths, and other losses associated with normal attrition. 3) Headquarters (HQ) and Commissioner's Office (Comm). Source: Bureau of Reclamation, Human Resources Office, Personnel Management Division.

66. Despite a range of assistance programs, the executives are not entirely confident that they were sufficient to meet the many needs of displaced workers. The note of doubt is clear in this interview response:

We did the best that we could. We put in a lot of effort early in terms of communicating with our employees. We implemented things such as an Employee Service Center. ... And what we did was conduct training for people in change management and personal transitions. We've actually had a paid contractor on board who actually specializes in outplacement activities. So we did. We prepared them as well as we could prepare them. Or, we tried to.

67. Lack of employee trust was another theme that emerged regarding preparation for downsizing. Despite the desire to keep employees active in the process, some distrusted the agency's downsizing process. That distrust originates a concern that top management did not have "a clear sense of where we ought to be" and some employees were "thinking there's a hidden agenda" associated with the downsizing. The lack of trust by employees over downsizing actions translates into an executive view that any organization's preparation for downsizing is destined to be limited.

Middle Manager Reactions and Concerns About Downsizing

68. The majority of middle managers had "negative" responses to the downsizing. First, middle managers, in general, have a mixture of emotions consisting of anger, frustration, and resentment. The many changes resulted in loss of positions, titles, and work responsibilities. Therefore, they have strong feelings of not being valued by the organization. Second, younger managers see far less opportunity for advancement and promotion because there are fewer middle manager positions to aspire to. The layering, position downgradings, and position eliminations have created lost opportunities. The new environment for middle managers is more difficult as reflected in one respondent's comments:

We've had people who were in management and supervisory positions who are not now. And we've had people who now have to become group leaders when they don't know how to be group leaders. We've had increased span of control where somebody might have had 4 or 5 people reporting to them, they now have 15 or 20, and we don't quite know how to handle that just yet.

69. Third, middle managers are concerned about the definition of the new mission and the direction of the agency. This issue is sensitive since it challenges the vision of BOR's leadership. The evidence strongly suggests that some middle managers have not bought into the whole change process. Perhaps more significantly, some middle managers do not understand what it is they should buy into. Analysis of responses points to how the Commissioner's goal of becoming "the premier water management agency in the world" is considered by many middle managers to be too vague to be meaningful. Fourth, an interesting observation is that some middle managers actually have a difficult time adjusting to the new decentralized organization with less hierarchy. It is commonly believed that employees do not like overly structured and hierarchical organizations because they stifle creativity and initiative while being very controlling. However, in BOR some workers prefer the structure and feel uncomfortable without it. As one executive stated, empowerment can be positive or negative for an individual and "there's no such thing as one size fits all when you're addressing organizations because they're very dynamic." Finally, the job of the middle manager and first line supervisor has become more demanding. The middle manager in the future must contend with fewer budget and personnel resources, increased workloads, new workforce skill mixes, an increased span of control, and a new role as a team leader. On top of all this, the middle manager must be an agent for change.

70. The question here is what is the organisation doing to support and train managers to take on these new roles -- roles perhaps quite different from past expectations and experiences. In BOR, as with many other agencies undergoing downsizing and restructuring, the realisation comes late of how important and how fragile the role of the middle manager is in supporting, facilitating and ultimately sustaining the changes sought by reform. Indeed, initially the agency focused the majority of its attention during downsizing on those employees leaving the organisation. Now the agency is turning its attention to the training and support needs of those personnel who remain with the organization.

Effects of Downsizing on Employee Behaviour

71. Despite the difficulties with morale and motivation usually associated with large-scale change, and particularly staff reductions, it was interesting to find that morale and motivation were higher at the field Area Offices, but lower at the Reclamation Service Center and Regional Offices. Generally, morale and motivation levels in BOR correlate with levels of authority and responsibility held by organizational echelons. Consequently, because Area Offices gained authority and responsibility due to decentralization and empowerment, their middle managers have higher morale and motivation. Conversely, the Service Center and Regional Offices lost power and, thus, their middle managers have lower morale and motivation. According to an executive:

Morale in the field has never been higher. ... They're excited about it. They feel empowered. They feel important. ... From a year ago and up until recently, morale in Denver had never been lower. Because we were the losers in this. That's how it was viewed. ... Right now the Regional Offices are feeling awfully bad because they're giving up their authority to the field. And they're downsizing. And the morale in the Regional Offices is very low.

72. Commitment and loyalty among middle managers remain high to the institution. The BOR workforce has a long record of accomplishments, traditionally had a strong sense of pride and self-respect, and has a high worldwide reputation. Through all the changes, middle managers retained their support for the welfare of the agency and their desire for the agency to succeed in its new mission. However, some middle managers at the Reclamation Service Center developed a lack of trust in and loyalty to the agency's top leaders that is only just beginning to wane. The primary source of the distrust appears to stem from the way the Commissioner communicated to employees the need to change the agency. However, it is difficult to separate all the possible reasons for middle managers' dissatisfaction and to ascertain conclusively the cause of the lack of trust and loyalty to management. With so much change occurring in the organization at the same time, it is plausible that any of a number of events could have contributed to lack of trust and loyalty by some middle managers. Still another executive provides support for this view:

During this process, I don't think that employees had any trust of management. ... So trust was a real issue. It didn't seem to be focused at all. ... I mean their trust issues weren't in what was happening in total. It was what was happening that day to them.

73. Risk-taking was seen to increase due to an emphasis on allowing and expecting middle managers to take experiment in the new environment. The Commissioner used an interesting strategy for encouraging risk-taking and innovation -- he issued "forgiveness coupons" to stimulate risk-taking, to be redeemed if managers made mistakes. Most of the increased risk-taking occurred in the field among Area Managers. Indeed, it coincided with greater levels of empowerment.

74. The quality of work is reported to be as high as before downsizing began. However, it is too early to measure any improvements in quality of work which might come from the restructuring. There is a link between the high level of commitment middle managers have to the agency and the high quality of work produced on behalf of the agency.

75. Finally, it is worth noting that while quality remains high, efficiency and productivity among middle managers has decreased at certain times. During those times that employees experienced more change, they also felt more anxiety which was manifested in less efficiency and productivity. For example, during the few days before involuntary dismissal notices were delivered at the end of June 1994, "people probably did nothing", said one executive. Another executive commented that at times, BOR was "in a state of uncertainty and confusion" where "the destruction that comes from organizational change and mission change is very significant and it most showed itself in the area of morale and productivity, not quality of product."

Executive Views and Management of Downsizing

76. Generally, nearly all BOR executives think downsizing is "necessary" or "essential" and will be good for the long-term benefit of the agency. A typical response to the question of how they view downsizing was: "We needed to do it because it's essential for our future survival." Furthermore, there exists a belief that "it should have been done sooner" and "at least several years ago." Additionally, downsizing assisted the agency in realigning people with certain skills into positions with more appropriate responsibilities and at the right position level. As in the DLA case, a consensus is that downsizing is extremely challenging, difficult, and painful. One respondent emphasizes this characteristic when he stated about downsizing, "The hard part is making it work. And that's the thing that is very difficult. Implementation is hard."

77. A critically important pattern emerges regarding executive views of workforce capabilities and outcomes after downsizing. Most line and staff executives are concerned about whether human resource capabilities will be sufficient to accomplish the BOR mission. It is clearly evident that BOR implemented a comprehensive set of planned changes through a diversified set of strategies. Yet, some uncertainty exists about the following seven areas:

1. Fewer resources
2. Workload estimates
3. Imbalances between employees and workloads
4. Skill capabilities
5. Skill mixes
6. Workplace tools and retraining
7. Maintaining the delegation of responsibility

78. BOR executives also identified several management practices used or recommended for use by executives during downsizing. The most frequently cited three practices are:

1. More monitoring and evaluating work and performance of employees.
2. More effort to accomplish more difficult work.
3. More coaching, mentoring, encouraging, and lifting morale of employees.

Outcomes

79. BOR has found downsizing difficult and draining, not least of all because it is downsizing while simultaneously adjusting to a new mission. Nevertheless, BOR has made much progress and its Innovations in American Government Award reflects the great measure of its success. The BOR case highlights that downsizing is organisationally painful, even when employees understand the need and impetus for change, and that the resultant human resource capabilities are uncertain. Despite these generally pessimistic characteristics, BOR uses a well thought out management approach to successfully contend with these issues. The executives observe and have faith in the value of a team orientation coupled with employee empowerment and lower organizational level empowerment. They believe that this combination of strategies has resulted in greater employee buy in to the change and downsizing processes and raised performance levels.

80. BOR's top leaders are the Commissioner and other political appointees who perform key preliminary and ongoing roles for the agency's executives managing downsizing. Based upon analysis of the BOR case, BOR top leaders are challenged by three factors which make executive management of downsizing difficult. Early in the downsizing process, top leaders did not provide a clear vision, communicate a clear vision, and engender high trust among employees. However, they did provide firm leadership and direction for the downsizing by making it clear that the agency would reorient itself and do so with staff reductions. As noted above, a successful downsizing effort in BOR requires particular executive management practices. For middle managers, factors in two categories deserve attention. First, the effects of downsizing on middle managers are reduced professional status, reduced promotion opportunities, vulnerability, lack of trust, and concerns about vision clarification and mission accomplishment. Second, middle managers need workload adjustment, retraining, management tools, and other workforce capability enhancements.

The Food and Drug Administration

81. The Food and Drug Administration (FDA) is an example of a regulatory agency faced with conflicting direction to simultaneously grow and downsize. In 1997, FDA had 9,358 employees.

82. Located in the Department of Health and Human Services (HHS), the FDA is organizationally located within the Public Health Service which is one of the six primary operating organizations of HHS. FDA is a consumer protection agency which regulates a wide variety of products. The mission of FDA is to enforce laws to ensure public health is protected against impure and unsafe foods, drugs, and cosmetics; unsafe medical devices; and unsafe radiation-emitting products; as well as ensure these products are truthfully and informatively labeled. The headquarters for FDA is scattered throughout the metropolitan Washington, D.C., area with most of its offices located in a near suburb. Approximately one-third of FDA personnel are employed in the field which consists of 21 district offices and 130 inspection posts throughout six regions.

Driving Forces for Workforce Adjustments

83. In recent years, the government has increased the scope of FDA's regulatory function in concert with expansion of the number of products and the growth and complexity of scientific means of analyzing those products. During a period when many federal agencies are experiencing budget reductions, the FDA's budget is growing. The agency requires more funds to keep up with the pace of regulation and oversight of foods, drugs, cosmetics, and medical devices. The FDA budget increased every year during the 1990s. For example, FDA budgets for fiscal years 1993, 1994, 1995, and 1996 were \$809 million, \$934 million, \$964 million, and \$981 million, respectively. Concomitantly, the agency has received increasingly higher levels of user fees from industry during each of those years which helps fund the agency and add new employees.

1. **Prescription Drug User Fee Act:** The 1992 law permits FDA to collect fees from industry during fiscal years 1993 to 1997 to augment FDA resources. The purpose of the act is to expedite the drug review and approval process within specified time periods (U.S. General Accounting Office, 1994a). More than 600 personnel were added in the Center for Drug Evaluation and Research and in the Center for Biologics Evaluation and Research. The program is so successful that decisions on breakthrough drugs are made in six months or less and on all other drugs in 12 months or less (Friedman, 1997).
2. **Mammography Quality Standards Act:** This 1992 law established new mammography standards and mandated inspections of mammography facilities. The Center for Devices and Radiological Health inspects 10,000 facilities annually. User fees help to implement the requirements and pay for additional personnel. For example, in 1997 user fees funded approximately 35 employees.

84. Clearly, the FDA is not driven to staff reductions directly by budget or programme needs, but rather as a function of government-wide reduction targets. As discussed earlier, as part of the current Federal downsizing initiative, most departments and agencies are required to reduce their staffing levels by approximately 12 per cent. The reduction targets are handed down via a personnel ceiling imposed centrally through the annual budget process. However, the FDA's streamlining plans estimate a staff

reduction of only 5.5 percent. The summary of a May 1994 Streamlining Plan stated, "We believe this is the most severe reduction in staffing that we can realistically achieve over the next four years, without doing serious damage to our ability to protect the public health."

Organizational Strategies for Downsizing

85. In looking at the way the FDA is coping with this directive to reduce its staff, the most notable factor is that there is not a genuine agency-wide strategic program which provides an aggressive agency approach to downsizing. However, the Reinventing Administrative Management Program (RAMP) does exist to implement the NPR program. The purpose of RAMP is to improve efficiency of administrative and management systems through process improvements, management initiatives, and automation throughout FDA. The primary elements of RAMP are for FDA organizations to reach the goals of reducing its number of administrative staff personnel and decreasing their supervisory ratios over the next five years. In this way, the FDA hopes to reach its reductions targets.

86. The main strategies for achieving personnel reductions are normal attrition coupled with a hiring freeze. The obvious problem with normal attrition is that it occurs relatively slowly and randomly throughout the agency and "penalizes offices unfairly." To compensate, the hiring freeze operates with some flexibility by allowing one employee to be hired for every three that leave in order to ensure proper skills balancing. Several programme high volume units (including those noted above) were exempt from the hiring freeze in order to increase their personnel. Furthermore, the agency does not plan to offer buyout incentives. Instead, it encourages people to resign because "it doesn't make any sense in an agency that's still hiring to be paying people to leave." However, near the end of fiscal year 1994, management requested authority to offer an early retirement option without buyouts. To qualify, employees had to be 50 years old with at least 20 years of service or be any age with at least 25 years of service. The application window started on August 4, 1994, and required takers to separate by September 30, 1994. A total of 78 employees, 38 from headquarters and 40 from the field, accepted the early out opportunity. Where losses did occur, FDA tried to reduce organizational layering and duplication, administrative support staff, and the ratio of managers and supervisors to employees. To date, the agency has not resorted to involuntary redundancies.

87. Within the various programme divisions and in field district offices, some progress was made in achieving other staffing priorities of the National Performance Review. For example, whenever possible, organizations hired below the senior level grades and delayed any promotions to middle management levels. If a branch or division chief retired, then branches or divisions were realigned to reduce managerial positions, layers, and supervisory ratios. In some offices, all deputy director positions were eliminated. In general, the process was ad hoc based in large part on the random nature of natural attrition. One executive described these approaches as "not a planned and orderly way of doing business."

88. The strategies used by FDA reflect a relatively limited approach to cutting personnel. There are several reasons why this is the case. First, the agency strongly believes that it cannot afford to reduce its employee levels in light of a regulatory mission which is growing in scope and complexity. Second, some programme divisions have a statutory requirement to add personnel. Third, the Public Health Service was made exempt from some government-wide requirements to reduce senior level categories.

Tools for Downsizing

89. Table 8 summarizes the tools used by FDA to achieve its personnel reductions.

90. FDA faces the paradox of being required to both increase and decrease its personnel. For FDA, downsizing requirements are contradictory and confusing to user fee program requirements. On the one hand, the agency must comply with government-wide mandate to reduce its employment levels like all other federal agencies. On the other hand, user fee legislation requires adding employees to expedite work processes. Because of these opposing actions, FDA's total employment has remained relatively stable during the past five years. Total employment was 9,378 at the end of fiscal year 1993, increased to 9,691 at the end of fiscal year 1994, dropped slightly to 9,570 at the end of fiscal year 1995, reached 9,397 at the end of fiscal year 1996, and stands at 9,358 mid-way through fiscal year 1997. Total employment is expected to level off to 9,338 at the end of fiscal year 1997 and remain at that level through the year 2000.

<p>Table 8</p> <p>Tools Used by FDA to Achieve Personnel Reductions</p> <ol style="list-style-type: none"> 1) Normal attrition 2) "Flexible" hiring freezes 3) Voluntary early retirements without buyouts 4) Targeted reductions and eliminations <ul style="list-style-type: none"> - Managerial positions - Deputy positions 5) Reinventing Administrative Management Program
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91. Contrary to overall government trends, the number of high grade employees increased from 4,390 in 1994 (45.3 per cent of the FDA workers), to 4,706 in 1996 (50.1 per cent). However, most of these positions relate to technical expertise, rather than reflecting management ranks. The total number of middle management and senior executive personnel climbed from 1,418 (14.6 percent) to 1,587 (16.9 percent) of the agency's total employees. FDA and other organizations of the Public Health Service have a higher than normal senior level grade structure compared to other federal agencies. FDA employs large numbers of professional staff including physicians, scientists, researchers, chemists, epidemiologists, and others who command salaries at senior level grades because of their expertise. Because NPR principles focus on cost reduction, and government-wide downsizing priorities emphasise cutting management positions, these senior level grades are primary targets. Clearly, across-the-board federal government downsizing has the potential to result in adverse consequences for FDA in achieving its mandate.

Organizational Preparation for Downsizing

92. FDA was (and is) not very well prepared for downsizing. In part this is because FDA does not believe that downsizing on a large scale will be required of the agency. The widespread belief in FDA is that even if the agency must downsize, it will not have to downsize as much as other federal agencies. Executives interviewed hold the view that the agency is not prepared for downsizing or is in a stage of denial regarding downsizing. One representative statement came from an executive who said, "I don't think we're well prepared at all ... and unfortunately, we usually wind up in the reactive instead of the proactive mode." In addition, a strong sense of denial exists regarding whether the agency really is subject

to downsizing or whether it actually is downsizing. One executive made it clear that the downsizing effort is minimal:

We haven't come to grips with the fact there is really downsizing taking place. ... We're kind of just nibbling at the edges all the way around. You know, losing a few here, losing a few there, not being able to replace, but there's no orchestrated downsizing that's going on.

93. Additionally, very little planning is occurring in case the agency is forced to increase the scope of its downsizing. Where the planning does occur, it tends to be in the programme divisions that are not affected by user fee growth. At that level and below, managers are beginning to search and plan for ways to adapt to having fewer people.

Middle Manager Reactions and Concerns About Downsizing

94. To these middle managers, it simply is not credible to try to downsize FDA which they perceive has a crucial mission and is already "stretched very thin." Closely associated with that reaction is an apprehension that downsizing threatens the ability of the agency to accomplish its valuable mission. They believe their responsibility for protecting the public health should not be interfered with. For some of the middle managers, then, the NPR and downsizing efforts evoke reactions of defensiveness. The following is a description of a middle manager response to downsizing:

We have some very dedicated people trying to carry out a mission and you hear lots of analogies like, "Well, a B-1 bomber costs X zillion dollars and why not eliminate one of those and then it will pay the entire agency budget for twenty years." So, there is always a feeling, I think, of "Why us versus someone else?"

95. Many middle managers also have feelings of anxiety about the functions and workloads of their jobs after downsizing is implemented. There is little concern about losing their jobs because there are no involuntary redundancies and the agency is primarily relying on normal attrition and voluntary early retirements to downsize. However, they are concerned about how streamlining, reorganizations, expanded spans of control, and workloads from departed employees will affect their jobs. Their general concern is simply expressed as, "What does this mean for me?" These middle managers perceive that they will be expected to perform more work to compensate for employees who leave. In fact, the evidence from the research indicates that very little work is being eliminated.

96. From a human resource management perspective, perhaps one of the strongest implications is the strong sense of discouragement about reduced opportunities for career advancement, promotions, and professional standing. One FDA employee provided the following observation:

The GS-13s [supervisors] have not been promoted now for almost a year. Many ... fully deserved to be promoted to a GS-14 [middle management] level and we were working our way through that when the freeze came in. On the other hand, there are many young scientists who deserved to be promoted because they are becoming internationally known and are considered experts in their fields. ... There is some concern about their personal standing, loss of professional standing because their ability to keep current and to continue certain research programs is reduced. ... They're not able to remain competitive with the outside world.

Treatment of Employees During Downsizing

97. Because there is an absence of sizable downsizing beyond normal attrition and a narrow early retirement option, FDA does not have any formal assistance programs for departing or remaining employees. Whereas larger reduction programmes seen in other Federal agencies tend to result in more organised operations devoted to managing the transitions, the more limited downsizing measures by FDA are not thought to be as disruptive. And yet, the need to monitor the consequences of ad hoc downsizing through hiring freezes and to maintain morale and motivation in times of uncertainty and sacrifice (i.e., loss of promotion opportunities) would dictate planning and support services even for a small scale operation. Consequently, there are no employee service centers or job transition programs for the agency's employees affected by the downsizing, and few support services for those who remain.

98. What services do exist are decentralised in the different programme divisions. For example, one division gives awards in lieu of promotions and plans to create an emeritus status for some former employees. Also, a change management course has been offered in some places within the agency. But again, the management attention to this issue is ad hoc. A frustrated interviewee revealed that the further "you go down in the organization you'll see people like me reacting to the National Performance Review and downsizing by actually doing things like reorganizing and putting systems into place to help us out."

99. Another problem resulting from the uneven and unplanned nature of the changes is a perception of "haves" and "have nots" within the agency. Some programme divisions that are authorized to grow due to user fees are considered "haves" because they gain more resources and organizational advantages. Others are the "have nots." In order to minimize any actual or perceived unfair differences among organizations, some actions have been taken. For example, in one programme division, managers were directed to pay close attention to workload and performance expectations. Where necessary, consideration is given to information management systems or contracting out as alternatives to helping achieve efficiencies. The goal is to "try to keep the Center from becoming a group of 'haves' and 'have nots' and the morale problems that come from that."

Downsizing Effects on Employee Behavior

100. The effects of downsizing on middle manager behavior vary within FDA. First, there is almost complete consensus that commitment, loyalty, and quality of work remain high throughout all of the agency. Regarding commitment and loyalty, a hierarchy seems to exist with the greatest commitment and loyalty being to public health and then to other entities like the government Administration, the agency, or the Commissioner. Second, morale and motivation are generally negative to varying degrees across the agency. Of course, morale and motivation vary by individual and one can find middle managers with both high and low levels of morale and motivation in any FDA organization. However, every executive interviewed gave some indication that morale and motivation were problems that stem from the downsizing, its uncertainty, and the changes associated with it. According to an executive, "The mere mention of it brings morale down." Third, risk-taking and productivity vary within the agency. Some middle managers take risks because "they see the potential to be very effective" or because they have to respond where others do not.

101. Finally, an interesting theme emerged regarding middle managers who have maintained positive behavioral responses. There is a limit to how long middle managers can maintain positive behavior unless improvements are made in their work environments. One respondent asserted the following about commitment: "They are still committed. I don't know at what point that will change, but it will start to deteriorate."

Executive Views and Management of Downsizing

102. Executives express their views of downsizing in rational and philosophical terms. On a general level, they completely understand the underlying principles of the National Performance Review and downsizing and, for the most part, accept them. However, when it comes to the application of downsizing to FDA, the executives are much more willing to challenge the wisdom of it. The trouble with downsizing FDA, according to them, is that it is inconsistent with expectations of the American people, activities required by law to be accomplished, and the magnitude of the workload distributed throughout the agency. Four major themes emerge.

103. First, most of the executives assert that fundamental questions related to what the agency should do need to be answered prior to making any downsizing decisions. The most important question is what activities do American citizens, private industry, health professionals, consumer groups, Congress, and the Clinton Administration expect FDA to perform? The reason clarification and prioritization of mission activities need to occur first is that the agency performs a myriad of important functions and services to protect public health. The executives believe there is no way to sustain the current level of activities with fewer resources. Therefore, the agency must either receive external guidance or make internal decisions regarding its priorities. Neither has occurred to any significant degree. The following comments were extracted from a more lengthy philosophical opinion given by one executive:

I guess I am concerned that the right questions are not always asked about what is it that we really want our government to do and in particular FDA. ... My observation is that the expectations all the way around are very high. ... I wish there was some mechanism for looking at these broader questions up front.

104. Second, and closely associated with the first, executives think decisions should consciously be made to reduce particular mission activities and workloads prior to downsizing implementation. They believe that, otherwise, employees in a downsized FDA will be left with "undiminished responsibilities" because "this agency has never figured out how to stop doing anything." A typical attitude is reflected by the following quote:

The downsizing effort is predicated on the fact that there are lots of people performing useless functions. ... I don't believe that I have any of those kinds of people. I have just barely enough people to take care of the responsibilities that are laid upon me.

105. However, in those few cases where work has been terminated, there is a feeling that "we're cutting out things that we don't want to cut out and that's hurting." Translated, it means that because so much work is important, reducing the work causes dismay.

106. The third general view is that the downsizing process is very disturbing to executives and difficult for them to implement. In the interviews, executives described the FDA downsizing circumstances with phrases like "it presents some really special problems," "we have this real bizarre situation," "I have a great deal of trepidation," and "we are not sure how to respond." Each of these short quotes came from different executives. In summary, the executives feel that it is "a complicated exercise because of the schizophrenic nature of it that is unique in many respects to FDA." However, there is a question of whether this is unique to FDA or whether the denial and the confusion is a normal response to conflicting information from the political level about resources versus priorities.

107. The top three management practices used or recommended for use by FDA executives during downsizing are:

1. More coaching, mentoring, encouraging, and lifting morale of employees.
2. More communication.
3. More effort to accomplish more difficult work.

Outcomes

108. FDA is struggling with downsizing because it also must add employees to comply with other legislation. However, the agency has successfully managed to reduce personnel in some offices to balance the addition of employees in some of its programme divisions. FDA's top leaders are the Commissioner and other political appointees who perform critical preliminary and ongoing roles for the agency's executives managing downsizing. Based upon analysis of the FDA case, FDA top leaders exhibit three important strengths which enhance executive management of downsizing and one weakness which inhibits executive management of downsizing. The top leaders provide a clear vision, communicate the vision, and engender trust among employees. However, top leaders, early in the downsizing process, did not provide needed direction through their leadership. In other words, they offered insufficient guidance to help executives deal with the problems associated with the contradictory requirements to grow and downsize. Furthermore, downsizing in FDA requires particular executive management practices identified above. Regarding middle managers, there are two important categories of factors. First, the effects of downsizing on middle managers are disbelief and denial that downsizing is expected of FDA; a sense of "haves" and "have nots" among organizations within FDA; and anxiety, apprehension, and concerns about career advancement, workload, and mission accomplishment. Second, middle managers need clarification of priorities, workload adjustment, management tools, and workforce capability enhancements.

Part 4: Lessons Learned from Downsizing in Selected Organisations

109. Some common lessons learned about downsizing can be extracted from the experiences of the Defense Logistics Agency (DLA), the Bureau of Reclamation (BOR), and the Food and Drug Administration (FDA). This section identifies lessons learned which result from cross-case patterns associated with these three Federal organisations. Lessons learned for organizations and downsizing are listed in Table 9. For additional lessons learned for use by government organizations, see reports published by the National Performance Review (1997), National Academy of Public Administration (1995) and the General Accounting Office (1995). Table 10 presents in summary a number of important key practices for executives and top management during downsizing activities.

**Table 9: Lessons Learned for
Organizations and Downsizing
*Preparation for Downsizing***

1. Agencies are not completely prepared for downsizing.
2. Agencies conduct downsizing in an imprecise manner.
3. Agency downsizing is difficult no matter how much planning and preparation are conducted.
4. Agencies prefer greater time periods to plan, prepare for, and implement downsizing.

Personnel Reduction Strategies for Downsizing

5. Agencies rely on voluntary methods first.
6. Agencies use involuntary redundancies only as a last resort.

Downsizing Process Changes and Reorientations

7. Agencies do not reduce or eliminate workloads for remaining employees.
8. Agencies do not use downsizing as an excuse for other changes.
9. Downsizing is an opportunity to help agencies change missions and cultures.
10. Agencies pursue activities during and after downsizing which increase efficiencies and other businesslike practices.
11. Agencies prefer to implement personnel reductions after reengineering, redesigning, restructuring, and streamlining take place.

Table 10
Key Executive Management Practices During Downsizing

1. More coaching, mentoring, encouraging, and lifting morale of employees.
2. More monitoring and evaluating work and performance of employees.
3. More effort to accomplish more difficult work.
4. More communication.
5. More delegation of authority and greater use of a participatory style.
6. More attention to internal recruitment and placement of personnel.
7. Less formality in procedures and processes and less reliance on hierarchy in operations.
8. More visibility, availability, and contact with employees.

Summary

110. Close examination of the lessons learned from these case studies reveals four highly incontrovertible findings:

1. Downsizing is difficult.
2. Reengineering, redesigning, restructuring, and streamlining should precede personnel reductions.
3. Workload distributions need adjustment.
4. Workforce capabilities are uncertain.

111. First, a consistent pattern is found in the view by executives and middle managers that downsizing is "challenging," "difficult," and "painful." These three words are commonly used by executives and managers experiencing downsizing. Although the downsizing contexts vary for DLA, BOR, and FDA, each agency shares the agony of downsizing. Interestingly, however, only BOR seemed to offer a range of support services and outplacement assistance for staff as a way to ease the pain of job loss. Although DLA did provide outplacement assistance. None of the agencies were proactive in supporting remaining staff during the downsizing process. The focus on normal attrition and buyouts might suggest that early on in U.S. downsizing, emphasis was put on providing cash payments to generate voluntary personnel losses.

112. It is important to note that the recurring theme of middle management isolation and alienation from the downsizing process, as discussed in the experiences described above, has shifted in a very positive direction as organisations gained more experience with downsizing. Involvement by managers is reported by the U.S. Office of Personnel Management (the agency responsible for coordinating workforce adjustments across the Federal government) and echoed to a large extent in a recent report by the U.S. General Accounting Office (*Federal Downsizing: Agency Official's Views on Maintaining Performance During Downsizing at Selected Agencies*). Increasingly, federal managers and the organisations that

represent them are participating as key players in the downsizing and restructuring process, at both the policy and operations levels, and reports indicate that their involvement is valued.

113. Second, if personnel reductions occur, executives think some kind of organizational process changes, like reengineering, redesigning, restructuring, or streamlining, should happen *first*. The philosophy behind these process changes is that the agency should first establish its mission, functions, structure, processes, and priorities and then reduce personnel as necessary. DLA accomplished process changes before downsizing, BOR conducted process changes together with downsizing, and FDA generally downsized before implementing process changes. The BOR experience with the increase in morale in Area Offices would suggest that implementing downsizing in support of restructuring has the potential to energise organisations rather than steal their vitality.

114. Those agencies that have been most successful in meeting reduction targets appear, not surprisingly, to be those that were well on the way to reassessing their mission and culture before "reform" entered the political arena and became essentially a numbers game. For example, in the BOR case study, the agency had begun its own internal reassessment process as early as the mid-1980s. This early preparation is mentioned by agency executives as a key factor in allowing the agency to move forward in a deliberate and organised, but rapid, way once the National Performance Review moved reform of the Federal government (including budget reductions and staffing cuts) to the top of the public management agenda. This factor also comes through strongly in the case studies of Swedish agencies undergoing major workforce adjustments.

115. Third, the issue of workload distribution for employees after downsizing is one of the most consistent findings to emerge from the three U.S. cases. The need to adjust workload is constantly identified by executives and managers in DLA, BOR, and FDA. In this regard, decision making appears to be quite arbitrary and focused mainly on the assumption that the remaining workforce will somehow get the work done.

116. Fourth, concern by executives about future workforce capabilities after downsizing is another clear pattern. This concern continues to be expressed even in the recent GAO report. Not only do executives have some doubts about workforce capabilities, but middle managers also are apprehensive about workforces accomplishing their missions to acceptable standards. In DLA, some uncertainty surrounds workforce skill mixes. In BOR, some ambivalence exists as to whether human resource capabilities were paid sufficient attention. And in FDA, the perception of "haves" and "have nots" surfaces regarding personnel resource capabilities in various organizations, as well as a concern for the costs of diminished status and advancement opportunities for its highly skilled and credentialed staff. In all cases, the untargeted nature of the reductions through attrition and voluntary buyout incentives put the organisations at significant risk with respect to workforce capacity. Particularly serious are loss of skill, experience, and expertise, as well as a resulting mismatch between the needs of the organisation and the capacities of the remaining workforce. DLA and BOR appear to be addressing these issues with training and other support for the remaining workforce. For FDA, this issue has only been minimally addressed by putting some replacement flexibility into the hiring freeze.

117. It is also worth highlighting the particular role of top agency leaders in offering firm direction and vision, as well as a fixed implementation time frame that avoids uncertainty and confusion about goals and targets. Indeed, top leaders shape downsizing with the vision they provide, the leadership they demonstrate, the communication they exercise, and the trust they instill. It is interesting to note that these sentiments are consistent with Dr. Rubin's findings about earlier downsizing programmes. Words to the same effect were also echoed repeatedly by executives and managers facing restructuring in the Swedish State Sector.

118. Finally, from an organisational perspective, there is a great concern that focusing on attrition and buyouts offers little constructive support to 'reinventing' government. The organisational and managerial problems raised by modernising or restructuring in the wake of large-scale, untargeted staff reductions are obvious and numerous. Besides the problems of skill balance already discussed, managers are concerned that workers with the most motivation, skill and options outside the Federal sector will take "buyouts" leaving the less-skilled and less-productive workers behind in the new organisation. This concern is particularly expressed in the health and research occupations where there is considerable competition for talent and a need for new ideas and updated skills which are not necessarily valued in a seniority based system. At present, however, there is no empirical evidence to assess the relative qualifications of those who leave versus those who remain behind after a reduction exercise.

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ANNEX 1

**SUMMARY INFORMATION ON PUBLIC SECTOR
WORKFORCE ADJUSTMENT POLICIES IN OECD COUNTRIES**

Table 1. Overview of Workforce Adjustment Policies

- * *Overall programme for the national public service*
- * *Responsible agencies*
- * *Staffing controls (e.g., staffing ceiling, hiring freeze, etc.)*

Table 2. Programmes for Redundant Workers

- * *Re-employment and transition assistance*
- * *Training, re-training and mobility programmes*
- * *Priority placement rights for surplus staff*

Table 3. Legal Requirements Governing Staffing Reductions

- * *Regulations, laws or special packages to facilitate reductions*
- * *Provisions for Involuntary Layoffs*
- * *Legal requirements for identifying staff as redundant*

Table 4. Voluntary Departure Incentives

Table 5. Voluntary Early Retirement Incentives

Table 6. Other Issues Related to Workforce Adjustments

- * *Union involvement in workforce adjustments*
- * *Flexible working arrangements*
- * *Other relevant programmes or services not raised elsewhere*

Table 7. Government Publications on workforce adjustments.

The information presented in these tables collected in the Fall of 1996 through a survey sent to central personnel management-type agencies in the national administrations of OECD Member countries, and updated in the Fall of 1997.

TABLE 1: OVERVIEW OF WORKFORCE ADJUSTMENT POLICIES

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Austria			
Australia	<p>No sector-wide downsizing programme, but staff reductions continue in a large number of individual departments to meet running cost reductions.</p> <p>The budget forecasts a net reduction in staff in the Australian Public Service of 10 500 in 1996-97 from a base of 1325 038 at the beginning of 1996-97</p>	<p>Public Service and Merit Protection Commission oversees redundancy policy.</p> <p>APS Labour Market Adjustment Program of the Public Service and Protection Commission provides nationally co-ordinated redeployment services and transition support both to departments and to individuals. The programme is budget funded by fees paid by departments and agencies for referral of staff and other consultancy services.</p>	<p>No centralised recruitment freeze, but some departments have imposed recruitment freezes themselves.</p> <p>No staffing controls at central level, but Dept. of Finance determines overall resources.</p> <p>Australian Public Service Labour Market Adjustment Programme tries to place surplus staff into jobs in the Australian Public Service.</p>
Belgium	<p>Since the early 1980s, the policy has been to limit employment growth. In 1994, the ceiling on federal employment fixed overall staffing at its level of 31 December 1994.</p>	<p>Ministry of the Public Service, of which the Selective Recruiting Advisory Board is a part.</p>	<p>A modulated hiring freeze has been in effect since 1983. Since 1995, recruitment for upper-level jobs has been unfrozen, at least to replace departures from natural attrition. This was made possible by a reduction in the number of line managers at 31 December 1994.</p> <p>Hiring at the lower levels is frozen unless expressly authorised.</p>
Canada	<p>Program Review targeted the elimination of programs and services. A reduction of approximately 45 000 employees, over a 3-year period (1995-1998), was the result of the Review. Priority is given to employment security and minimising involuntary reductions.</p>	<p>Overall targets for the downsizing exercise were established in the 1995 Budget. Departments are then responsible for developing individual plans to address future human resource needs and to meet current downsizing targets. General corporate direction in terms of processes and procedures, and incentives programs available, has been provided by Treasury Board Secretariat after extensive consultation.</p>	<p>Though a hiring freeze is not in place, hiring controls are in place for an indefinite period. Deputy Heads retain the ability to hire staff in cases where there is a need in terms of security, safety or operational necessity. Accountability rests with departments for appropriate human resource planning/staffing to achieve reduction targets.</p>

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Czech Republic	A Civil Service Act regulating the legal status of civil servants has not yet been adopted.	Finance Ministry controls the number of staff in all Ministries and other central state agencies by wage limits in their budgets.	Eliminating vacant posts among those identified in the reduction exercise.
Denmark	No current staff reduction policy or programme. Privatisation of services such as postal service and transportation services reduced State employment by transferring workers out of the sector.		During 1980s budget cuts in the range of 2% resulted in staff reductions, mainly through passive means such as natural attrition.
Finland	Goal to maintain or reduce personnel levels as part of overall strict budget policy. Since 1997 each agency set staff size within overall budget limits. In 1989 the State personnel figure was 212,000; in 1996 it was less than 120,000. 9,000 of this reduction was due to staff cuts, with the balance due mainly to converting agencies into public enterprises or private companies.	Ministry of Finance has central co-ordination. Each ministry and agency has responsibility for meeting its own targets and allocating staff.	Until 1996 staff ceilings were imposed centrally as part of the budget, but will be abolished as of 1997. Staffing is now decentralised within overall budget limits and objectives of management-by-results. Ministries and agencies may have hiring freezes without special permission.
France	In his general policy statement the Prime Minister announced on 19 June 1997 that workforce adjustment policy of central government would not be continued. In 1997 a total of 7000 civilian tenured posts were suppressed from Ministries.	Ministry of the Public Service, of the State reform and decentralisation, Ministry of Economics and Finance, and Secretariat of State for the Budget.	Job creation in sectors having priority are balanced by job cuts in other sectors. Now, untenured employment in the public service will be reduced by unfreezing the tenured jobs open to competitive exams (i.e., open to everyone).
Germany	At the federal, <i>Land</i> and communal levels, matters relating to cuts in staff having employee status are regulated by collective agreements. Civil servants: across-the-board post cuts of 1.5% per year was achieved by normal fluctuations in staffing levels. Work contracts cannot be broken and civil servants are guaranteed lifelong employment.		

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Greece	<p>Public sector staff reductions follow the principle that only one civil servant is hired for every five who leave.</p> <p>Employment on fixed-term contracts is restricted and no longer authorised except in the event of serious damage caused by earthquakes, floods, frost or fire, or by other events constituting an immediate threat to life or property (for a period of four months) or in order to satisfy seasonal, periodic or temporary needs (for a period of eight months) with no possibility of renewing or extending the initial contract or of concluding a new contract or converting a contract into one of indefinite duration.</p>	<p>Ministry of the Interior, Public Administration and Decentralisation.</p> <p>Staffing controls. Civil service staffing levels are determined through a special procedure (Minister wishing to recruit staff sends a proposal to the General Secretariat of the Council of Ministers and to the Ministry of the Interior, Public Administration and Decentralisation; examination of the proposal and the figures submitted; approval is made by a committee of the Minister of the Interior, Public Administration and Decentralisation, the Minister of Finance and the General Secretary of the Council of Ministers.</p>	<p>Hiring freeze.</p>
Hungary	<p>The Government approved the Public Administration Reform in September 1996, which describes the principles and necessary measures of public service development. The main idea is to establish a reduced task oriented civil service which is more respected and higher qualified. In 1995, the number of state civil servants was reduced by 18%. Central measures will not be taken to further reduce it but heads of organisations will be forced to downsize because of budgetary restrictions.</p>	<p>The Ministry of the Interior is responsible for the civil service, the Ministry of Labour is responsible for the public service. The strategy of civil service development is determined by the Government Commissioner responsible for modernisation of public administration who together with the Prime Minister's Office guides the retraining of senior civil servants and the strategy of human resource policy. Reform aims at establishing a Civil Service Commission led by the Prime Minister.</p>	
Iceland	<p>No overall programme for staff reductions. Emphasis is on rationalisation of central government activities, including corporatisation, privatisation, or transferring functions to local government. Reductions are due mainly to transfers to other sectors rather than job loss.</p>	<p>None, but the Ministry of Finance is looked upon for counselling on redundancy policies and practices.</p>	<p>There is no centralised recruitment freeze or central control of staffing, but the Ministry of Finance determines overall resource levels.</p>

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Ireland	Public sector numbers, including the civil service, grew steadily by about 2% a year from 1990. This was due to growth of public expenditure against a background of favourable economic growth and taxation receipts. Continued growth was incompatible with a tighter fiscal stance and since 1995, steps were taken to the growth in numbers. An initial embargo on the creation of new posts and on the filling of existing vacancies has since given way to target ceilings on staffing levels which will involve a reduction of about 2% over the 18 month period up to mid-1997.	Civil Service: Department of Finance	No centralised recruitment freeze. Staffing ceilings set for each Department based on individual circumstances. Where staffing reductions arise, these can generally be accommodated by the ending of periodic peaks or special projects and the redeployment of the surplus to vacancies in other Departments. The creation of new posts requires prior Government approval.
Italy	The decree implementing the 1997 budget prohibits hiring in that year, even for a fixed term, and applies to protected categories (e.g. civilian invalids, disabled veterans, persons disabled by work-related injuries, etc.). However, some sectors, such as health care, certain subnational agencies and most essential State services (e.g. judiciary, police, etc.) are not affected by these measures. In 1998 and 1999, it will be possible to fill 10% of the posts vacated by departures. In any event, staffing needs may be filled via transfers from other government agencies which are over-manned.	Staff transfers from one government agency to another are carried out by decree of the Minister of the Public Service.	Workload audits are being carried out in all government agencies; manpower allocations are therefore in the process of being redefined.
Japan			
Luxembourg			

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Mexico	<p>Since the early 80s, there has been a policy of limiting employment growth in connection with modernisation programmes and efforts to restructure the central public administration, as well as to the divesting and privatisation of public sector enterprises.</p> <p>Sizeable staff reduction includes layoff, much emphasis on transfer of services from state sector agencies to public enterprises and other levels of government.</p> <p>In December 1994, economic emergency led to new limitations on public expenditures, including programmes to reduce, rationalise and modernise the public service to reduce cost and increase cost effectiveness. Actual reductions: the initial target focused on reducing 10 142 positions (3.1%). This number includes previously vacant positions.</p>	<p>Ministry of Finance and Public Credit (SHCP) Under Secretary of Expenditure, Civil Service Unit.</p> <p>Ministry of the Controller and Administrative Development, Administrative Modernisation Unit.</p> <p>Programme "Structural Measures for Expenditure Reductions in Personnel Services".</p>	<p>General freeze and eliminating vacant posts.</p> <p>Not to replace a position after natural attrition.</p> <p>Cutbacks based on programme in 1995.</p> <p>Budget savings (30%) resulted of staff reductions, mainly through voluntary retirement, early retirement and other issues related to work force adjustments (e.g. decentralisation, natural attrition and retirement).</p>
Netherlands	<p>Redundancy is mainly a function of restructuring combined with low turnover in the labour market as a whole.</p>	<p>Ministry of Interior oversee central training and mobility programmes.</p> <p>Recruitment, deployment and redundancy processes are decentralised.</p>	<p>Highly decentralised.</p> <p>No central recruitment freeze.</p> <p>No central staffing controls, administrative costs are bundled in department and agency running costs budgets.</p>
New Zealand	<p>Major restructuring of the public sector resulted in a large number of redundancies over the decade to the mid 1990s. Redundancies have continued at a lower level associated with restructuring of individual agencies.</p>	<p>State Services Commission responsible for advice on State sector design.</p> <p>Individual agencies are responsible for their own workforce policies.</p>	<p>Highly decentralised.</p> <p>No central recruitment freeze. No staff ceilings: agencies manage own costs within a budget.</p>

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Norway	<p>Seeking a reduction in both large public enterprises (e.g., telecom and utilities) and the defence sector. In non-defence sector, reductions are limited.</p>	<p>Ministry of Government Administration oversees workforce adjustments. But, recruitment, deployment and redundancy processes decentralised to ministries and agencies. Each ministry responsible for co-ordination with the central management agencies.</p> <p>Each government unit or public enterprise is responsible for taking necessary steps towards adjustment.</p> <p>The Ministry of Finance is responsible for budget consequences and adjustments.</p>	<p>No central recruitment freeze. No central staffing control.</p> <p>It is a goal to use internal mobility to move surplus employees to areas of need. On certain conditions, redundants have a right to priority placement in vacant positions in the various sectors and government agencies.</p>
Portugal	<p>Reconfiguring of size and skill mix of public sector as part of larger modernisation programme.</p> <p>General freeze on outside hiring by the central government, since 1982. Since 1984, an overall quota of exceptions to the freeze has been established each year in a systematic and integrated manner. From 1985 to 1995, new recruits have accounted for an annual average of 1% of total government employees.</p> <p>The average annual growth rate of the workforce has decreased, from 3.3% prior to 1983 to 1.1% in the 1990s.</p>	<p>Directorate General for Public Administration.</p>	

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Spain	<p>In the wake of the aforementioned 1993 legislation, the September 1994 agreement between the Government and the unions considered the Employment Plans an essential instrument of comprehensive human resource planning. In 1995, five Employment Plans were adopted: for the Post and Telegraph Agency; the National Employment Institute; the Tax Agency; Civilian staff at the Ministry of Defence; and CIEMAT (an agency of the Ministry of Industry and Energy).</p> <p>Since the 1993 Act entered into force, five autonomous communities have amended their civil service legislation to align it therewith.</p>	<p>Ministry of Public Administration</p>	<p>Since the 1993 Act was adopted, public employment hiring has been less than planned, and extremely restrictive and selective. By law, it must be compared with the replacement rate. The 1997 budget bill emphasised this restrictiveness and selectivity, stipulating that only a quarter of outgoing staff could be replaced. Thus, between January 1994 and October 1996, the number of State employees was cut by 21 953, or by 3.59%. A number of the Employment Plans adopted called for appropriate staffing levels.</p>
Sweden	<p>National effort to rationalise and modernise the public service to reduce public expenditure and increase cost-effectiveness.</p> <p>Sizeable workforce adjustments since 1991, with much emphasis on transfer of services from State sector agencies to public enterprises and private corporations.</p> <p>Actual reductions: nearly 200,000, mainly transfers to other sectors, with 45,000 (approx.) due to actual elimination of positions. In 1996, the State sector had about 245 000 employees.</p>	<p>Recruitment, deployment and redundancy process completely decentralised within framework of sector-wide labour agreements.</p> <p>Consultative roles played by the Job Security Foundation (jointly founded by the State and the trade unions) and the Agency for Government employers. Evaluations of redundancy programmes done by National Audit Bureau and Statskontoret.</p>	<p>Reductions are budget and mission driven. Implementation of reductions is highly devolved. Due to a decided 11.5% cut of total agencies running costs through 1996-1998, pay increases and staffing costs must be met through efficiency savings or reduction in staffing.</p>
Switzerland	<p>Appropriations frozen for 1997. Staffing levels set the same as in 1996 (about 36 000 posts). No cost-of-living allowance is planned. Moreover, expenditure—including personnel costs—must be cut by 2%.</p>	<p>Department of Finance (Federal Finance Administration and Federal Personnel Office).</p>	<p>Staffing controls at the level of each Department, as well as at that of the Department of Finance and the Federal Council. Reinforcement of budget and cost control.</p>

Country	Overall programme for the national public service.	Responsible Bodies	Staffing controls (e.g., staffing ceiling, hiring freeze)
Turkey	<p>Emphasis on privatisation as a means to reduce public sector employment, but report interest in initiating a hiring freeze in near future to control workforce growth.</p>	<p>Prime Ministry State Personnel Presidency Ministry of Finance</p>	<p>Centrally controlled by the responsible agencies.</p>
United Kingdom	<p>No staff reduction programme, per se. Focus on rationalisation and increasing cost-effectiveness including privatisation, transfers of functions to other levels of government, contracting out, and eliminating redundant jobs.</p> <p>Actual reductions: Just over 280 000 between April 1976 and July 1997.</p>	<p>Recruitment, deployment and redundancy processes highly decentralised to departments and agencies. Redundancy policy governed by good industrial relations practice.</p>	<p>Highly decentralised.</p> <p>Until 1985, HM Treasury imposed staffing ceilings on departments. This was replaced by a system for running costs budgets which include all administrative costs.</p> <p>Budget levels for departments and agencies through 1997-1998 means that pay increases and staffing costs will be met through efficiency savings or reduction in staffing.</p>
United States	<p>The 1993 "Reinventing Government" initiative included a directive to reduce Federal employment. Initial target set at 272,900 between 1993 and 1999, with emphasis on . headquarters positions and overhead functions (personnel, budget, administrative) and management and supervisory positions. Some emphasis on privatisation of Federal operations and establishment of employee stock ownership programs. Additional cuts are now being planned.</p> <p>Actual reduction: 263 000 full time equivalent positions Two-thirds of the reductions have occurred in Defense-related agencies.</p>	<p>Office of Management and Budget for budget and staffing ceiling controls.</p> <p>Office of Personnel Management has responsibility for interagency co-ordination, development of new policies and programs, oversight and dissemination of information. Agencies must submit special reports on use of downsizing tools (separation incentives, early retirement, special placement programs) and transition assistance plans to OPM Workforce Restructuring Office..</p>	<p>The bulk of the reductions have been achieved through broad use of voluntary separation tools (voluntary separation incentive payments "buy-outs"), early retirement offers, career transition assistance, and attrition. Hiring from outside the Federal service is averaging only about one-fourth the rate of the late 1980s. Fewer than 30 000 Federal employees have been separated involuntarily since 1993.</p> <p>Hiring freezes are decentralised, vary by agency according to ability to meet centrally imposed reduction target.</p> <p>Central staffing ceilings for each agency set by the Office of Management and Budget in the annual budget process.</p>

TABLE 2: PROGRAMMES FOR REDUNDANT WORKERS

Country	Re-employment and Transition Assistance	Training, Re-training, and Mobility Programmes	Priority Placement Rights for Surplus Staff
Australia	<p>Services for individuals, including individual counselling, career management assistance, some training opportunities, job search support.</p> <p>This assistance is provided by departments and the APS Labour Market Adjustment Program and is focused on redeployment to positions within the public service</p>	<p>Redundant staff may engage in a variety of short development programmes to upgrade professional skills or improve job search skills. This training is approved and paid for by the home agency.</p> <p>Redundant staff may participate in on-the-job training programmes and work trials to upgrade skills and assess suitability for a particular job. Trials are generally 3 months with the home agency paying the salary for the period.</p>	<p>Staff who have been deemed "excess" have priority over possible promotees to a job at their level for which they are suitable. They must be considered in isolation for advertised jobs at their level.</p> <p>The APSLMAP has early access to published public service vacancies and attempts to match excess staff to those vacancies.</p> <p>Advertising of vacancies outside the public service is currently prohibited until the internal market has been tested, unless exceptional circumstances apply.</p>
Austria			
Belgium	<p>Staff losing their job due to post suppressions or by decision of the Administrative Health Service are reassigned by the Public Service Mobility Service. Staff of government agencies that are eliminated are reassigned to other government jobs by that same Service.</p>	<p>The Mobility Service may require staff placed at its disposal to undergo training necessary for their reassignment.</p>	<p>Staff with no work assignment at all have priority over outside applicants for available jobs (internal mobility takes priority over recruiting).</p>
Canada	<p>For surplus employees government provides transition services such as career counselling, job search assistance, financial and employee assistance counselling.</p>	<p>Recipients of the Early Departure Incentive are entitled to a training and education allowance of up to \$7 000 to fund training which will lead to future employment.</p> <p>Additionally, the workforce adjustment policy provides for up to two years retraining of surplus employees to provide them with the skills necessary to fill immediate or anticipated vacancies.</p>	<p>Laid-off persons have a right to priority placement in the public service for one year - for a total of 30 months (6 months paid surplus, 12 months unpaid surplus status, and 12 months following lay-off).</p>

Country	Re-employment and Transition Assistance	Training, Re-training, and Mobility Programmes	Priority Placement Rights for Surplus Staff
Czech Republic	<p>A Civil Service Act has not yet been adopted. For employees being dismissed the Labour Code and the Act on Employment apply, providing that the employer is obliged to assist the dismissed workers in finding new employment and that the dismissed worker is entitled to a contribution in unemployment.</p>	<p>The dismissed workers may use various programmes of training and retraining with the aim to gain a new job. They may also take advantage of earlier retirement or of a contribution for private business.</p>	<p>Not envisaged.</p>
Denmark	<p>State Civil Servants' Act allows workers to transfer to another agency or employer for a fixed term, if the transfer improves the workers skills and abilities, and subject to the all parties agreeing to the transfer. During this period the worker remains employed by the home agency.</p> <p>An agency reducing staff is responsible for making and carrying out a support scheme, e.g. counselling, health services, career planning assistance, training, job search support, and entrepreneurship training. There is a special allocation in the state budget for such support services provided by agencies.</p>	<p>Redundant staff have may partake in short-term development and vocational training courses arranged by the home agency, in order to find new work. Some agencies have on-the-job training to help staff upgrade their skills. Staff (with their consent) may be transferred to another agency permanently and can get training for their new tasks funded by the home agency. There is no central inter-governmental mobility programme, although staff are encouraged to be mobile to increase skills and flexibility.</p>	<p>Where an agency makes a position redundant and then needs staff for the same or similar duties within 24 months of the end of the notice period, the agency asks the local labour authority whether it has any former civil servants on its lists. The agency offers any work primarily to those former civil servants with the required qualifications. Redundant workers have rights to priority redeployment in the home agency or, in some cases, field of work. There is no right to priority placement in the State sector generally. Emphasis is on open recruitment so that all that are qualified may apply.</p>
France	<p>Surplus staff may not be laid off. Each case is dealt with personally, like the search for a new government job or their relocation in order to take up new jobs.</p>	<p>Staff are offered training tailored to their particular circumstances. This can involve new job familiarisation courses organised and funded by the administration, or long-term training programmes. Staff admitted to such programmes may request a leave of absence, which does not interrupt their careers, and during which they continue to be paid (except for post-related allowances).</p>	<p>Surplus staff have priority for reassignment to vacant jobs corresponding to their grades or qualifications, in their administrations. The search can be extended to other public administrations (central government, local authorities, hospitals).</p>
Germany			

Country	Re-employment and Transition Assistance	Training, Re-training, and Mobility Programmes	Priority Placement Rights for Surplus Staff
Greece	<p>The law calls for surplus staff to be transferred to other areas of the civil service (State services, public legal entities, local authorities).</p> <p>Mobility, via transfers, seeks to apportion staff most rationally, to restructure the organisation in question, discontinue certain activities for budgetary reasons, strengthen staff qualifications and achieve a better match between staff and postings.</p> <p>Because the reforms in progress (decentralisation and restructuring of the central administration) have an impact on the planning needs of the various departments, the aforementioned legislative framework has not yet been applied.</p>		
Hungary		<p>To counterbalance the negative effects of downsizing the Government Commissioner responsible for modernisation of public administration prepared a special plan for the protection and rational horizontal regrouping of the workforce.</p> <p>Special retraining programmes are not provided but the regional labour centres organise and support retraining programmes and the participation in them according to the needs.</p>	
Iceland	<p>No formal programmes, responsibility is devolved to ministries.</p>	<p>No formal programmes, responsibility is devolved to ministries.</p>	<p>An employee who lost his job because his position was abolished before 1st July 1996 has a right to a similar position for 5 years after the termination of his old position. According to the new Act on Rights and Obligations of State Employees, which took effect on 1st July 1996, employees no longer have such priorities.</p>

Country	Re-employment and Transition Assistance	Training, Re-training, and Mobility Programmes	Priority Placement Rights for Surplus Staff
Ireland		At the time of a significant widespread public service adjustment programme in 1987/89 redeployment to other agencies was an option made available to certain employees of agencies experiencing reductions.	-
Italy	In the event a government agency is merged, abolished or converted (to a private entity), the terms of staff transfers are stipulated by law.	Public sector employees declared surplus to requirements, in a given agency are subject to (voluntary or mandatory) transfer to agencies requiring staff. The people involved may be required to undergo training or occupational redeployment under the aegis of the Ministry of the Public Service.	Because of the hiring freeze, transfers of surplus staff are the primary means of filling vacant posts.
Japan			
Luxembourg			
Mexico	During 1995, a specific programme to assist transition was put into practice, aiding personnel shifting from public sector to finding another job with a 3-month salary payment (assisted voluntary retirement).	Extensive use of training programmes as part of modernisation and rationalisation. Two formal training programmes, one for senior management and one for line staff. Retraining and mobility programmes also connected to decentralisation.	There is no sector-wide rights to priority placements. However, internal mobility is generally used as assistance programme for redundant workers.
Netherlands	Redundant workers are given outplacement assistance and are generally granted one to two years to find a job within government before resorting to involuntary redundancy.	Two formal mobility programmes, one for senior management and one for line staff, are designed to allow for interim exchanges within and between agencies. Mobility exchanges are seen as an important element in morale, professional development, and more broadly in terms of exchange of ideas, in a civil service with limited mobility and promotion opportunities due to low turnover and a generally stagnant workforce.	While recruitment is completely decentralised to departments and agencies, redundant workers have a right to priority placement. Agencies must refer to a central list for replacements before filling a job externally.
New Zealand	Collective and individual employment contracts	Payment for retraining is one of the options in the	There is no sector-wide right to priority

Country	Re-employment and Transition Assistance	Training, Re-training, and Mobility Programmes	Priority Placement Rights for Surplus Staff
Norway	<p>contain surplus staffing provisions. Options include redeployment, retraining and redundancy payments.</p> <p>Redundant workers are given outplacement assistance and are generally granted one to two years to find new jobs. In the communications sector, the agencies have established special “adjustment units” charged with the responsibility for supporting surplus employees in their job-finding efforts.</p>	<p>surplus staffing provisions.</p> <p>In order to increase mobility in the government sector, the Ministry of Government Administration has established an arrangement of job rotation. The aim is to broaden professional development, working experience and flexibility.</p>	<p>placement. Agencies may choose to share information on vacancies to maintain employment.</p> <p>Priority is given to limiting involuntary redundancy by emphasising redeployment within the agency concerned and retraining for redeployment.</p> <p>Redundant workers have a right to priority placement in filling vacant positions across government.</p>
Portugal		<p>Extensive use of training and mobility programmes as part of modernisation and rationalisation.</p>	<p>“Surplus” staff are entitled to priority placement: central government departments and agencies may not conduct external competitions to fill their quotas of unfrozen posts, nor may they sign fixed-term contracts, without first consulting the Directorate General for Public Administration as to whether any “surplus” staff might be able to fill the vacancies.</p>
Spain	<p>Public employees whose jobs were eliminated were assigned to other posts. Accordingly, efforts were made to train them in order to achieve a good fit, as indicated in the next column.</p>	<p>The 1993 Act, along with subsequent regulations and the Employment Plans adopted, provide for training courses. The September 1994 agreement between the administration and the unions is at the origin of the Further Training Plans for public employees.</p>	<p>Authorisation for competitions to fill posts reserved for staff working under the Employment Plan was provided for in the 1993 Act and subsequently expanded in the Employment Plans adopted.</p>

Country	Re-employment and Transition Assistance	Training, Re-training, and Mobility Programmes	Priority Placement Rights for Surplus Staff
Sweden	<p>The agency must develop a redundancy scheme, in consultation with unions, support and assist workers. When there are many redundant workers agency normally mobilising a separate “downsizing organisation” and work with the Job Security Foundation and Social Partners to find new employment options for workers.</p>	<p>Worker have a right to paid leave for training and retraining (vocational, skill upgrade, entrepreneurial). Training is an integral part of re-employment efforts carried out by agencies (highly decentralised), in co-operation with the Job Security Foundation, and continued by the Foundation when employment with the agency ceases.</p> <p>No central programme for inter-governmental mobility, due to the highly decentralised agency structure.</p>	<p>There is no sector-wide right to priority placement; however, internal mobility and redeployment within an agency is generally used as part of an agency’s re-employment assistance programme for redundant workers.</p>
Switzerland	<p>Units required to cut staff offer the employees involved individualised assistance, including training for other work within or outside the federal administration.</p>	<p>For staff whose jobs are cut and/or whose reappointment can be only conditional, job guidance seminars (group or individual) and programmes concerning changes in working conditions and staff transfers have been set up. In the internal market, people whose posts are at risk are given preferential treatment as much as possible. The internal market is made transparent through weekly publication of federal government job vacancies.</p>	<p>There is no right of priority placement. However, the policy of favouring staff who are (probably) surplus has proven fairly effective. In addition, the labour market does not work only within the administration, but with the private sector as well. Recruiting in the private market, or vice versa, is commonplace. But posts vacated through restructuring are theoretically not filled with persons recruited outside the federal administration (hiring freeze).</p>
Turkey	<p>Personnel whose contracts are terminated receive additional compensation apart from the compensation envisaged by the Work Law .</p>		<p>These personnel are also given priority in finding new jobs, in the vocational development and training .</p>
United Kingdom			<p>Priority is given to limiting involuntary redundancy by emphasising re-deployment within a department, retraining for re-deployment, placing temporary restrictions on recruitment or promotion, allowing redundant workers to temporarily fill vacant posts at lower grades, and encouraging eligible staff to accept early retirement.</p>

Country	Re-employment and Transition Assistance	Training, Re-training, and Mobility Programmes	Priority Placement Rights for Surplus Staff
<p>United States</p>	<p>Since 1995, agencies are required to provide career transition assistance, including detailed agency plans on methods of assistance, as developing policies for retraining redundant workers for new career opportunities. Since few employment opportunities exist within the Federal Government, the program emphasises helping employees move to private sector jobs.</p> <p>In May 1995 a network of transition centers were established for displaced Federal workers, providing job search assistance, skills analysis, counselling and resume preparation services. This is a pilot project.</p>	<p>Training, re-training and mobility are decentralised to departments and agencies, within the minimum transition assistance standards set in 1995.</p>	<p>Since 1995 redundant workers have selection priority for vacant positions within their agencies and generally across government. Redundant workers must identify the vacancy, apply and be rated as well-qualified to be hired. They are supported in this process by a network of career transition assistance centers and several Internet websites which contain a national vacancy database. More than twice as many workers were hired through the new program in its first seven months of operation as were placed during the last 3 years of the old centralised referral and placement program it replaced.</p>

TABLE 3: LEGAL REQUIREMENTS GOVERNING STAFFING REDUCTIONS

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
Austria		In the first 6 months (probationary period) the contract can be terminated without giving any reasons.	
Australia	General Employment Conditions Award 1995. Continuous Improvement in APS Enterprise Agreement 1995-96	Redundant staff are placed on a "retention period" of 7 months. For those over 45 years or with more than 20 years service, the notice period is 13 months. Very few people are laid off compulsorily, but this possibility is seen as an important incentive for staff to consider voluntary early retirement.	Two categories: "excess" and "surplus or potentially excess". Staff may be declared "excess" only according to procedures set in law. For example, if there are too many staff; if they cannot cope with technological change; or if geographical relocation is required. Within these limits there is substantial flexibility for management to decide how it will identify which staff are redundant. Staff considered "potentially excess" are redeployed but are not subject to a retention period, nor have priority placement rights.
Belgium	Civil service recruitment is regulated by law and by implementing Royal Decrees. There can also be ad hoc policies, such as the Government's decision to cut managerial staff.	A trainee failing the required physical aptitude test is automatically dismissed and given a fixed-term contract for a duration equal to the minimum period needed to qualify for unemployment benefits. Staff whose employment status is irregular, who are dismissed, whose conviction under civil or criminal law entails termination of employment, or who are deemed professionally unfit, lose their civil service status automatically and without notice. The employer provides Social Security with the requisite amount of contributions to ensure that the person laid off will qualify for unemployment and sickness/invalidity benefits under private law.	Cases in which staff find themselves with no job assignment are limited by the regulations concerning transfers.

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Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
Canada	The Workforce Adjustment Directive is a collective agreement with unions concerning employment security.	<p>Provisions outlined below apply only to employees in "Least Affected Departments".</p> <p>The Workforce Adjustment Directive provides for a reasonable job offer for surplus employees. In the "Least Affected" departments the offer is guaranteed whereas in "Most Affected" departments the guarantee of a reasonable job offer is temporarily suspended. The 1995 Budget introduced authority to implement departure programs, i.e. the Early Departure Incentive, and regulations were amended to broaden access to the Early Retirement Incentive. After being declared surplus, employees have 60 days to opt for a departure package. If a departure package is not accepted, then the employee will be marketed, for a period of approximately 18 months, for alternate employment in the Public Service, prior to lay-off.</p> <p>Surplus workers have a 6 month notice period at full pay subject to the provisions above guaranteeing a reasonable job offer.</p>	<p>Authority lies with the deputy head of a department, as stipulated by the Public Service Employment Act. The fundamental principle of the downsizing initiative is that declaration of an employee as surplus will be linked to the discontinuation and elimination of that employee's function or position.</p> <p>If several employees occupy similar positions and perform the same function, then the identification of staff as surplus is based on a "reverse order of merit" process.</p>
Czech Republic	No special regulation for public service.	Provision of Labour Code are valid for all employees: in the cases of involuntary layoffs the dismissed worker is entitled to a "golden handshake" amounting to twice his or her average monthly salary.	Under the regulation of the general Labour Code.
Denmark			

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
Finland	A 1993 decision by the Council of State provides that a state agency with surplus staff should try to redeployment within the agency or in another state agency and must provide transition assistance (see Table 2)	A civil servant can be laid off for up to 90 days if duties have decreased and no other work is available. Notification is made to the worker and the shop steward three months in advance, stating the reasons and estimate duration. A layoff is not possible during a workers vacation. The agency is obliged to consult with union representatives (the worker is entitled to compensation for failure to consult). A civil servant whose is made redundant, and whom it is difficult to find new work (e.g. age) can have a redundancy payment. Usually a lump sum of 60% of a month's salary.	Selection criteria are decentralised based on the tasks of the agency and areas of competence and skill needs. Criteria are consulted with the unions.
France	It is the annual Budget bill that contains all measures regarding the creation or elimination of jobs in the State civil service.	<p>There are no layoffs when civil service posts are eliminated. When natural attrition fails to fulfil the target for central government job reduction, civil servants are transferred to other jobs.</p> <p>Incentives for voluntary departure and mobility help to absorb the surplus:</p> <ul style="list-style-type: none"> – end-of-career leave, in particular for staff over 58; – gradual cessation of work (from age 55); – compensation, under certain conditions, for staff, and where applicable their spouses, when units are relocated or restructured; – payment of household moving costs. 	<p>Each ministry must establish the terms of reassignment, in consultation with staff representative bodies.</p> <p>The Ministry of the Budget, as in previous years, freezes some of the jobs listed as vacant in order to permit jobs cuts without layoffs in subsequent years.</p>

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
Germany	<p>The basic principles of the agreement on employees are the following:</p> <p>Employers' fundamental legal obligations are to provide employees with equivalent posts in the same location or to help them find an equivalent post elsewhere, the resultant further training costs being borne by employers.</p>	<p>If no equivalent post is available, a lower-level job may be proposed. If this results in decreased remuneration, the employee's work schedule must be adjusted, depending on age and length of service, so as to compensate for the difference in pay.</p> <p>If it is not possible to propose either an equivalent post or a post in another government agency, the employer must offer alternative employment within an amount of time that varies between 3 and 6 months, depending on age and length of service.</p> <p>Termination of employment by decision of the employer, or by dissolution of contract, confers entitlement to an allowance which is compulsory for employees having worked for more than three years. The amount varies with age and length of service (from 2 to 18 months' pay).</p>	
Greece	<p>Act 2469/1997 in respect of the recruitment of only one civil servant for every five who leave the service.</p>		<p>Procedures for the identification and transfer of redundant staff are determined by law:</p> <ul style="list-style-type: none"> i) List of vacant posts. ii) Opinion of the service council as to the need to transfer redundant staff at the request of the minister or administrative agency of the public legal entity likely to be transferred, accompanied by a report by the service justifying the need to reduce staff. iii) Opinion forwarded to the Public Administration Corps of Inspectors, which decides how many persons must be transferred.

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
Greece (continued)			<p>iv) Classification of the officials on the basis of personal requests, date of appointment and family situation.</p> <p>v) A special committee designates the post that the civil servant will occupy, based on personal preferences, qualifications and ability; employment on the basis of individual case file.</p>
Hungary	<p>The legal conditions of downsizing described by the Civil Service Act, Public Service Act and the Labour Code are very rigid and contain numerous guarantees for public employees.</p>	<p>The involuntary layoff must be based on the decision of central government or a local government representative body. Even in the case of restructuring, an employee can be dismissed only if there is no possibility to employ him/her according to his/her qualification in the employing organisation.</p>	<p>Organisations affected by downsizing are determined by central government or local government representative bodies. Persons to be dismissed are identified by the organisation head. Labour centres must be informed one month in advance if more than ten people are dismissed. Dismissal period is six months; notification to be made one month in advance.</p>
Iceland	None	<p>The general rule is 3 months notice period, but in blue collar jobs the notice can be from 2 weeks to 6 months according to how old and for how long the individual has worked for the same employer</p>	None
Ireland		<p>Legal coverage for redundant workers varies. However, redundant public service employees will generally be able to avail of a package including any or all of: i) severance gratuity; ii) early payment of superannuation benefits; iii) enhanced superannuation benefits. Such packages are more beneficial than statutory redundancy provisions in the large majority of cases and where statutory provisions apply the package offered will take that into account. With some exceptions redundancies are usually managed on a voluntary basis.</p>	<p>In the "central" civil service, most workers are not covered by the key statutory provisions of the Redundancy Payments Acts. .</p>

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
Italy	Act No. 29 of 1993 provides that at 3-year intervals public administrations shall reassess staff workload and redefine staffing requirements. Staffing of central government agencies and autonomous agencies, non-economic public bodies, research institutions and universities, is co-ordinated by the Depart. of Public Service.	Act No. 537 of 1993 stipulates that staff deemed redundant as a result of redefined staffing requirements, or of a merger, conversion or elimination of public agencies, shall be placed in a pool of staff available for redeployment for a period not to exceed three years. Thereafter, staff not having been reassigned under (voluntary or compulsory) transfer procedures are laid off.	During their period of "availability", the staff concerned are paid the equivalent of 80% of their monthly salaries, up to L 1.500.000.
Japan			
Luxembourg			
Mexico	Organic Law of Public Federal Administration Programme of Structural Measures for Expenditure Reductions in Personnel Services. Executive Decree to regulate and diminish public expenditure on the federal budget during 1995 and 1996.	Unionised public servants have the right not to be removed except in cases of negligence or illegal activities. Public servants receive 3 months salary, index included, for workers with 6 months of services minimum. As a common practice, non-unionised public servants also receive redundancy pay, in most cases similar to those provided by law for unionised staff.	
Netherlands	There exists a collective agreement between the central government and the unions on the obligation for an employer to look for suitable vacancies for an employee during a 18 month-period.	During the 18 months, the employee receives full salary. In this period, the employer has to offer the redundant employee at least one suitable job. From the employee, an active role is expected with regard to his own searching for a new job.	Employees may be considered redundant when there is a shortage of functions for which they are qualified. Lay-offs generally take place in the following order: 1) employees with 35 or more years of service; 2) employees with the least service years (last in - first out). Deviation from this rule is permitted in case of quality demands or labour-market demands.

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
New Zealand		Redundancy payments are made in accordance with the provisions of the applicable employment contract.	
Norway	The Minister of Government Administration has made a “declaration of intention” concerning the personnel policy guidelines for adjustment, stating that the government will seek to avoid added unemployment as a consequence of the efforts that are being made to enhance effectiveness in government units.	Dependant on age and tenure, excess employees are entitled to a “waiting” salary at 66% of salary. They are obliged to accept a government position at a comparable salary if one is found, or they will lose the benefit.	Two categories: “excess” and “surplus or potentially excess”. Staff may be declared “excess” only according to procedures set in law. For example, if there are too many staff; cannot cope with technological change; or geographical relocation. Staff declared “potentially excess” require redeployment but are not subject to priority placement rights.
Portugal	Decree-Act No. 247/92 provides that exceptions to the freeze are made only in the case of staff who are, or are about to be, deemed “surplus”—always voluntarily, and in cases where there is no other vacant post within the administration. The measures used are : – voluntary retirement, supplemented by a payment equal to the corresponding pension; – early retirement; – separation from the public service with monetary compensation; – unpaid leave for an indefinite period.	Indefinite notice period. If a post cannot be found for surplus staff in a government agency, they stay at home and receive a salary (near original salary). After six months: 70% of salary; after 1 year 60%. May continue until a position is found or retirement.	Staff available in each career stream or category is identified on the basis, <i>inter alia</i> , of the following: – service classification; – writing skills; – professional training and qualification; – length of service.
Spain	The 1993 Act and subsequent regulations tend not to strip people of their status as public employees, but aim to reassign them to the posts of greatest use to the civil service.	Current regulations make no provision for “layoffs”. The only provision, in the most extreme cases, is for forced inactivity—a situation in which the civil servant, who continues to receive some pay, is required to compete for posts offered by the Administration and to attend the necessary training courses.	The 1993 Act not only requires an Employment Plan; it also stipulates the objective criteria to be applied when staff is reassigned: skills, training, experience and length of service, which must be set forth in the Employment Plan.

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
Sweden	A collective agreement on job security (Job Security Agreement) based on general labour law, governs the central public service. The agreement provides for considerable obligations on the part of the worker and employer to work together to find redundant workers new employment. It is the responsibility of the home agency to ensure that the redundancy process works effectively.	Workers have 2-12 months notice of lay-off (depends on age and tenure), and continue to receive full salary during notice period. During and after notice period, intensive services and training provided by the Job Security Foundation.	Workers may be considered redundant where there is a shortage of work or who does not want to relocate if the work relocates. Selection priority is seniority based within "precedence circles." "Circles" include all workers at an agency doing "substantially the same work." Bargaining with the unions on the make-up of circles is required by law.
Switzerland	An order on staff benefits in the event of restructuring in the federal administration governs matters involving re-organisation. It permits the establishment of compensation plans.	Civil servants are normally appointed for four-year terms. If a post is at risk, a proviso for termination prior to the end of those four years may be added. Staff affected by restructuring must be so informed as quickly as possible.	There are no general rules. In some cases, e.g. when the Defence Department is reorganised, a competition is held to fill the reduced number of redefined posts.
Turkey	<ol style="list-style-type: none"> 1. Law concerning the privatisation practices dated 24.11.1994 and numbered 4046. 2. Decree 399 covering the SEEs (State Economic Enterprises). 3. Council of Ministers Decision regulating the principles concerning contracted personnel. 	Contracted personnel usually sign a contract for one year. If they do not conform with the rules of the contract, the Agency, by stating the reasons, can terminate their contract at the end of the year, by giving them a warning a month prior to the termination date.	-
United Kingdom		Civil servants are not legally entitled to redundancy pay provided by law to other workers; however, it is common practice for departments to follow the statutory provisions affecting other sectors. The period of notice is 6 months, if appointment is terminated compulsorily, with a provision for compensation in lieu of notice where, exceptionally, it is not possible to give notice..	Selection criteria are decentralised and bargained between the department and union. It is required, however, that criteria are objective, consistent and applied uniformly to staff. Criteria should also be evaluated for potential for unlawful discrimination.

Country	Law, Regulations or Special Packages to Facilitate Staff Reductions	Provisions for Involuntary Layoffs	Legal Requirements for Identifying Staff as Redundant
<p>United States</p>	<p>The Veterans Preference Act of 1944, as amended by the Civil Service Reform Act of 1978, gives each Federal agency authority to reduce staff in accordance with procedures established by the Office of Personnel Management. In the Federal service, this process is called "reduction in force" (RIF). Involuntary separations of workers are a last resort in the Federal Service. Through extensive use of voluntary separation incentives and attrition, involuntary separations have been kept below 30 000 during the current round of downsizing.</p>	<p>Non-defence agencies: 60 days notice with full salary during notice period; Defence agencies: 120 days with pay. In both cases, up to 6 months "informal" notice of possible lay-off which entitles workers to job counselling and re-training provided by central state and Federal unemployment services.</p> <p>Redundant employees not eligible for any form of retirement receive severance pay - a continuation of their basic pay for a period of up to one year. Length of entitlement is determined by their tenure - one week for each of their first 10 years of service, two weeks for each year of service over 10 years and an additional factor of 10% for each year they are over age 40. Upon expiration of severance pay, they are eligible for unemployment compensation and other benefits through state programs.</p> <p>Employees affected by downsizing have the right to appeal the action to the Merit Systems Protection Board, or file a grievance, if they believe the action was improper.</p>	<p>Selection is based on "competitive areas" using organisation or geographic boundary of restructuring.</p> <p>Each worker in the "area" is "scored" on 4 factors:</p> <ul style="list-style-type: none"> tenure, priority as a military veteran, seniority, and performance (average of last 3 performance ratings). Surplus workers are selected in inverse order (lowest score first). "Bumping rights" allows a surplus worker (where qualified) to displace an employee in another job who would score lower based on the four criteria. "Retreat rights" allows a surplus worker to return to a former job within 3 grade levels, displacing the current occupant.

TABLE 4: VOLUNTARY DEPARTURE INCENTIVES

Country	Voluntary Departure Incentives: Benefits	Voluntary Departure Incentives: Terms & Conditions	Voluntary Departure Incentives: Eligibility
Austria	<p>Contract employees: After 3 years service, compensation payable is twice the salary paid in the last month of service plus child allowances. Entitlement is 3 months of such emoluments after 5 years service, 4 months after 10 years, 6 months after 15 years, 9 months after 20 years, and 12 months salary plus child allowances after 25 years service.</p> <p>Established officials: Compensation is one month's salary for provisional officials with up to 3 years service and 2 months salary for those with over 3 years service.</p> <p>Established officials with up to 5 years service receive 9 months salary, and those with over 5 years service 18 months salary.</p> <p>b) Termination of the appointment within 2 years of marriage or within 6 years of the birth of a child.</p> <p>Amount of compensation: as for contract employees.</p>	<p>Since no compensation is payable to officials who leave of their own accord, this provision is rarely applied. The main area of application is to officials with fixed-term appointments, in which case the compensation has however no incentive character.</p>	<p>Contract employees are entitled to compensation:</p> <ul style="list-style-type: none"> • when the contract is terminated by the employer; otherwise only if • the contract is terminated by mutual agreement and compensation is also agreed; or • contract employees terminate their contract within 6 months of marriage or on reaching pensionable age (men at 64, women at 60). <p>Officials are entitled to compensation in 2 cases only:</p> <ul style="list-style-type: none"> a) on leaving the service without pension rights: compensation is however not payable if: <ul style="list-style-type: none"> • the appointment is terminated during the probationary period; or • the official is dismissed for disciplinary reasons; or • the official leaves of his own accord; or the official dies
Australia	See Table 5.	See Table 5.	See Table 5.
Belgium	The law provides for voluntary resignation.	Officials cannot quit their posts until duly authorised, and after serving 30 days' notice.	

Country	Voluntary Departure Incentives: Benefits	Voluntary Departure Incentives: Terms & Conditions	Voluntary Departure Incentives: Eligibility
Canada	<p>Early Departure Incentive (EDI) allows redundant workers to receive a cash payment for resigning from public service. EDI includes a combination of the following:</p> <ul style="list-style-type: none"> *<i>severance</i>: 2 weeks pay for first year and 1 week for each additional year of continuous employment. *<i>lump-sum</i>: <5 years service receive 39 weeks regular pay; 5 or more years service receive 52 weeks regular pay, including those eligible for unreduced pension *<i>service</i>: additional weeks of regular pay based on age and years of service, up to 6 weeks pay (does not apply to those with <5 years service or those pension eligible) *<i>education and training allowance</i>: <u>reimbursing</u> up to \$7000 incurred in preparation for new employment outside Public Service. <p>Maximum total payment may not exceed: <5 years service=44 weeks pay; entitled to unreduced pension=70 weeks pay; other=90 weeks pay.</p>	<ul style="list-style-type: none"> • must elect option within 60 days of written offer • resign at manager’s discretion, but within 6 months. • repayment requirements in the event of re-employment in the public service. • eligible surplus employees <u>not</u> opting for the “payment in lieu of employment” benefit receive 6 months on paid surplus status; if no reasonable job offer, unpaid status for 12 months. During this period they still receive health and life insurance and may pay into the pension fund). If still no offer after 12 months, then laid off without further compensation from the employer. <p>Agency must show: documented evidence that the position has been abolished</p> <p>- The post employment regime requires repayment of the balance of any departure program benefits if the employee is either re-appointed to the Public Service or re-hired on a contract basis.</p>	<p>Available only to selected departments identified by the Treasury Board as "most affected" agencies.</p> <ul style="list-style-type: none"> -employee must be declared surplus -not available to executives (execs. covered by separate policy) -employees opting for early retirement benefit are not eligible
Czech Republic			
Denmark			
Finland	No benefits.	No incentives.	

Country	Voluntary Departure Incentives: Benefits	Voluntary Departure Incentives: Terms & Conditions	Voluntary Departure Incentives: Eligibility
France	There are no layoffs, but there are incentives for leaving prior to the statutory retirement age (see Table V), such as: -- end of career leave; -- gradual cessation of work.	Extension of part-time work and easing of the applicable restrictions: Experiment until year-end 1999 with annualization of part-time work, development of an automatic right to half-time work, special guarantees for the promotion and retirement of officials not working on a full-time basis.	Aid to mobility: – compensation of staff, and if applicable their spouses, in the event of relocation from Paris to the provinces, or if units are restructured. – moving costs paid in the event of a transfer to a post in another town.
Germany			
Greece	No general provisions. Specific measures in connection with the privatisation of certain public sector enterprises (e.g. shipyards).		Early retirement authorised as an exception from the general pension scheme rules for employees of a specified age and length of service.
Hungary	The incentives for voluntary departure are the relatively high sum of compensation, six months' period of dismissal, during which it is possible to release the employee from work completely but it is compulsory to do so for the half period.	The condition for benefiting from the advantages is that the head of the public administration organisation should dismiss the civil servant who accepts his/her dismissal. In the case where the civil servant resigns unilaterally, he/she does not receive compensation and the duration of the dismissal is maximum 2 months.	A civil servant can choose from the more advantageous conditions only if dismissal is initiated by the employer because of decided staff reduction.
Iceland	There are no such incentives.		
Ireland		Packages vary according to the Social Welfare status, age and length of service and can include severance payments, statutory payments, early pension benefits and enhancement of pension benefits. There has not been a civil-service wide voluntary early retirement programme since 1987/89 but the terms of the 1987/89 programme tend to be the basis of negotiations in relation to Public Service staff reduction programmes generally.	The 1987/89 package had a lower age limit of 50 in the central Government departments. Similar terms were offered to younger staff in some state agencies.

Country	Voluntary Departure Incentives: Benefits	Voluntary Departure Incentives: Terms & Conditions	Voluntary Departure Incentives: Eligibility
Italy	The public sector, unlike the private sector, has no financial incentives for voluntary departures.		
Japan			
Luxembourg			
Mexico	<p>Staff declared in excess or those in jeopardy of being declared in excess, can be offered voluntary departure.</p> <p>Programme of voluntary retirement allows redundant workers to receive a cash payment when resigning to public service.</p>	<p>Workers may nominate themselves.</p> <p>Without terms and conditions for senior employees or executives.</p> <p>Voluntary departure includes:</p> <ul style="list-style-type: none"> - 3 months gross salary, - 20 days salary base over for each additional year of service (less than 15 years) - 12 days of salary over previous point for years of service with more than 15 years of continuous employment. - Proportional lump Christmas and vacation bonus for current year. - Different provisions apply to workers with less than 5 years of service. 	<p>This programme applies to staff below retirement age, who are voluntarily or compulsory "retired".</p> <p>Resignation is demanded to those not eligible for regular retirement.</p> <p>Programme excluded health, education and defence secretaries.</p> <p>Not available to executives and public servants and employees opting for retirement for age or years of service.</p>
Netherlands	<p>To encourage voluntary departure, the following incentives are offered:</p> <ol style="list-style-type: none"> 1. Payment up to three times the monthly salary 2. Payment up to Fl.24000 for removal costs if removal is desirable in another job 3. Payment of commuter traffic expenses for a period of up to 6 years 4. Supplement the salary level of the former employer for a maximum of 5 years. 		<p>Only the employees who have been declared "in excess" or who are likely to be in excess in the short term, are eligible for the voluntary departure incentives.</p>

Country	Voluntary Departure Incentives: Benefits	Voluntary Departure Incentives: Terms & Conditions	Voluntary Departure Incentives: Eligibility
New Zealand			In some surplus staffing situations, individuals may be invited to apply for “voluntary severance”. However, decisions will be made by the agency concerned.
Norway	Economic benefits and retraining benefits.	Employees resigning voluntarily may be entitled to 6 months’ salary without having to work. In the defence and communications sectors, surplus staff may receive 70-100% of their salaries for a period limited to 3 years for educational and training purposes.	Are only available to employees identified as surplus staff.
Portugal	See Table 3.	See Table 3.	See Table 3.
Spain	Civil servants who voluntarily cease working are entitled to one month’s compensation per year of service, up to a total of 12 months’ pay.	The period of such voluntary paid leave is 5 years, during which time recipients may not work for the public sector in any capacity or on any basis.	Both voluntary paid leave and early retirement are voluntary, and are undertaken in connection with staff reassignment under an Employment Plan.
Sweden	No provisions for voluntary departure incentives are given in law. In practice, voluntary agreements between agencies and workers are frequently reached. Agreements can cover education and training allowances, severance payments, or the extension of periods of notice to maximum 24 months.		
Switzerland	Civil servants who are not re-appointed are given a leaving allowance if they do not qualify for pension fund benefits. The amount of the allowance is based on length of service, age and the official’s professional and personal circumstances, but it must not exceed one year’s pay.	An official who has refused to co-operate actively with reassignment measures, or who has refused a reasonable job offer without good cause, is not entitled to the allowance.	

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Country	Voluntary Departure Incentives: Benefits	Voluntary Departure Incentives: Terms & Conditions	Voluntary Departure Incentives: Eligibility
Turkey			
United Kingdom	See Table 5		Lump sum severance payments made to staff below age 50 with 8 years qualifying service who are voluntarily or compulsorily "retired"
United States	<p>Payment equal to a severance allotment (formula driven based on age and years of Federal service) or a sum of \$25,000 (US\$), whichever is <u>less</u>.</p> <p>Exact formula - see Table 3.</p> <p>Approximately 130 000 Federal employees received voluntary separation incentive payments between January 1993 and October 1996.</p>	<p>Agencies identify surplus positions and units to be covered by buyout offers. Individuals may volunteer for a separation incentive if their <u>position</u> has been identified as surplus</p>	<p>Fall into 3 categories:</p> <ol style="list-style-type: none"> 1) optional retirement (age 55+ with 30 years of service or age 60+ with 20 years of service) 2) early retirement (age 50+ with 20 years of service or any age with 25 years of service) 3) resignation for those not eligible for regular or early retirement

TABLE 5: VOLUNTARY EARLY RETIREMENT INCENTIVES

Country	Voluntary Early Retirement Incentives: Benefits	Voluntary Early Retirement Incentives: Terms & Conditions	Voluntary Early Retirement Incentives: Eligibility
Australia	Staff declared "excess", or those in jeopardy of being declared "excess" can be offered voluntary early retirement. Can receive a lump sum of 2 weeks pay per year of service up to a maximum of 48 weeks, 4 or 5 weeks pay instead of notice.	Must accept formal offer of Voluntary early Retirement within one month of the offer. No second offers..	Must have at least one year of service and not be on probation. No age limit. Must be excess, whether declared so or not.
Austria			
Belgium	"Normal" pensionable retirement at age 65, with provisions for "early" retirement benefits prior to age 65. Except in cases of physical disability or special instances of early retirement from age 55, in particular in certain cases when government agencies are eliminated, early retirement may be taken from age 60.	Eligibility for pension after five years' reckonable service, not counting time credited for study or for other services counted to determine pay. Half-time early retirement: for a maximum of five years (uninterrupted) immediately preceding the date of retirement (whether early or not).	Practice is limited and varies by agency. Early retirement on a half-time basis became possible in 1995.
Canada	Early retirement incentive (ERI) package was made available to surplus indeterminate employees. Since June 1995, recipients of the ERI are not eligible for the separation benefit (maximum 15 weeks pay). Provides for unreduced pensions in order to reduce the fiscal impact of early retirement on employees. Terms: all normal terms and conditions of full pensions (e.g., indexing); - payment in lieu of unfulfilled surplus period (max. 6 months pay); severance pay at lay-off rates of 2 weeks' pay for 1st year, and 1 weeks' for each additional year of continuous employment; for executives, 1 weeks' pay for each year to maximum of 28 weeks.	-elect option within 60 days of issue of surplus notice. -leave within 6 months of notice (may be extended for operational reasons) -opt for annual allowance (no lump sum payments) -has not received offer of alternative Public Sector employment. -has not received offer of continuing work with new employer in case of work transferred out of the Public Service.	must meet <u>all</u> the following conditions: -notified as surplus -at least 2 years pensionable service -at least 10 years Public Service employment -age 50-59 (inclusive) at time of departure. -must <u>not</u> have elected the Early Departure Incentive.
Czech Republic	None envisaged.		

Country	Voluntary Early Retirement Incentives: Benefits	Voluntary Early Retirement Incentives: Terms & Conditions	Voluntary Early Retirement Incentives: Eligibility
Denmark			
Finland	<p>No incentives. Early retirement pension can be drawn at age 58, and is decreased (permanently) by 6% for every year under age 63. In the context of redundancies, some agencies have offered a payment to offset some of the early retirement penalty, but this option has not been very appealing to workers.</p>		
France	<ul style="list-style-type: none"> - End-of-career leave. <p>This is not early retirement in the strict sense; rather, it is leave.</p> <ul style="list-style-type: none"> - Gradual cessation of work. <p>This is not early retirement in the strict sense; rather, it involves half-time work.</p>	<p>Valid 31 December 1998 (for people over 58 with 25 years of public service and 37.5 years of pension contributions to all schemes combined) (or with 15 years of public service and 40 years of pension contributions to all schemes combined) (or no age requirement but 172 quarters of contributions). 70 to 75% of previous remuneration or salary, depending on whether under contract or a civil servant. In existence since 1982. For people over 55 with 25 years of public service. Half-time work for 80% pay. Strictly speaking, this is not early retirement, but people opting for it are required to retire at age 60.</p>	<p>All civil servants</p> <p>All civil servants</p>
Germany			

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Country	Voluntary Early Retirement Incentives: Benefits	Voluntary Early Retirement Incentives: Terms & Conditions	Voluntary Early Retirement Incentives: Eligibility
Greece	Consultation with unions, via participation of representatives of the Confederation of Civil Servants (ADEDY) in the committee mentioned in Table 3 (Legal Requirements).		
Hungary	Voluntary early retirement of civil servants is not stimulated by Hungarian prevailing legal regulations.		
Iceland	The general retirement age is 65 but each employee can choose to retire at the age of 60, however, then pension is reduced by 0.5% for every month between age at departure and age 65.		
Ireland		As for Table 4.	
Italy	The normal retirement age for public sector officials is 65. Civil servants may retire at 57 with 35 years of contributions or at any age with 40 years of contributions. There are no financial incentives for early retirement.		
Japan			
Luxembourg			
Mexico	Voluntary early retirement was made available to all federal public service		

Country	Voluntary Early Retirement Incentives: Benefits	Voluntary Early Retirement Incentives: Terms & Conditions	Voluntary Early Retirement Incentives: Eligibility
Netherlands	Flexible early retirement is possible between the ages of 55 and 65. The pension is paid until the general retirement age of 65. The benefits are 1.75% of the latest salary per year of service. For a nominal part of the pension (Fl.18 900, at 1 Feb 1997) at least 10 years of service are required. The pension is reduced in case of flexible early retirement before the age of 62. Flexible early retirement between the ages of 62 and 65 will result in a higher pension.		
New Zealand	No discrimination on basis of age in employment (i.e. no compulsory retirement or age-related benefits) will be allowed as from 1.2.99.	Incentives may be developed by individual agencies (but cannot be age-related).	Workers may be eligible for individual superannuation payments from age 50, depending on the particular superannuation scheme to which they belong. (NZ superannuation age of entitlement increasing to age 65 by year 2001).
Norway	In cases of large staff reductions, the enterprises and agencies concerned may obtain permission from the national assembly to make use of early retirements for a limited number of employees and a limited period of time.	Pension on the same terms as is given to employees reaching retirement age.	From 60 years of age.
Portugal	See Table 3.	See Table 3.	See Table 3.
Spain	Early retirement eligibility at age 60 with 30 years of service, providing a lump-sum allowance, which varies by age and final pay level. Officials may opt to cease work gradually five years prior to mandatory retirement. If they cut their work day by half, they are paid 60 per cent of their compensation. If they reduce it by one-third, they are paid 80 per cent.	Paid early retirement must be taken in conjunction with staff reassignment, and participants must be over 60 with more than 30 years of service. Persons ceasing work gradually must be within less than five years of the mandatory retirement age, and authorisation is granted on the basis of staffing needs.	Paid early retirement must be taken in conjunction with staff reassignment. This is not necessary in the case of persons who gradually cease working.

Country	Voluntary Early Retirement Incentives: Benefits	Voluntary Early Retirement Incentives: Terms & Conditions	Voluntary Early Retirement Incentives: Eligibility
Sweden			
Switzerland	<p>The retirement age is generally 65. Flexible retirement is possible from age 62.</p> <p>Staff aged at least 50 with at least 19 years of contributions to the pension fund are eligible for benefits (of at least 60% of pay), supplemented from age 60 by a transitional pension. In some cases, an allowance not exceeding the amount of projected old age insurance benefits may also be paid in addition to the transitional pension.</p>	<p>No general programme valid for the entire federal administration. Special programmes for departments and offices being restructured.</p>	
Turkey	<p>Personnel who volunteer for early retirement get 30% more than their usual lump sum bonus.</p>	<p>Personnel must work as civil servants or contracted personnel in organisations covered by the privatisation and should apply for voluntary retirement within 2 months as from the date they gain their retirement right.</p>	<p>Civil servants and contracted personnel who work in organisations covered by the privatisation and who apply for retirement within 2 months as from the date they gain this right are eligible.</p>
United Kingdom	<p>Preserved pension (no actuarial reduction) and superannuation lump sum (3 times pension) payable at normal retirement age (usually age 60). Plus immediate lump sum compensation payment of up to 3 years' pensionable pay (compulsory redundancy) or 2 years' pensionable pay (voluntary redundancy), depending on age and length of service.</p> <p><u>Compulsory early retirement:</u></p> <ol style="list-style-type: none"> 1. Preserved pension (with service enhanced by up to 6 2/3 years) payable at normal retirement age (usually age 60); 2. Immediate payment of superannuation lump sum (3 times pension) 	<p>Workers may repackage benefits based on individual financial needs at the time of leavings.</p> <p>Reduced provisions are available to workers with less than 5 years of qualifying service.</p> <p>Reductions or recalculations for re-employment with the public service.</p>	<p><u>Compulsory and Flexible early retirement:</u> Workers are eligible for early retirement at age 50 or over with 5 or more years of qualifying service.</p> <p><u>Approved early retirement:</u> Departments can seek volunteers aged 50 or over with at least 5 years' qualifying service. Individuals aged 55 or over with at least 25 years' qualifying service may apply to retire early, subject to management's approval..</p>

Country	Voluntary Early Retirement Incentives: Benefits	Voluntary Early Retirement Incentives: Terms & Conditions	Voluntary Early Retirement Incentives: Eligibility
<p>United Kingdom (continued)</p>	<p>3. Annual compensation payment equivalent to the preserved pension payable up to normal retirement age; 4. immediate lump sum compensable payment of up to 6 months' pensionable pay</p> <p>Flexible Early Retirement as above but without (4) - lump sum compensation.</p> <p>Approved Early Retirement Immediate payment of pension and superannuation lump sum (no service enhancement), without actuarial reduction.</p>		
<p>United States</p>	<p>see Table 4</p>	<p>see Table 4</p>	<p>see Table 4</p>

TABLE 6: OTHER ISSUES RELATED TO WORKFORCE ADJUSTMENTS

Country	Union Involvement in Workforce Adjustments	Flexible Working Arrangements	Other Relevant Programmes and Services Not Raised Elsewhere
Australia	Unionisation about 55% in the national public service. By law, unions must be consulted about staff reductions.		Screening of vacancies by APSLMAP before publication.
Austria	The trade unions have no right of participation in reduction of the workforce or of posts, provided the reduction is achieved by a law altering the establishment chart.	Giving full-time officials the legal right to work part-time for any reason on a temporary basis provides additional possibilities of adjusting the workforce to job changes.	Establishment of a job exchange charged with informing employees looking for work in the federal service about available jobs, and informing employing agencies about available staff in areas in which there is over capacity.
Belgium	In respect of measures (administrative and monetary) applicable to staff affected by restructuring.	Leave for reduced duty and career breaks, including half-time work and four-day work weeks. Flexible working arrangements (extension of office hours).	
Canada	Unions do not have bargaining rights over redundancies or cutbacks, they have been involved in consultations over process. Counsels involving unions and the government are Joint (labour-management) Adjustment committees and have worked to develop transition assistance for workers and identify job opportunities in other sectors of the economy.	Strongly encourages managers to pursue part-time, job sharing, telework, compressed work week and self-funded leave. (in addition to employee satisfaction, has the potential to achieve savings for departments.) The workforce adjustment policy provides for retraining of affected employees to access immediate or anticipated vacancies.	Other services available to surplus employees: -career counselling -job search counselling and preparation services -financial and employee assistance counselling -labour market information -other counsels with unions and other levels of government to find jobs in other sectors
Czech Republic	Provisions for all workers in the Labour Code: the employer must consult with the Unions in case of transferring the employee to another job or in case of his/her dismissal.		
Denmark			
Finland	Widely consulted over process, although they do	Agencies are encouraged to use flexible	

Country	Union Involvement in Workforce Adjustments	Flexible Working Arrangements	Other Relevant Programmes and Services Not Raised Elsewhere
	not have bargaining rights over workforce adjustments.	arrangements, including flexible working hours, job sharing, part-time work, fixed-term work, job alternation leaves, own-funded leaves, job rotations and part-time pension. However, these have not been widely used in the State Sector as yet.	
France	<p>Each ministerial department has one or more joint technical committees made up of equal numbers of representatives of the administration and of staff.</p> <p><i>Inter alia</i>, the committees deliver opinions on all matters concerning general problems of how the administration operates. It is the <i>central</i> joint technical committee that examines issues of concern to all central units of the ministry in question.</p>		
Germany			
Greece			
Hungary	Trade unions and interest groups must be involved in the process of civil service staff reduction if its size in one organisation exceeds 10 persons or it effects a trade union official.		
Iceland	Unionisation is about 97-99% in the national public service. By law, unions must be consulted about staff reductions both over process and scheduling of layoffs.	Part-time working is a widespread practice but is not formally used in connection with workforce adjustments, although it helps managers to rearrange and redefine working arrangements.	
Ireland	The Public Service is unionised and negotiations and consultations with unions occurs in the normal course.		
Italy	Public administrations “inform” unions of the	Current provisions authorise flexible daily working	

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Country	Union Involvement in Workforce Adjustments	Flexible Working Arrangements	Other Relevant Programmes and Services Not Raised Elsewhere
Japan	criteria they intend to use to assess workloads and redefine staffing requirements.	hours for public sector employees, job-sharing, and horizontal and vertical part-time work. Draft 1997 budget legislation calls for new incentives for part-time work.	
Luxembourg			
Mexico	<ul style="list-style-type: none"> • By law, unions must be consulted about staff reduction. • Public administration negotiate with unions regarding restructuring and may negotiate selection criteria and other processes related to staff reduction. • Conditions may be subject to collective bargaining. • Role of union is protected by law and through collective bargaining agreements. • Incentives for workers with 1-7 years to take retirement through training and economic benefits. 		<p>Other services available to surplus employees:</p> <p>Training for upgrading skills and help to find jobs in other sectors.</p> <p>Active labour policies.</p> <p>Functioning of nation-wide education and training institutions for adults, in general, and workers specifically.</p>
Netherlands	<p>Unions have consultation rights with regard to staff reductions and replacements.</p> <p>Representative advisory boards have to be consulted by the management about selection criteria and other aspects of staff reductions..</p>	<p>Arrangements like part-time working, telework and compressed workweek are introduced or considered.</p>	
New Zealand	<p>Many contracts specify consultation with employee organisations when surplus staff situations arise.</p>	<p>Many agencies have flexible working hours and some part-time positions. Fewer have job sharing. "Telework" is increasing.</p>	<p>Most agencies provide some services to surplus employees including career counselling and outplacement services.</p>
Norway	<p>The unions play an important role in workforce</p>		

Country	Union Involvement in Workforce Adjustments	Flexible Working Arrangements	Other Relevant Programmes and Services Not Raised Elsewhere
Portugal	Rationalisation done in conjunction with unions.		
Spain	Employment Plans are approved by the Ministry of Public Administration after negotiation with the unions.	The 1993 Act allows Employment Plans to make provision for part-time work.	The 1993 Act and subsequent regulations provide for other measures involving internal promotion, acquisition of civil servant status for permanent auxiliary staff and consolidation of temporary employment to meet permanent structural requirements.
Sweden	Extensive and generally co-operative. 90% of public workers unionised, including management. Role of unions is protected in law and through collective bargaining agreements which carry weight of law.	Agencies have full flexibility in promoting part-time, flexible and job sharing arrangements to meet their own staffing needs.	The agencies plan and finance extensive educational programmes in order to facilitate change, increase efficiency and develop the competence of the employees. The number of educational days per employee is on average 10 days or 6% of the total working time.
Switzerland	Staff associations are consulted and take part in formulating measures to apply the restructuring order.		
Turkey			
United Kingdom	Departments and agencies are required to good industrial relations practices in place. They must consult union representatives on the content of redundancy programmes which may include information on the benefits available to redundant staff, selection criteria to be adopted if resorting to involuntary redundancy, and appeal procedures.		
United States	Approximately 60% of the employees in the	Agencies may utilise such methods as part-time,	Other services available to employees,

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Country	Union Involvement in Workforce Adjustments	Flexible Working Arrangements	Other Relevant Programmes and Services Not Raised Elsewhere
	<p>central government eligible to be unionised are represented. The role of unions is protected in law and presidential executive orders which have the effect of law. Bargaining is decentralised to the department level and involvement of the unions varies by department.</p> <p>Reorganisations or other changes in working conditions are usually subject to collective bargaining.</p>	<p>flexible, and job-sharing arrangements subject to the obligation to deal with the exclusive representative(s) of their employees.</p>	<p>including those deemed surplus: -financial and employee assistance counselling for stress and other mental health issues.</p>

TABLE 7 - GOVERNMENT PUBLICATIONS**Australia**

“Information Package for Excess and Surplus (i.e., Potentially Excess) APS Staff”, Public Service and Merit Protection Commission, March 1995. (English)

“Guidelines for the Management of Excess Staff in the APS” (Interim) May 1996, Public Service and Merit Protection Commission.

Canada

“Managers Guide to Employment Adjustment”, Treasury Board of Canada Secretariat, March 1995. (English and French)

Workforce Adjustment Directive, revised July 1996, including provisions for Alternative Service Delivery

Finland

The Ministry of Finance has made three guides for line-managers. These publications deal with legal regulations, good practices and policies in staffing reductions (available only in Finnish):

Staff and Adjustment of the Organisation, 1992

Project Management of an Adjustment Process, 1993

Termination of Employment, Lay-Off, and Part-Time Work, 1996

Hungary

XXIII/1992 Act on Civil Service

XXXIII/1992 Act on Public Service

Labour Code

Dr. István Balázs, Staffing Levels in Public Administration and Staff Reduction in 1995, Prime Minister’s Office, 1995, Budapest (in English)

New Zealand

“Managing Change - A Personnel View”, State Services Commission, 1988.

Norway

Basic Agreement for the Civil Service

Act of 18 July 1958 relating to Civil Service Disputes

Act relating to Civil Servants, etc. of 4 March 1983, no. 3

Regulations concerning Civil Servants, laid down by royal decree of 11 November 1983 pursuant to the act relating to Civil Servants, etc.

Portugal

Réformer l'administration ; un enjeu, un pari

Rapport de la Commission pour la qualité et la rationalisation de l'Administration Publique - PCM, 1993.

Sweden

"Change, Security, Development: A presentation of the Job Security Foundation and the Job Security Contract", The Job Security Foundation, Stockholm, 1995. (English, French, Swedish)

United Kingdom

"Leaving the Civil Service", Civil Service Management Code, Chapter 11, Office of Public Service. (English)

"Early Retirement and Redundancy", Civil Service Pensions Division, Office of Public Service.

United States

Serving the American Public: Best Practices in Downsizing. Benchmarking Study Report. National Performance Review (NPR) Vice President Al Gore. September. Washington, DC: U.S. Government Printing Office, 1997. (English)

"The Employee's Guide to RIF [Reduction in Force]", U.S. Office of Personnel Management Workforce Restructuring Unit. February 1996 (revised). (English)

"The Employee's Guide to RIF Separation Benefits", U.S. Office of Personnel Management Workforce Restructuring Unit. February 1996 (revised). (English)

"The Employee's Guide to Career Transition", U.S. Office of Personnel Management Workforce Restructuring Unit. January 1996 (revised). (English)

"Career Transition Assistance for Surplus and Displaced Federal Employees", Interim Rule with Request for Comments, 5 Code of Federal Regulations Part 330 and Part 330 Subpart B, RIN 3206-AH26, Office of Personnel Management, January 1996.

“Presidential Memorandum for the Heads of Executive Departments and Agencies on Career Transition for Federal Employees”, The White House, Office of the Press Secretary, 12 September 1995. (English)

“Career Transition Community Resource Handbook for the Washington, D.C. Metropolitan Area”, Interagency Advisory Group of Personnel Directors, Committee on Career Transition Assistance, Washington, DC, 20 June 1995. (English)

“New Directions: improving transition assistance for Federal employees affected by downsizing,” A Report to Congress by the U.S. Office of Personnel Management, April 1995. (English)

“Career Transition: A Resource Guide”, Interagency Advisory Group of Personnel Directors, Committee on Career Transition Assistance, July 1995 (English).

“The Employee’s Guide to Buyouts”, U.S. Office of Personnel Management, Workforce Restructuring Office, (revised) February 1997 (English).

“Benefits for Employees in Career Transition”, U.S. Office of Personnel Management, Retirement and Insurance Service, May 1996 (English).

“Reduction in Force Planning: A Practical Guide and Checklist”, U.S. Office of Personnel Management, Workforce Restructuring Office, June 1995.

“Guide to Responsible Restructuring”, U.S. Department of Labor, Office of the American Workplace, 1995.

ANNEX 2. DEFINITIONS

What is meant by “workforce restructuring”?

1. Restructuring and reshaping a workforce is far from a simple affair of taking away redundant functions and rearranging what is left. In OECD countries reassessing the scale and the scope of the public sector has resulted in **closing down organisations** in their entirety; **diminishing the size of an organisation** by ending programmes and positions attached to those programmes; diminishing the workforce is often tied to the **reorganisation** of a programme by merging agencies or programmes into a new public sector entity or reorganising a public sector organisation to carry out its functions under a new management or organisational model; **commercialisation** of a programme but maintaining it in as a public enterprise or in some other quasi-public sector environment; full **privatisation** of a programme altogether by converting a formerly public sector operation into a corporation and transferring or selling that corporation and the workers in that programme to the private sector. Whereas, **workforce reductions** (or “downsizing”) may or may not be an integral part of restructuring. Workforce reductions occur by reducing employees or work; by eliminating functions, hierarchical levels, or organisational units; and by implementing cost containment strategies that simplify and streamline activities. Downsizing strategies include normal attrition, voluntary severance programs, early retirements, buyouts, outplacements, and layoffs. (Cameron, Freeman, and Mishra, 1993; and Freeman and Cameron, 1993) Please note that the terms “downsizing” and “staff reduction” are used interchangeably in this report.

2. **Cutbacks** is used to refer generally to ‘cutting back’ on programmes and resources by making government agencies and subunits smaller, reducing funding resources, reducing the scope of work in bureaucracies, and reducing workforces. Cutback management refers to organisational leaders managing the processes of cutbacks while addressing human resource management challenges and maintaining the ability of the organisation to accomplish its mission. **Retrenchment** is used to refer to the cutback actions associated with reduction in workforce and reduction in services provided. Retrenchment is often used synonymously with cutbacks.

3. **Redesigning** is the reduction or elimination of tasks, work, functions, hierarchical levels, or organisational units which are considered to be duplicative or unnecessary. **Restructuring** is the realignment of functional activities or change in work operations for an organisation. **Streamlining** is the minimisation of non-value-added steps and the maximisation of value-added steps in a process, system, or organisation. **Reengineering** is a management technique for achieving dramatic improvements in cost, quality, and customer service by making radical change or significant alteration in the way an organisation defines its mission and organises its work processes. Reengineering usually is accompanied by equally radical change in the shape and character of the organisational unit responsible for the work. It should be noted, however, that downsizing often does not achieve its intended goals of greater efficiency, improved productivity, and reduced costs (Cameron, Freeman, and Mishra, 1991, 1993; Cascio, 1993; Noer, 1993; and Wyatt, 1993).