

DECENTRALISATION AND ACCOUNTABILITY

AS FOCUS OF PUBLIC ADMINISTRATION
MODERNISATION

IMPRINT

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FOREWORD

FOREWORD OF THE AUTHORS

All 25 EU Member States as well as Bulgaria, Romania and the European Commission replied to the questionnaire and many states provided us with useful comments, references and documents.

We hope that this study will generate a productive debate among the Directors General responsible for Public Administration, within the national administrations and in the European Commission. We would like to thank all those who contributed to this study: the EPAN Human Resources Working Group (HRWG), the Austrian Presidency – especially Karin Thienel – as well as previous EU presidencies which provided valuable background information to this survey.

We are also very grateful to the Directors General and various national experts within the Member States and the European Commission for helping us to carry out this study which was presented at the 46th Meeting of Directors General responsible for Public Administration in Vienna, 29/30 May 2005. We sincerely hope that this study presents a number of interesting facts and that it will be of great interest to all EU Member States and contribute to our objective of sharing information and mutual learning.

Christoph Demmke, Gerhard Hammerschmid and Renate Meyer

Maastricht - Vienna, May 2006.



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INTERPRETATION OF THE RESULTS OF THE STUDY AND PROPOSALS FOR FURTHER WORK

1. The information provided in this study confirms the importance of decentralisation and accountability as a focus of public administration modernisation.
2. Discussions on decentralisation and accountability are strongly related to other issues (e.g. performance management, fairness, equity, transparency, rule of law, efficiency, social dialogue), which are of utmost importance to public administrations, HR officers, staff representatives and trade unions. Therefore, further discussion on selected items, e.g. in the EPAN HRWG and/or in the EPAN IPSG, may be of general interest.
3. The study shows that the respondents – the 25 EU Member States, the Accession States Bulgaria and Romania, and the EC – still organise their HR services very differently. The general development of organisational structures reflects a broader tendency towards more differentiation in society. To what extent this diversity in the European public administrations will continue in the future remains open.
4. The survey clearly confirms that context matters. Different historical traditions and cultures as well as HR systems have a considerable impact on the modernisation paths and degree of decentralisation and account for similarities between more related public administrations. This relevance of context and diversity in European public administrations has important implications for the concept of mutual learning and good practice.
5. In general, economic and budgetary pressures are the main drivers of public administration modernisation. Other drivers' relevance is subject to considerable variations.
6. A broad awareness of the need to increase public administration performance has led to a broad range of initiatives to improve large scale efficiency as an important objective according to the Lisbon Strategy. Further analyses are required to obtain information on the impact of such measures and to foster a knowledge exchange between different public administrations.
7. We find distinct trajectories and patterns of public administration modernisation. Overall, particularly e-government as well as strengthening of accountability and customer orientation are high on the reform agenda.
8. We find a general agreement that decentralisation – and especially decentralisation of HR responsibilities and tasks – has positive effects such as performance and productivity improvements, increased service speed, quality and value, empowerment of management, increased motivation and also allows HRM functions to be better adapted to local needs. In addition, decentralisation is an important prerequisite or driver that triggers other reforms such as increased performance management

and accountability, whereby especially new ICT plays an important role to guarantee successful implementation.

9. There is a lack of detailed empirical research and analyses of what is actually happening in the field of HR decentralisation. As this study shows, it is important to overcome the gap between the rhetoric and the practice of decentralisation. This observation is also confirmed by the fact that – despite all popular rhetoric found in the public debate – HR decentralisation is not among the highest ranked issues on the reform agenda of the respondents.

10. The reform topic ‘decentralisation’ has many different facets. All respondents to our study apply and implement highly divergent reforms under this label: decentralisation of managerial issues and organisational structures, legal and political reforms, budgetary decentralisation and/or HR decentralisation. Many good practices are proposed in this study which may provide useful information for the different Member and Accession States and the EC who are following different reform priorities fitting best their specific contexts.

11. Based on selected typical HR decision-making situations, we find that the degree of HR decentralisation is not linked to size but strongly related to the HR system and the administrative tradition and culture.

12. It is important to note that despite the many initiatives to decentralise HR services, we are not observing a unique trend in the direction of HR decentralisation. On the contrary, several answers to our study also report good practices concerning new HR centralising efforts to balance decentralisation with new means of central coordination and control (e.g. IT systems for information sharing, personnel controlling, or the introduction of a new Civil Service Act). In addition, the multiple initiatives towards decentralisation do not seem to give rise to a shared new model taking shape or to a European-wide convergence of organisational models. It seems unlikely that the bureaucratic model will be fully replaced by such a new model in the near future. Organisational principles such as ‘hierarchy’, ‘bureaucracy’, ‘legal rules’ and ‘careers’ remain central pillars of most public administrations.

13. Overall, we find that decentralization mostly does not lead to an individualisation process where managers exercise more individual decision-making autonomy and possess more individual discretion. There is a strong relationship between decentralisation and the involvement of multiple actors in the decision-making processes. HR decentralisation in general seems to go along with increasing decision-making complexity due to this involvement of multiple actors. It is unclear at this point in time whether this might be interpreted either as a particular form of organising in a transition period or as the emergence of a new, more stable form of arranging HRM.

14. The study shows that central units – both government-wide and within line ministries – still play a major role in HR decision-making. A relatively high number of the HR issues analysed in this study are still decided for the whole public administration or whole ministries with relatively low management autonomy. The participants of



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this study differ greatly in the extent to which central HR bodies are involved. However, many respondents are in a process of changing the role of the central HR units. Often, these units today play a more strategic role and provide more advice and guidance, disseminate information, foster change and initiate new leadership programmes.

15. There are also considerable differences as regards the role and involvement of line ministers, top administrative level (Directors-Generals etc.) and line managers. Overall, line managers and lower hierarchical levels are given more responsibilities in position-based than in career-based systems. For the future, it may be interesting to exchange good practices concerning the involvement of the different actors in relation to workload, time management, forms of communication, use of IT etc.

16. Staff and their representative organisations have a varying degree of influence on public administration modernisation, both direct and indirect. Concerning the HR issues covered in this study, Sweden, Belgium, Denmark, Ireland, Germany, the United Kingdom and the European Commission involve the trade unions and/or staff representatives to a higher extent than e.g. the Czech Republic, Hungary, Slovakia, Poland, Luxembourg, Latvia or Greece.

17. As regards these HR issues, trade unions and staff representatives, in general, have a relatively low involvement in decisions concerning recruitment or promotion of managers, public procurement, and performance management issues. On the other hand, their role is relatively important regarding working time issues, fixed salaries, dismissals, head count reductions, or relocation of staff.

18. Obviously, the degree of decentralisation is related to the issue to be decided. While head count reductions, the definition of codes of conduct and ethical standards, fixed salaries, and (basic) working time arrangements are mostly decided with a relatively high degree of centralisation, decision-making with regard to performance related pay, training and development, performance management, or flexible working time patterns generally involves lower level actors. Especially the process of introducing performance related pay systems and reforming performance management systems often requires the public administration to design strategies how to equip managers with the necessary skills and to enable them to carry out these new responsibilities.

19. Decentralisation through creation of arm's-length bodies separate from ministries and with significant autonomy, often referred to as 'agencies', has also become a central pillar of public administration modernisation. Many public administrations nowadays use agencies rather than ministries to deliver central government services, although the pathways taken to organise these agencies are multiple and differ greatly. In spite of this diversity, reports about the benefits of organising and delivering governmental services in this way dominate with positive experiences for example in Austria, Finland, Germany, Sweden or the EC.

20. Parallel to considerable decentralisation efforts, new coordination, control and accountability structures are being created. The responses show a broad spectrum of very different reform initiatives in the field of accountability. We find that – while the relevance of performance accountability and external accountability is increasing – the more traditional forms of political, hierarchical and ministerial accountability are still the dominating forms, albeit with interesting variations between the different administrative traditions.

21. Most respondents express the opinion that the decentralisation trend is managed relatively well. Some PAs with a medium level of decentralisation recognize trade-offs and potential tensions between accountability and decentralisation. However, no respondent sees difficulties that may not be overcome.

22. Our study also acknowledges the relevance of accountability to strengthen the competencies but also the responsibility of management for performance and targets. This empowerment will also have positive effects on motivation and satisfaction both of management and employees as well as on leadership skills and team culture.

23. Most respondents believe that the available instruments (legislation, supervision, codes of conduct, disciplinary regulations, performance targets and control, training etc.) work well to balance possible sideeffects of decentralisation and guarantee accountability, central control and coordination. While career-based public administrations tend to focus on supervision or regulation, position-based public administrations emphasise management and performance instruments. Almost all participants also mentioned the importance of additional (leadership) training. Like this, it is interesting to note that – within the context of decentralisation and accountability – many respondents place high trust in the effectiveness of their training systems.

24. An ongoing challenge lies in the necessity to ensure that the advantages and benefits of decentralisation will not be offset by the creation of additional means of control. There is still not enough evidence whether current developments may lead to a new bureaucracy of a monitoring-, control- and performance-oriented management culture which would be in contrast to the overall objective to de-bureaucratize public administrations. Therefore, this study suggests that the relationship between decentralisation of HRM, accountability and a new performance-management bureaucracy should be closely observed. In the future, the challenge to balance decentralisation and accountability will persist as well as the need to avoid additional bureaucracy and excessive burden to management that may arise from new accountability and performance management procedures.

1. INTRODUCTION

1.1. BACKGROUND OF THE SURVEY

This report, prepared for the Austrian Presidency of the European Union, presents the results of a survey into decentralisation and accountability as central themes of public administration modernisation across all EU Member States, the Accession States and the European Commission. In line with the EPAN Mid-Term Programme 2006-2007, the Austrian Presidency initiated this research with the aim to integrate central HR questions within the broader context of public administration modernisation.

The study was the result of a close cooperation between EIPA and the Institute for Public Management at the Vienna University of Economics and Business Administration under coordination of the Austrian Federal Chancellery. The study was discussed in the EPAN Human Resources Working Group (HRWG) whose members provided valuable input and feedback. For the first time – due to the overlapping topic of the study – a closer cooperation with the Innovative Public Services Group (IPSG) was sought by inviting them to provide information to the questionnaire. The final version of the study was presented and discussed at the 46th Meeting of Directors General responsible for Public Administration in Vienna, 29/30 May 2005.

The response rate to this study was 100%, which indicates the high relevance and importance of the topic. Therefore, the study can be regarded as a pioneering case of comparative public administration research in Europe covering all 25 EU Member States, the EC and the two Accession States Bulgaria and Romania.

1.2. INTRODUCTION: IS THE ERA OF CENTRALISATION OVER?

During the 1990s, new public management reformers and good governance enthusiasts have claimed that the era of centralised, hierarchical, bureaucratic and rule-bound administration is over. Concepts such as ‘decentralisation’, ‘deregulation’, ‘devolution’, ‘outsourcing’, ‘delegation’, ‘public-private partnerships’, ‘networks’, ‘responsibilisation’ and ‘individualisation’ became popular.

During this period, the reform of public administration and management became almost a fashion often claiming a transformation of public administration from an old paradigm to a new one. “While many in public administration were convinced that there is a new paradigm – a ‘New Public Management’ – few doubted that there was an old one” (Lynn 2001, p. 144). Commonly, the old paradigm was dismissed as being too hierarchical, inflexible, hostile to discretion, closed and lacking transparency, not focused on efficiency and obstructing (organisational as well as individual) performance.

Because of the popularity of the 'new paradigm', many countries started to reform and to decentralise their public administrations as well as HRM structures and processes. Organisational structures were supposed to become 'flatter' and line managers were given more responsibilities and (budgetary) discretion in carrying out their duties. Highly centralised, hierarchical organisational structures became increasingly replaced by decentralised management environments where decisions on resource allocation and service delivery are made closer to the point of delivery.

As a result of these reforms, today, many public administrations look considerably different than they did some years ago and HR issues are nowadays increasingly decentralised as has been outlined in previous research by the OECD (2004;2005) and EPAN (e.g. the two reports prepared under the UK and the Luxembourg Presidencies of the EU).

Despite the important changes, perceptions in the media and the population about the role and tasks of the PAs are still grounded in a centralised and unified body clearly separated from the private sector. In addition, PA is often seen as an apolitical apparatus which is supposed to be neutral when implementing government policies. Consequently, government, politicians or PA are still held responsible for almost any 'governmental failures'.

Contrary to this view, the reality within the PA today looks quite different:

- | Public policies are administered through increasingly complex networks of a variety of public sector organisations at different levels, decentralised governance structures such as agencies or other semi-autonomous units, public-private partnerships and co-operative ventures between NGOs, consultants and government. In this way, the traditional concept of the public administration as a single, unified employer is disappearing.
- | HR policies and responsibilities in the public administrations are increasingly decentralised and partly privatised and/or outsourced. This makes HRM more diverse and heterogeneous.

Thus, the 'old paradigm' of a clear separated hierarchical, career public administration seems to no longer exist. The discrepancy between the perception of a public sector that existed throughout the 20th century and the (post-)modern realities at the beginning of the 21st century raise new fundamental questions of responsibility, fairness, equity, and accountability. According to the OECD (2004, p.4), the reform trends in the field of HRM have resulted in individualisation as well as fragmentation: "While in most countries, civil service rules applying to all civil servants used to be detailed and left little room for manoeuvre to manage staff individually, this situation has changed in all countries, even drastically in some". The OECD study observed a significant trend towards "individualising civil service arrangements. The results show that the trends towards individualisation affecting collectivity have mostly taken place around the selection process, the term of appointments, termination of employment and performance management and pay. Strategies of staff management have become more individualised and staff can increasingly, in principle, be treated differently according to the changing needs of organisations and depending on their perform-

ance”. The OECD also warns that “while the individualisation of HR practices is at the heart of the reforms aiming at increasing the responsiveness of the public service, it can have deleterious effects on collective values and ethical behaviour”.

One of the objectives of this study is to analyse whether these OECD conclusions can be confirmed (or not) as regards the situation in the EU Member States, the Accession States and the EC. Can we really speak of a common trend towards individualisation and decentralisation? And if so, what does this mean in terms of accountability, fairness, equity, leadership and the rule of law?

1.3. AIM AND FOCUS OF THE SURVEY

The study aims to provide up-to-date information on public administration modernisation experiences in Europe with special focus on its relevance for practice (good practices, assessments, suggestions). It intends to identify important trends and new initiatives as well as different approaches and paths among the EU Member States, the Accession States and the EC. Thus, another objective of this study is to encourage discussion and to enable mutual learning about HRM and public administration modernisation in general.

Throughout the last two decades, modernisation in most public administrations has been characterised by two major directions: On the one hand, decentralisation of authority/responsibility and the increase of management autonomy to improve performance and, on the other hand, efforts to strengthen accountability.

Managers and organisational units are given greater freedom in operational decisions and constraints in financial and HR management are increasingly removed. Although it seems that within the EU no general trend in decentralising is observable, some public administrations are pursuing strategies to replace highly centralised hierarchical organisational structures by decentralised management environments. As a consequence decisions on resource allocation and service delivery are taken closer to the point of delivery and, thus, to provide senior officials and line managers with greater discretion and responsibility. However, at the same time, decentralisation has led to lively debates about its impact on accountability of those who govern to elected bodies (e.g. ministerial responsibility). As a consequence, many PAs have equally made efforts to secure and even strengthen political control and accountability as well as policy coherence, both core elements of good governance but also crucial conditions for implementing the Lisbon objectives. Central management bodies are pressed to maintain and enhance accountability, control, and large scale efficiency drivers. The OECD in its 2005 report ‘Modernising Government’ (p. 12) stressed that the “challenge is to maintain control in systems that are more delegated, with more autonomous agencies and third party providers”.

Key questions of public administration modernisation, thus, concern the extent to which competences and authority, especially in the area of HRM, can be passed down to lower levels of management and how this requires HRM to adapt to the

changing demands on public administration. A further central issue is how HR bodies in European public administration and governments in general can find an appropriate balance between the simultaneous demands of decentralising responsibilities and satisfying central co-ordination and control requirements. There is a lack of evidence and comparative information regarding these central directions of current public administration modernisation especially about how decentralisation affects leadership capabilities, working conditions of managers and the professional skills needed in HRM as well as issues of fairness and equity.

The main areas of interest to be covered in the study are:

- | Current trends of public administration modernisation with a special focus on the question how far and in which way PAs decentralise competencies and increase management autonomy (especially regarding HR issues).
- | How far is public administration in Europe moving away from centralised, hierarchical and bureaucratic structures towards a decentralised and fragmented public network with individualised HRM?
- | Is there a general trend towards decentralisation and individualisation of HR competencies and which HR policies and tasks tend to be (de)centralised. What is the role and involvement of government-wide HR units, line ministers, senior executives, line managers, HR units within line ministers and employee representatives in central HR decisions?
- | What are the most important initiatives in the field of enhancing accountability and central control (e.g. performance accountability, large scale efficiency drivers) as part of public administration modernisation?
- | What is the relationship and reconciliation between decentralisation and accountability in public administration modernisation? Does decentralisation have a negative impact on accountability or can they be reconciled? What arrangements will be necessary for such a reconciliation?
- | What are the most important professional skills and practices in the field of HRM which are necessary to adapt to and to promote these two requirements of public administration modernisation?

The scope of the survey encompasses central (federal) public administration in the EU Member States, the Accession States Bulgaria and Romania, and the European Commission. 'Public administration' refers to all institutions accomplishing public sector functions and under accountability of those who govern to elected or nominated (as in the case of the EC) bodies. This study understands decentralisation as the granting of increased resource competencies (e.g. budgetary and HR) and greater decision-making authority by central management bodies to line Ministries/departments and agencies, and, within Ministries/departments, to lower levels of management. The main focus is put on decentralisation trends in the field of HRM.

The concept of accountability has always been a central concern of both the study and the practice of public administration. Nonetheless, the concept has been described as notoriously imprecise and a complex, chameleon-like term. For this survey, we focus on a relatively narrow understanding in the sense of the obligation of a decentralised unit to answer to a hierarchically super-ordinate body of government for

its activities (encompassing legal, organisational and managerial accountability), but also include other forms of accountability, e.g. external accountability.

1.4. THE IMPORTANCE OF CONTEXT

As described above, this study aims to search for common trends but also to outline differences between the PAs regarding decentralisation, accountability and HR systems. Can we observe a common European modernisation agenda and a general obsolescence of traditional hierarchical, centrally organised government due to an increasing devolution of powers to lower levels, semi-autonomous bodies (agencies, corporatisations, etc.) and regional governments? The survey tries to find out how far important diversities still exist, or whether the process of European integration has reached a point where such diversities diminish in favour of common European standards or a common model.

The conception of this comparative EU-wide survey demands for a design that takes into consideration that norms and practices of (de)centralisation and accountability are deeply rooted in institutional contexts coming from different historical traditions. Constitutional arrangements, political processes and administrative cultures can be expected to have a profound impact on definitions and approaches to the enforcement of decentralisation and accountability. Anyone who has spent some time in another European country knows how values, beliefs and mentalities of the people differ from one's own country and region.

On the other hand, during recent years the question of increasing homogenisation in public administration governance has become a central topic of discussion both in academia (e.g. the EGPA 2002; Featherstone/Radaelli 2003; Mangenot 2005; Demmke 2006) and administrative practice (e.g. the Minister Meeting in June 2005), often linked to ideas of an emerging 'European Administrative Space (EAS)'. The concept of EAS is usually understood as the gradual convergence of administrative structures, processes and values towards a common European model. Whereas public administration traditionally was considered as a unique, path dependent product of histories and traditions the idea of a European convergence is rather new. It is driven by a variety of forces such as a European *acquis communautaire*, constant interaction amongst civil servants and politicians at EU level (e.g. within the EPAN) fostering common understanding and best-practice discussions, as well as international reform trends such as new public management or good governance often promoted by supranational institutions like the OECD.

The notion of an EAS has led to interesting and controversial debates. Whereas (at least for some time) international organisations observed a growing convergence in administrative structures and processes, most experts have become more critical to the concept and pointed to the importance of different administrative cultures and traditions. Also the OECD, which in the past showed a strong preference for observing 'universal trends' of public administration modernisation, in its most recent publications has increasingly stressed diversity and the relevance of context. The 2005 re-

port 'Modernising Government – The Way Forward' came to the conclusion that "Modernisation is dependent on context" and that "there are no public management cure-alls". Similarly, Olsen argues for Europe that "neither have the internal market, common legislation, and intense interaction among the public administrations produced structural convergence (..). Member States continue to organise their administrations differently both at home and in Brussels" (Olsen 2006, p. 13f).

Empirical and normative questions related to the EAS, however, are still open: are we really experiencing a convergence of administrative arrangements and do we want this to happen? How important are traditions and administrative cultures or are they increasingly disappearing along the path of European integration? As the European Union expands, these concerns become ever more important and this survey with its focus on decentralisation and accountability and the coverage of all EU Member States, the Accession States and the EC seems to be an ideal topic to analyse this question in more detail.

History, culture and the political-institutional context lead to different characteristics and priorities of governments. This has considerable implications for the concept of mutual learning and good or best practices. "Unless countries are very similar indeed, learning will work better at the level of system dynamics than at the level of instruments and specific questions" (OECD 2005, p. 13).

To adequately tackle the question of diversity vs. homogeneity in this study and to go beyond single descriptions, the participants of this study were clustered based on the following three dimensions:

- 1) public administrative tradition
- 2) main orientation of HR-system
- 3) size of the country.

The categorisation followed existing public administration literature and was discussed within the HRWG to secure plausibility. Nevertheless, shortcomings and difficulties of such categorisations – e.g. the fading out of relevant differences – remain and have to be kept in mind. For example assigning the Netherlands to the Continental European tradition and Malta to the Anglo-Saxon tradition (especially due to the Service being mostly a career organisation established along the lines of the British Westminster model) as well as the categorisation of the Baltic states seem open for discussion. Finally, another difficulty concerns the definition as regards the so-called 'Transition countries'. Naturally, this cluster does not imply that all these states have experienced similar historical, economic, social and political developments within the last decade. For example, in the "Estonian case (...) the transition period denotes the years from regaining independence from the old Soviet regime at the beginning of 1990s until becoming an EU member state in 2004" (Estonia). On the other side, as will be shown later, the chosen clusters seem to allow interesting new insights regarding the question of homogenisation and diversity.



INTRODUCTION

The relevance of different public administrative traditions such as the classic contrast between continental, state based systems on the one hand and Anglo-Saxon common law systems on the other, is common-place in comparative administrative research (e.g. Pollitt/Bouckaert 2004). Kickert, in a recent article on the distinctiveness in the study of public management in Europe, argued that different historical-institutional backgrounds of European states and administrations affect the form and content of their administrative reform. As a consequence considerably varying paths of public management reforms among Western states can be observed.

For analysing the results of this survey, the 27 participating EU Member and Accession States were clustered along the following public administration traditions or models. As the EC combines elements from various traditions (especially the Continental European and the Anglo-Saxon tradition) we refrained from adding the EC to one of these clusters.

Public administration tradition	
Anglo-Saxon tradition	Ireland, Malta, UK
Continental European tradition	Austria, Belgium, France, Germany, Luxembourg, Netherlands
Mediterranean/South European tradition	Cyprus, Greece, Italy, Portugal, Spain
Scandinavian tradition	Denmark, Finland, Sweden
Transition countries	Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia

Regarding the question of centralisation and decentralisation the size of a country can also be expected to be of relevance. We therefore categorised the states along the following size categories:

Size	
Large (> 20 million population)	France, Germany, Italy, Poland, Romania, Spain, UK
Medium (4-20 million population)	Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, Greece, Hungary, Netherlands, Portugal, Slovakia, Sweden

Small (< 4 million population)	Cyprus, Estonia, Ireland, Latvia, Lithuania, Luxembourg, Malta, Slovenia
No categorisation possible	EC

As the main focus of this survey lies on HR topics, the states as well as the EC were also clustered according to their predominant orientation of the HR system, whereby the study followed the OECD (2005, p. 164ff) distinction of two main models of public service employment with a profound effect on a country's public administration culture:

a) career-based systems characterised by the dominance of life-long public service careers, specific criteria for initial entry, a strong emphasis on career development with a high relevance of seniority and a relatively strong differentiation between private and public sector employment; they tend to promote collective values and show a weaker emphasis on individual performance and accountability;

b) position-based systems characterised by a focus on selecting the candidates for each position, more open access and a higher mobility between private and public sector employment; they tend to have weaker cross-government values but stronger links across levels of hierarchy and status as well as a stronger focus on individual performance assessment.

Since the beginning of the twentieth century, most European states have been developing specific civil service systems. Later, these systems were further refined and developed into highly sophisticated and complex organisational structures. The decision to create a specific civil service (law) was not arbitrary, but closely connected to cultural and historical developments. Until the end of the twentieth century, most European states – similar to large enterprises – were convinced that hierarchical, centralised and bureaucratic systems in the sense of Max Weber were the 'incarnation' of a rational, modern organisation and guaranteed a maximum of stability and efficiency.

For a long time, it used to be fairly simple and straightforward to define the role of the state and public administration, to delineate the public from the private sector, to differentiate and distinguish public employees from private employees, and to identify the profession of civil servants as consisting of trained and experienced public employees who devoted their working lives to running public organisations (UN 2005, p. 3).

Also in the field of Human Resource Management (or as it was called: Personnel Administration) most PAs had adopted a more centralised approach and applied traditional career elements as well as – for a long time – 'sacred' HRM principles:

- I Separation between politics and a neutral, objective public administration
- I Statute-based job selection, appointment, promotion and pay structures

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- | Centralised remuneration systems with wage agreements covering the whole public sector
- | Limited managerial flexibility to recruit, pay and reach objectives in order to secure equity
- | Uniform career development patterns based on seniority
- | Restricted mobility between the private and public sector
- | Jobs for life and little flexibility in working time
- | Little competition in the recruitment of top officials
- | Specific code of conduct for civil servants (including special disciplinary law)
- | Emphasis on rule of law, procedural regulations, accuracy, equity and fairness

Until the end of the sixties almost all European countries had opted for such a hierarchical, centralised, bureaucratic career model. The first European country to deviate from a classical career system was the UK (after the Fulton report in 1968), followed by The Netherlands (after the so-called Preadvies in 1982) and Scandinavia. As a result of these developments and a broad range of other reforms in most public administrations, there is, at the beginning of the 21st century, no longer a civil service model that could be described as a 'classical career model'.

Both systems have their specific strengths and weaknesses. In addition, current reform trends show that pure career or position models do not exist (Demmke 2004; OECD 2005). There seems to be a clear trend of blurring the systems and instead of clear-cut categories the following clusters are to be understood as showing stronger characteristics of one of the two systems.¹

HR system

Career-based HR system	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Portugal, Romania, Slovakia, Spain, EC
Position-based HR system	Denmark, Estonia, Finland, Malta, Netherlands, Sweden, UK
Different categorisation	Italy, Poland, Slovenia

The results of the questionnaire were analysed according to these categories to see if such categorisations would make a difference (supporting the diversity argument) or would lack any significant impact on the results (supporting the convergence argument). As it was not possible to cluster the European Commission with regard to administrative traditions or to size, it is important to note that, in the following presentation of cluster based results, the EC is nonetheless represented in the 'career-based' cluster.

1.5. METHODOLOGY

A questionnaire, developed jointly by EIPA and the Institute for Public Management in Vienna for the HRWG, was sent in electronic form to the HRWG members of all EU Member and Accession States as well as to the EC. In order to strengthen the cooperation and synergies between the different EPAN Working Groups, IPSG members were also invited to participate in this questionnaire-survey by providing additional information and comments based on their work experiences.

The questionnaire, both with open and closed questions, focused on the following four topics:

- | public administration modernisation
- | decentralising/centralising public administration with special focus on the involvement of various actors in different HR tasks in central public administration and agencies
- | strengthening accountability
- | perspectives for Human Resource Management

Especially the questions regarding centralisation or decentralisation of HR competencies were conceptualised as closed questions to allow for comparative quantitative analyses. Nevertheless, it is very clear from the way in which the questionnaires have been completed and the additional comments that there is no universal 'language' of HRM and these differences of understanding also could have some impact on the results of this survey. However, the general picture seems to be quite valid and short case studies on specific approaches and initiatives have been included to illustrate the findings.

Beside this questionnaire, the study also builds on research of previous EU presidencies (esp. the 2005 survey 'Innovative HR Strategies Project' under the UK Presidency) and the OECD (esp. the 2002 survey on Strategic HRM) which were included in the report to enrich the results and avoid overlapping efforts. The results of this survey cover both, general experiences and specific reform initiatives and provide up-to-date information on public administration modernisation for public sector executives throughout the European Union.

Following the positive experiences under the UK presidency at working group level, in addition to the questionnaire survey one workshop and a further meeting were organised with the HRWG to initiate discussions on decentralisation and accountability experiences and gain additional input. The workshop was held in the initial phase of the survey to clarify open questions whereas the meeting gave the HRWG the opportunity to comment on the preliminary findings. In addition, a preliminary version of the study was sent to all respondents for a cross check of the study's findings.

2. PUBLIC ADMINISTRATION MODERNISATION IN EUROPE: SIMILAR OR DIFFERENT TRAJECTORIES

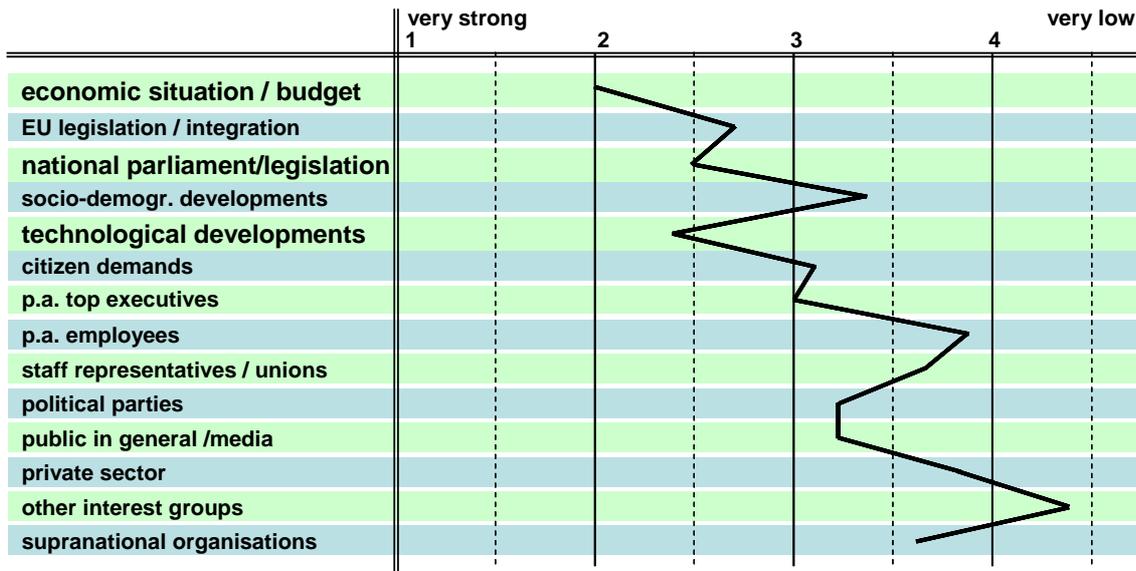
The past two decades have witnessed an influx of new ideas in the field of public administration modernisation all over the world. All EU Member States, the Accession States as well as the EC have put considerable efforts to public administration modernisation, although with varying intensity and focus. The impetus for change is usually argued to come from the social, economic and technological developments in the latter half of the 20th century, whereby such trends are often depicted as ‘universal’ for all Western countries and thereby implicating a preference for ‘universal’ solutions.

2.1. ECONOMIC SITUATION AND BUDGETARY PRESSURES AS MAIN DRIVERS

Our survey clearly shows that public administration modernisation in Europe is strongly driven by economic and budgetary pressures (see figure 1). Expenditure limits such as the Maastricht criteria in general seem to be of higher relevance for public administration modernisation than the need to adapt to the changing needs of society (e.g. citizen demands). Interestingly, socio-demographic developments seem to be of relatively low importance although some respondents (e.g. France, Belgium and Sweden) acknowledge that they face tremendous challenges in this field (Demmke 2002). Also current reforms seem to be strongly driven by technological developments. This is also reflected in the central role of e-government on the current modernisation agenda in all EU public administrations.

EU legislation and integration also seem to be a relevant – although not a very strong – driver for reform. PAs that see a stronger influence of EU legislation and integration also tend to see a stronger influence of national parliaments and the economic/budgetary situation indicating a considerable interrelationship between these drivers of modernisation.

Figure 1: Main drivers for public administration modernisation in Europe



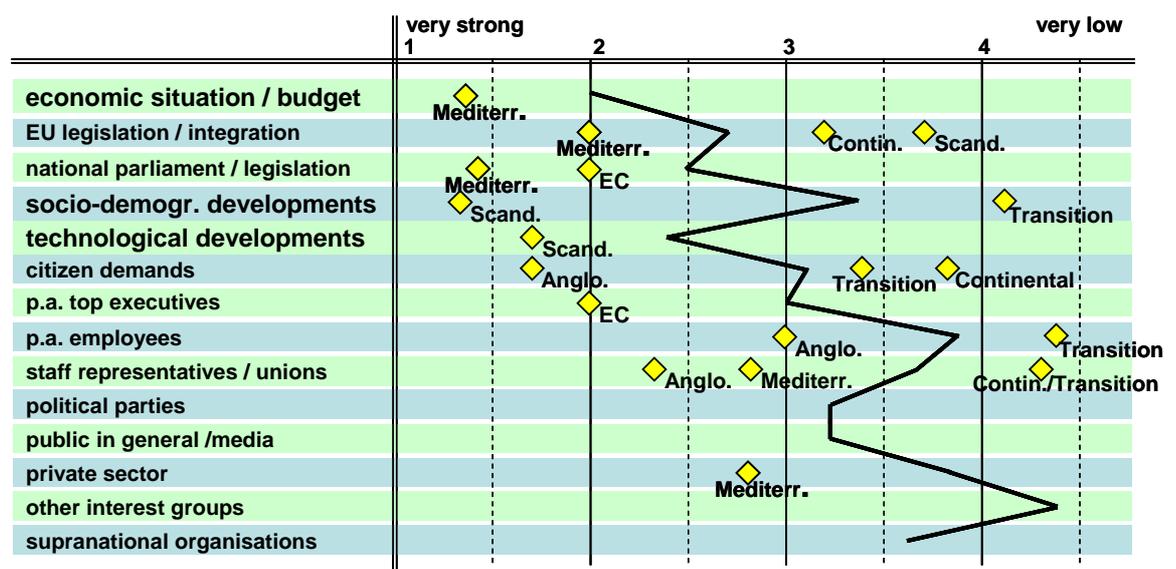
The answers also indicate that public administration modernisation is a strongly top-down driven agenda with national parliament and legislation as key factor driving the modernisation agenda. Public administration top executives and especially employees as well as staff representatives and unions play a less important role especially regarding setting the agenda and deciding the direction (with regard to implementation their role significantly increases as was noted in several answers). Similarly, the media, private sector enterprises and lobbyists as well as other interest groups and supranational organisations do not seem to play a significant role in public administration modernisation in Europe.

At first sight the answers seem to suggest a growing consensus and common picture of main reform trends. However, things are more complex when entering more into details and reveal significant differences from one PA to another. Especially the different public administration traditions seem to vary considerably regarding their assessment of the relevance of different reform drivers, whereas the size or the HR system do not seem to have a high impact.

Figure 2 provides a more differentiated picture by showing variations between different clusters. The impact of EU legislation and integration on national public administration modernisation seems to be considerably higher in Mediterranean countries and – to a lesser degree – in Transition countries compared to Scandinavian and Continental European countries who regard the influence of the EU as rather low. Mediterranean countries in general also seem to experience a higher impact of

economic and budgetary pressures as well as national parliaments and private sector interests on their public administration modernisation than other respondents.

Figure 2: Considerable variations in reform pressures throughout Europe



Scandinavian countries as well as PAs with position-based HR systems experience a much higher relevance of socio-demographic developments, whereas PAs with career-based HR systems and especially Transition countries (with even lower birth-rates than countries such as Italy, Spain and Germany) have not yet recognised this issue as a main driver for reform. One explanation may be that for them other issues such as budgetary pressures and EU influences are considerably more important.

In general, public administration modernisation in Scandinavia and Anglo-Saxon countries seems to be more driven by external demands such as socio-demographic developments, citizen demands and technological developments than in the other states with a stronger focus on budgetary pressures.

Other interesting variances can be observed regarding the role of different groups of actors: Whereas the assessment of the relevance of national parliaments, top level administration, political parties and most other actors is quite similar in most responses, the impact of public administration employees as well as staff representatives and unions seems to vary significantly. In Anglo-Saxon countries, these two groups play a more significant role especially in comparison with Transition and Continental European countries indicating a more top-down approach in the latter countries (see also chapter 3.9).

2.2. DIFFERENT PATHS AND PATTERNS OF PUBLIC ADMINISTRATION MODERNISATION

It could be expected that different pressures for public administration modernisation also lead to different modernisation agendas and paths among the participants of this study. In a second question, the respondents were asked to assess the importance of different modernisation topics in their specific administrative reform agendas and specify main initiatives.

It is obvious that a very broad number of public administration modernisation topics have been promoted in the past under different labels whereby especially 'new public management' and 'good governance' have become highly influential umbrella terms. The questionnaire tried to assess the relevance of both these umbrella concepts but also more specific reform concepts and priorities such as the use of market-type mechanisms, different forms of decentralisation, performance management, quality management, open government, customer orientation, e-government as well as ethics and codes of conduct, and new partnership forms within the public sector but also with the private sector.

The OECD in their 2005 report has outlined the following topics as main themes of public administration modernisation in OECD states throughout the past 20 years:

- | Open government
- | Enhancing public sector performance
- | Modernising accountability and control
- | Reallocation and restructuring (decentralisation)
- | Use of market-type mechanisms
- | Modernising public employment

The results of this survey confirm this general picture but also allow a variety of interesting specifications regarding the developments in the different PAs.

Figure 3 clearly shows that in Europe e-government currently seems to be by far the most influential topic of public administration modernisation in accordance with the highly influential role of technological developments described above. E-government is regarded as highly relevant or relevant topic in 19 states and nearly all respondents have put forward e-government initiatives including reforms such as:

- | setting up legal conditions and frameworks
- | development of e-government strategies
- | new information and transaction services for citizens and customers
- | establishment of e-democracy
- | new ICT to improve internal processes and efficiency
- | creating new management information systems.

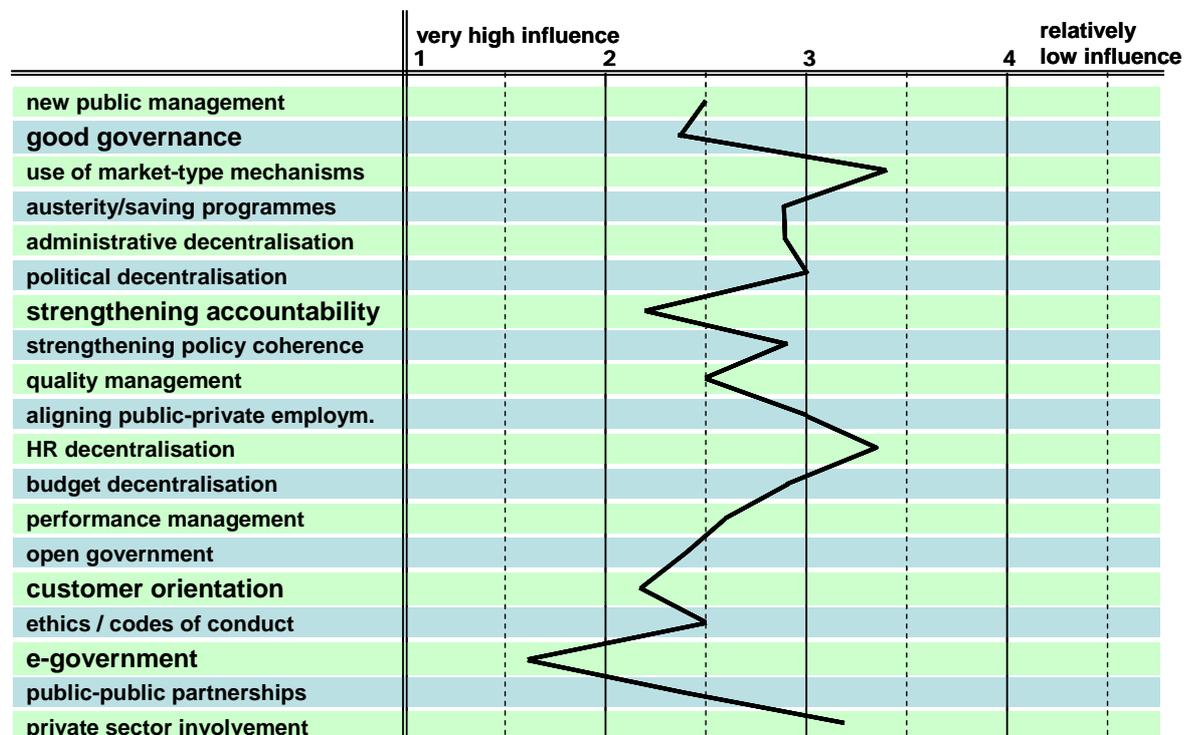
Besides such e-government reform initiatives, efforts to strengthen accountability and customer orientation as well as reforms related to good governance currently seem to be high on the modernisation agenda in Europe. Decentralisation – espe-

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cially decentralisation of HR competencies – does not seem to play such a central role within public administration modernisation in Europe. Similarly, the alignment of public and private sector employment is meant to be less influential as has been described in other reports.

In clear contrast to OECD research the use of market-type mechanisms, private sector involvement (such as contracting out, public private partnerships or privatisations) seem to be of only minor relevance according to the respondents' assessments (of course, this may also be due to the fact that our study was confined to central administration). Whereas new public management elements like quality management or performance management have found a relatively broad acceptance, more market-oriented elements are less influential in core public administration. Quantitative analysis nevertheless shows a positive interrelationship between new public management, market-type reforms, alignment of public and private sector employment, budget decentralisation and private sector involvement, indicating a close tie between these reforms.

Figure 3: A broad variety of public administration modernisation topics



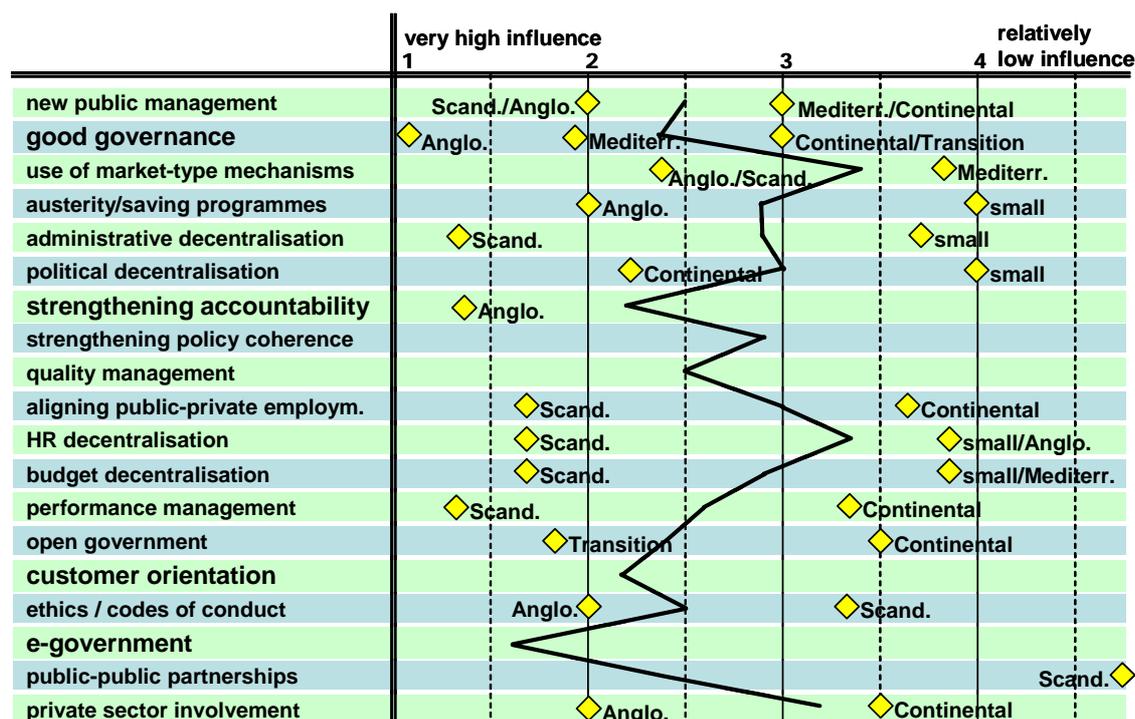
The overall picture also indicates that good governance (and related topics like open government, accountability, ethics/code of conduct) has increasingly complemented if not superseded New Public Management (and related topics such as mar-

ket-type mechanisms, private sector involvement, performance management) as most influential orientation for public administration modernisation. Our analysis shows that a higher relevance of good governance usually goes along with a stronger role of public sector employees and staff representatives as reform drivers. Similarly, there is a positive relation between good governance, accountability, private sector involvement and alignment of public and private sector employment.

However, the importance of the different reform topics differs widely from one PA to the next and between different clusters, making it difficult to speak of ‘universal’ or ‘common’ trends, but more of patterns or paths strongly related to public administration traditions and – to a lesser degree – to the prevailing HR system and country size.

While e-government but also accountability and customer orientation are high on the agenda in all clusters, the relevance of other reform topics varies between countries with different public administration traditions (see figure 4 and table 1). Continental European as well as Transition countries in general seem to be more reluctant towards modernisation issues, especially an alignment of public and private sector employment, HR decentralisation, open government, performance management, market-oriented reforms and new public management in general. On the other hand, in these countries political decentralisation seems to be of significantly higher relevance than in the other states.

Figure 4: Different priorities of public administration modernisation in Europe



PUBLIC ADMINISTRATION MODERNISATION IN EUROPE

For Mediterranean countries good governance seems to have gained much more relevance than in the other country categories (except the Anglo-Saxon), whereas, similar to Continental European countries, new public management, market-oriented reforms as well as budget decentralisation are only of little relevance. Scandinavian and Anglo-Saxon countries show considerable similarities regarding the high priority given to topics such as new public management, good governance, market-type mechanisms, austerity, administrative and budget decentralisation, performance management and private sector involvement but show also considerable differences regarding the relevance of HR decentralisation and public-public partnerships (in both traditions, considerable HR decentralisation efforts have already taken place in past). For Transition countries, open government related reforms are of top priority whereas decentralisation, market-oriented mechanisms and austerity/savings play a minor role compared to other countries. Romania and Bulgaria also mentioned new public management as a highly relevant topic in administrative reforms.

Table 1: Different priorities of public administration modernisation in Europe

	Topics with highest influence	Topics with lowest influence
Anglo-Saxon Countries	<ul style="list-style-type: none"> e-government good governance accountability customer orientation open government ethics/code of conduct private sector involvement new public management austerity/savings 	<ul style="list-style-type: none"> HR decentralisation quality management aligning public-private employment political decentralisation public-public partnerships policy coherence
Continental European Countries	<ul style="list-style-type: none"> e-government political decentralisation accountability quality management customer orientation ethics/codes of conduct 	<ul style="list-style-type: none"> HR decentralisation aligning public-private employment market-type reforms private sector involvement open government
Mediterranean Countries	<ul style="list-style-type: none"> e-government good governance customer orientation austerity open government accountability 	<ul style="list-style-type: none"> budgetary decentralisation market-type reforms political decentralisation policy coherence HR decentralisation private sector involvement
Scandinavian Countries	<ul style="list-style-type: none"> e-government administrative decentralisation performance management HR decentralisation 	<ul style="list-style-type: none"> public-public partnerships ethics/codes of conduct policy coherence political decentralisation

	aligning public-private employment	
	budgetary decentralisation	
Transition Countries	e-government	austerity/savings
	open government	market-type reforms
	ethics/codes of conduct	administrative decentralisation
	customer orientation	HR decentralisation
	new public management	private sector involvement
	quality management	aligning public-private employment
EC	good governance	political decentralisation
	accountability	public-public partnerships
	policy coherence	private sector involvement
	quality management	market-type reforms

The size of a country proved to be an important indicator for the relevance of decentralisation as a focus of public administration modernisation. All forms of decentralisation play a considerably stronger role as reform issue in larger countries than in smaller countries. Austerity and saving programmes are also much less relevant for smaller countries, whereas accountability and public-public partnerships seem to be more influential topics in smaller countries.

Whether a PA has a predominantly career- or position-based HR system also seems to influence its path of modernisation. Position-based PAs in general seem to assign a higher relevance to most public modernisation topics: especially market type mechanisms, administrative decentralisation, HR decentralisation and private sector involvement as well as performance management play a much higher role in these countries. Career-based PAs seem to be characterised by a considerably higher tendency to stick with the traditional bureaucratic-hierarchical and legal system of public administration. However, ethics/codes of conduct, public-public partnerships and quality management are reform issues that are of high importance in PAs with a career-based HR system.

BOX 1: MAIN PUBLIC ADMINISTRATION MODERNISATION INITIATIVES IN EUROPE

New public management

- | **Austria:** VIP-Administration Innovation programme, comprising a broad spectrum of structural, procedural reforms along new public management ideas (currently over 150 reform projects); introduction of cost accounting; reform of support functions and IT-services
- | **Romania:** enactment of new law creating a special category of civil servants called 'public managers'

Good governance

- | **France:** major reform of budgetary law implemented in 2006 with the main objectives to increase parliamentary participation, to realise an in-depth modernisation of public governance and to improve efficiency and quality of services
- | **Latvia:** public administration reform policy documents are based on good governance principles; concept includes institutional reform, evaluations, improvement of policy planning system and promotion of transparency and accountability by strengthening civil participation and introduction of codes of ethics
- | **Spain:** Code of Good Governance was passed in 2006
- | **EC:** Major administrative reform of the Commission in 2004, including a new staff regulation

Austerity/saving programmes

- | **Austria:** headcount reductions; reform of pension system
- | **Cyprus:** deferral of salary increases and constraints regarding the creation of new positions
- | **Poland:** saving programme 'Inexpensive State' launched in 2005
- | **Portugal:** restructuring programme to re-evaluate all existing public sector organisations in order to simplify structures
- | **Spain:** all administrations are obliged by law not to incur any deficit (Budgetary Stability Act 18/2001).

Different forms of decentralisation

(see box 3 in chapter 3)

Strengthening accountability and policy coherence

(see chapter 4)

Quality management

- | **Cyprus:** implementation of CAF
- | **Malta:** emphasis on service delivery standards through introduction of Quality Service Charters
- | **Slovenia:** implementation of CAF, ISO, EFQM in several governmental bodies
- | **Slovakia:** obligation to implement the CAF model in the civil service according to a governmental regulation issued in the year 2003; regular quality conferences

Performance management

- | **Cyprus:** new performance appraisal system including target-setting mechanisms
- | **Estonia:** main steps laid down in the 'Government Public Administration Reform Programme' 2001
- | **Germany:** government initiative 'Modernising Government – Modernising Administration'

- | **Ireland:** Performance Management Development System (PMDS); Strategic Management Initiative combined with Delivering Better Government framework; an independent review confirmed considerable improvements in civil service effectiveness due to these initiatives
- | **Malta:** introduction of 3-year business planning in ministries and departments; placing all senior managers on performance contract with annual targets
- | **Portugal:** a new performance assessment system for all public workers focusing on objectives, but with no relevance on payment
- | **Slovakia:** performance assessment introduced by the Act on Civil Service whereby every civil servant is assessed by his superior officer on an annual basis; performance related pay introduced as a direct consequence of such assessments
- | **Sweden:** introduction of individually differentiated pay; increasing focus on objectives and targets being part of evaluation dialogues between managers/supervisors and every single employee; strengthening of financial management
- | **EC:** Activity Based Management (ABM) system including a Strategic Planning and Programming Cycle was put in place to ensure performance and policy coherence

Employment alignment

- | **Estonia:** main steps laid down in the 'Government Public Administration Reform Programme' 2001
- | **Italy:** the special statute based on administrative law, which governed public sector employees, has been abandoned; the law in force for the private sector is now applied to working relations of public employees
- | **Portugal:** new law in 2004 introducing the possibility to contract workers according to the rules of the private sector

Customer orientation

- | **Cyprus:** one-stop-shops; citizen charters; online services
- | **Italy:** a new law has been approved in order to strengthen the information and communication activities of public administrations
- | **Poland:** 'Friendly Administration' program with broad range of activities and reforms
- | **UK:** Charter Mark as national standard of customer excellence
- | **EC:** Establishment of Code of Good Administrative Behavior

Open government

- | **Greece:** legal provisions and independent boards to promote transparency in public administration and allow access to public administrative information
- | **Ireland:** freedom of information initiative
- | **Poland:** reform of recruitment processes to increase transparency, openness and competitiveness; establishment of access to public information as public right; law on access to public information; launch of Information Centre of Civil Service
- | **Romania:** new law on free access to information of public interest; new law establishing procedural rules to guarantee transparency of public administration decisions towards citizens

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- | **Slovenia:** open line for citizens; each question or suggestion must be answered within three weeks
- | **Slovakia:** Act on Freedom of Access to Information introduced in 2000; additional act 2005 with the obligation to provide information on salaries and benefits of public officials to interested parties
- | **EC:** adoption of Access to Documents Regulation / Green Paper on Transparency 2006

Ethics/codes of conduct

- | **Denmark:** development of a Public Governance Code for Chief Executive Excellence in 2005
- | **Poland:** development and promotion of a Civil Service Code of Ethics
- | **Romania:** endorsement of code of conduct for civil servants in 2004
- | **Slovakia:** Code of Ethics of a Civil Servant in place since 2002
- | **EC:** New rules on ethics and integrity and modified staff regulations; Code of Conduct for Commissioners

E-government

- | **Austria:** large scale implementation of SAP and new electronic file system; e-government legislation; citizen-information system (help.gv); online transactions (e.g. finanz online)
- | **Cyprus:** online services (e.g. Taxisnet, Thesas)
- | **Czech Republic:** electronic signature act; information system act
- | **France:** e-government strategy; development of personalised portal as a kind of one-stop-shop enabling each user to access public services and to operate all administrative procedures online
- | **Germany:** initiatives BundOnline and DeutschlandOnline
- | **Luxembourg:** guidance plan 2005-2009 for electronic governance
- | **Malta:** launch of e-government programme
- | **Portugal:** internet data bases available to all citizens (profile of public employees, vacancies etc.); further online services (e.g. 'the citizen site', 'individual tax return')
- | **Romania:** law to establish national electronic system as public utility information system; laws setting the legal framework for electronic commerce and signature
- | **Slovenia:** project 'All in one post' to offer one-stop-shop services
- | **Slovakia:** Action Plan for Information Society
- | **Sweden:** e-government has been introduced, heavily implemented and is further developed in most fields of government administration
- | **UK:** e-government strategy 'Transformational Government – Enabling Technology'; e-government unit working with departments to achieve efficiency savings and improve access to public services through electronic delivery; UK GovTalk to enable public sector, industry and other interested participants to work together to develop and agree policies and standards for e-government through consultation processes
- | **EC:** strategic framework "eCommission 2006 – 2010"

Deregulation

- | **Austria:** Deregulation Law passed in 2001
- | **Belgium:** policy to reduce red tape and unnecessary regulation (Kafka-test)
- | **Cyprus:** better regulation initiatives
- | **Germany:** regulatory impact assessment and better regulation initiatives
- | **UK:** Legislative and Regulatory Reform Bill to deliver the Government's better regulation agenda

2.3. PUBLIC ADMINISTRATION MODERNISATION AND ITS RELEVANCE FOR THE LISBON STRATEGY

In 2005, under the Luxembourg and the UK Presidencies of the EU, the EPAN network made an important step to integrate the objectives of the Lisbon Strategy into the new Mid-Term Programme for the years 2006 till 2007. Its members expressed their commitment to develop themes that may help public administrations to work towards their contribution to the Lisbon strategy (strategy for growth and jobs) especially by increasing public administration efficiency.

As already mentioned, most respondents agree that budgetary constraints are an important – and in most cases the most important – driver for public administration modernisation. This broad awareness of the need to improve public administration efficiency also has led to a broad range of initiatives to improve 'large scale efficiency'. The EPAN mid-term program under the topic 'modernisation of Public Administration' recommended paying particular attention to large scale efficiency drivers such as reductions in headcount, relocation projects, procurement programmes or IT-projects and the success or failure of particular schemes to increase public administration efficiency.

An important question raised in our study was about the main reforms undertaken in the PAs to pay attention to large scale efficiency drivers and get information about success and failure. The answers (see box 2) underline that nearly all states have put considerable effort into such initiatives although a common strategy or a common understanding could not be found which indicates a need for more intensified discussion of this topic.

Important head-count reduction programmes have been implemented in many PAs with a strong tendency to highly centralised or top-down approaches. In addition, a broad spectrum of other reform measures were implemented with regard to large scale efficiency drivers again reflecting the diversity in approaching similar problems:

- | Head count reduction programmes: e.g. Austria, Cyprus, Finland, Germany, Ireland, Malta, Slovenia, Sweden
- | Large scale restructuring: e.g. Austria, Denmark, Italy, Poland, Romania, EC

- | The creation of joint service centres in areas such as procurement, HRM, IT, accounting or other internal services to realise synergies: e.g. Austria, Finland, Germany, UK
- | HR reforms to improve training, mobility and employment conditions: e.g. Bulgaria, Czech Republic, Germany, Hungary, Latvia, Netherlands, Portugal, Slovenia
- | Management initiatives: e.g. Belgium, France, Italy, Latvia and Sweden
- | Initiatives to foster public private partnerships: e.g. Ireland, UK
- | The use of ICT/e-government: e.g. Czech Republic, Estonia, Italy, Netherlands
- | Increased transparency: e.g. Romania

There seems to be a strong need for more detailed information regarding the impact and success of these reforms. Further, it should also be stressed that other reform initiatives without explicit focus on large scale efficiency drivers such as e-government, accountability, policy coherence, and performance management also play an important role in improving public administration efficiency. Especially, decentralisation can be understood as an adequate and effective way to strengthen management capacity and performance orientation. Accompanied by adequate coordination and steering mechanisms to secure policy coherence and performance orientation, it is an essential requirement to work better towards the Lisbon objectives. Important efforts can already be observed, but there is still a need for a more explicit focus of public administration modernisation initiatives on the Lisbon goals. An important step would be to improve the exchange of information regarding the impact of such large scale efficiency drivers and to gain more evidence-based information on the success of national measures through systematic evaluations.

BOX 2: LARGE SCALE EFFICIENCY DRIVERS – DIFFERENT INITIATIVES SET BY THE EU MEMBER STATES, THE ACCESSION STATES AND THE EC

- | **Austria:** With a great number of corporatisations in combination with non-replacement of retiring staff and ‘golden handshakes’ within the core administration, the federal administration staff could be reduced by 20% within the last five years.
- | **Cyprus:** Most of the large scale efficiency drivers that were undertaken in Cyprus came as a result of harmonisation measures due to the accession to the EU. In addition there has been a general ‘moratorium’ regarding the creation of new posts, unless they are related to obligations that derive from the *acquis communautaire*.
- | **Denmark:** As from 2007, a major public sector reform in Denmark will be implemented. In addition to task-related changes, the reform will imply a considerable reduction in the number of regional and local government units.
- | **EC:** As part of the overhaul of administration during the reform process, the concentration on core tasks within the Commission and creation of three Administrative Offices and a number of executive agencies with the aim to have smaller units with specific tasks responsible for the implementation of approved policies. The aim is to achieve efficiency gains in the field of executive tasks.

- | **Estonia:** Since the early 1990s until 1996 the main tendency in Estonian public administration reform was to restructure and downsize the administrative system. A number of ministries were merged and parallel to administrative reorganisations, many state-owned enterprises were privatised. In the late 90s, new public management influenced public management initiatives creating an emphasis for using private sector management instruments as well as decentralised management and financial control and means to foster a 'performance culture'. This resulted in a growing interest of using performance management tools such as pay-for-performance (PFP). It also could be observed that a strong legalistic approach as well as other transition problems led to an implementation gap especially regarding management tools.
- | **Finland:** The most recent initiative is a productivity programme initiated by the Ministry of Finance. The programme includes a government target to reduce the state personnel in the period 2007-2011 by replacing only 60% of all staff retiring during this period. Each ministry has its own productivity programme to implement the targets in its own field. In addition joint service centres were set up to deliver support services and can be regarded as an example of specific measures to realize potential efficiency gains.
- | **France:** A recent reform generally considered as having the largest impact was the implementation of a new budgetary law to achieve greater transparency and to determine clear objectives and accountability for spending public money.
- | **Germany:** A public service law reform to offer employees new perspectives and promote their creativity and motivation while at the same time providing employers with greater flexibility. In addition, further reform initiatives including a federalism reform, linear job reductions, 'one-for-all' federal services such as electronic contract awarding, electronic procurement (Kaufhaus des Bundes), the setting up of central service providers within federal administration as well as the introduction of business-oriented management tools were carried out.
- | **Ireland:** Public private partnerships play a key role in the provision of infrastructural projects.
- | **Latvia:** Institutional reform based on an evaluation of status and functions of public institutions and their reorganisation with the aim to achieve transparent administrative and financial procedures. Additional means were the introduction of a policy planning system, the development of a common policy on civil society issues and the introduction of a unified job classification and remuneration system.
- | **Malta:** Public sector employment has decreased over the past five years by 4,7%. This has been due to government's drive to reduce manpower through improving employee utilisation and redeploying under-utilised staff, coupled with the offer of early retirement schemes at some government entities. In 2005 government established a Recruitment and Re-Deployment Advisory Group within the Office of the Prime Minister specifically to manage existing surplus labour situations.
- | **Poland:** Along a reform of self-government a broad spectrum of tasks was devolved from government administration to local government. In addition, original 49 voivodships (each with an own office) were merged to now 16 voivodships leading to considerable headcount reductions. In addition, in 2005 government launched a saving programme 'Inexpensive State'. The main task of an interdepartmental team created by the Prime Minister is to decrease expenditures through assessment of

structures and statutes of organisational units and to develop proposals regarding employment, the liquidation and transformation of offices, agencies and funds, as well as standardisation and budgetary reform.

- | **Portugal:** A government resolution with the purpose of reducing the number of public workers includes a government target to replace, in general, only 50% of the workers that leave public administration. Before replacement by external recruitment, it is necessary to assure that the vacancy cannot be filled through internal mobility.
- | **Romania:** In 2003 a new law to ensure transparency was implemented followed in 2004 by a law to accelerate public administration reform and an Emergency Ordinance in 2006 to strengthen Romania's administrative capacity in view of the EU accession.
- | **Slovenia:** A reduction in headcount by 3% within four years; the establishment of a new Ministry of Public Administration in 2004 to create synergies in the areas of procurement, HRM, e-government and quality management; the establishment of a new Government Office for Coordination and Monitoring of Slovenia's Development Strategy Implementation in 2006; a reform of the Civil Servants Act in 2005 to facilitate employment, transferral and dismissal of civil servants similar to the private sector.
- | **Sweden:** The core reforms have been austerity/savings programs, a reform of the budget process to gain better control of public finances, the introduction of performance management for the agencies as well as e-government used as an important vehicle for establishing a more citizens-oriented administration offering high service and accessibility. Since 1990, the number of state employees has been reduced from more than 400.000 to 236.000 today. In the early 1990s, administrative costs were reduced by 10%. In addition, yearly cuts by 1-2 % in agency budgets have often been used as instrument.
- | **UK:** The current efficiency programme was developed 'bottom up' and designed to release resources from the back office to the front line at the rate of 2.5% per year. Savings arise from better procurement and improved productivity.

3. DECENTRALISATION AND CENTRALISATION OF HRM

3.1. ADVANTAGES AND DISADVANTAGES OF CENTRALISATION AND DECENTRALISATION - WHY IS THIS ISSUE RELEVANT?

Practical experiences and empirical evidence so far suggest that decentralisation undoubtedly has positive effects, but also poses severe challenges in the field of HRM. The ultimate measure of any HR system is the quality, efficiency, impartiality, professionalism and responsiveness that it delivers and how it furthers the possibilities to reach and fulfil objectives and helps delivering services of good quality to citizens. Basically, these objectives can be achieved by either a more decentralised or a more centralised system, both of which have several benefits and risks, the advantages of one system often being the shortcomings of the other. The OECD (2004) notes that “If countries have a high degree of delegation, it is likely that their policies will aim, among other things, to improve government coherence. In the opposite case, they may find the need to increase bottom-up processes and give some additional flexibility to their systems.” Thus, finding a right balance between too much centralisation and too much decentralisation is a major challenge for all governments.

Centralisation generally refers to the extent that decision-making powers are vested in bodies at a high hierarchical level. These central powers or rules are often applicable to the entire public administration. Centralised HR systems were put in place to guarantee politically neutral decision-making and protect employees against political coercion and patronage. Moreover, it has often been argued that the standardisation of HR practices secures coherence of policies and service delivery. In addition, centralised approaches are also seen to offer higher efficiency due to economies of scale and a higher effectiveness because of qualified HR experts being in charge of tasks such as reviewing and ranking job candidates.

Proponents of decentralising responsibilities to managers assert that this increases the efficiency and effectiveness of HRM and public administration in general. Decisions can be taken faster, recruitment be tailored to the exact needs of the organisation, less complex procedures are needed etc. In addition, effectiveness is increased, because decentralisation increases the manager's discretion, thus enabling him to recruit, evaluate, offer incentives, promote, suggest training needs and communicate directly. The philosophy behind decentralisation and deregulation is a well-known argument: centralised HRM is rigid, unresponsive, slow and ineffective. Finally, there is very little evidence so far whether decentralised HR systems are really more vulnerable to cases of political pressure and politicisation.

On the other hand, highly decentralised systems may entail a decline in the professionalism of the core civil service and a certain loss of a civil service ethos as well as the fragmentation of policies from a strategic point of view. In addition, according to the United Nations (2005), the problem with such a decentralised approach is the increased possibility of conflicts among the different actors and institutions – ministries,

agencies or HRM authorities – if central coordination mechanisms are ineffective or non-existent. The success of decentralisation also seems to depend on the skills of managers and HR professionals to carry out their tasks and responsibilities. Thus, greater autonomy and decentralisation of responsibilities require considerable investment in management qualifications at all levels. It is important to combine decentralisation efforts with additional management training to provide the professional skills that are crucial for managing in a decentralised environment. Fairness and equity are another important issue to be discussed. What happens when centralised procedures are removed regarding issues such as pay, promotion, diversity, equal opportunities? What happens if managers, different units, organisations and agencies apply their discretion (flexibility) too widely and in very different ways? Finally, decentralised HR systems may have unintended centralising effects if the HR functions are bundled and/or outsourced to one centralised entity (Coggburn 2005).

It seems to be obvious, that decentralisation goes along with the need for additional co-ordination and new accountability procedures. Consequently, the effectiveness of decentralised systems depends on the existence of very good coordination and monitoring systems. Furthermore, specific forms of deregulation to 'let managers manage' can be accompanied by re-regulation that imposes new, and perhaps more burdensome constraints and additional bureaucracy. Sometimes, these are in the style of market-type mechanisms aimed at improving coordination or reliance on 'self-regulation' within new frameworks of accountability and transparency (such as performance indicators). However, these often appear to be no less intrusive or bothersome to managers than old-style by-the-book controls and inspections (UN 2005). In the literature and in general discussions, decentralisation is often said to entail a range of expected and unexpected outcomes (see table 2).

Table 2: Advantages and disadvantages of decentralisation and centralisation of HRM

	Advantages	Disadvantages
Centralisation	<ul style="list-style-type: none"> better coordination to address state-wide issues (e.g. antidiscrimination) improved policy coherence protection against patronage and politicisation more equity and fairness efficiency gains through economies of scale better qualification of HR officials 	<ul style="list-style-type: none"> information deficits at top level slower and time consuming decision-making less able to adapt to local situations and needs less responsive and flexible to changes more rigid de-motivating for executives and employees
Decentralisation	<ul style="list-style-type: none"> managers and HR officials with more flexibility, freedom and autonomy 	<ul style="list-style-type: none"> need for more coordination, monitoring and control negative impact on ac-

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- | | |
|--|---|
| <ul style="list-style-type: none"> adaptation of recruitment, pay, rewards or sanctions to local needs enhancing individual motivation and performance due to higher responsibility and autonomy avoiding work-overload at central level beneficial competition in the HRM field increasing customer orientation reduction of red tape | <ul style="list-style-type: none"> countability and policy coherence negative effects if managers lack HR knowledge (decision quality, unfairness, inefficiency) danger of political abuse and patronage loss of civil service ethos differences in HR policies can cause mobility obstacles higher costs to loss of economies of scale / synergies in case of outsourcing often re-centralisation |
|--|---|

Evaluations and assessments can give an insight into the actual experiences and effects of decentralisation activities. More than half of the participants of our study report that they have undertaken studies and evaluations with varying results. Generally, most respondents see decentralisation as a positive concept with several important benefits. Nevertheless, some also experienced undesirable and unexpected side-effects of decentralisation similar to the ones described above (see table 3). The answers clearly point to a strong interlink of decentralisation and accountability structures in the public sector. A need for increased or additional types of accountability was widely recognised.

Table 3: Benefits and side-effects of decentralisation according to survey answers

Benefits of decentralisation	Side-effects of decentralisation
increased focus on tasks and performance accountability	need for increased coordination and accountability
performance/productivity improvements	duplication and resource/competence deficits
increased citizen satisfaction due to increased service speed and quality; more value for citizens	danger of increasing personnel costs and salaries
more flexible HRM functions better suited to local needs	higher transaction costs
more compatible pay levels	lack of transparency
increased motivation	increasing politicisation
empowerment of management	
regional benefits	

3.2. IS THERE A 'NEW' DECENTRALISED MODEL SUPERSEDING THE 'OLD' HIERARCHICAL BUREAUCRACY?

Transferring resources and competences nearer to the points of service delivery has been referred to as a major trend in public administration modernisation. Devolution of decision autonomy has taken place within core government (ministries and departments) but also through services being provided by separate bodies (agencies) with a high degree of management autonomy. These developments are seen to weaken or even undermine the classical principles of the bureaucratic model with all its weaknesses, but also its strengths like policy coherence, tight monitoring and accountability. However, whether these reforms actually lead to an empowerment of individual organisations and managers and a decline of bureaucracy or rather give rise to different and new forms of bureaucracy, e.g. through the formalisation of targets, extensive monitoring and reporting requirements, remains yet to be seen.

At a first glance, the replies of all 27 countries plus the European Commission to our study report a (more or less) general trend towards HR decentralisation but also other forms of decentralisation. This was already observed in a report of the United Kingdom Presidency (2005, p. 12) on 'Innovative HR strategies': "The picture that emerges is that elements of the HR transactional system are controlled centrally, but the majority of Member States devolve responsibility for operational aspects of HR transactions to the Ministries or Agencies. These Ministries or Agencies may choose to devolve these responsibilities further to the managers."

When governments discuss where to put responsibility for HRM, they often do so in terms of how much authority the central level should have in relation to the local level. In addition, federal or regionalised governments also need to decide on the appropriate division of legal and executive competencies between the central (or federal) level and the regions and local authorities. Especially the latter is an important issue in regionalised and federal countries like Spain, Italy, Austria or Germany (and to a lesser extent in Belgium where HR structures are already almost con-federal). In addition, the decentralisation of public employment also plays an important role in Greece (to remote areas and islands), in France and in Ireland. For example in France, plans exist to transfer approximately 150,000 state civil servants to local authorities. This trend has a "huge impact in the field of Human Resources and budget" (France).

BOX 3: MAIN DECENTRALISATION INITIATIVES IN EUROPE

Administrative decentralisation:

- | **Austria:** establishment of a large number of agencies (e.g. all universities)
- | **Italy:** creation of independent agencies and authorities
- | **Netherlands:** establishment of autonomous agencies



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- | **Spain:** a law for independent agencies will be passed in 2006
- | **UK:** comprehensive approach for establishing and managing Executive Agencies and Non-Ministerial Departments

Political decentralisation:

- | **Austria:** an Austria Convent focusing on fundamental questions of reforming the federal system; devolution of competencies from central government to the regions (Verwaltungsreformgesetz 2001)
- | **Belgium:** devolution of competencies and resources to regions and communities
- | **France:** transferral of about 150,000 civil servants to local authorities
- | **Italy:** devolution of competences and functions from central to local government (constitutional reform)
- | **Slovakia:** Concept of Decentralisation and Modernisation of Public Administration adopted by the Government in the year 2000; devolution of competencies from state organisations to regional authorities and municipalities (e.g. in the area of education and health services) together with financial resources and responsibility

Budget decentralisation:

- | **Austria:** pilot projects regarding decentralisation of budgetary competencies (Flexibilisierungsklausel); a main reform of budgetary law is currently under preparation
- | **France:** major reform of budgetary law implemented in 2006 giving increased responsibility to directors
- | **Sweden:** within centrally decided, not easily changed, budget frames each agency has been delegated a wide responsibility to allocate available monetary resources to existing needs: i.e. the agency itself decides how the distribution of money will be between, for example, localities, technology and staff
- | **EC:** modification of financial regulation to decentralise responsibility by expanding the responsibilities of authorising officers and increasing their accountability

HR decentralisation and deregulation:

- | **Austria:** deregulation act for civil service transferring competencies to the line Ministries and to the subordinated authorities
- | **Cyprus:** introduction of learning units within the line Ministries
- | **Finland:** introduction of new pay systems specific for each organisation; decentralisation of performance related pay (see box 4)
- | **France:** trend to transfer to the line managers a wide range of competencies within the framework of general rules concerning civil servants (status, remuneration, principle of equal treatment)
- | **Germany:** within the so-called Föderalismusreform competencies for pay, social security and career structures will be transferred to the regional level (Länder)

- | **Greece:** reassignment of civil servants to border areas
- | **Ireland:** reallocation of 10,300 posts to the regions; further initiatives see box 8
- | **Italy:** the area of deputy-management was forecast with a law in 2002, so that managers can delegate some competencies and functions; in the 2006 financial law the financial resources to create this area have been allocated
- | **Malta:** adaptation of a process of 'controlled decentralisation' through establishment of Financial Management Monitoring Unit; Public Service Act underway establishing a legal framework for devolution of management powers to heads of department
- | **Netherlands:** decentralisation of pay systems
- | **Poland:** decentralisation of responsibilities to DGs which are now responsible for running personnel policy
- | **Romania:** first draft of law on decentralisation to be approved in 2006 establishing an integrated set of principles and rules to be respected by decentralised ministries
- | **Spain:** a Basic Statute of the Public Employee is under work to clarify core tasks for a central state regulation (bases) and to decentralise other tasks (development) to autonomous communities (see box 6)
- | **Sweden:** comprehensive package of reforms to decentralise HRM reaching back to first reforms in 1985 (see box 9)
- | **UK:** pay decisions are delegated within set remits
- | **EC:** see box 7

However, despite all the activities in detail, 'decentralisation' as such is not a central reform priority. On the contrary, the issues of political, administrative, budgetary and HR decentralisation for a majority of respondents currently seem to be less important than other reform issues such as e-government and also – although to a lesser extent – customer orientation, accountability and good governance (see figure 1).

high overall relevance of decentralisation

Austria, Bulgaria, Denmark, France, Hungary, Sweden

low overall relevance of decentralisation

Cyprus, Czech Republic, Luxembourg, Portugal, Slovenia

Overall, with 3.3 on a 6-digit scale, HR decentralisation is of relatively low relevance compared to other reform issues but also to other areas of decentralisation (2.9 for administrative, political and budgetary decentralisation). Only in Sweden, Denmark, Bulgaria, Estonia, France, Greece, Poland and Spain this issue is regarded as highly important, while it is of very low relevance in Belgium, Cyprus, Czech Republic, Luxembourg, Portugal, Slovakia, and the UK. Nonetheless, it is interesting to note that PAs that assign higher importance to HR decentralisation issues also tend to regard the other decentralisation areas (especially administrative/managerial and political) more important than PAs with low priority on HR decentralisation. Whereas



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administrative decentralisation is given priority in Austria, Denmark, and Sweden, political decentralisation is assessed as highly important in Spain and again, Austria. Budgetary decentralisation is an important reform topic in Bulgaria, Czech Republic, Hungary, Slovakia, Sweden, and the UK.

Moreover, it is important to note that despite the many initiatives to decentralise HR services, the responses make clear that we are not observing a unique trend in the direction of HR decentralisation. On the contrary, several participants of our study report very different good practices also indicating new centralising efforts, e.g. in the field of IT systems for information sharing (Bulgaria), personnel controlling (Austria), the introduction of a Civil Service Act (Czech Republic) or the establishment of a Recruitment and Re-Deployment Advisory Group (Malta). The case of Finland (see box 4) also illustrates that phases of considerable decentralisation may be followed by phases of recentralisation (e.g. with the creation of newly established Service Centres) in order to increase efficiency and productivity and to better manage new challenges.

Thus, the multiple initiatives towards decentralisation – the following examples (boxes 4-8 illustrate the divergent structures, traditions, and paths taken – do not seem to give rise to a shared new model taking shape or to a European-wide convergence of organisational models. It seems unlikely that the bureaucratic model will be fully replaced by such a new model in the near future. Instead, the development of organisational structures in the European public administrations reflects the general tendency towards more differentiation in society. To what extent this diversity in the European public administrations will continue in the future remains open.

BOX 4: MOVING BACK TO CENTRALISATION AFTER A PERIOD OF DECENTRALISATION. THE CASE OF FINLAND

The Finnish model is a good example of a fluctuation from a centralised to a decentralised public sector and nowadays again some move back towards more coordination and centralisation.

1970s: hierarchy as driving force; bureaucratic organisation; uniform salary scale system; ex-ante controls

1980s: partly hierarchical; decentralisation initiatives; old salary system; management by objectives

early 1990s: responsibility for results and quality as driving force; separation of production from state budgetary system; start of new salary reform: salary based on demands of job and required performance; management by results and measuring techniques

late 1990s: focus on core competencies, critical success factors, internationalization and partnerships; purchaser-provider-model; network processes and teams; salary

system with personnel funds, profit based salary; evaluation through quality systems-base evaluation criteria

2000s: focus on productivity and competitiveness; centralisation and outsourcing of support functions; new pay systems widely in use (RBRs, personnel funds, etc.); evaluations through balanced scorecard

The reform in the field of new performance related pay systems is an example of decentralisation of decision-making. Previously the remuneration of the civil servants was based on a pay scale that was agreed by the central unit and its contracting parties government wide. After the reform each ministry and government agency applies its own system that is agreed on with Trade Unions in compliance with general guidelines approved by the central unit.

Agencies are part of the traditional structure of the Finnish state administration. The most recent developments have been to build up service centres where support functions are centrally gathered into a joint centre, which then serves several operational units to improve efficiency and productivity. In the area of HRM a Service Centre offers: personnel management information systems, payroll management, technical components of recruitment process, leaves, job satisfaction follow-up, advice on employment relationship matters, etc. These services offered by the centre are chargeable and cost priced. Contracts (content, quality level, pricing, etc.) are negotiated on a customer-specific base. Before a contract is reached a free of charge clarification of the customer's needs and processes is carried out.

The first Service Centre started its activities on 2.1.2006 with customers from nine different public sector organisations.

The lessons learned can be described as:

- | uniform concept necessary
- | cooperation between agencies necessary
- | cooperation with and support for the personnel (retraining, outplacement services, etc.) necessary
- | careful planning, good management and open communication as critical success factors

BOX 5: FINDING THE RIGHT BALANCE BETWEEN CENTRALISATION AND DECENTRALISATION. THE CASE OF ESTONIA¹

Especially in the former communist countries, administrative and HR systems have gone through a fundamental reform process within the last 15 years. In many cases, heavily centralised and politicised systems were reformed and turned into more open, professional, decentralised and merit-based systems. However, the pending danger is that the pendulum swings from one extreme to another and centralisation turns into fragmentation.



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The fact that the allocation of all resources and the policy-making process took place in central government and/or the communist party laid the basis for an extremely centralised and politicised administration. Estonia reports: “In the Communist cadre system, secretive selection prevailed – open competitions and competitive examinations were unknown. The civil service was not ‘professional’ in that it did not value specialised training and competence, and professional qualifications usually did not matter in promotion and salary allocations. Performance appraisal was merely symbolic and was based mainly on an assessment of ideological matters. Civil servants were subjected to the general Labour Code, which offered them neither specific status nor social guarantees. However, job security was very strong: it was almost impossible to fire an official because of poor performance. Staff depended to a large extent on their supervisors, whose opinions were sometimes known to override legal norms, which, in turn, entailed a selective implementation of legislation. The civil service system offered a clear example of a patronage system with no regard for merit (...). Developments in the 1990s were influenced by the aims of introducing merit principles into Estonian public management and abolishing the patronage and politicisation of the civil service. This has led to the gradual development of a modern civil service system in which comparative merit or achievement governs each individual’s selection and progress, and in which the conditions and rewards of performance contribute to the competency and continuity of the civil service. On January 1st, 1996, when the Estonian Public Service Act came into force, all employees working in public administration institutions became public officials without passing any examinations or other selection mechanisms. The Public Service Act provided the basis for the abolition of the patronage system and the introduction of recruitment and promotion on merit, competitive examinations, regular performance appraisal, as well as common grading and salary scales throughout the civil service. The Public Service Act left recruitment open for all posts in the civil service, open competitions for senior positions are publicly announced. Civil servants are recruited on a permanent basis as a rule, fixed-term contracts being used for temporary staff only. Human resource management in the civil service is, to a large degree, decentralised in Estonia. Every ministry and executive agency is responsible for the recruitment, probationary periods, training, performance appraisal, promotion and organisation of work of their officials; only senior civil servants are appointed, evaluated and promoted centrally” (answer from Estonia to the Questionnaire).

As impressive as this fundamental reform process may appear, it is neither finalised nor without difficulties. For example, the decentralised pay system “leaves a relatively large amount of discretion for every government organisation to determine the salary rank for each particular job. As a result, salaries differ considerably between government organisations, and the salary system cannot be characterised as consistent or transparent, as grades are not defined clearly and individual institutions try to find ways to motivate their employees, e.g. by paying for extra tasks or differentiating salaries within grades” (answer from Estonia).

This problem is well known in other countries with strongly decentralised (pay) structures. In some cases, great differences in pay may even lead to increased mobility problems among public employees. The latter is the case if agencies pay different

salaries for the same work. With regard to the decentralisation of pay in particular, it is also very important to monitor cases of discriminatory behaviour.

¹ The Estonian answer to the survey refers to: Randma-Liiv, T. 2005. 'Performance Management in Transitional Administration: Introduction of Pay-for-Performance in the Estonian Civil Service' *Journal of Comparative Policy Analysis*. 7/1 2005

BOX 6: A DOUBLE EXPERIENCE WITHIN A POLITICALLY DECENTRALISED SYSTEM. THE CASE OF SPAIN

Due to the fact that Spain is a highly regionalised country with 17 autonomous communities under a varying degree of autonomy, it has undergone various efforts at decentralisation, namely from state to regional and local administration. Indicators such as the distribution of staff to the different levels of public administration clearly show the long-term effect of these reforms: in 1983, state administration was the biggest of these levels with a share of 80% in the total number of persons employed. In 2003, it has already become the smallest level with a share of only 23%. Nowadays, the level of regional administration (the autonomous communities), which includes the health and non-university education sectors, is the biggest with a share of 50% of the total number of persons employed.

HRM at all three levels of Spanish public administration is coordinated and governed by the concept of 'bases'. The competence to elaborate these 'bases', which form the legal framework for HRM in public administration, is explicitly assigned to the state by Art. 149.1.18 of the Spanish Constitution. In the conception of the Constitutional Court, the concept of 'bases' is an open one, but nevertheless includes principles concerning such aspects as access, promotion, administrative situations and incompatibilities. Thus, state legislation on civil servants differentiates between content, which is basic (affects the three administrations) and content, which refers only to the state administration. At the current stage, the Government is elaborating a new basic statute which will rule the concept of 'bases' related to civil servants. The tendency is to reduce the 'bases' because the current definition was made 20 years ago and the decentralisation process has significantly developed since then.

Each public administration is responsible for its own HR management. It follows, therefore, that each public administration has the power to establish its own HR management bodies (i.e. to which the powers of HR management will be attributed) and to determine the management tools that will be at the disposal of these bodies for the purposes of carrying out the functions that are entrusted to them, abiding at all times by the basic regulations.

Generally speaking, despite the fact that the various public administrations have organisational autonomy, the structure of the HR management bodies and the distribution of powers are very similar in the State Administration and the administration of the autonomous communities. In fact, in both administrations the respective governments have the power to direct and coordinate the relevant public service em-



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ployment policy. As far as decentralised structures within state administration are concerned, a form of previous and centralised control has been implemented. Most of the decisions regarding structure and remunerations in the different bodies of the State Administration (including special agencies) must pass through a common body composed of representatives of the Human Resources Department and the Finance Department.

It can be observed that the decentralisation trend in Spain is still an ongoing process and the constitutional and political structure of the State plays a very important role in the allocation of HRM responsibilities. Consequently, decentralisation reforms may also reflect the result of political tensions among central and peripheral partners. Furthermore, it can be observed that centralisation on the one hand and decentralisation on the other hand may cause new versions of typical dilemma situations:

Whereas decentralisation generally enables HRM to act in a more flexible and probably also more effective way and may also lead to an increase of motivation of staff, newly emerging issues have to be taken into account as regards the organisational design. For example, appropriate coordination and control mechanisms (ex ante as well as ex post) need to be implemented in an efficient way in order to safeguard the proper application of certain principles such as the principle of equal treatment and the rule of law. Alternatively, centralisation of HRM also has positive effects, e.g. more unity in HRM, fairness issues are more easily addressed, coordination requirements are reduced, etc.

In Spain, increasing attention is being paid to the issue of a clear-cut distribution system between general ('basic') regulations on matters which must be uniformly applied throughout the whole of the State (e.g. recruitment, mobility, disciplinary action), and 'development' of those 'bases' which can be carried out by Autonomous Communities. In particular, a Basic Statute of the Public Employee is being worked on by the State, Autonomous Communities and trade unions, and is due to be passed this year.

BOX 7: DECENTRALISATION AND DECONCENTRATION POLICY AT THE EUROPEAN COMMISSION

In order to meet the constantly increasing need of Commission departments and other institutions for high-quality support services especially in the areas of HRM, ICT and security, the European Commission has undergone a substantial reform of its administration, including its HRM policies. The implementation and fine-tuning of this reform is still in progress.

The reform was guided by the following four principles:

- | Clearer responsibility
- | Strengthened accountability

- | Higher efficiency
- | Public and Internal transparency

All these principles should aim at finding greater rationality in the allocation of responsibilities and thus achieving substantial savings in the delivery of services and enabling Directorates-General to focus on their core activities. One of the main instruments used to attain these goals at all levels of the European Commission was the process of deconcentration of services and the creation of specialised offices, namely the PMO (Office for administration and payment of individual entitlements), the OIB (Office for infrastructures and logistics – Brussels) and the OIL (Office for infrastructures and logistics – Luxembourg). PMO, OIB and OIL are the response to the need to constantly improve the service provided, while making savings in terms of human and financial resources.

Through this process of deconcentration, services should become more visible, notably in the management of social welfare infrastructure and logistics and the activities of offices are more clearly focused. Furthermore, substantial savings are expected through the impact of enhanced efficiency and the increased use of contract agents. At the same time, Commission administration could focus more on its core activities.

With the deconcentration of services, management autonomy of directors of offices has increased as well, especially through the allocation of all the necessary resources (human, financial, ICT, etc). In order to safeguard the proper performance of the tasks assigned to an office, different instruments have been implemented: The Office Director has to provide the same formal declaration as a Director-General concerning good management and has the responsibility of establishing suitable internal control mechanisms. Still, the European Commission's Internal Audit Service remained competent and OLAF has all access rights to the new offices.

The new Commission offices represent a first step in a possible transition to inter-institutional offices. The first example is the creation of EPSO (European Personnel-Selection Offices). The establishment of inter-institutional offices is based on a joint decision by the institutions concerned and they are designed to perform tasks that are common to several or all institutions. The advantage is the accumulation of know-how, economies of scale and coherent practice throughout the institutions. The inter-institutional office is headed by a director and controlled by a management board. It adopts its own rules on staff policy.

The creation of an inter-institutional office can be considered as a concentration of tasks on horizontal level.

BOX 8: A COMBINATION OF VARIOUS HR DECENTRALISATION INITIATIVES. THE CASE OF IRELAND

In Ireland the Department of Finance has overall responsibility for the development and implementation of policy in relation to the pay and conditions of service of Civil Servants. A common grading structure also applies. Some of the HR policies on non-pay issues are determined centrally, e.g. performance management, discipline and dismissal, and equality. The individual Departments and Offices are responsible for the implementation of central non-pay HR policies with some flexibility to customise them to their own needs where it is appropriate.

In general, however, there has been a policy of decentralisation of non-pay issues. Departments and Offices are responsible for the policy and the implementation of central non-pay HR policies related to career development, e.g. induction, training and development, mobility and internal promotions.

Specific HR decentralisation initiatives include:

- | **Decentralised budgets:** A devolved budgetary system was introduced for most Irish Civil Service Departments in 1991. The system, referred to as the administrative budget system, was intended to increase administrative efficiency and the effectiveness of spending programmes by the delegation of decision-making relating to administrative spending – both from the Department of Finance to departmental managements and within individual departments to line management. A further aim of the administrative budget system was to reduce civil service running costs.
- | **Decentralised recruitment:** Departments and Offices can apply to the Commission for Public Service Appointments (CPSA), the regulator of recruitment practices in the Civil Service, in order to become licensed to recruit staff directly themselves (within the common pay and grading structure). As well as becoming licensed to recruit directly, Departments and Offices can also avail themselves of the services of the CPSA which acts as the centralised recruitment, assessment and selection body for Government Departments and other public service bodies under the Act.
- | **Decentralisation of managerial responsibility:** Recent legislative changes to be introduced in this area include (i) managerial responsibility, including powers of dismissal, to be given in respect of staff below the level of Principal Officer to Secretaries General (prior to this only the Government could dismiss an established civil servant). (ii) managerial responsibility, including powers of dismissal, to be given to the relevant minister in respect of staff above that grade.

3.3. DISENTANGLING DIFFERENT TYPES OF HR DECENTRALISATION

This study defines decentralisation as the granting of increased resource competencies (e.g. budgetary and HR) and greater decision-making authority by central management bodies to line Ministries, departments and agencies, and, within Ministries, departments or agencies, to lower levels of management. Within this rather

broad definition, HR decentralisation initiatives that focus on very different aspects are being pursued:

- | Belgium, Denmark, France, Italy, or Sweden increase the amount of discretion given to line managers
- | Austria, Hungary, Ireland, Malta, Poland, Spain, Sweden, UK, or the EC focus on the devolution of HR responsibilities from central HR units to line Ministries/agencies
- | Greece or Ireland pursue HR decentralisation in form of re-allocating staff to peripheral regions
- | Germany is a good example for the interplay of centralisation and decentralisation in a federal country.

Also, in many PAs HR policies are highly regulated. One can see here that deregulation is different from decentralisation. Thus, the real issue may not be simply one of deregulating HR policies, but one of providing managers with the incentives to actually utilise the discretion that decentralisation affords. For example, the French report to our study notes that although decentralisation is going on, this should not be confused with the concept of deregulation. "In France, decentralisation and deregulation are two different topics". Whereas the concept of deregulation is about regulatory reform, decentralisation deals with the allocation of tasks, responsibilities and competencies.

In this study, we will focus on vertical and horizontal decentralisation. Whereas horizontal decentralisation has already been the focus of earlier EPAN reports under the Luxembourg and the UK Presidencies of the EU the focus of vertical decentralisation is quite new. In order to gauge the degree of centralisation and decentralisation in the individual public administration, we asked for the involvement (main involvement, minor involvement, no involvement) of different actors in several typical HR decision-making situations both within core administration and agencies (for a list of the tasks covered, please see e.g. figure 7). A second set of questions referred to the management and control of agencies (see chapter 3.10.).

Vertical decentralisation

Vertical decentralisation of competences in the field of HRM within public administrations refers to the distribution of responsibilities and decision-making authority between the various hierarchical levels. Here, one important question is to find out to what extent HR policies and decisions are delegated to line managers or agency managers. Vertical decentralisation, thus, refers to the decision-making autonomy of management, a central demand of a new public management philosophy.

Vertical centralisation/decentralisation of HRM competences

Degree of devolution of HR responsibilities within Ministries and departments to line management or lower hierarchical levels

Major involvement of a central government-wide operating body, the responsible line minister, a central HR unit within the line ministry, or the top public administration level (GD level) can be taken as indicative of a vertically rather centralised system, whereas main involvement of the line or agency managers and/or of lower hierarchical levels points to a decentralised system.²

Horizontal decentralisation

Another traditional form of centralisation refers to the regulation and management of HR competencies at the level of central government within a central body, e.g. the Ministry of Finance, the State Chancellery or a Ministry for Public Administration. An example would be the Ministry of Finance being in charge of the remuneration structure and pay for all civil servants. A horizontally more decentralised form of HRM would transfer the competencies to different line ministries and could be both vertically centralised or decentralised. Thus, the horizontal decentralisation of competences in the field of HRM refers to the distribution of responsibilities and decision-making authority between a central government-wide HR body and line ministries.

Horizontal centralisation/decentralisation of HRM competences

- I Role and decision-making powers of the central, government-wide HR unit in relation to the line ministries
- I Role and decision-making powers of the line minister and the central HR unit within the line ministries

Multi-actor involvement

Apart from the centralisation/decentralisation-dimension, we will also analyse the question to what extent decisions are made by a single actor – indicating a strong individualisation of the system – or whether multiple actors and/or levels are involved.³ Increasing multi-actor involvement may be indicative of a higher decision-making complexity (with all advantages and disadvantages), and – depending on the type of actors to be involved – of increasing participation.⁴

Multi-actor involvement

Extent of involvement of central HR units, ministers, top administration level (Directors-General), line managers, lower hierarchical levels, trade unions, staff representatives and/or other actors

3.4. VERTICAL CENTRALISATION AND DECENTRALISATION OF HRM – COMPARATIVE OBSERVATIONS

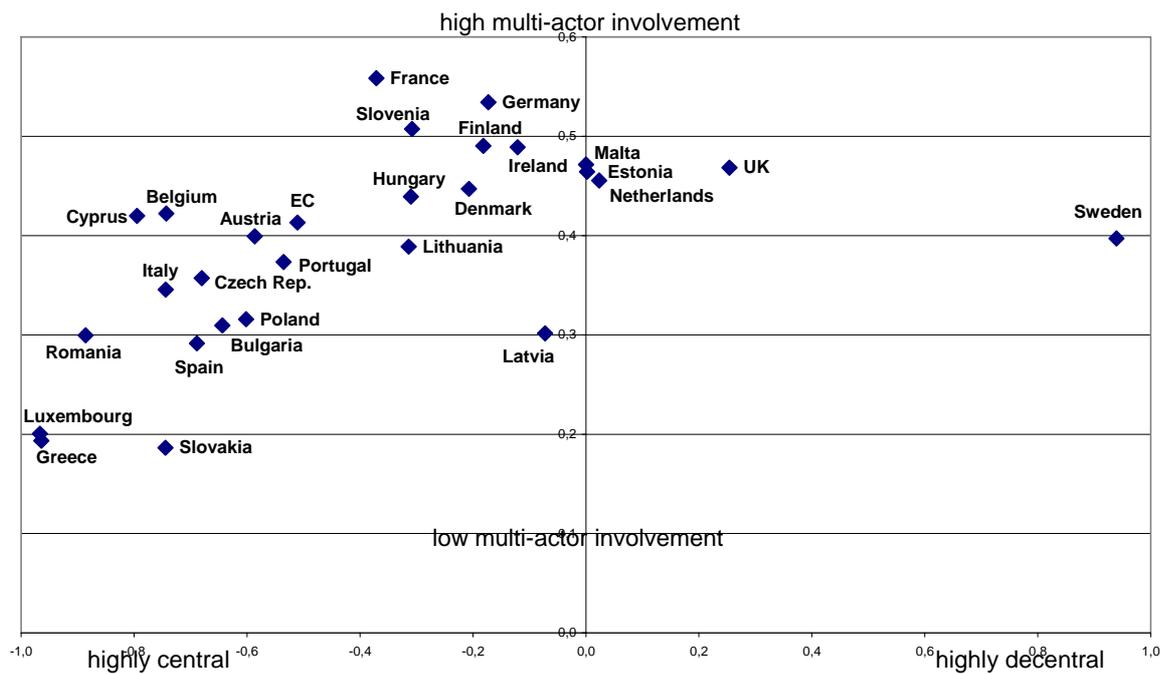
Today, none of the 25 Member States, the Accession States Bulgaria and Romania and the European Commission have either completely centralised or completely decentralised HR systems. The pathways taken to organise HR services are multiple and vary greatly. Based on the typical HR decision-making situations we used in this study, we find a preference for hierarchically centralised organisation of HR issues e.g. in Cyprus, Greece, Luxembourg, or Romania. The organisation of HR in Sweden, on the other end of the spectrum, is the result of a step by step decentralisation over decades (see box 9). We find small countries both with high vertical centralisation (Cyprus, Luxembourg) and others that report a high degree of management autonomy (Estonia, Malta).

Overall, however, our results show that – at least with regard to the HR decision-making issues in our survey – central actors still tend to have greater responsibilities and involvement than the actual management level (see figure 5). This implies that, although the devolution of decision-making responsibilities towards the point of service delivery has been an important element in previous and current reform initiatives, the current picture is still rather centralised with only limited autonomy given to management.

As regards the involvement of multiple actors in HR decision-making, the replies to our survey show that decision-making by individual actors is an exception and many HR issues are a shared responsibility of many different parts of the administration. Generally, decision-making in the field of HR is complex and – to different degrees – participative. In most cases, central units, ministers, and Directors-General are more or less strongly involved (depending on the issue at stake). In Greece or Luxembourg, low multi-actor involvement goes hand in hand with a centralised decision-making. In Sweden, operational day to day HR issues are handled locally at agency level by line management or by staff experts with low multi-actor involvement; in more strategic issues, like local pay policies, recruitment strategies etc. more actors, including the unions, are involved. Overall policy decisions, like e.g. a new overall framework agreement, change of general working conditions, demand greater involvement from multiple actors (see also box 9 and chapter 3.10.).

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Figure 5: Vertical decentralisation and multi-actor involvement in EU public administrations



In general, we find a considerable relationship between decentralisation and multi-actor involvement, indicating that the responsibilities are rarely fully delegated to line management and/or lower hierarchical levels, but that they are rather involved in the decision-making processes. Central actors still have a major influence. It is unclear at this point in time whether this might be interpreted either as a particular form of organising in a transition period or as the emergence of a new, more stable form of arranging HRM.

In addition, we find interesting interrelations between the degree of vertical decentralisation and priorities of public administration modernisation: For example, PAs with a higher degree of HR decentralisation assess the relevance of administrative decentralisation and budgetary decentralisation higher than more centralised PAs indicating self-reinforcing dynamics. Furthermore, the more decentral HR functions are organised, the more relevance the PAs assign to the use of market-type mechanisms, the alignment of public and private employment, private sector involvement, performance management, and accountability as priorities of public administration modernisation.

BOX 9: A CONSEQUENT PATH OF INCREASING HR DECENTRALISATION OVER DECADES. THE CASE OF SWEDEN

In Sweden, HR decision-making is more decentralised or even individualised than in any other EU Member State. The ministerial level is very small. Consequently, the bulk of governmental administration is organised in agencies and each agency carries full responsibilities to accomplish government business within the legal and financial constraints. Agencies have gradually become almost completely autonomous in practical employer policy-related matters.

Today, most HR responsibilities are the tasks of the agencies, not only on a operational or implementation level, but also in strategic fields like staffing, pay etc. In addition, the line management (i.e. managers below agency management level) has important responsibilities in areas like performance related pay, public procurement, training and development for employees, codes of conduct and ethical standards, altering task responsibilities, teleworking arrangements, head count reductions or the relocation of staff due to structural changes. Government agencies such as the Swedish Administrative Development Agency (Verva), the National Government Employee Pensions (SPV) Board and the Swedish Agency for Government Employers (SAGE) offer help and support concerning HRM and employer issues. When SPV only administers pensions and related support, both Verva and Sage carry co-ordinating responsibilities. The new agency Verva has according to its written instruction the responsibility to promote a more developed co-operation in the state administration, between the state administration and the municipalities and between the state administration and the private sector. SAGE on the other hand has the explicit task to co-ordinate the government agencies in their role as employers – i.e. co-ordinate their common employer policy.

Sweden also is a good example to illustrate the long time period necessary to establish such a decentralised system in form of a consequent step-by-step approach.

I In May 1985 the Government passed a bill in the Parliament on government staff policy. The major proposals in the accepted bill were:

The government as employer should more clearly act in line with government business interest, and strive towards a more effective allocation of staff.

The pay system should support flexibility, decentralisation and delegation.

The pay formation should be adapted to meet the interest of effective work and be suited to fit government business and labour market needs.

In the bill the Government also stressed that pay policies and pay systems had to be compatible with an overall societal economy in balance. Large differences in pay should be avoided between people with like-worthy tasks in the different sectors of the labour market.

I In the decade following the bill a series of reforms were made in order to fulfil these intentions:

In 1990 the social partners agreed upon a new job security agreement which facilitated layoffs of staff through defining and financing a set of supporting activities for redundant staff. The aim with the activities is to help the redundant find a new job,



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in the labour market as whole.

In 1991 the old graded pay system was exchanged by an agreement to the current system with individually differentiated pay.

In 1994 a Law on Public Employment from 1976 was finally replaced by a new one. One of the changes was that the term 'government position' was exchanged with 'employment' in order to put focus more on the working relationship based on agreements than on the formal posts in the government administration. In 1994 the government employers acquired full responsibility for HRM, including decisions about number of staff, skills, payment etc.

At the same time the employers obtained large freedom of action about how they could use their grants in order to carry out their tasks, i.e. more or less full responsibility to allocate the fixed grants between staff, localities, machinery, equipment etc. In addition a budgetary reform made the grants fixed within frames that could not be exceeded by the agencies.

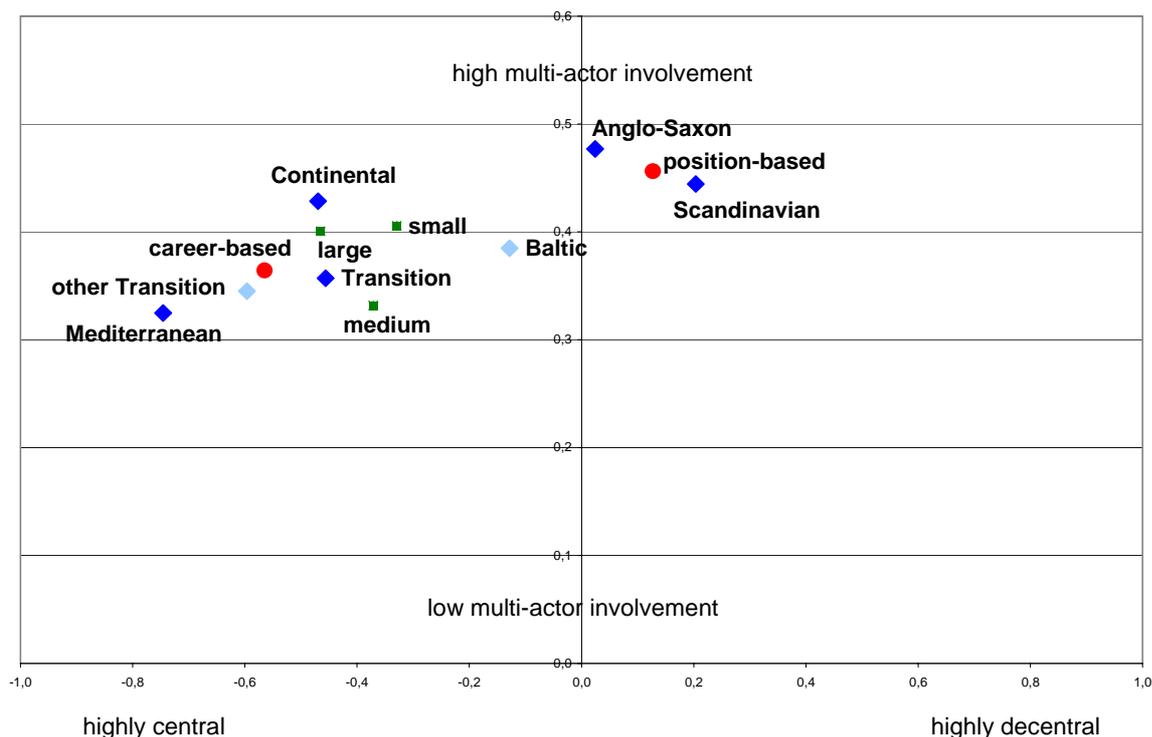
I Finally the Swedish Agency for Government Employers (SAGE) was created to coordinate the government employer interest and to negotiate with the trade unions. The former employer organisation was formally shut down, even though most staff went over to SAGE.

The importance of context: Administrative traditions and HR systems

Administrative traditions and HR systems proved to be quite influential in explaining the organisation of HRM. Our figure 6 shows that the Scandinavian and Anglo-Saxon countries have relatively decentralised HR structures with a high degree of multi-actor involvement. The Baltic countries and – to a lesser extent – Continental European countries take a middle position. In contrast, at the other end of the spectrum, the Transition and Mediterranean countries have relatively centralised and (more or less) complex structures with little management autonomy regarding HR decisions. 'Small' countries such as Estonia, Malta and Luxembourg have adopted quite different models for their public administrations, which are closely connected with their own history, tradition, administrative culture and (to some extent) geography. Estonia seems to be strongly influenced by the Nordic models (esp. Finland), Malta by the UK and Luxembourg by France and Germany. Our study also shows that, in terms of HR organisation, the Baltic countries are closer to the Scandinavian countries than to the other Transition countries.

The OECD in its 2005 report on Modernising Government notes that position-based systems vis-à-vis career-based systems tend to give more HR autonomy and flexibility to lower hierarchical levels. On a general level, our survey confirms the OECD results: Position-based PAs are characterized by a more decentralised and more complex (in terms of multi-actor involvement) organisation of HR issues. Especially, differences between countries within the same administrative tradition (e.g. between UK and Ireland or between The Netherlands and Luxembourg or Austria) can be related to the countries' adherence to different HR systems.

Figure 6: Vertical decentralisation and multi-actor involvement according to size, administrative tradition and HR system



Small is beautiful – and centralised?

A frequent assumption refers to a link between the size of a country and its organisational structure: smaller countries can be assumed to have a more centralised, larger countries a more decentralised HR system. However, looking more closely at the small countries shows that Cyprus and Luxembourg have vertically rather centralised, Malta and Estonia vertically rather decentralised structures. Latvia, Ireland, and Lithuania take middle positions. Similar differences appear when comparing large countries (e.g. UK on the one end and Romania, Italy, or Poland on the other) or medium sized countries (e.g. Sweden or the Netherlands vs. Greece or Slovakia). We can conclude that the size of a country (measured in terms of its population) is not a highly influential factor for the organisation of HR competencies.

In addition, small countries also differ considerably with regard to the horizontal dimension of decentralisation (see next chapter): In Cyprus, most HR competences lie with a central body; in Luxembourg, most HR issues are decided by a central body (Ministry of Public Service and Personnel) or the line minister, whereas Malta and Estonia have central HR units within the individual ministries that are strongly involved in many decisions. A comparison of Luxembourg and Malta can illustrate these differences:

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HRM area	Main involvement in decision-making in Luxembourg	Main involvement in decision-making in Malta
Recruitment of a line manager	Central Body Line Minister	Central Unit within Ministry Central Body
Determination of fixed salaries	Central Body	Central Body Top Administrative Level
Performance related pay	No PRP in Luxembourg	Central Unit within Ministry Central Body
Public procurement	Central body	Central Unit within Ministry
Training & development	Line Minister	Central Unit within Ministry
Performance management	-	Central Unit within Ministry
Codes of conduct and ethical standards	Central Body Line Minister	Central Body Agency Management
Disciplinary procedure	Line Minister	Central Unit within Ministry Line / Agency Management
Dismissal of an employee	Line Minister	Central Body Central Unit within Ministry Top Administrative Level Staff representatives
Promotion of a line manager	Central Body Line Minister	Central Unit within Ministry Line / Agency Management

Changing working time	Central Body Line Minister	Central Body Central Unit within Ministry Top Admin Level Agency Management Staff representatives / Trade Unions
Altering task responsibilities	Line Minister	Central Unit within Ministry Line / Agency Management
Introduction of teleworking	Central Body Line Minister	Central Body Central Unit within Ministry Line / Agency Management
Head count reduction	-	Central Body Central Unit within Ministry Line / Agency Management
Relocation of staff	Central Body Line Minister	Central Body Central Unit within Ministry Line / Agency Management

3.5. WHICH HR ISSUES ARE MORE CENTRALISED AND WHICH ARE MORE DECENTRALISED?

Obviously, not all HR issues are equally subject to decentralisation efforts. According to the OECD (2004), although authority for HR policy is still often centralised, most OECD countries have – with different scopes and paces – started to delegate responsibilities, especially with regard to the implementation of these policies, to line management.

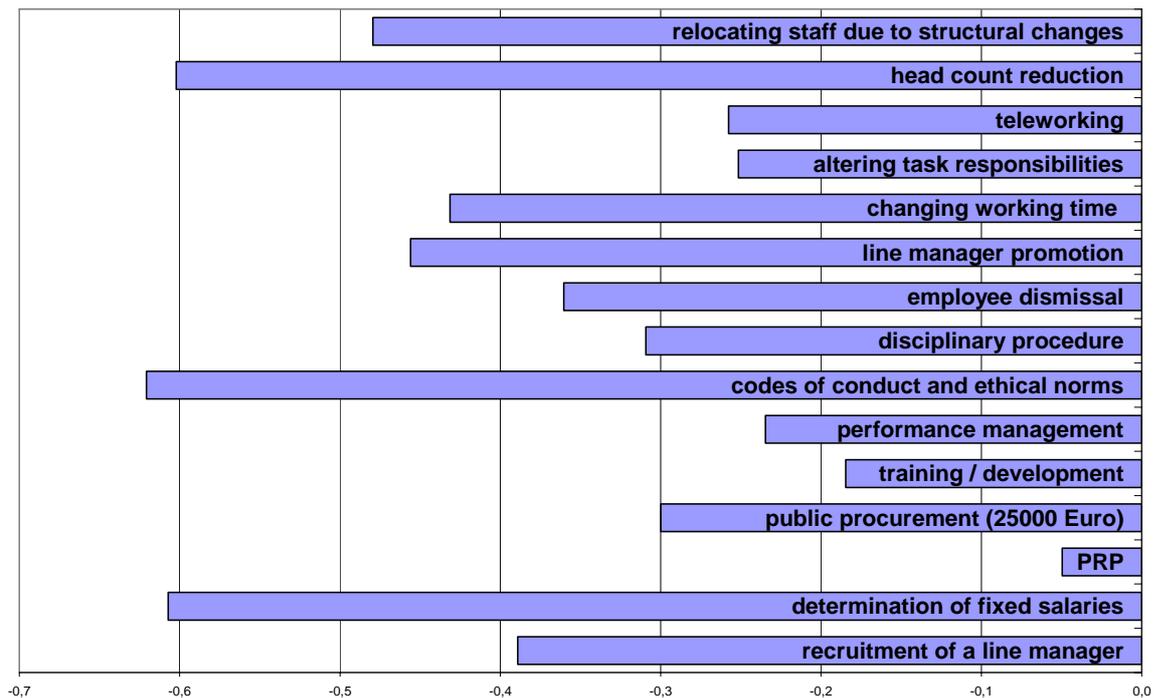
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Centralised HR issues according to OECD	Decentralised HR issues according to OECD
<ul style="list-style-type: none"> Appointments Basic Pay Classification of top civil service positions Management of top officials Equal employment opportunities Health and safety 'Good employer' requirements Code of conduct Disciplinary procedures Redundancy arrangements Basic terms and conditions of employment	<ul style="list-style-type: none"> Working-time arrangements, Mobility and deployment issues Simplified/flexible recruitment arrangements Flexible terms of employment (contract/casual/part-time) Employee termination/laying-off Classification and grading: more flexible and less complex classification Pay: still control, but with various flexible pay arrangements. Staff numbers: introducing operating costs

Generally, the findings of our study (see figure 7) support most of the OECD results. According to the answers to our survey, HR issues such as fixed salaries, (frameworks for) code of conducts and ethical standards, head count reduction, and (basic) working time arrangements are decided with a relatively high degree of centralisation.

Decision-making with regard to performance related pay, training and development, performance management, or flexible working time patterns involves lower level actors in the decision-making process. In this context, it is important to reflect on the centralising effects of European legislation in the field of working time, e.g. Directive 93/104/EC and other legal acts in the field of anti-discrimination, equal pay and equality. It seems that those issues which are regulated at the EU level are also regulated at central level in the individual PAs. However, this concerns only framework legislation.

Figure 7: Degree of vertical centralisation (scale from -1 full centralisation to +1 full decentralisation)



There are, however, differences among the different administrative traditions. While in the Mediterranean countries, all of the HR issues covered in this study (with the exception of performance related pay) are relatively strongly vertically centralised, in the Scandinavian countries, all decisions with the exception of head count reductions and codes of conduct are made decentral. In the Anglo-Saxon countries, in addition to the latter two, especially disciplinary procedures require major central actor involvement.

In the United Kingdom, the Civil Service Management Code provides guidance and mandatory principles in the management of the civil service. In addition, the UK Civil Service Commissioners have set out a recruitment code in order to uphold the principle of fair and open competition. Apart from these framework principles, most HR responsibilities have been delegated to line management (recruitment, performance related pay, public procurement, training and development of employees, working time and teleworking arrangements). Even HR policies, which are centralised in most other PAs (recruitment, fixation of salaries, dismissal of employees, working time) are strongly decentralised. In the UK, "Departmental and agency salaries (...) have been devolved to departments and agreements are negotiated between individual departments and trade unions with financial limitations imposed by the HM Treasury" (UK answer to this study). Only codes of conduct and ethical standards, head count reduction and the relocation of staff due to structural changes are managed (partly)

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centrally. In other words, together with Sweden, the UK has probably the most decentralised (and partly even individualised) HRM structure in the European Union.

With regard to the various decision-making issues, interesting differences in vertical decentralisation can be found (see figure 8):

- | The only two tasks that are centrally decided in all administrative traditions and both HR systems are head count reductions and the definition of codes of conduct and ethical standards. On the other hand, in Sweden, head count reductions are normally decided by each agency, in larger agencies sometimes at lower levels, and ethical norms are set locally by the social partners within the single agency.
- | In the field of pay, fixed salaries are determined relatively central with the exception of the Scandinavian countries and especially the UK. On the other hand, the Mediterranean countries have fully centralised fixed pay structures.
- | Line management and lower levels are involved to a considerable degree in decisions concerning training and development. In all PAs (except Greece and Spain), line management is engaged in these decisions. In addition, in Bulgaria, Finland, Ireland, Portugal, Sweden and the UK lower hierarchical levels play a major role.
- | When analysing the decentralisation of responsibilities to managers, it is especially interesting to look at the trend towards the introduction of performance related pay systems (or a related performance bonus system). About two-thirds of all OECD countries have introduced some links between performance appraisal and pay. However, there are only a handful of PAs that can be considered to have an extended PRP system, e.g. the UK, Denmark and Finland. Germany, Austria and Slovenia are planning to introduce new rules on PRP and/or to increase the importance of PRP, The Netherlands have PRP elements in place, in Poland PRP applies to 3% of the civil service corps (nominated civil servants), in Ireland PRP is only applicable at Senior Management Level. In most of those countries where PRP has been introduced, line managers have also been given important responsibilities in determining the allocation of bonuses.

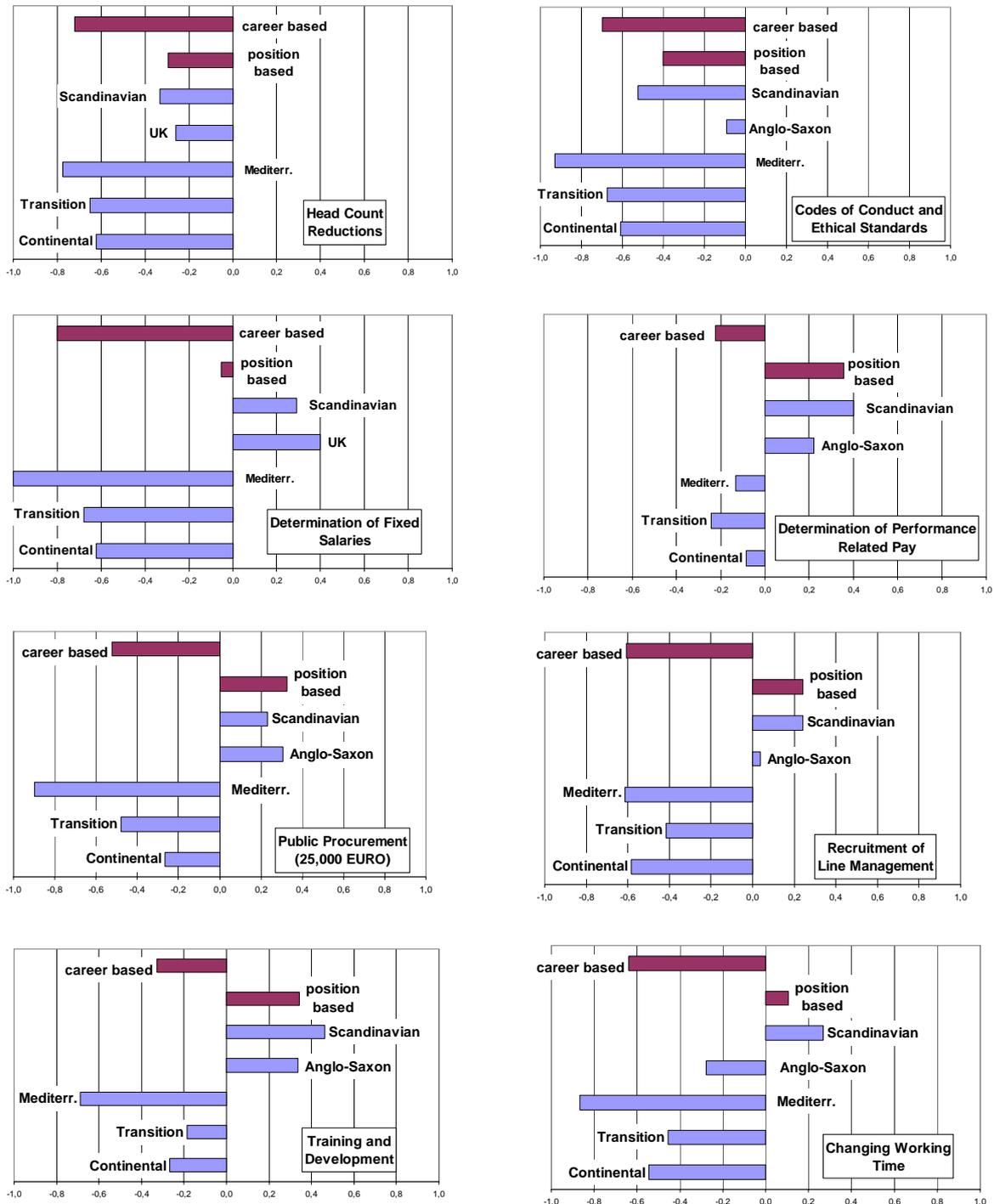
Public administrations with PRP

Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Slovakia, Slovenia, Spain, Sweden, United Kingdom

Public administrations without PRP

Cyprus, Czech Republic, Greece, Ireland, Luxembourg, Portugal, Romania, EC

Figure 8: Differences according to particular decision making issues (scale from -1 full centralisation to +1 full decentralisation)



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3.6. THE HORIZONTAL DISTRIBUTION OF HR RESPONSIBILITIES AND COMPETENCIES – THE ROLE OF CENTRAL HR UNITS

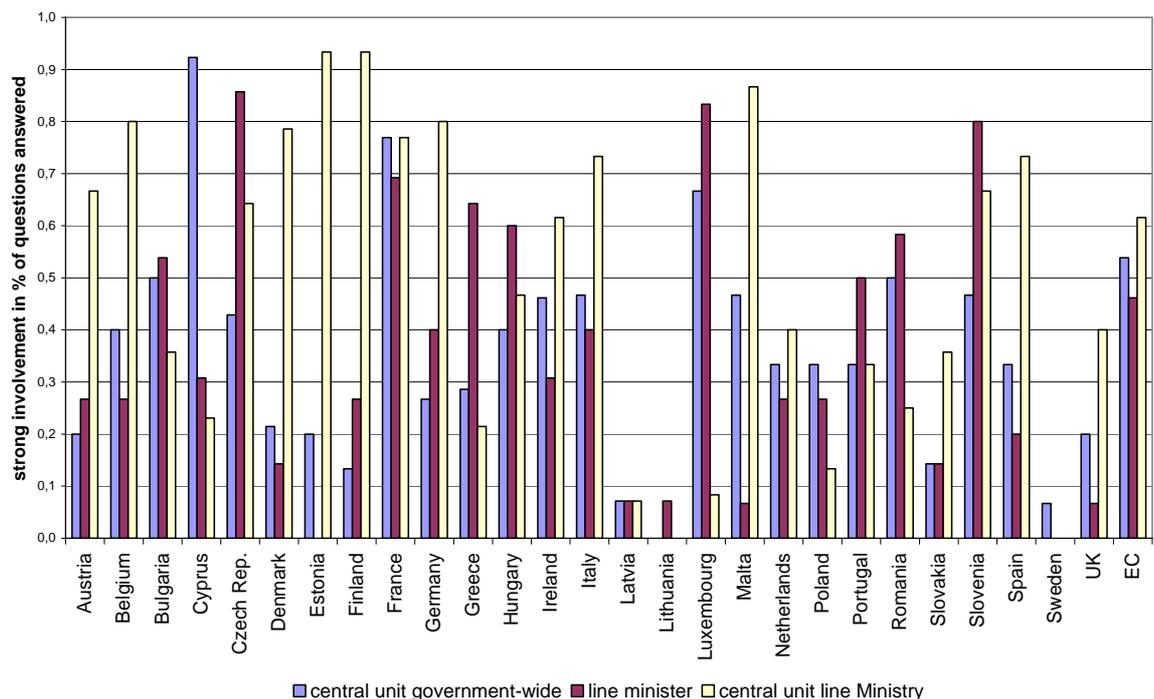
Apart from the devolution of competencies to line management, this study also sought to identify the distribution of competencies between central HR bodies and line ministries and departments – a further tendency in HRM identified by the OECD in its 2004 report on HRM as well as in the Report prepared 2005 under the UK Presidency of the EU.

Whereas vertical decentralisation refers to the degree to which line or agency management and lower hierarchical level play a central role in the decision-making, the horizontal dimension of decentralisation asks whether issues are decided by a central HR body and/or a specific unit that is responsible for HR policies government-wide or are delegated to the single ministries and analyses who is responsible for these issues there. Regarding horizontal decentralisation, we are taking a close look on the involvement of the following actors in several typical HR decision-making processes:⁵

- a central coordinating unit government-wide
- the line minister
- a central unit within the line ministry

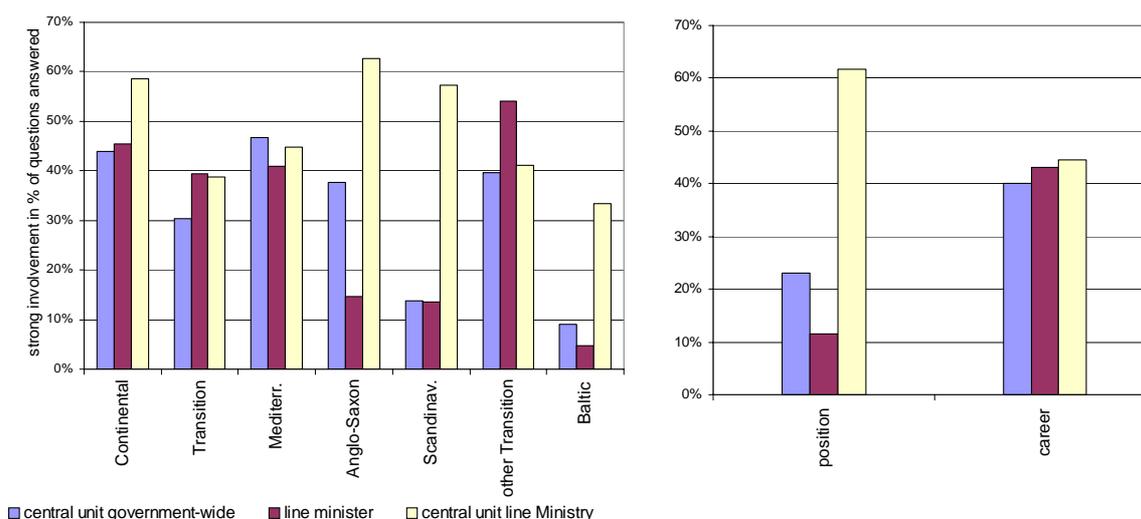
Figure 9 shows the extent to which central, government-wide HR bodies, line ministers and central HR units within the single ministries are strongly involved in HR decision-making.

Figure 9: Involvement of central units and line ministers in HR decision-making



Interesting similarities and differences are revealed when clustering the PAs according to the various administrative traditions and the HR systems (see figure 10). While in the Continental European, the Mediterranean and the Transition (without the Baltic) countries, a government-wide central unit, the line minister and coordinating HR units within the line ministries are all relatively strongly involved in the HR decision-making issues covered in this study, in the Anglo-Saxon and Scandinavian countries, many HR decisions have been devolved to coordinating units within the individual ministries with comparatively low involvement of line ministers. A similar pattern is shown when comparing career-based and position-based systems.

Figure 10: Involvement of central units and line ministers – the importance of context



When looking at the individual countries, we also find interesting similarities and differences: while, for example, Austria and Germany seem to be rather similar, Luxembourg, another country within the Continental European tradition, has a very different allocation of responsibilities on the central level. The Accession States Bulgaria and Romania resemble each other. The Czech Republic, Slovenia and – to a certain extent – Hungary have similar horizontal structures, while Poland and Slovakia differ from them. Our survey also shows that – with regard to horizontal HR centralisation and decentralisation – the Baltic countries overall more closely resemble the Scandinavian countries (and the position-based systems) than the other Transition states, however, with interesting differences: While Estonia has a similar horizontal organisation of HR competencies to Finland, Lithuania and Latvia horizontally organise their HR competencies similarly to Sweden.

A closer look, however, reveals further differences: For example, in Finland, in addition to the central unit within individual ministries, the line minister is also involved in recruitment, codes of ethics, decisions on disciplinary procedures, head count reduc-

tion and the relocation of staff due to structural changes, whereas in Estonia these responsibilities are mostly delegated to the central unit within the respective line ministry.

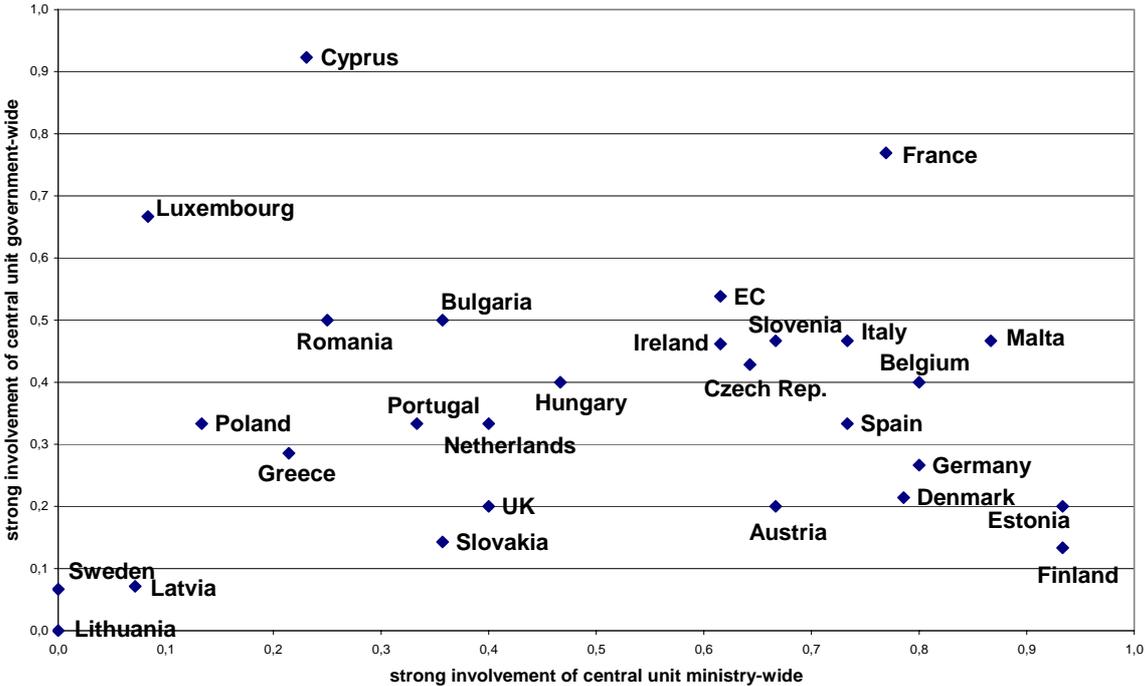
While in Sweden (see box 9) the central actors are not involved in the decision-making of the HR issues we covered in our study, in Latvia and Lithuania, we find minor involvement in all of them. In addition, in Latvia, the government-wide HR body, together with the line minister, plays a decisive role in disciplinary procedures, while the central unit within the line ministries is strongly involved in issues of fixed pay. In Lithuania, the line minister has an important say regarding head count reductions in his ministry. In Sweden, although operational decisions are taken locally, strategic employer policy decisions are co-ordinated by SAGE and are taken collectively among the state employers. Thus, the Swedish case appears more centralised when analysing the allocation of responsibilities regarding the management and control of agencies through ministries (see chapter 3.10.) instead of the respective organisation of the management autonomy within the agencies.

Compared to the Swedish structure, important HR competencies in Germany (such as pay, ethics, head count reduction, and – with exceptions – working time) are horizontally relatively centralised whereas other tasks (such as the dismissal of employees, recruitment, training, public procurement, performance related pay, etc.) have been assigned to the different ministries and to subordinate authorities. In the future, Germany plans (within the so-called Föderalismusreform) to further decentralise the competencies for pay, social security and career structures to the regional level (Länder). If this is accomplished, the public administration of Germany with its relatively small ministerial level, the 445 subordinated federal agencies and the regional and local level will also have relatively decentralised structures. Most centralised HR policies will then be applicable only to the federal level and to the subordinated federal agencies.

The coordinating role of central HR units

Our survey reveals that central units, both government-wide and within line ministries, still play a major role in the HR decision-making issues covered. A relatively high number of these issues are decided for the whole public administration or whole ministries. However, there is no uniform decentralisation model and HR decentralisation takes many different forms. Thus, the PAs differ greatly in the extent to which central HR bodies are involved. While, as mentioned above, in the Swedish model responsibilities have been transferred to the agency level, other countries, for example France, Cyprus, and Luxembourg have a system with a relatively high number of HR issues decided for the whole public administration. Most PAs have structures that strongly involve the line ministers and the central units. Especially Estonia, Finland, Malta, Spain, Belgium, but also Austria, Italy, the Czech Republic, Slovenia or the EC have central HR coordinating units within the individual ministries with far reaching competences.

Figure 11: Strong involvement of central units



PAs with powerful central units in the field of civil service law, policy and HRM

- | Bulgaria: Ministry of State Administration and Administrative Reform
- | Cyprus: The Ministry of Finance, Public Administration and Personnel
- | Czech Republic: The Office of the Government
- | France: Ministry of Public Service
- | Ireland: Department of Finance
- | Luxembourg: The Ministry of Public Service and Administrative Reform
- | Slovenia: The Ministry of Public Administration

If coordination responsibility is centralised it might be in a Ministry for Public Administration (France, Belgium, Luxembourg), the Ministry of Finance (Denmark, Finland, Cyprus, Ireland, Portugal), the State Chancellery (Estonia, Austria), the Civil Service Office (Poland) or the Ministry of the Interior (Germany, Hungary, Lithuania).

In Cyprus, the Ministry of Finance (Public Administration and Personnel Department – PAPD) is responsible for aligning business and HR strategy, advice, performance management for some categories of staff, approval of ministry/departmental workforce plans, organisational design, pay and grading systems, incentives and commissioning training. The Public Service Commission recruits staff. The minis-



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tries/departments are responsible for performance management and submitting workforce plans. In Greece, every administrative authority has its own HRM Office and Service Council responsible for personnel issues (promotions, mobility, leave, etc.). They are, however, required to comply with legislation/regulations that are set or interpreted by the Ministry of the Interior, Public Administration and Decentralisation. In the case of France, one has to distinguish between the decentralisation of competencies to subordinate agencies that do not belong to the state and the devolution of a number of specific competencies (such as disciplinary powers, social dialogue, organisation of certain 'concours' and training) to the agencies.

In Finland, only expert advice is centralised although there are central frameworks and policies. All other responsibilities are exercised by individual organisations and ministries. (UK Presidency 2005, p. 13f.).

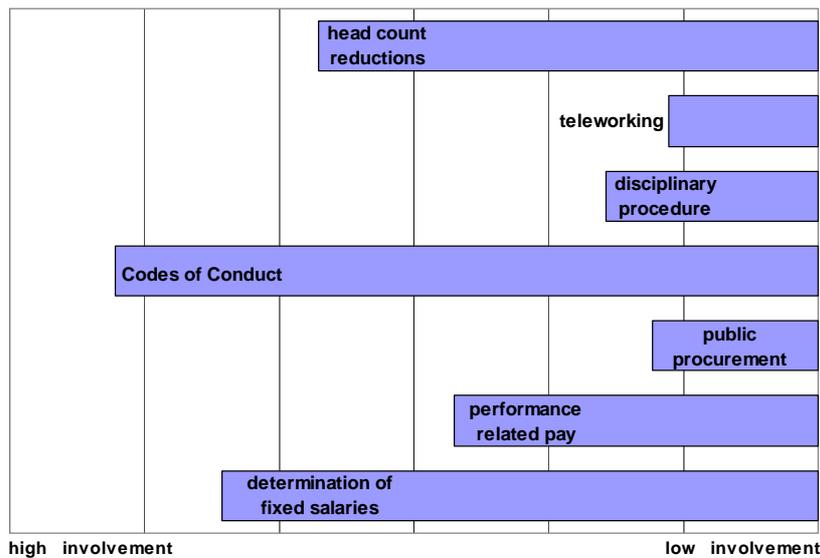
On the other hand, in The Netherlands, the devolution policy of the 1990s meant that formerly centralised HR responsibilities were assigned to the ministries and to the various different sectors (for example Justice). However, the following elements have been retained in the hands of a government-wide body:

- | The grading system
- | The salary system
- | Pensions and social security
- | Conditions of employment.

Our findings also show that central government-wide units are involved differently in the various HR issues. While smaller public procurement or disciplinary procedures are not decided on this level, tasks like determining basic pay or defining codes of conduct fall within their range of responsibilities in many PAs. The situation in the new Member States differs: For example, in Poland, individual salaries are not fixed government-wide. On the other hand, in issues like the recruitment of a line manager or training, the government-wide central unit is involved. Also, in the Accession States Romania and Bulgaria, salaries are not fixed centrally for the whole public administration. In Romania, working time arrangements are also not decided at a centralised level but by so-called parity commissions which are made up of an equal number of representatives from trade unions and the public authority in question.

Working time arrangements and head count reductions are issues in which central government-wide bodies play a relatively important role especially in the Continental and the Anglo-Saxon administrative traditions, while the decision on head count reductions is e.g. in the Baltic countries, but also in several Mediterranean countries (e.g. Italy, Greece, Spain) a responsibility of the individual ministries. On the other hand, in the Mediterranean countries issues of pay (basic and – if applicable – performance related) and training and development are subject to a government-wide decision-making.

Figure 12: Involvement of central government-wide bodies in specific HR issues



Overall, central coordinating units within ministries are particularly involved in decisions regarding new line manager recruitment, training and development, disciplinary procedures, employee dismissal (especially in career-based systems), altering task responsibilities, teleworking, headcount reductions (especially in position-based systems) and the relocation of staff due to structural reorganisations (especially in position-based systems). Continental countries (with the exception of Austria as far as the operative implementation is concerned and The Netherlands) involve ministry-wide central HR functions in issues of performance related pay, performance management and line manager promotion. In Malta, Ireland or Estonia, they also play an important role in smaller public procurement (volume of 25,000 Euro).

3.7. THE RESPONSIBILITIES OF LINE MINISTERS AND TOP ADMINISTRATIVE LEVEL

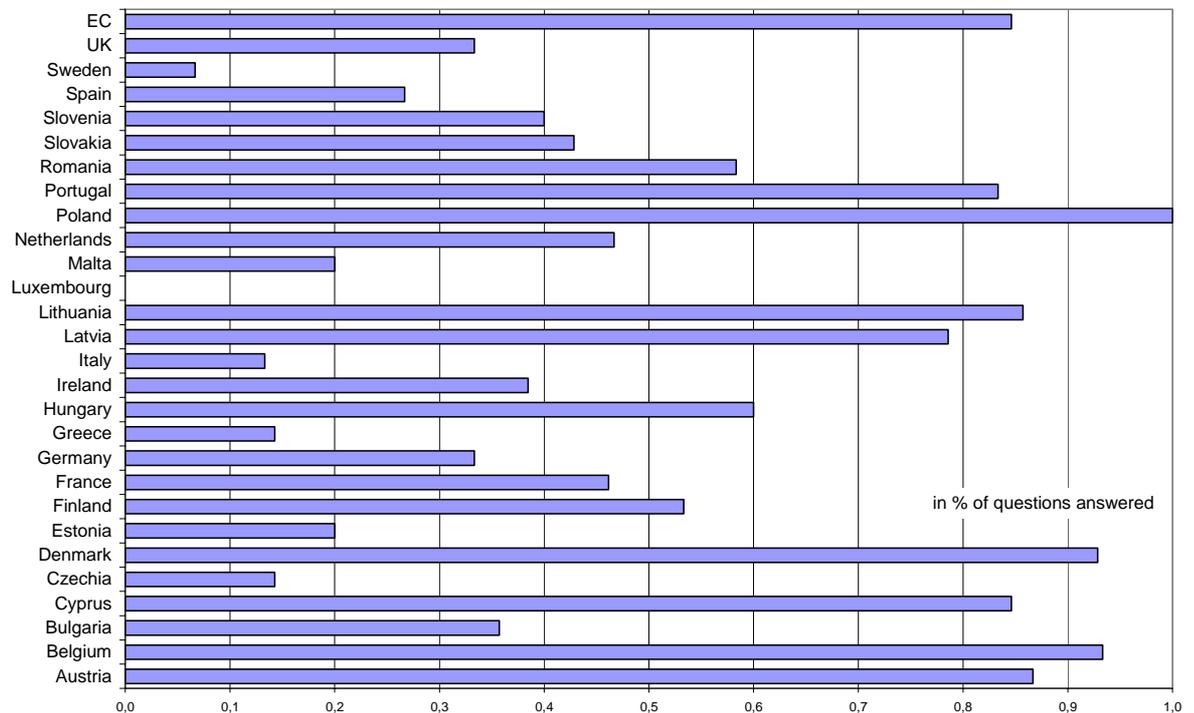
We also find considerable differences as regards the role and involvement of line ministers in the HR decisions of this study. While they have important responsibilities especially in the Accession States, the Czech Republic, Hungary, Slovenia, and also in France, Greece, Luxembourg, they play only a modest role in Scandinavian, Anglo-Saxon and the Baltic States, but also in e.g. Slovakia, Spain or Belgium. In general, line ministers are more strongly involved in HR issues in career-based than in position-based systems. For example, in the Czech Republic, Luxembourg and Slovenia, line ministers are strongly involved in more than 80% of all HR issues covered in our study, in Sweden, Latvia, Lithuania, UK and Malta in less than 10%.

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In terms of specific HR issues, line ministers are mainly involved in the decision regarding head count reductions in their ministry. In Austria, France, Luxembourg or Slovenia, they are also strongly involved in the recruitment and promotion of managers, while they are not at all involved in this task in Spain, Sweden, UK, Malta or Latvia. While Denmark involves line ministers strongly only in decisions about basic pay and head count reductions, their German colleagues in addition decide upon the promotion of managers, work time arrangements (basic and teleworking) and the re-location of staff.

In many PAs, top officials assume responsibilities for HR issues, especially in Austria, Belgium, Cyprus, Denmark, Latvia, Lithuania, Poland and Portugal. On the other end of the spectrum, this level is least involved in the Czech Republic, Greece, Italy, Luxembourg and Sweden.

Figure 13: Strong involvement of top administrative level (in % of questions answered)



Important responsibilities of top administrative level in the field of HRM

Field	Public Administrations
Recruitment of a line manager	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Latvia, Lithuania, Netherlands, Poland, Portugal, Slovakia, EC
Determination of fixed salaries	Germany, Hungary, Latvia, Lithuania, Malta, Poland, EC
Determination of performance related pay	Austria, Belgium, Denmark, France, Germany, Hungary, Latvia, Lithuania, Netherlands, Slovakia, Slovenia, Poland
Awarding a contract for a study	Austria, Belgium, Cyprus, Denmark, Finland, Germany, Hungary, Latvia, Lithuania, Poland, Portugal, Slovenia, Slovakia
Determining training and development	Austria, Belgium, Cyprus, Denmark, Germany, Hungary, Poland, Portugal, EC
Performance management	Austria, Belgium, Bulgaria, Cyprus, Denmark, Finland, Hungary, Ireland, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, UK, EC
Codes of conducts and ethical standards	Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Poland, Sweden, UK, EC
Decisions on disciplinary procedure	Austria, Belgium, Bulgaria, Cyprus, Denmark, France, Greece, Ireland, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovenia
Dismissal of employee	Austria, Belgium, Bulgaria, Denmark, Finland, France, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, EC
Promotion of a manager	Austria, Belgium, Bulgaria, Cyprus, Finland, France, Germany, Hungary, Latvia, Lithuania, Netherlands, Poland, Romania, Slovenia, Spain, UK, EC
Changing working time	Austria, Belgium, Cyprus, Denmark, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia, EC
Altering task responsibilities	Austria, Belgium, Cyprus, Denmark, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, UK, EC



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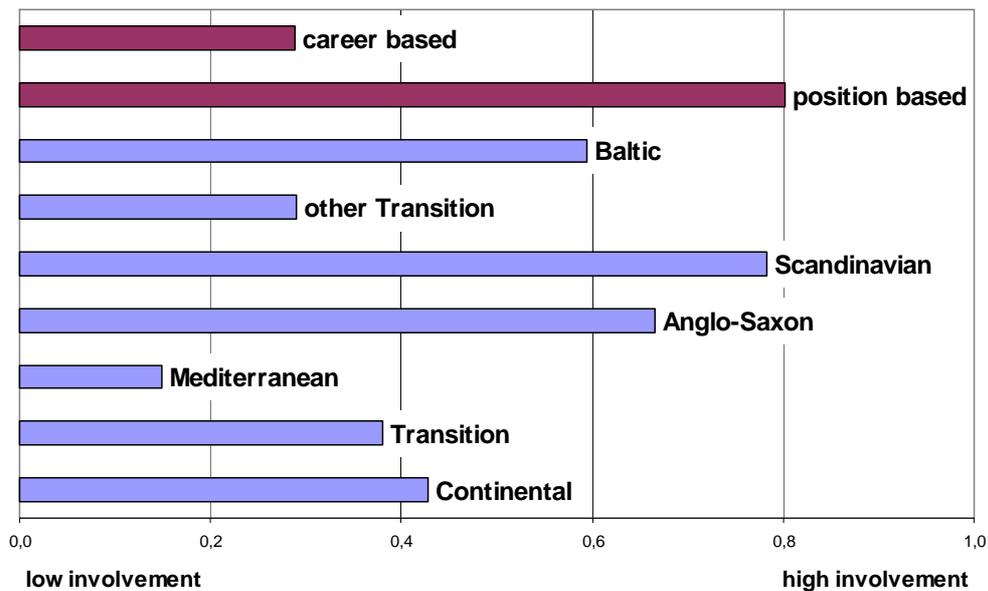
Introduction of tele-working	Austria, Belgium, Czech Republic, Denmark, Hungary, Italy, Netherlands, Poland, Slovenia
Deciding head count reduction	Belgium, Cyprus, Denmark, Estonia, Finland, Ireland, Italy, Latvia, Netherlands, Poland, Portugal, Romania, Slovenia, Spain, UK, EC
Relocating staff	Austria, Belgium, Cyprus, Denmark, Estonia, Finland, Hungary, Ireland, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, EC

3.8. THE DEVOLUTION OF TASKS TO LINE/AGENCY MANAGERS AND LOWER HIERARCHICAL LEVELS

An increasing number of PAs are pursuing strategies to further give senior and line managers greater responsibility and discretion (especially as regards budgetary questions and performance management and recruitment issues). Overall, it seems, (senior) managers have indeed received more (strategic, financial and budgetary) responsibility and discretionary powers within the last years.

However, negative consequences of decentralisation on equity and fairness issues are more relevant in such cases where managers have been given important discretionary powers to take important HR decisions on their own (especially decisions on pay, recruitment, training, promotion and/or evaluation and appraisal of staff). It is only in these cases that we can talk about a real individualisation process. Our analysis of the situation reveals that managers are indeed given more responsibilities but this does not mean that this process can be described as an individualisation process. In most cases, managers do not have full discretion and decision-making powers and have to consult or coordinate their decisions with other, mostly hierarchically superior levels.

Figure 14: Involvement of agency/line management in HR decision-making



With regard to the HR issues covered in this study, line managers are given important responsibilities in all three Anglo-Saxon countries but also in the Scandinavian and Baltic States (especially Estonia) and in The Netherlands. On the other hand, in the Mediterranean (especially Greece, Italy, Cyprus), the Transition countries (e.g. Slovakia) or in Luxembourg, Belgium and Romania, line management is endowed with only few decision-making rights. Also interesting is the fact that countries, which are supposed to have rather hierarchical organisational and decision-making structures, seem to involve line management to a quite considerable extent (e.g. Germany). Only in the UK and Ireland, lower hierarchical levels play a relevant role. Overall, line managers and lower hierarchical levels are given more responsibilities in position-based than in career-based based systems.

Mostly, line managers have responsibilities in the field of performance management (apart from the Anglo-Saxon and Scandinavian countries; also in Slovenia, the Netherlands, Portugal or the Accession States; least so e.g. in Greece), performance related pay, career development and training issues, as well as disciplinary and dismissal issues.

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Important HR responsibilities of line managers and lower hierarchical levels

Field	Public Administrations
Recruitment of a line manager	Bulgaria, Czech Republic, Estonia, Finland, Malta, Netherlands, Portugal, Sweden, UK
Determination of fixed salaries	Finland, Hungary, Poland, UK
Determination of performance related pay	Austria, Bulgaria, Denmark, Estonia, Finland, Germany, Latvia, Netherlands, Poland, Slovakia, Slovenia, Spain, Sweden, UK
Awarding a contract for a study	Estonia, Finland, Germany, Ireland, Latvia, Malta, Sweden, UK, EC
Determining training and development	Bulgaria, Cyprus, Denmark, Estonia, Finland, Hungary, Ireland, Latvia, Malta, Netherlands, Portugal, Slovakia, Sweden, UK
Performance management	Bulgaria, Cyprus, Denmark, Estonia, Finland, Germany, Ireland, Latvia, Malta, Netherlands, Romania, Slovenia, Portugal, Sweden, UK
Codes of conducts and ethical norms	Estonia, Ireland, Sweden
Decisions on disciplinary procedure	Belgium, Bulgaria, Czech Republic, Denmark, Germany, Greece, Hungary, Ireland, Latvia, Malta, Netherlands, Portugal, Slovenia, UK, EC
Dismissal of employee	Bulgaria, Denmark, Estonia, Finland, Germany, Hungary, Ireland, Netherlands, Portugal, Slovenia, UK
Promotion of a manager	Czech Republic, Estonia, Finland, France, Hungary, Malta, Romania, Spain, Sweden, UK
Changing working time	Czech Republic, Denmark, Hungary, UK, EC
Altering task responsibilities	Belgium, Denmark, Estonia, Finland, Hungary, Ireland, Malta, Netherlands, Poland, Portugal, Slovenia, Spain, Sweden, UK, EC
Introduction of teleworking	Denmark, Estonia, Ireland, Malta, Sweden, UK

Deciding head count reduction

Malta, Spain, Sweden, UK

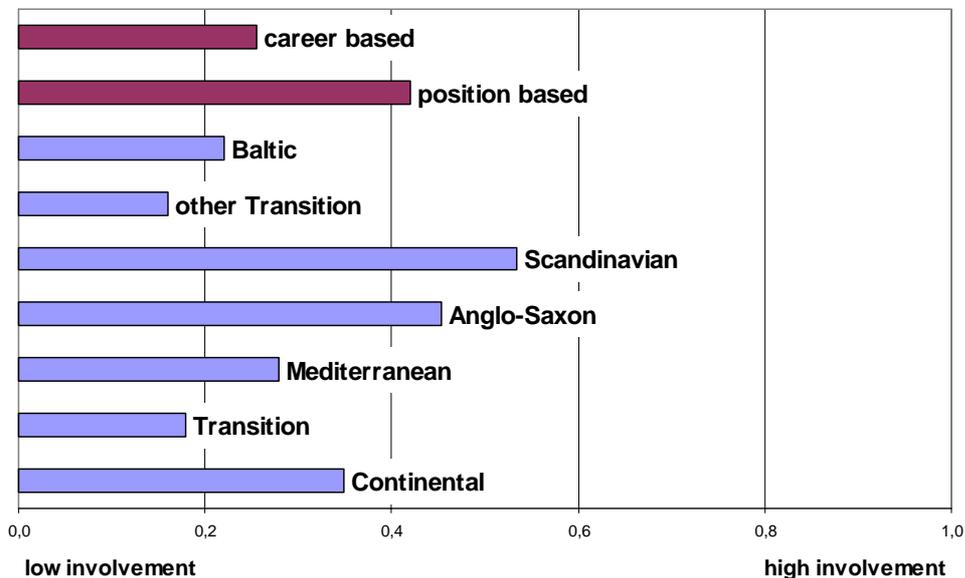
Relocating staff

Denmark, Finland, Ireland, Malta, Netherlands, Spain, Sweden, UK

3.9. THE ROLE OF THE TRADE UNIONS AND STAFF REPRESENTATIONS IN HR ISSUES

This study also aimed at identifying the extent of involvement of the trade unions and/or staff representatives in specific HR decision-making processes. Also in this field, the answers produced very interesting evidence about the state of affairs in this field.

Figure 15: Involvement of trade unions and staff representatives in HR issues



Overall, staff and their representative organisations have a varying degree of influence on the formulation and implementation of public management reforms in the EU, both direct and indirect (Farnham/Hondegham/Horton 2005). With regard to the HR decisions covered in this study, generally, Sweden, Belgium, Denmark, Germany, Ireland, the UK or the EC involve the trade unions and/or staff representatives to a higher extent than e.g. Czech Republic, Greece, Hungary, Latvia, Luxembourg, Poland, and Slovakia. It is also interesting that only in Cyprus, Denmark, Ireland, Estonia and Belgium, the trade unions or staff representatives have an important involve-



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ment in the decision on codes of ethics and ethical norms. Twelve responses reported that the trade unions or staff representatives have a minor involvement in this issue. In eleven countries, the trade unions are not involved at all.

More important role of trade unions and staff representatives

- | Fixation of salaries
- | Dismissal of employees
- | Head count reduction
- | Relocation of staff
- | Working time
- | Performance related pay
- | Altering task responsibilities and areas of work

Restricted role or no role of trade unions and staff representatives

- | Recruitment of managers
- | Promotion of managers
- | Performance management
- | Public procurement
- | Sanctioning of agency management
- | Dismissal of agency management

As regards specific HR issues it is important to note that, overall, trade unions and staff representatives are relatively little involved in recruitment issues (of a line or an agency manager), in public procurement policies (here: relating to a study with a volume of 25,000 Euro), in performance management issues, and in the promotion of line management (only in Sweden, the trade unions are strongly involved in this issue). In the field of training of employees, trade unions' and/or staff representatives' involvement is generally restricted.

E.g. in France, the trade unions and/or staff representatives have a major say in disciplinary issues and employee dismissal; in the EC, staff representatives are strongly involved in disciplinary issues and the trade union plays a major role in of working time arrangements.

Overall, the role of the trade unions is relatively important in the field of working time issues, determination of fixed salaries, the dismissal of employees, working time issues and – to a lesser extent – head count reductions and the relocation of staff.

3.10. DECENTRALISATION OF MANAGING AND CONTROLLING AGENCIES

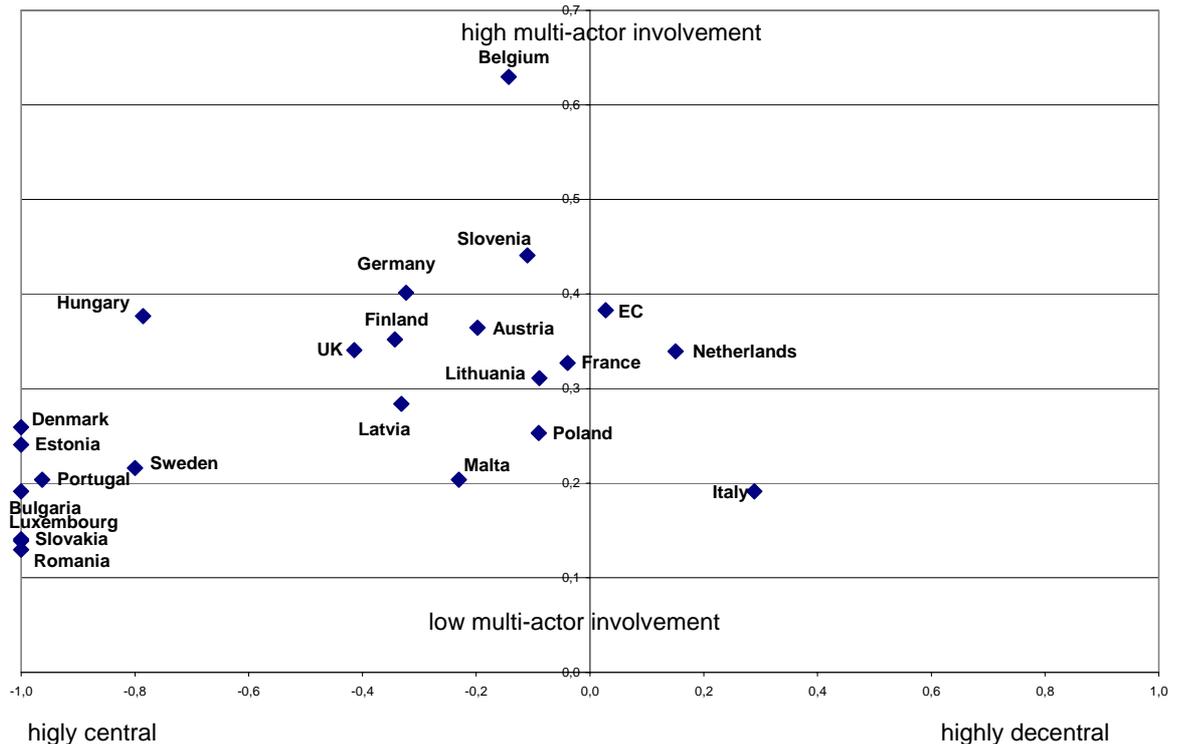
A central modernisation trend in most PAs has been the creation of arm's-length bodies separate from ministries with significant autonomy, often referred to as 'agencies'. Many PAs nowadays use agencies rather than ministries to deliver central government services. There have been many claims about the benefits of organising and delivering government in this way, but there has been little comparative research into how they work in practice. According to our survey, apart from Cyprus, Czech Republic, Greece, Ireland, and Spain, all participants have already made experiences with agencies.

In Sweden, the establishment of agencies as main model for organising public administration goes far back in history and can be regarded as a prerequisite for many public administration reforms. In Austria, the creation of autonomous agencies (*Ausgliederungen*) constitutes a core element of current reforms. Main motives are to establish a stronger management and efficiency culture through private sector personnel and financial management as well as to increase flexibility and management autonomy. Following a thorough check of the necessary conditions, *Ausgliederungen* are always established within a specific law securing the necessary framework and establishing necessary control and steering mechanisms. Between 1999 and 2004, 39 new agencies have been created including, among others, all federal museums, theatres and public universities, as well as e.g. an accounting agency, a federal real estate agency, an agency for public procurement, an agency for health and food security, or Statistics Austria (see box 10).

Again, the pathways taken on the level of individual public administration to organise these agencies are multiple and differ greatly. Similarly, previous research (Pollitt et al. 2004) has found considerable evidence for extensive path dependencies regarding the structures and management of agencies in Europe. In this study, we were especially interested in management and decision-making processes not only within governmental organisations and agencies, but also in the management and control of agencies, particularly as regards to recruitment, gratification and disciplinary procedures of agency top management.

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Figure 16: Vertical decentralisation with regard to agency management and control



In terms of vertical decentralisation, we find a strong involvement of central actors in Denmark, Estonia, Luxembourg, Slovakia, the Accession States Bulgaria and Romania, but also in Portugal, Hungary, and Sweden. A relatively high involvement of central actors is also found in the UK, Finland, Latvia and Germany. Considerable responsibilities are devolved to the agencies and their supervisory boards in Italy and The Netherlands.

In this context, it is interesting to note that The Netherlands report accountability problems with their agencies: “Since the 1990’s there has been a striving for an organisational separation of policy and decision making on the one hand and policy implementation on the other. This has led to growth of the number and the independence of so called ‘autonomous administrative authorities’ (agencies), which were made responsible for implementation and execution. However, it turned out that the accountability of the functioning of these authorities is problematic. So, a bill has been prepared to regulate government’s influence and control of these agencies.” (The Netherland answer to this survey)

While some respondents (e.g. Luxembourg, Slovakia or The Netherlands) show more or less the same degree of vertical decentralisation as with regard to management tasks within core public administration, others differ considerably: We find a higher degree of vertical centralisation in the management of agencies (in compari-

son to the HR issues discussed in the previous chapters) especially in Sweden, Estonia, Denmark, UK, and Hungary indicating a tighter control system for agencies; we find less centralised HR decision-making structures in Italy, Belgium, Poland, EC, and also in Austria and France. That means that particularly those PAs that grant line and agency management a considerable degree of managerial autonomy with regard to operational and management tasks within their organisations, are highly centralised when it comes to the formulation of guidelines and overall control of agencies.

Our study shows that with regard to the management and control of agencies line ministers play a crucial role: With the exception of Italy and the EC (both report higher involvement of government-wide bodies; Italy only with reference to some independent authorities) as well as Malta and UK (higher involvement of ministry-wide bodies), line ministers are the main decision-making authority.

As to horizontal centralisation and decentralisation, the respondents also differ especially in the extent to which either a central unit government-wide or a central unit within the respective line ministry is mainly involved in making HR decisions regarding agency management. Overall, career-based systems more strongly rely on a central government-wide unit while position-based systems tend to delegate the HR issues to the line ministries. However, again, our findings reveal considerable differences on the individual level: For example Hungary, Italy, Luxembourg, Portugal, Slovenia, the EC as well as Bulgaria and Romania have a relatively high number of issues decided in government-wide central units, while, for example, in Denmark, Malta or the UK and in the two Continental countries, Austria and Germany, central units within the line ministries play a greater role. Belgium, France, Estonia share or split the responsibilities between the central units.

Task	Strong involvement of government-wide HR unit	Strong involvement of ministry-wide HR unit
Recruitment of agency management	Bulgaria, Estonia, Hungary, Luxembourg, Portugal, Romania, Slovenia, Sweden, EC	Austria, Estonia, Finland, France, Germany, Sweden, EC
Agency management compensation	Bulgaria, Estonia, Finland, France, Hungary, Italy, Luxembourg, Portugal, Romania, Sweden, EC	Germany, Malta, Sweden
Performance management	Estonia, Hungary, Portugal, Slovenia	Estonia, Finland, Hungary, Malta, Sweden, UK
Sanctioning management misconduct	Bulgaria	Austria, Denmark, Germany, Netherlands, UK



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Dismissal of management Bulgaria, Hungary, Luxembourg, Portugal, Romania Austria, Denmark, Germany, UK

Directors-General have an important say in the steering of agencies in Belgium, Denmark, Hungary, and also Finland, Germany, and UK, but are not involved in Bulgaria, Luxembourg, Poland, Romania, or Slovakia. Particularly countries from the Continental European and the Anglo-Saxon tradition strongly engage agencies' supervisory boards in the decision-making.

Interestingly, the Swedish case appears a lot more centralised when analysing the vertical allocation of decision-making responsibilities with regard to the management and control of agencies. According to the Swedish answer to our study, agency management recruitment and compensation involve central units both government-wide and within the respective line ministry as well as the minister, who is also responsible for performance management and disciplinary proceedings. Agency management or supervisory boards are not involved in these issues.

A similar degree of centralisation is reported by Portugal, with the difference that no central units within the single ministries are involved. Again, neither agency management nor supervisory boards are involved in these issues. In contrast, in Germany decision-making structures as regards the recruitment of an agency manager, performance management issues, the sanctioning of an agency manager and the dismissal of agency management are more participative and decentralised. This observation is important since Germany also has a relatively small central governmental level and a large number of important agencies, e.g. the Bundeskartellamt and Bundesverwaltungsamt.

BOX 10: STEPS TOWARDS AN OPTIMIZED PUBLIC SERVICE: TRANSFORMATION OF STATISTICS AUSTRIA TO A FEDERAL INSTITUTE UNDER PUBLIC LAW

With Austria's accession to the European Union additional requirements regarding statistical services arose along with increasing fiscal pressures and a general need for modernizing management. There was the necessity of reducing personnel in the long term and improving quality and services. As a reaction "The Austrian Federal Statistics Act 2000" was adopted and entered into force on 1 January 2000, giving Statistics Austria increased management autonomy both regarding personnel and financial resources. Further the act intended to promote the increased use of electronic media for data exchange and to provide a legal basis for a more efficient data collection from existing registers and administrative data along with a reduction of respondents' burden. Additionally, new management instruments and internationally acknowledged quality standards were introduced.

By the above mentioned act the former Austrian Central Statistical Office (ÖSTAT) gained an agency-like status as an independent legal entity "Statistics Austria" in form of a Federal Institution under Public Law. For the establishment the movable assets formerly administered by the Austrian Central Statistical Office on behalf of the Federal administration were fully transferred to the property of Statistics Austria. Due to its non-profit orientation Statistics Austria simply works on the principle of cost recovery. In May 2000 the opening balance was presented and Statistics Austria gained full financial autonomy (outside Federal budget regulation) with an annual lump sum paid by the Federal State for the fulfilment of its tasks. All cost going beyond this sum have to be borne by the institution, which has led to a considerable increase in thrift, efficiency and expediency.

The top management level of Statistics Austria is composed of a Director General Statistics and a Director General Finance. Both represent the institution towards third parties. The Director-General-Statistics is responsible for all technical duties and duties that include the exercise of public authority. When exercising public authority he is bound by the directives and instructions of the respective Minister. The Director-General-Finance is responsible for all financial and business affairs. As regards the internal reorganisation of the former ÖSTAT a new and much slimmer and more focused structure of 4 directorates out of former 8 divisions was established. Within these directorates a process- and project-orientated organizational structure was introduced.

The act envisions the implementation of a system of financial accounting and controlling corresponding to private sector requirements. An Economic Council and a

Statistical Council functioning as controlling bodies were established. The Economic Council oversees the financial management whereas the Statistical Council is responsible for the adherence to the statistical principles and quality standards. Both Directors General have to submit annual budgets, four-year-medium-term plans as well as annual and quarterly reports based on business management principles. The budgets and work plans have to be adopted by the Economic Council. Additionally annual accounts are made with unrestricted certificate by external auditors. Hence, more flexibility but also more personal responsibility (e.g. HR management, collective bargaining) for the management has been achieved.

Regarding the compliance with laws, the fulfilment of its specific tasks as well as the financial administration, Statistics Austria is under government supervision exercised by the Federal Chancellor and the respective Federal Minister. The Federal Chancellor is responsible inter alia for the approval of the annual accounts.

4. ACCOUNTABILITY: A CENTRAL CONCERN OF PUBLIC ADMINISTRATION MODERNISATION WITH MANY FACES

The concept of accountability has always been a central concern of both, the study and the practice of public administration. For example the OECD (2005, p. 11) regards the modernisation of accountability and control as one of the 'key public management policy levers' which has considerably changed over the past 15 years. It is also interesting that accountability is a key concept both within New Public Management – with a focus on individual or organisational accountability for performance and results – and Good Governance conceptions – with a focus on external accountability towards the citizens. Nevertheless, the concept has been described as notoriously imprecise and a complex and chameleon-like term with varying understandings dependent on public administration history, culture and political-institutional context. Accountability within the public sector raises questions such as: Did the organisation follow the rules? Did the organisation do what the principal desired? Did the organisation fulfil external expectations? Did the organisation give information on its performance? Did the organisation face consequences for its performance? More general, accountability refers to the obligation of a decentralised unit to answer to a hierarchically super-ordinate body of government for its activities (encompassing legal, organisational and managerial accountability), but also to the necessity to answer to the citizens and the public. Regarding content, addressee and form of regulation the following forms of accountability can be distinguished:

Judicial accountability of public servants is a shared concept among all European PAs and generally comprises three elements:

- I Accountability under disciplinary law: Public servants can be held accountable if they culpably breach their service duties, which are laid down in civil service laws in detail.
- I Accountability under penal law: Penal codes specify sanctions against misconduct or neglect of duty.
- I Accountability under civil law: Public employees are held (financially) accountable under civil law for damages they cause to their employer or third persons in the exercise of their duties.

Political accountability links public administration performance and activities to the legislative, which in turn is accountable to the electorate. It covers the obligation to provide answers and explain personal decision, give an account of activities and performance, enquire into and remedy faults as well as repair deficiencies. Ministerial accountability is the prevailing form in most PAs and generally extended so that the minister is political accountable also on behalf of all public managers and public employees under his responsibility. In general, civil servants and public managers are not politically accountable. However, there are exceptions for top-level civil servants with a stronger political role:

- I "The principle of civil servant's neutrality prevents a political accountability except for those top civil servants who are appointed by a decision of government" (French answer to this survey).

- I “In each ministry, there are a handful of politically temporary employees that have to leave the office in case of a lost election or for other political reasons” (Swedish answer to this survey).
- I “There exists political accountability for top manager that are qualified as political posts” (Portuguese answer to this survey).

Supervision/Dienstaufsicht is the classical mechanism in traditional bureaucratic, career-based systems to secure accountability. Public servants “are held accountable to their superior line managers and controlled by them on every possible aspect like performance, ethics, legitimacy, expediency” (Greek answer to this survey). The hierarchical concept with supervision (Dienstaufsicht) through higher-level administration authorities and binding instructions or directives (Weisungen) is an equivalent to political accountability. Related to this form of control and accountability, the development of ethics and codes of conduct (e.g. Denmark, EC, Finland, Ireland, Malta, Poland, Romania, Slovakia, UK) can be observed. They specify and provide a framework of standards of correct behaviour that are expected from public officers beyond laws. They mostly cover independence, loyalty, and responsibility as central values of public administration.

Regarding the content of accountability, a common distinction is made between a more traditional compliance accountability (focus on rules and procedures to be followed) and performance accountability (focus on results), the first strongly related to judicial, political and hierarchical accountability.

In case of performance/managerial accountability public sector employees and managers have to demonstrate and account for performance in the light of agreed performance targets. Contrary to traditional administrative accountability and its concern with monitoring the process by which inputs are transformed, the focus now lies on monitoring primarily outputs or outcomes.

External accountability emphasises the shift away from an accountability and control concept dominated by an assessment of administrative and internal actors to a concept of transparency towards public and external actors. Especially in decentralised systems, this form of accountability may secure the necessary checks and balances.

4.1. ACCOUNTABILITY TRENDS IN THE EU: PERFORMANCE AND EXTERNAL ACCOUNTABILITY ON THE RISE

As has been described in chapter 2 efforts to strengthen accountability are, together with e-government reform initiatives, customer orientation, or reforms related to good governance, currently main public administration modernisation issues in Europe. 15 countries, representing all public administration traditions, namely Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Hungary, Ireland, Lithuania,

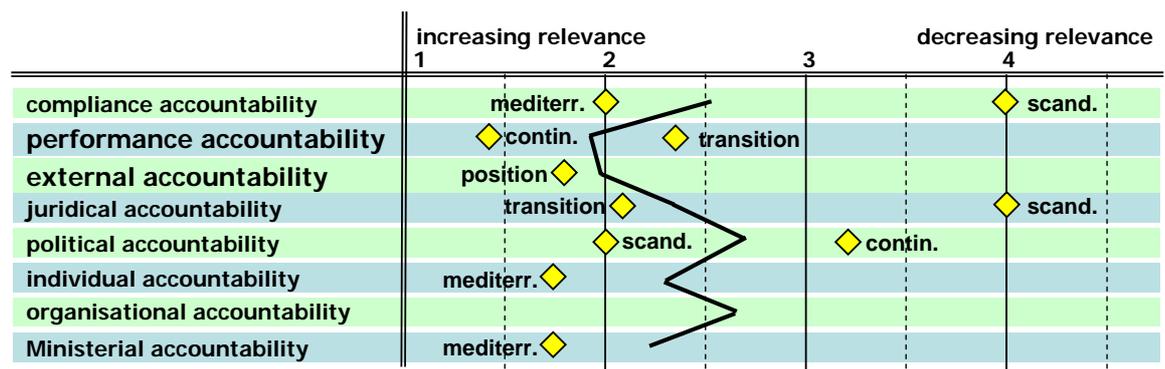
Malta, Netherlands, Portugal, Sweden, and the UK, as well as the EC regard accountability as a reform topic with very high or high influence.

Reforms on accountability are not isolated from other reform issues. Accountability initiatives tend to go along with reforms of performance management, budget decentralisation, customer orientation and good governance. Accountability has found its way into many public administration modernisation initiatives (see chapter 4.3.).

When asked to specify a trend with regard to the future relevance of specific aspects of accountability that are relevant, overall, performance and external accountability score higher than the other types (see figure 17). Compliance accountability, political accountability and organisational accountability are seen to rather lose importance.

Again, when looking more closely on the level of clusters or individual PAs, we find variations: Especially the Continental European countries emphasise the shift from compliance and political accountability to performance accountability, while in the Mediterranean tradition, external accountability is given priority. In the Transition states, judicial accountability is regarded the most important trend with regard to accountability reforms. For the EC, all types of accountability are interlinked and considered of equally high importance. With regard to HR systems, as expected, in position-based systems, performance accountability is more important than in career-based systems, the opposite being true for compliance and judicial accountability.

Figure 17: Variations in accountability trends in Europe



In the introduction we have highlighted that decentralisation of authority/responsibility and the need to strengthen accountability are major directions in public administration modernisation that go hand in hand. The OECD in its 2005 (p. 12) report 'Modernising Government' stressed that the "challenge is to maintain control in systems that are more delegated, with more autonomous agencies and third party providers". Consequently, the effectiveness of decentralised systems depends on the existence of very good coordination and monitoring systems or other forms of accountability (i.e. external). The replies to our study confirm the close relationship between decentralisation and accountability. More decentralised PAs in terms of HR

decision-making put more emphasis on accountability as topic of public administration, and to compliance and performance accountability in particular. In addition, PAs with a high degree of decentralisation with regard to the management and control of agencies, political accountability seems to be less relevant.

4.2. DECENTRALISATION AND ACCOUNTABILITY: ALIGNMENT OF REFORM CONCEPTS?

Decentralisation is a process in which a growing tension between control and responsibility on the one hand and management autonomy on the other hand has to be managed. Both topics are clearly strongly linked to each other. “It seems that the underlying issue is really how to provide flexibility – both through the individualisation and delegation of practices – to the HR systems in order to improve responsiveness to changing needs and focus on local and sectoral demands, while maintaining a sense of collectivity and providing for coherence” (OECD 2005, p. 20). The OECD regards the alignment of these main themes of public administration as a core challenge of current public administration modernisation. The challenge is to find the right balance between decentralisation and control to secure accountability especially towards parliament, avoid abuse and mismanagement and not to lose coherence of strategy.

Thus, the main challenge for most European PAs is to find ways of maintaining government coherence and securing control while delegating HR responsibilities. We were particularly interested in finding out, whether a potential trade-off or tension is being perceived and if so, how the PAs are trying to overcome the problems.

Estonia, Malta, Latvia and – to some extent – Germany and The Netherlands recognised that the decentralisation and flexibilisation process also poses (accountability) problems. For example Estonia emphasises that “decentralisation and freedom to manage has generally been considered positively in administration, although it has brought along the need for improved coordination and accountability.” Malta also recognised “a certain amount of diminished accountability and loss of control”. The Latvian answer to this study pointed out that the decentralised nature “has provoked a situation usually referred as ‘feudalisation’ of public administration which includes differently developed (...) but mostly underdeveloped (...) HR role and function in different ministries and agencies”. According to Latvia “autonomy is not an issue, equity is”. Another problem is the occasional lack of human resources in a decentralised environment. This opinion was also shared by Germany.

Austria took a middle position in asserting that “Decentralisation means for HR Departments a certain reduction in direct control as far as HR affairs are concerned (...). On the other hand, controlling has been extended to compensate for this reason”.

Other countries do not see any of these problems. Hungary, on the contrary, sees decentralisation not as a threat to accountability but rather as vehicle to strengthen it:

“... these reforms [decentralisation] have facilitated to achieve more efficient, flexible public management and to strengthen accountability.” Typical of many answers – especially for PAs with little decentralisation – is the answer from Cyprus: “The system of hierarchy and reporting across all levels ensures that any available discretion is not applied too widely”. Greece notes: “The competencies of each civil servant at all levels (...) are clearly described in legal provisions. At the same time the hierarchical control is a mechanism to avoid arbitrariness”.

The replies to our survey indicate that especially PAs with a medium level of decentralisation (according to the conception used in chapter 3) experience tensions between increasing decentralisation/autonomy and weakening control/accountability and report on public discussions of accountability problems.

Overall, most PAs see the need to secure accountability through additional measures that prevent any form of excessive discretion in HR issues (see chapter 4.3.). No respondent sees difficulties and problems that may not be overcome. This general attitude is best illustrated by a citation from the German answer: “Decentralisation does not lead to less accountability, but to different forms of accountability”.

With regard to ways how to reconcile a trade-off between decentralisation and accountability we find two different lines of argumentation: The framing as a control or supervision problem that may be overcome through the strengthening of hierarchy and/or control or alternatively the framing as a management problem with the need to introduce adequate managerial structures and instruments. The following quotes can illustrate these approaches.

Framing as a control and supervision problem

“In order to prevent diminution of accountability the Commission has set up a system of Internal Control Standards on which reporting is required annually” (EC answer to this survey)

“the system of hierarchy and reporting across all levels ensures that any available discretion is not applied too widely and (...) ensures sufficient control accountability in both central and decentralised functions and tasks” (Cyprus answer to this survey)

Framing as a management problem

“Decentralisation does not lead to less accountability, but to different forms of accountability (e.g. controlling reports, annual or quarterly reports). Target agreements can be used to manage the necessary accountability obligations as needed. In contrast to classic management, here the focus is not on controlling the process but on results. Experience in recent years has shown that public administration now relies on a combination of management methods. Success here depends on adjusting methods to fit the conditions in the individual agencies.” (German answer to this survey)

„... a loss of control from the central agencies has occurred. As a result Government has adopted a process of more controlled decentralisation on Public

Service departments ...” (Malta answer to this survey)

“The competences of each civil servant at all levels (...) are clearly described in legal provisions. At the same time the hierarchical control is a mechanism to avoid arbitrariness” (Greece answer to this survey)

„The new budgetary law requires the setting of objectives and, as a

consequence, more accountability from civil servants“ (France answer to this survey)

4.3. A BROAD SPECTRUM OF TOOLS AND REFORM INITIATIVES TO STRENGTHEN ACCOUNTABILITY AND SECURE POLICY COHERENCE

Specific questions in the survey referred to the main tools, instruments and measures available to monitor and control decentralised managerial bodies and secure policy coherence. We found a wide variety of tools and initiatives in place:

- | Regulation (ranging from laws to guidelines, statutes and circulars)
- | Supervision (hierarchical controls, internal and external audits)
- | Managerial and performance instruments
- | Networks, personal contacts and informal control
- | Information dissemination
- | Code of conduct, good governance, values
- | Transparency measures

The different types of accountability are addressed with different instruments. The individual PAs, therefore, apply a set of these instruments in order to cover all types of accountability that are relevant in the specific administrative contexts. The instruments applied reflect the types of accountability that are prevailing. Regulation, supervision and managerial/performance instruments mark the main focus within the set.

On average, large countries show a tendency to apply a broader spectrum of instruments, although no common pattern of actual instruments can be found. As regards the choice of actual tools and instruments to assure coherent policy in HRM, we find that career-based PAs focus either on supervision or regulation, while position-based PAs focus on managerial and performance instruments. Continental countries emphasise supervision combined with regulation; the Mediterranean countries strongly rely on regulation. The Transition countries also focus on regulation, which is also reflected in several legislation reforms. Scandinavian countries, on the contrary,

establish management instruments as well as emphasise transparency and external accountability, e.g. Sweden points to the current and future relevance of external accountability: “In the way government employers discuss and co-ordinate common values and common policies may very well be regarded as a system for external accountability. In addition to this the fact that all decisions are open to the public, and that the unions are involved in most processes, external accountability is very strong in Sweden, giving way for fewer and weaker internal accountability processes” (Swedish response).

In more detail, we find a broad spectrum of different reform initiatives.

I Performance management

Performance management includes instruments like performance agreements, performance targets and indicators, performance gratification etc. (see also performance related pay) and is widely used in the EU. E.g. in Austria (cost and performance accounting), e.g. in Finland (cross-administrative policy programmes), Germany, Italy (assessment and control system for management), Malta (performance agreements and Performance Management Programme), Ireland (Civil Service Regulation (Amendment) Act), UK (Public Service Agreement), Portugal (Charter of mission), UK (Strategy Unit)

I Changes in legislation

New laws or amendments on personal issues were enacted mainly in transition countries. E.g. Czech Republic (civil service act), Hungary (declaration of property for certain spheres of civil servants), Latvia (law on disciplinary liability), Poland (law on civil service), Romania (law regarding the decisional transparency, law regarding the Local Public Administration), Slovakia (Civil Service Reform; law on accountability for damages caused by public authorities), but also Germany (amendment of disciplinary law) and Ireland (Public Service Management Act 1997)

I Budgetary decentralisation and IT support

New budgetary regulations are used as a means for delegating finance and performance responsibilities and enable at the same time central control and transparency. Generally, they are supported by IT tools. Recent reform initiatives were identified in: e.g. Austria (a proposed budgetary law reform; SAP software), Bulgaria (central control via a HR software), Cyprus (Financial Information Management Accounting System), France (new budgetary law), Finland (financial controller’s function), EC (development of a new financial management, control and audit system)

I Soft coordination and networking

E.g. Belgium (creation of networks), Cyprus (training programs), Germany (job rotations), Ireland (creation of networks), Latvia (seminars and consultations), Poland (support and advice), EC (Creation of inter-service networks on HRM)

I Increased transparency

External accountability is achieved by instruments that increase transparency, e.g. in Finland (annual reports with HRM details), Greece (special provisions for trans-

parency and access to public documents and information), Ireland (Freedom of Information Act), Romania (law regarding the free access to public interest information), EC (Adoption of Access to Documents Regulation)

Boxes 11-16 illustrate various trajectories taken to secure accountability and control within a more decentralised public sector context. Such developments, albeit crucial for a well-functioning of the system, seem to also put a new burden on managers to implement new processes to achieve and report performance, reliability and compliance. The trend to managerial flexibility does not seem to mean that there is less control, but that there are more and varied controls. The process of letting managers manage seems not to be as ample as managerial rhetoric often implies. There is a countervailing centralization (e.g. building up sophisticated performance management systems, new IT-based controls or auditing). Pollitt and Bouckaert (2004, p. 147) also noted that public managers often have experienced greater freedoms, but that at the same time they have felt themselves closer scrutinised than ever before as far as their results are concerned.

An ongoing leadership challenge will be to avoid a 'pseudo-decentralisation' as described by Pollitt and Bouckaert where central authority claims to have empowered the front line but in fact retains a full battery of controls and even leading to an additional new performance management bureaucracy.

BOX 11: INTEGRATED ACCOUNTABILITY SYSTEM. THE CASE OF ESTONIA

Organisational and regulatory structures provide the basis for accountability structures. These structures are set in the constitution and further specified in a set of laws. The case of Estonia illustrates the strong relationship between constitution, institutional arrangements and accountability.

In Estonia, internal control of the administration is organised by means of hierarchical subordination. The government monitors the legality and purposefulness of the activities of ministries, the State Chancellery and county governments. Each minister monitors the activities of the structural units of his/her ministry and its officials, and of other state agencies administered by the ministry.

Directors-General of executive agencies and inspectorates of all ministries exercise supervisory control over the activities of regional offices of their executive agency or inspectorate, and of their officials. The Secretary of State exercises supervisory control over the legal instruments and acts of officials of the State Chancellery and of the agencies administered by the State Chancellery. All county governors exercise supervisory control over the legal instruments and acts of officials of the county government and of state agencies administered by the county government.

Any person exercising supervisory control may:

- | issue a precept for the elimination of deficiencies in a legal document or act;
- | suspend the enforcement of an act or the validity of a legal instrument;
- | repeal a legal instrument.

Also internal audit systems have been introduced in all public sector institutions. Under article 44 of the constitution, all state agencies, local governments, and their officials have the duty to provide information about their activities, except for information the disclosure of which is prohibited by law, and for information intended exclusively for internal use. Several laws ensure the freedom of information: e.g. Constitution of the Republic of Estonia, National Secrets Act, Act on Answering to Proposals and Public Information Act.

According to the Anti-Corruption Act, all government officials must disclose any economic interests to their agency heads. The highest officials, including the president and members of the Riigikogu and of the government, must make their economic interests public.

External audit and control is exercised by the State Audit Office which is the supreme audit institution. It reports to parliament and is responsible for auditing the entire public sector.

The main task of the Estonian legal chancellor is to review the conformity of legislation of the legislative and executive branches and of local governments with the constitution and the law. In 1999, the legal chancellor was given an additional task, which has a certain similarity to classical ombudsman functions. In addition to the review of legislation, the legal chancellor also controls the activities of state agencies, mainly upon complaints from the public concerning infringement of basic rights and liberties. The legal chancellor has no power to execute his proposals, but he/she can make these proposals public.

BOX 12: DECENTRALISATION, BUT ... – POLAND'S WAY TO ALIGN DECENTRALISATION AND ACCOUNTABILITY

The Law on Civil Service of 18 December 1998 is a legal framework for the whole governmental administration (Civil Service corps) and is regarded as a useful tool in securing coherent HR policy across governmental administration despite decentralisation (e.g. role and responsibility of Directors-General of every office) and different approaches and solutions.

There are also other regulations issued upon the act applicable in Civil Service corps (e.g. on positions, skills, grades, performance appraisal, qualification procedure, competitions on senior positions, working time, training).

Some issues are fulfilled centrally by the Head of Civil Service, a central organ of governmental administration with a tenure of 5 years who is appointed by the Prime

Minister, and is competent in Civil Service issues within the scope determined by the Law. He/she implements a state policy regarding civil service and co-ordinates the planning and using of financial sources for remuneration and training for the Civil Service corps. The Head of Civil Service also has other tools for monitoring and control, e.g. performance appraisals of the General Internal Auditor and DGs in agreement with the minister, head of central office or voivode. In addition, there are some methods of informal influencing DGs, like conferences and training for DGs and HR managers, inviting people from other offices to experts groups working in the Office of Civil Service on HRM tools or frameworks. Consultation procedure along the preparation of legal acts and regulations or amendments.

The Head of Civil Service also promotes HRM tools (e.g. job descriptions methodology, recruitment tools) and gives support to DGs and HRM practitioners (training policies and events regarding these tools, skills and competencies). In addition, there is an advisory and opinion-issuing role of the Office of Civil Service on HR matters in various ways (e.g. information policy, publishing of guide-books, booklets, internet page, e-mails and correspondence in writing, telephone calls, direct contacts).

The Head of Civil Service has also some possibilities to control Directors-General in the field of disciplinary liability. The disciplinary prosecutor initiates explanatory proceedings upon the order of the Head of Civil Service and briefs him/her on the findings. The prosecutor decides whether to deliver the motion for initiating the proceedings to the Higher Disciplinary Commission of the Civil or whether to discontinue the explanatory proceedings with the consent of the Head of the Civil Service.

BOX 13: COMBINING PERFORMANCE ACCOUNTABILITY WITH CENTRAL CONTROL: THE CASE OF MALTA

In the early 1990s, a new top management structure was put in place with a number of distinctive features, notably the use of renewable contractual appointments and the setting of annual performance targets linked to a system of performance bonuses. The senior management structure was developed in response to a number of problems, which had been identified by the Public Service Reform Commission in 1989.

In its 1989 report the Public Service Reform Commission proposed a simplified classification structure for the Public Service consisting of 20 levels and divided into four horizontal bands. The uppermost band, known as Category A, represented the new senior management structure, which was to incorporate all senior management positions.

An important foundation for the new system was laid in February 1991 when the Prime Minister issued a circular letter delineating the roles of ministers, parliamen-

tary secretaries (junior ministers), ministers' private secretaries, Permanent Secretaries and heads of department. The circular laid down the roles and responsibilities of each actor and defined the administrative and managerial competence of Permanent Secretaries and department heads.

The Category A structure began to be put in place in 1992 when a Permanent Secretary was appointed in each ministry. The following year the process of appointing Directors General and Directors got under way in accordance with an organisational structure that had been defined and agreed for each ministry. The latter two levels have superseded the old category of 'head of department' for practical purposes. Directors General are responsible for ministerial divisions (large departments), which may consist of several directorates each headed by a Director.

All Category A appointees retain tenure in their substantive grade. However, they are appointed to their position on the basis of a performance agreement that runs for five years in the case of Assistant Directors and three years for all higher levels. Performance agreements are not renewed automatically on expiry: incumbents have to justify renewal, and indeed below the level of Permanent Secretary they have to re-apply for their positions in competition with other contenders. There have been a number of instances where performance agreements were not renewed.

All performance agreements provide for the setting of annual performance targets and for the payment of a performance bonus according to results.

The system reinforces the chain of command in that each officer's performance agreement is signed by his or her superior on behalf of the government. The officer's superior also determines the officer's annual bonus award (subject to confirmation by the Permanent Secretary) and makes a key input in the decision as to whether the officer's performance agreement should be renewed or not.

Along with the implementation of the Category A structure, the position of Director (Corporate Services) was created in each ministry. The Director (Corporate Services) is responsible to the Permanent Secretary for the overall allocation and management of the ministry's human and financial resources. The Category A structure has generated substantial benefits in terms of tighter and more clear-cut reporting relationships within ministries. All Permanent Secretaries are at the head of a well-defined organisational chain of command in which senior managers at each level are accountable for the delivery of results.

Whilst acknowledging the fact that decentralisation may lead to improved efficiencies with regards to the provision of products and services it has been recognised that a certain amount of diminished accountability and loss of control from the central agencies has occurred. Government recognises that, despite successful measures taken over the past years, the public sector continues to be over-manned in certain areas. With Government responsible for over 33% of productive employment, over-manning and under-productivity does still exist in some areas.

As a result, Government has adopted a process of more controlled decentralisation on Public Service departments, as well as on other State entities, through the establishment of the Financial Management Monitoring Unit coupled with a drive to improve employee utilisation and redeploying under-utilised staff across the public sector. In 2005, Government established a Recruitment and Re-Deployment Advisory Group within the Office of the Prime Minister specifically to ensure comparability between entities in the wider public sector and with the Public Service and specifically to manage surplus labour situations where they exist.

BOX 14: STRENGTHENING PERFORMANCE AND EXTERNAL ACCOUNTABILITY. THE CASE OF FINLAND

The management and development of human resources involves presenting indicators on an annual basis based on the HR accounts. The annual report should contain data on the number of staff, staff structure, staff costs, well-being at work, competence and other intangible assets, and operational renewal. Basic staff data should be included in the annual report regardless of whether targets have been set for them in the performance agreement.

The HR system and the HR accounts based on it constitute

- | a set of indicators for development and decision-making in strategic HRM, for assessing and describing the state of the staff and identifying development needs, for setting targets in the area of HRM and monitoring them;
- | an early-warning system to spot negative trends and enable early intervention (e.g. in job satisfaction); and
- | a practical management tool for staff and human resources.

The HR system draws the attention of management to staff and how to manage it best, and also acts as an efficient guideline to management practices. Reliable and comprehensive information on human resources demonstrates how well the management is working in practice.

The HR accounts take into account the whole of HRM and development. They are a tool for performance management, staff planning and the management of wellbeing at work. Over the next ten years, nearly half of the existing central government employees will leave due to retirement or to finding new jobs elsewhere. Each organisation should be aware of how much and what kind of staff will be needed in the near future. Knowing how much staff with what kind of expertise will be leaving the organisation in the near future, preparations for recruitment measures or for the development of the competence of existing staff can be made.

The State Employer's Office offers agencies and institutions the VMBaro staff survey system free of charge; with this system, an agency can obtain indicators through which to monitor the job satisfaction of its staff and the functioning of its payroll sys-

tem, and to gain comparative information through various groupings.

To secure control and information in HR related matters annual reports of public sector organisations are to include important HR data such as personnel structure, number of personnel, number of man-years, personnel's average age, education level index, working hours done/annual working time, total salaries and wages, salaries and wages for working hours done, indirect labour costs, total labour costs, relation between indirect labour costs and salaries and wages for working hours done, work satisfaction index, personnel turnover, retirement due to disability, sick leaves, investments in personnel, promotion costs for satisfaction at work, promotion costs for working capacity, training and development costs, health care costs, value of personnel, price of one man-year.

The most recent reform is the setting up of the state financial controller's function and obligation of agencies to handle annually the final accounts and annual reports of the units responsible for the results in their administrative fields and issue written statements thereon. The ministry shall obtain auditor's reports and other expert opinion necessary to support its view. This function serves the government and the ministries in securing and developing the quality of the steering and reporting systems as well as in securing accountability.

BOX 15: DECENTRALISATION LEADING TO NEW FORMS OF ACCOUNTABILITY. THE CASE OF GERMANY

Germany emphasises the reconciliation of decentralisation and accountability and stresses that decentralisation does not lead to less accountability, but to different forms of accountability as well as a changed role structure and set of instruments.

Each ministry is responsible for the legal and technical supervision of its subordinate agencies. These agencies have the duty to provide reports and information to their supervising ministry. Personnel policy measures such as staff rotation (breadth of assignment) and exchange also guarantee the flow of information. In addition to legal and technical supervision (instructions and ordinances), the following tools are used: target agreements, discussions, reports, examinations, inter-agency discussions. There is no binding common regulation governing the oversight and steering of the agencies within a ministry's remit.

The subordinate authorities are subject to central oversight by the ministries (technical supervision). Goals, processes and results of the work performed in these authorities are subject to quality standards set by the ministries.

Concerning HR decentralisation and central coherence assurance, there are framework laws concerning remuneration, rights and duties of civil servants and employees within Federal Government. Also payroll administration is managed centrally. Each ministry is entitled to personnel management including maintaining personal

records, promotion, personnel planning, recruitment and personnel development.

Within this framework the activity of HR departments has been modified by introducing performance related pay schemes as well as by transferring standard working procedures such as recruiting and promoting junior staff to agencies. Line managers are entitled to suggest granting of bonuses, measures for personnel development, agreement on objectives and training. As a rule, the publication of job vacancies and assessment of applications, management of benefits and allowances for civil servants as well as travel management is delegated to the Federal Office of Administration.

In general, the decentralisation initiatives have been assessed positively. However, management shortcomings and external factors (e.g. budget deficits) have led to some unintended effects, such as shortages of resources and competences. There are some isolated empirical data on the effects of reform in public administration nation-wide. Regular surveys concerning reform measures are conducted in the public authorities.

BOX 16: THE SWEDISH TRADITION OF DECENTRALISATION – CENTRAL COHERENCE AND CONTROL STILL ON THE AGENDA

The Swedish model with delegated employer responsibility has its roots in how agencies were built up from the 17th century and onwards, but has relatively recently been evaluated. In general it was found to be a successful reform which direction is not to be changed. Furthermore, the budget system, the system for financial management and control, the performance management system and the internal and external auditing systems are all well developed to ensure accountability.

Swedish agencies' relative autonomy concerning employer responsibility therefore will continue. Agencies have full responsibility for hiring and firing, developing and retaining staff. Pay levels in government administration are compatible for the kind of staff needed, and very few agencies report any kind of problems in recruiting new staff. The flexible pay system also has made it possible for agencies to raise the level of pay only for key competencies that are affected by market competition, i.e. without having to raise the pay levels accordingly for the major bulk of staff.

All agencies are obliged to report statistical data to SAGE about the development of their staff distributed into three major categories of skills. These and other strategically relevant HRM matters also have a forum for information in the annual Objectives- and Result-dialogues between each ministry and its agencies.

During the year 2005, the Swedish government has formulated the direction for central government administrative policy as three interdependent strategies:

- | a coherent central government administration year 2010
- | an administration working on the basis of efficiency and the rule of law



I an innovative and learning administration

Especially the strategy based on 'a coherent central-government administration' implies a shift from a focus on development of separate agencies and lines of business to modernising the civil service as a whole – to create a coherent administration in the service of the citizens. The starting point is a focus on citizens and a strong ambition to create more value in a more efficient way by better definition of agencies' tasks, possibilities to cooperate and riddance of overlapping.

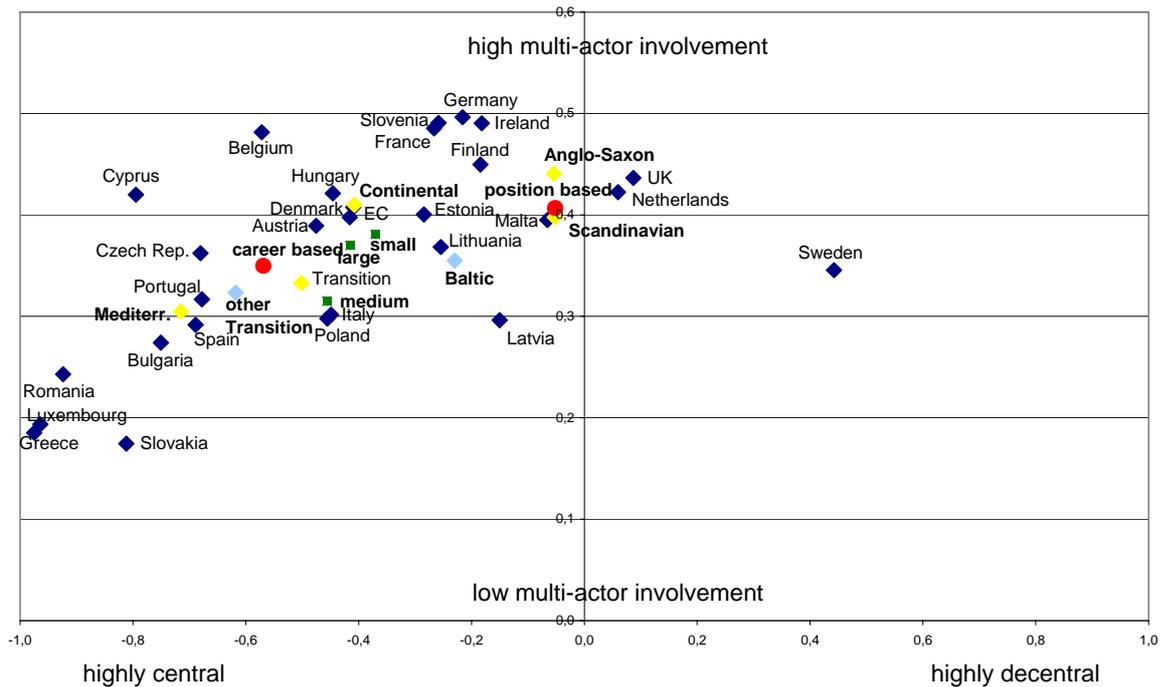
As a link in this strategy, a new governmental staff agency was formed: Verva, Swedish Administrative Development Agency. One of Verva's tasks is to support the agencies with enhancing administrative knowledge, including questions of openness and transparency. Verva's task is also to support and develop agencies' work with quality development and strategic competence supply, and follow up and evaluate results in these and other fields of development.

5. SUMMARY AND MAIN CONSEQUENCES FOR HRM

Strongly centralised, hierarchical, rule-based, formal and impersonal organisations no longer match our changing societies, expectations of citizens, or the changing attitudes, qualifications, values and skills of 'the bureaucrats'. For Max Weber, bureaucracy was powerful since it combined expertise, competence, rationality and efficiency. Despite all the changes and although many reforms have considerably changed the nature of the bureaucratic model, even today there is still no universal alternative to it. Nevertheless many reforms aim at reducing hierarchies, flattening organisations, introducing more mobility and flexibility, introducing output-oriented performance management systems, etc. In particular in the HRM literature, there has been much discussion of decentralisation of responsibilities and tasks from central HR bodies and HR specialists to line managers, and yet, to date, there has been little detailed research and analysis of what is actually happening. As this study shows, it is important to be able to differentiate more clearly between the rhetoric and the practice of decentralisation.

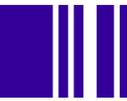
The replies from all 27 countries plus the European Commission to our study report on many different HR decentralisation initiatives and experiences as was already observed earlier in a report of the United Kingdom Presidency (2005) on 'Innovative HR strategies'. Figure 18 presents the overall picture based on the HR decision-making situations both within core public administration and agencies as well as regarding the management and control of agencies.

Figure 18: HR decentralisation – overall picture



Overall, our results highly correspond to the results of an index of HRM delegation as presented by the OECD (2005, p. 170). Only with regard to France and Ireland our survey indicates a higher degree of HR decentralisation and with regard to the Czech Republic, Denmark and Portugal a lower degree – differences that could be an impetus for further and more detailed research.

The OECD has come to the conclusion that current developments can be characterised as general decentralisation and individualisation trends. Our study confirms a general trend in governmental HR policies in this direction albeit with many nuances and variations between PAs and several parallel centralisation initiatives. However, we are more cautious concerning an ‘individualisation’ concept. Clearly, many respondents are in a process of decentralising HR competencies and within these processes, line managers are given more tasks and responsibilities. Nonetheless, our results do not point to an individualisation of decision-making where managers exercise more individual autonomy and possess more individual discretion. In fact, the decentralisation process normally goes hand-in-hand with close consultation, communication and co-ordination with other actors. Overall, we find – at least at the current point in time – a strong relationship between decentralisation and the involvement of multiple actors in the decision-making processes. This indicates that respon-



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sibilities are rarely fully delegated to the line management and that central actors still retain a major influence. We therefore believe that a certain devolution and individualisation takes place but – parallel to this – also the creation of new coordination, control and accountability structures.

The multiple initiatives towards decentralisation illustrate the divergent structures, traditions, and paths taken that do not seem to give rise to a shared new model of a European Administrative Space. None of the 25 Member States, the Accession States Bulgaria and Romania and the European Commission have either completely centralised or completely decentralised HR systems. The pathways taken to organise HR services are multiple and vary greatly. In addition, it seems unlikely that the bureaucratic model will be fully replaced by such a new model in the near future. Instead, the development of organisational structures in the European public administrations reflects the general tendency towards more differentiation in society. The replies show that organisational principles such as ‘hierarchy’, ‘bureaucracy’ and ‘careers’ remain important.

We find a general agreement that decentralisation – and especially decentralisation of HR responsibilities and tasks – has strongly positive effects such as performance and productivity improvements, increased service speed, quality and value, empowerment of management, increased motivation and also allows HRM functions to be better adapted to local needs. In addition, decentralisation is an important prerequisite or driver that triggers other reforms such as increased performance management and accountability, whereby especially new ICT plays an important role to guarantee successful implementation. However, both, centralisation and decentralisation have advantages and disadvantages at the same time. No way is per se better than the other and obviously, the degree of decentralisation is related to the task at hand. In this context, it seems noteworthy that several respondents report on good practices that entail HR centralisation initiatives such as central HR IT systems for information sharing (Bulgaria) or personnel controlling (Austria), the introduction of a Civil Service Act (Czech Republic) or the establishment of a Recruitment and Re-Deployment Advisory Group (Malta).

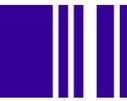
Our survey has shown that the reform topic ‘decentralisation’ has many different facets. All respondents apply and implement highly divergent reforms under this label: decentralisation of managerial issues, legal and political reforms, budgetary decentralisation and/or HR decentralisation. Today, PAs are not only more decentralised but many services are increasingly delivered through independent agencies, inter-organisational arrangements and interactions amongst different networks (public-private partnerships) and organisations. In other words, the concept of decentralisation has long focused on the analysis of unitary and hierarchical administration, but not sufficiently included the analysis of the emergence of new networks and inter-organisational settings. For example, in Spain and Sweden, public HRM takes place within a general framework of cooperation and coordination between many public or semi-public bodies as well as with the trade unions. Especially in the case of Sweden, the Swedish Agency for Government Employers (SAGE) and the Swedish Administrative Development Agency (VERVA) assume important central coordination

tasks of the government employer interest, the negotiations with the trade unions and enhancing administrative knowledge in the different agencies. Of these two agencies, Verva works more on behalf of the government as a central body and policy maker, while SAGE mainly works on behalf of the agencies as a collective of employers, forming and implementing their common employer policy. Thus, several cooperation, coordination, information and control mechanisms are in place in order to avoid cases of unfairness and in order to avoid – for example – excessive differences in pay for similar work. As regards the latter, it is also important to note that (according to the Swedish report to this study) Sweden has “comparatively strong egalitarian values” and “traditionally the level of membership in unions is high”. Thus, the Swedish case shows that the principles underlying an impartial, professional, and responsive PA need to be institutionalized, promulgated and protected by a prestigious, powerful organisation at the centre of government. This does not necessarily imply an organisation with central competencies but – at least – with strong central coordination capacities, e.g. like the Swedish SAGE, the British Cabinet Office or the Danish State Employers Authority.

The positive effects of decentralisation of HR issues are widely agreed upon. At the same time, adequate oversight and quality control mechanisms in this area are essential to avoid malpractices and in order to protect the principles underlying an impartial, professional, and responsive PA. Decentralisation is a process in which a tension between control and responsibility on the one hand and management autonomy on the other hand has to be balanced. Thus, the main challenge for most European PAs is to find ways of maintaining government coherence and control while delegating HR responsibilities. The alignment of these main themes of public administration modernisation may be the impetus for the simultaneous initiatives of centralisation and decentralisation regarding different HR issues.

In our study, it can be seen that in order to ensure greater accountability in a ‘decentralised world’, additional or different forms of coordination such as monitoring, the introduction of new management systems and new ethic instruments are needed. Overall, most respondents see this need to secure accountability through adequate measures. But the answers also clearly show that the relationship between decentralisation and accountability is not in principle problematic. Most respondents – and especially strongly decentralised PAs – do not perceive a significant trade-off and no country sees difficulties and problems that may not be overcome. Thereby, the respondents draw on different tools and instruments. According to the responses to our study, these instruments (e.g. legislation, supervision, codes of conduct, disciplinary regulations, performance targets and control, training) work well to balance possible dangers of decentralisation and guarantee accountability, central control and coordination. Problems of fairness and equity have been observed by some, but do not seem to be significant or prevent decentralisation.

Our study also acknowledges the relevance of accountability to strengthen the competencies but also the responsibility of management for performance and targets. This empowerment will also have positive effects on motivation and satisfaction both of management and employees as well as on leadership skills and team culture.



SUMMARY AND MAIN CONSEQUENCES FOR HRM

The requirement for PAs to exercise their powers in respect of public service employment within a general framework of cooperation and coordination derives inescapably from the model of public service employment itself. The only way of ensuring a certain degree of coherence in a model where the powers of regulation, planning and management of public service employment are shared between public administrations at different levels is to exercise such powers within a framework of cooperation.

In the future, the challenge to balance decentralisation and accountability will persist as well as the need to avoid additional bureaucracy and excessive burden to management that may arise from new accountability procedures. The quid pro quo for additional autonomy seems to be more stringent accountability for performance and enhanced central control leading to simultaneous movements of operational decentralisation and strategic centralisation. For the OECD (2005, p. 170) it “does not seem clear from evidence that further decentralisation of HRM is the trend of the future”. What seems to be clear, however, is that at the centre of government a more strategic position will be assumed. The picture that emerges is that elements of the HR transactional system are controlled centrally, but that operational aspects are being devolved to the ministries or agencies. This trend – already outlined in the 2005 report under the UK Presidency of the EU – was clearly confirmed in our survey in several comments on the role of central HR units. A few examples:

- | “... central level provides frames to be filled out at decentral level”
 - | “... soft coordination in working out common frameworks and principles and providing leadership in major/new government-wide developments where central initiative is needed”
 - | “... changed from that of a decision making and monitoring body into a strategic partner that seeks to give guidance and disseminate information on good practices”
 - | “... increasing role as pilot, change manager, policy designer”
 - | “... connection point function”
 - | “... more strategic character dealing with change management”
- (citations taken from answers to the survey).

The respondents are well aware of the future challenges for HR functions within a more decentralised performance-oriented public sector. They expect an increasing pressure towards professionalisation, service orientation, knowledge work, management capacity building and employer responsibilities. Replies to our survey referred to a “somewhat stronger role in providing advice, guidance and support”, that “customer-orientation is a word describing the current orientation of the office” and the need of HR “to provide guidance on a number of issues via seminars, e-mail distributions and consultation”. Considerable changes for central HR units are experienced in several PAs such as a reduction of direct control along with increasing controlling tasks, a shift of focus from administrative to strategic / policy tasks and a proactive leadership function. Today, in several PAs, the role of central HR bodies is to provide ‘soft regulation’, that is guidelines on recruitment issues, training, ethics, performance management, etc. and to define basic standards – implying a strategic rather than a regulatory role at central level. In the UK, the Civil Service Management Code gives guidelines for the whole civil service and the Cabinet Office has a more strategic and

value added role, particularly in areas such as senior appointments and salaries, leadership and transformational HR matters. Apart from this, most HR functions and tasks are delegated to agencies.

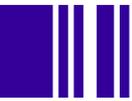
The survey also clarified that HR topics and the HR function itself nowadays do not play a major role in public administration modernisation. We can confirm the conclusion of the 2005 survey of the Luxembourg presidency of the EU that “HR is not yet a generator of changes”. Its role is mostly limited to HR reforms as well as a supportive role regarding other reform topics. Respondents noted that HRM merely “helped to implement reforms rather than being a strategic partner” and that it “is a follow-up of the reform and not the most important driver” (citations taken from answers to the survey).

On the other hand, most respondents are also aware of the crucial role leadership training and development play in any public administration modernisation initiative, especially those that entail a decentralisation of competencies. When such shifts of responsibility and a reduction of detailed guidance occur, it is crucial for senior and line managers to have the ability to successfully take on their new roles. Therefore, the real issue may not be simply one of decentralising and deregulating the HR function, but one of giving managers “the incentives to actually utilise the discretion that deregulation affords” (Cogburn 2003, p. 83). Most respondents offer government-wide management training programmes and specific institutes although mostly not specifically related to decentralisation or accountability initiatives. Management training programs are offered in a decentralised and centralised as well as both in a voluntary or obligatory (e.g. Bulgaria, France, Lithuania, Poland, Portugal, Slovenia) form. It is interesting that they are characterised by a strong focus on strategic management, policy making, leadership skills and ethics – topics of central importance for accountability and policy coherence in a decentralised context.

As a result of all these above mentioned reforms, today, the PAs of the 27 countries and the European Commission look considerably different than they used to do. Compared to decades ago, many HR issues are nowadays increasingly decentralised and HR policies are administered through complex interactions of different actors, networks of a variety of public sector organisations at different levels, increasingly outsourced services and decentralised governance structures such as agencies or other semi-autonomous units.

In this way, the traditional concept of the public administration as a single, unified employer has disappeared although some traditional organisational principles also seem to survive all reforms. However, despite these changes, there is no European model of centralised or decentralised HR management. As the answers of the participants show there is also no European model of administrative reform despite the so-called umbrella concept ‘good governance’ seems to slowly replace or supplement ‘new public management’ as a reform concept.

This study shows that reforms can only be understood in the specific reform context that considerably influences a public administration’s degree of centralisation or



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decentralisation. The ultimate measure of any HR system is the quality, efficiency, impartiality, professionalism and responsiveness that it delivers especially to the citizens. Basically, these objectives can be achieved by various degrees of centralisation or decentralisation, both of which have several benefits and risks. Nevertheless, many PAs currently try to abandon too rigid and too centralised structures. More decentralised as well as more flexible structures seem to be a promising way.

FOOTNOTES

¹ For example, several countries have amended their traditional career-based HR system with elements of a position-based HR system throughout the last years. E.g. in Austria the introduction of fixed-term contracts for senior executives with salaries based on position and the abolishment of any seniority-components.

² Our centralisation/decentralisation index varies between minus 1 (highly central decision-making) and plus 1 (highly decentral decision-making).

³ Our multi-actor involvement index varies between 0 (single-actor involvement) and 1 (high degree of multi-actor involvement).

⁴ The EC 'translated' the terms of the questionnaire in the following way:

Terms used in the questionnaire	Terms used in the Commission
central unit government-wide	DG ADMIN
line Minister	Responsible Commissioner
central unit within line ministry	Directorate ADMIN A
top public administration level	Senior Officials (A*1/A*2)
line management level	Middle management (A*3-A*5)
lower hierarchical level	Other staff
agency management	OIB, OIL, EPSO
Staff representatives	Central Staff Committee and Local Staff Committee
Trade Unions	Trade Unions (OSP)

⁵ In addition, we asked for the involvement of line or agency management and lower hierarchical levels, Trade Unions and staff representatives and other relevant groups and actors (see further below).

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