

LEADERSHIP AND THE LISBON STRATEGY – A missing link in the public sector?

A report from the Human Resources Working Group

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1. Introduction

Management issues have been dealt with from different angles in the EUPAN network during the recent presidencies. During the Dutch presidency, a common competence frame for the public leadership was discussed. Strategic human resources management was on the agenda during the Luxembourg presidency and Innovative HR Strategies project was on the agenda of the UK presidency. Decentralization and accountability, which is also an important management issue, was dealt with during the Austrian presidency.

Good management is not only about doing things efficiently and in a correct manner but also doing the right things to gain desired effectiveness. Strategic and visionary leadership is therefore at the core of management. Strategic leadership is supported by people management, setting goals, rewarding and motivation. In competence-based organizations such as public sector organizations good people management is of crucial importance. Combining these elements in the best possible manner is a prerequisite for results.

Rationale for choosing the theme

The public sector has a key role in delivering the goals of the European Strategy for Growth and Employment (the Lisbon Strategy) for at least two reasons: firstly, public sector makes up a significant proportion of a national economy. Secondly, public sector creates prerequisites and frameworks for the functioning of the rest of the society: legislation, infrastructure, health and social care, education, research and development.¹ Therefore, good management in the public sector is essential and we need to encourage and widen the discussion on leadership and management issues also in the EUPAN network.

It is for these reasons that the Finnish Presidency has raised leadership and management from the EUPAN 2006-2007 working programme to its presidency's central theme for the Human Resources Working Group. The aim is to underline the importance of good management of the public sector in attaining the goals of the Lisbon strategy and the inclusion of it in the national Lisbon programmes. The aforementioned Dutch survey made a first step to identify competencies that are common throughout Europe. This report endeavours to take up important challenges in the rapidly changing working environment that need to be taken into account in the public sector management work. Although structures and working practices of the public sector differ from country to country, responses to these challenges that are described in the various country cases could be helpful for others, and together with the common competence framework, could evolve into broadly recognized perspectives for public sector management and leadership. These perspectives should be anchored to common European values and principles such as equality, the rule of law, transparency, trust, neutrality, impartiality, quality and expertise. It is hoped that this report and the findings and conclusions made could serve as useful element in the follow-up work.

Methodology and limitations

EU member states differ from one another for example in respect of their culture, legislation and institutions. In some countries there is a strong central government with broad scope of power that reaches even over to areas of local and regional administration. In other countries there is an old and independent regional administration in place together with its own personnel, legislation and financing. It would be interesting to find out more about and study member states' management practices and systems by extensive comparison. However, this is not the objective of this paper. The goal is not only to increase levels of knowledge and understanding but also to learn from practical applications. Attempts to solve problems dealing with management in different member states, in different societal situations and in various

¹ Looking for a Deliverable Lisbon Strategy on Sustainable Growth and Jobs, S. Määttä, 2006

political-administrative surroundings are looked into through examples. Solutions for the same problems can vary according to the circumstances. In regards to application it is important to evaluate which factors have motivated making these decisions and under which circumstances have they proven effective. Experiences gained from the solutions and their broader applicability in all EU member states need to be discussed further thereby creating prerequisites for more effective, productive and influential functioning in the public sector.

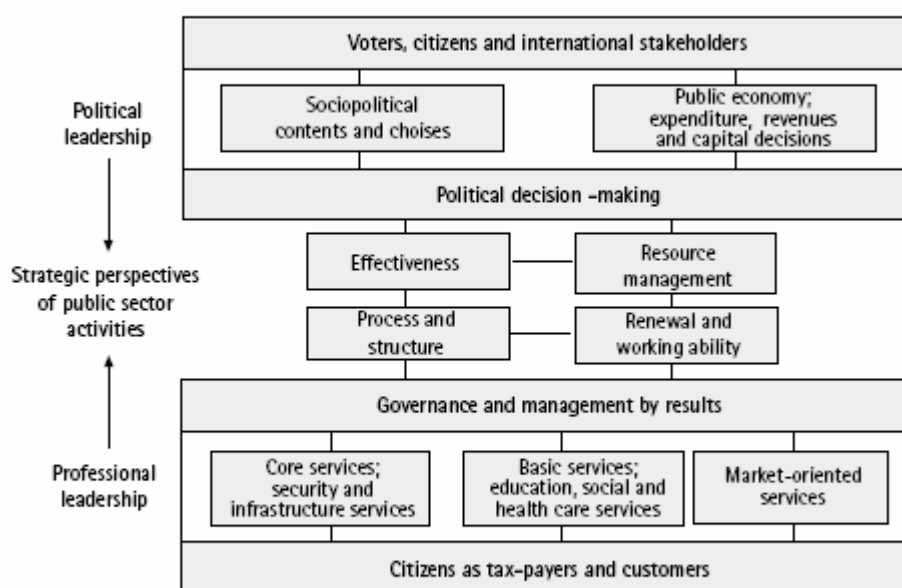
Therefore some central problem areas of leadership and management and solutions developed to them in some member states have been gathered in this report. The themes have been selected bearing in mind the challenges that are the background for the Lisbon strategy, global competition and ageing populations as the most important. The role of the top management is being underlined for three reasons: firstly, the top management bears always the prime responsibility of the functioning and the results of any organization, secondly, the top management level acts as an example to other management levels and thirdly, there is need to limit the themes to the most crucial ones. This does not in any way underestimate the important work that is being done by the middle management and the immediate supervisors.

Themes

The themes are the following:

- **Strategic management and leadership and the role of top management**

At the echelon of strategic management political and professional leadership come together. The following figure² attempts to outline their starting points as well as points of contact.



Picture: Challenge of Balanced Success (Määttä & Ojala, 1999)

Good cooperation of political and professional leadership is one of the key aspects of realization of the Lisbon strategy. The role of the top civil service is crucial. Reforms of strategic leadership and top management have been carried out or are pending in several member states. For this report, the Netherlands and Estonia have been chosen.

² Looking for a Deliverable Lisbon Strategy on Sustainable Growth and Jobs, S. Määttä, 2006

- **Performance management tools and practices**

Performance management and especially performance based pay systems as well as evaluation systems related to these have been under review in many countries. For example, the UK has a lot of experience on this. Also in Germany a report dealing with moving over to a performance based salary system has been published. In Finland a salary system that is based on demands of the work and personal performance has almost fully been implemented in the entire government sector.

- **Change management, development of the organization and strategic HRM**

In all member states there has been or is pending significant public sector management reforms. These reforms aim to strengthen service production for instance by outsourcing, privatization, lowering the organization, reducing public expenditure or public sector personnel, etc. Here strategic personnel planning and personnel management are in key roles.

For instance, in Portugal there is a significant reform process of the public sector under way. In Sweden, broad reforms have been underway for a couple of decades.

In these cases efficient personnel planning and good personnel policy are in key positions. Being able to get the personnel as the driving force and the source of innovations is a challenge for management. This is mainly because reforms are usually seen as threats. Motivating personnel is an important tools of leadership.

In addition a case was received from the Netherlands concerning a program on modernising government. This case was not addressed in the workshops, but has been included in the report for a further perspective on the wide area of public administration development.

- **Age management and transfer of expertise**

In most member states the personnel working in the public sector as well as the entire population are aging. Management of the ageing personnel, transfer of its knowledge capital to the younger generations and the development of efficient recruitment practices are key factors of success. The member states have adopted different strategies and policies.

Denmark and France represent very different examples.

A request concerning the provision of national cases on leadership and management practices was directed to the member states in July, right in the beginning of the Finnish presidency. Practical details were introduced and discussed in workshops that were held in connection with the first Human Resources Working Group (HRWG) meeting in Helsinki (11. -12.9.2006). There has been further discussion also in the second HRWG meeting in Brussels (31.10.2006) where the floor was also given to the Trade union delegation (TUNED).

This report is not intended as a scientific study on public sector leadership and management problems but rather as a practitioners view on what should be taken into account and which could be applicable approaches in the development of leadership and management.

2. Strategic leadership and the role of top management – Cases

2.1 Case study - Estonia

Leadership development initiatives in the Estonian civil service: experiences and lessons learned

Background and needs

By the summer 2004 Estonia had achieved its two long-term strategic objectives – to join the EU and NATO. Acting as an EU member state and implementing new developments in the administrative system, including implementation of a national Lisbon strategy, have also set greater expectations and demands to the management of Estonian public service.

More responsibility and freedom in management to individual organisations together with an aim of attracting and retaining competent top civil servants became one of the central principles in the government draft Public Service Development Framework (2004). Although the consensus about adopting a new Public Service Act has still not been reached, a decision on creating the Senior Civil Servants' Competency Framework was approved in May 2004. There had been no systematic approach to top management development in the public service until then. The decision to start the process with creating a competency framework that could be used in the recruitment and selection to top positions as well as for leadership development and succession planning therefore took place at a critical stage – almost ten years after adoption of Public Service Act. It could be seen as important means in filling up a strategic vacuum in bringing about the necessary changes at the senior civil service level.

Development of the Competency Framework

The Senior Civil Service Competency Framework was developed from August 2004 to May 2005 as a tool to support the development and selection of top management. The target group included 100 senior civil servants:

- Chancellors (Secretaries-General) of the Ministries,
- Vice-Chancellors of the Ministries,
- Director Generals of Boards and Inspectorates,
- County Governors.

In order to achieve credibility of the framework and its implementation plan to meet everyday realistic needs, 3-5 members of each executive group and two outside consultants were actively involved in the working process. The involvement of target group representatives at the very initial stage proved to be a key point of later success – both in 'marketing' the idea to the whole target group and in supporting its implementation.

The five core competencies jointly identified and included in the framework are:

- Credibility: serves the nation, respects public service ethics, respects the rule of law
- Having a vision: creates vision, explains strategic choices, sets objectives
- Innovation: develops his/her skills, develops the organisation and implements innovations
- Leadership: builds and encourages the team, develops co-operation networks
- Outcome orientation: makes decisions and takes responsibility, achieves results, uses public property reasonably, follows and develops the law.

The competencies are further described by 2-4 activity indicators on the scale of extraordinary, good and poor.

Competency assessment and first results

Implementation of the Framework is aimed at the recruitment, selection and development of senior civil servants, aligned with the achievement of the state's strategic objectives. The process is managed and supported by the Department of Public Service at the Estonian State Chancellery. Evaluation and assessment of the competencies is conducted annually, at the time of regular performance assessment. Besides self-evaluation, top management also receive feedback from their immediate superior and five colleagues (mostly subordinates). The outcomes of the assessment should be discussed between the executive and one's superior, however, this is not always the case. In order to support the implementation of the system, additional individual guidance in evaluating assessment results and discussing further development plans is provided by the State Chancellery.

Implementation of the competency framework is guided by the following principles:

- Motivation – regular feedback to senior civil servants about their competency profile and development objectives is thorough and actually supports their development;
- Uniformity – the framework forms a common basis for the assessment of top management competencies. This should ensure their uniform evaluation standards and assist in planning of the development activities;
- Voluntary – participation in the competency assessment process is voluntary for the top managers.

Systematic implementation of competency management in the Estonian senior civil service still requires considerable management involvement, professional expertise, contextual knowledge and assuming real ownership of the framework among all senior civil servants. A special electronic environment called e-Competence Centre has been created in order to provide flexible and comfortable access to the management of the new assessment system. It allows both to assess the competencies and keep record on planned and completed development activities.

In Autumn 2005 the new competency assessment and development framework was introduced to the whole target group. Extensive assessment training was provided to about 400 civil servants, including both executives and their colleagues/subordinates. Already 2/3 of the target group participated in the first round of competency assessment, the remaining top managers have expressed their interest in joining the system by the end of 2006. Although the assessors still need further training and practice in giving constructive feedback, the first assessments have been quite objective and have included a number of valuable comments for top managers to improve their knowledge, skills and behaviour.

Strategic leadership development programmes

A number of training and development activities for top managers have been created, based on the 5 core competencies identified and also bearing in mind Estonia's strategic objectives. Although the implementation is still at early stages, the first three initiatives have already received positive feedback:

- Training and development programme for Secretaries General of the ministries focusing on the strategic leadership issues and the role of top managers - built on learning based on the experiences of other countries and focuses on understanding the development trends in the European Union and in the world that affect or demand the development and innovations of public administration system in Estonia.
- Master classes - in the form of half-day seminars on topical issues led by well-known experts and practitioners. The idea is to enable top managers to share their ideas and best practices in informal setting, discuss everyday dilemmas and network with colleagues.
- County Governors' strategic leadership programme.

Lessons learned and main challenges

The competency-based development system of Estonian senior civil servants has had a promising start and the need for a systematic approach to senior civil service development has been clearly recognised. Some of the lessons learned in the past 1,5 years and challenges ahead include:

- Centrally driven initiative that is well managed
- Getting the target group involved and committed from the beginning
- Individual approach and added value recognised by the target group
- Mutual trust in implementation
- Step by step - good progress initially but still long way to go
- Providing training and development opportunities to top management, combining personal, organisational and national objectives
- Transferring assessment feedback and lessons learned into practice
- Ensuring long-term sustainability of leadership development
- Achieving a whole public service system perspective in transforming strategic leadership

2.2 Case study – the Netherlands

The SCS Candidates Programme - A Programme for Tomorrow's Senior Managers

An outbreak of foot and mouth disease, the condemning findings of the Srebrenica report, the admission of the Argentinean-born bride of the Dutch Crown Prince to the House of Orange, the impact of September 11, the establishment of an International Criminal Court, or a political landslide at a general election: a society under pressure in a rapidly changing world makes heavy demands on the flexibility and dynamism of government agencies. The problems arising pose ever greater and more complex challenges. Tomorrow's senior civil servants will have to be socially aware, daring, creative, sincere and inspiring. They must possess true leadership skills.

This is not the only reason why investment in the quality and constant development of budding senior managers is so crucial. Its necessity is made even more acute by the competition, which the civil service sector faces. People with invaluable managerial experience have ample opportunity for a career in and outside central government. Another factor to bear in mind is that a large number of senior managers are due to leave the civil service in the coming years as they reach retirement age. The Dutch government has accordingly decided to step up investment in the quality of top civil servants. One of the initiatives inspired by this decision is the SCS Candidates Programme. This MD programme is designed to mould current managerial talent into tomorrow's inspiring leaders at the top.

Targets

The key objective of the Candidates Programme is the personal development of the candidates so that they can assume the profile of an SCS manager (directors level and up). The SCS Candidates Programme offers supervisory managers just below director's level an opportunity to gain fresh experience and insight; this process enhances and broadens work experience in the central civil service.

Tomorrow's senior managers

The rapid developments, now taking place in society, that are so often difficult to predict serve to reinforce the demand for senior civil servants who can deploy their skills in dealing with

social problems and giving proper guidance and direction in finding new remedies and solutions. Social awareness and the courage to use unconventional methods are competencies which tomorrow's managers must have in abundance. These managers are dedicated to the public cause, keep a close eye on the political implications of their actions and, with those objectives in mind, know how to encourage and motivate colleagues. He or she inspires a sense of confidence in the qualities, expertise and skills of his or her team and is able to delegate responsibility. Tomorrow's managers know how to instil a sense of vision into their colleagues, take the initiative and are persuasive. They have a strong sense of integrity and are also prepared to account, in the interim and in retrospect, for a particular policy. The new breed of manager knows him or herself inside out and is conscious of his or her own strengths, weaknesses and need for personal development.

The three aspects of the SCS Candidates Programme

The Programme comes in three parts: a group programme, an individual programme and work experience. These three aspects will help to understand your own character and personality, the role of a manager and how to see society in context. The group programme takes a minimum of two years and can take up to four years when combined with the individual programme. The interest, aspirations, circumstances, potential and personal development of individual candidates are all factors which determine the content of the group programme (two years), the individual programme and work experience (outside the Netherlands) and work placements where appropriate.

The group programme

The active group programme comprises two or three sessions each term the candidate will spend one day and sometimes two days on a range of topics. Authoritative and/or prominent speakers will introduce the topics and the candidates will be invited to complete a number of assignments. The agenda includes: managerial crises, media management, personal problems concerning integrity, ICT and management. The group programme will also consider current social issues such as waiting lists in the health care sector, security and the multicultural society. The candidates regularly are actively involved in the practical aspects. For example, an assignment might mean helping out in the health care sector or at centres for the homeless or being out on patrol with the Police. The practical course work shows another slant on social issues and encourages social awareness and commitment.

The tailor-made individual programme

The individual programme is worked out in consultation on the basis of a number of criteria, including the score in the development assessment at the beginning of the programme and the target profile of a budding SCS manager. The individual programme focuses throughout on the development of the competencies required to achieve the target profile. Taking part in study courses, conferences, platforms and brief work placements might form aspects of the individual programme.

Broad work experience

Broadening work experience forms an essential part of the SCS Candidates Programme. The candidate will initially be encouraged to gain wider work experience from the job that he or she performs when the Programme starts. At a later stage he or she will be assigned to other duties, depending on previous work experience and learning objectives. Possibilities include (temporary) assignment to unfilled vacancies, secondment, work placement, managing public and social services projects and/or international work experience.

2.3 Case study – Finland

From professionals to leaders

A proposal to reform top management recruitment, mobility and development as well as forming shared support functions for the top management resources has been prepared under the leadership of the Ministry of Finance. The proposal was given by the Finnish Government to the Parliament in October 2006.

The main objective of the reform is to change the definition and contents of top-civil servants' positions from being to a large extent professionals and substance managers more towards the concept of leadership including a wider view on the whole administration. Included in the new model is the establishment of a pool of top-level positions (130 in total), that are common for all ministries, as well as a reform of the appointment procedures. Leaders would have permanent top management posts but would be appointed to specific assignments as e.g. a permanent secretary or director general for a fixed period of 5 years (with a possibility for the 2nd period or more). A particular performance contract could be made for the 5-year period establishing the goals and their appraisal criteria. A performance bonus could be linked to the contract.

The model also includes the idea of professional career and development planning for top-level leaders and an establishment of a new supporting unit in the Ministry of Finance. This unit would support ministries and other organisations to implement the new system, in the recruitment and evaluation procedures as well as assist top-level leaders e.g. in their career planning. The unit would also be responsible for the coordination of training and development possibilities available to the leaders in question.

The reform has aroused lots of discussion. The obvious reason for this debate is the underlying objective of the reform to influence the whole top management culture, which is naturally bringing about questions on behalf of various stakeholders.

The proposed system is estimated to have i.a. the following effects:

- leadership is understood as a profession
- more professional recruitment, development and evaluation procedures
- better possibilities for mobility leading to a wider view of the whole administration and the rest of the society
- sharpened result orientation and sense of personal responsibility on results
- better possibilities for creativity and innovations
- better equal opportunities for men and women (at present ca. 23% women in top civil service positions)

The reform can be delayed due to the soon-coming general elections. The possible delay does not indicate that the intensive development of top-level leadership should be put to a halt. On the contrary, ideas related to the new model -e.g. concerning training and individual development of top-level leaders- would be further developed and taken into action.

3. Performance management tools and practices – Cases

3.1 Case study - Germany

Performance-related pay in German Civil Service

Frame of Reference for Performance-related Pay (PRP) elements in Germany

Public Service Structure

Public Service comprises 3 groups of personnel with different status: civil servants and public employees resp. workers (both latter groups have been grouped together only recently).

- **Civil servants** as professional role model for public service (designated in constitution to “exercise sovereign authority on a regular basis” and standing “in a relationship of service and loyalty defined by public law”) are governed by public law, recruited into a particular career, remunerated according to the so-called maintenance principle and granted life tenure.
- **Public employees and workers** are employed under private law, recruited for a specific occupation, paid for their work (compensation principle) and contracted initially on a temporary basis.

Although these differences in principles have become less important in practise, the traditionally acclaimed maintenance principle does not easily lend itself to accommodate to the concept of PRP.

First PRP schemes in Public Service

While experts suggested strengthening the relation between professional function and remuneration as early as 1973, PRP-elements such as performance bonus and performance allowance were systematically developed within the remuneration structure of civil servants not before 1997. With regard to material performance incentives for public employees, these were granted increasingly as consequence of reforms within partly privatized institutions such as railways and postal service as well as within the so called “indirect” public administration comprising insurance institutions, central bank etc.

Application of PRP-elements

Main Tools

To be implemented “cost-neutrally” and granted only if resources are available within the respective employer’s budget (for details cf. slides “Performance Related Pay at the Federal Government in Germany” distributed at the workshop)

Performance bonus

One-off payment up to the initial basic salary per month of the respective pay grade (with regard to teams up to 150% of the highest remuneration within the team), should be granted for outstanding performance of specific tasks; total number of bonuses and allowances shall not exceed 15% of respective employer’s staff.

Performance allowance

Up to 7% of the basic initial salary per month of the respective pay grade up to one year, should be granted for outstanding special services that are expected to continue; total number of allowances and bonuses shall not exceed 15% of respective employer’s staff.

Performance step

The amount of increase in remuneration should equal the difference between the current basic salary step and the next, should be granted for constantly outstanding performance not to exceed 15% of respective employer's staff.

Recent result

Within a representative higher federal authority such as the Federal Office of Administration (Bundesverwaltungsamt, BVA), covering a broad range of different functions in its role as central service agency with a staff of ca. 1.800 and a budget of ca. 164 Mio € the above mentioned PRP-elements were distributed between 2003-2005 as follows:

The total financial amount for these elements was per year 296.286, 344.921, 319.411 €

- Bonuses were granted to 195, 240, 227 persons with a respective financial amount of 200.733, 305.191, 273.912 €
- Allowances were granted to 18, 37, 47 persons with a respective financial amount of 58.134, 28.881, 38.644 €
- Steps were granted to 42, 19, 12 persons with a respective financial amount of 37.419, 10.849, 6.855 €

In line with present administrative reform strategies in the Federal Government, in 2006 financing for PRP will be raised to 373.939 € and earmarked entirely for bonuses.

Conclusions

Recent experience seems to indicate that piecemeal introduction of PRP-elements have been a limited success. Obviously, in the framework of cost-neutrality and quotas even elements that were adapted to traditional remuneration schemes such as allowances and steps proved to be too insignificant to cause broad-scale change. In order to appreciate good performance it has become more attractive to grant bonuses that for significant and immediate compensation.

Thus, one lesson seems to be that adequate "management" of PRP requires more systematic and far-reaching interdependence with career development, personnel assessment and remuneration systems; these areas presently are being reformed. On the other hand, the practical experience gained by senior staff while deciding how to grant specific PRP-elements may prove to be good training for future more complex "leadership".

3.2 Case study – United Kingdom

Managing and recognising individual performance

We can distinguish two specific elements to performance measurement in the UK Civil Service:

- Departmental/Organisational Performance
- Individual performance and reward management

Current Context

Recent developments in Public Sector Reform have identified four specific components to move towards better public services for all.

One of the key components in the review of capability and the Government's response to future events has been the introduction of Capability Reviews. This approach introduces the systematic peer examination of core capability and delivery objectives across government (17

main Government Departments). For more information on this initiative, go to http://www.civilservice.gov.uk/reform/capability_reviews/index.asp

Perhaps one of the most significant aspects of the outcomes of the first wave of reports has been the identification of changes to top down performance management which currently cover stretching outcome targets in the form of Public Sector Agreements (PSAs - instruments to measure specific ambitions for improvements in Government services which are publicly available), frameworks in the level of minimum standards, performance assessment and monitoring and means to tackle under performance.

More information on PSAs can be found at

http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/publicservice_performance/pss_perf_index.cfm

There are of recognised limitations to performance management, such as increased bureaucracy (targets become an increasing demand on resources), the dis-empowering of staff to react to local and user needs and perverse incentives that disadvantage user preference. On-going reform of PSAs is helping to address this by expressing targets as outcomes to be achieved, giving greater freedom to local providers and focussing on poor performers and balancing top down performance management with other delivery drivers.

Additional corporate objectives are being introduced to meet the delivery requirements of the Civil Service.

In recent times these include diversity objectives, driven by the Diversity 10 point plan (http://www.civilservice.gov.uk/diversity/10_point_plan/aims_and_foreword/index.asp) which sets specific targets for leadership composition as well as other far reaching agendas. These are having a direct effect on the individual performance targets for the Senior Civil Service (SCS). Tied too PSA targets, legislation, efficiency programmes, leadership agendas and other corporate programmes come together to shape the way in which the UK assesses performance at the organisational and individual level.

Individual Evaluation

The system applied to the SCS (approx 3,900 staff equal to around 1% of the Civil Service headcount) incorporates many of the elements mentioned above. The performance system is straightforward and comprises three main components - objective setting, relative evaluation and the reward process. The pay structure recognises two main focuses - Base salary (set according to competence, job challenge and sustained performance) and a flexible bonus system which rewards the delivery of objectives which equates to up to 20% of base salary.

The range and top levels of pay vary across SCS grades as do individual rewards.

More information on SCS pay and reward can be found at

<http://www.civilservice.gov.uk/management/performance/scs/index.asp>

Future Developments

There is an increasing emphasis on driving the public sector reform agenda and a greater focus on outcomes. Leadership and the expectations of what is required for senior staff is also affecting the UK's approach to performance management. This is leading to a renewed drive to look at horizontal issues and an increasing alignment of how we align organisational and individual objectives. This will increasingly lead to bonus pools determined by organisational performance, larger flexible rewards and base pay decisions based on job challenge and competence.

3.3 Case study – Finland

Salary system reform

Salary system

Salary is the most important condition for service. It accounts for around 4/5 of the labour costs of the State employer. State salaries are based primarily on systems covering the whole of central government or on agency-specific systems by means of collective agreements. The broad parameters of the State employer's salary policy are coherent, and a reform of the salary system has been implemented extensively in 2005.

New systems implemented

The reform of the salary systems is one of the core factors for the personnel policy of the State. The new salary systems are already widely in use. In the beginning of February 2006, the new systems apply to the majority of agencies and about 95 per cent of State employees. In accordance with central government level collective agreements, the reform has had to be implemented throughout the rest of the State agencies with binding, agency-specific deadlines. At the moment negotiations are still unfinished regarding some agencies. The salary system reform has been prepared in close cooperation with the unions.

The new salary systems are agency-specific, but drawn up according to general principles. The salary is made up of a basic salary based on the demands of the job, plus a personal component based on personal performance and competence, which can be a maximum of 50 per cent of the basic salary depending on the contract clauses for each sector. The level of requirements of the job and the performance of the employee will be reviewed annually in individual discussions on performance and professional development. In some cases, the new systems also take account of experience through a component based on years of service.

The new salary systems constitute an important management tool. In the regular, usually annual, development and evaluation discussions between managers and employees needs of developing work contents and practices may come up on individual employee as well as organizational level. Also the targets, results, resources, personal training and development and other issues will be discussed.

The new salary systems replace the 'A' system and other previous systems mentioned above. As part of the government incomes policy agreement for 2005-2007, joint follow-up work was agreed upon between the State Employer's Office and the principal parties to the agreement in connection with central government salary policy in order to develop the salary systems further during the agreement period.

The withdrawn 'A' salary grade system and other superseded systems

The 'A' salary grade system has been withdrawn. In some cases it is still maintained in the spring of 2006, until the final signing of the new salary system contract.

Under the 'A' system, the monthly salary was the sum of the basic salary (salary grades A1 - A34), a cost-of-living allowance (6 or 9 per cent of the basic salary) and age increments based

on years of service (0-6 increments over a period of 18 years totalling at most 28 per cent of the sum of the basic salary and the cost-of-living allowance). Teaching posts also employed the 'C' system, which has its own table of salaries (salary grades C25 - C75) but otherwise corresponded to the 'A' system.

In addition to the 'A' system a small part State employees have been covered by slightly different, old agency or sector-specific systems. Individual, euro-denominated pay

arrangements are also in use. The salary can also include various pay factors based on special duties or conditions and time-based payments.

Results-based remuneration

A separate, annually determined and payable system of results-based rewards is in use in around one fifth of the central government administration. The payment is based on the achievement or exceeding of goals that have been set in advance, and it is a group-specific form of remuneration. Results-based remuneration is generally paid for exceeding the results set at agency or unit level. They are equivalent to around 2 per cent of the annual payroll. Result-based remuneration systems are agreed in cooperation between employer and employee-side.

As part of the government incomes policy agreement for 2005-2007, a joint project for promoting and developing the system of results-based remuneration during the agreement period was agreed upon between the State Employer's Office and the principal parties to the agreement in connection with central government salary policy.

4. Change management, development of the organization and strategic HRM – Cases

4.1 Case study – Portugal

Change management and structural changes

In the last four years, a significant reform of the Portuguese Public Administration is being carried out. It was intended to change the old bureaucratic, blocked and inefficient Administration into a liable Administration, endowed with responsible managers, simple and rationalized structures and predetermined annual outputs. As this new Public Administration demands for a new form of management, involving larger accountability, autonomy and leadership skills, the managers' role in the reform process has always been one of the major priorities.

The new management staff status

The management staff status passed by Law n.º 2/2004, of 15th January, changed by Law n.º 51/2005, of 30th August, introduced major innovations in the legal system:

- A number of general rules were expressly stipulated to oversee the performance of management positions and ethical and managerial principles, namely management by results, in accordance with annual objectives, definition of resources to be used and programmes to be developed, taking into consideration the systematic application of control and the assessment of result mechanisms;
- The "Charter of Mission" was set up as a fundamental measure in the qualification of management and accountability of holders of 1st grade top management positions. This charter will express the mission assigned to the top managers by the Government as responsible for the service, which is to be managed. This document will constitute the basis for a regular assessment of the managers' performance and, consequently, the assessment of each organisation.
- Assessment started to be considered as an essential factor in the performance and quality of services. Managers are held responsible for the rigorous development and performance assessment of civil servants according to specific objectives.

- To foster the permanent capacity of the service to execute tasks and optimize resources, new powers were assigned to top managers for restructuring their own service as well as setting up, changing or abolishing organic units.
- The need for management staff training was strengthened; holders of managerial positions must attend vocational training during the first two years of their appointment, under penalty of the termination of the respective limited executive tenure. Simultaneously, the offer of training for management staff is made more flexible, allowing adaptation to different levels, grades and functional contents.

Restructuring Programme of State Central Administration

The Governments' Programme stipulates as one of its objectives the making of Public Administration friendly towards citizens and economic development. It also lays down its determination in re-organizing central administration in order to promote economies of expenses and gains of efficiency by simplification and rationalization of structures. The modernization policy must be conducted so as to adjust it to financial resources and improve quality of the service delivered to citizens, by means of decentralization, de-concentration, merger or abolishment of services.

In fact, an Administration oversized is not only expensive but also generates bureaucracy, difficult dialogue with citizens and constant needs for more resources. Consequently, the Restructuring Programme of State Central Administration (PRACE) was settled, based on the following principles:

- Assessment of current activities developed by central administration with a view to determining those that must remain, be abolished or be transferred to other public or private entities;
- Reduction of administrative structures that pursue complementary, overlapped or parallel objectives combined with the improvement of quality of services delivered to citizens and companies;
- Simplification, rationalization and reengineering of administrative procedures;
- Organization of partnership services for functions and common activities;
- De-concentration and decentralization of functions to regional and local levels.

The Programme is carried out in three different stages:

- Strategic framework (general orientations and planning the Programme for the restructuring of each ministry);
- Assessment and organizational redefinition of structures, and resources of central administration (carried out by a Technical commission and working groups appointed for each ministry);
- Implementation (a number of pieces of legislation and other instruments are drawn up, passed, and followed up by the restructuring of each ministry and the reassignment of resources).

In the accomplishment of the Programme particular attention is being paid to the definition of quantitative management indicators and to the introduction of measures relating to the level of user satisfaction in relation to the quality of services delivered.

Organizational development and strategic HR management

In the implementation stage, currently under way, in addition to the statutes that passed the organizational redefinition of structures, new legislation concerning the abolishing, merging and restructuring of structures as well as the general rules about mobility, was settled. In this context, new management instruments were given to top managers to evaluate and adjust both the organizational structure and the existing human resources.

Organizational development

All the decisions and procedures within the development of the abolishing, merging and restructuring processes are taken under the responsibility of both new and former top managers. In fact, the cooperation between new and former top managers, in the transition stage, was one of the Government major concerns; therefore, it was also foreseen the disciplinary accountability for those who disregard the legal deadlines for ending the process. In addition, a new process of Human Resources measurement was established with the view to evaluate the human resources and adjust them to the aims and needs of each organization; this process can be used by top managers even though no structural changes have occurred. Human resources that exceed the needs of the (new) organization are placed in a *special mobility situation*.

Strategic HR management

The changes introduced in the mobility system seek the improvement of human resources in order to enhance the management efficiency and to make mobility procedures more flexible. Therefore, as human resources management instruments, top managers have on their disposal several mobility mechanisms, such as transference, requisition or special ceding. In general, the use of any mobility mechanisms can be caused by the workers or by the Administration, without the workers' agreement³³. Emphasizing the upgrading on top managers' human resources management competences, the situations in which the workers' agreement can be exempt were enlarged.

In fact, the workers' agreement is not needed if the mobility occurs:

- To an organisation located in the same municipality as the former organisation or the workers' residence;
- To a bordering municipality, if the workers' former organisation or residence is located in Lisbon or Porto;
- To any other municipality, if certain accessibility conditions are verified.

Besides these general mobility instruments, there are some special mobility procedures, used in a context of abolishing, merging and restructuring processes or Human Resources measurement, when human resources cannot be held or immediately placed in another organisation.

The special mobility process is carried out in three different stages:

- Transition (60 days) – allows the worker to restart his professional life. During this period the worker is entitled to 100% salary.
- Re-qualification (10 months) – allows to identify the workers' profile and to build a training programme in order to improve their working capacities. During this period the worker is entitled to 80% of the salary.
- Compensation (after re-qualification) – besides the possibility of professional training, it allows the worker to restart his professional life in Public Administration (in another activity) or in the private sector. During this period the worker is entitled to 60% of the salary.

The group of workers who have been placed in a special mobility situation operates as a pool where every public organisation, in need of new workers, must access before starting a new recruitment procedure.

Assessment

Top managers are accountable for the outputs achieved in the executive tenure. In fact, the non-accomplishment of the aims established in the Charter of Mission will determine the non-renewal of the executive tenure or even its' conclusion in advance. Furthermore, organisations

³³ The workers agreement is always needed for special ceding.

themselves are submitted to an assessment procedure that shall include the following steps: self-appraisal, monitoring and auditing services by public or private entities.

4.2 Case study – Sweden

In the service of citizens: Managing modernization of the Swedish Civil Service – a multi-level, multitask, step by step process.

Is the Swedish public administration flawless? Or is there an ongoing discussion concerning needed change? Of course it is not, and there is.

In a democracy the outcome from the State administration may be viewed from at least three angles: Delivery of a legal framework and justice; delivery of an infrastructure and finally delivery of welfare services and provisions according to the people's demands formulated in political decisions. A fourth dimension, inherited in the others, is the dimension of efficiency and effectiveness, i.e. it is about value for tax money. Although the Public Sector in Sweden consists of three political and administrative levels this paper mainly dwells with the reforms of the Civil Service, the state.

During the period 1945-1980 the Swedish public sector grew immensely. The dominating ideology was to provide good services and social security to the citizens. Legislation focused regulation of welfare rights and a fair distribution of welfare allowances. Also, huge investments in roads, electricity and telecom structure were seen as vital for the economy. Other important fields for development were housing and higher education and assistance to developing countries. Few important stakeholders considered whether these reforms were economically sustainable or not.

However, in the early 1970s a worldwide oil crisis for the first time shattered the confidence in the Swedish economy. Scattered efforts to modernise government were made in the 1970s but there are no traces of a co-ordinated strategy for change. As a matter of fact little is known about lateral co-ordination in the first decades of post-war administration. On the one hand the civil service was smaller and the government could be working even more collectively than today. Furthermore the former *Government Agencies and Institutes Ordinance* stated that "agencies have to offer each other their hand". On the other hand, commentators from today are claiming that the involved stakeholders seem to have been handling their need for consensus by informal talking, thus leaving little evidence for future analyses.

In 1982 the Government decided to devaluate the Swedish Crown with 16 %. This was also the starting point for 20 years of more or less focused reforms of government administration. The following year the Swedish economy went through its first post war recession. At the same time it became clear that the tolerance level for the pressure of taxation had reached its peak. From this point the new perspective on the public sector became increasingly stronger in the Ministry of Finance. A perspective that may be summarised: *Public resources should be used as effectively as possible and public services should be more customer oriented.* In the 1990s and early 2000s a second and more powerful economic recession struck the Swedish economy. From this point very few politicians and administrators doubted the necessity to keeping down public expenditure.

In addition the following drivers for change may be noted:

- Increased and more complex demands from citizens and a demand for more citizen satisfaction
- Membership in the EU
- Opening of state monopolies for competition
- Globalisation
- Demographic changes
- Possibilities caused by IT-development

The reform process started in the Ministry of Finance at the shift of Government in 1982. In 1983 the Ministry of Public Administration was established and it immediately put special focus on implementing the modernisation of the public service, especially the civil service. In 1996, when the basic reform processes were more or less finished, the ministry changed its name to the ministry of interior. In 1998 the ministry was closed down and its responsibilities were moved. Today the central responsibility for managing public administration policies yet again rests with the Ministry of Finance. Even if the driving forces for change came from different angles, the roles of the Ministry of Public Administration and later on the Ministry of Finance were essential for the modernisation of the civil service. Currently most ongoing reform processes are mainstreamed into the yearly budget process and further into the agencies day to day business. An evidence of this is the fact that the Government Employers' Council in 2006 collectively stated that: "Change and development of business is a natural process and should not be regarded as an abnormal situation."

What was done then? What reforms were carried out that helped the civil service become more efficient and effective? The following list may not be complete, but it is intended to provide a picture of a multilevel and multi task process where the sources of energy and not always are easy to identify.

- ❖ In 1982 the Ministry of finance initiated a devaluation of the crown with 16 % and macro economic analyses put a strong political focus on the modernisation of the public service in order to make it more efficient and effective.
- ❖ In 1983 the establishment of a *Ministry for Public Administration* was one of the means to reach this target.
- ❖ In 1985 the parliament passed a *bill on Human Resources Management (HRM)* that stated that HRM in the civil service should focus the interest of carrying out government business and act as a strategic tool for the modernisation of the civil service.
- ❖ Accordingly the parliament in 1986 passed a *bill on the leadership of agencies in the civil service*. Through the bill more focus was put on the responsibility for the heads of agencies for long term planning by constantly adopting agency business to current needs and also for reporting needs for major changes to the government. *Renewal* of the civil service became the code word.
 - About the same time the Government and the central government unions jointly established a special agency "*The Government Renewal Fund*" that gave financial as well as knowledge based support to the agencies work with change.
- ❖ In 1988 the Ministry of Public Administration prepared a *Complementary Budget Bill* to the parliament that formed the starting point of the still current era with management by objectives and results. According to the bill "*the main motive for a renewal of the budgeting system is that the societal development during the 1980s reached a point where the public sector share of the economy cannot further increase. The task from now on has to be to find methods for making public business more effective and for reallocating resources by a continuous scrutinising of systems and organisational structures.*" From that point economical steering became an increasingly overarching instrument for managing the government administration. The Government's steering of the agencies business should from this point be carried out on the basis of developed accounts and analyses of results.
- ❖ In 1988 a *special task force* in the Ministry of Public Administration was appointed that successfully scrutinised the Civil Service and proposed changes that cut its administrative costs with 10 % within three years. In that process some agencies, that provided and co-ordinated services to the government administration as whole, were closed down and their responsibilities were decentralised or abolished.
- ❖ Many outdated regulations vanished through a special '*sunset ordinance*' that decreed the abolishment of hundreds of old agency-bound regulations that could not be very well motivated before a fixed date.
- ❖ In 1989 a new *Job Security Agreement* were concluded. In practice it facilitated large staff reductions in the Civil Service. From now on the economic and other supporting measures

according to the regulations in the agreement aimed to help redundant staff attain new employments in any part of the labour market – a total shift in focus from the former regulations that focused on replacement within the Civil Service.

- ❖ In 1991 the social partners in the government administration closed an *Agreement on Individual Pay*, stating that pay should be decided individually and differentiated according to skills, responsibility and market demands.
- ❖ In 1994 a new *Law on Public Employment* passed Parliament. One of the main differences was that the notion of staff being succeeding into vacant offices was exchanged by the notion of being public employees with essentially the same rights and obligations as any employee on the labour market. Accordingly, most career based systems were abolished in favour of position based systems, where most positions are filled through open competition.
- ❖ 1994 was also the year for substantial changes for the government agencies' role as employers.
 - A *framed budget system* was introduced. In practice it contains cash limits that make it impossible for agencies to acquire further budget appropriations during an ongoing fiscal year.
 - *Heads of agencies got the full responsibility for staffing and other use of resources* in order to reach their objectives.
 - Heads of agencies were also by law *obligated to act as single employers* and within that responsibility to co-operate and form general employer policies for the central government sector.
 - In the ordinance with general administrative rules the term '*Personnel Policy*' was exchanged by '*Employer Policy*'. The responsibilities of each government employer (i.e. the heads of agencies) was further clarified and should put focus on:
 - increased knowledge of business objectives among staff;
 - the creation of good working conditions;
 - safeguarding and further development of the employees' competence and experience.
 - The *Swedish Agency for Government Employers* were established with the responsibilities to:
 - co-ordinate the employer policy formation through co-operation between the different agencies in the state administration;
 - negotiate with the government unions in order to conclude national agreements for the central government sector;
 - support the agencies in their employer businesses.
- ❖ In 1997 a new *Budget Law* further defined the budget powers and duties between the Parliament and the Government. This law gives the Government vast possibilities to delegate some of its responsibilities to the subordinate agencies. The law also became the basis for more detailed budget regulations that the Government provided the agencies with.
- ❖ 1997 the *Committee for central-government Administrative Policy* published its final report "In the Service of Citizens – a cohesive policy for government administration". The policy pointed out measures "to prevent that the unavoidable specialisation, decentralisation and heterogeneity in the civil service will lead to disintegration and lack of context in government business" and the need to increase the cooperation inside the administration and with participants outside the administration. The comprehensive objective has been to accomplish a central public administration characterized by democracy, the rule of law and efficiency.
- ❖ Also in 1997 the social partners concluded the agreement *Co-Operation for development* that regulates workplace democracy and the relationship between the social partners at workplace level. In short the agreement promotes a constructive climate between employers and unions by supporting motion
 - from debate to dialogue,
 - from confrontation to agreement,

- from union-based loyalty to work- based loyalty,
 - from strict employers' perspective to leadership.
- ❖ In 1997/98 the bill *Central Government Administration in Public Service* was passed by an unanimous Parliament. If we concentrate on issues of autonomy versus cooperation for and between agencies, the bill accentuated among other things the need for collaboration between agencies and with other players in society, to make use of far-reaching scope for improvements for citizens and companies. Possibly this was the first time the term joined-up central public administration was used in Sweden as the objective which just could be reached by collaboration between agencies.
- Accordingly the government in 1998 presented "Public Administration in the Service of Democracy – an *Action Programme*
 - In January 1999 an *Agency for Quality and Development* were established in order to give support to the government agencies in their work with the action plan. In 2006 the business of this agency was merged into Verva, the new *Swedish Administrative Development Agency*. Verva is responsible for coordinating the development of central government in Sweden and is one of the Government's central advisory agencies. More specific Verva:
 - Is the expert in the field of public administration development.
 - Promotes and supports the development of public administration.
 - Supports human resource development and strategic human resource management.
 - Enhances coordination in government administration.

Were all these historical changes really thoroughly managed by the government, or were they more or less just happening as a result of economic necessity and an ongoing change in values? The correct answer would of course be an issue for research, but there is at least some obvious evidence of a centrally managed development. In the early 1980s there was an increased awareness and debate about the impact on macroeconomics by a (too) large public sector. The OECD pointed out some of the Nordic Countries and gave severe warnings about lack of sustainability in their welfare systems.

In 1982 the new Minister of finance stressed the importance of a more effective public administration. An economical and political strategy for increased efficiency in the public service was taking shape. The minister of finance was personally involved in this. Other political forces were holding back the process somewhat, but the direction (if not the speed) was clear from the beginning.

As we have showed, a lot of parallel processes have interacted to create a more modern administration. One of these may be called 'the economization of the administration' a deliberate focus on efficiency and costs. The Minister of finance by the time put it this way: "The very best way to achieve efficiency is by creating lack of resources". The taskforce that was established 1988 in the Ministry of Public Administration reported directly to the State Secretary in the ministry. This was a unique solution that differed from the normal structure where line departments were led by line managers. The Complementary Budget Bill in 1988 is of course in itself a proof of political involvement and leadership, even though those members of the taskforce who wrote it used all their creativity in order to find different paths of change and better economical output from public expenditure.

Another, very much intentional, process was the devolution of responsibilities to the business level in public administration, including the responsibility to keep business within shrinking budget frames. The awareness of using decentralization as a necessary means for change increased in the late 1980s as a result of the experiences won at the beginning of the process of change. The increased delegation of responsibilities also generated new demands for follow up and control. Or as a researcher by the time expressed it: "In order to decentralise – you have to centralise!" Key persons and some researchers in Sweden also have pointed out how the national interaction with the OECD affected the discourse about public management in

Sweden. According to this it seems likely that Sweden (deliberately) provided OECD with information that could contribute to the national discussion about making public administration more effective. The establishment of a Ministry for Public Administration with a coherent policy and its special taskforce for implementing change is, as such, an evidence of a coherent public management policy. On the other hand the policies initiated self generating processes, some of which were not foreseen from the beginning. As a summary we would claim that the change processes would not have succeeded as well as they did without an intertwined relationship between the political levels, key administrators in the ministries and the day to day work by managers and experts in the local authorities. The political leadership was, and still is, crucial.

During the 1990s and early 2000s reductions in force has been carried out in large scale. Structural changes have been made, mainly agency by agency. An ongoing shift in competencies has led to that most civil servants now carry an academic degree. Middle management level has been reduced to a minimum. Furthermore the majority of the government enterprises were transformed from being agencies into share holding companies. Some of which were put on the Exchange. You may conclude that change, not stability has been the normal pattern for the Swedish civil service during the past 15 years. In all, the number of civil servants was reduced by nearly 50 %. The major part of employees was transformed into new forms of employment, but about 50 000 or 20 % of the remaining civil service workforce was laid off due to redundancy.

If change is an objective, technical reforms and a modernised regulation have to be followed by a change in minds. A cultural shift is necessary. This is an ongoing process in the government administration. The challenges are to combine modern leadership with government ethos; economic steering models with equality to the law; decentralised employer responsibilities with co-ordinated employer policies etc. We believe it is correct to say that it took until the mid 1990s, and the *Committee for central-government Administrative Policy*, before the traditional forms for organising and governing central-government agencies were thoroughly analysed. The Committee also delivered ideas about how the long-term work with structural changes in the central administration ought to be carried on. Evaluations have though showed that Directors General are increasingly taking up their new responsibilities as managers and employers. A cultural shift is in fact happening which in turn creates new challenges and needs of reform. Today consolidation is a tendency as such, but within the framework of an ongoing change process.

What is there to say about the last years' framework for development and change and consequences for HR? During a couple of years *Around the clock agencies* was the umbrella term for all strivings towards a more joined-up government until it was considered too narrow to use this principally technologically translated term. IT was more often to be considered as one of several remedies to reach the new central public administration "in the service of democracy". The new umbrella term is *joined-up government*.

What were the consequences for the delegated employer policy? In 1999 the minister of public administration concluded that the Swedish model was unique in an international perspective giving the agencies a far reaching freedom to decide and act in employer political issues. The decentralisation was considered to have had positive consequences. The development was in the direction of more flexibility and variety in the design of the policy for employer issues. The decentralization has led to increased involvement, responsibility and by that to an increased efficiency in the administration. Furthermore, in the first few years after getting their full responsibilities as employers the focus of employer policy was somewhat internal. This was natural in relation to the new responsibilities given to the single agencies. It also could be a remaining effect from the former system, in which different demands from above created work that not always was considered to be essential for the local business. Today the government agencies are increasingly and eagerly demanding collective employer policies in order to making government more attractive for future generations of civil servants.

In 2003 the minister declared the need for continuity and change. The basic values of democracy, the rule of law and efficiency which are stated in the action programme for public

administration from year 2000 are still of vital importance while the policy for public administration must be developed all the time.

In 2005 the minister even more underlined the importance of strengthening the cross sector work by linking together the drainpipes of administration. Therefore a new project is launched which is intended to achieve better horizontal governance of these cross sector areas.

In 2006 the Employers' Council (an assembly of all government employers) adopted a new strategy for government employers' policy 2007-2010. One of the basic conclusions in the strategy is that change is not an exception, but a natural and integrated part in the daily business of an agency. In short the strategy was made to meet the following challenges:

- Flexible solutions within the framework of common values
- Globalisation and flexible business demands flexible agreements
- Efficiency and effectiveness demand a good working environment, equity, diversity and a sustainable allocation of competence and skills
- Leadership as a key issue
- Employers' policy as a strategic issue for leadership.

One of the main strategies is about keeping the attraction for working in the civil service. Another strategy is to use co-ordination of and co-operation between government employers as tools for increased effectiveness.

In August 2006 the Government presented a programme declaration for the development of the public service. The Governments vision is to create a joined-up public administration in the service of the citizens. To fulfil this vision, the guiding-stars are:

- One commission – one contact
- Right activities the right way
- Innovation and change

More specifically we are talking about

- New steps towards an electronic government
- Service offices near citizens and business
- A distinct administrative structure
- A more distinct responsibility for agencies activities
- New solutions for more efficient agencies
- A more competent public administration
- A multicultural public administration
- Increased use of evaluations when governing agencies
- More distinct principles for supervision
- A better follow-up of all the public administration

Are we ready to try on a definition of joined up government?

The development of a joined up public administration is about to, inside the framework of the specialised administration, adding dimensions of coordination, collaboration and integration.

From

Hierarchical thinking
Focus on individual organisations
Closing out of actors
Organizational borders
Autonomous agencies

To

Horizontal thinking
Focus on systems or processes
Diminished borders to the outside
Focus on processes across borders
Higher degree of sharing resources with others

What effects of a joined up government can be expected in the HR-field?

- changes in the role as a civil servant
- a need for different knowledge and skills
- a need for a common ethic

- a different direction for and degree of specialisation
- a need for knowledge in change management
- a need for a developed knowledge management
- development of methods and support for competencies supply with a lot of competence cooperation
- a focus on useful competencies wherever they are
- experience of professional networking
- an understanding of working in and with processes
- an international outlook and understanding
- leadership

A last and concluding reflexion is, that a lot is going on to update the Swedish model for central public administration. A lot of energy and other resources have been allocated to the field of electronic governance. Much less has happened in the field of HR. There seems to be high time to add E- and HR-questions to each other. They are quite inseparable in the future.

4.3 Case study – The Netherlands

Program Modernising Government in the Netherlands

Towards a powerful government that listens and takes responsive action

'**Andere Overheid**', which translates from Dutch into English as 'an alternative kind of government', is a programme for change and modernisation in the Netherlands. The programme consists of two parts. The first part is a vision of a new relation between civil society and government and what may be expected from public services. The second part is the actual program with more than 40 topics. The motto of the program is a quote by Tony Blair about organizing government around problems, not problems around government.

When the 'Andere Overheid' action programme was launched in January 2004 a range of improvement projects were already being conducted at all levels of government. But there was a need for an assertive, unified approach: one face, one label – Andere Overheid.

A Director-General, whose most important job is to communicate and stimulate activities within the existing departments, heads the programme's deliberately kept small taskforce. The taskforce monitors the progress of all activities that are part of the program, intervenes in the planning when necessary, reports to the co-ordinating minister, organises communication (internal and external), prepares the public account and acts as the strategic head and heart of the change movement.

The Action Programme entails improvement and initiatives around the following themes:

Better Service

Service to citizens and companies can be improved and be more efficient. This is done by using the possibilities within ICT and a more service-orientated frame of mind.

Less Bureaucracy

Society demands more space for its own initiative. By diminishing rules and regulations government can create that space.

A decisive organisation

A well organised functioning government is very much needed in order to execute its tasks, its authority and its responsibilities decisively.

Different working method

The success of Andere Overheid stands or falls with a different working method and mentality. A culture of working together and listening to the citizens is a must.

Approach

Andere Overheid is more than a policy matter. It is a movement by and for government organisations and government professionals in order to work more purposeful and society orientated. Throughout the country projects are initiated in order to realise this.

The role of the Andere Overheid team is to boost the process. This is being done by signalling events and offering a platform. By exchanging amongst all participants progress and good examples and by signalling the processes that need improvement as well as by supporting transformers and joining forces. It takes a lot of time before public service adapts to a different way of working. It begins and ends with governments that are willing to put their public service first and by people who want to make the difference. Only then government will change.

Time path

In the beginning of 2003 the vision and the action programme were handed over to the sitting government. 15th January 2004 marked the start of the team and the beginning of the action lines, aimed at the different themes.

At this moment the team is focused on the third theme: a better organised government. The upcoming elections provide a window of opportunity for political parties to incorporate ideas for a better organised government into their electoral programmes. Members of parliament will receive a working paper from the team showing alternatives on four outlines:

A better start for the cabinet

A better political agenda from the start

Program approach

A senior minister leads an interdepartmental organisation in order to achieve success on broad social issues

Less policy – More space

More 'room to move' for the men at work; less tightening rules; more involvement in policymaking

A flexible government

Flexible civil servants; 'a right for a career' instead of 'a right for lifetime employment'.

At the end of this Governing period (beginning of 2007) the taskforce Andere Overheid will cease to exist. Although the taskforce will cease to exist, the spirit of the programme Andere Overheid will live on. Please refer to our website for further information: <http://www.andereoverheid.nl>

5. Age management and the transfer of expertise – Cases

5.1 Case study – France

Age management and the principle of career

The principle of career, on which the French Civil Service is based, has a strong influence on the human resources management as a whole and in particular on the "age management".

Three characteristics must be underlined:

- Fairly strong distinction between the public and the private sectors,
- Right to a regular career path recognized by the Civil Service General Statute,
- Management of civil servants HR by "corps" and not by "missions" or "jobs".

The problems of the "age management" find specific answers in our model of public service

- There is no possibility to replace a senior civil servant with a younger employee less paid.
- The Civil servant has a right to a career progression. He has a right to reach the higher level (échelons), which results in an increased salary. However, civil servant does not have an automatic right to a promotion (level of responsibility). Among the conditions for promoting a civil servant, the work experience is worth as much as his working capacity and skills.
- Age limits in the civil service have a strict framework: 65 years for the "office" civil servants and between 55 and 60 years for the others civil servants,
- Prejudice according to which the seniors would have less productivity than the entering young people is not as present in the public sector as in the private one. However it is necessary to ensure for this category of civil servants a continuous training under the same conditions as for the younger employees.

The demographic challenge for the next years

More than 40 % of the civil servants will be renewed from here to 2015. This report invites to the provisional HR management (« *gestion prévisionnelle des effectifs* »). The challenge is not to renew 1 per 1 of civil servants, but to adjust the newly hired in adequacy with the needs of public sector. This is why France will tend during these next years to a reduction and or a stagnation of our total staff by the relocation of civil servant in the sectors considered as being priority. These problems are going hand in hand with the will to facilitate the professional mobility of the civil servants between the various administrations.

We should then think about:

- Developing the continued education during the whole-long career of the civil servant,
- Facilitating the professional changes,
- Eliminating the hurdles against professional mobility,
- Developing the tools in favour of provisional HR management ("*gestion prévisionnelle des effectifs*").

Measurements related to the age in the HR management

Priority was given during these last years to fight against discriminations related to the age and to support the job training during the entire career of civil servants. With this regard, we should underline:

- The suppression of the age limit for access to the competitive examination: this measure has a significant impact to joint the civil service but also for the civil servants

in the course of their career (for the civil servants wishing a promotion by the way of the internal competitive examination),

- The development of remuneration based on performance assessment,
- The recognition of the professional experience to better take into account the competences acquired by the civil servant in his former professional life, in the public or private sector,
- The development of the continuous training for civil servants during their entire career,

The French team exposed, in the workshop frame, the recent legal reforms recently taken to eliminate discrimination related to the age and to support the professional career development of the civil servants.

5.2 Case study – Denmark

From age management to diversity management

Policy considerations

In recent years, age management has emerged as a matter of pivotal concern within the political sphere, within the state administration, as well as in society in general. To be sure, a predominant way of understanding the development of a strong 'age agenda' has been that of the demographic trend in society. The population is aging and predictions strongly indicate that the human resources will be a scarce resource within a foreseeable future. Obviously, this creates a certain sense of necessity for any employer that needs to be able to perform the tasks expected of the specific institution in question.

Without doubt, age management has been recognized as a means to retain employees close to retirement a few years longer on the job market. The larger perspective in this is nothing less than the preservation of the welfare society as we know it today - a welfare society that depends upon the contribution of a large and active workforce.

From the above, it would seem that age management emerges from mere economic necessity. However, this is by no means the case. In fact, one needs to place the emergence of age management in a somewhat broader perspective, namely that of diversity management.

Within the state administration, there is a growing recognition of the value of *difference*, a recognition that is at the very heart of what we refer to as diversity management. In this view, employees that have reached a certain age may actually be able to contribute with something quite unique because of, as opposed to in spite of, the experiences a long and active working life has given them. Basically, it is the same underlying philosophy that informs various tasks related to gender management, to the management of ethnic minorities, etc; namely that the use of difference in the management of human resources will add value to the processes and products of human labour. The basic challenge for human resource managers and managers in general is to create a working environment that actively and openly appreciates a heterogeneous workforce.

However, it also needs to be emphasized that the focus upon specific and somewhat generic groups (e.g. people above 50, immigrants from non-Western countries, women, etc.) may also prove itself to place a label upon these people that may be difficult for the individual to escape. A good example of this is in fact age management. Thus, there has been a certain tendency to talk about the older workers when speaking of age management. A means to avoid this is to broaden the scope and focus upon life cycle policies.

Life cycle policy

The vision behind the life cycle policy is that the professional and personal needs and wishes of the employee ought to be seen as a connected whole. Life cycle policy is a relatively new way

of taking the different periods of the employee's life into account. One of the State's workplaces that have integrated a life cycle perspective into their human resource management is The Court Administration.

The Court Administration work with the following distinction, which reflects how long the employee has been on the job market:

- A newly educated and first employment
- An experienced employee
- An employee with smaller children
- A senior/older worker

The philosophy is that to each of the above mentioned periods, different events in the employee's personal life will have an influence upon the employee's professional life. E.g. a new baby, illness, becoming a grandparent etc., represent different events likely to change the needs and wishes of the employee. Meanwhile, the causality may also work in the opposite direction. Hence, there may also be events related to the employee's professional life that might influence their personal life, such as changes related to the job content, increased responsibility, etc. In other words, the personal and professional life of the employee work are interdependent.

As regards senior employees, the life cycle policy of The Court Administration stresses that the job the senior employee holds must not be a job of less (actual and symbolic) importance as compared to their job before entering the senior status. More to the point, the job is supposed to be adjusted to the different competencies, ambitions, goals and wishes of the employee. Therefore, the senior employees are confronted with the same demands and are offered the same possibilities and privileges – e.g. concerning the development of competencies, flexibility, job performance and salary etc. – as other employees. However, the professional and personal development of the senior employees will often be related to the acquirement of specialist knowledge and knowledge sharing. To specifically strengthen this aspect of life cycle management, The State Employers Authority has implemented two initiatives: A Career-clarification program and a coaching course specifically designed to the senior employees.

Career-clarification

Target group: employees that have turned 50

Goal: to send a strong signal that: older workers is an important group that should be offered development initiatives, that older workers still need to reflect actively upon their work life.

The coaching course

In 2005 The State Employers Authority together with The Danish Central Federation of State Employees' Organisations (CFU) launched a coaching course for the first time.

The specific target group is senior employees around 50-55 years with a high experience level within their respective fields. It is also important that the participants enjoy a great deal of professional as well as personal respect from their colleagues.

The purpose of the coaching course is twofold:

1. To secure a better use of the experience and knowledge accumulated amongst senior employees and thereby a strengthening of the learning environment at the given workplace.
2. To secure that the senior employee develop new competencies and insights making it possible to broaden the job portfolio and thereby getting a new and strengthened position in the organisation.

By following the coaching course, the participants hopefully will be more clarified as to how they themselves can develop their own job function and also make them more sure of themselves as to how they can function as a coach towards their colleagues. So far the coaching course has been carried out twice with success.

Final remarks

Maintaining the senior employees on the job market is highly prioritised by the Danish government. In the spring of 2006, The Government together with The Social democrats, The Danish People's Party and The Social Liberals passed an 'Agreement on future prosperity and welfare and investments in the future'.

The agreement aims to make the labour market and the public finances more robust with respect to increasing life expectancy. In the course of the last 10 years, the life expectancy of 60-year olds has increased by around 2 years.

The main principle behind the agreement on this area is that a longer life expectancy and better health should lead to more active years on the labour market.

The 28th of august 2006 The State Employer's Authority met together with The Danish Central Federation of State Employees' Organisations (CFU) and The Centre for Development of Human Resources and Quality Management (SCKK) to discuss further initiatives related to ageing.

6. Conclusions and findings

The following conclusions and findings can be drawn from the workshop presentations and discussions:

6.1 Strategic leadership and the role of top management

Leadership as a profession

Leadership is already widely understood as a profession. There are development processes ongoing in several countries either dealing with reforming the system of top-level civil servants (e.g. Estonia) or developing new kinds of training programmes for present and future top-level civil servants (e.g. the Netherlands).

Widening of core competencies

Among the (new) competencies of top-level civil servants in most public administrations are innovativeness and social and communication skills. There is a growing emphasis on leadership alongside traditional substance orientation, e.g. the ethical frame of an organisation is set by and realised through the top management level and the top management act as role models for the entire organization. Mobility of top-level civil servants is one way of widening the perspectives and increase creativity.

Top-level civil servants and politicians – mutual recognition of respective roles

The organizational aspects of the relation between top-level civil servants and political leaders varies in the member states, but regardless of the structure of the administration a sound relation is important. Good co-operation between top-level civil servants and politicians is essential in developing the competitiveness and productivity of public sector. The key issue in this relationship is mutual recognition of their respective roles and legitimacy. An essential

question is to what extent top-level civil servants should be the promoters of long-term strategic initiatives?

Evaluation of top-level civil servants

Evaluation of top-level civil servants is a common challenge in most EU-member states. There are several open questions, e.g. who should be the evaluators, what are the exact criteria and how the criteria could be measured objectively. European co-operation in further development of evaluation and quality measures is desirable, e.g. models such as the CAF (Common Assessment Framework) and performance contracts are welcome. There are good cases available concerning self-assessment and also colleague evaluation. Good cases are still sought with regard to how top-level civil servants are evaluated by their (political) superiors.

Increasing leadership potential

Both general and tailor-made training can be used and is needed for top-level civil servants. Training programmes should be planned both for present and future leaders. Training is also an important tool to increase leadership potential.

Strengthened role for HR-management

HR-management should not be seen only as technical or administrative task of the organisation but as an important supporting element for the top management. It must be a strategic partner to top management in the organisation's key reforms. This means e.g. that the HR executive is an active member of the management group. HR-management should be an important function in the development of top-level leaders.

6.2 Performance management tools and practices

Increased productivity demands of the public administration

Ageing populations consisting of more emancipated and educated citizens demand for increased public services, with basically same or even less resources. This calls for strong commitment into performance management. The stability pact of the European Union requires keeping public spending strictly under control, which then gives a clear mandate to governments to increase both efficiency and effectiveness of the public administrations and the management of human resources. Human resources management should be fully associated in the daily decision-making process and reform-oriented strategic planning of the productivity of public organisation. The link between Lisbon strategy and efforts to increase productivity in the public administration has to be made more explicit in the member states' public administrations.

Leadership required at all levels

Performance management is based on leadership also in the public administration. It sets high requirements not only for top-level civil servants but also for the middle management and the people management skills of the immediate supervisors of the employees.

Performance based pay system as a management tool

Performance related pay and other HR incentives require the adoption of performance management in its entirety; otherwise the incentives serve the old-structured career-based legalistic human resources administration without a clear improvement in staff performance. Performance management is based on dialogue in setting the objectives, assessing the annual performance and well-targeted coaching throughout the work process. In this connection, performance related pay systems are helpful management tools, and they and other incentives may increase motivation among the staff members.

Inclusion and motivation of employees

A prerequisite for the successful implementation of the performance related pay systems is the timely inclusion of employees in the preparation of these systems, as has been done in e.g. Germany and Finland. These systems are also needed to implement reforms and structural changes in the public administration.

6.3 Change management, development of the organization and strategic HRM

Public sector reform and the Lisbon Strategy – a missing link?

Public management reform processes reflect changes in the society. These changes need not only be reacted on but proactively foreseen by public administrations. The background and drivers for changes in public sector reforms are in principle the same as for the Lisbon Strategy – need for increased efficiency, productivity or economizing the public administration. One can say there is a link between the public sector reforms and the Lisbon strategy, however, one cannot say the changes in the public administration would have been triggered by the Lisbon strategy. Many of the changes in public administration have been going on much longer than the Lisbon Strategy. They have been triggered more as a reaction to domestic changes but also to changes in the international environment of the country – globalisation and/or EU membership. EU membership as such has huge impacts on the national administrations by putting pressure to reform and change the public administration, as manifested for instance by the development of national programmes of growth and employment. A general strategy is needed to manage change in a systematic manner. The Lisbon strategy could be seen as an umbrella for all the other strategies of the public administration. National programmes and strategies should therefore more clearly be linked to the Lisbon strategy. There appears to be this link but at the same time one could ask to what extent current HRM strategies, training strategies and public administration reform strategies in the national public administrations have been reviewed because of the Lisbon strategy.

State of play of public administration reform

Member states are at different stages regarding the changes and reform processes of the public administration. In some countries public sector changes and reforms have been planned and implemented over a long period of time (e.g. over the period of 40 years). In other countries changes have taken place on a very short period of time (over a period of 5 years). Some countries have gone through dramatic changes in the public administration in a very short period of time and have not had the time to digest the changes or plan and discuss the changes and reforms – the time needed for adjusting to these changes has been very short.

Role of the state

In different member states the role of the state and understanding of that role varies. This is reflected in the public administration development and in the role and tasks of the public administration or an individual civil servant. Also the citizens in different member states see the role of the state and public administration differently. An efficient and well functioning administration is widely acknowledged as a key factor contributing to the overall competitiveness of the economy. This acknowledgment however still requires concrete measures to be taken in order to ensure effective results.

How about local administration?

Very often the focus of reforms is on the central administration. Local administration is largely responsible for the practical implementation of policies and law according to the guidelines set by the central administration. Attention needs to be drawn to how reforms are implemented effectively on the local level.

HRM challenge

The changes also pose challenges to civil servants. A new type of civil servants with different skills is needed – substance skills are not enough. Also a new type of leadership is needed. There is a need for increased mobility of civil servants as it also supports learning and adjustment to changes. However, at the same time increased mobility puts pressure on public organisations and to some extent limits institutional memory. Civil service training is also needed to support the adjustment to changes and also to provide a way to manage these changes in public administration.

Inclusion and motivation of employees

Timely exchange of information and an open dialogue contributes to the inclusion and motivation of personnel in the reform programmes. As every employee faces change as an individual, further requirements are set on people management. Situations of change call for clear and well-defined personnel planning.

6.4 Age management and transfer of expertise

Common challenge

The challenge of age management and the issue itself is the same in most European countries. However, the answers and practical solutions seem to differ in many ways. This is mainly due to different types of structures and features of the member states and their public administrations. In many member states the demographic development means that a great number of civil servants will retire in the near future. Therefore there is a need for systematic practices and tools in order to transfer the expertise and the knowledge from senior civil servants to younger colleagues and to file them into the institutional memory of the organisation. Relocation of tasks and personnel between administrative levels, movement between sectors and reallocation of financial resources may be necessary. Continued reform of public sector pension systems is also called for, as the development of pension systems towards encouraging longer careers is necessary for securing the sustainability of the pension systems themselves, responding to the emerging labour shortages as well as for the transfer and diffusion of expertise.

Age as a part of diversity management

Age management is not only a demographic question but also a broader question of diversity. Age management has to be seen as one element of diversity management. The working communities in the member states are increasingly heterogeneous. This fact challenges the management and leadership skills in many ways, but at the same time it opens new opportunities and resources for public administrations. A welcome initiative is the decision to arrange a European diversity conference in Denmark in the autumn of 2007 and its preparation in cooperation between the employers' organisations and the trade unions.

Balancing different elements of life

It is also important to see diversity in a broader context and not only focus on certain groups. Focus should be on life cycle policies and the balance between working and personal life. This should be taken care of in all age phases, as it contributes to the performance of the individual employee and thereby also carries positive outcomes for the organisation.

Young leaders – new skills

There is a tendency to appoint younger managers instead of the aged ones. Therefore, good management skills are required from young managers. Instead of having older managers and

younger employees, the situation is more and more often reversed. This requires different management skills. What is particularly needed is the acknowledgement of the fact that older employees still are productive and innovative resources capable of learning new matters and things.

Ageing means development

Ageing can be seen as a “positive trigger” for many types of development processes in public organizations, for instance the development of structures, processes, attitudes, values etc. By more practical activities motivation and mobility can be increased in our organizations, e.g. horizontal movement should be encouraged instead of vertical movement only. As part of this the horizontal expert career should also be appreciated, not only the vertical managerial career.

7. Future challenges and critical questions

On the basis of the above conclusions based on the country cases, the following more general conclusions and critical questions can be made. These questions are intended for the basis of discussions for the Directors general responsible for public administration.

Public sector reforms and the Lisbon Strategy

It seems that the link between public sector reforms and the Lisbon Strategy is, if not missing, somewhat vague and unclear. It also seems that in most cases national Lisbon Strategy action plans produced in member states fail to include the role of the public sector. However, public sector reform projects and the Lisbon Strategy share the same grounds and general challenges: globalisation, a concern for the capability to be competitive, innovative and renewable, the ageing population, the sufficiency of labour force and the growing demand on services. Should public sector reform work and management more explicitly bear in mind also the targets and goals of the Lisbon Strategy? If so, how should they be rendered visible? How can e.g. emphasis on innovation be developed in the public sector?

Strengthening of HR-functions as a strategic partner of top management

HRM should become a key topic on the agenda of top management, instead of being a mere administrative, executive function. What does this require from both quarters? For the HR-quarter it necessitates at least self-renewal and a willingness to step outside the administrative role. From top management in turn a better understanding of the tasks and possibilities of the HR-function. What else?

Motivation, inclusion and commitment of personnel in reform work

What does motivation, inclusion and commitment of personnel in reform work require from leadership, especially in situations characterized by change? Who stands in the front line, top management or the managerial level? What is the role of the HR-function? What is required from the personnel, e.g. flexibility, developmental activity, an adoption of necessary new skills? What is the role of social dialogue?

Broadly recognized perspectives on leadership and management

There are common European values and principles such as equality, the rule of law, transparency, trust, neutrality, impartiality, quality and expertise. Work has been done to prepare a common competence framework. We are all facing common challenges in the public sector reform work. On these bases, should the work be continued so as to lead to broadly recognized perspectives for good leadership and management on the European level? Is this a possible or desired goal given the differences of administrative structures and cultures?

8. Contributors

Case contributors

Estonia

Ms Eve Limbach
Ms Mariann Veisson
Department of Public Service
Estonian State Chancellery

eve.limbach@riigikantselei.ee
mariann.veisson@riigikantselei.ee

The Netherlands

Mr Peter van der Gaast
Ministry of the Interior and Kingdom Relations
The Hague, The Netherlands

peter.gaast@minbzk.nl

Germany

Mr Manfred Späth
Department for Public Service
Federal Ministry of the Interior, Germany

manfred.spaeth@bmi.bund.de

United Kingdom

Mr Paul Roberts
Corporate Development Group
Cabinet Office, United Kingdom

paul.a.roberts@cabinet-office.x.gsi.gov.uk

Portugal

Ms Mafalda Santos
Directorate General for Public Administration
Ministry of Finance and Public Administration, Portugal

mafalda.santos@dgap.gov.pt

Sweden

Mr Bengt Eriksson
Swedish Administrative Development Agency
Mr Per Stengård
Swedish Agency for Government Employers

bengt.eriksson@verva.se

per.stengard@arbetsgivarverket.se

France

Mr Thomas Vratnik
Mission for European and international affairs
Ministry of civil service, France

thomas.vratnik@fp.pm.gouv.fr

Denmark

Ms Ida Krarup
Ministry of Finance
State Employer's Authority, Denmark

IDA@perst.dk

Facilitators

Ms Anneli Temmes
Mr Seppo Mansukoski
Mr Juha Rumpunen
Mr Ari Sihvola
HAUS – Finnish Institute of Public Management

anneli.temmes@haus.fi
seppo.mansukoski@haus.fi
juha.rumpunen@haus.fi
ari.sihvola@haus.fi

Human Resources Working Group

Mr Asko Lindqvist
Chair, HRWG
Ministry of Finance, Finland

asko.lindqvist@vm.fi