

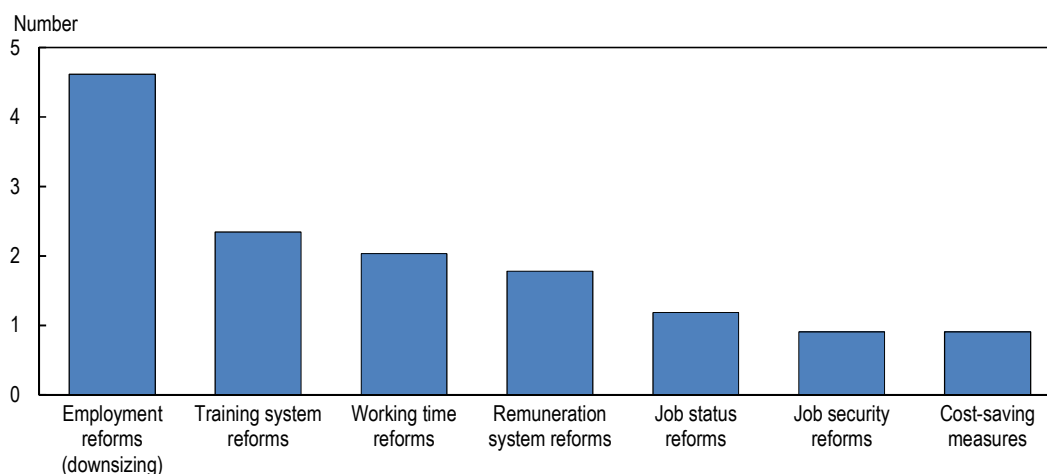
Annex A

Budgetary impacts on human resource management in the public sector

In parallel with the Survey of the State of Public Finances 2015, the OECD has undertaken an analysis of Central Public Administration employment has responded to the impacts of the budgetary crisis and how Civil Service HR trends and practices have been affected by fiscal consolidation over the period 2008-13.¹ Compensation of employees accounted for 23.6% of public expenditures on average across OECD countries in 2013, and it is natural that governments will seek to find economies and efficiencies from this significant block of expenditure as part of a broader strategy of fiscal correction.

Across many countries, there has indeed been a renewed efficiency focus within the public sector, coupled in many cases with a broader HR reform agenda, and balanced with the need to have productive, satisfied, innovative and high-performing employees. The OECD analysis indicates that the various HRM responses to fiscal consolidation can be grouped under seven headings or “bundles” (see Figure A.1).

Figure A.1. Average number of HR reforms by bundle per country, 2008-13



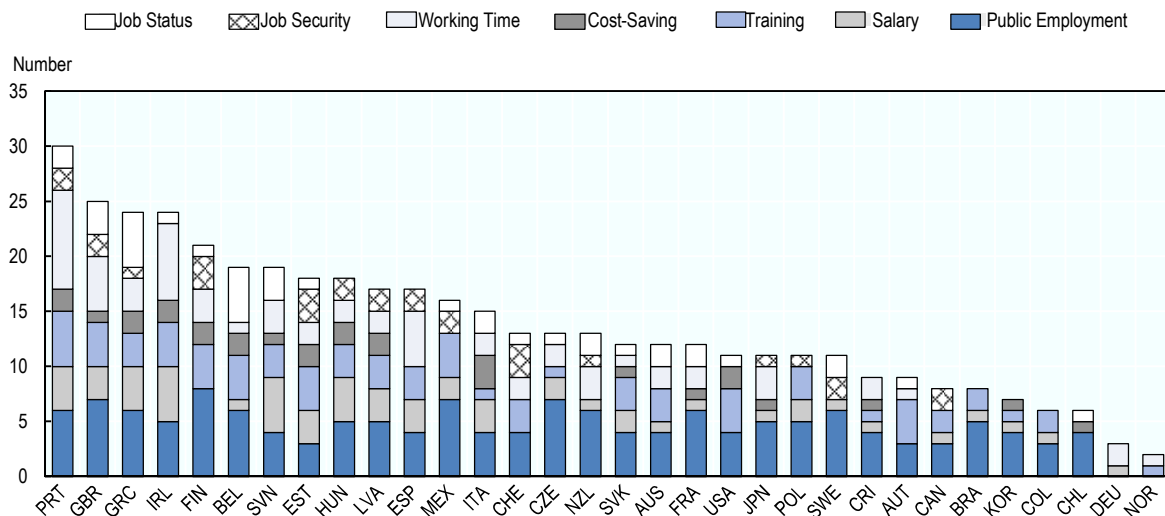
Source: OECD (2014), *Survey on Managing Budgeting Constraints: Implications for HRM and Employment in Central Public Administration*, OECD.

StatLink  <http://dx.doi.org/10.1787/888933288656>

Figure A.2 illustrates that the intensity of HRM reform effort correlates closely with the degree of “fiscal pressure” to which countries have been subject. Of the total range of

50 possible reforms surveyed, the highest numbers of reforms were initiated in Portugal (34), Greece (28), the United Kingdom (28) and Ireland (27), whereas countries with relatively lower fiscal stress undertook fewer reforms: the lowest scoring countries being Norway (3), Germany (3) and Chile (6). The fact that countries like Finland (25) and Switzerland (19) have implemented a relatively high number of reforms, despite being under comparatively less fiscal stress, points to the fact that budgetary pressure is not the sole trigger for reforms. It is notable that the Czech Republic (14), United States (14) and France (13) have not been as proactive in introducing HRM reforms despite difficult budgetary positions, although the “starting position” for these countries may differ.

Figure A.2. Overview of human resource management reforms, 2008-13

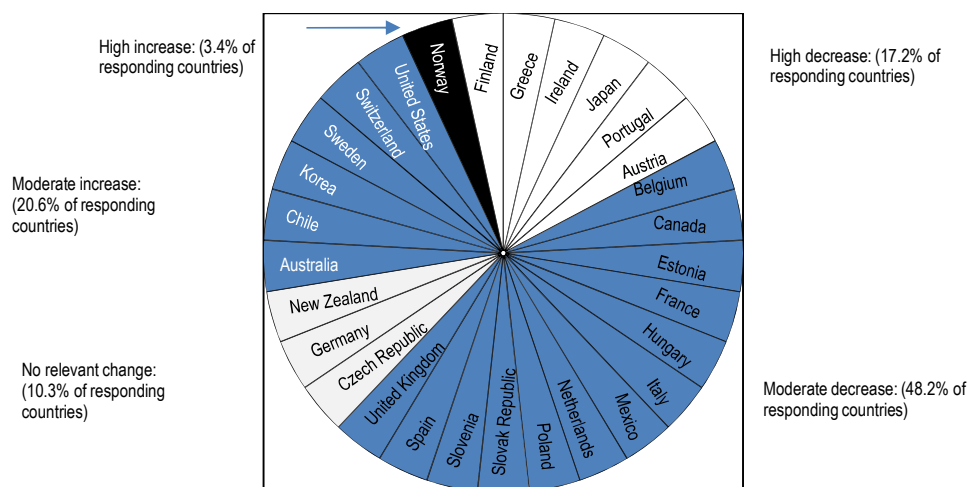


Source: OECD (2014), *Survey on Managing Budgeting Constraints: Implications for HRM and Employment in Central Public Administration*, OECD.

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For most countries, the restructuring and downsizing of central public administrations has been a central theme of HRM reform, although there are important differences regarding the targeting of these measures and the choice of instruments. As in the case of HRM reforms generally, the intensity of downsizing of the central public administration (CPA) across different countries (see Figure A.2) correlates well with the level of fiscal stress. Greece decreased employment by 19% from 2010 to 2013, Ireland reduced public service staffing levels from 2008 to Q1 2014 by 10% and Portugal reduced CPA levels by 8.9% between end 2011 and March 2014. As Figure A.3 shows, a number of OECD countries reported a moderate increase in CPA employment over the period, while Norway alone reported a high increase.

Figure A.3. Changes in central public administration employment levels, 2008-13

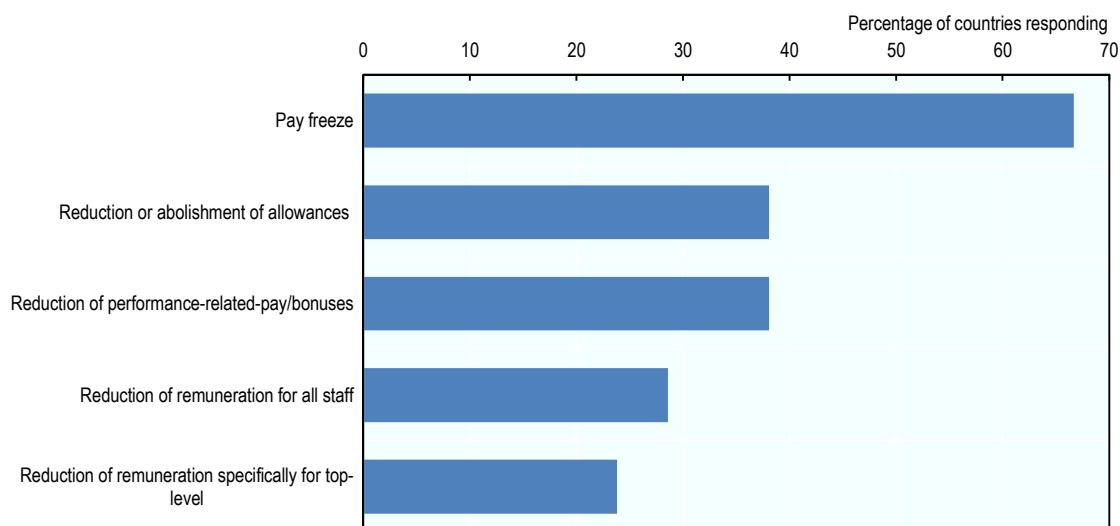


Source: OECD (2014), *Survey on Managing Budgeting Constraints: Implications for HRM and Employment in Central Public Administration*, OECD.

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Remuneration systems have also been subject to very strong reform activities in the field of HRM (see Figure A.4). Between 2008 and 2013, 75% of surveyed countries introduced such reforms, with measures ranging from a wage freeze (67% of countries), cuts in allowances and bonuses, through to pay cuts (e.g. Ireland, Portugal, Spain). It is notable that Ireland has recently undertaken to reverse in part the pay cuts to public servants from 2016, in a clear signal that the economy has moved on from the “austerity era”.

Figure A.4. Use of instruments for remuneration reform, 2008-13

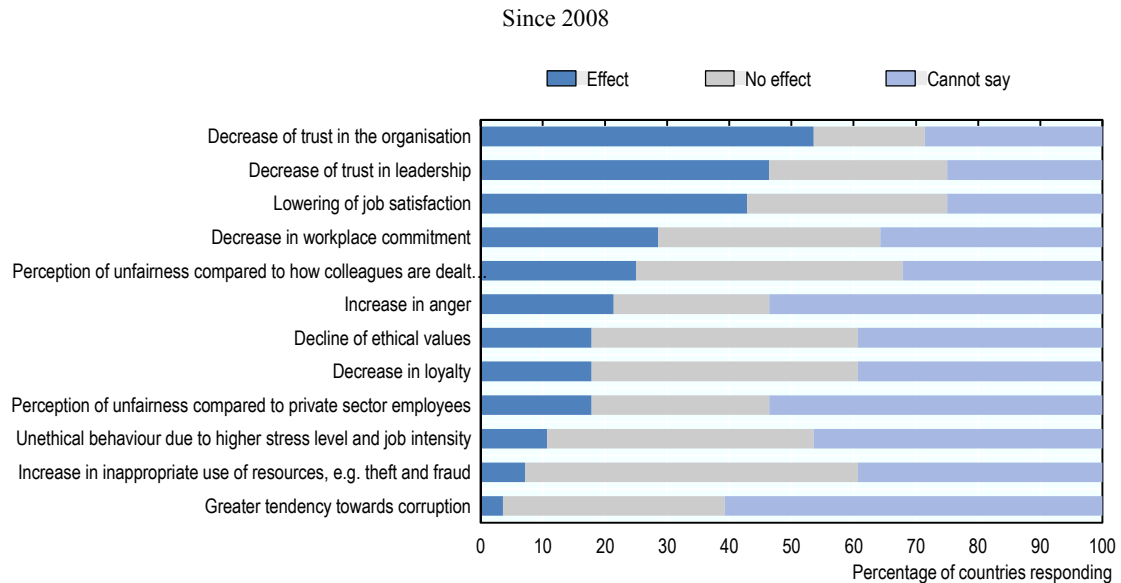


Source: OECD (2014), *Survey on Managing Budgeting Constraints: Implications for HRM and Employment in Central Public Administration*, OECD.

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The OECD analysis has also examined HRM outcomes and effects on workplace behaviour, and confirms earlier research findings of a strong relationship between: a) the introduction of austerity-related HRM measures; and b) workplace attitudes, notably in terms of job satisfaction and trust in leadership (see Figure A.5).

Figure A.5. **Effects of HR reforms on workplace behaviour**

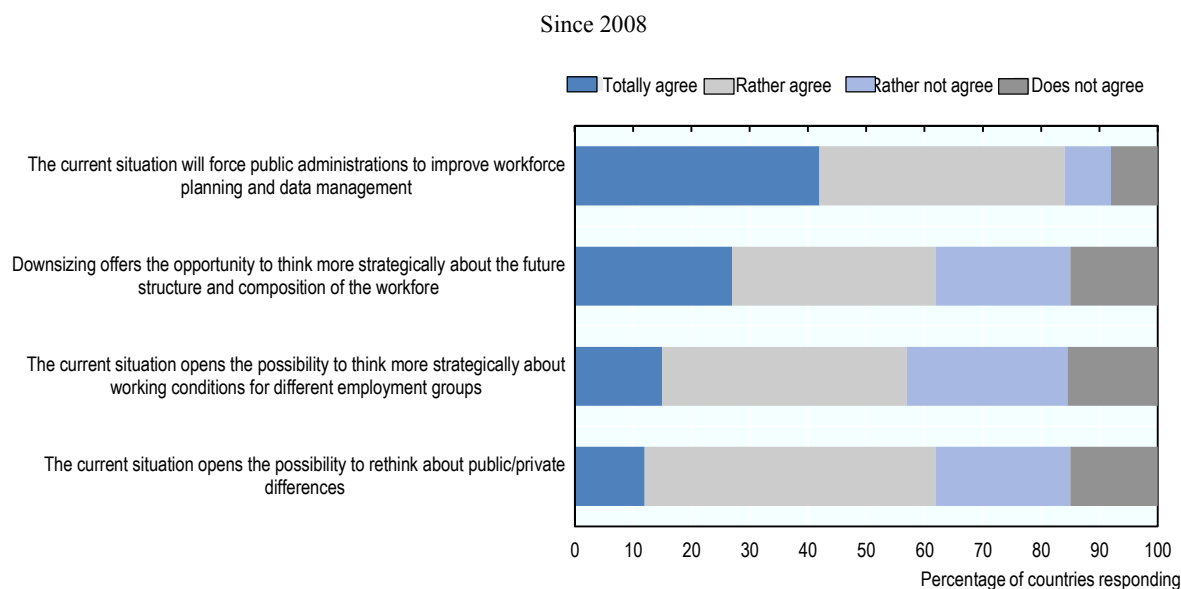


Source: OECD (2014), *Survey on Managing Budgeting Constraints: Implications for HRM and Employment in Central Public Administration*, OECD.

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In balance with these findings, however, the analysis pointed to positive side effects of HRM reform, in particular the increased scope to improve workforce planning and the requirement for more strategic HRM planning (see Figure A.6). Overall, the OECD analysis draws policy conclusions for public sector HRM managers that underscore the need for linkages between “technical” HRM approaches (aimed at cost control and reduced operational spending) and “behavioural” HRM reforms (aimed at motivation, development of competences and employee engagement). In particular, the analysis concludes that HRM is an important strategic policy of government; and that if budgetary constraints remain in force as drivers of HRM reform, countries should take action to counter the risks to job satisfaction, job commitment and organisational trust.

Figure A.6. Positive side effects of human resource reform



Source: OECD (2014), *Survey on Managing Budgeting Constraints: Implications for HRM and Employment in Central Public Administration*, OECD.

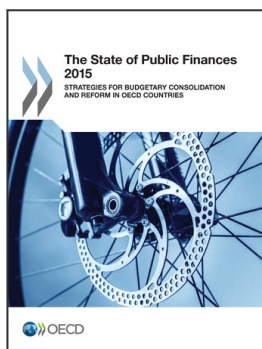
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Notes

1. “The Impact of Budgetary Constraints on HRM: Report on Survey Results”, a classified report, was presented to the Public Governance Committee’s *Network on Public Employment & Management*, 20-21 April 2015. Note that the report is based on a survey of 28 OECD countries as well as Brazil, Colombia, Costa Rica and Latvia.

References

OECD (2014), *Survey on Managing Budgeting Constraints: Implications for HRM and Employment in Central Public Administration*, OECD.



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