

Chapter 3

The Delegation of Human Resource Management in the Public Service of Central Governments*

* This chapter focuses on staffing issues in a small, but crucial, component of the public sector. For those staff groups for which data are available, “government” refers to a subset of general government that is concerned with public administration (primarily tasks of regulation and policy making that exclude for example teachers and doctors), defence and compulsory social security. In responding to questions on the survey of Strategic Human Resources Management in Government, governments have used their own definition of the core public service, and in some cases this is larger than “government” as defined here. However, “government” as defined here is always covered by the responses.

Why delegate?

Public managers are expected to improve the performance of their organisations and the outcome of their activities, and have to work with their staff to encourage, enable and support them in a continuous quest for quality, efficiency, productivity and propriety.

The traditional models for managing the human resources in the public administrations are the products of societies and of dominant management paradigms that are more than a century old. They were designed for the exercise of public administrations in societies emerging from pre-democratic stages, and used centrally-determined structures and procedures as a way of ensuring a correct and equitable application of laws and regulations. They were also heavily influenced by hierarchical command-and-control models.

During the last decades, OECD governments that want to strengthen the performance orientation of their public administration have found that these models have come to hamper their efforts, and to make the development of new models for the provision of public services difficult. They have also come to realise that good management is essential both for improved performance and efficiency and for improved services to the citizen. For that reason, they have created smaller or larger spheres of delegated responsibilities within their administrations that included human resource issues. In this way they have enabled and empowered public managers to pursue organisational performance management and service improvements, and have strengthened their sense of accountability.

A delegation of authority to managers will also make it easier for the public organisations to be sufficiently attractive employers. The workforce and the labour markets have changed during the last decades. Job seekers are now better educated, better orientated, and more demanding when it comes to job content and work opportunities, and public employees are increasingly contemplating alternative private employment. Public managers have to be able to enter into meaningful dialogues with job seekers and employees, and to be able to respond to their needs and requests.

What is modern human resource management?

Modern human resource management is essentially a product of the last half century, and is often associated with a 1957 essay by MIT professor Douglas McGregor called “The Human Side of the Enterprise”, although many

other behavioural scientists have also contributed. The essential message is that people work better and contribute more if motivated, than if merely commanded.

The main tenet is that in order to manage its people in an appropriate and constructive manner, organisations need to develop a human resource management strategy. This strategy has to address four key dimensions of the organisation, namely its:

- Culture: that is, its beliefs, values, norms and management style.
- Organisation: that is, its structure, job roles, reporting lines and accountability mechanisms.
- People: that is, their skill levels, development potential and management capability.
- Human resources systems: that is, the people-focused mechanisms which deliver the strategy.

The key human resource systems will involve manpower planning, employee selection and development, career management, employee rewards and motivation, industrial relations and internal communication. There is no single “right” way of designing these systems. They have instead to be adapted to the business needs of the organisation and to the context in which they are to be applied.

Furthermore, the World Value Survey – a co-operative study involving a large number of universities in different countries – has shown that people’s values change with rising affluence in a similar manner in all countries, although with different speeds and from different starting points. People tend to become more rational and less subordinated to traditional authorities. Such aspects as meaningful tasks and possibilities for personal development tend to become more important relative to material benefits.

During the 20th century, public administrations were given new tasks and responsibilities, and are now – in addition to their traditional regulatory functions – handling complex and heterogeneous functions, facing increasingly demanding customers and clients, and often have to handle unexpected changes in their environment. They also have to satisfy more challenging expectations from present and potential employees.

All OECD countries have been debating how to handle these societal changes, and have initiated measures to modernise their public human resource management through the introduction of delegated authority. A common concern is that the modernisation has to recognise and respect the specificity of the public administrations, with their exercise of public authority and their dual expectation of safeguarding government by law and

being responsive to both the political government and to their customers and clients. One especially important restriction is thus the need to maintain an adequate public service ethos.

What can be delegated?

The key motive for delegation is the need to empower public managers and to enable them to adapt their human resource systems to the business needs of their organisations. Both the speed and the extent of the reforms vary across countries due to differences in political, cultural and historical context. It is however possible to identify a number of functions that have been delegated in several OECD countries.

A delegation of manpower planning enables organisations to determine how many employees they need, and which skills mix these employees should represent. Closely related to this is the authority to decide when to use purchased services and contractors instead of hiring more staff. This type of delegation has to be accompanied by appropriate financial regulations.

This type of delegation might also entail a right to adjust the staff establishment. This would however be difficult to combine with retention of employment for life.

The key aspect of a delegation of recruitment functions is not the actual selection, but the specification of required competences and selection criteria. A delegation of the latter functions is an essential complement to manpower planning, but could be combined with the retention of a shared recruitment organisation. The same goes for staff training and development, which are normal management functions. The centre might however want to establish minimum standards for i.e. recruitment procedures, selection criteria and competency frameworks.

Career systems and planning that span across all or most of the government administration are only rarely delegated to individual departments/agencies. Countries that want to maintain delegated systems thus also have to maintain sufficient authority at the centre over certain human resource issues.

All organisations need to be able to motivate their employees. This includes a need to be able to reward them for good performances and behaviour, and to be able to sanction misconduct and unsatisfactory behaviour. This can be done in many different ways, but some delegated control over monetary rewards is probably indispensable.

Working arrangements including work hours are also normal parts of operational management. Delegated authority in this would enable the organisation to adapt the arrangements to its own needs, and to give its employees a voice in these matters.

Retirement benefits affect the overall attractiveness of public employment, but are not necessarily linked to the individual workplace. Benefit-defined pay-as-you-go system must for practical and financial reasons be managed from the centre. Contribution-defined funded systems can on the other hand be seen as a form of pay and be delegated. This is however rarely done.

How can delegation be governed?

The delegation of authority over human resource management in the central government administration is never total. Governments typically still want to maintain a set of shared values and common structures and processes, and these need to be managed from the centre. Nor is delegation a synonym for abdication. The centre needs to monitor the development, since unwarranted differences in conditions between different parts of the public administration are potential sources of dissatisfaction and inefficiency. The receivers of delegated authority also have to be held to account for their handling of the delegated authority. It may seem as a paradox, but delegating authority may need to be accompanied by a strengthening of certain central functions.

All or almost all countries have a central body which deals with human resource management at the central government level. Exceptions include the Czech Republic and the Slovak Republic, where the Civil Service Office was eliminated in 2006 and the responsibility for human resource management was devolved to individual sectors and authorities. In Germany, there is no central body for HRM at central government level. Departments are fully independent with regarding to their HRM, following the *Ressortprinzip* (department principle) which is stipulated in the constitution.

The main difference lies instead in the role and functions of this body. Traditionally, this body is responsible for the human resource management at the central government level. In most countries including Austria, Finland, Ireland, Japan, Korea, the Netherlands, Norway, Switzerland, the United Kingdom and the United States, the role of the central body has been oriented towards a more strategic and a less detailed managerial role. In some countries including Australia, Belgium, New Zealand, Portugal and Sweden, the body is not responsible for the human resource management but instead co-ordinates human resource management across departments or agencies. In these countries and in some others including Italy, Mexico, the Netherlands, Norway, Spain, and the United States, the central body is a specialised ministry or agency, while in other countries it is part of or more directly controlled by the office of the head of government, or by the ministry responsible for finances.

The delegation of authority over human resource management has to be accompanied by an adequate development of managerial capacity and competence at sub-central levels. Many OECD countries are therefore also

Table 3.1. Recent reforms that have accompanied the establishment of a more strategic role of the HRM central body

Austria	Following the Deregulation Act in 2002, the role of the HRM central body has been redefined and its participation in departments' decisions reduced.
Finland	The role and functions of the Office for the government as an Employer are being constantly developed in order to create a more strategic approach to government service and, on the other hand, to create more competencies to serve government agencies as key customers.
Ireland	Over the last decade, the central body has tried to devolve more to Departments and offices, in particular in the non-pay area. In practice, the design of policies in the non-pay area is often determined centrally while the implementation is left to Departments and Offices. Career development is the responsibility of Departments and Offices.
Japan	From the perspective of the autonomous and strategic personnel management in each Office and Ministry, the National Personnel Authority changed many of its procedures from performing individual and detailed advance checks to setting clear standards regarding the personnel management system of the public service, as well as checking the adherence to those standards. As a result, about 4 400 cases of approval and consultation were eliminated in 2002.
Korea	The CSC plans to provide government-wide workforce management strategy, offer guidelines, and provide consulting services to ministries (agencies, administrations), getting out of regulation and control based personnel management role in most HR areas including appointment, assignment, compensation, working conditions, etc.
Netherlands	The government has an ongoing reform of HRM at the central government level. The aim is to improve the quality of HRM. The government is implementing shared services of labour administration and payment administration and HRM services, putting also some emphasis on improving quality management of managers, and improving the advisory capabilities of HRM professionals.
Norway	Over the last decades, there has been a trend towards more delegation and a more strategic and less detailed management role for the central HRM body. The reform of the pay system in 1991 was a milestone in this process.
Switzerland	Project entitled "Improving HRM, strategic and processes in personnel management" focusing on improving efficiency and professionalism in HRM, implementing a uniform approach, with a model process for the whole Confederation and a clear formulation of tasks, competencies and responsibilities.
United Kingdom	The role of the central HRM body has been refocused on the following: leadership, talent, reward, coherence.
United States	Over the last several years, the Office of Personnel Management has shifted from a rules-enforcing role to a facilitator of innovation and effective human resources management practices in federal agencies. In providing expert guidance to agencies, OPM tries to anticipate unintended consequences, act on lessons learned, and articulate and share best practices. It provides a variety of technical services to agencies including practical tools on the use of flexible hiring authorities, the assessment of agency performance appraisal systems, the strategic management of human resources, and the development of agency accountability systems. The issues that this refocusing or role redefinition primarily covers are: pay, performance management, recruitment and hiring.

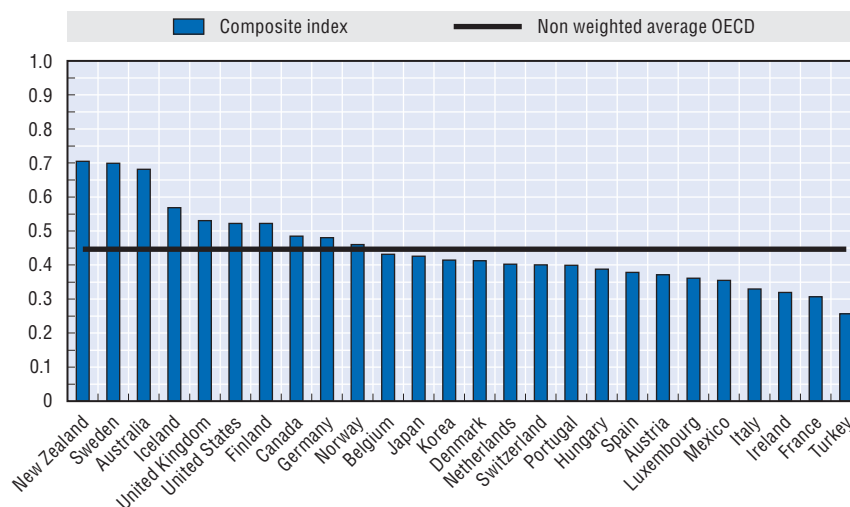
Source: Survey on Strategic Human Resources Management in Government, OECD, 2006.

reforming their senior management structures. Among the features of these reforms are external recruitment, enhanced training, performance evaluations and rewards, and limited term appointments. Many trade unions representing central government employees have also faced a need for re-organising and capacity building. They may have internal structures and distributions of authority that are adapted to a centralised management of human resources, and that are less appropriate for the support of workplace representatives.

What have the OECD countries delegated?

The extent of delegated authority over human resource management varies across OECD countries, and sometimes even across government bodies within the same country. There is thus no single model or common standard (see Figure 3.1).

Figure 3.1. **Composite index of delegation of the management of the public service in central governments of OECD countries**



Note: For a description of the methodology, please see Annex A.

Source: Survey on Strategic Human Resources Management in Government, OECD, 2006, and GOV (OECD) estimates (missing data estimated by mean replacement).

In Austria and Luxembourg, both the numbers and types of posts within the organisation are centrally defined or bounded. In other countries including the Czech Republic, Germany, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, the Slovak Republic, Switzerland and the United Kingdom, managers can adjust the skills mix, although the allocation of the budget envelope between payroll and other expenses is centrally defined or bounded. In Australia, Belgium, Finland, Norway, Sweden and the United States, the sub-departments/agencies have a large autonomy to determine, within established legal and budgetary limits, the numbers and types of posts within organisations, as well as the allocation of budget envelope between payroll and other expenses.

In most countries, the classification or grading of posts is determined by the central human resource management body with little autonomy for sub-central bodies, although they can be expected to provide the basis for the central decisions. In Belgium, Finland, Hungary, and Switzerland, there appears to be some delegation in the definition of the classification system,

and in Australia, New Zealand and the United Kingdom, departments/agencies have wider rooms of manoeuvre for the determination of their own classification system. Sweden has a centrally designed classification system, but this is only intended as a basis for comparative pay statistics, and the actual classification is done by each agency.

There are a number of different arrangements for recruitment. In Belgium, for example, all recruitment for permanent (statutory) employment in the central administrations of any of the governments is handled by a federal selection organisation. In Ireland, the central recruitment body can authorise departments and agencies to handle their own recruitments, provided that they observe procedures determined by the central body. In the United Kingdom, recruitments are the responsibility of individual departments/agencies, but these must observe recruitment procedures that are set out and monitored by an independent body. In Sweden, the government only appoints the agency heads, and each agency handles its own recruitment subject to a constitutional requirement of selection based on objective criteria.

Traditionally, the general design and operation of the pay system (such as grading of posts, associated pay scales, progressions in the pay scale and special allowances) are centrally defined, or with little latitude for departments/agencies to affect pay structures or pay levels. However, in some countries including Australia, Finland, the Netherlands, New Zealand, Sweden, and for parts of the administration in the United Kingdom and the United States, pay decisions have been delegated to departments, agencies or even work units, subject to an appropriate financial framework. Denmark has also recently introduced a new pay system with some scope for local adjustment of pay.

The delegation of human resource functions is intended to achieve a certain differentiation in pay and other employment conditions, across sectors and organisations as well as across individuals. Indeed, there has been a recent trend towards an increasingly diverse picture in several countries including Austria, Belgium, Italy, Sweden, Switzerland, the United Kingdom and the United States. There are however concerns in some countries that these differences may sometimes have become unreasonably large.

The handling of special performance-related pay elements and other variable pay elements varies considerably. In Luxembourg, it is centralised, like the general pay management in these countries. In Hungary, Ireland and Korea, it is more delegated than the general pay management, but it remains centralised or bounded with little autonomy. In a number of countries including Austria, the Czech Republic, Finland, Germany, Italy, the Netherlands, Norway, Spain and the Slovak Republic, it is generally more delegated than the general pay management, allowing some room for sub-central adjustments. Finally, in Australia, New Zealand, Sweden and the United Kingdom, it is delegated to departments, agencies or work units, like the general pay management.

The management of the general working conditions is generally delegated (within a general framework) in most countries. It appears to be more centralised in Belgium, Ireland, Japan, Luxembourg, Norway and Spain.

Retirement benefits are normally governed by central statutes due to their special character, although the Netherlands is considering a delegation from the whole-of-government level to ministerial sectors.

A number of countries report being in process of further delegating their HRM to departments and agencies. This is the case for example in Canada, where the Second Report of the Prime Minister's Advisory Committee on the Public Service¹ recommends that authority and accountability for human resource management in the Public Service be the primary responsibility of Deputy Ministers in line departments. This call is echoed in the most recent report of the Clerk of the Privy Council to the Prime Minister on the Public Service and is being implemented.² Finally, delegating authority on human resource management to Deputy Ministers is aligned with the provisions of the Public Service Modernisation Act.³

What are the challenges?

Delegation of authority is almost never uncontroversial or uncomplicated. The exact nature of the challenges depends however on the cultural, political and historical context. There are however a number of recurring challenges that governments have to be prepared for.

One of these challenges lies in the change management itself. Many stakeholders – senior management, employees, trade unions – have adapted to the existing structure and may resist change. Some countries including Ireland and the Scandinavian countries have therefore opted for gradual changes supported by an appropriate social dialogue. Other countries including Australia and New Zealand have instead opted for cohesive reforms where the stakeholders can assess the outcome of the entire process.

Delegation entails a major cultural change. Stakeholders need to become convinced that the modernisation of human resource management is both necessary and beneficial. A key issue in this respect is that they need to be convinced that propriety and the public service ethos can be maintained even after the delegation of human resource management.

Another challenge is the need to develop and maintain a sufficient managerial capacity and competence in the organisations that are authorised to handle their own human resources. The existing public managers normally lack training and experience in human resource management, and the sub-central organisations normally lack professional human resource management units.

A final challenge does not concern the delegation in itself, but the achievement of the desired outcome. Delegated authority is intended to lead to an adaptation of the frameworks for pay and other conditions of employment to the needs of each organisation. Delegating authority while maintaining fully structured career based systems may result in the creation of multiple small inflexible career based systems. Unwarranted differences in employment conditions may also cause dissent and inefficiencies. Both too small and too large effects may thus signal problems.

What lessons for the future?

As OECD countries strengthen the performance orientation of their public administrations, they increasingly turn from statutory to managerial governance, and empower their sub-central public managers to manage their organisations and their staff. The pre-conditions for a decentralisation of the human resource management do however vary across OECD countries depending on the national context, and it is not possible to describe a best practice, even if the general direction of the path is clear.

Centralised human resource management was traditionally seen as essential for preventing patronage and other forms of misuse of authority in the human resource field. The OECD countries that have introduced delegated human resource management have been confident that other existing features such as transparency and internalised core values are sufficient protection against these dangers. Other OECD countries may have to strengthen their internalised core values, establish a sufficiently professional and politically neutral senior management, and create other supervisory elements including improved transparency before introducing a more substantial delegation of human resource management.

The delegation of the responsibility for human resource management can be both an asset and a problem. On the one hand, performances can be improved if public organisations are able to adapt the human resource management to their own needs. On the other hand, it may hamper its modernisation by allowing islands of un-modernised management to continue to exist. It is therefore important for the centre to retain a sufficient ability and capacity for monitoring and govern the delegated management systems, and for holding operational managers accountable.

The positive outcome of delegation of human resource management is by no means a given. A lack of sufficient managerial capacity and competence at the sub-central levels can prevent the expected benefits from materialising. A delegation of human resource management must therefore be accompanied by an adequate capacity building at the sub-central level in the form of both managerial development and the setting up of professional human resource

management units. Finally, in traditionally strong career based systems, delegation must be accompanied by an increased opening of hiring to private sector employees for non entry level positions in order to avoid creating multiple inflexible public sector labour markets within a country.

Notes

1. www.psagency-agencefp.gc.ca/ren/cpmc/cpmc2-eng.asp.
2. www.pco-bcp.gc.ca/index.asp?Language=e&page=information&sub=publications&doc=ar-ra/15-2008/table_e.htm.
3. <http://laws.justice.gc.ca/en/showdoc/cs/P-33.4//en?page=1>.

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