



The impact of the crisis on the governance and HRM in CEE

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Government failures contributing to the crisis



- Crisis is different in different countries, therefore, also government responses vary. The bigger the crisis, the more government should look self-critically on existing PA patterns and analyze potential government failures.
- Hollowed out state as a result of NPM reforms
- Overestimation of the market as a regulatory mechanism
- Fragmentation of the state -> limited capacity to manage risks
- The inability to develop evidence-based policies, particularly in CEE
- Lessons to be learned for HRM?
 - Professionalism?
 - Independence of civil service expertise?
 - Attractiveness of civil service careers?

Crisis as an opportunity for reforms?



- Short-term changes vs structural reforms in PA
- Economic crisis -> crisis in decision-making process: centralization, urgency of decisions -> ill-prepared reforms
- Politicization of decision-making as a consequence of the crisis
- The role of external partners (e.g. IMF, European Commission) contributes to the politicization of decisions
- Social actors are more active at crisis, but they have limited influence
- Crisis adds to the problems of cross-departmental cooperation and coordination
- Civil servants as designers and implementers of reforms -> consequences for HRM
 - Are officials capable and motivated to get involved with reforms at the time of crisis?
 - Poor social guarantees for civil servants in CEE -> layoffs, salary cuts, brain drain -> motivation, satisfaction, long-term planning?
 - Challenges for managers: from growth to crisis

Short-term effects of the crisis: NPM



- Recent history (1980s) shows that savings tend to lead to NPM-like reforms (HRM: from career to position system, fixed-term contracts, performance pay, mobility between public and private sectors, contracting out HR functions)
- Further minimization of the role of the 'State' as a consequence of the crisis: e.g. privatization and contracting out public services; abolishment civil service guarantees, pensions and benefits; cutting back civil service staff and functions
- But...NPM model is part of the reasons behind the crisis, and not a solution to the crisis
- Extreme application of NPM principles is particularly questionable in new democracies as it presumes a presence of liberal democracy, Weberian foundation where to build on, a critical mass of high quality managers, high ethical standards and low corruption levels in society

Democratic versus technocratic values



- Contradictory values
 - Technocratic: efficiency, value-for-money, fast decision-making
 - Democratic: transparency, equal opportunities, access to public services, citizen participation
- The economic crisis has led to renewed interest in efficiency, though not on democracy -> particularly problematic for new democracies
- Away from democracy: centralization of decision-making, mergers of public institutions, sharp falls in access to and quality of public services, poor compensation mechanisms for vulnerable groups (incl. unemployed)
- Financial crisis -> crisis of civil service values
- Challenges for HR people: counterbalancing such situation by emphasizing democratic values (through training, performance appraisal, but also in recruitment and promotion)

Long-term effects of the crisis: the 'State' is back



- Fundamental PA reforms are not necessarily initiated during the crisis. Moreover, the immediate contra-crisis reaction can be opposite to long-term objectives.
- Immediate contra-crisis reaction in several CEE countries: NPM and further minimization the role of the 'State'
- Long-term effect of the crisis: the return of the 'State' into the economy. The end of both neo-liberal economic policies as well as neo-liberal forms of governance. The crisis makes public institutions as enablers (rather than barriers) to economic growth and innovation. Major strengthening of regulatory capacities and steering mechanisms.
- Administrative capacity is likely to become a key development factor after the crisis -> HRM should become more important than ever

Strengthening the 'State': implications for HRM



- HRM is a central instrument in the process of increasing the role of the 'State' in society
- Back to traditional values: stability, permanency, institutional memory -> employment security, permanent contracts, reduction of turnover. Tradeoffs with flexibility.
- Emphasis on the coherence of the entire public service rather than focusing on individual organizations -> cross-departmental careers and rotation, common training, future of performance-based tools?
- Re-centralization within the government -> need for central HR strategy, common public sector pay scales?
- Competitive reward packages for civil servants to attract the best and the brightest from the labor market
- Increasing professionalism in the civil service, especially capacities for policy analysis and evaluation
- High professional standards and proactiveness required from HR people

Neo-Weberian State (NWS)



- NWS (Pollitt and Bouckaert, 2004) is one potential model which could serve as a basis for strengthening of the 'State'. NWS refers to traditional (Weberian) administrative systems which are in the process of modernization but retaining distinctive public service qualities.
- The objective of the NWS model is not the minimal state, but a state which retains a strong steering and regulatory presence in society. State is seen as a guarantor and partner of both a strong economy and a socially cohesive society.
- According to the NWS model, private sector methods (e.g. performance pay, quality management) may be adopted on some occasions, in certain organizations and for specific policies, but they do not have automatic priority or superiority.
- HRM in the NWS model: "preservation of the idea of a public service with a distinct status, culture, and terms and conditions"
- The implementation of NWS presupposes a viable liberal democracy.
- Role models: Continental European and Scandinavian countries, not Anglo-America



Neo-	Weberian
<p>Shift from an internal orientation towards bureaucratic rules to an external orientation towards meeting citizens' needs and wishes. The primary route to achieving this is not the employment of market mechanisms (although they may occasionally come in handy) but the creation of a professional culture of quality and service</p>	<p>[but:] Reaffirmation of the role of the state as the main facilitator of solutions to the new problems of globalization, technological change, shifting demographics, and environmental threat</p>
<p>Supplementation (not replacement) of the role of representative democracy by a range of devices for consultation with, and direct representation of, citizens' views (...)</p>	<p>[but:] Reaffirmation of the role of representative democracy (central, regional, and local) as the legitimating element within the state apparatus</p>
<p>In the management of resources within government, a modernization of the relevant laws to encourage a greater orientation on the achievements of results rather than merely the correct following of procedure. This is expressed partly in a shift from <i>ex ante</i> to <i>ex post</i> controls, but not a complete abandonment of the former</p>	<p>[but:] Reaffirmation of administrative law – suitably modernized – in preserving the basic principles pertaining to the citizen-state relationship, including equality before the law, legal security, and the availability of specialized legal scrutiny of state actions</p>
<p>A professionalization of the public service, so that the 'bureaucrat' becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his or her citizen/users</p>	<p>[but:] Preservation of the idea of a public service with a distinct status, culture, and terms and conditions</p>



Conclusion



- The increase of the role of the 'State' is likely to be a long-term effect of the crisis. However, we are currently experiencing short-term impacts of the crisis, which seem to be the opposite to the long-term goals. The continuing dilemma in many countries seems to be that in long term we want the state to be stronger and more democratic but in short term we seem to further weaken it, and make it even less democratic.
- Is there anything HRM people can do? Yes, public service is seen as a backbone in the NWS model of government.
 - do not let to further weaken and fragmentize the public service
 - promote democratic values, even at times of crisis
 - prepare for the rise of HRM and the public service 😊

Thank you!