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From Personnel Management to HRM:
Key Issues and Challenges

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EXECUTIVE SUMMARY

This paper examines why and how government department personnel functions should re-orient their activities to take a more strategic and developmental approach to human resource management (HRM). Currently, human resource (HR) policies are, in the main, centrally determined and developed. There is a commitment to decentralise and devolve HR responsibilities. Allied with this more strategic focus is the concept of devolution of responsibility for day-to-day human resource matters to line managers. The need for informed research in relation to the professionalisation of HRM and the devolution of HR responsibilities has been given particular emphasis by the recent publication of the fifth national social partnership agreement, the *Programme for Prosperity and Fairness* (2000). This programme identifies the need for a more strategic approach to HRM issues in the public sector, with greater involvement by line managers in the management of their staff.

A detailed review of the relevant HRM literature highlights a range of issues and challenges associated with the process of developing a strategic approach to HRM:

- HR strategies should be devised during the process of business strategy formulation.

- The devolution of appropriate HRM matters to line managers can free up resources in the personnel section to develop strategic policies. Such a development requires that line managers be equipped with the appropriate skills, knowledge and attitudes to effectively manage and develop staff.

- The selection and development of personnel staff with appropriate expertise is crucial in ensuring that the personnel section is equipped to take on its strategic role.

- Overall, the change process must be planned for and carefully managed. It will require a change to the organisation's existing culture.

Lessons are also drawn in the paper from international experience. Developments from a number of OECD countries that have embarked on the professionalisation of HRM are explored. These suggest that the key challenge lies in granting departments adequate freedom to manage financial and human resources. This facilitates the development of best practice HRM, while at the same time retaining appropriate control of the essentials at the centre, in relation to overall running costs.

The paper also outlines findings from in-depth interviews conducted with a range of key informants at central, line department and trade union level. Overall, the findings indicate a general view that limited progress has been made to date in reforming HRM in the Irish civil service. At the same time, there is a considerable level of continuing commitment for change to the existing system among those interviewed. The recent launch of a civil service wide performance management and development system is a reflection of such commitment. There are also examples of individual departments, within the existing system, who are developing a more proactive approach to HRM.

Finally, the paper draws conclusions and makes recommendations as to appropriate approaches to delivering on HRM reform.

A number of critical issues which must be addressed if progress is to be achieved are identified and discussed:

- developing an integrated approach to HRM;

- professionalising the approach to HRM;

- devolution of appropriate functions to line managers;

- decentralisation of appropriate HRM issues from central departments.

Ultimately, the successful implementation and overall impact of the HR strategy will depend on the capability and commitment of senior management, personnel sections and line managers. The roles of the key actors must adapt:

- *The role of senior management*. The findings clearly highlight the need to raise the profile, role and capability of the personnel section at line department level. Best practice indicates that the extent to which this is achieved is influenced significantly by the belief of senior management in the added value that HRM can contribute to the organisation, and in the visible support given to HRM.

- *The role of the HR section*. Best practice indicates that the successful transition from personnel management to strategic HRM is dependent on equipping HR staff with the appropriate knowledge, skills and attitudes. Line departments need to commence or speed up the process of obtaining and developing specialisms in their personnel sections.

- *The role of the line manager*. A number of factors will be crucial to the successful devolution of HRM to line managers. Devolution must take place within the broad framework of strategic and business planning for the department as a whole as

opposed to being a separate exercise. Managerial competencies under the new performance management and development system should place an emphasis on skills and behaviours required for the effective development and management of staff. It is equally important that adequate resources are allocated to the training and education of line managers.

- *The role of the centre.* In the longer term, the issue of greater flexibility in relation to grading and pay may need to be revisited, if a fully integrated approach to HRM is to become a reality. Similarly, centralised recruitment processes require some change if line departments are to be facilitated in better planning and deploying their human resources. In future, the centre should concentrate on providing guidance and expertise to departments in developing HR strategies, implementing performance management and professionalising HR at the personnel section level.

1

INTRODUCTION AND BACKGROUND

1.1 Setting the scene

In 1998, the Committee for Public Management Research (CPMR) initiated a series of research studies to inform national debate on the key human resource management (HRM) challenges facing the Irish public service in the context of *Delivering Better Government* (1996). The first of these studies, which was broad in its coverage, identified the key relevant HRM issues (Humphreys and Worth-Butler, 1999, CPMR Discussion Paper no. 10). The study concluded that 'to provide further assistance in the development of practical solutions to some of the very difficult problems remaining … further research should be undertaken to identify the key outstanding issues and best practice approaches to finding solutions in five areas of enquiry'. These areas were identified as:

- effective approaches to the decentralisation and devolution of HRM;

- gearing the recruitment, selection and placement of new staff to the long-term and immediate needs of the organisation;

- improving the arrangements for the development, retention, promotion and mobility of existing staff;

- professionalisation of the human resource (HR) function and development of line management; and

- the development of flexible and innovative working arrangements.

The first of these detailed studies was *The Development of Flexible and Innovative Working Arrangements* (Humphreys, Fleming and O'Donnell, 2000, CPMR Research Report no. 3). The committee then decided to focus on two interlinked areas for the purposes of the next study: the decentralisation and devolution of HRM; and the professionalisation of the HR function. The rationale for this choice is now outlined.

1.2 Rationale and context for the study

A recognition of the need to develop a more strategic, focused approach to the management of people is not unique to the Irish public service. For example, there is increasing evidence of a shift from traditional personnel management to HRM in many advanced economies, and approaches adopted in this regard have ranged from highly radical reforms to changes of a much more incremental nature (see Organisation for Economic Co-operation and Development (OECD), 1996).

In an Irish context, the main impetus for HRM reform stemmed from *Delivering Better Government* (DBG) in which it was recommended that departmental personnel sections should re-orient their activities to take a more strategic/developmental approach and devolve responsibility for day-to-day human resource matters to line managers. It was recommended that this re-orientation would take place 'in tandem with an incremental, but concerted and sustained process of devolving authority from the central Department of Finance' (1996: p.34). Additionally, each department was to develop a human resource (HR) strategy linked to its overall business strategy. Similar reforms are envisaged in local government and the wider public service.

The need for informed research in relation to the professionalisation of HRM and the decentralisation and devolution of HR has been given renewed emphasis by the recent publication of the *Programme for Prosperity and Fairness* (2000). The programme calls for a re-focusing of the existing human resource function, a more strategic approach to HRM issues and greater involvement by line managers in the management of their staff.

In order to assist in the development of appropriate approaches to these envisaged reforms, the primary focus of this paper is to explore the challenges and issues involved in developing a new strategic role for the HR function in the civil service, as a first step to its extension to the wider public service. However, the professionalisation of the HR function must be considered in the context of a wider range of influences. For example:

- It is necessary to consider the implications of the devolution of routine administrative HR activities to line managers within line departments; this potentially frees up resources in the personnel section to develop more strategic proactive HRM policies.

- Equally, it is necessary to consider the extent to which HRM policy matters should be decentralised from the centre (Department of Finance and Civil Service Commission) to empower and professionalise personnel functions carried out at line department level.

- Finally, devolution of human resource matters to line managers, and decentralisation of decision making from central to line departments, will not on their own result in a more strategic role for the personnel section. Much of the literature suggests that integration is the key to successful HRM. Specifically, there should be integration or complementarity between key HR policies such as recruitment and selection and promotion and training. There should also be integration between HR policies and business strategy.

1.3. Terms of reference and research approach

The following terms of reference were agreed by the committee. The study should:

- focus on relevant national and international literature to identify conceptual frameworks for the development of best practice approaches which are appropriate to the Irish public service;

- review how the issues have been addressed in a selected number of other public administrations with experiences relevant to the Irish situation;

- analyse the range of current practices and procedures within the Irish public service;

- analyse the challenges faced by a number of organisations seeking to develop a more strategic role for the personnel section in the context of the current programme of reform;

- outline possible ways forward in order to inform discussion of the key issues amongst public service managers;

  To deliver on these terms of reference, the following tasks were undertaken in this study:

- a critical evaluation of the current division of responsibilities at central (Department of Finance and Civil Service Commission) and line department levels;

- a critical analysis of the current role played by personnel sections (obtained through case studies of selected organisations);

- an examination of the practical issues involved in decentralising HRM responsibilities from central (Department of Finance and Civil Service Commission) level to line departments;

- an examination of the key challenges involved in devolving HRM to line managers;

- a consideration of the ways in which a more strategic role might be developed by individual p ersonnel sections;

- an identification of the knowledge and skills required by staff working in the personnel section to enable them to develop a more strategic approach;

- an identification of the knowledge and skills required by line managers to enable them to take on responsibility for a range of HR issues.

1.4 Structure of the paper

Following this introductory section, Chapter 2 contains a detailed review of the relevant HRM literature. Specific features of the public sector organisation are also examined insofar as they impact on the development of a strategic approach to HRM. Chapter 3 critically examines the existing structure of HRM in the Irish civil service at central and line department level, in the context of the reform set out in *Delivering Better Government*. Chapter 4 examines international developments in public sector HRM reform, in order to draw on key lessons and best practice from these experiences. Chapter 5 draws upon in-depth discussions with key informants at central, line department and trade union level to explore the issues and challenges involved in professionalising, decentralising and devolving HRM. Chapter 6 draws together the key conclusions of the research and outlines the challenges which must be addressed in order to professionalise the approach to HRM in the civil service. It also sets out a practical framework for change to assist in addressing these challenges.

1.5 Terminology

A notable feature of the HRM literature is the diversity of terminology used to describe and define particular activities. It is useful therefore to define some of the key concepts referred to throughout this paper.

Decentralisation refers to the process of shifting decision making outwards, in this context from central to line departments.

Devolution refers to the process of shifting decision making downwards, in this context from personnel sections to line managers.

Finally, the terms *personnel section* and *HR section* are used inter-changeably in this paper. Generally the term personnel section is used with reference to the existing system, while the term HR section is used in the context of a desired shift towards a more strategic focus for the existing system.

2

LITERATURE REVIEW

2.1 Introduction

For more than a decade, public sector reform has been a significant feature in most OECD countries. OECD research (1992) suggests that public sector organisations are increasingly recognising that cultural change, as a means of developing responsive and adaptable structures, can only be achieved through innovative policies for the management of *human*, as well as financial, resources. The focus in this chapter will be on the process and challenges involved in moving from personnel management towards human resource management (HRM) in a public sector context.

2.2 From personnel management to HRM?

At the outset it is important to clarify the distinction between personnel management and human resource management (HRM). The origins of the traditional concept of personnel management can be traced to the post World War One 'welfare tradition' of concern for the basic needs of employees. The developing and mature phases of personnel management from the 1940s to the 1970s saw an increase in the status and professionalisation of the personnel function, particularly in relation to industrial relations (IR) matters (see Armstrong, 1997 and Gunnigle et al, 1997).

The concept of HRM, as a new strategic approach to the management of people, evolved in the early 1980s. Its evolution was influenced by a range of factors, including increased competitive pressures caused by deregulation and globalisation, and the influence of notable academics in the US and the UK. Although it has been suggested that HRM may be no more than 'old style personnel management with a new name' (Lawton and Rose 1994, p.114; Legge, 1995 and Gunnigle and Flood, 1990), Storey (1989) identifies four features of HRM which distinguish it from traditional personnel management:

- it is explicitly linked with corporate strategy;

- it seeks to obtain the commitment of employees rather than their compliance;

- employee commitment is obtained through an integrated approach to human resource policies (for example, reward, appraisal, selection, training); and

- unlike personnel management, which is primarily the domain of specialists, HRM is owned by line managers as a means of fostering integration.

  These issues will be considered in further detail throughout this chapter.

2.3 Best practice models of HRM

Before considering in detail the challenges implied in HRM, it is useful to briefly explore key elements of the most well-known HRM models. While there is no best 'fit' or generic model of HRM which would be entirely applicable to the public sector, key features of some of the most influential models will be explored. The needs and interests of key stakeholders are also examined.

2.3.1 'Hard' and 'soft' approaches to HRM

A distinction is often made in the literature between 'hard' and 'soft' approaches to HRM. For example, if an organisation focuses on control of resources and achievement of strategy, it may adopt a 'hard' approach to HRM (see Storey, 1989) in which employees are viewed as a resource to be managed like any other factor of production. In this approach, the critical task for management is to align the formal structure and HR systems of the organisation so that they drive the strategic objectives of the organisation. This approach is exemplified in the strategic model of HRM developed by Fombrun et al (1984). It has been argued however that an over-emphasis on hard HRM ignores the potential resistance of workers and trade unions, factors which cannot be ignored if business strategy is to succeed (see Hendry, 1995). In contrast, an organisation may place an emphasis on a 'soft' approach to HRM (Storey, 1992 p. 30), in which employees are viewed as a valuable asset whose commitment will assist in achieving organisational success. The objective for organisations in such an approach is to integrate HR policies with the strategic planning process, to gain the willing commitment of employees, to achieve flexibility through avoidance of rigid bureaucratic structures and to improve quality (see Guest, 1987). Recent evidence indicates that there is a desire to move towards a soft approach to HRM in the Irish civil service, since the need for a culture of performance and the harnessing of employee commitment have been publicly identified as priorities under the Strategic Management Initiative (see Hurley, 1995).

The most well known 'soft' model of HRM, known as the Harvard Model of HRM (Beer et al 1984), views business strategy as just one situational factor which influences management's approach to HRM. This model identifies a range of other situational factors which influence HR policy choices, including prevailing management philosophy, laws and societal values. In the context of this study, this model is significant in that it identifies a range of stakeholder interests (including unions, government and management) which influence HR policy choices. It is argued that unless HR policies are influenced by key stakeholders, the enterprise will fail to meet the needs of these stakeholders, and ultimately its own objectives (see Beer et al 1984).

Storey (1992) outlines a further model which illustrates the process involved in shifting from traditional personnel management to HRM. While this is an 'ideal type' model, it comprises features which are significant for this study. For example, it stresses the need for integrated links between beliefs, assumptions, management issues and key elements of HRM. It also identifies key levers of change in the various elements of HRM, including recruitment and selection, training and development and conditions of employment. A strategic approach to HRM can be developed by creating effective policies in these areas.

2.3.2 Key stakeholders: Government

Drawing on the Harvard model, it is worth considering briefly the role of some of the key stakeholders insofar as they influence HRM policy choices. Government is a key stakeholder. The significance of this stakeholder influence is of particular relevance for public sector organisations, because government acts as both stakeholder and employer. Government may act as a key driving force for HRM reform. For example, radical HRM reforms implemented in the UK civil service were primarily driven by the Conservative government's desire to 'roll back the frontiers of the state' and achieve greater efficiency and value for money in the public sector (see OECD, 1990). Conversely, a lack of political support for change was identified as a constraint on attempts to reform HRM in the Irish civil service in the 1970s and 1980s (see Murray, 1990).

2.3.3 Key stakeholders: Management

A second key stakeholder influence on HR policy choices is management (Beer et al, 1984). Storey (1992) argues that the real appeal of HRM for top management is its apparent ability to bring coherence, direction and form to a cluster of existing personnel policies which are perceived by the organisation to be outdated or ill-fitted to new environmental demands. Similarly, in clarifying the distinction between personnel management and HRM, it has been suggested that

HRM is primarily a 'discovery of personnel management by chief executives' (Fowler, 1987, p.1), in which there is an emphasis at senior management level on the strategic use of human resources as a key factor in organisational success. Conversely, in the absence of top management support, the development of a strategic approach to HRM will be problematic.

2.3.4 Key stakeholders: Unions

While unions can be identified as key stakeholders in the context of the public sector, Guest (1995) points out that most analyses consider HRM from a management perspective and fail to take account of union reaction to HRM. He suggests that the predominantly unitarist nature of HRM, which seeks to maximise employee commitment to organisational goals, may be viewed by unions as a threat to their traditional negotiating and representative roles. In the light of this concern, there is increasing evidence in many organisations of a partnership approach to HRM, which gives a role to unions as   key stakeholders in organisational decision making (Cradden, 1992). Partnership structures may also include the direct involvement of employees, in addition to representation by unions on behalf of employees. Lawler and Mohrman (1987) warn however that the success of partnership is dependent on a significant shift in mind-set by unions, since they must come to the business process not just periodically as an adversary trying to 'grab an even larger share of the pie' (p.296) but as one of a number of stakeholders in an ongoing complex process. They also suggest that it may equally be in management's interests to engage in partnership, since joint decisions are more likely to be accepted by the workforce. They warn however that the development of a successful partnership is a slow process, particularly where there is no immediate threat to the survival of the business.

2.4 The integrative aspects of HRM

A key theme running through many of the models is integration, which according to Guest (1987) lies at the heart of HRM. He identifies integration at three levels:

- integration of HRM policies with business strategy *(external fit)*;

- integration of a set of complementary HRM policies *(internal fit)*;

- integration of HRM into the line management function.

This is elaborated on further by Guest and Hoque (1994) who in a discussion of HRM argue that

> ... the key is strategic integration. What this means is that personnel strategy must fit the business strategy, the personnel policies must be fully integrated with each other and the values of line managers must be sufficiently integrated or aligned with the personnel philosophy to ensure that they will implement the personnel policy and practice … Where this can be achieved, there is growing evidence that a distinctive set of human resource practices results in superior performance. (p. 44)

The challenges implied in achieving each of these levels of integration, and their consequences for the role of the personnel function, will now be explored.

2.4.1 Integration with strategy

A key feature of most HRM models is the linkage between HRM strategy and business strategy. HRM may play a proactive role in shaping the business strategy, or as is more common, HRM may play a reactive role, in which business strategy determines HRM strategy. Linking HRM strategy with business strategy is however not an easy task. According to Purcell and Ahlstrand (1995), the literature provides little practical guidance in relation to linking HRM with business strategy. Indeed it often ignores the significance and power of both organisational politics and culture as variables in shaping (and possibly subverting) the links between HRM and business strategy.

Linking HRM with business strategy may be particularly problematic in the public sector, in which the strategy making process is complicated by a range of factors including conflicting objectives, multiple stakeholders, short-term political pressures, and existing structures and processes (see Mintzberg, 1996; Elcock, 1993; Roche, 1998; Lawton and Rose, 1994). The impact of such complications on the HRM/business strategy linkage process are illustrated in a recent CPMR research report (Boyle and Fleming, 2000). For example, if an organisation sets a strategic objective of providing better service to its clients, its HRM policies may focus on training and development as a means of developing the necessary skills to improve communications skills and decision making. However, if the existing structure is rigid, with little incentive for staff to use their own initiative, or if managers have little control over the selection of staff with the skills necessary for the appropriate roles or tasks, the achievement of better service delivery may be undermined. Notwithstanding the difficulties involved, there are clear business arguments for linking HRM and business strategy. The practical experiences of other administrations in linking these two elements will be explored in Chapter 4 of this study.

2.4.2 Internal integration of HRM policies

The second integrative aspect of HRM relates to internal fit, or the integration of a proactive and complementary set of HR policies (see Guest, 1987). Achieving such fit is problematic however, particularly in organisational structures in which there are divisions of responsibilities between central and line departments. In such structures, the more significant HRM issues 'may actually be determined outside the plant in the higher reaches of the organisation' (Purcell and Ahlstrand, 1995, p.3), thus limiting the ability of the line department to develop integrated HRM policies. In this context, significant attention has been devoted in the literature to the arguments for and against the decentralisation of personnel policies in the public sector (OECD, 1990). For example, the decentralisation of HRM policies from central department level was identified as a prerequisite for the successful development of HRM policies at line department level in the US civil service (Cassels, cited in Tyson and Fell, 1986). At the same time, the process of decentralising may be difficult as 'there may be many vested interests to be overcome and much bargaining to take place' (Lawton and Rose, 1994, p. 177).

The implications of *not* decentralising HRM responsibilities are highlighted by Lawton and McKevitt (1996) in a case study of Cologne City Council. They observed that while strategic change often requires the devolution of responsibility, the strong role of central departments of finance and personnel may constrain the autonomy of line departments. Where significant decentralisation of HRM from central level to line department level does not take place, internal integration of HR policies may be undermined. Further difficulties may arise when line departments attempt to develop a soft HRM approach, in which there is an emphasis on developing human resources, within a hard HRM approach at central level which may focus on minimising investment in human resources (Purcell and Ahlstrand, 1995).

The literature suggests that in order to develop an integrated set of policies, it is necessary to critically assess the structure of and responsibilities for HRM at central level. In this way it can be decided what policies should remain centralised and what can and should be decentralised to line department level. Furthermore, if HRM strategies are to support business strategies, different HRM strategies may be required within different line departments where a centre-line structure exists (Tyson, 1995).

Hendry (1995) provides a set of questions to assist organisations in considering how best to allocate responsibility for HRM:

• What should the structures for pay bargaining and industrial relations (IR) be? Can they be restructured and decentralised?

- What kinds of internal labour markets should operate? A well defined internal labour market implies well defined job ladders, job security rules, limited points of entry, and pay which is set by internal criteria. This is very much the structure in most public sector organisations.

- How should the personnel function be organised between the centre and line department level?

Even where decentralisation of HRM is feasible, it may not be desirable. For example, Purcell and Ahlstrand (1995) suggest that decentralisation of pay bargaining can lead to a 'leap-frog' dynamic, in which changes agreed in one department may create discontent in another. This may create difficulties, particularly in the public sector, where the government acts as both an economic regulator and employer. Similar concerns have been raised regarding the negative implications of decentralisation for issues such as equity and equality of opportunity across line departments (OECD, 1996). Purcell and Ahlstrand (1995) warn however that while centralised bargaining provides stability and equity, 'it may inhibit the achievement of activities, including pay bargaining and flexibility, to meet local requirements' (p.139). They suggest that a two-tiered pay-bargaining structure may be most appropriate for the public sector, which enables control to be maintained at central level, while allowing for local flexibility. It is also worth noting that while decentralisation of responsibility for HRM from the centre increases autonomy at line department level, it also creates a challenge for the central function, since 'if corporate HR is going to help the line organization transform itself, the function must undergo its own internal transformation' (Eisenstat, 1997, p.7). Approaches adopted by other OECD countries to meet this challenge are considered in Chapter 4.

2.4.3 Integrating HRM with the line management function

The final integrative aspect of HRM concerns line management since, it is argued:

> ... if human resources really are so critical for business managers, then HRM is too important to be left to operational personnel specialists. (Storey, 1995 p.7)

Research by Bevan and Hayday (cited in McGovern et al, 1997) indicates however that managers may be reluctant to take on HRM responsibilities which they do not perceive to be a legitimate part of their job, particularly if they are not adequately consulted about the devolution of such responsibilities. Armstrong (1997) suggests that line managers may be only too glad to let the personnel department deal with the people management aspects of their job, particularly in relation to disciplinary and grievance matters. He suggests that the successful devolution of HRM to line managers requires a 'delicate balance' between providing help and advice to line managers and creating a 'dependency culture' in which line managers are reluctant to take responsibility for people management issues. This reluctance is not helped where there is poor organisational support for the devolution of HRM to line managers. For example, in a recent study of a number of UK organisations, Hope-Hailey et al (1997) found that the managers' roles in HRM activities were rarely included in the objectives set for them, or assessed as part of the performance appraisal process. In addition, this study found that short term priorities of the organisation to obtain tangible results, coupled with workload pressures, resulted in a tendency by managers to view HR activities as less of a priority. As a result, people management activities were often the first to be 'squeezed out' of the line managers' day-to-day activities.

Similarly, Marchington and Wilkinson (1997) suggest that many line managers may feel that they are already suffering from work overload, and thus will not place a high priority on HRM activities. They suggest that even where the mission statement of the organisation places an emphasis on staff development and management, line managers may pick up contrary signals from senior management about the ordering of priorities, and thus will focus on the achievement of targets which are more measurable and valued than HRM related activities.

The structure of large bureaucratic organisations, in which there is often a 'powerful centralised personnel function', may also diminish the capacity of line managers to take on responsibilities for HRM (Armstrong, 1997). The implications of this are borne out by a study which was carried out in the UK Department of Social Security (Common et al, 1993). This study highlighted that while managers were given autonomy in staff management, they were not given the resources required to do so, since centralised control was maintained over staff numbers and costs.

Another key issue which must be considered in the devolution of HRM is the development of the skills required by line managers. Boyle suggests that, 'if devolution of responsibilities is to take place and operate effectively, line managers must be equipped to take on the people management aspect of their job' (1995, p.43). While research indicates that the development of people management skills is a critical success factor in the devolvement of HRM (McGovern et al, 1997), Boyle (1995) suggests that the development of such skills represents a particular challenge in the public sector, where managers may see themselves as specialists, rather than as managers of people. In addition to people management skills, managers also require practical and professional support if they are to take on responsibility for HRM (Merchant and Wilson, 1994). For example, a lack of knowledge by line managers of procedures relating to disciplinary or equal opportunities matters may lead to legal or IR problems.

The foregoing analysis suggests that there are three key requirements for the devolution of HRM to line management:

- training and development of managers to equip them with the appropriate skills and knowledge required to deal with HRM issues;

- the provision of incentives for managers to take on responsibility for HRM issues, for example through the incorporation and measurement of such activities into the performance appraisal/performance management and business planning process; and

- an ethos where HRM activities are visibly valued by senior management. They must be prepared both to reward and value line managers who place a priority on people management activities, and to invest the necessary resources to ensure that line managers are equipped and empowered to take on responsibility for HRM.

The personnel section also plays a key role in assisting this process, an issue which will be considered further in section 2.5.

2.5 Professionalising the HR function

The achievement of the three integrative aspects of HRM implies the need for a repositioning of the role of the personnel section (Legge, 1995). In a centre-line structure such as that which exists in the Irish civil service, the level of allocation of responsibility for HRM will also influence the role of the personnel section and its ability to develop integrated HRM policies (Purcell and Ahlstrand, 1995). For example, the development of a rewards-based performance management system may be limited if pay policies are determined at central level.

2.5.1 Models of the personnel function

A range of typologies of personnel models can be identified from the literature. One of the most well-known typologies is outlined by Tyson and Fell (1986) who identify three models of the personnel section:

- clerk of works – in which personnel is a low level activity responsible for administration and welfare provision;

- contracts manager – in which the focus is on the implementation of well-established procedures and agreements with a heavy industrial relations (IR) emphasis; and

- architect − in which the personnel function plays a key role in establishing strategic HRM policies to support the achievement of corporate objectives, while routine personnel activities are delegated to free up time for strategic activities.

The ability of the personnel section to develop a more strategic 'architect-like' role represents a significant challenge, particularly where it may be perceived within the organisation to be a non-critical function. This can give rise to a 'vicious circle in personnel management' (Legge, 1992, p.27); when management does not involve personnel in planning, and HR problems ensue which are left to the personnel section to resolve. This results in pressure of time and work on the personnel section, leading to negative perceptions regarding its efficiency and effectiveness, and a re-affirmation of management's initial belief that personnel should not be involved in planning. Legge argues that even the provision of training and development for staff in the personnel section will not necessarily break this vicious circle, since in order to obtain resources to develop a more strategic role

> ... a personnel department requires power which it presently lacks, precisely because of its inability to convince those who do control resources of its potential contribution. (1978, p.136)

Similarly, Marchington and Wilkinson (1997) argue that contrary to claims made in the literature, the reality is that many personnel specialists spend considerable time undertaking routine administrative work. They suggest that if organisations wish to develop a more integrated approach to HRM, the role of the personnel section needs to be critically assessed, redefined and repositioned.

2.5.2 Skills development

How can personnel sections develop a strategic 'architect-like' role, and what are the challenges involved in doing so? A common theme in the literature is the need for *active support* of top management for the development of a strategic HR function (see Ulrich, 1998, Legge, 1995). Unless this support translates into giving the personnel section access to key business information, it is likely to remain marginalised. In turn, to earn this support, it may be necessary to 'market' the HR function better in order to convince senior management of its added value (see Armstrong, 1997 for further reading). Successful marketing of the function however is dependent on personnel specialists being equipped with appropriate skills to visibly demonstrate their contribution to the organisation. Marchington and Wilkinson (1997) identify three core skills required by personnel sections in this regard:

- they should be capable of formulating HRM policies and a procedural framework to ensure adherence to corporate policy at all levels of responsibility; for example, they must be familiar with a range of HRM techniques, including human resource planning, selection techniques, employee development techniques and performance management systems;

- they should provide expert advice and guidance on HRM matters (e.g. employment law, equal opportunities, appraisal) to line managers;

- they should be able to undertake responsibility for the training of line managers in relation to their responsibilities for HRM.

The development of such skills presents many challenges. Ulrich suggests that the most challenging task for senior managers in driving forward a 'new mandate for HR' is to improve the quality of the HR staff itself, since, he argues, 'when more is expected of HR, a higher quality of HR professional must be found' (1998, p. 133). He argues that unless the requisite expertise exists, HR cannot expand its role, nor can it earn what it too often lacks − respect. There is a significant debate in the literature concerning the extent to which HRM can be considered a distinct profession. The argument to support its distinctiveness as a profession is diluted by some factors,

such as the inability in most cases to regulate or restrict entry to HR sections to qualified professionals, unlike other professions (Gunnigle and Flood, 1990). In the light of this concern, Armstrong argues that a broader definition of professionalism as it applies to HR specialists might be seen as:

> ... the practice of *specific* skills based on a *defined* body of knowledge in accordance with *recognised standards* of behaviour. (1997, p.97)

While there may be different interpretations of what specific skills, knowledge and standards are required, professional associations such as the Chartered Institute of Personnel Development (CIPD)1 have an important role to play in setting and improving professional standards for personnel specialists. Typically, CIPD membership is attained through the achievement of formal qualifications in a range of HRM areas, such as employee resourcing, employee development and employee relations. CIPD membership is increasingly becoming a compulsory requirement for HRM positions in the Irish private sector, and many parts of the UK public sector.

As an alternative to, or in tandem with the professional qualification route, Armstrong (1997) outlines a competency profile which might be used to select, appraise and develop personnel specialists:

- strategic capability

- business awareness

- professional development and understanding

- internal consultancy skills

- organisational effectiveness

- quality

- service delivery.

The literature also suggests that a concern for and competence in relation to equality and diversity matters is also of increasing importance from a strategic HRM perspective (Crow, 1999).
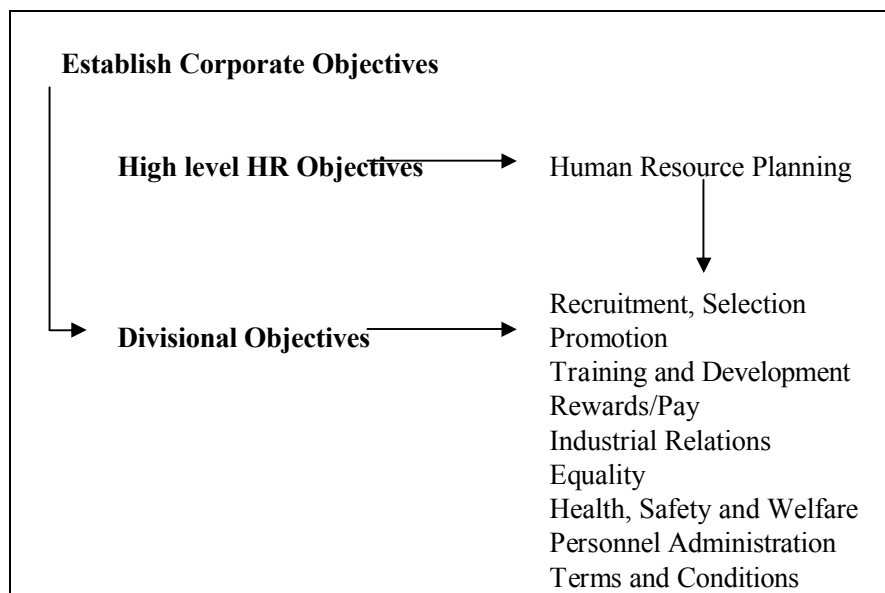
Regardless of the model or profile used to select and develop the necessary expertise, how does the organisation go about securing HR expertise? The necessary expertise may already lie within the personnel section, it may be brought in from other parts of the organisation, or ultimately it may have to be brought in from outside. There is, for example, increasing evidence of outsourcing of HR activities within UK local authorities (see Pickard, 1998 and Merrick, 1999). Irrespective of the source however, it is important that a systematic approach is adopted to select, train and develop staff for positions within the personnel area.

Training alone however will not ensure the professionalisation of the HR section. For example, since HRM implies 'giving personnel away to line management', many personnel specialists may feel comfortable with established routine procedures and may resist change (Guest, 1987, p. 519). Equally, as the previous section indicates, line managers may be unwilling to take on responsibility for HRM. In order to overcome these sources of resistance, Armstrong (1997) recommends that personnel specialists should form strategic alliances with influential line managers or 'champions of change' who will not only lend support to change, but will also co-operate in pilot-testing it in the organisation. In a similar vein, he suggests that service level agreements, whereby personnel specialists agree to provide defined levels and quality of service to functional areas, should be developed (e.g. filling of vacancies within x weeks, induction training of y days).

2.5.3 From knowledge to action: the role of human resource planning
On the assumption that personnel specialists have developed appropriate HRM knowledge and skills, it is important that these are translated into action, if they are to inform day-to-day HRM activities and make a visible contribution to the organisation. Armstrong (1997) suggests that a formal HR strategy is a useful means of verbalising intent and communicating the activities necessary to achieve HRM strategy. The broad stages involved in formulating HR strategy are set out in figure 2.1

Figure 2.1

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┌──────────────────────────────────────────────────────────────────────┐
│  Establish Corporate Objectives                                        │
│   │                                                                    │
│   │    High level HR Objectives ──────▶ Human Resource Planning        │
│   │                                              │                     │
│   │                                              ▼                     │
│   │                                       Recruitment, Selection       │
│   └──▶  Divisional Objectives ──────▶     Promotion                    │
│                                           Training and Development      │
│                                           Rewards/Pay                   │
│                                           Industrial Relations          │
│                                           Equality                      │
│                                           Health, Safety and Welfare    │
│                                           Personnel Administration      │
│                                           Terms and Conditions          │
└──────────────────────────────────────────────────────────────────────┘
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The first stage in this process involves translating the implications of high level business objectives into high level HRM objectives. A useful mechanism for the subsequent translation of high level HRM objectives into meaningful HR action plans is the human resource planning (HRP) process. The key purpose of HRP is to ensure that the organisation has the appropriate level and quality of human resources that it needs in the context of its business objectives. There are four key stages in this process:

- Stocktake existing resource and skills levels in the context of the requirements of business strategy. This process will be influenced by external factors which are outside the control of the organisation, including labour market trends and central recruitment processes. Nonetheless the impact of a range of internal factors, including, staff turnover trends, absenteeism and skills levels should be identified.

- Forecast likely future resource levels by reference to projected flows in and out of the organisation, e.g. based on likely promotion, resignation, recruitment levels.

- Next, there is a need to *critically* evaluate existing HR policies to establish what needs to change if the organisation is to be appropriately resourced and equipped. Ulrich (1998) outlines a useful framework (see Appendix 1) which enables an organisation to both identify desired plans and critically assess existing activities in the light of its strategic objectives.

- Following this evaluation, specific plans for a range of HRM activities should be developed, and drawn together into a formal HR strategy. While its specific content will vary from organisation to organisation, plans should be developed for a range of areas, including recruitment, training, rewards and performance management. The further translation of these plans to section level should be linked with the business planning process.

The *process* by which the HR strategy is developed is also important. Armstrong (1997) suggests that the engagement of key stakeholders, including senior management, line managers and employees, can be useful as a means of gaining support for change in HRM. For example, an employee attitude survey could be carried out to assess current perceptions of HR policies and future expectations regarding what HR policies should provide. Similarly, the use of partnership, to engage management and trade unions in the process, can be useful as a means of mobilising support for a changed approach to HRM.

2.6 Implementation of HRM in the public sector

Finally, it is necessary to consider the relevance of the foregoing themes to the public sector, since it is frequently argued that there are unique dilemmas which characterise management in the public domain (Stewart and Ranson, 1988). Farnham and Horton (1996) outline three responses to this question:

1. Strategic management may be perceived to be of secondary importance to the public service manager. For example it has been suggested (Boyle, 1995) that the public sector manager operates in an environment which gives rise to complexities and constraints which do not concern the private manager, including, political, legal and public dimensions and the absence in many areas of competition.

2. Management practices, including HRM, may be perceived to be generic and equally applicable to the public sector.

3. Finally, they describe a new public management (NPM) model, which differs from both public administration and private management. NPM emerged as a model of public sector management in response to pressures to cut public sector costs and a political ideology which saw a need to develop a more market-oriented culture in the public sector. This model emphasises the central role which HRM policies, including recruitment, training and communications strategies, can play in achieving the cultural change necessary to bring about employee commitment.

Features of the NPM approach are evident in reform initiatives in a number of OECD countries, most notably the UK and New Zealand and these are considered further in Chapter 4 (see also Farnham and Horton, 1996). A number of other contributors suggest that there are features inherent in the public sector which may impede the implementation of a strategic approach to HRM. Storey (1989) suggests that while bureaucracy may ensure consistency, equity and impartiality, it can also result in a lack of responsiveness which may conflict with the flexible, commitment-based nature of HRM. Similarly, Barnhart (1997) suggests that in a bureaucratic structure, staff may be accustomed to following centrally determined rules and circulars, and a re-allocation of responsibility for HRM may represent a significant challenge to the status quo for many who are comfortable with the existing structure and culture. This implies the need for a planned approach to change in moving from personnel management to HRM, particularly since very often what organisations are actually trying to change through the implementation of HRM is culture itself (see Legge, 1995).

Lawton and Rose (1994) outline a number of questions which organisations should address before implementing cultural change:

- Who brings about the change – is it externally or internally driven?

- What changes are required to structures, people, processes and culture?

- Who does it affect? Who will obstruct this change?

- Are there appropriate mechanisms and processes for change?

- How much will it cost? Can the organisation afford not to change?

The last point is of particular significance since the absence of significant political or economic pressures may dilute the motivation for change. It is important therefore that the cost of not changing is carefully considered. For example, in the US Federal Government Offices, the primary motivation behind ongoing decentralisation of HRM is cost reduction, since it has been estimated that central control structures not only stifle line management's autonomy, but consume billions per year in salary and administrative costs (Barnhart, 1997).

Lawton and Rose (1994) suggest that unless the above questions are addressed, those affected may feel that change has been imposed from above and they may resent change. Similarly, it has been suggested (Hendry, 1995, Beer et al, 1993) that a succession of top down change programmes can actually inhibit change in the long run by promoting cynicism and scepticism among staff. This has been identified as a barrier to change in the Irish civil service, where negative attitudes to change may be ingrained because of experience of similar failed reform initiatives (Tuohy, 1996). In the light of such concerns, a number of authors (Hendry, 1995, Armstrong, 1997) suggest that change is more likely to be achieved when it is introduced incrementally, in a bottom up fashion, focusing on the work itself rather than trying to change attitudes. Similarly, Beer et al (1993) argue that the most effective way to change behaviour, and as a consequence performance, is to put people into a new organisational context, which imposes new roles, responsibilities and relationships on them, thus effectively forcing new attitudes and behaviours. Armstrong (1997) stresses however that senior management must play a role by creating the right climate and supporting structures for change. Additionally it has been suggested that reform is more likely to be successful when there are significant driving forces for change, including political leadership, legislative change, and economic crisis (see Schick, 1996). The influences of these factors are considered in more depth in the review of international experience outlined in Chapter 4.

2.7 Conclusions

The literature highlights a range of challenges involved in the process of developing a strategic approach to HRM. Regardless of whether an organisation wishes to emphasise a hard (control focused) or soft (commitment focused) approach to HRM, typically what it wishes to achieve is integration of HRM policies with business strategy, internally and at line management level. Key stakeholders influence, and in some situations can undermine, the process of integration at these levels. Similarly, the division of responsibilities between central and line department level shapes and dictates the extent to which HRM policies provide strategic fit.

Integration of HRM with business strategy can assist the organisation in achieving its objectives. In turn, the integration of HRM responsibilities at line management level frees up resources in the personnel section to develop strategically integrated HRM policies which add value to the organisation.

Drawing together these issues, a number of key stages in the development of a strategic approach to HRM can be identified:

- A critical evaluation of the division of responsibilities between central and line department levels is required to assess the extent to which it is both desirable and feasible to decentralise HRM activities.

- HR strategies should be devised during the process of business strategy formulation. This has a number of implications for the personnel section. Firstly, its ability to play a meaningful role in this process depends on the belief of top management in the value which HRM can add to the organisation. Secondly, personnel sections need to critically audit existing HRM policies and develop the time and expertise required to devise new strategic policies.

- The auditing of existing activities and development of new strategic policies can be facilitated by a number of key levers. Firstly, the devolution of appropriate HRM matters to line managers can free up resources in the personnel section to develop strategic policies. Any such devolution requires that line managers be equipped with the appropriate skills, knowledge and attitudes to effectively manage and develop staff. This implies a significant need for training and development; and this must be supported by key levers such as performance management, to ensure that the managers' HRM responsibilities are recognised, measured and rewarded. Secondly, the development of strategic HR polices is dependent on appropriate expertise in the HR section. Such expertise is critical if a HR section is to both support line managers in their activities and make a more strategic contribution to the organisation.

- The selection and development of personnel staff is important in ensuring that the HR section is equipped to develop a more strategic role. Best practice indicates that staff should be selected on the basis of their competencies in a range of HR activities, including human resource planning and performance management. Where such skills do not exist, they should be specifically developed, assisted where necessary by external expertise.

- The process of moving from personnel management to HRM implies the need for change to the organisation's existing culture, and as a consequence, change may be resisted by key stakeholders. Accordingly there is a need to plan for and carefully manage the change process. The need for change, the process involved and the benefits of such change, need to be clearly communicated and key stakeholders such as unions and line managers should be involved. Partnership can be a valuable mechanism in involving stakeholders, but to be successful, it requires a significant change in mindset among the various groups involved.

CURRENT PROFILE OF HRM IN THE

IRISH CIVIL SERVICE

3.1 Introduction

In order to assess the challenges implied in decentralising, devolving and professionalising HRM, it is necessary to identify the context in which the HRM reforms set out in *Delivering Better Government* (1996) will be introduced. In order to do so, it is necessary to examine existing responsibilities for HRM at central and line department level. Relevant research is also reviewed here, although it is important to recognise that research in this area has been limited.

3.2 Existing structure

The existing personnel management structure in the civil service can be usefully discussed by reference to a range of key HRM activities. Since the purpose of this discussion is to provide a broad overview of the roles and responsibilities at central and line department level, the analysis will not focus on the detail of the various activities.

3.2.1 Recruitment

External recruitment (to clerical and graduate level posts) and inter-departmental promotion competitions (confined to existing civil servants) are undertaken by the Civil Service Commission (CSC) on behalf of departments and offices, while internal promotion is carried out by individual line departments. Quotas for external and internal promotions are agreed between the Department of Finance and the trade unions. Typically in the case of external recruitment and inter-departmental competitions, central selection processes are used to select candidates who are then placed on panels in order of merit. Traditionally, the prevailing selection devices used by the CSC were written examinations followed by interviews. Advances have been made in recent years with the introduction of psychometric tests and competency-based selection interviewing. Other changes are envisaged in this system. For example, a central group was recently established to consider and address a range of issues identified in a number of recent studies carried out for the CSC. These issues include the need for a greater marketing of the civil service as an employer of choice, and staff retention in the civil service (see MRC, 1999). Similarly, while *Delivering Better Government* (1996) makes it clear that the current approach, whereby selection for the vast majority of appointments is made by the Civil Service Commission, is likely to remain, in the longer term it has been stated that 'a new model for public service recruitment, underpinned by new legislation, is currently being developed' (Ahern 1999, p.4) in order to provide greater flexibility, for example in relation to temporary recruitment (see also Humphreys, Fleming and O'Donnell, 2000). In relation to internal promotions carried out by line departments, while traditionally seniority has prevailed as the basis for such decisions, increasingly departments are developing competitive promotion criteria (most commonly through the use of selection interviews).

3.2.2 Pay and grading

The Department of Finance2 exercises responsibility for the management and development of pay policies for the civil service and the wider public service (which includes the defence forces, Garda Síochána, health, education and local government sectors and semi-state bodies). Pay policies are negotiated through the Conciliation and Arbitration Scheme, which comprises public sector unions and Department of Finance representatives. Similarly, issues relating to grading structures and

staffing levels are centrally developed, managed and regulated by the Organisation, Management and Training Division (OMTD) of the Department of Finance.

Efforts have been made, in recent years, to introduce a limited degree of localised pay bargaining. For example, in a number of recent national agreements provision was made in respect of specific grades for the payment of additional increases based on criteria which would be determined by individual departments. Also, the 1996 national agreement *Partnership 2000* provided for additional increases linked to partnership-based achievement of change at line department level. The new agreement, *Programme for Prosperity and Fairness* (2000) also acknowledges the need for greater flexibility in existing systems of both pay and grading. For example, it recognises the necessity to examine issues such as 'flexibility in grading, including broad-banding, complemented by imaginative reward and recognition systems, including an examination of gainsharing' (p.23). While recognising that there are existing agreements on these issues, the relevant partners have committed themselves to addressing these issues during the currency of the new programme. By and large however, with the exception of likely future developments in this regard, the existing system remains highly centralised. As a consequence, the role of departments in relation to pay and grading is largely concerned with implementing and adhering to the terms of centralised agreements and policies.

3.2.3 Other key HRM policies

The majority of all other personnel policies are centrally developed by the Department of Finance. Specific sections within the Personnel and Remuneration Division (PRD) of this department are responsible for the development of personnel policies, including terms and conditions of employment, recruitment policies (in conjunction with the Civil Service Commission), promotion policies, equality and staff welfare issues for the civil service. A more detailed discussion of the activities undertaken in this regard is provided in Appendix 2. In order to understand the department's role in regard to such policies it is necessary to consider the process of HRM decision making in this regard.

Under the Civil Service Regulations Act, 1956, the Minister for Finance is specifically responsible for making regulations to fix the terms and conditions of employment for civil servants, while PRD's role is to implement these regulations for the minister, through the issue of official circulars to all departments. These circulars are collected together in what is known as the Personnel Code. The Personnel Code is referred to by personnel units within each department when implementing and interpreting centralised personnel policies. Where difficulties arise in particular cases, personnel sections consult with the relevant section in the Department of Finance for advice or decisions.

Any changes to these centrally agreed personnel policies must be negotiated with unions, and these negotiations take place through the Civil Service Conciliation and Arbitration Scheme. For example, changes to annual and sick leave regulations would be negotiated through this forum. Conciliation operates at two levels – central (General Council) and departmental (Departmental Council) level. Issues common to the civil service as a whole are negotiated between unions and senior management from the Department of Finance at General Council. Additionally, certain aspects of personnel policies are negotiated through the 'departmental council' structure at line department level between management and unions, although the use of this mechanism is largely confined to consideration of non-pay issues.

3.2.4 Training and development

The Civil Service Centre for Management and Organisational Development (CMOD) which is a part of the Department of Finance plays a central role in relation to the provision of training and development for the civil service. CMOD comprises a number of units including Organisation Development Services, a number of IT units, and Human Resource Development Services (HRDS). HRDS has responsibility (in conjunction with line departments) for the development,

promotion and implementation of best practice in relation to human resource development in line with the HRM proposals set out in *Delivering Better Government* (Department of Finance, 1998b). Traditionally, this area was predominantly involved in the delivery of training, but increasingly it is more involved in providing focused training for particular initiatives such as performance management. Many of the larger line departments have their own specialist training units, and most departments have a designated training officer. While larger departments such as the Revenue Commissioners and the Department of Social, Community and Family Affairs deliver much of their training internally, many departments avail of external training services, not only from CMOD but also from external training bodies.

3.3 Limitations in the existing system

While there has been a number of attempts to reform HRM in the Irish civil service3, little change had occurred prior to the launch of *Delivering Better Government* in 1996. At the same time, there had been, and continues to be, an increasing awareness of the need for change, and this is highlighted in a number of research studies. Some of the findings of these studies are worth considering, insofar as they highlight shortfalls between the existing system and best practice identified in Chapter 2.

Subsequent to the launch of SMI in 1994, a review of the existing system was carried out by a group of senior civil servants (McNamara (ed), 1995). In their critique of the existing system, the group suggested that responsibility for HRM matters had been overshadowed by the control and budgetary functions of the Department of Finance. They suggested putting the HRM functions of the department into a separate body which would have responsibility for driving reforms in the HRM area. They highlighted a number of features of the existing structure, including a lack of flexibility in recruitment and selection processes, and the lack of freedom at departmental level over pay and conditions of service, features which they identified as 'a bar to effective management' (p.39). These structures, they concluded, resulted in limited roles for individual personnel sections and they highlighted the need for decentralisation of HRM to line departments, coupled with the development of greater HRM expertise at line department level. Overall, they concluded that if the process of modernising the civil service was to become a reality, 'HRM must become the major plank of the SMI' (p.93).

3.3.1 The role of the personnel section

A recent study by White (*Administration*, 2000) focuses on the role of the personnel section in the civil service, and its readiness and ability to develop a changed approach to HRM. The study, which surveyed personnel officers at line department level, identified a number of concerns. While 80 per cent of personnel officers surveyed had third level qualifications, only 22 per cent had a specialist qualification in a personnel or related field. Additionally, where personnel sections had staff with specialist qualifications, the number qualified was on average less than 30 per cent of the staff complement in the personnel area. The study also found that the majority of personnel work continues to be concerned with personnel administration and industrial relations (IR) matters. While personnel officers envisaged a greater involvement in more strategic HRM activities, including the development of HR strategy and partnership, they did not anticipate a corresponding fall off in traditional workload.

While a majority of personnel officers indicated that they envisaged devolution of day-to-day activities to line managers, an overwhelming majority believed that line managers do not want to take on responsibility for routine HR matters. At the same time, in the case of specific activities such as training and development, 90 per cent indicated that decisions in this area were made by line managers. Finally, while the role of the Department of Finance was not seen to significantly hinder the role of the personnel section, 77 per cent of the respondents said that they would welcome further delegation of HR, particularly in relation to recruitment of staff. There was also a desire for greater consultation by the Department of Finance with personnel sections in relation to

centralised pay agreements to avoid some of the practical difficulties which arise in their implementation. The study concluded that the key obstacles to implementing the SMI were resource issues (personnel staff numbers and skills), the existing relationship with the centre, the role of the line manager, senior management and leadership issues and resistance to change.

3.3.2 Integration of HR strategies at department level

As part of the agenda for change under *Delivering Better Government* (1996), guidelines were produced by the SMI Implementation Group in 1998 to assist departments in formulating statements of strategy under the requirements of the Public Service Management Act, 1997. One of the key concerns in the guidelines centred on the need to embed the strategic management process in departments by ensuring that internal processes, including HRM, support the implementation of strategy. The extent to which departments made efforts to link HR strategies with business strategy was one of a range of issues considered in a recent CPMR Report (Boyle and Fleming, 2000). This report highlighted a considerable absence of linkages between business strategy and HR strategy in most departments. While the majority of departments placed emphasis on the need to value and develop human resources, there was little evidence of attempts to identify or think through the HR implications of strategic issues. For example, many departments conducted a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis as a prerequisite to setting out strategic objectives. At the same time, weaknesses in relation to HR systems were simply described in the majority of cases, and there were no identifiable actions set out to address such weaknesses.

Similarly, very few line departments identified HR needs arising from the pursuit of strategic objectives, for example in relation to training or future recruitment needs. Similar concerns regarding poor linkage of HR policies were identified in another recent CMPR Report (Humphreys, Fleming and O'Donnell, 2000). This report noted that new initiatives, for example in relation to flexible working arrangements, are frequently introduced in an ad-hoc manner with little thought given to their consequences for existing flexible working arrangements and other HR activities such as promotion or training and development.

3.4 Proposals for change in HRM

A central theme of *Delivering Better Government* (DBG, 1996) concerns the need for a 'modernisation in HRM' (p.32) as a means of achieving excellence in service quality and delivery. DBG acknowledges that 'the degree of central regulation of the human resource function has been increasingly called into question', and a range of proposals are outlined to reform HRM, most notably that:

- each personnel section should re-orient its activities to take a more strategic/developmental approach, facilitated by the devolution of responsibility for 'day-to-day' human resource matters to line managers (p. 34);

- this re-orientation should take place in conjunction with 'an incremental but concerted process of devolving authority from the Department of Finance to departments' (p. 34).

It also stated that each department should develop a HR strategy which should be linked with its business strategy. Finally, it proposed that the Department of Finance should institute a programme of training and development for staff assigned to departmental personnel sections. It envisaged that all of these changes would be underpinned by a centrally agreed performance management and development system (which was subsequently launched in May 2000). To advance the process of change, a HRM working group was established to develop proposals for change in HRM.4 In addition, partnership committees were set up in each civil service department, in tandem with the existing industrial relations (IR) structure, to progress change in HRM and other issues5. In addition to this set of structures, the Department of Finance and the Department of the Taoiseach play a role in contributing to the advancement of the HRM reforms under DBG

and this role is reflected in their recent statements of strategy (Department of Finance, 1998b, Department of the Taoiseach, 1998).

Some concerns have been expressed regarding the HRM reforms envisaged in DBG, in particular regarding the likely re-allocation of HRM responsibilities. For example, Roche (1998) comments that 'the SMI does not seem intent on opening the Pandora's box of public sector pay determination more generally' (1998 p. 12). He argues that this limits the extent to which HRM can be strategic, particularly because political intervention into public sector pay may undermine the autonomy of senior civil servants in influencing HR policy choices. At the same time, he points out that because the containment of public sector expenditure is not the supreme driver of change, this may make it easier to balance the hard and soft goals of HRM. This contrasts for example with the UK approach where containment of public sector costs motivated much of the HRM reforms. O'Dowd and Hastings (1997) suggest that the acceptance of a unified pay and grading structure may represent a pragmatic acknowledgement of the need for a more gradual and circumspect approach to the devolution of what are politically contentious issues.

In the context of the proposals for reform, it is also worth noting that changes have been made to the legislative framework governing civil service employment, most notably the *Public Service Management Act* (1997), which amends and expands on the *Ministers and Secretaries Act* (1924). The *Public Service Management Act* (1997) introduces a degree of potential flexibility with regard to HRM in individual departments/offices and it transfers responsibility for personnel matters, including appointment and dismissals below principal and equivalent levels, from the minister concerned to the secretary general of each department (subject to an amendment in the *Civil Service Regulation Act*, (1956) which is pending).

3.5 Conclusion

In summary, the vast majority of HR policies are centrally determined and developed. The existing role of personnel sections within departments is largely concerned with implementing centrally agreed HRM policies. This limits the extent to which they are capable of exercising discretion the development of organisation-specific HRM policies and this is recognised in *Delivering Better Government* (1996). At the same time, it is evident that the extent to which HRM policies will be decentralised is likely to be limited as long as the existing unified pay and grading structure is retained. The challenges involved in developing a more strategic approach to HRM within the context of the changes proposed will be considered in Chapter 5.

4

LESSONS FROM INTERNATIONAL EXPERIENCE

4.1 Introduction

While no one model or framework has shaped the approach to HRM reform in other OECD countries (see OECD, 1996), it is useful to briefly examine broad trends internationally insofar as they inform the discussion in this study. While it is important to recognise that HRM reforms have generally taken place within a wider context of public sector reform, this examination focuses primarily on the central themes of this paper, namely; the decentralisation of HRM, the devolution of HRM to line managers, and the professionalisation of the HR function. In addition to an examination of broad trends, this chapter focuses in depth on the experiences of the UK and Denmark. In the context of the decentralisation debate, the lessons learnt from these two administrations, which vary significantly in structure, are useful. In the UK for example, decentralisation of HRM was a key element of its reform programme. In contrast, the Denmark system remains largely centralised in relation to HRM policies. In addition to secondary sources, the experience of the UK was drawn from interviews with key informants in the Cabinet Office and the Northern Ireland civil service.

4.2 Broad trends and lessons

According to a recent OECD report (OECD, 1996), decentralisation of HRM responsibilities from central bodies to line departments and agencies, accompanied by devolution to line managers, stands out as a key feature of reforms in OECD countries in recent years. Decentralisation and devolution of HRM have ranged from extensive reform in Sweden, New Zealand and Australia to more limited approaches in Finland, Ireland and Norway. The OECD report highlights a number of broad themes and concerns raised by member countries:

- HRM reforms are more effective when they are mandatory rather than relying on departments and agencies to develop their own HRM initiatives.

- A key concern centres on the need to strike a balance between decentralisation and consistency. Devolution and decentralisation of HRM are generally deemed to be necessary for the development of strategic HRM. Yet, frequently there is a fear of losing a service-wide perspective. This creates a desire in many administrations to ensure that fundamental principles and values remain intact across the service. For this reason, in the interests of achieving an appropriate balance between central control of HRM and managerial flexibility, the majority of countries surveyed by the OECD retain a basic common core of conditions across their public sectors in order to preserve a 'corporate civil service philosophy'.

- The devolution of HRM to line managers is made problematic by the fact that many managers do not regard HRM as an important part of their work, knowing as they do that frequently it is neither rewarded nor valued institutionally. As a consequence, there is a need to provide the necessary supports for managers if they are to assume responsibility for HRM matters, including training, guidance, accountability, and information.   Moreover, the need for devolution of other responsibilities including financial management is seen as critical to the successful devolution of HRM responsibilities (OECD, 1996, p.29).

- An overwhelming concern voiced by top management and central departments was the lack of clarity in re-thinking the role of the centre in a decentralised HRM environment (OECD, 1996, p. 30). Typical concerns focused on the degree of control which should be exercised by the

centre in a decentralised environment in the interests of ensuring appropriate performance and accountability by line departments.

International experience also suggests that HRM reform is more likely to be successful when there are significant driving forces for change, including political leadership, legislative change, and economic crisis (see Schick, 1996). For example, cultural change in the New Zealand public sector was achieved through significant change in the legislation governing HRM and financial procedures, decentralisation of HRM from the State Services Commission to departmental level, and organisational restructuring (see Farnham, 1993, and Schick, 1996). On a cautionary note however, it should be noted that the radical changes pursued in the New Zealand administration have also had negative consequences for staff (see McNamara (ed), 1995). The success of reform in the UK, which was also influenced by significant driving forces, will be considered in detail in section 4.3.

4.3 Reform of HRM in the UK

Reform of HRM in the UK public sector took place in the context of significantly wider developments in the UK administration. Nonetheless, some useful frameworks and approaches were developed in relation to specific issues which are relevant to this study. In order to understand the UK HRM reform, it is necessary to briefly outline the background to these reforms. Unlike the current programme of reform in Ireland, fiscal constraints were the supreme driving force for the changes which took place after the election of the Conservative Party to government in 1979 (OECD, 1999). Subsequent developments in the 1980s led to significant changes to the structure of the UK public sector, through privatisation and the setting up of Next Steps Agencies6.

The current approach to HRM in the UK public sector differs radically from that which prevailed prior to the mid-1990s. Prior to then, centralised personnel policies, which were negotiated with the Council of Civil Service Unions, were set out in a lengthy and complex personnel code. By the late 1980s however, there was an increasing recognition that while much progress had been made in achieving cost reductions, insufficient attention had been paid to the 'people' issues7. At central level it was also recognised that individual departments and agencies were in the best position to know what HR policies were required to meet their specific objectives. As a consequence, critical questions were raised concerning the role of the Cabinet Office in HRM decision making and the need for 'soft' HRM issues to be accorded greater priority at department and agency level. A process commenced to decentralise HR decision making to departments and agencies, culminating in the production of a new *Civil Service Management Code* (Cabinet Office, 1996a) to replace the old set of personnel policies. The code, which was produced following consultation with recognised civil service trade unions, sets out the broad parameters governing terms and conditions of civil service employment. As part of this HRM reform process, authority was delegated to ministers and office holders, in respect of their own departments, to:

- determine the number and grading of posts (excluding senior civil service posts);

- determine terms and conditions of employment including remuneration, allowances, expenses, performance and promotion, holidays and hours of work; and

- prescribe the qualifications for the appointment of home civil servants (with the exception of the fast stream development programme).

The removal of central determination of HRM policies demanded a new role of the Public Service Office in the Cabinet Office. It set out to develop a role in which it would act as a facilitator and source of best practice and advice, in contrast to its previous 'prescriptive' approach. As a consequence there was a need to develop new ways of working and thinking. The Development Division of the Cabinet Office was instrumental in achieving this, largely through a changed approach to encouraging best practice HRM at departmental level. This is usefully illustrated by the 'consortium approach' which they used to identify best practice for a range of HRM policies, including delegating human resource development (HRD) to line managers, objective setting and the development of a strategic approach to people management (Cabinet Office, 1993a, 1993b, 1996b). The *process* undertaken in one of these projects is illustrated in Table 4.1. The *content* of the findings of this project will also be considered in the next section.

Table 4.1

In 1993, the Cabinet Office launched a consortium project *A Strategic Approach to People Management*. The main objective of the project was for consortium members to work towards the development or implementation of new human resource strategies to support business and organisational objectives. In some cases, the role of the HR function was also examined to ensure that it was adequately equipped and skilled to meet future challenges. Ten departments and agencies participated in the consortium. Each consortium member had an individual project, varying for example, from the development of a human resource strategy in the Benefits Agency, to the development of competencies to aid integration of HR strategy in the War Pensions Agency. The rationale for the consortium approach taken was that the use of case studies would be more informative for departments at a practical level, given the limited academic research in the specific issues involved. An executive summary and report were published to highlight the lessons learnt from the projects. The key lessons learnt from the projects were grouped under three headings:

  The process of developing HR strategies

  The content and focus of HR strategies

  Implementation and impact on the HR function.

It was stressed in the report that the intention of disseminating the findings was not to be prescriptive. Rather the findings should provoke debate at top level, and act as a guide to departments in the process of developing HR strategies. It was also intended that the report would inform action taken by departments under the agenda set out in the *Continuity and Change* white paper.

A year after the report, an evaluation, based on interviews, questionnaires and workshops was carried out and published to reflect on progress and changes made by consortium members in the light of what had been learnt from the project.
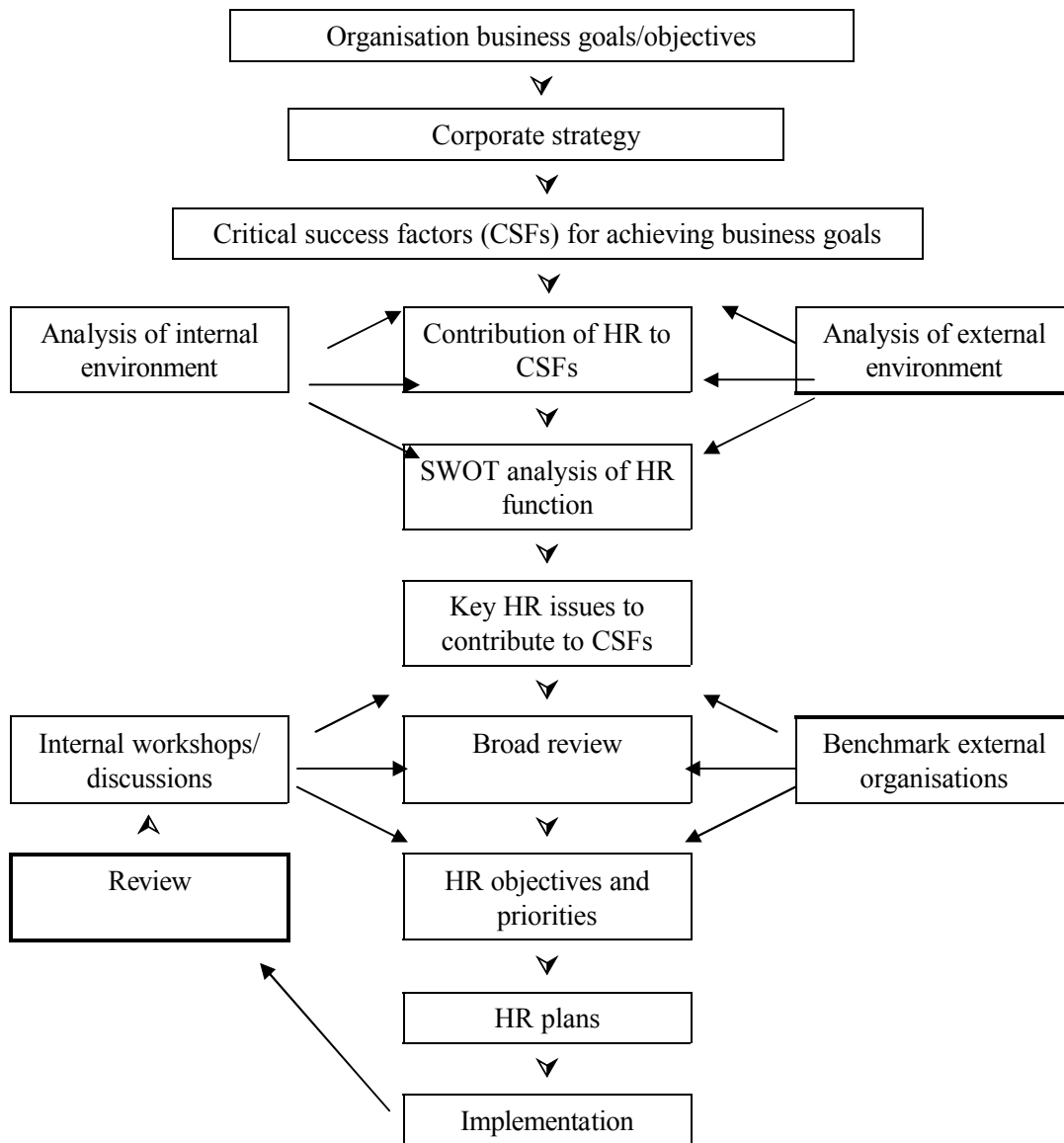
Adapted from *Cabinet Office* (1995) and (1996b)

4.3.1 *Professionalising HR*

In addition to highlighting the benefits of an 'action-learning' approach to developing best practice, many of the findings which emerged from the consortium project (Cabinet Office, 1993a) and a subsequent follow-up report on the project (Cabinet Office, 1996b) are of relevance to this discussion paper. For example, the study identified a number of levers for change as a means of professionalising the HR section, most notably:

- greater professionalism amongst staff in HR sections through increased use of qualification programmes to rid the 'HR image of amateurs passing through' (1996b, p.19);
- the development of more robust marketing and communications strategies by the HR section with business strategists and line managers to get 'closer to the business'; and
- the development of concrete evaluation measures to demonstrate the added value of HR.

The report also considered in some detail the practical issues involved in linking HR and business strategy. Based on the practical lessons learned by consortium members, the report draws together a framework, which is illustrated in Figure 4.1, to guide departments and agencies in making this linkage. The report also identifies a number of key levers required to ensure successful development of HR strategy and linkage with business strategy:

*Figure 4.1: Process for formulating a HR Strategy*

```
                    ┌─────────────────────────────────────────┐
                    │   Organisation business goals/objectives │
                    └─────────────────────────────────────────┘
                                       ▼
                          ┌──────────────────────┐
                          │   Corporate strategy  │
                          └──────────────────────┘
                                       ▼
              ┌───────────────────────────────────────────────────┐
              │ Critical success factors (CSFs) for achieving      │
              │ business goals                                     │
              └───────────────────────────────────────────────────┘
                                       ▼
┌──────────────────┐      ┌──────────────────┐      ┌──────────────────┐
│ Analysis of      │ ──▶  │ Contribution of  │ ◀──  │ Analysis of      │
│ internal         │      │ HR to CSFs       │      │ external         │
│ environment      │      │                  │      │ environment      │
└──────────────────┘      └──────────────────┘      └──────────────────┘
                                       ▼
                          ┌──────────────────┐
                          │ SWOT analysis of │
                          │ HR function      │
                          └──────────────────┘
                                       ▼
                          ┌──────────────────┐
                          │ Key HR issues to │
                          │ contribute to    │
                          │ CSFs             │
                          └──────────────────┘
                                       ▼
┌──────────────────┐      ┌──────────────────┐      ┌──────────────────┐
│ Internal         │ ──▶  │ Broad review     │ ◀──  │ Benchmark        │
│ workshops/       │      │                  │      │ external         │
│ discussions      │      │                  │      │ organisations    │
└──────────────────┘      └──────────────────┘      └──────────────────┘
        ▲                            ▼
┌──────────────────┐      ┌──────────────────┐
│ Review           │      │ HR objectives    │
│                  │      │ and priorities   │
└──────────────────┘      └──────────────────┘
                                       ▼
                          ┌──────────────────┐
                          │ HR plans         │
                          └──────────────────┘
                                       ▼
                          ┌──────────────────┐
                          │ Implementation   │
                          └──────────────────┘
```

- focus first on the key strategic issues and ask managers how, in practice, the HR function can contribute to the achievement of these issues;

- identify the critical success factors (CSFs) concerning people which determine how well the organisation achieves its business objectives;

- ensure that the consideration of HR issues is built in as a fundamental part of the business planning process and is given as much attention in the review/reporting stage as financial issues;

- take steps to engage in a dialogue within the top team about HR issues;

- develop a process for monitoring what employees think about working for the organisation and demonstrate visible commitment to acting on these findings.

4.3.2 Devolution to line managers

A further Cabinet Office consortium project, which focused on the devolution of Human Resource Development[8] (HRD) to line managers, also highlights valuable lessons (see Figure 4.2). That report (Cabinet Office, 1993b) and a subsequent evaluation which took place one year after the project, highlights two lessons about the respective roles which top management, line managers and personnel sections should play in the devolution process:

Figure 4.2: A Framework for HRM Delegation
Line Manager as HRD Manager
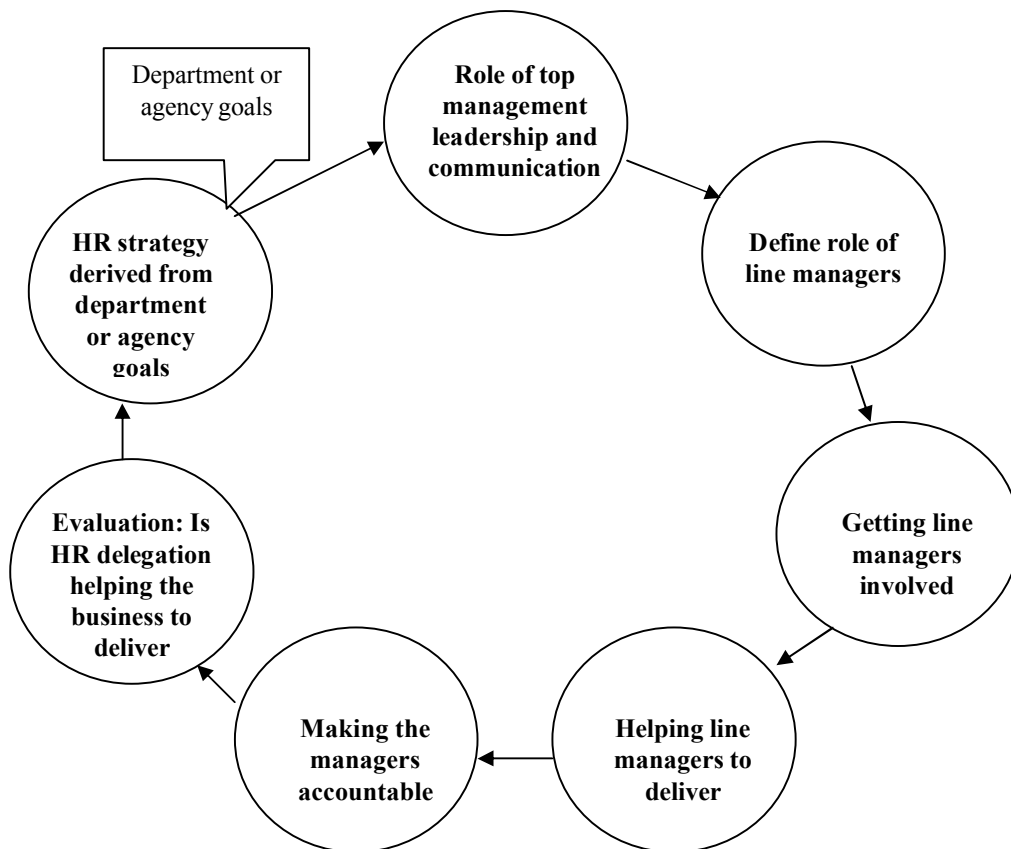
Source: *Cabinet Office,* 1993b

approach; actions undertaken by line managers *must* be linked both to an overall HR strategy and the business planning and implementation process.

- There should be good communications and visible action by top management to emphasise the importance of delegating HRD responsibilities. (See also Appendix 3).

- Delegation of HR responsibilities should not be an initiative driven by the personnel function; line managers must have a major say in setting the agenda. In this regard, it is critical that they are involved in defining and developing their new roles. This might be achieved, for example, through the use of small project groups which would be asked to tackle specific issues and to test out and implement proposed solutions to such issues. The successes of such initiatives should be used to illustrate to top management the potential of particular aspects of devolution.

- The personnel section must see itself as providing two key services to the organisation. The first service is that of developing a HR strategy which is linked to the organisation's goals and which sets the boundaries within which line managers can act. Secondly, there is a need to move to a new relationship with line managers in which the manager is a customer and the personnel section *facilitates* the process of delegation through the provision of support and professional advice, as opposed to *determining* the process.

- Finally, there is a need to build in review and accountability mechanisms, for example through the inclusion of relevant 'hard' and 'soft' performance measures into the performance management process and evaluation tools. This might be achieved through the use of annual attitude surveys to track performance and measure employee and management perspectives and experiences.

It should also be noted however, that the prior devolution of financial management to department, agency and line management levels, was a critical success factor in the devolution of HRM matters to line managers in many parts of the UK public sector.

4.3.3 The role of the centre – present and future

The Cabinet Office continues to develop and seek new ways of facilitating change and encouraging best practice at line department level. For example, they regularly hold and facilitate workshops for personnel officers and managers, which are set up to consider HRM issues of common interest. They also continue to play a role in monitoring and ensuring best practice in training and development, for example, through the setting of targets in relation to Investors in People (IIP) accreditation by departments and agencies9. Policy matters relating to pay and grading are dealt with separately by the Treasury Office through annual settlements with departments and agencies on running costs.

Notwithstanding the changes that have taken place, there is a recognition that some departments and agencies have achieved significantly more progress than others in developing a strategic approach to HRM. There is also an acknowledgement in the recent white paper *Modernising Government* (March 1999) that further change is necessary to ensure that initiative is rewarded and inflexible practices in pay and conditions are dismantled, while at the same time ensuring that the corporate identity of the civil service is strengthened. A number of mechanisms have been put in place to achieve such changes. For example, the Cabinet Office has set out a range of corporate action plans on better cross-departmental mobility, performance management, development of staff and equality (Cabinet Office, 1999).

Another key element of the ongoing modernisation process is the role of the Centre for Management and Policy Studies (CMPS) which it is envisaged, will be 'the nerve centre of the reformed organisation' (Rana, 2000). Its task will be to create a new generation of civil servants who have the skills, training and values required to meet the changing requirements on the civil service. The Civil Service College, which has been given more than three quarters of the CMPS's £23 million budget, has been charged with the task of creating a climate for change and equipping civil servants with the necessary skills for the twenty-first century (Rana, 2000, p. 37). This will be achieved through a range of mechanisms including the delivery of courses and initiatives on 'mastering change' leadership, and the roll out of 360 degree feedback and personal development plans to all senior civil servants by 2001.

4.3.4 Northern Ireland Civil Service

In the context of this study the impact of changes in the UK civil service on the Northern Ireland civil service (NICS) are of interest. The system in the NICS has remained significantly centralised. Responsibilities for HRM policies in the NICS, which employs 30,000 people, are exercised at four levels – UK Cabinet Office level, the Central NICS, NICS line departments and Next Steps Agencies. The broad parameters covering personnel policies and guidelines are set out in the Civil

Service Management Code (Cabinet Office, 1996a). In many senses however, the structures and HR systems of the NICS are a 'hybrid' version of the UK structure. There has been some measure of decentralisation but with a relatively high degree of centralised control maintained in relation to pay, grading and recruitment. The lack of an 'absolute imperative' to decentralise such policies was, it is suggested by some, a reflection of the absence of direct ministerial control over NICS departments at the time of the decentralisation programme in the UK.

Central responsibility for a range of HRM matters in the NICS is exercised by the Department of Finance and Personnel (DFP). The DFP has central responsibility for pay matters, terms and conditions of employment, recruitment to non-industrial grades on behalf of the Civil Service Commissioners of Northern Ireland and equal opportunities policy and guidelines. Recruitment to industrial posts is carried out locally by individual departments. The outcomes of recruitment and selection procedures for all posts are monitored by the Equal Opportunities Unit of the DFP to assess the representativeness of decisions by gender and religious background. The general consensus is that it is highly unlikely that recruitment and selection will be decentralised for a number of reasons. First, while there were practical difficulties in handling recruitment and selection centrally in the UK, the relatively small size of the NICS means that this is not an issue. Second, given the importance of equal opportunities, centralised recruitment is seen to play an important role in ensuring best practice. A similar argument is put forward in support of the centralisation of pay bargaining, since it is felt that a fragmentation of existing arrangements could have potentially negative implications in terms of equal pay matters. At the same time, they have made some changes, for example in relation to recruitment processes. In the case of a recent panel set up for a particular management grade, a process has been put in place whereby departments can 'trawl' this panel to identify suitable candidates for particular positions as opposed to being assigned 'the next candidate on the list'.

In other areas of HRM, for example in relation to terms and conditions of service, the DFP has issued a code of practice which departments use to operate disciplinary matters, leave arrangements and other terms and conditions of employment. The centre however still plays a significant role where legal issues arise. The central DFP sees its role as one of providing guidance and specialist expertise to personnel sections in line departments. In turn, the line department personnel sections provide guidance to personnel sections in the Next Steps Agencies under their remit10. Some areas of HRM have been decentralised to agency level. Training is primarily handled at agency level and agencies are actively encouraged to attain Investors in People (IIP) accreditation.

4.4 Reform of HRM in Denmark

Unlike the UK, responsibility for HRM matters has remained largely centralised in the Danish public administration. Pay and terms and conditions of employment are primarily negotiated between the Ministry of Finance and trade unions. In 1994, the Ministry for Finance issued for the first time an overall personnel policy, *Human Resource Development in Danish Central Government*, for central government departments. In a subsequent review in 1997, while they acknowledged progress made, for example in relation to training and performance appraisal, they also acknowledged that 'crystallising personnel policy intentions into concrete action is generally lagging behind' (Ministry of Finance, 1999, p.2). In recognising that a formal personnel framework does not necessarily translate into good practice at departmental level, a new central personnel policy, *Central Government Personnel Policy – Taking Words into Action* (Ministry of Finance) was issued in 1999. This sets out a framework in which emphasis is placed on adapting overall objectives to local conditions in each department.

The 1999 personnel policy focuses on three themes and associated requirements:

- Management Development – which requires that the connection between the performance goals of the institution and its personnel policy be *described* in a performance contract and/or strategy and be *reported* in annual business reports.

- Human Resources Development – which requires that regular management evaluations be made, to be used as a basis for management development activities; this would be assisted by the introduction of a new pay system which rewards performance.

- The 'whole employee' – which requires that the relationship between life and work be included in the annual performance interview and reflected in personnel policy.

In order to translate these aims into action, the 1999 document sets out a personnel policy flow, to act as a guide to the development of local personnel policy. The personnel policy flow covers three processes:

- Analysing and evaluating basic personnel policy conditions, taking into account both local conditions which influence the work of the organisation and central terms and conditions which influence personnel policy.

- Prioritising and setting up objectives for personnel policy work.

- Evaluating and following up personnel policy activities.

To assist departments in implementing this flow, the document also sets out a checklist, to be used as a basis for both reviewing the existing approach to HR policies, and for following up on areas requiring further development.

In addition to the above developments, agreement has been made with the majority of trade unions on a new wage system, which, while retaining a high degree of centralised bargaining, also provides for non-centrally negotiated supplements between individuals or groups with employers based on functional and qualificational characteristics. Finally, the central government Centre for the Development of Human Resources and Quality Management was established in January 2000 to promote greater efforts in relation to human resource development (HRD) in central government departments.

In summary, the approach advocated by the Ministry of Finance recognises the need, within a centralised system, for some flexibility at local level to tailor personnel policies to suit particular conditions. At the same time, progress in developing personnel policy and linking it with overall business strategy is formally captured, while the focus in HRM terms is on performance and developmental activities.

4.5 Conclusions drawn from international research

A review of international experience highlights lessons of relevance to the Irish reform programme. The experiences reviewed in this chapter suggest that the key challenge lies in granting departments adequate freedom to manage financial and human resources, facilitating the development of best practice HRM and HRD, while at the same time retaining appropriate control of the essentials at the centre, in relation to overall running costs.

Much of the criticisms levelled to date at the Irish reform programme centre on the limited degree of decentralisation which will take place in relation to key areas such as pay and grading. At the same time, the UK experience suggests that the decentralisation of pay and grading will not in itself result in a more strategic approach to HRM at line department level. This is recognised in the new approach adopted at Cabinet Office level, the aim of which is to facilitate rather than prescribe best practice in relation to the 'soft' or developmental aspects of HRM. This is achieved through a range of interventions such as action research projects. It is also interesting to observe that the ongoing process of modernising the UK civil service has been strengthened by the commitment of resources to the Centre for Management and Policy Studies.

Further, the comparable sizes of the NICS and the Irish civil service suggest that there are practical arguments for the retention of centralised control over HRM activities such as recruitment. Centralised control also ensures consistency of treatment, for example in relation to equal opportunities matters. At the same time, the Danish experience suggests that if central policies are to be translated into action at line department level some policies, such as pay determination, may require a degree of decentralisation to take account of local conditions.

5

THE INTERNAL PERSPECTIVE

5.1 Introduction

This chapter discusses the findings obtained through interviews with a range of key people at central, line department and trade union level. The framework used for these interviews broadly centred on obtaining their views on:

- the existing system of personnel management in the civil service

- the changes required to the existing system to move towards a HRM approach

- the key levers or actions required to bring about these changes.

The challenges and issues raised in the interviews are considered under the broad themes identified in Chapter 2. The implications of these findings will be further revisited in Chapter 6, which plots ways forward in the development of HRM, drawing also on national and international best practice.

5.2 Decentralisation of HRM from the centre

Many of the interviewees acknowledged improvements that had been made to the centralised system of recruitment and selection. For example, the Civil Service Commission has in recent years improved turnaround times for the provision of staff to departments, and it has also developed more sophisticated selection techniques. A number of interviewees at central level supported the long-term continuance of a centralised system, on the basis that the relatively small size of the Irish civil service did not warrant the setting up of localised recruitment. Concerns were also raised regarding the ability of departments to take on responsibility for recruitment. At line department level however, there is a clearly a desire to see some loosening of this system, for example to fill temporary vacancies to meet local office needs. While new legislation is in the process of being drafted, which should make the existing legislative framework more responsive and flexible, it was suggested that this will not address other shortfalls in the current system.

There was significant recognition among interviewees of the need for a much better matching of people to jobs, within the existing generalist system of recruitment and promotion. While the generalist system works well overall, current labour market conditions have created a situation in which existing and potential employees are more selective in their choice of employment, increasingly basing such decisions on the specific *nature* of the work being offered as opposed to a job offer or promotion per se. However, it was stressed that a far bigger constraint on the attraction and retention of candidates is pay levels, particularly at clerical entry-level grades, which, it was suggested, inhibit the civil service's ability to compete for scarce labour and to be seen as 'an employer of choice'. The foregoing concerns were also highlighted in recent studies conducted on behalf of the Civil Service Commission (see for example MRC, 1999).

Notwithstanding these criticisms, some interviewees stressed that ultimately changes to the centralised recruitment system will not address all of the shortfalls in HR practice at department level. There is a need for line departments to become better at identifying their own specific future human resource and skills needs, and at planning appropriately for such needs, not just through recruitment, but through other policies such as internal promotion and mobility. Efforts are currently being made to address some of these shortfalls, for example through the setting up of service level agreements between the Civil Service Commission and line departments.

There was significantly less satisfaction with the existing centralised pay and grading system. From the line department perspective, typical concerns centred on inflexibilities in the current pay system. Rigidities in the existing administrative budget system were also highlighted. These can hinder the line department's ability to deploy resources flexibly to meet strategic priorities. Where a particular project or strategic priority demands additional resources, it was suggested that greater freedom in assigning additional resources, subject to an agreed administrative budget ceiling, would be of benefit. This should apply particularly where a project might ultimately result in either savings in other elements of the administrative budget or longer term benefits.

Rigidities such as these were believed by some to colour the perception held by departments of 'the centre'. It was suggested for example, that while on the one hand departments are being encouraged to take decisions and develop better HRM policies at departmental level, on the other hand decision making can be constrained by the control exercised by the centre over issues such as staff numbers within particular grades. In the context of these concerns, it was suggested that reform of financial management under *Delivering Better Government* (1996), should give consideration to 'loosening' the existing administrative budget system.

At central level however it was suggested that such concerns are over-stated, and that in many cases, if departments wish to do so, ways can be found within the existing system to deploy and reward staff. For example, it was suggested that departments themselves could develop more effective ways of rewarding staff, particularly in relation to non-monetary rewards such as job satisfaction, more open and competitive internal promotion systems, and staff mobility and training. Concerns were also expressed regarding the challenges involved in controlling staff costs and numbers in a more decentralised system. It was also suggested, for example that differing pay systems in the UK civil service have had negative side effects, such as a reduction in cross-departmental mobility. Cross-departmental mobility is seen by many as a key strength of the Irish civil service, and some believe that decentralisation, for example in relation to pay, in addition to hindering mobility, would have other negative implications. For example, the management of crosscutting departmental issues might be undermined if departments operated on a 'stand alone' basis.

In relation to other HR policies, such as promotion and terms and conditions of employment, it was acknowledged that some progress had been made in decentralising day-to-day HR decision making from the Department of Finance level to line department. The Department of Finance recently commenced an incremental process of reducing its role in day-to-day implementation and control of HR decision making. For example it has relaxed the procedures involved in securing sanction for promotions by departments. However many departments are still inclined to refer to the Department of Finance for decisions or interpretations and this continuing practice may represent an element of 'hiding behind Finance' where decisions are unpopular or difficult to make. The Department of Finance envisages its new role as one of setting broad parameters in relation to key areas such as terms and conditions of employment, and of acting as an advisor where difficult cases arise. It also sees itself as playing a role in facilitating departments in the change process, although its ability to do so continues to be hindered by its involvement in day-to-day decision making on behalf of departments. At the same time, some interviewees suggested that unless key activities such as pay and grading decisions are decentralised, there will be limits to the extent to which departments can develop strategic integrated HRM policies.

Change is planned to develop the role of the central training area, the Centre for Management and Organisational Development (CMOD), to ensure that it assists the change process in line departments. It will play a role in assisting departments in upskilling their HR sections and facilitating the implementation of performance management in departments. Its ability to deliver in this regard however will be influenced by the level of resources available to it, which are currently limited.

5.3 Developing HRM at line department level

Throughout the interviews, there was a clear recognition of the need for change in the approach to HRM at line department level. The views expressed in relation to the existing system, and the need for change in this system, can be usefully considered under the broad themes considered in Chapter 2.

5.3.1 *Integrating HR strategy with business strategy*

The lack of progress to date by departments generally in linking HR strategies to business strategy was already highlighted in Chapter 3. At the same time, it is important to recognise that some departments have achieved progress in better aligning HR policies with business strategy. As part of its business strategy formulation process, the Department of Social, Community and Family Affairs set up a working group to identify high level strategies required to 'release the potential of staff' to ensure that other strategies were achieved; and specific HR issues have been identified at divisional level through the business planning process. To further this process, the department recently established a high level HR group to devise a HR strategy which would support its business strategy.

It was suggested by some interviewees that the centrality or otherwise of HRM to business strategy was dependent on both the relationship between the head of the personnel section and the secretary general of the department and indeed the value placed by the secretary general on the contribution that HRM could make to the department. Frequently it was suggested that where a high value was placed on HR issues by the secretary general, it was more possible for the personnel section to obtain extra resources or to place such issues on the top management agenda. In contrast, where this was not the case, it was suggested that staff in the personnel section 'are often the last people to hear about a change which has implications for HR policy'.

5.3.2 *Development of internally integrated HR policies*

The literature reviewed in Chapter 2 highlights the benefits of developing an integrated complementary set of HR policies at organisational level. A number of interviewees however identified difficulties which arise in achieving such integration. For example, because some policies, such as pay, are centralised and others are not, the effects of centrally driven policies are seen by some to undermine success in local efforts to introduce change. For example, central restructuring agreements which provide for upgrading and promotion of staff can create significant difficulties in human resource planning terms, since a department may have little control over the locations in which upgradings occur. This can create severe difficulties in local offices, where it may take some time to fill vacancies created by upgrading. In addition there was a view that recent agreements of this nature had not provided management with the expected increase in functional flexibility. It was suggested however that there will be potential for change in this area, in the context of recent discussions concerning broadbanding (*Programme for Prosperity and Fairness*, 2000).

Concerns were also expressed regarding the impact of centralised recruitment on the integrated development of HR policies. Because the work of departments can vary significantly, for example in terms of policy work versus high volume service delivery, staff recruited on a service wide basis may not always be suited to particular positions or roles. Where there is a mismatch between the individual and the job at the initial selection stage, the impact of subsequent HRM policies, (e.g. training, development for promotion) for that individual may be diluted. The limited scope which departments have to vary the numbers of staff in each grade was again raised. While it was acknowledged that the administrative budget system had been loosened somewhat to allow greater freedom in promoting and assigning staff, it is still seen to be very difficult to vary or change the numbers of staff in each grade to respond to changing business needs.

Notwithstanding these constraints, a number of interviewees at central level stressed that departments do have freedom to develop certain aspects of HRM and are at very different stages in this regard. Notable progress has made in some departments. For example, the HR strategy produced by the Department of Public Enterprise represents a good illustration of an integrated and comprehensive approach to the development of HR policies. The statement, which was initially produced in 1998 through some consultation with staff, was updated in 1999 following input by both the management committee (MAC) and the partnership committee. The HR strategy sets out a broad framework within which HRM action plans are developed, in relation to recruitment, training, performance and mobility. It also usefully maps out the respective roles of assistant secretaries, line managers, staff and the HR section in relation to each action plan.

In contrast, some departments have chosen to focus on particular HR issues. The Office of the Revenue Commissioners and the Department of Social, Community and Family Affairs have committed considerable resources to the provision of training and development. Additionally, the Department of Social, Community and Family Affairs put in place a performance appraisal system for executive grades. This is supported by training of staff, in preparation for the implementation of the wider system of performance management. In contrast, some departments have an unstructured approach to training and development, whereby training needs are identified and addressed in an ad-hoc, fragmented manner with little dedicated resources.

Investment in training and development at line department level is likely to increase following the recent introduction at central level of increased targets in relation to such expenditure. Nonetheless, there is a recognition by many that increased expenditure in itself will not necessarily result in a more strategic approach to training or added value to the organisation. In the UK, the Investors in People (IIP) initiative has acted as an effective system for the encouragement and development of best practice in relation to training in the public sector. Interestingly, in Ireland, the Excellence through People Awards Scheme, which is the nearest equivalent to the (IIP) initiative, has a very low level of participation by public sector organisations.

A number of interviewees stressed that it is also important to recognise that departments differ in structure, functions and roles, and that it would therefore be neither feasible nor desirable to impose a 'generic' HR strategy. At the same time, there is a recognition that in the absence of a centrally driven agenda, some departments may lack the impetus and ability to promote and progress change in relation to HRM, in particular in the case of smaller departments. It was suggested by some that the strategic thinking required to develop an integrated approach to HRM is lacking in many personnel sections. The impact of particular initiatives on other HR is not always clearly thought out, even in regard to policies which are within the existing remit of departments. For example, mobility policies introduced to rotate staff after agreed time periods, are often introduced 'with good intentions'. However, if they are not clearly planned and delivered in a phased manner, they may create other HR problems such as, loss of specialist skills required for an area, poor matching of staff to jobs, or negative implications for workloads at peak times.

5.3.3 Devolution to line managers

A number of challenges were identified in relation to the devolution of HR to line managers. Most interviewees stressed that devolution will only be feasible when the new performance management and development system (PMDS) has been fully implemented. It was suggested that unless line managers are accountable for identifiable objectives and outputs, they will have no incentive to take on responsibility for the development and management of staff. Equally, the performance management process will identify significant needs for training and development, which will have to be genuinely addressed by managers and personnel sections if staff are expected to deliver on objectives. Another issue identified as being crucial to the success of devolution was the availability of comprehensive and accessible management information in relation to HR issues. A project is currently underway to address, among other things, this issue. This is discussed in the next section.

At the same time, while performance management and good management information will facilitate the formal devolution of HRM issues to line managers, they will not address attitudinal barriers to assuming greater responsibility for HR matters. Many interviewees suggested that there are a significant number of managers who prefer to abdicate responsibility for 'negative' HR issues such as underperformance or absenteeism to the personnel section. Significant cultural change will be required to shift the existing mindset in this regard. Concerns were also raised at trade union level regarding the implications of devolving certain HR issues to line managers. It was suggested that much of the existing workload of personnel sections is caused by poor handling of disciplinary and IR issues by line managers in the first instance. Indeed the interview findings reveal some confusion regarding what is actually meant by devolution of HRM to line managers. There is clearly a need to articulate what devolution involves, and the findings of the UK Cabinet Office study (see Chapter 4) suggest that unless this is carried out in consultation with line managers, resistance may arise.

5.3.4 Professionalising the HR function

Many interviewees acknowledged the need for the development of a more strategic role for individual personnel sections. At the same time, it was recognised that at present, most personnel sections spend the vast majority of their time on personnel administration activities, with the result that they do not have the resources required to develop more strategic developmental policies, which in turn would lend credibility to their role. The devolution of day-to-day HR matters to line managers is seen as an essential lever for change in order to provide 'space' for HR staff to develop more strategic policies. It was suggested by some however that even if resources were freed up as a result of devolution, the prevailing perception of the personnel section, within some departments, as a 'low profile area' makes it difficult for personnel sections to convince senior management of the potential contribution they can make. The consequence of this is that they are marginalised from the real HR decision making process at senior management (MAC) level. This problem can be self-perpetuating, since the personnel section will not be perceived by staff as a rewarding or high profile area in which to work. In contrast, in some departments there is a visible commitment and belief in HRM at top management level. Interviewees describe this as a valuable lever for raising the profile and attraction of the HR area from a career point of view. Examples were provided in this regard, whereby the head of a department was a very visible advocate of HR, or where the personnel officer had a very good working relationship with the head of the department. The profile of HR in larger departments was also perceived by many to be generally higher than that which prevails in smaller departments.

Contradictory, views were expressed concerning the need to 'upskill' staff working in personnel sections. There was a recognition that the civil service does not always effectively match people to jobs, a problem which is not limited to the personnel area. While concerns were expressed regarding the ability of departments to retain staff long-term in the HR area, in general this was not perceived to be an adequate defence for *not* providing specific HR training for personnel section staff. Overall however, there was a lack of clarity regarding the nature of specialism which was required in the personnel area. Interviewees by and large placed more emphasis on the need to ensure that people with 'the right attitude and experience' worked in this area. For example, the ability to negotiate and deal effectively with trade unions was highlighted as a desirable attribute in personnel staff. There was a sense however that these perceptions were significantly based on the *existing* personnel administration role which personnel sections undertake.

The challenges in providing a career path for those in the personnel area were also raised. Within the existing system it is not possible to provide a long term career path because of other factors such as the mobility created by promotion. This is not helped in some departments by the perception of 'low profile' of the personnel section in career terms. There is better scope to create career paths for personnel staff within larger departments, in which it is much more common for staff to spend a considerable amount of their career in the personnel area. Despite these reservations, most believed that the role of the personnel area should be to provide advice and expertise to top management and line management, and it was recognised that such a role required the development of new skills, knowledge and attitudes. The need to provide training for HR staff in industrial relations procedures was raised as a priority by one trade union. On the issue of external expertise, most felt that this should be 'grown from within' although the potential benefits of focused use of short-term consultancy were recognised. The view was expressed by one trade union that the best way to upskill personnel staff would be to provide specialised HR training for central training staff (CMOD), who in turn could train internal trainers and HR staff at departmental level to enable them to develop a more strategic role. Some departments have made concerted efforts to build up the skills profile within their HR sections. For example, the Department of Public Enterprise, in addition to actively encouraging staff to obtain HR qualifications, also recently seconded a member of its staff from the HR section to a private sector company for one year, to assist in the ongoing process of professionalising its own HR function.

Finally it is worth noting that a project is currently underway to implement a new computerised HR system which should facilitate personnel sections in moving from an administrative role to a more strategic proactive role. The first phase of the project, under the direction of CMOD, is concerned with the implementation of a new computerised personnel system for the Department of Social, Community and Family Affairs and The Office of the Revenue Commissioners, but it is anticipated that this system will be taken on by other departments. Among other things, this system will support the progression of the HRM reforms set out in *Delivering Better Government* including: the new performance management system, the devolution of HR to line managers and the development of a more strategic approach to the management of activities such as staff assignments, training and mobility.

5.4 Conclusion

Overall, the findings highlight an acknowledgement that limited progress has been made in achieving reform of HRM as set out in *Delivering Better Government*. At the same time, there is evidently a considerable level of continuing commitment among those interviewed for change to the existing system. It is recognised that existing systems and policies fail to add real strategic value to departments in achieving their objectives. A number of concerns were expressed in relation to the existing centralised system which undermines the ability of departments to achieve integration of HR policies. At the same time, the interviews highlight examples of progress made by some departments, within this system, in developing a more proactive approach to HRM. What also emerges from the findings is a lack of clarity and consistency of thought regarding what is actually involved in the process of moving to HRM. For example, there are conflicting views as to what is meant by 'professionalising the HR function' or devolving HRM to line managers. Added to this, there are contradictory views regarding the roles which should be played, not only by personnel sections and line managers, but also in relation to the broader respective roles of line departments and central departments. Work currently underway by the SMI HRM group in the civil service is making progress in addressing these issues, and should improve role clarity in this regard.

CONCLUSIONS AND WAYS FORWARD

6.1 Conclusions

This study has sought to identify appropriate approaches to delivering on the proposals for HRM reform set out in *Delivering Better Government*. The need for concerted effort in this regard has been given renewed emphasis in the recent *Programme for Prosperity and Fairness* (March, 2000). Best practice literature and international experience clearly shows that the development and implementation of an integrated HR strategy can act as a valuable mechanism in supporting the achievement of business objectives.

Against this best practice scenario, the picture which emerges from the research undertaken for this study is one in which the level of progress made in the civil service has been limited. In order to move the process of change forward, there are a number of key issues within the existing system which must be addressed and these are considered in section 6.2. A framework is then set out to illustrate how these issues might be addressed within an integrated process, in order to facilitate the transition from personnel management to HRM.

6.2. Key issues

Before considering the detail of the issues emerging from this study, it is useful to take stock on the overall approach which has been adopted to HRM reform. Clearly, the approach adopted to date has been highly incremental and centralised. This incremental approach is in stark contrast to the New Public Management (NPM) approach adopted in other OECD countries such as New Zealand and the UK. While the absence within the Irish reform programme of a compelling imperative to cut costs has influenced the pace and nature of change, the changing external environment in which the civil service operates suggests that the pace of change needs to intensify. For example, recruitment and retention of staff have become critical issues of concern for the civil service in an increasingly competitive and tight labour market. Ultimately these issues may act as key levers for change in the pace of HRM reform, if the civil service is to improve its image as an 'employer of choice' (Humphreys, Fleming and O'Donnell, 2000).

There are of course positive features that would facilitate an intensified effort to reform HRM. For example, there is significant funding available at central level to assist departments in implementing change. Other positive features, which were lacking in earlier reform programmes, include the new partnership structure and the recent introduction of a comprehensive performance management and development system. Notwithstanding these positive features, critical issues must be addressed if progress is to be achieved. These issues will now be considered in some detail.

6.2.1 Developing an integrated approach to HRM

The achievement of a fully integrated approach to HRM at line department level will be constrained by the continued centralisation of key HR policies such as pay and recruitment. Nonetheless, there is clearly considerable scope for individual departments to develop better practice in relation to a range of HR policies within their existing remit, for example in relation to training and development and staff deployment. Indeed, the inability of departments to use key HRM levers such as monetary rewards makes it all the more imperative that better practice in relation to the development, deployment and management of staff is progressed at line department level. The research undertaken for this study suggests that, with some exceptions, departments have not achieved significant progress in this regard. The findings also suggest that the constraints caused by centralised policies are often over-emphasised, and in some cases used as a defence for not changing.

Chapter 2 clearly highlights that the development of a formal HR strategy can act as an invaluable mechanism for integrating HRM policies and procedures with business strategy. The evidence however suggests that departments have achieved limited success in achieving such integration. While many departments are in the process of developing HR strategies, it is critical that this process is integrally linked with the business strategy formulation process (see Boyle and Fleming, 2000). It is also important that the links between different HR policies are clearly articulated and developed so that they complement and reinforce each other. Departments have scope to develop more imaginative and flexible ways of deploying, rewarding and developing staff within the existing system, and the evidence from the interview findings suggest that there is a level of support at the centre for such efforts.

6.2.2 Professionalising HR

Best practice suggests that HR sections can play a valuable role in developing strategic HRM policies that add value to the organisation. The development of such policies requires that personnel staff are proficient in a range of HRM activities such as human resource planning and performance management. In the context of the existing system, two key issues can be identified. Firstly, the picture that emerges is one in which there continues to be an overwhelming emphasis on routine personnel administration matters. Secondly, the majority of departments have made little progress in devoting additional resources to assist the process of 'skilling up' personnel sections.

During this research, a significant number of interviewees suggested that HR posts within the civil service do not require specialism. While an emphasis on generalism has merits for a wide range of roles in the civil service, the development of a more strategic, proactive role for HR requires a change in this emphasis. The lack of support for specialisation within HR is not helped by a range of other factors. The current system cannot provide a career path for staff in HR and the 'low profile' image of the personnel section, at least in some departments is unhelpful. Where senior management have demonstrated support and belief in the value of HRM, as is the case for example in a number of departments, visible progress has been achieved in developing HR strategy and in 'skilling-up' the personnel section.

Professionalising HR is not however exclusively concerned with developing specialisms. It is also concerned with changing the focus of approach in the personnel section. It is about moving from an administrative role to one which acts as a source of advice and expertise for senior management and line managers. The development of such a role can be assisted by a range of mechanisms including service level agreements as a means of developing better working relationships with line managers, and the effective use of the new HR management information system which was discussed in Chapter 5.

Ultimately support for the development of a strategic approach to HRM at personnel section level, and more importantly at senior management level, will be instrumental in the shifting of the existing focus.

6.2.3 Devolution to line managers

In the context of moving from personnel management to HRM, there are clear merits to devolving day-to-day HRM matters to line managers. Firstly, it would free up of resources in the personnel section to develop a more strategic role. Secondly, when it is carried out effectively, it strengthens the management process overall. This is particularly important given that the existing system in many respects encourages line managers to abdicate responsibility for staff matters. The new performance management and development system should also assist in strengthening this process, since it will link line management responsibilities with the business planning process.

For this process of devolution to be effective however, there are other issues which must be addressed. Firstly, there is a need for clarification regarding what is to be devolved and how. In this context, a distinction should be made between 'hard' HR issues such as disciplinary and IR matters, and 'soft' HR issues such as staff coaching and development. It is also important to involve line managers in the process of determining what should be devolved, as opposed to enforcing devolution. Such involvement could be facilitated through the use of project groups and the framework for delegation used by the UK Cabinet Office (see Chapter 4).

Secondly, the reluctance of many line managers to be 'people managers' is an issue which will not be addressed by performance management alone. Within the existing system, people management skills are not always sufficiently valued and rewarded. This message is conveyed through the ways in which managers are rewarded (for example, promotion criteria) and developed (for example, resources allocated to developing people management skills). If the creation of a culture of effective management, in which there is genuine and continuous coaching, feedback and staff recognition, is to become a reality, the right message must be conveyed as to what skills are valued in managers. For this message to be credible, there must be visible support from top management in the allocation of resources to training and development, and to the allocation of financial resources to line managers to enable them to take on genuine responsibility for staff development.

Finally, as a prerequisite to the successful devolvement of HRM to line managers, there is a need to enhance working relationships between personnel sections and line managers. The development of service level agreements can act as a useful mechanism in this regard, as borne out by research in the UK Cabinet Office (1993b).

6.2.4 Decentralisation of HRM

The existing system of HRM, and any likely proposals for change in this system, are significantly influenced by the role of central departments. In relation to existing HRM policies, little decentralisation of policies such as pay and recruitment is likely to take place, at least in the medium term, although some proposals for change are set out in the *Programme for Prosperity and Fairness* (2000), for example in relation to broadbanding. In any event, it is unlikely that the decentralisation of pay and grading matters would act as a panacea for a range of weaknesses evident in the current handling of HRM activities at line department level, for example, in relation to human resource planning and training and development. It could be argued therefore, that it will only be when departments can show evidence of progress in handling HRM policies within their existing remit, that a realistic debate can take place in relation to the decentralisation of wider matters such as pay and grading.

In the meantime, the research findings suggest that there are shorter term issues which require consideration. Concerns raised by some departments, which were considered in Chapter 5, suggest that there would be merits to evaluating the existing administrative budget system to allow departments greater flexibility to deploy resources. The development of mechanisms through which departments would have a more proactive input into the selection of candidates from the central recruitment process also requires active consideration. Ultimately, in the light of progress made by departments, the wider decentralisation debate may need to be revisited, in the context of achieving a fully integrated approach to HRM.

In addition to the Department of Finance's role in relation to existing personnel policies, the Departments of Finance and the Taoiseach, in tandem with the HRM working group, are charged with responsibility for identifying and progressing proposals for reform of HRM in the civil service. This centralised approach is in many ways a recognition that HRM reform will be critical to the success of the wider process of civil service reforms set out in *Delivering Better Government*. There are also concerns that in the absence of a central change agenda, some departments might take a 'laissez faire' approach to change in HRM. Centrally negotiated change can however slow down the process of change. The findings in this paper highlight the need for a

more focused and concerted effort at the centre, for example in providing advice and expertise, to assist departments in developing HR strategies and upskilling their personnel sections. In this context, the SMI Implementation Group, comprising secretaries general of government departments, has a critical role to play in overseeing change.

6.3 A framework for change at line department level

Notwithstanding certain constraints within the existing system, there is clearly scope for change at line department level. An effectively developed HR strategy links individual HRpolicies to each other, but also links such policies with overall business plans. The process of linking HR strategy and business strategy also provides a mechanism for identifying, and changing where necessary, the respective roles and responsibilities of the personnel section and line managers. A framework, set out in figure 6.1, which draws on elements of the Cabinet Office model considered in Chapter 4, is set out in order to illustrate:

Figure 6.1: Process for developing HR Strategy
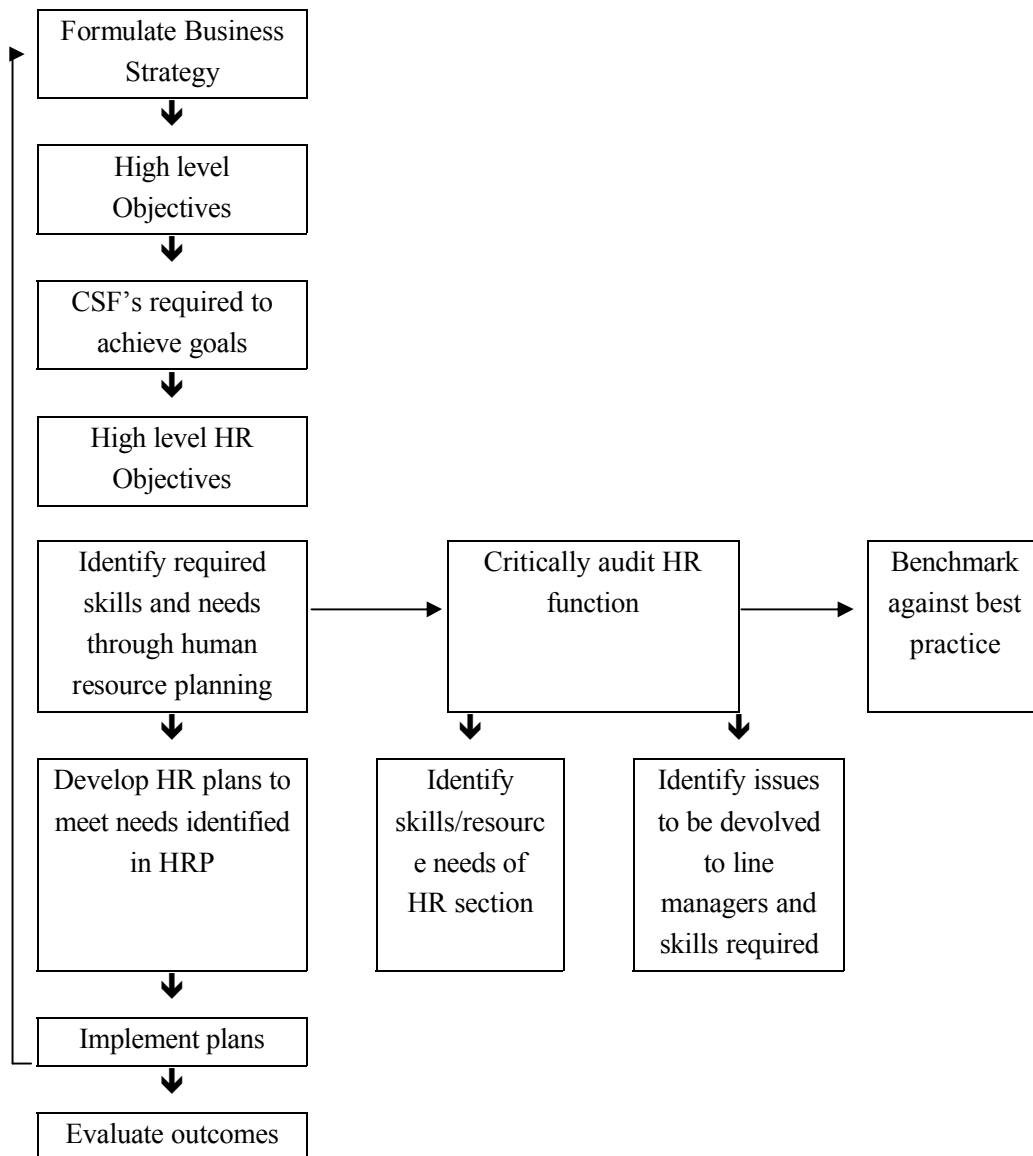
- the central role which the development of a HR strategy can play in addressing many of the issues raised in section 6.2;

- the process involved in moving from personnel management to HRM.

  The key stages involved in this framework require some elaboration.

6.3.1 Formulating strategy

The HR implications of business strategy should be identified in high level terms during, not after, business strategy formulation. Staff resourcing and skills issues both affect and are affected by corporate strategy. The role which the head of HR is enabled to exercise in securing the commitment of the top management team to the value of according HR issues high priority at this stage is critical. It is equally important that line managers and personnel staff are consulted in this formulation process, to ensure support, ownership and a greater understanding of HRM's added value and relevance to business strategy. Staff ownership and union support can also be enhanced through the use of other consultative mechanisms, such as partnership. Once the high level strategic objectives have been established during the strategy formulation process, corresponding critical success factors (CSFs) for their achievement should be set out. CSFs relating to human resource issues should in turn form the basis for the high level HR goals of the organisation.

6.3.2 The role of human resource planning

Having identified high level HR objectives, it is then necessary to translate these into visible action plans through the development of a HR strategy. Best practice identified in Chapter 2 suggests that the human resource planning (HRP) process can act as a useful link between business strategy and the development of HR strategy. It enables the organisation to identify the level and quality of human resources required to meet its business objectives.

6.3.3 Implementation

The successful implementation of a HR strategy will be dependent on the extent to which HR policies are cascaded through the organisation, through the identification of the specific links between HRM policies and activities and divisional business plans. In this regard, the personnel section should play a key role in facilitating and advising heads of sections or divisions in identifying and meeting the HR implications of business plans. The embedding of HR strategy can also be assisted through the development of service level agreements between the personnel section and other sections.

6.3.4 Evaluation

It is also important that a HR strategy has built-in evaluation mechanisms to ensure that the outcomes of HR policies are systematically measured in terms of their contribution to the achievement of business strategy. The Danish approach where departments are obliged to report formally on implementation of HR strategy as part of their annual business reporting might be useful in this regard (see Chapter 4.)

6.4 Active enabling – the role of key players

The successful implementation and overall impact of the HR strategy will not be achieved by the personnel section alone. The commitment of senior managers and line managers is also crucial in this regard. As the first of this series of HRM studies highlighted (Humphreys and Worth-Butler, 1999), there is a need to 'actively enable' these key players, and in many respects this requires a change in both their roles and relationships. The changes required in this regard are now discussed.

6.4.1. The role of senior management

The findings clearly highlight the need to raise the profile, role and capability of the HR section in line departments. Best practice indicates that the extent to which this can be achieved will be influenced significantly by the belief and support of senior management in the added value that HRM can contribute to the organisation. More importantly, this belief must be visibly demonstrated, for example by committing additional resources to the development of HR strategy and the building up of HR skills levels. As a first step, the head of HR should be afforded a genuine role in the formulation of key business decisions. This contribution must be an integral part of the business strategy formulation process, so that HR issues are accorded a key priority as opposed to simply being added on to, or indeed excluded from, the core business of the organisation. On an ongoing basis, heads of HR should also be enabled to have a genuine input into decisions taken at top management (MAC) level which have implications for HR.

Clearly, if the head of HR is to be enabled to play a genuine role in ensuring that HRM issues become a top management priority, it is important that the professionalisation of HR, for example through the development of expertise in integrating HR and business strategies, begins at this level. The use of networks and focused action learning consortium projects, which were considered in Chapter 4, might be useful as a means of sharing experiences and challenges. The selection of heads of HR is also a critical factor. It is important therefore that appropriate criteria are factored into the selection process at this level.

6.4.2 The role of the HR section

Best practice, identified in Chapter 2, suggests that the successful transition from personnel management to strategic HRM is dependent on the equipping of HR staff with the appropriate knowledge, skills and attitudes. This is essential if HR sections are to be perceived both as a source of professionalism and capable of ensuring that HRM adds value to the organisation. Line departments should actively commence or speed up the process of obtaining and developing specialism in their HR sections. This would be assisted by a much more systematic approach to the selection of staff into this area. For example, internal promotion competitions for specific posts in HR sections would enhance the attractiveness of the area as well as raising its existing credibility and profile. Specific competency profiles, which were discussed in Chapter 2, should be used to assist in selecting staff in this regard. Where the appropriate competencies do not exist, alternative approaches might be used. Specific and focused development of existing and incoming staff, short-term secondments of staff to the private sector and the longer-term attainment of professional qualifications could be pursued. Additionally, the usage of short-term external consultancy or fixed term contracts might be considered as a means of speeding up the process of professionalising the HR function.

6.4.3. The role of the line manager

A number of factors will be critical to the successful devolution of HRM to line managers. Firstly, it is important that devolution takes place within the overall framework set out in Figure 6.1, as opposed to being introduced as a separate initiative. That is, it should take place within the development of HR strategy, which in turn should take place during the process of developing business strategy. This is essential if line managers are to be convinced of the business case for taking on HRM responsibilities, and line managers should be involved in this process. Secondly, it is important that the identification of managerial competencies under the new performance management system places an emphasis on skills and behaviours required for the effective development and management of staff.

Finally, it is important that adequate resources are allocated to training and education of line managers, since many managers may need to be facilitated in developing better people management and coaching skills. Specifically, there will be a need to educate line managers in understanding and taking responsibility for staff development (including coaching and mentoring) in its broad remit. There is a need for support, from both the centre and individual personnel and/or training sections in facilitating this process of change. This may imply the development of new ways of delivering on training and development needs and of working with line managers.

6.4.4 The role of the centre

The process of developing HR strategy, as set out in Figure 6.1, is influenced by the role of the central departments, both in relation to existing HR policies and in progressing changes in HRM. In relation to existing policies, little decentralisation of pay, grading and recruitment is likely to take place, in the short to medium term. However, in the longer term greater flexibility in relation to grading and pay may need to be revisited if a fully integrated approach to HRM is to become a reality. Similarly, centralised recruitment processes carried out by the Civil Service Commission require some change if line departments are to be facilitated in better planning their human resource needs and deploying existing and future human resources. The approach developed in Northern Ireland (see Chapter 4), whereby departments have an input into the selection of candidates from panels, provides a useful illustration in this regard.

In the context of the framework set out in figure 6.1, the role of the centre in progressing future reforms also requires evaluation. Best practice suggests that this role should be concerned with providing guidance and expertise to departments in developing HR strategies, implementing performance management and professionalising HR at the personnel section level. The slow pace of change in line departments highlights the need for a more focused and adequately resourced function to be developed at central level in order to facilitate and develop best practice. Notwithstanding the differences between the UK and Irish public sector, the approach adopted in the UK Cabinet Office presents a useful illustration of the way in which change can be encouraged through a focused approach. Given the scale of challenges involved, there is also a need at central level to ensure that resources are devoted to ongoing research, monitoring and evaluation of the change process as it unfolds. Again, as mentioned earlier, the SMI Implementation Group has a key role to play here in mentoring and overseeing actions taken.

6.6. Concluding comments

As the *Programme for Prosperity and Fairness* makes clear 'sustaining and improving efficiency and effectiveness in a rapidly changing environment requires increasingly innovative and flexible human resource management policies and strategies' (2000, p.23). This discussion paper has highlighted the scope and potential for departments to find ways within the existing system to become more effective in the management of human resources, assisted by a more flexible and focused approach at central level. In order to move from personnel management to HRM, there is a need for wider recognition that HRM itself is a valuable lever for change. This recognition must be translated into visible action if the civil service is to keep pace in the rapidly changing external environment in which it operates.

NOTES AND REFERENCES

1. In early 2000, the Institute of Personnel Development's application for chartered status was granted. As a consequence, with effect from May 2000, it became the Chartered Institute of Personnel Development (CIPD).

2. The divisions of the Department of Finance are: public expenditure, finance, budget and economic, corporate services, personnel and remuneration and organisation, management and training. Following the recommendations of the *Report of the Public Service Organisational Review Group* (1969), the latter two divisions became part of a new department, the Department of the Public Service, until 1987 at which stage they were merged again with the Department of Finance.

3. The most significant attempts to reform HRM occurred with the publication of the *Report of the Public Service Organisational Review Group* (1969), and the white paper on the civil service, *Serving the Country Better* (Department of the Public Service, 1985). Following the 1969 report, the Department of the Public Service was established to modernise the approach to personnel policies. In 1987 however, this department was subsumed into the Department of Finance. Overall, the recommendations of both reports were not implemented, largely, it has been argued because of a lack of political support and management commitment (OECD, 1999).

4. The HRM group, to which a number of sub-groups report, reports to an SMI Implementation Group, comprising secretaries general from a number of government departments. The SMI Implementation Group has been expanded to include secretaries general of all departments.

5. Partnership committees were established following the 1996 National Agreement, *Partnership 2000*, which stipulates that progress in relation to modernisation of the civil service, including change in HRM, should be progressed on a partnership basis at organisational level, and that verifiable progress in respect of achievement of action plans would be linked to the payment of additional pay increases at line department level. This emphasis on partnership and the linkage of verifiable progress regarding modernisation with pay is maintained in the *Programme for Prosperity and Fairness*, the 2000 National Agreement.

6. Next Steps Agencies were created following the publication of a report entitled *Improving Management in Government: Next Steps Agencies* by the prime minister's efficiency adviser, Sir Robin Ibbs, in 1988. The report recommended that the executive functions of government, as distinct from the policy advice functions, should be carried out by distinctive units or executive agencies. In 1999 there were 140 agencies and four departments running on Next Steps lines, covering 76 per cent of the civil service or almost 390,000 staff (see OECD, 1999 for further discussion).

7. The concept of HRD, as distinct from HRM, refers to the development of a strategic organisational approach to managing employer development according to Gunnigle et al (1997). HRD advocates the strategic linking of training and development to corporate objectives and a key role for line managers in developing employees.

8. .The future direction of HRM in the UK civil service is considered in detail in two White Papers, *Continuity and Change* (1994) and *Taking Forward Continuity and Change* (1995).

9. The Investors in People (IIP) initiative was launched in 1991 in response to the UK's need to maintain and increase its competitive position by increasing its commitment to developing a more highly skilled and flexible workforce. Its primary objective was to establish nationally recognised criteria to underpin quality of work at every level in both the public and private sector. The emphasis in assessing eligibility for IIP status focuses on the extent to which the organisation's training plans and policies are strategically linked to its business needs.

10. The impact on the HR structure in the NICS, particularly in the context of the Next Steps Initiative, is usefully illustrated through a brief examination of the changes that took place in one department. In the Department of the Environment, prior to the setting up of Next Steps Agencies, core activities such as roads, housing and water were contained within the department and there was one central personnel section in the department for these functions. Since the setting up of Next Steps Agencies for each of these functions, agency is now headed by a chief executive, whose contract is for five years. A memo of understanding is prepared which is given effect to with the signing of a service level agreement between the DOE and the chief executive concerned. The chief executive of each agency operates on the basis of this service level agreement which sets out, among other things, a budget and an outline of the HR functions handled at agency level. The central DOE personnel section is now broken down into four areas – training and development, personnel policy and advice, equal opportunities, and personnel management and pay. Each agency now has its own HR function. The central personnel section in the DOE sees its new role as one of providing advice and guidance, for example in relation to disciplinary matters or interpretation of official circulars.

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APPENDIX I

From Architecture to Audit

	Question	Rating (1-10)	Description of Best practice	Gap between current and best practice
Shared Mind-set	To what extent does our company have the right culture to reach its goals?			
Competence	To what extent does our company have the required knowledge, skills and attitudes?			
Consequence	To what extent does our company have the appropriate measures, rewards, and incentives?			
Governance	To what extent does our company have the right organisational structure, communications systems and policies?			
Capacity for Change	To what extent does our company have the ability to improve work processes, to change and to learn?			
Leadership	To what extent does our company have the leadership to achieve its goals?			

Source: Ulrich, 1998

Note: Ulrich's framework as set out above is based on a scenario in which a company has defined its architecture in terms of six key concepts – culture, competencies, rewards, governance, work processes and leadership. Having established this architecture, he suggests that HR staff should guide management through a rigorous discussion of 'fit' – i.e. do the existing culture, competencies etc., fit with the company's strategic goals? This evaluation can then be used to guide the discussion of how best to obtain or develop what is missing.

APPENDIX II
Personnel and Remuneration Division, Department of Finance, Breakdown of Key Activities

- Recruitment Section is responsible, in conjunction with the Civil Service Commission (CSC), for external recruitment in the civil service, and for internal recruitment (promotion) for grades up to and including executive officers. These responsibilities include setting policy for recruitment procedures and defining the terms of promotion schemes, while the CSC handles the recruitment process from the advertisement stage onwards.

- Careers and Appointments Section is responsible for monitoring and developing policy and providing advice to departments on a range of issues such as the promotion of staff at higher executive officer level and upwards, the recruitment of temporary staff, the establishment of internal promotion schemes for officers at executive officer level and upwards. All promotion schemes are negotiated with the unions concerned.

- Equality Section is responsible for overseeing and developing policy and providing guidance to the minister, line departments and other public sector employers on a range of issues, including; equality, career breaks, job-sharing and employee assistance services.

- Conduct, Health and Safety Section is responsible for developing and ensuring compliance by line departments with policies relating to the conduct of employees, e.g. discipline, dismissal, conflicts of interest, sick leave, probation and acting appointments, the award of annual increments and absenteeism.

Source: Department of Finance, 1998a

APPENDIX III
A Process for HRD Delegation

1. Linking HR and business strategy: • Develop a vision of future HR strategy and the explicit links between this and the corporate strategy • Consult and involve line managers in strategy formulation • Develop HR objectives as part of the business planning process • Translate HR objectives into day-to-day management objectives • Consider the resource implications of what is proposed
2. The role of top managers: • Communicate the importance of delegation and link this to business strategy • Demonstrate by action the knowledge, skills and attitudes required to achieve business goals • Recognise and reward managers who manage staff effectively • Hold senior managers accountable for results • Ensure monitoring mechanisms are in place
3. Defining the line manager's role: • Consult managers to define their HR responsibilities in the context of HR strategy • Consider the use of a structured framework such as IIP to help managers define and take on board responsibilities
4. Getting line managers involved: • Ask managers to identify one or two business issues the resolution of which would improve their business performance • Set up small project groups to tackle these problems and propose and test solutions • Delegate real responsibility and power with authority to act and commit resources • Ensure the HR section offers appropriate help, support, training to group projects
5. Helping line managers deliver: • Produce succinct user-friendly guidance • Produce checklists and tools e.g. for production of a training plan • Produce up-to-date material on private training providers and back up services on specialist issues • Organise business related activities in the workplace • Clarify career development and training policy so that staff have a clearer perspective
6. Making line managers accountable: • Question managers about the use of training and development budgets and the business benefits • Develop appraisal and reward systems which give due prominence to staff development • Develop performance standards for management objectives • Link the business planning process to reinforce accountability
7. Evaluation: • Establish hard and soft performance measures for HR issues e.g. motivation, skills levels • Link performance measures more closely to business performance

Recruitment/Promotion Plan

The purpose of the recruitment plan is to identify what is required to meet the resource and skills needs identified in the human resource plan. While a significant amount of the recruitment process is carried out by the Civil Service Commission (CSC), the prior development of a human resource plan should equip departments with the potential to play a more proactive and forward thinking role in determining where and when staff resourcing issues arise, which will be an important prerequisite to the future development of service level agreements between the CSC and line departments. Specific policies should also be articulated for matters *within* the department's remit, including: appropriate internal promotion systems based on earlier identified needs; the development of phased staff mobility plans, in the light of future staff needs and skills levels.

Training and Development Plan

The overall purpose of this plan should be to set out how the organisation intends to address the skills and developmental needs identified in the human resource plan and performance management process. In the context of any changes made regarding the devolution of such matters to line managers, the respective roles of line managers and personnel/training sections in the training and development process should be clearly set out in this plan. Similarly, in the context of future needs identified in the human resource planning process, the inclusion of a succession plan might also be considered, setting out developmental plans required to coach managers for future roles.

Performance Management System

This involves the translation of business plans to sectional and management level, and the resulting setting of objectives, performance indicators and developmental plans. The articulation of this element of the HR strategy should also be linked with the process of identifying the line manager's role and objectives with regard to HRM, and the identification of training needs for both line managers and staff.

Equality Plan

At a minimum, this plan should cover policies and standards to ensure compliance with law, including the wider remit of categories covered in the recent Employment Equality Act, 1998. From a strategic perspective the plan should also cover the development of proactive policies to ensure equality across other HR plans such as training and development, promotion. Such plans should also be developed in the context of developments arising from the work of the SMI Equality Committee and the concerns addressed in the recent report on Equality in the Civil Service (Humphreys et al, 1999).

Rewards Policy

While the majority of reward determination will be centrally driven, policies in relation to the more effective use of internally controlled schemes and processes, such as the merit award scheme and criteria for upgradings under restructuring agreements, should be developed and clearly articulated.

Personnel Administration

The plan should also clearly articulate employee entitlements and obligations in relation to terms and conditions of employment e.g. sick leave, career breaks, discipline, grievance procedures and the respective roles of the line manager and the personnel section in relation to such matter.