

Human resource management and public service reform

Bill Roche

Professor of Industrial Relations and Human Resources, School of Business, University College Dublin

Introduction

I wish to do two things in this short article. First, I attempt a balanced assessment of pay and conditions in the Irish public service, as well as of people's work experience, in the context of the retrenchment programme in place since the onset of the economic and fiscal crisis in 2008. Second, I offer some comments on the past and future of the reform process and on the need, as I see it, to move beyond a single-minded focus on reducing the public service pay bill to encompass all the major change areas that need to inform a human resource (HR) strategy for the reformed public service.

Public service retrenchment and the 'Croke Park I' Agreement

During the course of my work I regularly speak to international groups about developments in Ireland during the 'Great Recession'. One question appears to intrigue them most: how is it the case, they ask, that Ireland is so apparently orderly, given the scale of its economic collapse and the deep austerity programme in operation?

I tell them that the reasons are different in the cases of the private and public sectors. In the private sector, most people have been spared cuts in nominal pay but there has been a significant gain in wage competitiveness (see Roche, 2012). In the case of the public sector I stress how the Croke Park Agreement has provided a framework for managing fiscal consolidation and public service retrenchment, and so avoiding the industrial conflict, general strikes and chaos often observed in other bailout countries and indeed in non-bailout countries such as Italy, Spain, France and the UK. Croke Park arouses

considerable interest, especially when I explain that it has been in place in the wake of progressive pay cuts averaging 14 per cent and has provided a platform for handling a reduction in public service numbers of around 7 per cent by the end of 2011, while the demand for public services has grown. The common response to news of Croke Park is ‘We could do with that type of framework here’, in place of the distributional conflict that more commonly prevails.

I think many international observers would be aghast at the often hysterical and highly ideological tirades launched against Croke Park by sections of the media and the ‘commentariat’. Otherwise respected columnists show little evident concern to provide a balanced appraisal of the agreement, or of developments in the public service. Management consultants speak with the certainty of oracles in their outright dismissal of Croke Park.

This line of commentary, of course, often reflects hostility to public servants and to the very concept of providing public services from within the public domain. Public servants are portrayed as cosseted, grossly overpaid and oblivious to developments in the wider commercial world. They and their unions are parodied as the ultimate self-protecting vested interests, with little concern for the public interest or for fairness in handling austerity. Industrial peace is seen to have been bought at too great a price due to the supine reluctance of the government to confront public servants and their unions with radical reforms – concerned, at all costs, not to disturb powerful vested interests in the public service.

Employment and spending on public service pay

When we look at data to profile the Irish public service, the picture that emerges belies much of the hostile recent commentary. Of course, public servants enjoy employment security and this is a significant feature of their terms and conditions. But Ireland’s public service is not large or ‘bloated’ by the standards of other European countries, as the OECD stated clearly in its detailed 2008 report on Ireland, and as is clear from recent data. As shown in *Government at a Glance* (OECD, 2012), in 2008 the public service accounted for about 15 per cent of the Irish workforce, similar to the OECD average and considerably less than the percentage in a number of the small European states that politicians recently claimed should provide our benchmarks for the reform process. Also shown in the report, the pay of public servants represented 12.4 per cent of GDP in 2009,

compared with an average for the OECD of 11.2 per cent. This was equivalent to 15 per cent of GNP in 2011, and by this measure Ireland was close to the top of the EU league (O'Brien, 2012). However, in interpreting this figure the higher rate of decline in GNP as compared with GDP in Ireland since 2008 needs to be borne in mind.

Public servants: A world apart?

Critics, in the main, claim that Irish public servants occupy a 'world apart', first because they are highly paid relative to their counterparts in Europe, and second because they enjoy a gross pay premium over their counterparts in the Irish private sector. But do they really occupy a world apart, or is this claim overblown? The picture of Irish public salaries relative to those of European public servants is a variegated one.

The pay of Irish public servants in comparison with international peers

Top-level public servants in Ireland – some of whom were the real beneficiaries of the Strategic Management Initiative (SMI) – are indeed well paid compared with their European counterparts, but middle grades of the public service have salaries that are broadly comparable to their European counterparts, and lower grades have salaries below those prevailing elsewhere (OECD, 2012).

In the case of employment in the health service, *Government at a Glance* shows that medical specialists are highly paid relative to their European counterparts – no surprise there. But even before the pension levy and pay cuts came into force, the pay of nurses appears not to have been greatly out of line with international comparators, and was just above that of nurses in the UK.

The OECD report also shows that Irish teachers were well paid before the cuts, but that advantage has been paired back significantly since the cuts. A number of public service groups in Ireland enjoyed shorter hours than their counterparts in Europe (OECD, 2012).

So, in comparative terms, the best-paid Irish public servants are those that occupy the most senior grades. Many other groups are well paid and enjoy good conditions, and the community has a commensurate right to expect them to work to high standards of professionalism in delivering public services. But their salary levels cannot be viewed as being grossly out of line, or even out of line at all, with internationally prevailing salaries for public servants.

Irish public service pay levels relative to private sector pay levels

While such comparisons are instructive and seem of great moment to some members of the government and other politicians – even if they draw incorrect inferences from them regarding the relative position of many groups of Irish public servants – with the exception of the areas of medicine and higher education, Europe does not have an integrated labour market for most public service jobs. Therefore, what matters for the quality of the supply of public service employees in Ireland is how public service salary levels align with those in the private sector. This brings me to the view that public service workers in Ireland enjoy a very sizeable pay premium over their private sector counterparts. This is usually seen as an outcome of profligate pay increases under benchmarking and social partnership.

How well founded is this claim? I wish to suggest that it is open to serious question. For one thing, the econometric work on which this claim is based covers the period from 2003 to 2007. The combined effects of pay cuts in the public service and the predominant pattern of pay freezes and increases in the commercial sector from 2009 have obviously reduced any pay premium that prevailed earlier. An analysis of the scale of the public service pay differential in 2009 and 2010 (Central Statistics Office, 2012) reveals, not surprisingly, that it had fallen to 11 per cent on average in 2010 from the 20 per cent or higher reported in earlier estimations (Geary and Murphy, 2011).

But there is a deeper problem with these types of comparisons. As some have pointed out – their voices often drowned out in the chorus of disapproval – a reliable pay premium can only be estimated when jobs of like weight are compared across the public and private sectors. But this is not done in econometric research, which has to settle for comparing job titles that may seem equivalent but whose job contents remain a matter of conjecture. The resulting comparisons are indeed indicative but they are certainly not definitive and do not bear the weight they have carried for critics of the Irish public service. For example, these kinds of comparisons would not pass muster in standard exercises in job evaluation or in pay research exercises in commercial companies, where the basis of pay comparison involves comparing jobs or groups of job of similar weight and content. Thus, they should not be viewed as watertight or definitive in assessing public service pay.

The work experiences of Irish public service workers

Staying with public–private comparisons, critics of the public service like to portray public servants as shielded from the kinds of work

pressures that are part and parcel of working life in commercial organisations, and as lacking in the kind of drive and commitment necessary to survive in the business world. Again empirical evidence runs contrary to this picture. A survey by the Economic and Social Research Institute in 2009 revealed significantly higher levels of work pressure and stress among public service workers, and the same survey revealed broadly similar levels of work commitment (O'Connell et al., 2009). These results might be questioned, but they are based on empirical data rather than perception, prejudice or anecdote.

Finally, there has been much criticism of the introduction of dual salary structures in the public service. Without doubt, these salary arrangements pose significant problems, but the introduction of lower salary scales for new entrants is not unique to the public service: in 2010 about 23 per cent of firms in the commercial sector, employing about 17 per cent of the commercial workforce, did likewise during the recession (Roche et al., 2011, p. 52). The numbers are likely to be higher now.

HR reforms and the failure of the SMI

Before considering the future of the public service reform process, I think we need to face up to the less-than-glorious past and to recognise how very poor the record of public service HR reform has been in Ireland. It is valid to observe that Croke Park has delivered more reform than that recorded in the history of the Irish public service. But this in part reflects the immensely poor record prior to the crisis. The SMI has to be recognised as a dismal failure. Ill-conceived and poorly coordinated HR reforms achieved little. The Performance Management and Development System has been ineffective (Comptroller and Auditor General, 2011). Performance-related pay for senior grades was poorly managed (see Higgins, 2007). Labour markets were fragmented within different areas of the public service, and new contracts and terms of appointment were bolted onto the prevailing career system with no coordination or guiding blueprint at any level (MacCarthaigh, 2010; OECD, 2008). Workplace partnership, intended as a key mechanism for delivering modernisation, was in practice confined in the main to peripheral issues and often seemed more a hindrance than a support to reform (Roche & Teague, in press). Benchmarking was obscure and opaque, and so was vulnerable to being discredited. Public service managers showed little appetite for managing change effectively or for handling HR issues (O'Riordan,

2004, 2011). Public service unions showed considerable ability to drag change proposals to a slow crawl. HR managers had little skill, credibility or strategic capability (O’Riordan, 2004).

So in building the kind of innovative and high-quality public service suited to a dynamic modern economy we need to begin again.

‘Croke Park II’ and vision-guided HR reform

Let me turn to the future of public service reform, which may be underscored by a ‘Croke Park II’ agreement. It is clear from earlier remarks that I believe a renewal of the Croke Park Agreement would provide the best means for addressing ongoing public service reform, fiscal consolidation and economic recovery.

It seems to me both self-evident and in line with international best practice, as promulgated by agencies such as the OECD and the International Labour Organization, to engage those who work in public service organisations and their unions in the reform process. Where countries seeking radical reforms of their public services have done otherwise and pursued exclusionary reform pathways, the results have not been noticeably more successful. Here, the paradigm case of exclusionary reform programmes and their fate is New Zealand (see Boston et al., 1996). Some critics of Croke Park like to speak of public service reform as akin to ‘taking a bone from a dog’ (Collins, 2012). To the degree that this metaphor has any validity, I would have thought that the trick was to get possession of the bone without being savaged in the process, or without killing the dog! In that respect, how reform is conducted is of major importance. The models we should follow here are the small North European countries that have during recent decades substantially reconfigured their public services through social dialogue and the search for agreement (Pollitt & Bouckaert, 2004). These countries, especially Denmark, Norway and Sweden, enjoy both high living standards and high-quality public services, delivered by decently paid and respected public servants.

It is altogether understandable that the focus of reform under Croke Park I has been on payroll and other savings, and these are likely to remain a priority under any Croke Park II agreement. If there is to be a Croke Park II process, everything is likely to be on the table: pay levels, increments, allowances, working hours and working practices and employment security.

But the point has also arrived where we need to see a clear guiding blueprint for the reform of HR management in a new public service.

The SMI HR reform process amounted to little more than a bunch of ill-coordinated initiatives bound together by a series of clichés. It is necessary to do better and to develop a vision that addresses central issues such as the kind of compensation and pay-fixing practices to be developed, the career systems that should underpin public service employment, the discretion to be allowed to agencies to engage in modern HR management, the role of outsourcing, the reform of conflict management and resolution – to list but some of the central areas where challenges arise.

This is the best way – indeed perhaps the only way – in which public service leaders and public servants can respond to the attacks of their critics. But we await such a vision.

Acknowledgements

This article is a revised version of the author's presentation to a panel that contributed to 'The Future of HR in the Public Sector', Public Affairs Ireland Annual HR Conference, in Dublin on 27 September 2012.

References

- Boston, J., Martin, J., Pallot, J., & Walsh, P. (1996). *Public management: the New Zealand model*. Auckland: Oxford University Press.
- Collins, S. (2012, June 9). Coalition faces stark choice on cuts to pay or services. *The Irish Times*.
- Comptroller and Auditor General. (2011). *Annual report 2010*. Dublin: Office of the Comptroller and Auditor General.
- Central Statistics Office. (2012). *National employment survey 2009 and 2012: Supplementary analysis*. Dublin: Central Statistics Office.
- Geary, J., & Murphy, A. (2011). The reform of public sector pay in Ireland under social pacts. In M. Baglioni and B. Brendl (Eds), *Changing labour relations: Between path dependency and global trends*. Frankfurt: Peter Lang Academic Publishers.
- Higgins, C. (2007, June 20). Top civil servant bonus awards 'bolder' than before. *Industrial Relations News*.
- MacCarthaigh, M. (2010). *Non-commercial state agencies in Ireland*. Dublin: Institute of Public Administration.
- O'Brien, D. (2012, September 14). Public sector not 'bloated' but it is relatively well paid. *The Irish Times* ('Business This Week'), p. 1.
- O'Connell, P., Russell, H., Watson, D., & Byrne, D. (2009). *The changing workplace: A survey of employees' views and experiences*. Dublin: National Centre for Partnership and Performance.

- OECD. (2008). *Ireland: Towards an integrated public service*. Paris: OECD.
- OECD. (2012). *Government at a glance*. Paris: OECD.
- O’Riordan, J. (2004). *Developing a strategic approach to HR in the Irish public service*. Dublin: Institute of Public Administration.
- O’Riordan, J. (2011). *Organisational capacity in the Irish civil service*. Dublin: Institute of Public Administration.
- Pollitt, C., & Bouckaert, G. (2004). *Public management reform: A comparative analysis*. Oxford: Oxford University Press.
- Roche, W. K. (2012, June). *Austerity without solidarity: Industrial relations, employment and welfare in the Irish crisis*. Paper presented to ‘Varieties of Capitalism and Responses to the European Crisis’ conference, University of Denver, Colorado.
- Roche, W. K., & Teague, P. (in press). Successful but unappealing: Fifteen years of workplace partnership in Ireland. *International Journal of Human Resource Management*.
- Roche, W. K., Teague, P., Coughlan A., & Fahy, M. (2011). *Human resources in the recession: Managing and representing people at work in Ireland*. Dublin: Government Publications.