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Labour adjustment in the public sector: Policy issues for developing countries

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At the beginning of the 1980s the world economy was hit by skyrocketing oil prices, record high real interest rates and the collapse of many primary commodity prices. For various reasons, a number of developing countries in Asia were able to cope relatively well. But sub-Saharan African countries proved much more vulnerable because a large part of their exports consisted of primary commodities and because their economic growth had already slowed during the 1970s. Latin American economies, which had borrowed extensively from private banks during the 1970s when real interest rates were zero or even negative, found themselves having to meet high debt payments in the 1980s.

In this hostile economic environment, many developing countries experienced acute balance-of-payment problems which were generally accompanied by high government budget deficits and inflation. This led them to rely on help from the IMF and/or the World Bank in the form of loans at below prevailing commercial interest rates. However, such loans carry certain conditionalities in respect of trade and price policies, the size and structure of government expenditure and the extent of government controls on production. The impact of these conditions on government policy is reinforced by the fact that they also determine the willingness of private banks to reschedule debts and of many donors to continue development aid.

It is in the ensuing context of stabilisation and structural adjustment constraints that the employment levels and conditions of public sector workers have been determined since the beginning of the 1980s. This situation has led to a reassessment of the public sector's image and of its role in development (section 1). Stabilisation and adjustment policies have led to a shift in government expenditure from investment and subsidies to debt payments, as well as to retrenchment and changes in the structure of public employment (section 2). All this has influenced wage patterns in the public sector and has in particular contributed to wage erosion (section 3). Various policy options that are open to governments will be reviewed. Obliged to reconcile increasing demand for services with tight budgetary constraints, governments have begun to show greater interest in improving public sector

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productivity. Section 4 examines a number of ways in which they can rationalise their operations and better manage their human resources. A well-functioning government must also determine the conditions of employment of its employees equitably and efficiently; accordingly, section 5 will look at changing attitudes to labour relations. Finally, section 6 will discuss how the ILO might assist governments of developing countries face up to the new challenges in the field of public sector labour management.

1. Changing perceptions of government's role in development

During the 1960s and 1970s governments were regarded as the ultimate problem-solvers. The industrialised West witnessed the emergence of the Welfare State, while in Eastern Europe it was the heyday of centralised state planning. The developing countries greatly expanded their education and health systems and embarked on aggressive state-led industrialisation projects. Much of this expansion ground to a halt at the beginning of the 1980s when many developing countries woke up to soaring government budget deficits and chronic balance-of-payment difficulties.

The changed economic conditions also altered the perceptions of the public and the economic profession. Governments began to be seen as inefficient and overextended.[1] They came under fire for allegedly promoting the interests of particular interest groups, e.g. the armed forces, landowners, businessmen. Economists also voiced criticism. Medium-term development planning had failed to deliver on its promises. Instances of inefficiency and poor financial performance were legion among the various kinds of parastatal enterprises. Many governments of developing countries overemphasised the potential of industrialisation while discounting the benefits to efficiency to be gained from maintaining an open economy.

Development analysts began to engage in a new and more fundamental debate over the respective roles of governments and markets.[2] The dominant view, articulated by the so-called neo-classical economists, held that the best guarantee for long-term economic growth lies in the free operation of labour, capital and product markets. This doctrine accepts that government has a role to play in the provision of infrastructures and social services (education and health) and in the maintenance of law and order; however, while some government intervention in markets is inevitable, it should be held to a minimum. This view contrasts with the earlier one – based in part on Keynesian thinking – which looked to government as the main engine of economic growth and social development.

[1] T. Killick: "Twenty-five years in development: The rise and impending decline of market solutions", in *Development Policy Review* (London), June 1986.

[2] N. Stern: "The economics of development: A survey", in *Economic Journal* (Oxford), Sep. 1989, pp. 597-685.

More recently, these radical views have given way to a better-balanced approach.[3] The main question no longer concerns the extent of state intervention and/or the size of the public sector. The questions now being raised concern the comparative advantages of the public and private sectors, how they complement each other and how the public sector's performance may best be improved. The government's role is seen as being to do what it can do best and to facilitate the development of the private sector for the benefit of society as a whole. There are costs in making and administering regulations, but some regulations are needed because the unfettered working of markets can exact an even heavier price, especially among the most vulnerable social groups.

The development objectives and the particular social, political and economic circumstances of developing countries will ultimately determine the outcome of the debate on the appropriate roles of the public and private sectors. During the 1960s and 1970s development objectives centred on four major themes: economic growth, employment, poverty and the satisfaction of basic needs. It was originally assumed that the benefits of economic growth would automatically trickle down to the poorer groups in society. When, at the end of the 1960s, this process was found to be ineffective, the ILO formulated its comprehensive employment strategy and the World Bank its strategy for redistribution with growth, both of which also aimed at alleviating or eradicating poverty. In the mid-1970s both the ILO and the World Bank extended their strategies to the satisfaction of basic needs. This was justified by the fact that while such basic needs as food and shelter are mainly met out of the household budget, basic health and education services are supplied free or at less than cost price by government, whose ability to provide such services cannot be separated from the process of economic growth. Obviously, low rates of economic growth and high debt payments severely reduce the scope for government expenditure on health and education.

Governments have therefore begun to target their expenditure more carefully. In recent years, as public authorities have assumed wider responsibility on equity grounds for lower-level general education, the private sector has become more involved in specialised education, e.g. higher-level and vocational training. A similar trend can be observed in the health sector. On equity grounds governments provide basic health services free or at reduced cost. But many governments have begun to levy user charges and concentrate their services on general and preventive health services, leaving specialised – and more expensive – care to the private sector.

In many structural adjustment programmes governments are encouraged to improve their productivity, and the privatisation of public enterprises is often recommended as the surest way to do so. Many

[3] T. Killick: *A reaction too far. Economic theory and the role of the state in developing countries* (London, Overseas Development Institute, 1989).

governments have followed this advice. But outright privatisation is not the only answer. Productivity can also be improved by giving more responsibility to public managers. And when, as is not infrequently the case in developing countries, there is insufficient entrepreneurial and management expertise in the private sector, governments are obliged to take on entrepreneurial responsibility themselves.

2. Structural adjustment and public service employment

Adjusting public expenditure

Since the early 1980s almost all governments have been obliged to devote a large part of their budgets to interest and capital repayments on debt (cf. table 1). The data shown here concern central government expenditure only because comparable statistics are not available for total government expenditure (which includes local authority spending). In most smaller countries, however, central governments control more than 80 per cent of total expenditure.

During the 1970s many governments borrowed extensively either on international capital markets or, as in sub-Saharan Africa, from other governments. They were encouraged to do so by the negative real interest rates on offer during the second half of the decade when markets were awash with surplus funds from oil-exporting countries. When, at the beginning of the 1980s, real interest rates rose sharply and the terms of trade for many developing countries deteriorated, government revenues failed to keep pace with rising expenditure, particularly on interest payments. These payments are the most rapidly increasing item of central government expenditure. They have grown fastest and stand at the highest levels (more than 25 per cent of the total on average in 1987) in Latin America. In highly indebted Brazil and Mexico interest payments accounted for 21 and 58 per cent respectively of all central government expenditure in 1987. However, in most other Latin American countries (except Panama and Peru) the proportion was below 10-15 per cent. In Africa and Asia it averaged about 15 per cent, compared with 12 per cent in industrial countries.

High budget deficits have led all governments to reduce outlays on two main items: social security, subsidies and other transfers on the one hand, and public investments (capital expenditure) on the other. In many countries, subsidies both to consumers (food, rent, etc.) and to public enterprises were cut as part of the stabilisation policies. The share of social security expenditure also declined, particularly in Latin America and the Middle East.

Government priorities in other spending categories varied widely. The massive increase in interest payments obliged central governments in Latin America to cut back sharply on their wage bills. The wage bill as a proportion

Table 1. Percentage distribution of central government expenditure, 1980 and 1987

Spending category	Africa	Asia	Latin America	Middle East	Developing countries	Industrial countries
Wage bill						
1980	19.6	14.1	20.8	31.4	20.3	12.5
1987	19.5 [1]	15.5	12.5	41.4 [2]	18.7	11.8
Other current expenditure						
1980	19.9	17.0	6.5	18.0	12.6	14.4
1987	15.2 [1]	15.5	8.9	16.9 [2]	12.9	17.3
Interest payments						
1980	7.0	7.2	7.7	2.4	6.3	7.5
1987	16.0 [1]	14.5	25.3	3.8 [2]	16.6	12.2
Social security, subsidies and other transfers						
1980	15.4	24.3	36.0	20.3	30.2	56.1
1987	17.9 [2]	25.9	24.3	17.2 [2]	25.3	54.2
Transfers to other levels of government						
1980	...	18.2	7.4	...	10.4	13.3
1987	...	18.8	11.9 [2]	...	12.8 [2]	12.8 [2]
Capital expenditure						
1980	23.4	19.6	16.8	20.2	18.6	5.9
1987	23.3 [2]	16.6	11.0	18.3	14.8	4.3

[1] 1985. [2] 1986.

Note: Percentages do not add to 100 because the category "lending minus repayments" has been omitted and because percentages may be based on different country samples.

Source: IMF: *Government Finance Statistic Yearbook,* 1987 and 1989 (Washington, DC, 1987 and 1989).

of expenditure steadied in Africa and Asia, but rose sharply in the Middle East. In Africa, Asia and the Middle East the proportion of other current expenditure (purchases of goods and services) also declined.

Thus, to meet mounting debt payments, governments initially cut back on investment and subsidies to consumers and enterprises, as well as on non-labour current expenditure. Only later were they willing to reduce the share of the wage bill in government expenditure. Faced with a choice between employment levels and wages, most governments preferred to allow real wages to fall so as to maintain or increase government employment. Many governments also cut non-labour inputs while maintaining staffing levels.[4] In many developing countries this has led to situations where, for example, an agricultural extension office – although properly staffed – can no longer function properly because there is no money for petrol or vehicle

[4] ILO: *World Labour Report 4* (Geneva, 1989), p. 62.

maintenance. In the United Republic of Tanzania rural health-care expenditure was reduced in the early 1980s by cutting spending on drugs, bandages and other items while preserving employment. The result was a drastic deterioration in the quality of care provided. As these examples illustrate, labour and non-labour inputs are complementary, and any reduction in the one will affect the efficiency of the other.

Public sector employment trends

Long-term employment trends in the public service (i.e. public administration and social services) have been shaped by three developments: decentralisation, broader participation of women and the increasing professionalisation of public service staff. Decentralisation has been fuelled by the devolution of social services (mainly health and education) to provincial and local levels of government. The African countries are least decentralised with only 10 per cent of government workers in local and provincial employment, as against some 20 per cent in Asia and Latin America. Decentralisation is, of course, also a function of a country's size and political structure. In large and federally organised countries, such as India and the Sudan, local and provincial employment accounts for more than three-quarters of all government employment.

The trend towards greater participation of women and increasing professionalisation is noticeable in every public service. There is usually a significant concentration of women in education and health, particularly at the lower skill levels. In 1986, 45 per cent of primary school teachers in developing countries were women, only 35 per cent of secondary school teachers and a mere 10 per cent of university lecturers. Governments are also systematically raising public service entry-level qualifications. In Sri Lanka, for example, most applicants for government jobs must now have at least a completed secondary education. These higher educational requirements are partly the result of the increasing complexity of managing government affairs and partly a consequence of government's role as the employer of last resort for graduates of secondary and tertiary education.

But the public service's share of the labour force is still relatively low and often does not exceed 6 per cent.[5] The figure rose sharply during the 1960s and 1970s, but levelled off or fell in the 1980s, particularly after 1985. However, in some developing countries the public service employs more than 10 per cent of the workforce, thanks to high revenues from mining or oil (e.g. Botswana, Venezuela) or other foreign earnings (e.g. Egypt, Panama). In many developing countries the government is the leading employer of highly skilled workers and often also the major employer in the formal sector.

[5] Ibid., p. 50.

According to World Bank figures,[6] government employment in sub-Saharan countries increased at an annual rate of 4 per cent between 1981 and 1983 and at 2.8 per cent a year between 1984 and 1986, so that the rate in both periods exceeded the 2.4 per cent annual growth in the labour force between 1980 and 1985. An IILS study[7] based on a sample of eight Latin American countries found that, with the exception of Chile, government employment grew faster than overall employment up to 1984, but that since then its growth has been equal to or lower than that in the private sector.

The employment decline in public enterprises has probably been sharper than in the public service. In such Latin American countries as Argentina, Chile and Uruguay the decline was already in evidence as early as the 1970s, when many public enterprises were restructured and privatised. In most other developing countries the first steps towards privatisation of public enterprises were taken during the 1980s, and the trend is likely to continue during the present decade.

Retrenchment

Notwithstanding the long-term trends discussed above, retrenchment is perhaps the mechanism that most readily springs to mind in connection with labour adjustment in the public sector. Governments, often prompted by the World Bank or the IMF, have set very ambitious retrenchment targets, but recent experience points to a considerable gap between policies and their implementation, between intentions and practice.

Since the mid-1980s many governments of developing countries have tried to contain public sector employment growth through freezes on hirings and lay-offs of temporary staff. In sub-Saharan Africa, for example, recruitment freezes were imposed in Benin, the Gambia, Mauritania, Sierra Leone, Somalia and Tanzania. Since 1987 Kenya has allowed hiring only if it does not result in a net growth of civil service posts. Automatic hiring has been discontinued in countries which previously guaranteed government jobs to school graduates (Benin, the Central African Republic, the Congo, Guinea, Mali, Rwanda, Somalia and the Sudan). Temporary staff have been laid off in the Congo, Côte d'Ivoire, Ghana, Nigeria, Rwanda and Somalia. And since 1985 various Latin American governments, such as those of Bolivia, Brazil and Mexico, have started to cut back on (federal) government employment.

While staff reductions in the public sector might appear to offer a simple and straightforward way to reduce public expenditure, they have drawbacks which it would be wrong to underestimate, particularly as regards the

[6] M. A. Starr: *Recent wage and employment trends in Subsaharan Africa* (Washington, DC, World Bank, 1988; mimeographed).

[7] A. Marshall (ed.): *El empleo en el estado en América Latina* (Geneva, International Institute for Labour Studies, forthcoming).

efficiency of the public service. A recruitment freeze cuts off the supply of fresh blood into the service. The most capable employees may leave and this often results, despite overstaffing, in skill shortages that can only be made good by additional training efforts. Various personnel management options, such as grading, job classification, recruitment and career development, therefore need to be taken account of in the reform process.

One important condition for success is that governments negotiate retrenchments with public sector workers' organisations. Driven by the urgency of the financial situation, governments will be tempted to act quickly and unilaterally, but experience shows that a freely agreed package is more effective in the long run. The negotiation process should cover all the relevant aspects of the proposed retrenchment: employment reductions by attrition, severance pay, dismissals and possibly the provision of alternative employment.

Retrenchment will also have to be effective in the sense of achieving lower government wage bills and improved public sector productivity.[8] A first step towards the containment of public sector employment is the establishment of a verified payroll: this would permit the elimination of "ghosts", that is, persons listed on the payroll who either do not exist or are not employed in the position for which payment is made. Secondly, it is essential, on both equity and efficiency grounds, to end automatic recruitment to the public sector from the education system. Employment guarantees are an unnecessary extra bonus for graduates of secondary and tertiary education, which in general is already heavily subsidised by the State. Thirdly, attempts to reduce the payroll by recruitment freezes, while they may have slowed the pace of recruitment, have not always reduced the wage bill correspondingly. Limited new hiring in proportion to those leaving (e.g. under one-for-three rules) is still commonly allowed. To avoid replacement of low-wage earners by high-wage earners it is preferable to specify the hiring proportion in monetary terms rather than in the number of posts.

In many cases, because civil servants enjoy employment security, retrenchment may not even be possible. If that is the case, public sector workers are unlikely to accept voluntary early retirement or separation allowances, particularly when unemployment is high and alternative skilled employment is difficult to find. Public sector reforms will then have to take effect as part of a gradual rationalisation process. Other possibilities, such as small business creation and credit schemes, have been tried, but their limits are shown by the experience of various African countries.[9] Such schemes touch a minute fraction of the labour force, and since candidates seldom possess the technical and managerial skills needed to set up new enterprises, the number of jobs created is low. Furthermore, the schemes are generally not cost-effective and often place additional strains on the government budget.

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[8] P. Collier: *African public sector retrenchment: An analytical survey*, WEP research working paper (Geneva, ILO, 1988).

[9] ILO/JASPA: *African Employment Report 1988* (Addis Ababa, 1989).

3. Wage policies

As noted above, public service wages have been used as an adjustment variable, with the result that – particularly in sub-Saharan Africa and Latin America – they have lost much of their purchasing power over the past 10-15 years.

A recent ILO study[10] has shown that between 1975 and 1985 the average real basic salaries of African civil servants fell by about 30-40 per cent. In Somalia they dropped by as much as 95 per cent, while in no country did the real wages of all civil servants rise. In Latin America[11] public sector wages in real terms fell less dramatically than in Africa but still declined by 10-20 per cent between 1980 and 1987. In Asia[12] the pattern is more uneven. In some countries, such as Bangladesh and India, real wages in the public sector have fallen, but in others, such as Malaysia and Indonesia, they have risen over time.

Reductions in the real value of basic pay are not necessarily accompanied by a drop in civil servants' take-home pay, since basic pay is usually topped off by annual increments and cash allowances or payments in kind (e.g. housing provided by the government), whose value may have increased. There is also evidence that governments have been willing to make promotion easier as a compensation for falling wages. The previously mentioned study on Africa[13] shows that the granting of annual increments softened the effect of basic wage erosion, but by no more than 5 to 20 percentage points. Reliable data on the type, worth and incidence of allowances to government employees are notoriously difficult to obtain, as is information on accelerated promotion. However, from the fragmentary data available, it would appear that while such advantages have indeed provided some compensation, particularly for certain higher grades, they have offered no lasting protection against falling real salaries.

Generally speaking, senior public servants have suffered deeper pay cuts than the lower grades. And, almost universally, public service salaries have fared worse than those in the private sector. Social security benefits have also shown a tendency to deteriorate, at least in comparison with the private sector. Thus job security and shorter and less rigidly enforced working hours, giving public servants the opportunity to hold one or more jobs on the side, remain the only real advantage of public sector employment.

Action to remedy this state of affairs must start by raising the level of basic salaries, especially for senior public servants. Demoralisation and

[10] D. Robinson: *Civil service pay in Africa* (Geneva, ILO, 1990).

[11] ILO/PREALC: *Evolution of the labour market during 1980-1987* (Santiago de Chile, 1988).

[12] G. Edgren (ed.): *The growing sector: Studies of public sector employment in Asia* (New Delhi, ILO/ARTEP, 1988).

[13] Robinson, op. cit.

inefficiency have reached such heights in many countries as to jeopardise the government's very role in development. Clearly, the habit of maintaining public employment at the same size but at ever lower salary levels will have to be broken. This may be less simple than it seems, because governments will have to set new priorities and make an explicit choice between fewer high-quality activities and more low-quality ones. The size and speed of salary increases will of course have to take account of the financial position of the government and the state of the economy. In some countries the objective of a decent salary for public servants may only be attainable in stages over a period of years.

Falling real basic salaries in the public service and the compression of salary differentials have contributed, almost inevitably, to an expansion of cash allowances (for rent, transportation, representation, etc.) and of benefits in kind (free or subsidised housing).[14] Housing benefits can lead to inequities when there is insufficient accommodation available for all eligible officials. The unsuccessful official in effect suffers a significant loss of pay in relation to colleagues in the same grade who live in government housing. Greater recourse to allowances has also made the task of monitoring government expenditure more difficult, as some allowances are not considered part of the wage bill. Furthermore, allowances are more subject to abuse than are revisions of basic salary scales, primarily because they are less transparent. It is problems such as these that have led some governments to review or abolish certain allowances by incorporating them into basic salary.

It is generally accepted that public service employees pursuing a lifelong career should be paid more with increasing age and experience. The periodic granting of increments strengthens their attachment to their employer and will, if they are made conditional on satisfactory performance, promote greater efficiency. Some analysts, however, fault long salary scales on the ground that, in practice, increments tend to be awarded almost automatically, except for flagrantly substandard work. This is countered by the argument that with shorter scales employees reach the ceiling too soon, and since stagnating salaries are inconsistent with lifelong careers, pressures to promote employees stuck at the top of their grade become virtually irresistible. However, the optimal length of a salary scale depends on the rules and practices governing promotion. Where there are sufficient promotion possibilities for certain grades, scales may legitimately be short. But in education and health, where there are fewer opportunities for promotion, or where vacancies for the next higher grades are filled by recruitment from outside or by transfers from other government institutions, longer scales may be appropriate.

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[14] ILO: *World Labour Report 4*, op. cit.

4. Human resource management

The public sector – and the public service in particular – is by nature labour-intensive: its principal resource is its staff. In present circumstances, as belt-tightening governments seek to get the best out of their employees, this inevitably throws the spotlight on human resource management. The following section accordingly looks successively at some of the important problems facing the personnel management function (recruitment, career development, mobility and management training), and at the prerequisites for successful management efforts to organise and motivate staff in ways that enhance productivity.

Personnel management

Any list of key personnel management issues in the public service would have to include the selection and appointment of qualified staff, and the criteria governing promotion and transfer during their careers. The recruitment and promotion of high-quality staff can pose a number of problems. Government action is, quite rightly, a product of political forces. But if personnel policies are determined by personal connections with hierarchical superiors or political leaders, then inefficiency, low morale and demotivation will be the inevitable result. Thus the best guarantee for a fair and efficient system of recruitment and promotion is a procedure that is open, transparent and competitive. This can take the form of an independent selection or civil service commission, preferably with the active involvement of staff representatives. Such commissions do exist in many countries, but often lead a languishing existence owing to lack of support from top management and/or failure to apply their own rules and procedures.

In addition to educational qualifications and experience, entry into the public service is often made conditional on such matters as citizenship, full enjoyment of civic rights, minium and maximum age limits, physical fitness and good character.[15] Some governments also impose other criteria, e.g. loyalty to the Constitution or the current political regime. Such requirements may possibly be justified in some circumstances but they are likely to be a source of discrimination, since loyalty will often be judged by the candidate's political opinions. Furthermore, a number of countries restrict the political activities of civil servants or even require them to be members of a designated party or political movement.

Another important issue in state recruitment and promotion policies is how to apply the principle of merit while ensuring equal job opportunities for under-represented groups. Women, ethnic minorities and the handicapped

[15] ILO: *Equality in employment and occupation*, General survey of the reports on the Discrimination (Employment and Occupation) Convention (No. 111) and Recommendation (No. 111), 1958, Report III (Part 4B), International Labour Conference, 75th Session, Geneva, 1988.

are, in an increasing number of countries, given preferential treatment or benefit under special employment promotion programmes. In India, for example, a fixed proportion of public posts is reserved for specified groups like the scheduled castes and scheduled tribes. In Malaysia the Constitution provides that a certain proportion of positions in the public service shall be reserved for Malays. The Government of Rwanda has adopted a policy of regional and ethnic balance in the public service in order to reduce inequalities maintained by previous administrations. Some large federal States (such as India and Nigeria) scrupulously observe a balanced regional representation.

Most public services have an internal career development scheme, which governs promotion on the basis of ability, in-service and other training received, seniority, etc.[16] There has, in principle, been a shift in emphasis in many countries from seniority to merit as the main criterion for granting salary increments and promotion. In practice, however, the appraisal of every civil service employee's merit on a regular, objective, fair and consistent basis is extremely difficult and calls for enormous resources.[17] For example, India's Fourth Pay Commission recommended the institution of a performance-related pay system for all but the most senior grades, making increments conditional on satisfactory performance, but the Government rejected the recommendation on account of the unwieldiness and cost of the procedure. Instead, it opted to continue the current practice of undertaking a detailed review of performance only when an official reaches an efficiency bar in the scale. For similar reasons, seniority everywhere continues to play a very important role in promotion, particularly in the lower grades.

Public service employees are usually not very mobile.[18] For workers with specific skills, as in education and health, this may be unavoidable. But it can lead to demotivation and inefficiency. An increasing number of countries are now trying to encourage mobility within the public service and between the public and private sectors. Barriers to mobility exist in countries where pension rights cannot be transferred from one scheme to another, either within the public service or between sectors. Geographical mobility is often hampered by such circumstances as variations in housing costs and the availablility of good-quality schools. All too frequently, mobility is not conceived as part of the overall strategy of staff development with the result that it may clash with individual career development objectives.

Another weakness is apparent in the field of management development. The public service needs managers who can reconcile political and managerial objectives, balance the mix of resources and cope with the

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[16] ILO: *General report*, Report I, Joint Committee on the Public Service, Fourth Session, Geneva, 1988.

[17] D. Robinson: "Employment, labour relations and pay in the public service", in W. van Ginneken (ed.): *Government and its employees: Case studies of developing countries* (Geneva, ILO, forthcoming).

[18] ILO: *World Labour Report 4*, op. cit.

administrative constraints inherent in the public service environment. Unfortunately, few public service organisations provide specialised training programmes for managers. And the training that is available in developing countries is often more relevant to the problems of the industrialised world. Training programmes in most developing countries do not pay sufficient attention to the role of senior administrators as policy advisers; they need to concentrate less on teaching techniques of analysis and much more on developing communication and inter-personal skills. Another key problem is the lack of a reliable method for evaluating whether management training has in fact improved performance.

Management and productivity

Faced with an often increasing demand for services and tight budgetary constraints, governments have begun to show greater interest in boosting public sector productivity. A first step in this direction is obviously to measure productivity, which may be defined as the efficiency with which resources are used in the effective and equitable delivery of government services.[19] Systematic reporting on productivity has numerous advantages. It is useful, for example, when setting goals and preparing budgets and serves to create a climate of productivity-consciousness. However, governments have in general been slow to introduce productivity measurement because it is often difficult to quantify the link between government programmes and the achievement of such broad goals as public health, employment and economic growth.

Apart from structural adjustments at the macro level, such as privatisation and deregulation, many productivity improvement efforts have to be made at the agency or organisation level. The great majority of productivity problems are the fault not of employees but of defects built into the system in areas directly under management control. Modifying managerial styles and practices is therefore an important prerequisite for better productivity. This often means abandoning an outmoded authoritarian style of management for one that is more democratic and co-operative, which in turn implies greater delegation of authority and a willingness by managers to trust their subordinates and allow them more independence. Another important element in productivity improvement in services is a management strategy that regards the public as a client, not as a faceless mass to be directed and administered.

Success in boosting productivity requires deliberate, results-oriented improvement programmes, at both the national and agency levels. Many successful public service organisations have taken the further step of setting up special units to analyse obstacles to productivity increases. These units are usually small and report directly to top management, since their function is to support the productivity programme of the entire organisation.

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[19] J. Prokopenko: *Improving public service productivity: Problems and challenges*, Management Development Programme working paper No. 51 (Geneva, ILO, 1989).

5. Labour relations

Cutbacks in state spending, accompanied by threats of further privatisation and consequential job losses, have alarmed public employees and resulted in more strikes in the 1980s than occurred in previous decades. Many governments in developing countries are waking up to the fact that they cannot any longer impose employment conditions on their employees unilaterally.

Traditionally, labour relations in the public service were seen as fundamentally different from those in the private sector. The State – as the representative of the popular will (or general interest) – was thought to be entitled to act unilaterally in matters falling within its statutory competence. This right could not be challenged by special interest groups such as public service unions. According to this view, the elected representatives of the community (such as parliament or local government) should have the sovereign right to decide on public service wages paid out of tax monies. Today, however, a growing number of people believe that labour relations systems in the public and private sectors are converging.[20] They argue that while government, as the representative of the community, has the sovereign power to take political decisions, its role as the employer of public servants differs little from that of any other employer, and public servants should therefore be able to negotiate with their employer in the same way as workers in the private sector. This view is reinforced by the growing readiness to challenge a government's exclusivity in the provision of certain services: increasingly, questions are being asked about the comparative advantages of the public and private sector.

These different conceptions of government's prerogatives have a direct impact on the determination of employment conditions. In the great majority of African and Asian countries employment conditions for public service employees are determined unilaterally by the government. In many of them public service employees are still denied the right to organise or have no effective means of influencing their employment conditions. In some, such as India, Nigeria and Sri Lanka, governments base their salary decisions on recommendations of independent pay or salary commissions, which give public service unions a degree of indirect influence. Here and elsewhere public service pay is adjusted at irregular and often lengthy intervals. In Latin America there is usually some sort of collective bargaining, even though there is often no legal framework for it. As a rule, such negotiations have been forced upon the government through strikes against the various structural adjustment measures affecting government employment and wages.

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[20] M. Ozaki: "Labour relations in the public service of developing countries", in M. Ozaki et al. (eds.): *Labour relations in the public service. Developing countries* (Geneva, ILO, 1988).

Strikes by public service employees are prohibited in many countries on three main grounds: because they would interfere with parliament's right to determine the budget, because they would not be subject to the controlling influence of the market, and because they could disrupt essential services. Some countries, such as India and Tanzania, deny public service employees the right to strike outright. In others, such as Nigeria, strikes in essential services are banned, and the entire public service is defined as an essential service; however, this does not prevent strikes from taking place. The ILO supervisory bodies have held that strikes may be prohibited for public service employees who act as agents of the public authority or who work in (essential) services whose interruption would endanger the life, personal safety or health of the whole or part of the population. But if the right to strike is restricted or prohibited, appropriate guarantees must be given to protect workers who are thereby denied one of the essential means of defending their occupational interests.[21] Thus restrictions should be offset by adequate, impartial and speedy conciliation and arbitration procedures in which the parties concerned can take part at every stage and in which awards should in all cases be binding on both parties.

Another special employment condition of civil service employees is that they have permanent status, so that apart from dismissal for grave disciplinary reasons they are assured of employment until retirement. Permanent employment can be seen as a necessary safeguard to ensure that civil servants will discharge their duties impartially, without fear for the consequences on their careers. However, if the present tendency for public and private employment conditions to converge continues, public service employees are likely to lose their right to permanent employment.

6. Tasks for the ILO

The ILO has responded and will continue to respond to the problems of public sector reform in various ways. It has already convened two sessions of the Joint Committee on the Public Service (1983 and 1988) and organised a host of other meetings on conditions of work and employment in education, health and public utilities as well as other sectors of the economy. It has also published a wide range of books and articles on the subject, including *World Labour Report 4*, which focuses on the employment conditions of public service employees. The ILO supervisory bodies monitor the application of standards pertaining to the public sector, notably the Labour Relations (Public Service) Convention, 1978 (No. 151). In addition, the ILO has begun to launch technical co-operation projects in the field of public sector

[21] J. Hodges-Aeberhard and A. Odero de Dios: "Principles of the Committee on Freedom of Association concerning strikes", in *International Labour Review*, 1987/5, pp. 543-563.

management and civil service reform, particularly in the context of structural adjustment.[22]

In the years to come governments will face new challenges, most of which result from the adjustment problems of the 1980s. One such challenge will be how to make public expenditure more cost-effective. Another will be how to prevent the demoralising effects of salary erosion, which tempts existing civil servants to take second jobs and makes public service employment unattractive to younger and well-qualified people. A third challenge will be how to deal with the privatisation of public enterprises and the retrenchment of public service employees. Governments may also need to review the procedures used to determine civil service employment conditions and bring them into line with those in the private sector.

The problems of the 1990s will call for the ILO to respond in new ways. It will of course continue to organise meetings where governments, employers and workers can seek ways to solve the problems confronting them. And it will continue to conduct and publish research and supervise the application of standards. But – at the request of governments – it will increasingly have to provide short-term technical advisory services. At the moment, such services are mostly provided or co-ordinated by the World Bank and the IMF, but the time is now ripe for the ILO to establish itself as an independent source of expertise in this field to which governments and other international organisations, e.g. the World Bank, the IMF, the regional development banks and the UNDP, may turn for advice. In the future the ILO could intensify its provision of technical advisory services in the following four fields:

Employment planning basically provides the link between the (expected) macro-economic situation and the need for personnel in the public services. It starts off with various assumptions about government policy (concerning, for example, what services should be provided by government), then estimates the need for different categories of personnel and proceeds to match these needs with the government's financial means. A thorough analysis of labour supply (coupled with one of labour demand) will be needed to find out what type of wage scales and levels should be adopted for distinct categories of personnel. In many countries such planning is not possible for lack of a reliable, integrated system for gathering employment and personnel statistics. Thus, in addition to providing technical advice on how to analyse employment data, the ILO could usefully advise on how to collect and computerise such information.

The productivity of public service personnel will depend to a large extent on their employment and working conditions relative to those in the private sector. *Labour market analysis* will show what impact the government as an employer has on wages and other employment conditions in the private

[22] H. Sarfati: "La coopération dans le domaine de la gestion du personnel: enjeux et écueils", in *Revue française d'administration publique* (Paris), Apr.-May 1989, pp. 103-110.

sector. But to make a valid comparison between the public and private sectors one must take account not only of wages but also of employment security, working time, social security and other benefits. Another important issue is the redeployment of public sector personnel (inside or outside the public sector) as a result of structural adjustment. This is an area where the approach adopted should be differentiated according to particular regional and country circumstances.

The effectiveness and efficiency of public services also depend on sound *human resource development* policies (including personnel management). To a considerable extent productivity hinges on organisational structure, but motivation and skills, which can be enhanced by training at all levels, are key factors too. Motivation can also be increased by providing salary incentives linked to an effective system of performance appraisal. Furthermore, attractive personnel and career development policies need to be developed. One element of such policies is an open and competitive recruitment and promotion procedure that is non-discriminatory and immune to political interference. There is also a need for job classification systems that encourage the rational use of human resources, define the skill requirements for each post and permit jobs to be enriched and enlarged.

A final requisite for the efficient and equitable determination of employment conditions in the public sector is a system of *sound labour relations* supported by appropriate labour legislation. In many countries governments still fix these conditions unilaterally. However, more and more of them now engage in some form of joint determination or collective bargaining, as practised in the private sector. There is no single formula for improving collective labour relations; it can best be achieved through a package of measures including the application of ILO standards (e.g. those concerning freedom of association and equality of opportunity and treatment), the institution of free collective bargaining and the establishment of mechanisms for consultation and the settlement of labour disputes.