

## **Making Spain's public sector more efficient**

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November 28, 2012

In Spain, the civil service accounts for a sizable chunk of the labor market. In the first quarter of 2012, nearly 1 in 5 Spanish workers was a civil servant. Public spending on civil service workers represents the single biggest public expenditure, accounting for more than 12 percent of Spain's entire GDP.

Given current economic constraints, there is a growing consensus that, in order to see growth, Spain's public sector must become more competitive and efficient. A [white paper](#) spearheaded by IESE's [José R. Pin](#) suggests how to achieve this transformation.

### **What goes up must come down**

Civil servants are reflected in two facets of a national economy: as a portion of government spending, and as a percentage of the total working population.

Hence, for a country to balance its budget and improve its efficiency and competitiveness, public sector workers must be managed effectively.

Since 2000, Spain's civil service has expanded, unlike in other European countries such as Denmark, Germany and Italy where it has contracted.

Between 2008 and 2010, even though Spain was beset by an economic crisis and a growing public deficit, public service employment went up by 7.4 percent, while private sector employment fell by 12 percent. Spain's autonomous communities accounted for much of this growth.

Little wonder, too: The Spanish public sector pays better than the average among OECD nations, and more than the private sector. In addition, the average civil servant in Spain works almost eight hours a week less than their German counterpart, and over 300 hours a year less than a British one.

Overstaffing does not appear to be a major issue, as the number of civil servants in Spain is in line with its E.U. neighbors.

However, government spending strategies could not be more different. In recent years, local governments in Spain have increased their spending and public services, in a context where Spain ranks as one of the E.U. countries with the most municipalities of under 5,000 inhabitants.

## **Professionalizing HRM in the public sector**

Around 60 percent of the staff of local government administrations are permanent employees. Recent labor reforms make it easier to lay off such staff, yet doing so will require new collective bargaining agreements.

The white paper recommends ways of optimizing performance without resorting to layoffs, based on performance evaluation tools, management by objectives and other professional HRM tools that frequently go unused.

The white paper cites several examples of local governments, from Spain to Finland, successfully applying private sector management techniques to improve their efficiency.

For these practices to take root and bring about the necessary change of culture, there must be appropriate leadership in place at the top, the white paper notes.

Among the management capabilities that must be developed are: knowledge of other languages, legal aspects, team management, results orientation, performance evaluation, remuneration systems, and attention to health and safety.

Although 90 percent of managers surveyed consider leadership and management training in these areas to be necessary or essential, the majority express little interest in attending specialized training programs to develop such competencies.

To change this attitude, a better case must be made for public sector workers to understand why such change is needed, otherwise the efficiency of local administrations, and the general

perception of the Spanish civil service as bloated and unproductive, will not improve anytime soon.

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