

Eloquent Silence: Civil Service Career Development in the EU Financial Assistance Programmes Conditionality

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Abstract

This article examines how civil servants' career development has been treated in the loan-driven EU reform recommendations for Greece, Portugal, Cyprus, Ireland and Spain in the aftermath of the crisis. There are virtually no proposals for reforming the career development of the respective civil services in these documents. We argue that this omission is dysfunctional given the otherwise ambitious reform agenda the European Commission required from these countries in order to grant them financial support.

Keywords: European Commission; civil servants; reforms



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Impact

The policy conditionality that the European Commission attached to the financial assistance programmes of Greece, Portugal, Cyprus, Ireland and Spain has virtually no mention to civil service career reform. Regarding public administration structural reforms, the priorities were to establish independent fiscal councils, set up budgetary and fiscal discipline laws, or improving fiscal reporting and the revenue administration. In some instances, the official EU documents even openly declare that the public sector was responsible for the crisis and that it is necessary to avoid that the public-sector perimeter expands. In sum, the vision of the public sector that emerges from these official policy documents is more that of a risk factor to caution against rather than an ally for improving the society and the economy. More attention needs to be put in reforming and modernizing civil servants' careers if the reform recommendations are to be balanced and credible.

Introduction

Several works have studied how public administrations have been reformed in the aftermath of the financial, economic and fiscal crises initiated in 2007-2008 (Di Mascio *et al.* 2013, Featherstone 2015, Kickert and Randma-Liiv 2015, Di Mascio and Natalini 2015, Sotiropoulos 2015, Raudla *et al.* 2017, Cohen and Karatzimas 2018, Kasperskaya and Xifré 2019, Ongaro and Kickert 2019). This article explores how an area of public administration, civil servants' career path and development, has been treated in the policy reform recommendations included in the financial assistance programmes prepared by the European Commission, jointly with the IMF and the ECB (the so-called troika), in the aftermath of the crisis.

We approach the question by examining the conditionality for public sector reform attached to the respective memoranda of understanding (MoU) of the Economic Adjustment Programmes (EAP) of Greece, Portugal, Ireland and Cyprus, and the Programme for Recapitalization of Financial Institutions of Spain. Although Spain was not formally subject to an EAP, the MoU the country signed included also ample non-financial policy conditionality. We therefore analyse the documents prepared by the European Commission and the troika that contained more significant loan-driven conditionality.

The topic is relevant not only for academical but also for policy and social purposes. The public sector exerts a strong influence in the living conditions of millions of citizens and residents. However, the analysis and public focus of the post-crisis public sector reform in the EU has been mostly concentrated on purely the fiscal front, i.e. the merits and demerits of austerity and budget cutbacks. This is obviously important but the effect of reforms in other areas of the public sector which have a direct impact in people's lives - such as the civil servants' morale, or the implicit vision of public service communicated by policy conditionality - cannot be overlooked. The present paper attempts to bridge in part this gap.

Background

The personnel component is one of the key elements of the reform trajectories in the public sector. In its most elementary terms, a reform of can be described as the changes with respect a broad 'base case' which characterizes the typical public servant. Following Pollitt and Bouckaert (2017, p. 90) this base case is defined by the following three ingredients: (a) a tenured, career appointment (not dependent of the politicians or the civil servant's superior); (b) promoted principally in relation to

qualification and seniority; (c) part of a unified civil service, with a distinct and particular national framework of terms and conditions, including national pay scales. Reforms on public service career path can be analysed therefore in terms of how they bring about changes in these three dimensions.

More widely, a typology of four strategies for public sector reform in general has been proposed (Pollitt and Bouckaert 2017, p. 115): maintain, modernize, marketize, minimize. Each corresponds to different attitudes towards the “machinery of the state” and they are “impulses” or “motivations” for reform from the point of view of national governments. Our perspective in this paper is a bit different and we employ this typology to rationalize the recommendations for reform included in the loan-driven policy conditionality addresses to EU member states in financial and fiscal stress.

Analysis

The financial assistance to EU Member States in the aftermath of the crisis was instrumented by means of three types of programs: Economic Adjustment Programmes (EAP) for Greece (three programmes), Ireland, Portugal and Cyprus; a Financial Assistance Programme for the Recapitalization of Financial Institutions, an ad-hoc programme for Spain; and Balance of Payments Assistance Programmes for Hungary, Latvia and Romania (three programmes). Table 1 identifies these programmes along with the signature date of memorandum of understanding (MoU). This article reviews only the first two types of programmes, since their attached conditionality is in general more detailed. The case of Italy, a country which also undergone a period of considerable fiscal and financial markets stress and whose public sector reforms have been extensively also analysed, is not considered because there is no official MoU establishing policy conditionality. For the case of Greece, which was subject to three EAPs, only the first one is reviewed.

Therefore, five financial assistance programmes are reviewed and table 1 identifies them. All MoUs include a section on Economic Policy Conditionality, which is the part of the document we analyse in this article. The combined number of reviewed pages is 113 (15 for Greece, 35 for Portugal, 32 for Cyprus, 19 for Ireland and 12 for Spain).

Table 1
Financial Assistance Programmes to EU Member States

Type of Programme	Country and period	MoU Signature Date
Economic Adjustment Programmes	Greece, 2010 – 2012 (*)	May 2010
	Greece, 2012 – 2015	March 2012
	Greece, 2015 – 2018	August 2015
	Ireland, 2010 – 2013 (*)	December 2010
	Portugal, 2011 – 2014 (*)	May 2011
	Cyprus, 2013 – 2016 (*)	April 2013
Recapitalization of Financial Institutions	Spain, 2012 – 2013 (*)	July 2012
Balance of Payments Assistance Programmes	Hungary, 2008 – 2010	October 2008
	Latvia, 2009 – 2012	January 2009
	Romania, 2009 – 2011	June 2009
	Romania, 2011– 2013	June 2011
	Romania, 2013 – 2015	November 2013

Source: European Commission.

Note: (*) Indicates that the programme is reviewed in this paper.



These programs typically include three types of actions required from countries: (i) fiscal consolidation; (ii) financial sector regulation and supervision and (iii) structural reforms. The focus of this paper is the analysis, within this latter category of “structural reforms”, of those policy measures adopted in order to reform civil servants’ career development. We abstract from the fiscal performance and financial system conditionality imposed on the countries under stress (a comprehensive analysis of the conditionality can be found, among others in, among others, EAPN 2013, Sapir *et al.* 2014, Alcidi *et al.* 2017).

The analysis of the five MoUs suggests that civil servants career development has not been a policy priority in drafting the recommendations to overcome the crisis. Regarding public administration structural reform, the priorities have been to establish independent fiscal councils, set up budgetary and fiscal discipline laws, or improving fiscal reporting and the revenue administration.

The first program prepared in order to provide financial support for a country in the midst of the crisis is the first program for Greece (European Commission 2010). The corresponding MoU includes a section with the goal “to reform and modernise public administration”. However, regarding civil servants’ careers, “modernisation” stands just for adopting a simplified remuneration system for all public sector employees that reflects “productivity and tasks” and calling for an “overall reform of the Human Resource management” without further detail (p.70). From a more general perspective, the document claims that the public sector is “responsible for many of Greece's woes” (p. 20) and that it has to become “smaller, more efficient and agile, and oriented to providing better services to citizens” (p. 47).

These ideas and tone are mostly preserved for the programs of Portugal (European Commission 2011a) and Cyprus (European Commission 2013). In the case Portugal, the policy conditionality regarding public sector reform is to contain “the risks from the wider public sector perimeter” (p. 47). This calls for reducing the size of public sector across all government levels. Regarding civil servants’ career development, the only indirectly related measure is the requirement to reduce management positions by 15% between 2010 and 2011 in the central government. In the case of Cyprus, the policy conditionality is more detailed regarding public sector reforms, but none of the measures recommended have a direct impact on the civil servants’ careers. The program requires that the impediments to staff mobility are reduced, to increase the time flexibility of public workers and, somehow vaguely, it also calls for an “appropriate system of remuneration and working conditions (e.g. annual vacation leave, sick leave, maternity leave, working time” as well as introducing a performance-based appraisal system for public workers (p.91).

The official silence regarding the principles that should guide the design and implementation of public workers careers is even more rotund for the cases of Spain (European Commission 2012) and Ireland (European Commission 2011b). In the case of Spain, the main recommendations regarding public administration reform are the full development of the law on budget stability adopted in 2012 and the call for the creation of the country first independent fiscal institution, which was indeed created in 2013 (Kasperskaya and Xifré 2019).

In the case of Ireland, there are no mentions at all at structural reforms targeting the public administration or civil servants’ career path. However, it is worth noting that this lack of policy conditionality in Ireland is part of a wider picture – it has been argued that the country took the crisis as an opportunity to adopt creative public sector reforms, making a transition to pre-NPM to post-NPM doctrines (MacCarthaigh and Hardiman 2019, Ongaro and Kickert 2019).



We have documented that the design, development and monitoring of civil servants' careers has been virtually absent from the policy conditionality imposed to five EU countries under economic stress (Greece, Ireland, Portugal, Cyprus and Spain) in order to grant them with financial assistance. Loan-driven requests for reform have not touched significantly any of the three elements that characterize the civil service "base case": tenure, promotion and unified service. More widely, in terms of broader reform trajectories, the stance adopted by the EU and the troika regarding public sector reforms appears to be best described as a blend of the "maintain" and "minimize" drives.

This relatively passive view on how to reform civil service strikes as dysfunctional compared with the extremely demanding agenda for reform that the European Commission has demanded in other fields of the public administration, particularly in countries such as Greece, Portugal and Spain. It is difficult to avoid the impression that that the EU and the troika envisaged a reform strategy for the public sector of the target countries without considering how to modernise effectively their respective civil services.

The reasons for this omission are not entirely clear and it is likely to result from more than one factor. First, some countries made more progress on their own in reforming their public administration (Ireland) than others (Greece). It is then logical that the recommendations for reform are adjusted to national pace of reform. In the case of Ireland, the national reformist activism (MacCarthaigh and Hardiman 2019) could then explain why the external, super-imposed conditionality was light and short-lived. Second, the European Commission and the troika have changed their decision-making patterns over time and "softened" their stance. It has been shown that the tone and style of EU-driven requests for public sector reform have evolved over time towards a more on-demand, collaborative and voluntarily approach towards Member States rather than the coercive style that characterized earlier interventions (Ongaro and Kickert 2019). From this perspective, the relative low profile of the EU in making explicit recommendations to Member States to reform their public service career organization may reflect in part this strategy of engaging countries towards a more cooperative, jointly-decided approach to reform.

However it seems fair to argue that the dysfunctionality mentioned above ought to be addressed. An ambitious agenda of public sector reform is more credibly proposed if it is accompanied by a serious consideration on how to improve civil servants' career development and civil service overall functioning.



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