

Finding a way forward on public employment reform:

A Sri Lankan case study¹

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The article explores two contrasting models of public employment reform in developing countries in the Asia Pacific region and elsewhere: the dominant current model, labeled the “Washington model”, and an emerging strategic model of reform which is implicit in studies of downsizing in OECD country organizations. A case study of reform in Sri Lanka is then used to explore the viability of the two models, focusing on the political, economic, institutional and employment contexts, and on the content and process of the reform programme. Implications for the conduct of employment reform in developing countries are discussed. The article outlines a modified strategic model as a possible way forward.

INTRODUCTION: EMPLOYMENT REFORM AND THE HR CONTRIBUTION

Employment reform (as it has become known in the public sector) or downsizing (as it has become known, equally euphemistically, in the private sector) is arguably the dominant HR phenomenon of the last fifteen years, affecting countries in the Asia Pacific region and elsewhere even before the recent downturn (Hulme, 1996). Despite its ubiquity and sometimes dramatic scale - China embarked in 1998 on a programme designed to cut the number of its public employees by no fewer than four million people (Economist, 1998) - the interest of HR scholars has developed only recently (Dawkins *et al.*, 1999; Kozlowski *et al.*, 1993; Littler *et al.*, 1997; Renfrow *et al.*, 1998; Ryan & Macky, 1998; Turner, 1999). Probably not by coincidence, reform has often been dictated by financial rather than strategic or human considerations. This is particularly true in the developing countries which are the focus of this article, where the financial bias of reforms derives from severe economic problems and the consequent influence over their governments of international financial institutions and donors, especially the International Monetary Fund (IMF) and the World Bank. That influence has translated into a recipe for public sector downsizing which I call the “Washington model” of employment reform. It has been adopted very widely, but it is entirely uninformed by a Human Resource perspective, has received little independent scrutiny and, as we shall see, has largely failed to achieve its objectives.

THE WASHINGTON MODEL OF EMPLOYMENT REFORM

After one and a half decades of civil service reform in developing countries, a coherent reform model has emerged. It is cost-driven, having developed in the context of a macroeconomic programme in which the private sector replaces the public sector as the principal engine of development. It stipulates a reduction in public spending in order firstly to bring government income and expenditure into balance; secondly to relieve the “crowding out” effect of government overspending on private investment; and thirdly to free resources for more productive, or simply lower, public expenditure (World Bank, 1983; see critiques by Nelson, 1990; and Mosley *et al.*, 1991). Implemented initially by countries like Argentina and Ghana, it has spread to Asian countries like the Philippines (Steedman and Howes, 1996) and Vietnam (Rondinelli, 1997). It is a stable model, with some of its features evident in recent discussion of the IMF and the World Bank’s response to the downturn in East Asia (Jomo, 1999). The new poverty emphasis that the IMF and the World Bank had just adopted at the time of writing may place the model in a different context, but does not affect the model itself.

Crucially for us, reducing public spending entails reducing the cost of the wages bill through a reduction in the size of the public workforce. Indeed, the latter has been so central a feature of civil service reform that it has often mistakenly been equated with it (Lienert & Modi, 1998; Pronk, 1996). To some extent this resulted from an ideological preference for a small state; from, as one of the Bank’s staffers put it, the belief “That no government or little government was better than big government” (Chaudhry, 1994: 199).

An agenda for reform is set out in a seminal collection published by the World Bank (Lindauer & Nunberg, 1994) and distilled by Nunberg (1994) in a chapter where she reviews the experience of African governments which have carried out reforms under World Bank auspices. I have summarized the agenda in Figure One below.

(INSERT FIGURE ONE HERE)

Nunberg outlines a list of steps which governments have taken to reduce staffing costs. Her list is arranged in ascending order of political difficulty, the implication being that

governments should take a hard step only when they have exhausted the potential of the easier ones. It starts with the relatively easy step of removing “ghost workers”, a colourful phrase which refers to the practice, widespread in sub-Saharan Africa, of interpolating fictitious names into a payroll so that wages can be diverted fraudulently. It moves through such items as recruitment freezes and culminates in compulsory redundancy. The “payoff” for the survivors is supposed to be higher pay financed out of overall wage bill savings. Aside from the likely effect of low pay on motivation and hence on performance, there is evidence of a correlation between pay levels on one hand and “moonlighting” and even corruption on the other (Van der Gaag *et al.*, 1989; World Bank, 1997).

The influence of the “Washington model” has been immense. Between 1981 and 1991 no fewer than 44 developing countries received assistance with civil service reform from the World Bank alone, including Asian countries like Nepal, Papua New Guinea and Thailand (Nunberg, 1994). There are some success stories in the model’s own terms, albeit outside Asia: Ghana and Uganda are two notable examples (McCourt, 1998). But the view has been growing recently even among the model’s Washington proponents that it has not delivered the goods. Abed *et al.* (1998) report an annual 0.5% drop in numbers in twenty-two countries assisted by the IMF, but also an annual 1% decrease in real wages, suggesting that wage cuts played a critical role in reducing the wage bill - the exact opposite of what the blueprint envisaged. By 1995 the World Bank had rated 40% of its own civil service reform projects as unsatisfactory at completion, using the Bank’s standard project evaluation criteria (Nunberg, 1997; see also Lienert & Modi, 1997; and Schiavo-Campo, 1996).

Explanations for this failure, somewhat sketchy, point to difficulties in the context of reform. Nunberg (1997), baldly summarizing the findings of a large number of World Bank project evaluation reports, highlights lack of political commitment, and to a lesser extent poor institutional follow-up and poor oversight of implementation. IMF officials privately echo Nunberg’s concern with lack of political commitment, but also suggest a lack of alternative job opportunities for displaced civil servants. Nunberg (1997: 7) concludes that future reform efforts should be “slower and deeper”, that is, spread over a longer period and cutting deeper into the payroll.

JOB REDUCTION IN OECD COUNTRIES

Effect on performance

The relevance of the experience of industrialized countries, especially that of the United States which is extensively documented, to developing countries might seem dubious, but there are strong similarities. Job reduction programmes were carried out between 1987 and 1992 in the public sectors of no fewer than 22 of the 27 member countries of the OECD, making it their most common initiative in staff management (OECD, 1994). Moreover, just like developing country governments, employers in industrialized countries have more often failed than succeeded in their attempts to reform their workforces. Downsizing in the private sector has typically led to a deterioration rather than an improvement in financial performance and productivity, with firms frequently failing even to achieve the basic objective of reducing costs (Bennett, 1991; Dawkins *et al.*, 1999; De Meuse, Vanderheiden & Bergmann, 1994; Henkoff, 1990; Whetten & Cameron, 1994). There has also often been a deterioration in HR variables like motivation and commitment (Brockner *et al.*, 1987; Cameron, 1994; Dawkins *et al.*, 1999; Littler *et al.*, 1997). Furthermore, the many studies of the industrialized country experience mean that an explanation of the failure of downsizing is beginning to emerge. In interesting contrast to the Washington model, it points to flaws in the content and process of reform.

Conceptualizing reform

The most significant aspect of the industrialized country experience is that taking a narrow, cost-driven model of reform - in a nutshell, the Washington model - has not worked. Cameron (1994), Cascio (1993) and Hamel and Prahalad (1994) among others have argued that job reduction can only be effective as part of a broader strategy, one where the organization articulates a vision of where it wants to go and then identifies the resources it will need to get there. Downsizing then arises as simply one component in an integrated package that will enable the organization to realize its vision, rather than in isolation as a device for reducing costs.

Responding to decline

Downsizing is usually a response to organizational decline, which may be reversible if the signs are spotted and remedial action taken. Cameron (1994) and Lorange and Nelson (1987) point to signs like poor communication, loss of innovation, excessive centralization and

excess personnel. Weitzel and Jonsson (1989) suggest that organizations often fail to act on the signs because slack resources in the organization act as a buffer against the need for change, because decline is believed to be temporary, and because leadership quality is poor. When they do get round to acting, their actions tend to be ineffectual because they process information about decline badly or because they clutch at quick, bad decisions that address symptoms, not causes.

Diagnosis

Diagnosis is crucial, and the input of HR specialists is significant (Cameron, 1994; Kozlowski *et al.*, 1993). Identifying the causes of overstaffing is also important. One general manager commented that “Costs exist for a reason. If you don’t take the reasons away, the costs will return” (Henkoff, 1990: 27). In the public sector, the size of the public workforce is the result of past programme commitments perpetuated in the present (Rose, 1985). Thus it is necessary to understand the policy-making process, since that is where the root of staffing size lies. Failure to diagnose, on the other hand, has led to “a protracted implementation process often marred by multiple false starts” (Whetten & Cameron, 1994: 272).

Range of job reduction methods

When organizations do embark on job reduction, like a one-club golfer they often choose a single, possibly inappropriate method. Recognizing this, Greenhalgh *et al.* (1988) list five methods: natural attrition; induced redeployment; involuntary redeployment; layoff with outplacement assistance; and layoff without outplacement assistance. Allan (1997) adds some other methods calculated to minimize layoffs: recruitment freezes; reduction of overtime; retrenching temporary workers; redeployment; and encouraging staff to take paid or unpaid holidays. Downs (1996) and Fowler (1993) emphasize the importance of applying human resource planning and recruitment controls early enough to forestall the necessity of downsizing.

Voluntary redundancy (VR), favoured by many organizations including Sri Lanka’s government (as we shall see) as a relatively painless way of reducing numbers, has caused specific problems. This is graphically illustrated by the British train company obliged to spend £1.2 million sterling on free travel to appease angry passengers when not enough

drivers were left to drive its trains (Overell, 1997). Product innovation has suffered when companies allowed the departure of “old timers” who constituted an innovation network (Dougherty and Bowman, 1995; see also Cameron, 1994; Hitt *et al.*, 1994).

Process factors

Cameron (1994) points to the importance of ownership and incrementalism. He found that downsizing was often less successful where the impetus came from outside the organization. The importance of an incremental approach is also highlighted in the separate but related “turnaround” literature dealing with programmes for the recovery of sickly firms (Arogyaswamy *et al.*, 1995; Pandit, 1996).

Inappropriate reasons for job reduction

If job reduction is so difficult, and has so seldom succeeded, why do so many organizations keep doing it even when not forced to? It is firstly because downsizing often impresses shareholders in the short-term, so that the share price rises and managers receive a windfall benefit through exercising share options (Downs, 1996). It is secondly, because the threat of layoffs consolidates management’s power over its workers (Tomaney, 1990). It is also because organizations are sometimes simply playing follow-the-leader (McKinley *et al.*, 1995) or even repeating what they have already done: one of the best predictors of whether a firm will downsize in the future, in fact, is whether it has downsized in the past (Henkoff, 1990).

Table One summarizes the key features of my analysis of the downsizing literature, placing them next to the key features of the ‘Washington model’ for comparison.

(INSERT TABLE ONE HERE)

EMPLOYMENT REFORM IN SRI LANKA

We now move on to a case study of reform in one Asian country, Sri Lanka. Sri Lanka’s experience is instructive because having attempted a version of the Washington model with World Bank support, it moved on to pursue a modified strategic model with indigenous elements. Thus we will consider the context factors of political commitment, institutional follow-up and the employment situation which IMF and World Bank writers identify, and the

content and process factors which the downsizing literature identifies. We will also consider the economic context, which has an obvious bearing on the viability of a cost-driven model of reform. Information comes from semi-structured interviews conducted in 1998 with Sri Lankan government officials, two civil service trade unions and two donor agencies which have had a hand in the government's reform programme; and from government and donor documents and published sources.

Three waves of reform

Since independence in 1948, there have been several reform efforts that "have come in a series of waves ... Unfortunately, like waves in the ocean they have receded as fast as they came." Thus writes the Secretary to the Cabinet of Ministers serving in 1998, appropriately enough from his office on Colombo's seafront (Wijesinghe, 1997: 15). At independence in 1948 Sri Lanka initially elected to maintain the administrative model inherited from the British. Among the subsequent reform efforts from 1956 up to the late 1980s, the most relevant is the downgrading of the Public Service Commission, the body responsible for civil service staffing. Initially abolished in 1972, its reinstatement in 1978 still had it reporting directly to the Cabinet. This was a conscious *de jure* politicization of the administration, ostensibly to break down the elitism of the civil service and to harness it to national developmental objectives, but in reality exemplifying a creeping politicization that has proceeded under both the major parties (De Silva, 1993).

The first wave: the Administrative Reform Committee

In the first of three recent "waves" of reform (pursuing Wijesinghe's analogy) the government's Administrative Reforms Committee (ARC), with support from the United Nations Development Programme (UNDP), produced a comprehensive report. It viewed the public sector as a system, and tabled recommendations covering the gamut of government functions, from central policy management to the public enterprises (Government of Sri Lanka, 1987). The recommendations included a reduction in the size of the civil service, based on an estimated overstaffing of the order of 20%. The ARC's analysis was to be corroborated in the mid-1990s by World Bank data showing that government employment, at 11.6% of total employment in the economy, had grown to almost three times the average for Asia (Schiavo-Campo *et al.*, 1997).

Following the immemorial practice of government commissions, the ARC insisted that its proposals were a seamless web, not a bunch of cherries to be picked at will. Following the equally immemorial practice of governments, cherry-pick is precisely what the government proceeded to do. Recommendations were implemented “in bits and pieces”, provoking the ARC’s chairman to exclaim that “The recommendations concerning the increase of salaries were embraced with glee! But ... more important recommendations were glossed over ... When it came to biting the bullet, the political will evaporated” (cited in Wijesinghe, 1997: 21; 26). Moreover, continuing instability blew the reforms off course: “Momentum was lost, conflict sprang up, more people were killed in the south”, as one official commented. UNDP assistance came to a halt.

The second wave: A cost-driven approach

The second wave rolled in in 1990. A Restructuring Management Unit was established in the Ministry of Project Planning and Administration. Since the government accepted advice and assistance from the World Bank as well as, again, UNDP, this wave used a cost-driven approach. The method chosen to reduce civil service size and cost was VR, and take-up was considerable. But in order to attract volunteers, the redundancy package was generous (at the top end, a lump sum equivalent to two years’ salary and a 90% pension after 30 years’ service) and offered indiscriminately. As OECD companies had found, many of the leavers were “old timers” with irreplaceable skills. Consequently, despite a prohibition on rehiring, many returned as consultants, “a new and difficult problem” as one donor described it. Moreover, due to a misunderstanding the package was also offered to staff who were retiring in the normal way. With hiring into the civil service going on meanwhile as usual, the net result of the job reduction programme was, ironically, an increase in both size and cost: “Short-term costs and very few benefits,” was one donor’s terse summary. Donor assistance - “We threw it back to the government” - came to a halt for a second time.

The third wave: A hybrid strategic approach

The government’s response, after a two-year hiatus, came in an invitation to a team from the Asian Development Bank (ADB). It produced quite modest recommendations which drew yet again on the original ARC report (ADB, 1996). The government adopted the proposals, albeit with a longer timetable, vesting responsibility in a new Administrative Reforms Unit in the Office of the President. Job reduction, the centrepiece of the Washington model, did not

explicitly feature - according to an official, “The government’s policy is not to pursue reduction of cadres as a goal in itself. That would be political suicide” - but elements of the strategic model did: mission statements and strategic objectives, a rolling programme of management reviews of ministries and departments (from which job reduction might obliquely emerge) and an individualized approach to staff management through the introduction of performance appraisal.

There were other reforms, quite outside the scope of the ADB’s agenda: they included a major restructuring of central-local relations, and establishing public service commissions in each of the restructured regions. Like an earlier decentralization, these reforms were motivated mainly by a desire to address the Tamil problem by increasing regional autonomy. There were also some reforms to the machinery of government, including a proposed strengthening of the independence of the Public Service Commission. These reforms with their indigenous roots did not follow any current international model.

The government was again using UNDP assistance with this latest ‘wave’ of reform, but with a senior and well-respected Sri Lankan in the lead adviser role, and consultants confined to narrow, specific tasks. ADB and the UK government’s Department for International Development were willing to provide further assistance but their offers were declined: “We don’t want our programme to be donor-driven. We have avoided a situation where donors can hold us to account.” The government’s longer timetable recognized the complexity of reform (“You are dealing with a gigantic monster called the bureaucracy,” as an official commented) through taking an incremental approach, as opposed to the short time frame which World Bank conditionalities typically impose.

The main elements and outcomes of the three reform “waves” are summarized in Table Two.

(INSERT TABLE TWO HERE)

The progress of this third reform effort up to mid-1998 was modest and deliberate. Certainly in some areas the timetable slipped (for instance, constitution of a management council as a sub-committee of the Cabinet, scheduled for early 1997, had still to take place in mid-1998). On the other hand, the introduction of a performance appraisal system was on schedule, with

a pilot exercise for senior staff already completed; and local consultants had carried out reviews of the functions of 50 government departments, with 27 ministries scheduled for review by late 1998. Moreover, other significant reforms not included in the ADB report were proceeding, notably the proposed central-local restructuring and machinery of government reforms.

The political context

There can be little doubt that politics has affected the success of reform. Certainly there is bipartisan support for reform. The main opposition party, the United National Party (UNP), initiated reform by setting up the ARC while in office in 1987, and the current People's Alliance government, a coalition of several parties led by President Chandrika Kumaratunga, included a commitment to reform in its 1994 election manifesto. But even the president, who officials and donors agreed was personally committed to reform, was constrained by four factors:

1. the protracted war against the Tamil separatist movement, diverting attention from the other tasks of government
2. fear of a recurrence of the youth unrest of the late 1980s, relatively unpublicized outside the country but ironically claiming more lives than the Tamil conflict, and fueled partly by discontent over youth unemployment
3. the unstable nature of the ruling coalition and the slimness of her government's majority
4. the perennial expectation that the public sector will be a source of jobs

Those factors had a major effect on the failure of the first and second waves of reform: "there was no political will to tackle reform", as a donor said of the second wave. At the time of writing it was too early to say if this would also be the case with Wave Three. Even an official who described the President in glowing terms admitted that, "Political commitment is about 75%," attributing the missing 25% to "Some instability because of uncertainty regarding decentralization." Donors were divided: one said that "Strong political commitment is absent. They pay lip-service, but it's not real." But another was on record as saying that "The lesson (from the first and second waves) that there should be political will and commitment at the highest level has been addressed" (UNDP, 1997: 8). It was possible that the positive effect of the president's personal commitment and the negative effect of the

slimness of her government's majority would cancel each other out. There was no evidence that pressure on politicians to provide jobs was decreasing.

The economic context

From 1990 to 1995 the economy grew at an average annual rate of 5.5% (Asian Development Bank, 1997). After dipping to 3.8% in 1996, due mainly to a drought affecting agricultural and (hydro-)electrical production, growth recovered to an estimated 6% in 1997. The World Bank (1998:1) described this recovery as "remarkable", praising the government's reduction in the budget deficit from 9.5% to a projected 7.6%, and in inflation from 16% to a projected 10%. The government's management of the economy was "prudent" (the ADB) and "sound" (the Bank). However, while at time of writing Sri Lanka has largely avoided the effects of the slowdown in east Asia, export growth slowed to 2.1% in 1998, mainly because of a fall in the world price of tea, still the country's biggest export (De Silva, 1998; De Silva, 1999; Surry, 1999). Making the link between the economy and the reform programme, Jayawardena (1997) echoes the Washington emphasis on reducing the "crowding out" effect of high government spending. He advocates eliminating subsidies to loss making public enterprises and reducing spending on civil servants, both through job reduction and through reducing the cost of the non-contributory pension scheme, two items which accounted for roughly 5% and 2% of GDP respectively in 1992.

To summarize the influence of the economic context, there is an argument for using reform as a stimulus for the economy, but it is muffled, paradoxically, by Sri Lanka's good recent economic performance. This echoes Weitzel and Jonsson's (1989) analysis of companies' failure to respond to signs of decline.

The institutional context

Locating the restructuring management unit in the Ministry of Policy Planning and Implementation in the second reform wave was agreed on all sides to have been a mistake: "the unit foundered because it was outside the government structure", as one donor observed. Hence its relocation to the Office of the President, and the (delayed) proposal to establish a management council as a sub-committee of the Cabinet to coordinate reform. We also noted the *de jure* weakening of the role of the Public Service Commission in 1972, exacerbating the *de facto* upward pressure on the number of jobs. Again a proposal to strengthen the PSC's

independence was still on the stocks. In general, the institutional context was stronger in the third wave of reform.

The employment context

Unemployment in Sri Lanka is stubbornly high, averaging between 12 and 16% over the last three decades (Jayawardena, 1997). While economic liberalization has stimulated the growth of the private sector, the public sector, whose jobs are prized for their prestige and security, remains for many the employer of first resort. While growing private sector competition has reduced the number of applications to the elite Sri Lankan Administrative Service in recent years, at lower levels the public sector is still very attractive: there were no fewer than 214,000 applicants for 782 clerical vacancies in 1997. Applicants' efforts may include trying to find a political patron. Conversely, a politician's ability to get somebody a job can be a factor in their political support. Politicization combines with high unemployment to exert a continuing upward pressure on civil service numbers.

The content of reform

Effect on performance

We saw earlier that the cost-driven approach of the Washington model often led to a deterioration in performance in OECD private companies. There is some evidence of deterioration in the quality of Sri Lanka's public services (UNDP, 1997), as well as the evidence presented here of an ironic cost increase following the application of the cost-driven approach in the second wave of reform. However, the "soft" approach to redundancy dictated by political constraints probably means that morale declined less than would otherwise have been the case, although this must be set against possible anxiety created by failure to consult staff (see below). So it is plausible to suggest that the government was right to broaden its definition of reform to include measures such as performance appraisal and mission statements which at least have the aim of improving performance.

Conceptualizing reform

OECD companies have found that job reduction is most likely to succeed as part of a broader organizational change strategy. The government is now moving in that direction, with measures to improve policy machinery, the introduction of mission statements to articulate an organizational vision, and performance appraisal and management reviews to improve

performance. Conversely, the donors at the time of my interviews appeared to be still wedded to a narrow job reduction agenda.

Diagnosis

The ARC and the World Bank, together with the rolling programme of management reviews, had gathered some hard evidence, although certain areas were deficient: one donor's comment was that "Here we're at a basic level. We're just trying to keep track." Soft evidence was also partial. Because reform was now indigenously driven, there was a better sense of the context of reform than in the earlier "waves" of reform. But analysis of the causes of overstaffing in pressure to create jobs and in the policy-making process remained to be conducted.

There was some evidence of individual HR expertise, a factor that the downsizing literature highlights, in government agencies like the Ministry of Public Administration, Home Affairs and Plantation Industries. However, this was not fully integrated into policy making: most HR activities were still piecemeal, conducted in isolation from the general thrust of reform. This acted as a constraint on the implementation of a strategic approach, in which integration of HR activities with each other and with organizational strategy occupies a central place (Marchington and Wilkinson, 1996).

Range of methods

VR has been the government's only job reduction method, with predictably dismal results. However, donors continued to advocate its use. The government in early 1998 agreed a US \$57 million credit with the World Bank for restructuring the flagship Mahaweli rural development project. In the face of previous experience, it envisaged a reduction of 57% of the project's current staff exclusively through VR, to be implemented in precisely six months.

Although Allan's (1997), Greenhalgh *et al.*'s (1988) and Nunberg's (1994) principle of an *à la carte* menu of cost containment methods from which governments can choose is attractive, some of its items are not available to Sri Lanka. Enforced layoff, for instance, is not politically feasible, and there does not appear to be a problem of ghost workers. However, it is arguable that insufficient use has been made of redeployment, retraining, tight recruitment controls and human resource planning to forestall job reduction.

The assumption that redundancy will inevitably cause hardship needs to be tested. Unlike some African countries, for instance Ghana (Younger, 1996), no study appears to have been done of staff previously made redundant. As in Australia and the United States, jobs lost through redundancy may be offset by job creation elsewhere (Dawkins *et al.*, 1999; Economist, 1996) - not that this will be of any comfort to many displaced civil servants. The good performance of Sri Lanka's manufacturing sector in recent years, especially garments, makes this a plausible scenario.

Reasons for job reduction

Sri Lanka's determination to reform on its own terms means that it has resisted both the international trend and specific, arguably ideological, pressure from donors to reduce jobs. Certainly attempts to reduce jobs in waves one and two of reform proved abortive, but the government does have the option of reducing strategically in a way that addresses overstaffing while protecting service delivery.

The process of reform

Ownership and incrementalism

It is encouraging that the current wave of reform has genuine indigenous ownership. The ADB team "favoured a big bang, but the President preferred a gradual approach," reported one of the donors. "Reform needs to be gradual," stated one official, faithful to his President's view. To some extent the government's incremental approach is a luxury which Sri Lanka's good economic performance permits. But it is also in keeping with effective industrialized country practice (Cameron, 1994), and with the experience of other reforming countries: Ghana's overhaul of its public administration, for example, began in 1983 and is still continuing (McCourt, 1998).

Consultation with trade unions

It is striking that no recent consultation has taken place with trade unions. Sri Lanka's public service has a tradition of high union membership, militancy and close association between unions and political parties (Kearney, 1971; Manor, 1984; Wilson, 1979). Clerical and administrative staff are mainly represented by the All Ceylon Government Clerical Service Union (ACGCSU) (clerical staff) and the Government Clerical Service Union (GCSU); and

by the Sri Lanka Administrative Service Association (SASA) (staff officers). They are assumed to be hostile to reform - "Delays may result if there will be greater resistance by trade unions ... for reforms and downsizing" warned one project document (UNDP, 1997) - and so have not been formally consulted. The unions bitterly resent this: "They have had no meeting formally," said one of them. "We wrote to them on this, but they didn't reply. Our information comes from the media. There is no programme for us to give our views".

In fact the union position was complex. Certainly ACGCU was unequivocally opposed to compulsory redundancies, but it was open to a reduction in the size of the civil service through natural wastage, blaming overstaffing on the inability of politicians to resist the temptation of finding jobs for their supporters. Both unions were willing to accept VR - on the right terms, of course. Moreover, while SLASA was opposed to performance related pay, it actively supported the introduction of performance appraisal. Thus there were some grounds for the complaint by one union official that "The government believes we are hostile to reform, but we support reform. If reform is constructive and in the interests of the country, we support it."

FINDING A WAY FORWARD ON REFORM

Elements of a reform strategy

I now summarize the implications of my analysis for the conduct of employment reform. Firstly, it is clear that *political commitment*, cited by government and donor sources alike, has had an enormous bearing on progress. But we must unpick the notion of commitment. To Washington writers, it tends to mean governments committing themselves to implementing the Washington model. But as Nelson (1990: 12) points out, "It is clearly inadequate analysis to collapse issues of political feasibility into simple formulas of 'political will'". The World Bank itself recognizes in its public expenditure handbook (1997: iii) that "In many respects, political will is a function of the quality of advice provided to politicians." Governments will only buy a pig in a poke if donor conditionalities impose the purchase on them. But "while reform proposals have to be examined for their technical validity, they also have to face resistance from vested interests," as Sri Lanka's Cabinet Secretary at time of writing has noted (Wijesinghe, 1997: 27). Thus political commitment is best regarded as the outcome of the interaction between the political sphere and the technical content of reform, in

other words of a process where an appropriate reform model forms the basis for assembling a political constituency for reform.

The influence of *the economic context* is similarly complex. Reform may act as a stimulus by freeing resources for investment, but prosperity may reduce the urgency of applying it. Would adversity - an ever present danger given Sri Lanka's dependence on a narrow range of exports and vulnerability to regional and global events - concentrate minds? Not necessarily: experience elsewhere shows that adversity may bring reform to a standstill by removing the very resources, particularly for redundancy payments, that reform programmes inevitably require (Davis, 1991).

The institutional context is less complex. The need for a strategic reform unit at the heart of government is clear, although linkages with other central departments (notably finance and staffing) and line departments still need to be specified. Although not an issue in Sri Lanka, reform may also require legal changes, for instance if current pension arrangements are enshrined in legislation.

Where *the content of reform* is concerned, Sri Lanka's experience supports the case for a strategic rather than cost-driven approach to reform. It also supports the need for a range of methods, rather than relying exclusively on VR, problematic both in Sri Lanka and elsewhere. A flexible choice of methods creates room to manoeuvre, which in turn facilitates political commitment.

The process of reform, somewhat neglected in the Washington literature, is significant in three ways. Firstly, ownership: the difference between the second and third waves of reform is essentially the difference between external donor leadership and internal leadership, and government ownership was therefore greater in the third wave. Ownership by civil servants at large is clearly also important, but government, fearful of union muscle, has neglected the chance to increase it by consulting the unions.

Secondly, the adoption of a gradual, incremental approach seems likely to be helpful, frustrating though that clearly is to certain donors and even some government officials. Of course incrementalism can be a handy cloak for procrastination - a charge from which the

government is not exempt, given how little there is to show for its reform efforts to date. Effective change strategies are incremental and subtle, but also convey the sense that the change agent is continually straining against the boundaries of the possible. Otherwise the question which the poet Roy Campbell asked about the work of some of his fellow South African novelists will apply:

“You praise the firm restraint with which they write -
I’m with you there of course:
They use the snaffle and the curb all right,
But where’s the bloody horse?” (Campbell, 1930)

Up to now there has been “firm restraint” aplenty, but “the bloody horse”, in the form of substantial reform outcomes, has yet to enter the arena.

A strategic model of reform

What are the implications of our analysis for the conduct of reform? The Washington and strategic models are to some extent complementary. The Washington model’s analysis of macro-political and macroeconomic factors is unsatisfactory, but at least it addresses them in a way that the strategic model, in common with most private sector management models, fails to do. It is also strong in its analysis of the facts of civil service size and cost, and it presents a practical range of reform methods. The strategic model is superior in its strategic conceptualization of reform, adds some “upstream” reform methods such as human resource planning and deals convincingly with process issues.

In the light of our characterization of the Washington and strategic models of reform, and of Sri Lanka’s experience with them, Figure Two below is a modified outline strategic model of reform that draws on both the models that we have reviewed.

(INSERT FIGURE TWO HERE)

The model conceives reform as a process (iteration is assumed) which starts with an overall strategy for government as a whole, based on analysis of relevant macro-factors: political, economic and institutional factors, and also a review of past reform experience. Strategy is

translated into an action plan, including institutional arrangements and a suitably paced timetable.

Individual government agencies will have their own micro-strategies, again translated into action plans, and a procedure for management review. Where job reduction is an outcome of a review ('job reduction implementation' appears in parentheses in Figure Two because it is not a *necessary* outcome), then a choice is made from the methods available. As we saw earlier, the latter include methods such as natural attrition and voluntary redundancy. Any redundancies will attract a redundancy package comprising money, resettlement advice and retraining as appropriate.

Finally, 'process' measures will run alongside the whole process, as it were, since they will be a continuous concern in the reform programme. They include measures to generate ownership of and commitment to the reform programme, and consultation and communication with staff and their representatives. The appropriate pace of reform, which the timetable in the strategy action plan will address, is another process issue.

To what extent is such a model generalizable to other developing countries? Sri Lanka has of course its distinctive features: perhaps the most obvious are its array of political forces, its good recent economic performance, its functioning bureaucracy ably staffed at the highest levels, and the continuing civil war. But something like the strategic model presented here is identifiable in the reform programmes of developing countries like Malaysia, South Africa and Uganda (Sarji, 1996; Ncholo, 1997; Government of Uganda, 1994) and of industrialized countries like New Zealand and the UK (Boston *et al.*, 1996; McCourt, 1998). So while development of the model and replications of the case study are clearly desirable, it seems reasonable to suggest that the model is not an idiosyncratic one.

CONCLUSION

Evaluating different models of employment reform is no academic parlour game. If the "slower and deeper" cuts favoured by Nunberg (1997) are implemented, it will be at the expense of civil servants and their extended families: in the US, redundancy has on occasion created a job-seeking stigma which has taken up to six years to erase (Stevens, 1997). Unlike

itinerant donor officials or academics, politicians and government officials have to live with the consequences of their actions. It is understandable if they want to look before they leap, especially when we know that the reform methods of the past have failed dismally. On the other hand, money spent on unproductive salaries is at the expense of public services, which in Sri Lanka sustain its proud record of literacy and public health, and of private, job-creating investment. I hope that this study will make it easier to find a way forward on employment reform in developing countries, one that contributes to national prosperity and the quality of public services and minimizes the damage to the civil servants who are its potential victims.

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Figure One: The Washington model of employment reform

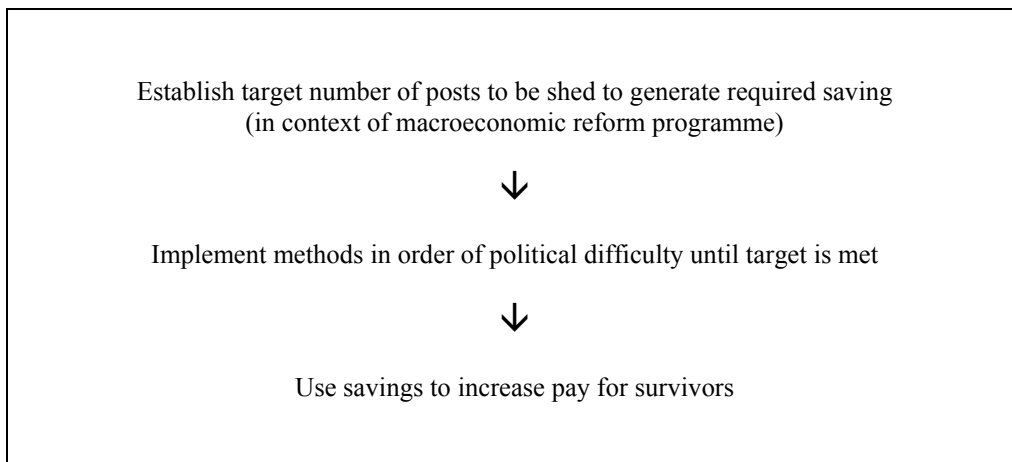
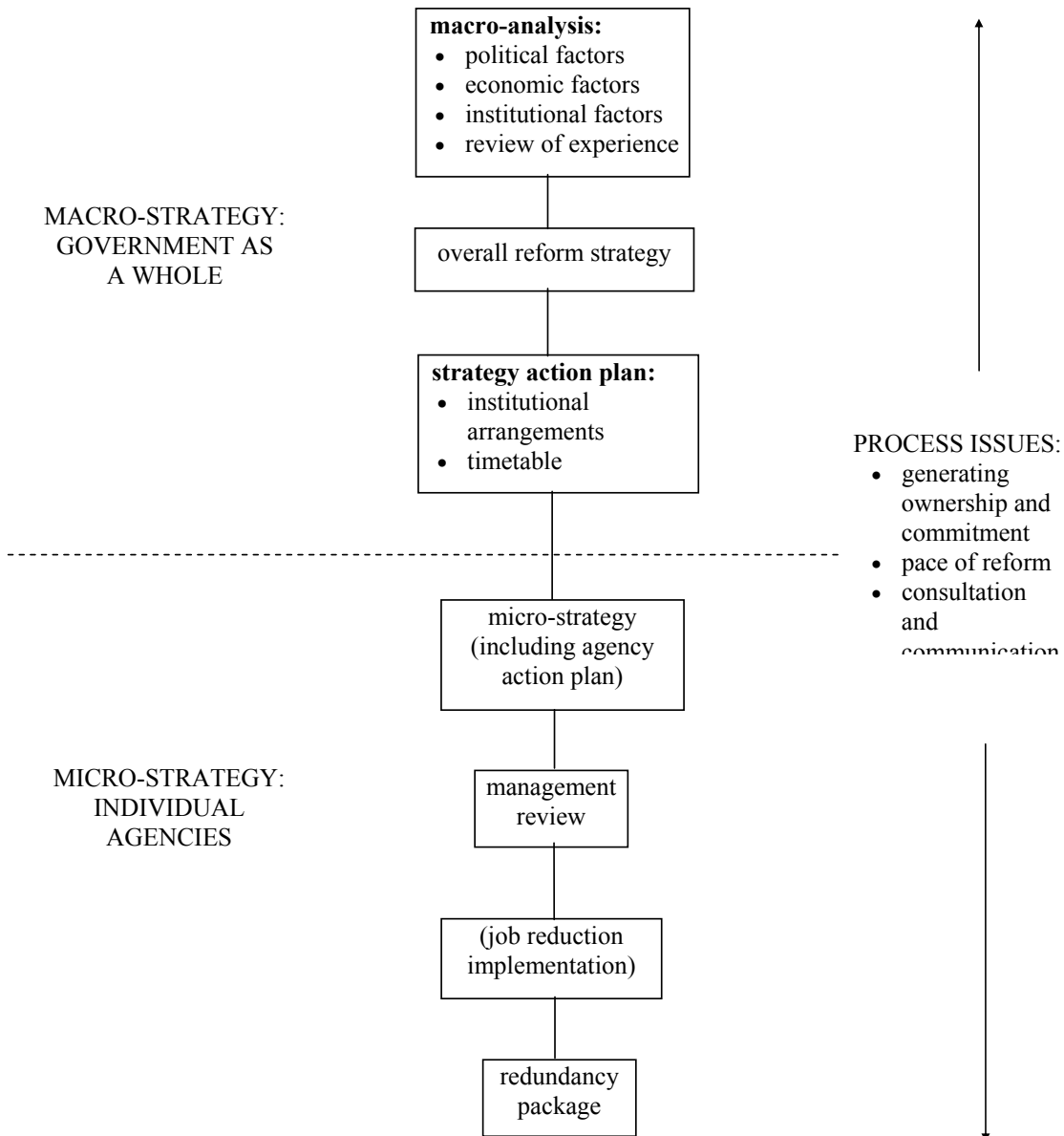


Figure Two: A strategic model of employment reform



**Table One: A comparative analysis of two models of
employment reform**

Feature	Washington model	Strategic model
Orientation	Cost	Strategy
Critique of existing approaches	Sketchy: context factors: political commitment, institutional weaknesses; lack of jobs elsewhere	Detailed: content factors: absence of strategy, ignoring decline, limited methods; process factors; unsuitable reasons for downsizing
Diagnostic tools	‘Hard’: numerical data on size and cost of workforce	‘Soft’: understanding causes of overstaffing; HR expertise
Content of reform	Comprehensive and specific: Nunberg’s ‘steps’	Fragmentary: ‘upstream’ measures to avoid redundancy
Process of reform	Sketchy: oversight of implementation and shortness of reform period	Detailed: ownership, communication, consultation and incrementalism

Table Two: Three waves of reform

Waves of reform	Content	Outcomes
Wave One	ARC report: detailed linked proposals including reduction in civil service size	piecemeal implementation; reform derailed by political instability
Wave Two	Restructuring Management Unit; voluntary redundancy package	package wrongly targeted; net increase in number of civil servants
Wave Three	gradualist, “strategic” model: mission statements, appraisal etc.; central-local restructuring; machinery of govt. reforms	reform ongoing, but largely on course