



A BETTER KIND OF CHANGE

PUBLIC SERVICES RESTRUCTURING
AND MODERNISATION THROUGH
EFFECTIVE SOCIAL DIALOGUE AND
HUMAN RESOURCES MANAGEMENT

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Modernisation through Effective Social Dialogue and
Human Resource Management

Lessons from a CEEP project

Introduction

Since 1961 CEEP has been “serving the public” by bringing together organisations which provide Services of General Interest (SGIs) and allowing their voice to be heard at the European level to contribute to a progressive way of policy-making.

The way this mission has been fulfilled has changed in order to adapt to the changes public services and SGIs have been facing on a on-going basis over the past years: the strong and increasing demand of users for best quality at the lowest price, the liberalisation and privatisation agendas at European and national level, decentralisation of public administration, tightening of public budgets to meet the Maastricht criteria and demographic change, just to quote some of them.

At the centre of these changes, CEEP members needed to provide the same or better services, often with fewer resources. In other words: best services for citizens’ money!

Our commitment

To be in the **driving seats for modernisation and the improvement of public services** is the first commitment of CEEP members. Only a proactive approach to change, lead by those who have to implement the restructuring process at workplace level, can achieve successful results for employers and providers of SGIs, for the workforce they manage and, above all, for the users and customers they serve.

This commitment is **fully in line with the wider European agenda** and in particular with the work CEEP undertakes with the other cross-sectoral social partners.

In the **“joint analysis on key challenges facing European labour markets”** signed by BusinessEurope/UEAPME, CEEP and ETUC in October 2007, the challenge of creating a supporting public environment is highlighted as follows:

“High-quality public services play an important role in the development of effective labour markets and competitive economies. Cost-effective social protection systems; efficient public employment services, the quality of education in publicly-funded schools and universities; the availability of affordable and quality care services; and the effectiveness of public networks are all examples of how public services can underpin the competitiveness of the economy and help increase employment rates”.

It is primarily for public service and SGI employers at EU and national level to take up that challenge and to fully exploit the employment growth potential represented by public services.

Discussions on how to best manage the impact of restructuring and modernisation are currently high on the policy agenda at European, national and local level. Hardly a week goes by that we do not hear news of another company moving production, either to Eastern Europe or to the emerging economies of South-East Asia or elsewhere. At European level, disquiet in the face of such developments has already led to the establishment of a European Monitoring Centre for Change (EMCC)¹, a European Commission co-ordinated Restructuring Forum², the birth of the European Globalisation Adjustment Fund³ and a wider debate on how to ensure the greater adaptability of the European economy in the face of the globalisation of markets and competitive challenges. Whilst concern over the employment and wider economic impact of company relocation decisions is clearly understandable, such sensational announcements mask a less headline-grabbing reality.

Data from the EMCC show that despite the widespread emphasis on the impact of private sector restructuring, and the relocation of manufacturing jobs in particular, it is actually the public services and services provided in the general interest (SGIs) that have in recent years often been most affected by restructuring decisions. A 2007 report on *Recent restructuring trends in the EU*⁴ by the European Foundation for the Improvement of Living and Working Conditions shows that in 2006, the most significant job losses in the EU were recorded in the post and telecommunications sector (93,812), followed by the public sectors (92,345). Despite this evidence and the fact that the public services make up nearly 25% of EU employment, the profile of public service restructuring and modernisation at EU level has been very low in the past.

In order to address the comparative lack of research and policy interest in the challenges of modernisation facing public services and providers of SGIs, CEEP initiated a project entitled "Public Services Restructuring and Modernisation through Effective Social Dialogue and Human Resource Management" in 2007, with financial support from the European Commission. The project covered six key sectors (postal, electricity, railways, central and local public administration, health and education) and gathered detailed case study material from six partner countries (France, UK, Denmark, Sweden, Poland and Italy) while seeking to cover baseline information for all EU Member States. It involved a mixture of background research (carried out by Aritake-Wild), seminars to exchange good practice and experience from different countries and sectors, all presented at a closing conference.

The project also aimed to gather evidence of the effects of restructuring and modernisation on the quality of the services provided.

CEEP was able to benefit from the highly valued participation of a number of partners from sectoral employers' associations confronted with similar challenges: PostEurop (Association of European Public Postal Operators), Eurelectric (Union of Electricity Industry), CER (Community of European Railway and Infrastructure), CEMR (Council of European Municipalities and Regions) and HOSPEEM (the European employers' organisation for the hospital sector).

This document aims to summarise the main findings and lessons from this project and highlights the possible next steps discussed at the closing conference held in Brussels on 10 December 2007.

¹ <http://www.eurofound.europa.eu/emcc/>

² http://ec.europa.eu/employment_social/restructuring/forum_en.htm

³ http://ec.europa.eu/employment_social/egf/index_en.html

⁴ <http://www.eurofound.europa.eu/pubdocs/2007/681/en/1/ef07681en.pdf>

Chapter 1 Drivers for public service reform and approaches to restructuring and modernisation

Public service providers are clearly not immune from the factors of change which affect all organisations, including technological innovation, changes in supply and demand characteristics, and increasing competition. However, there are some additional factors at work, which are more specific to the SGI sector. Research among public service organisations, which accompanied this project, found a widespread perception that much of the change which has occurred in public services and SGIs in recent years was “top down” rather than “bottom up” driven. In many sectors, such as electricity, gas and the postal and telecommunications sectors change were driven – or at least accelerated - by changes in the EU legislative framework. This has involved in particular moves towards greater market opening and liberalisation. In many of the other more “traditional” public services (health, education, local and central administration), change has been motivated more by economic pressures resulting from cuts and greater stringency in the public purse. In many countries such measures have been influenced by the need to meet the Maastricht public borrowing criteria. Political decisions regarding public spending and revenue rising through taxation also have clearly played a role in determining the funding and future provision of public services.

Therefore, many public services have faced downward pressure on public expenditure at a time of increasing demand resulting from demographic and societal changes as well as technological and medical advances.

The literature on public service modernisation highlights four possible key approaches to reform:

- **Maintain** (i.e. to do the same with less by salami slicing expenditure over successive years. Based on the assumption that most organisations contain a degree of “fat” this is often the first response to financial stringency.)
- **Modernise** (i.e. by implementing change management leading to new structures designed to increase efficiency and effectiveness. This can be done through the greater introduction of technology and the introduction of new, often decentralised, management structures.)
- **Marketise** (i.e. to adopt a quasi-market approach and private sector techniques. This usually involves the replacement of input controls with output targets and measures and often includes the creation of internal or external markets. It can also lead to the introduction of private sector style employment relationships and practices.)
- **Minimise** (i.e. to hand provision over to the private sector through outsourcing or the creation of external agencies operating on a private sector model.)

Elements of each of these approaches have been used by most public service organisations and SGIs in recent years with varying impacts on the quantity and quality of employment in the sectors and organisations affected. Questions regarding the human resource impact of change are explored in more detail in chapter 4.

The literature on “New Public Management” distinguishes three key forms of organisational restructuring:

- Mergers and acquisitions;
- Decentralisation;
- Outsourcing.

Mergers and acquisition activity has largely been limited to the public utilities; it is widespread in electricity, gas, telecommunications, water and postal services. Major mergers and acquisitions have occurred in response to the European liberalisation agenda and have raised many questions regarding the impact of such developments on consumer prices (considering the desire to reduce prices has been at the heart of the introduction of such strategies).

Decentralisation can take place in the shape of functional or territorial decentralisation, both of which have been evident in the public services. Functional decentralisation has partly been driven by regulation, such as those requiring unbundling in the electricity industry, but have also resulted in the creation of specific agencies in public services to facilitate the design of operational processes and human resource management practices to suit the specific purpose of the organisation.

THE POSTE ITALIANE APPROACH TO INTEGRATED DIVISIONALISATION

Poste Italiane undertook a restructuring exercise between 2002 and 2006 designed to improve efficiency; focus on customers, simplify the organisation and reinforce a performance culture. The organisation's mission is to be "a complete service provider ensuring a highly integrated offer and capable of maximising synergies on revenues and costs at central and local level". Poste Italiane structure its business by product divisions, logistics, channels and business support departments supported by common technological infrastructure and operating systems.

Elements of reorganisation in the more labour intensive areas included;
 DELIVERY – Review of the methodology for the design of delivery zones and of postmen's paths;
 FRONT OFFICE – Business Process Reengineering of front office processes through new IT instruments and platforms, web-based interactive staff training;
 SORTING – Major capital injection to render 23 "post farms" autonomous.

Implementation of the changes was supported by comprehensive collective negotiations culminating in the 2006 agreement involving modernisation of staff counters and the delivery network, the management of employee turnover and the introduction of performance base incentive schemes.

Territorial decentralisation is more common in public administration and is designed to shift responsibilities from the central or regional to the local level, closer to the customer.

DECENTRALISATION IN PUBLIC ADMINISTRATION IN DENMARK

On 1st January 2007, the largest ever restructuring of public administration in Denmark took effect. Thirteen counties and 269 municipalities were restructured into five regions and 98 municipalities. As a result of the exercise, the headcount structure of Danish public administration changed in the following manner:

	Before 2007		After 2007
State (FTE)	120,000		130,000
Counties (FTE)	148,000	Regions (FTE)	100,000
Municipalities	360,000		410,000

The aims of the reform were to produce simple and efficient public services; better service with unchanged taxes; a world class health service; clearer responsibilities- coherence; better service for citizens – less bureaucracy and fewer counters; more influence for citizens; and better participatory democracy.

The principles of reform were negotiated with the KTO umbrella union in 2005 and a framework for change was agreed. In 2006 simultaneous discussions took place with 60 unions in the details of the plan. When employees were required to transfer from one employing authority to another, conditions of employment remained unaffected as the principles of the transfers of undertaking regulations were applied to the new contracts. Employees also received assistance where activities were relocated. In an overall approach that involved major organisation change where tasks were reallocated between employees, organisations and locations, only five employee claims were pursued through the courts.

The use of outsourcing in the public services is not as widespread as in the private sector, but has nonetheless generated concern in some areas. The use of competitive tendering and the increasing restrictions placed on the use of in-house provision of services is seen as a restriction of the providers' right to organise and manage the services the way they think best, therefore as a restriction of the right to self-administration of the authorities. Public authorities and enterprises risk by outsourcing external direct influence on the service provider. The only link between the authorities and the public enterprises will be in the contract resulting from a tendering procedure.

Other approaches to restructuring include the re-engineering of business processes, the increasing use of technology (particularly in e-Government) and the shift from input management to management by output and performance targets.

RESTRUCTURING THE NORRTÄLJE LOCAL AUTHORITY ORGANISATION FOR HEALTH, MEDICAL AND CARE SERVICES

The Norrtälje local authority is geographically located near Stockholm in Sweden. The local hospital in the area had been threatened with closure. In order to avoid leaving the municipality without 24-hour emergency care, the so-called TioHundra project was established with the aim of creating a sustainable structure for the provision of hospital, health and social care services. The project effectively created a one-stop shop for health and social care, provided through a unique co-operation between Stockholm County Council and Norrtälje local authority. The board of the TioHundra (in English Ten Hundred, which is also the phone number for medical services in the Municipality) also includes employee representatives. The reorganization resulted in a flatter management structure, greater integration of primary, secondary and tertiary care professionals and the integration of new specialisms. While it is too early to assess the success or otherwise of this initiative, the response from management, staff and patients has been positive and the organization has been nominated for one of the "best employer" awards in Sweden.

PERFORMANCE BASED MANAGEMENT IN THE UK LOCAL GOVERNMENT SECTOR

The Local Government Act, 1999 requires each local authority to "secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." The basic approach was summed up by what became known as the 4 Cs: challenge, compare, consult and compete.

The Best Value principles are underpinned by various instruments of central control: performance indicators; external inspection and evaluation; and central government financial targets. For each service, national Best Value Performance Indicators (BVPIs) are defined. These set performance benchmarks. The BVPIs are very detailed. For instance:

- ◇ The percentage of pupils above a particular test standard in mathematics;
- ◇ The number of over-65s assisted to live at home per 1,000 population;
- ◇ The proportion of rent collected from social housing tenants;
- ◇ Passenger journeys on buses per year.

Based partly on the BVPI results and partly on inspection visits, the Independent Audit Commission annually publishes its overall CPA (Comprehensive Performance Assessment) rating of each council, as being in one of the five categories of: excellent, good, fair, weak and poor. These ratings are based on assessments of corporate governance, use of resources (i.e. value for money) and service delivery.

A report prepared last autumn (2006) by the Local Government Association (LGA) summarises overall performance in the sector in relation to CPA ratings, efficiency savings and BVPIs. CPA ratings are now available for four years starting in 2002. They are not directly comparable as tougher tests were introduced in 2005 but it is clear that the sector's overall performance as rated by the Audit Commission is steadily improving: In 2005 55.4% of local authorities were excellent or good, as opposed to 50.7% on less stringent criteria in 2002. In 2005 13.9% of councils were rated as weak or poor as opposed to 23.4% in 2002.

Some general propositions can however be made with confidence. Compared with the past, there is now a clearer focus on what local authorities want to achieve, thanks to Best Value, BVPIs and related disciplines. This sharper corporate focus is reflected in the near universal adoption of individual performance appraisal, a greater emphasis on communicating with staff, better targeted spending on training and development, a more focussed approach on managing sickness absence, a strong emphasis on customer relations and the widespread achievement in local government of Investors in People status (an independent assessment of an organisation's performance in people management).

Chapter 2 The change agenda and its impact on service quality

Irrespective of the drivers for reform, at the heart of the public services change agenda there has been the desire to achieve greater user orientation, the improvement of service provision and the creation of better structures of accountability.

In the project's final report it is argued that "faced with new financial pressures and a new competitive environment, public service organisations have had to become more "businesslike" in the way they operate. They have had to move faster than before to embrace technological opportunities; to market their products; and to respond more quickly, effectively and specifically to consumer demands.... Whilst changes introduced as a result of increased competition are generally beneficial in the private sector, in the public services there can be undesired side-effects of uncontrolled competition. Less desirable effects are felt in those companies that must fulfil a public service obligation to provide products and services in areas and regions where it is either difficult or impossible to make a commercial profit, and where the opportunity for differential pricing to reflect operational costs is limited. In these areas, the more negative "do more with less salami slicing" of budgets can damage service provision. Examples include the closure of rural public transport routes and post offices, and in the case of railways, budget cuts have proved to be a danger to passengers".

This goes some way towards demonstrating the difference in the restructuring and modernisation of organisations providing services in the general interest and those offering purely commercial goods and services. Because of the importance of public services and SGIs in relation to achieving the goals of the Lisbon strategy, including greater social inclusion, the strategies implemented to modernise these services must be subjected to greater public scrutiny, benchmarking and evaluation from the perspective of their outcome in relation to the quality of public service provision.

This has proved to be the most challenging part of the project because of the dearth of publicly available evaluation and impact assessment data. In general terms, the European Commission's third evaluation report on the performance of Services of General Economic Interest⁵ (telecommunications, energy, post and transport) suggested price, employment, productivity, service quality, affordability, accessibility and consumer satisfaction were "good and improving further". However, it also reported wide variations between sectors and between Member States.

CEEP has therefore repeatedly emphasised the need for more to be done to assess the impact of different public service modernisation strategies (e.g. marketisation, outsourcing, competitive tendering and the use of private finance initiatives or public private partnerships) and the EU policies driving many of these developments.

⁵ Single Market News 16.5.2006

Chapter 3 Managing the human resource implications of change – is the public service approach any different from the private sector one

The impact of restructuring and modernisation on workers and human resource management in public service organisations has been significant. As indicated above, research by the EMCC put the number of job losses in the postal and telecommunications and the wider public sector in the year 2006 alone at over 185,000. Research evidence gathered for the CEEP project reports the number of jobs lost in the EU electricity industry at 300,000 between 1996 and 2006. In the years 2000 – 2006 alone, over 100,000 jobs were cut in the postal sector and the railways sector also saw some significant reductions. On the other hand, demographic and other trends led to widespread increases in employment in the health and social care sector, as well as (to a lesser extent) in education. Civil service and local government employment has also witnessed some significant reductions.

In the sectors which have seen the most significant job losses, the characteristics of the group of employees affected have been fairly specific, influencing the initial approaches to change management. They are:

- Older;
- Predominately male;
- Semi- and unskilled (although not high in absolute numbers, the proportion of middle managers has also reduced significantly);
- Long-serving;
- Members of trade unions.

This has led to a “standardised” approach to change, involving negotiations with trade unions on hiring freezes, funded early retirement packages, generous severance terms; and in some cases, job-search and training initiatives designed to relocate workers either within or outside the organisation and sector. While appearing as “easier” and “softer” approaches, these measures have also created problems, as they have proved increasingly expensive, led to a drain of skills and experiences and are not sustainable indefinitely, as the pool of older workers diminishes and government support for such measures tightens in the context of demographic change.

While in this regard, many public service providers behave very much like their private sector counterparts, there are some significant specificities to the “public service approach” to managing restructuring and modernisation. In addition to the commitment to provide a public service obligation, these relate to:

- The nature of some public service employment relationships;
- The comparatively higher level of employee unionisation and greater commitment to social dialogue and negotiated solutions.

Public service organisations in many countries are traditionally characterised by offering specific employment relationships and benefits, either through civil service contracts or through, for example, particular arrangements in relation to pensions, which are often more beneficial than those offered in purely private sector contracts. In the past, pay

structures and career development were largely based on seniority rather than performance.

In the context of the increasing introduction of market-type mechanisms and competition, as well as output based performance measurement, many organisations have sought to restrict the number of new civil service type contracts issued. This have often led to the negotiation of agreements grounded in “flexicurity style approach”, combining the move away from civil service contracts with commitments to maintain open-ended employment and investment in staff training, development and empowerment at the local level.

CHANGE MANAGEMENT IN LA POSTE

La Poste is France’s second largest employer, after the Government, with some 300,000 staff. It is also Europe’s second largest postal services company. La Poste’s turnover (2005) was more than €19bn and in the same year the company generated operating profits of €755m. La Poste has an extensive physical presence in the country. The financial services and network segments of the organisation have 102 territorial department; 22 financial centres and around 17,000 outlets.

La Poste is facing an increasingly competitive environment in which it has made the strategic decision that, in order to succeed, it will need the support and commitment of its 300,000 workers. The organisation has also decided that commercial success can be built upon the foundation of being one of the country’s leading local public service organisations with an enormous physical network literally on the doorstep of its customers. These two decisions have shaped the organisations recent approach to human resource management in general, and employee relations management in particular.

In this context, La Poste’s strategic plan for the years 2003 to 2007 describes four distinct issues that need to be tackled simultaneously;

- ◇ *“A Dominant Perception”* - La Poste is the dominant player in the domestic market. There are however important public service commitments that go with this position that do not necessarily drive direct commercial results;
- ◇ *“The Economic reality”* - Whilst providing a crucial public service, the organisation is competing in certain of its markets with organisations that operate on a pure commercial basis. Indeed La Poste itself does this in the international parcels market. To succeed in today’s postal service market, the organisation must adopt and utilise effectively new technology and equipment;
- ◇ *“The Social reality”* – La Poste must manage effectively the change from a workforce with civil service status and a civil service mentality to staff with a more customer service and commercial orientation. In an organisation where trade unions are historically strong and well organised, changes in technology, customer preferences and organisational structure will need to be handled effectively;
- ◇ *“Some concern perspectives”* - the nature of postal services is changing.
 - *“Two way”* (letter and reply) business is in free-fall decline as a result of e-media, whereas *“one way”* (direct marketing and bills) are increasing.
 - The universal provider has to live with competition from companies that do not carry the social obligation and can *“cherry pick”* profitable areas in which to compete.

The human resource related priorities for La Poste over the plan period 2003 to 2007 focus on three major areas;

- ◇ Creating an organisational framework in which managers are encouraged to take more responsibility – shifting decision making as close to the client/customer as possible;
- ◇ Developing and delivering a *“motivating project”* in each area of activity;

- ◇ Further developing social dialogue under the heading “réussir ensemble” – delivering success together.

Shifting decision making closer to the customer

La Poste’s overall organisation structure has been created with two key objectives in mind;

- ◇ A focus on areas of specialisation – for example separating mail collection and delivery from parcels and the retail operations. In this way management teams can focus on a particular specialism at which they can excel;
- ◇ Decentralisation of decision making to a level as close as possible to the customer. La Poste has tried to put decision making and resource allocation authority to the maximum extent possible at the level of the operational centre (sorting centre, post office or parcel centre). It has also streamlined the organisation to three levels – the operating centre, the territorial level and the national level.

Motivating Projects

Each area of activity has a “motivating project” designed to lead the change process;

- ◇ The Mail action plan “Cap qualité courrier” is a huge investment programme designed to modernise the entire mail production chain. A key element of this is shifting automation of processes from around two thirds to almost the entire letter-mail load. The productivity improvement will of course managing extensive retraining for new technology and some efficiency improvements through job losses.
- ◇ The Parcel action plans involve brand differentiation and product innovation to suit different markets and expansion of coverage of the parcels business nationally and internationally.
- ◇ Banque Postale already has almost 11m account holders. Its plan is to build on the base of La Poste’s unique role in French society and retail network to develop into a “full service” bank. This involves moving into the area of credit provision, and in particular mortgages and home loans.
- ◇ For the Postal Network, La Poste’s plan is once more to build on a position of unique strength. “Cap relation Client 2007” involves a major investment in property; in updating technology in the retail outlets; and in further developing staff to make the most of the new environment.

The change process and human resource management

The strategic human resource change plans of La Poste impact on three areas;

- ◇ Quantitative impacts on employment;
- ◇ Qualitative impacts on employment;
- ◇ Identifying and exploiting the synergies between social obligation, industrial modernisation and commercial success.

Quantitative impacts on employment – the employment effects of change in terms of staff numbers are not large. La Poste employed 312,439 staff in 1999 and 303,041 in 2005. There has however been a major change in the nature of the employment relationship;

- ◇ The number of civil servants has reduced significantly, being replaced by private sector style open-ended contracts;
- ◇ Unlike many of its competitors, the number of fixed term contracts in use has remained constant over the last seven years;
- ◇ Part time contracts have moved from around 8% to around 12% of the population.

Qualitative impacts on employment – training and skills development are major priorities for La Poste. The organisation’s training plans have shifted from “top down menu driven” approaches to initiatives that involve and engage individuals and their managers in assuring the continuous adaptation of individuals to the needs of the organisation.

Particular areas of focus are improved flexibility; improving staff employability; and making a step

change in customer service. A competency based approach to personal development is delivered through individual training plans supported by the right to receive training. Associated with the new approach to training are new approaches to reward and motivation that support the change environment.

The change process and social dialogue

La Poste has a long history of social dialogue undertaken between strong and effective social partners. The organisation views a “trust” and “confidence” system of social dialogue as indispensable to the change process. It also realises that if the social dialogue machinery is to be effective in the new competitive environment facing the organisation, practices and procedures need to be modernised. In 2004, a new agreement on the organisation of social dialogue was struck between the La Poste and the representatives of its employees. The agreement contained a number of fundamental changes to historic practice;

- ◇ If social dialogue was to be effective in a decentralised business, then the social dialogue process itself had to be relevant at the points where decisions were taken. This called for a decentralisation of the process;
- ◇ To be effective, the issues discussed in the social dialogue had to change to match the new environment and business agenda. The subjects covered in meetings had to become more diverse;
- ◇ If social dialogue is to be based on trust and confidence, then both parties must respect the commitments made;
- ◇ To assure concrete outcomes in negotiations on complex subjects, decisions have to be made by majority and respected by all;
- ◇ Where there will inevitably be disagreements between the parties on issues that affect adversely some parts of the La Poste workforce, the role of the social dialogue is to act as a “social alarm”.

Réussir ensemble - Effective social partnership underpins the major initiative, *réussir ensemble*, described above. A number of elements are built into the initiative;

- ◇ The employee relations framework is underpinned by a general collective agreement;
- ◇ As the nature of work and contracts gradually change, commitments have been given on the limitation of the use of fixed-term contracts;
- ◇ The need to improve the skills and capacities of employees through training is reinforced by an agreement to provide lifelong training for employees;
- ◇ Internal promotion and development systems are made more simple and based on the recognition of skills achieved;
- ◇ If employees are to “care more” about customers, this attitude needs to be reflected in the organisation’s “care for” its staff. Consideration for employees moves up the organisation agenda. One manifestation of this in the area of improved safety and health provisions;
- ◇ The organisation’s reinforced commitment to social obligations are reflected in increased attention to equal opportunities in employment, focused in particular on women and people with disabilities;
- ◇ Social benefits, and particularly those related to worklife balance, are moved up the agenda.

La Poste clearly bases its future success on building the skills and commitment of its workforce through initiatives that reinforce the importance of the relationship between the company and individual employees (training, development, employability, empowerment) and also the relationship between the organisation and those who are elected to represent employees (the new social dialogue processes).

There has also been an increasing shift from systems based on strict “civil service style” rules and procedures dictating approaches to appointment, promotion and payment; centralised remuneration systems; lifetime contracts and benefit systems; predominately full time, open-ended contracts to the use of selection and promotion processes more based on performance and ability; greater open access to vacancies; decentralised and/or performance related pay and more flexible working arrangements. This has required significant changes in Human Resource Management and planning, which has increasingly moved to the more decentralised level with greater emphasis placed on individual performance management and training to ensure adaptability to change.

PROCESS AND ROLE RE-ENGINEERING IN THE UK HOSPITAL SECTOR

The UK national health service project, “The Hospital at Night” sought to resolve the problems associated with compliance with the European Working Time Directive and at the same time assure service continuity and improve the delivery of safer patient care out of hours.

The approach taken was to adopt a whole system solution based upon staff engagement in service redesign and productivity improvement. The outcomes were the creation of multi professional teams with a collective responsibility for night-time patient care. The old model of extended shift working combined with “on-site on-call” working arrangements was replaced by more regular shift working built on multi disciplinary teams. The regular “day” was extended and out of hours operations reduced. At night the focus shifted to primary care and “treat and transfer” practices.

The overall approach was developed by the Medical and non Medical Royal Colleges, the NHS trade unions and associations and NHS leaders. It was piloted over the two years from 2004 to 2006 on four sites. Staff responses and clinical results have been very positive. Whilst drawing concrete conclusions from the pilot would be dangerous, doctors have received better support and training in reduced hours; nurses have had the opportunity to develop their skills in new areas and patient outcomes have improved.

The re-engineering of roles and greater specialisation of workers to provide specific services in order to maximise their potential and utilisation has been a feature of change in many sectors.

WORKFORCE REMODELLING IN UK SCHOOLS

Faced with pressures to improve education standards; deliver the best value for public spending on education; and attract and retain high quality teaching staff, the UK government Department for Children, Schools and Families (DCFS) has begun a fundamental review and restructuring of the education system. The programme is described as “remodelling” the system rather than the more politically emotive terms of “modernisation” or “restructuring”.

Like elsewhere in the European Union, teaching in the UK has become less attractive due to a combination of increasing stress due to workload and pupil management issues and a relative decline in the profession’s attractiveness relative to other professions. Over recent years, less people have been interested in entering the profession and more existing teachers have left for other professions or to take early retirement. The DCFS has adopted a three pronged approach to raising standards and tackling teacher workload and stress:

- Teachers are being given more time in their schedules for non-classroom activities like lesson planning, preparation and pupil assessment;
- The provision of substantial additional support for teachers inside and outside the classroom;
- A concerted attack on unnecessary bureaucracy.

The desire to engage teachers and other education staffs in the development of the initiative led to the start of formalised social dialogue between Government, employers and the teaching unions and associations. Representing the employers are the National Assembly for Wales; the responsible UK Government department (DCSF); and the teaching employers' organisation NEOST. For education staff almost all of the unions and associations representing head teachers, teachers and support and administrative staff are involved – the NASUWT, GMB, ATL, NAHT, ASCL, UNISON, UNITE and PAT. One major organisation missing from the discussions is the UK's largest teachers union, the National Union of Teachers (NUT). The NUT has refused to join discussions due to their conviction that classroom duties should not be transferred from qualified teachers to teaching assistants.

Through the new social dialogue process, a national agreement has been reached which specifies:

- A list of administrative tasks that teachers will not be expected to do (e.g. photocopying, the collection of lunch money);
- The allocation of 10% of the working day to non-teaching duties such as planning lessons, preparing pupil reports etc;
- The appointment of new categories of support staff including High Level Teaching assistants (HLTA's), cover supervisors and exam invigilators;
- New regulations describing "specified work" that support staff are allowed to undertake.

The UK government has invested heavily in education with schools employing many more staff than they did previously. Over the last ten years the school workforce has increased by 40%. As a direct consequence of the initiative, a small increase in the number of qualified teachers (400,000 to 420,000) has been accompanied by an almost threefold increase in teaching assistants from around 60,600 in 1997 to 162,900 in 2007.

A further breakthrough in social dialogue has been the involvement of the social partners in the remodelling of pay structures. Whilst the setting of teachers' pay remains with the government appointed Teachers Pay Review Body, in 2004 a new Rewards and Incentives Group (RIG) was established to exchange views on teachers' pay and professionalism. The Rewards and Incentives Group deals with the better alignment of career and salary progression with the teachers' contribution to "teaching and learning, developing their own expertise and helping to develop others". The new process is designed to facilitate "progression in the classroom" alongside the more traditional "progression through management".

Broadening the social dialogue further, at the end of 2005 Ministers invited education support staff unions and employers' representatives to review support staff employment issues including;

- Proposals for a common contract;
- A new flexible core pay and conditions model;
- Standardisation of jobs; and
- Stability and career development.

A key feature of many of the case studies considered as part of this project has been the emphasis placed on effective social dialogue to achieve negotiated change. As mentioned above, in many countries, the public services distinguish themselves from the purely private sector by its higher level of unionisation and generally greater reliance on social dialogue to achieve positive outcomes in change management.

RESTRUCTURING IN THE POLISH RAILWAYS

The Polish railways started operations in 1840. Restructuring and modernisation commenced in 1990 and the sector was privatised in 2000. In common with other EU railways, the organisation was split between infrastructure management, infrastructure maintenance, passenger transport and freight. The organisation was in fact reorganised into 110 subsidiaries.

PKP employed 337,000 people in 1990 and this dropped to 124,000 by 2006. Over the same period the PKP network reduced by 30%, passenger volumes by 70% and freight volumes by 35%. The downsizing programme was difficult to achieve as no state funding was given. Nonetheless PKP remains Europe's third largest railway system in track length; second in freight volume; seventh in passenger transport; and second in punctuality.

Whilst this was not true in the early stages of restructuring, PKP today believes that the more and more effective are the institutions of social dialogue, the better the efficiency of change. Social dialogue today exists at the national level with the tripartite "Railways Triangle" committee involving unions, railway management and the Government. At the company level, employees are represented on the supervisory board of PKP and relationships are governed by the collective agreement and the social partnership agreement.

Change is set to continue and the next steps are likely to involve changes in payment practices; further transfers of activities within the group companies; outsourcing; and the starting of new joint venture operations. It is anticipated that more developed and mature social dialogue processes will assist the development and implementation of further reform.

The research carried out for the project indicated an interesting distinction between the role played by European and national level trade union federations and the trade unions at operational level within the organisations. It is argued that while European and national trade union federations emphasise their opposition to many of the public sector reform drivers and strategies at policy level, at operational level, trade unions are often positively and closely involved in restructuring and modernisation programmes. This is not to say that unions at local and operational level have always been favourable to the changes being introduced. Indeed change processes have often faced significant opposition, particularly in relation to proposed changes to pension schemes and redundancies. Nonetheless, the overwhelming experience of public services and SGI employers is one of positive engagement with the trade unions and joint work to address the challenges of restructuring and modernisation.

It is therefore argued that one of the difficulties caused by the problem of reconciling public campaigns of opposition to change with operational realities and co-operation, has been that trade unions have been more effectively engaged in protecting the interests of groups of members affected by job losses or changes in contractual terms than they have in engaging with employers to anticipate and shape reforms and in developing activity policies to facilitate job transitions.

The research asks the question whether public and private sector approaches are indeed different when it comes to managing change. It lists the following defining characteristics of public service organisations:

- High levels of trade union membership and influence;
- The provision of a "good" or "service" that the public cares about – often with a universal supply commitment;

- The notion that the organisation represents part of the nation's heritage that should be protected – often manifest by the public expectation of commitment to the service provision by Government;
- An expectation of high standards of behaviour;
- A history or relative stability;
- A long serving and ageing workforce with contractual or psychological "employment for life" guarantee or mindset.

However, it is argued that some of these characteristics also apply to large, high reputation private employers, meaning that many of the messages on good practice in restructuring presented in the "Orientations for reference in managing change" document prepared by UNICE/UEAPME, ETUC and CEEP in 2003 clearly apply in both cases.

Having said that, particular emphasis should be placed on studying positive human resource management solutions in cases restructuring takes place, which requires the same employees to embrace different working practices. The impact of downsizing, organisational restructuring and process re-engineering is clearly stressful and social dialogue and human resource initiatives are required to ensure the workforce remains motivated and focused on providing high quality public service. This requires strong leadership, investment in human resources and negotiated changes in working practices which can benefit both sides as well as the user.

This project has gone some way towards identifying good practice in managing transformational change, but this work should continue to clearly highlight the links between good human resource management practice, social dialogue and improved service outcomes for the public, for whom these services are an essential part of life.

Chapter 4 Next steps

CEEP wants to continue the process of mutual exchange of information and best practice and to extract the learning which can benefit all public service organisations. This project has provided an important first step, but by no means constitutes the end of this process. We want in particular to take forward the following elements:

- Exchange and co-operation between CEEP and the sectoral employers' organisations representing public services and SGIs.

During this project, CEEP significantly benefited from the involvement of the relevant sectoral employers organisations for the sectors covered by this research. There was a strong feeling that despite some of the differences in the drivers for change, employers are facing common challenges and can strongly benefit from an exchange of information between the cross-sectoral and the sectoral levels. CEEP is keen to continue this process of exchange and to widen it to cover additional sectors, with the possibility of establishing a more permanent forum or network for public service and SGI employers to co-operate on key policy initiatives at European level.

- Continue the process of research and gathering of good practice by widening the work to cover further countries and sectors within the "CEEP family".

Due to time and financial restrictions, it was not possible, within the scope of this project, to cover all sectors and countries represented within CEEP. We therefore want to widen this research to ensure the full involvement of all members in the process of developing concrete outputs.

- Deepen the debate with the trade unions on the learning arising from this exchange of information and the guidelines or principles for good practice which could be elaborated.

Throughout the project CEEP kept ETUC and its concerned sectoral federations informed of progress and were able to benefit from the intervention of trade union colleagues from ETUC, Uni-Europa and EPSU at the closing conference. There is a strong interest in continuing this exchange on the lessons learnt from the project and to assess the possibility of arriving at a joint agreement on the key elements of good practice in managing change in the public services.

- Consider the possibility of drawing up a "European charter" of principles of good practice for public service employers when managing change.

Proposals were made during the project phase for drawing up a European "charter" or "principles" of good practice for public service employers when managing change. CEEP would like to explore this idea further and potentially to link it with the establishment of an annual "award" for organisations displaying good practice in this regard.

- Assess the possibility of establishing a European "quality label" or "award" for good practice in managing restructuring and change in the public services

CEEP has recently developed a quality label for Corporate Social Responsibility (CSR). We are considering whether a similar award could be established to provide an annual opportunity to exchange and recognise good practices in managing change in the public services and SGIs.

Conclusion

CEEP is fully committed to make all above-mentioned actions a successful reality. We believe indeed that they will be profitable for public sector members and other economic actors, considering that economic and societal modernisation is not a specificity of the public sector.

The **full project report** is available online via CEEP's website:

http://www.ceep.eu/projects/public_services_restructuring_and_modernisation_through_effective_social_dialogue_and_human_resource_management

CEEP gathers enterprises and organisations from across Europe, both public and private at national, regional and local level, which are public employers or providers of Services of General Interest and is one of the three European Social Partners.

CEEP

rue de Charité, 15 boîte 12

BE - 1210 Brussels

Tel: +32 2 219 2798

ceep@ceep.eu

