



Reforming the Georgian Civil Service: Grand corporation or a competitive market?

Civil service reform is arguably a cornerstone of economic, political and social restructuring of the Georgian state. On one hand, a reformed civil service should provide effective mechanisms for the performance of state institutions. On the other hand, it should ensure fair and equal treatment of citizens. Effective civil service is also crucial for meeting Georgia's internationally committed targets, since relevant activities should be planned and implemented by the politically neutral bureaucracy.

The importance of well-functioning civil service was immediately recognized by the new leadership. As a result, the President established the Civil Service Council and the Civil Service Bureau in 2004. The former is a consultative body of the President, whereas the latter is a legal entity of public law subordinate to the President and responsible for the implementation of civil service reform.

Despite the overall recognition of the need for changes, the reform has not yet started. One reason for the delay could be attributed to the diffusion of formal authority over the planning and implementation among the newly-formed institutions that are in charge of reform. An additional factor could be disagreement among the key players on major principles of a new Civil Service Code and the limited involvement of the state leadership in the policy formation process.

This report describes two main approaches to the civil service reform advocated by two policy networks inside the government. The first approach maintains that civil service resembles a grand corporation that is characterized by uniform grading, protection, and benefit systems. This approach will be referred to as the protection approach in this text. The second approach considers civil service as a competitive labour market, where individual agencies act as firms that compete for a quality workforce. This will be further referred to as the flexibility approach.

Currently, negotiations on three main principles of the Code are well under way: (1) the extent of regulation; (2) the extent of protection; and (3) remuneration and benefit systems. The two approaches have contradictory views on each issue but both sides have expressed willingness to compromise. However, given the disposition of the players on the pitch, the extent of compromises could be decided by the ability of each side to persuade the state leadership that the principles they promote have comparative advantages.

From adult day care to reform attempts

Functional civil service has been problematic since Georgia started to build independent state institutions. Georgia's transition to a market economy was characterized by a dramatic decrease in output that caused a budgetary crisis and worsened standards of living. The breakdown of formal institutions and over-withdrawal of the state allowed informal institutions to flourish in both public and private affairs. Due to rising unemployment and social fragmentation the government was reluctant to reduce the number of civil servants that led to an outsized civil service. Public sector employees were poorly paid but significant informal benefits were attached to many civil service positions in the form of bribes and favours. Because of widespread nepotism and corruption, the Georgian civil service at the end of the 20th century became very similar to the United States' "spoils system" from more than a century earlier. Yet, by disguising unemployment and buying loyalty from a large segment of the population, it became adult day care.



The situation started to improve in 2004 when the leadership introduced a new government structure and initiated policy reforms. In some cases sectoral ministries were put in charge of fundamental changes. For instance, the Ministry of Education was solely responsible for the reform of primary, secondary and higher education. However, in the policy areas of general concern several new bodies were established. For instance, to coordinate the reform of sub-national government the President established the State Commission for Effective Governance and Territorial Reform (Order #637 of 22 July 2004). To lead fundamental changes in civil service the President created the Civil Service Council composed of 12 members, equally representing the legislative, executive and judicial branches of the central government and local governments (Ordinance #710 of 16 August 2004). The council was chaired by the President and its secretary served as the head of the Civil Service Bureau. According to the statute of the Council (approved by Presidential Order #473 of 29 October 2004), the body should coordinate the government's policy toward civil service reform and prepare recommendations to promote the basic values of civil service such as political neutrality, honesty and trustworthiness. The Civil Service Bureau was created as a legal entity of public law (Presidential Order #472 of 29 October 2004) that was chaired by a presidential appointee. The main functions of the Bureau included research in the area of civil service, implementation of relevant legislative acts, coordination of human resource management and trainings in the public sector and expert and technical support for the Civil Service Council.

Later the government saw the need for coordination of the reform activities in different policy areas and thus the Office of the State Minister for Reform Coordination was established. Although the Presidential Ordinance clearly puts the Civil Service Council in charge of the civil service reform, the State Minister's Office also considers this policy area under its mandate. Indeed, the Presidential Ordinance #155 (28 March 2006) declares that the State Minister for Reform Coordination is to coordinate the Anti-Corruption Strategy Action Plan, which includes the major activities of the civil service restructuring.

The first steps of the government related to civil service reform were focused on eliminating redundant agencies and significantly reallocating personnel. However, diffusion of responsibilities and haste to seize the momentum led to poor coordination of the reform activities. For example, from January 2004 to July 2005 the Ministry of the Environment reduced its staff by 44% and the Customs Department by 23%. To achieve these results the former agency launched two reorganizations, whereas the latter restructured the organization six times. As a survey conducted by the Civil Service Bureau indicated, central government organizations used a different staffing, personnel management and merit system. Moreover, agencies applied different grading systems and different salaries for similar grade positions. For instance, the average salary for the Head of Department in the Ministry of Finance was two times as much as the average salary of similar civil servants in the Ministry of Culture and Sports (see annex 1 for the civil service reform statistics).

To address these deficiencies the government committed itself to the reform that has several key dimensions: (1) preparation of the civil service reform action plan; (2) structural separation of policy making and policy implementation positions in the civil service; (3) development of job descriptions for all positions of the civil service; (4) creation and periodic update of a civil service database; and (5) improving competition rules in civil service.

During the two years of its existence the Civil Service Bureau has been undertaking activities that will be very important for the civil service reform, whatever direction it may take. Currently, the Bureau coordinates human resources management divisions across the ministries to ensure uniformity of the personnel management practices. To improve the capacity of HR divisions to plan and hire, training



courses and specialized tests are being developed. The Bureau is actively working to introduce specialized tests that will assess the level of required qualifications/skills needed for particular positions. In this regard SHL, an international consultant that specializes in human resources management and performance assessment, serves as the Bureau's partner. It is worth noting that these tests are not mechanically transplanted but are tested on the local population and adapted accordingly.

Implementation of these activities has been partially based on the effective mobilization of external sources of funding. For example, the UNDP grants helped the Bureau to equip the office and work on the draft Civil Service Code. Similarly, World Bank assistance is being used to create an integrated personnel management system.

Does it matter how to score a goal?

Despite its importance for the society at large, civil service reform is not the subject of public discussions. The President or the Prime Minister has not expressed a unified government position on this issue either. Reform directions were considered internally by government bodies that resulted in two competing approaches advocated by the two policy networks. These policy networks are so far rather loosely defined. One of them is centred in the Civil Service Council and includes representatives of the Council and some members of Parliament. The opposite policy network is formed around the State Minister for Reform Coordination and includes some high officials of the executive branch and members of parliament. They also have several supporters in the Council.

It is worth noting that several key players are missing on the pitch – the union of civil service employees and local government representatives. The involvement of the non-governmental sector was largely limited to participation of the UN Association of Georgia in the process of preparing the draft Code. Unions of civil servants are always important actors in the policy formation process regarding civil service reform. In the Georgian context, however, unions are either very weak or non-existent. Thus, the reform directions will probably be decided without substantial input from the group that will be most affected by the new policy.

Although the need for civil service reform is widely acknowledged, the two approaches provide different justifications for it. The protection approach considers the reform simultaneously as the means and the end, since a regulated civil service is expected to deliver results as well as promote the spirit of public service. For the followers of the flexibility approach, the need for reform is seen as a better means of achieving the desired outcomes. Thus, their focus is on scoring goals whereas their opponents emphasize the regulations for the goal scorers.

For the followers of the protection approach, two general reasons for the civil service reform could be identified: Firstly, the current system of civil service is regulated by several laws, such as the Public Service Law of 1997 (as amended), the Law on Conflict of Interest and Corruption of 1997 (as amended), the Law on Structure, Responsibilities and the Rule of Operations of the Government of 2004 (as amended). Therefore, a unified code is seen as a more effective regulator of the public sector employment. Secondly, the current law on the Public Service was approved almost a decade ago and there is a need to address changes in the government structure as well as new challenges that the government faces. Not only was the law amended dozens of times but also the Presidential Ordinance #286 of 21 July 2001 on the Roster of Public Service Positions was being amended several times a year to address frequent structural changes of the government.



The flexibility approach also supports the idea of a unified code but maintains that the reform is necessary to lift most of the regulations that became a burden for a functional civil service. From this perspective, a new code should define the general principles of the civil service, identify what is not permitted for civil servants and delegate rights of hiring, firing, performance evaluation and remuneration to particular agencies. However, it is also possible to sketch several management models in the law and empower the agencies to choose the one that best fits their objectives.

From barter to monetary payments

It is widely accepted that civil servants should have salaries closer to the market value of the performed work. However, the proponents of the protection approach argue that personalities holding similar positions across the government should be paid equal amounts. It is worth noting that there is room for flexibility in this approach but this too is a subject of heavy regulation. Namely, a legal act will set the upper and lower thresholds for each position and the ministry leadership will make final decisions on a case by case basis. In addition, several positions that the legislator deems to be more important for the state (for example, head of the customs department) or involve risk of life (for instance, high officials of criminal police) will be spelled out in the legal act and those individuals will be entitled to additional bonus payments.

The flexibility approach believes that remuneration should be based on contracts and should be agency-specific. They see some parallels between the uniform payment and benefits system with the barter economy. They maintain that since the government will never be able to compete with the private sector for the best qualified workforce, the only attraction to the civil service will gradually become a relatively generous system of benefits. Thus, to buy loyalty from the civil servants the government will become engaged in barter transactions with its employees, paying partially by means of benefits.

Thus, a system supported by the flexibility approach resembles the system operation in the private sector. Under this system each civil servant will have a specific contract with a relevant agency and payments will be exclusively monetary. The proponents of this approach argue that monetary remuneration simultaneously cuts costs and increases freedom of choice for civil servants. They express surprise that the career system is under consideration when even the army, the prototype for the civil service, is transforming itself into a contractual service. Thus, the flexibility approach implies to trade equity principle for increased efficiency – the public sector will become a small part of the labour market and will operate according to the principles of supply and demand.

Are bureaucrats more valuable than farmers?

One of the major disagreements between the approaches concerns the issue of pensions for civil servants. The protection approach maintains that all civil servants are entitled to rather generous state pensions. Moreover, pensions should be paid according to years served in the civil service and probably according to the importance of the functions performed. Thus, the protection approach sees the benefit system as an attraction to the civil service and subsequent reward for serving the public.

The flexibility approach asks a question: why is any bureaucrat more important than a farmer who spent all his life working in his vineyard but cannot provide a document that keeps his employment record? The proponents of the flexibility approach argue that the protection approach misinterprets the fundamental principles of any pension system. Whereas the protection approach considers a pension a



compensation for good work during the lifetime of a worker, the flexibility approach treats pensions as some compensation of restricted ability to work. Thus, a bureaucrat could not possibly be entitled to more than any other individual in the society. The only exception could be permitted for those who in addition to old age are in severe economic conditions. These individuals should receive additional reimbursement regardless of their previous occupations.

In sum, the flexibility approach maintains that the government should provide a basic pension for everyone but at the same time each individual should be responsible for accumulating their own pension in the private pension funds. Yet, the followers of the protection approach contend that excessive dependence on private accumulation leads to double taxation, since employees will be paying a social tax as well as contributing to their own pension funds.

Game without referees

The policy formation process regarding civil service reform resembles a football match – two teams of equal strength are playing but referees are missing. That is, unions of civil servants, civil society groups and local government representatives are not sufficiently involved in the policy process. Yet, their input is very important since the competition of approaches is a manifestation of value clash in public management. The underlying values of the protection and flexibility approaches have differential implications for the performance of public organizations that have multiple dimensions: public organizations are expected to display not only effectiveness in policy implementation but also democratic values and responsiveness to citizens. Whereas the protection approach believes that impartiality could only be maintained from the civil service that protects the employees from arbitrary political influence, the flexibility approach promotes incentives for performance and responsiveness to political leaders.

These values are equally important for the society but some trade-off will be inevitable. However, in a democratic society the government is not the only legitimate player that can unilaterally define this trade-off. Therefore, it is absolutely necessary that the target group of the reform as well as non-governmental organizations and local government representatives have the opportunity to advocate for their preferred values in public management. This can ensure that the referees during the policy formation will turn into the partners while the agreed reform is implemented by the government actors.

Prepared by Koba Turmanidze,

October, 2006

Acknowledgements

Transparency International Georgia is grateful to the individuals that provided us with the necessary information regarding the policy debate on civil service reform. These individuals are: Kartlos Kipiani, Head of the Civil Service Bureau, Khatuna Gogorishvili, Member of Parliament and Member of the Civil Service Council; Vakhtang Lezhava, Deputy State Minister for Reform Coordination; Elene Imnadze, the World Bank Tbilisi Office, Public Sector Management Specialist.



Annex 1. Civil Service Reform Statistics

Table 1. Reorganization of staff reduction at representative central government agencies of Georgia - January 2004 – July 2005

Ministry/Agency	Reduction in staffing (percentage)	Number of reorganizations
Ministry of Labour, Health and Social Care	21	1
Ministry of Finance	14	5
Ministry of Agriculture	15	2
Ministry of Education and Science	25	1
Ministry of Environment	44	2
Ministry of Foreign Affairs	10	-
Ministry of Refugee and Displacement	-	3
Department of Taxation	19	1
Customs Department	23	6
Government Chancellery	15	2
Average for Central Government Agencies	18	2.13

Source: Personnel Management Practices in Central Government Organizations of Georgia: Reforms Since 2004
(For PHRD Grant Assignment for the Preparation of Public Sector Management Reform Program, September, 2005)

Table 2. Basic salaries (GEL) by positions in central government agencies

Positions Ministries	Main Public Positions	Leading Public Positions		Senior Public Positions		Junior Public Positions	
	Deputy Minister	Head of Depart.	Average	Head of Admin. Unit	Average	Main Specialist	Average
Ministry of Labour, Health and Social Care	1950	1000	914	600	610	400	347
Ministry of Refugees and Displacement	1950	1100	967	900	660	380	327
Ministry of Finance	1950	1400	1300	900	875	700	600
Ministry of Agriculture	1950	1300	940	-	575	450	375
Ministry of Education and Science	1950	750	700	550	375	200	175
Ministry of Culture and Sports	1950	700	667	400	485	300	275
Ministry of Environment	1950	800	750	680	530	400	323
Ministry of Energy	1950	1350	1120	900	713	500	425
Ministry of Foreign Affairs	1950	1136	1017	650	533	420	370
Ministry of Economic Development	1950	1200	1025	800	700	500	450

Source: Personnel Management Practices in Central Government Organizations of Georgia: Reforms Since 2004
(For PHRD Grant Assignment for the Preparation of Public Sector Management Reform Program, September, 2005)