

Tallinn University of Technology Doctoral Theses
Series I: Social Sciences, No. 18

**Strategic Human Resource
Management in the Public Service:
Evidence from Estonia and Other
Central and Eastern European Countries**

JANE JÄRVALT

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TALLINN UNIVERSITY OF TECHNOLOGY
Faculty of Social Sciences
Department of Public Administration
Chair of Public Management and Policy

The thesis was accepted for the defence of the degree of Doctor of Philosophy in Public Administration on 5 June 2012.

Supervisor: Professor Dr. Tiina Randma-Liiv, Tallinn University of Technology, Estonia

Opponents: Associate Professor Dr. Jan-Hinrik Meyer-Sahling, University of Nottingham, UK

Professor Dr. Patrycja Joanna Suwaj, University of Bialystok, Poland

Defence of the thesis: 9 July 2012

Declaration: Hereby I declare that this doctoral thesis, my original investigation and achievement, submitted for the doctoral degree at Tallinn University of Technology has not been submitted for any other degree or examination.

/Jane Järvalt/

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ISSN: 1406-4790

ISBN: 978-9949-23-316-8 (publication)

ISBN: 978-9949-23-317-5 (PDF)

CONTENTS

LIST OF ORIGINAL PUBLICATIONS	4
INTRODUCTION.....	5
Scope and aim.....	5
Methodological note and the structure of the thesis.....	12
1. Strategic integration of HRM.....	13
1.1 External fit.....	14
1.2 Fit between macro- and micro-level HRM.....	22
1.3 Internal fit.....	24
2. Role of managers in strategic HRM.....	28
3. Organisational performance and strategic HRM.....	34
Summary and conclusions	38
References.....	42
SUMMARY IN ESTONIAN	50
ACKNOWLEDGEMENTS	55
PUBLICATIONS.....	57
CURRICULUM VITAE.....	139
ELULOOKIRJELDUS.....	142

LIST OF ORIGINAL PUBLICATIONS

The dissertation is based on the following original publications:

I Randma-Liiv, Tiina and **Jane Järvalt**. 2011. “Public Personnel Policies and Problems in the New Democracies of Central and Eastern Europe.” *Journal of Comparative Policy Analysis* 13 (1), 35-49.

II **Järvalt, Jane** and Tiina Randma-Liiv. 2010. “Public Sector HRM: The Case of no Central Human Resource Strategy.” *Baltic Journal of Management* 5 (2), 242-256.

III Rees, J. Christopher, **Jane Järvalt** and Beverley Metcalfe. 2005. “Career Management in Transition: HRD Themes from the Estonian Civil Service.” *Journal of European Industrial Training* 29 (7), 572-592.

IV **Järvalt, Jane** and Tiina Randma-Liiv. 2012. “Starting from Scratch: Rewards for High Public Office in Estonia.” In B. Guy Peters and Marleen Brans (eds). *Rewards for High Public Office in Europe and North America*. London: Routledge, 190-208.

INTRODUCTION

Scope and aim

The concept of strategic human resource management has played a key role in management research and practice for the last three decades (Guest 1987; Boxall and Purcell 2011). Ongoing analysis within the field generally focuses on how human resource management (HRM) can add strategic value and contribute to the organisational success. According to this approach, originating from the private sector, people are a key resource and a critical element in an organisation's performance. The main rationale for strategic HRM thinking is that by integrating HRM with the organisation's strategy and by applying particular sets of human resource (HR) policies and practices, employees will be managed more effectively, individual and organisational performance will improve, and therefore success will follow (Holbeche 2001; Farnham 2010).

The term HRM, defined as a strategic and coherent approach to the management of people who contribute to the achievement of organisations' objectives, has entered the management vocabulary as a replacement for "personnel management" (Armstrong 2000). Although HRM is regarded to have many similarities to personnel management, as just "old wine in new bottles", the main defining characteristic of HRM is considered to be its strategic focus (Guest 1989; Legge 2005). In order to emphasise this focus even more, often the adjective "strategic" is added to HRM, referring to HRM as a strategic function which does not only build organisations' performance, but also is forward-looking and creates competitive advantage (Holbeche 2001). "Strategic" highlights the need for the determination of long-term goals of an organisation, the undertaking of courses of action and the allocation of resources necessary for carrying out these goals (Goldsmith 1997; Armstrong 2000).

The concept of HRM can be divided into a hard and a soft approach. The "hard" version of HRM emphasises the need to manage people as any other key resource to attain maximum return and added value from them, whereas the "soft" approach highlights that employees need to be treated as valuable assets and a source of competitive advantage through their commitment and high quality of skills and performance (Storey 1989). It has, however, been found out that organisations tend to mix "hard" and "soft" HRM approaches (Legge 2005). The principles of strategic HRM also combine elements of both approaches.

Origins and changes in HRM theories and practices have been driven by broader changes in social, economic, political and institutional context. HRM arose in the 1980s in North America with an incentive to restore the competitiveness of American industry (Millmore et al. 2007). It was soon adopted with quite an

enthusiasm in the United Kingdom and elsewhere. It also spread to different sectors and different types of organisations. However, in addition to organisational demands for efficiency and drive for quality, HRM owes its momentum to technological developments, to changing values (e.g. rise of individualism) and to increased workforce diversity (e.g. rise of knowledge workers) (Mayrhofer and Larsen 2006; Van Buren et al. 2011). The globalisation movement, which supported even stronger competition, more dynamic markets, management of uncertainty and pressure for flexibility, has also been seen as one of the dominant factors in increasing interest in HRM (Millmore et al. 2007). Moreover, the transformation of personnel management into strategic HRM has been viewed as a result of growing professionalism among HR practitioners and their increasing desire to be strategic partners at the senior decision-making level (Gooderham and Nordhaug 2011).

However, a major debate in the field remains: to what extent is HRM converging across countries? Supporters of the convergence theory suggest that the Anglo-American “new” HRM practices are becoming alike internationally as a result of the global market and technological forces. The divergence theory, in contrast, argues that HR practices tend to be country-specific because of institutional and historical path-dependence (Farnham 2010). A number of studies have been conducted in order to exhibit some evidence on the convergence-divergence issue, especially in the context of European HRM (Gooderham and Nordhaug 2011). Findings show that HRM practices in Europe simultaneously become more alike in certain areas and stay or become different in others (Mayrhofer and Larsen 2006).

The use of strategic HRM in the public service is related to changes in the administrative systems on a larger scale. The Weberian bureaucracy has normally been linked to the rule-based personnel management. It could be argued that associating these two tends to underestimate the role of personnel management in the Weberian career systems, as managing public servants was considered to be a crucial issue there. The emergence of HRM as a specific label in the public service coincided with the rise of New Public Management (NPM) in the 1980s. NPM has been characterised by the considerable decentralisation of public-service management, emphasising administrative efficiency and flexibility (see Table 1). The key elements of NPM-inspired public service reform agendas have included setting up performance management systems, developing business-like attitudes of public servants and emphasising management culture. Although several years of attempts to implement NPM in OECD countries have given more evidence of failure than success, NPM continued to be used in the 2000s (Pollitt and Bouckaert 2004; Drechsler 2005; Hood 2011; Meyer-Sahling and Yesilkagit 2011).

Table 1. Basic assumptions and core elements of NPM and HRM

<i>Area</i>	<i>Elements in NPM</i>	<i>Elements in HRM</i>
External environment	<ul style="list-style-type: none"> - Driven by external pressure, changing environment and neoliberal ideas - Market orientation, use of competition in the provision of public services - Stakeholder (incl. customer) orientation - Focus on organisational efficiency, effectiveness and productivity - Emphasis on cost-reduction, outsourcing and privatisation 	<ul style="list-style-type: none"> - Driven by external pressure, changing environment and neoliberal ideas - Market and customer orientation - Individualist, flexible and competitive notion of employment relationship - Focus on human resource advantage, consequently HRM integrated to organisational strategy
Organisational structures and processes	<ul style="list-style-type: none"> - Decentralisation, de-bureaucratisation, agencification, flexibility of structures - Devolution of responsibility - Emphasis from input and process to output and outcome 	<ul style="list-style-type: none"> - Organisational flexibility - Decentralisation, “flat” structures - Devolution of responsibility for HR
Performance management and measurement systems	<ul style="list-style-type: none"> - Performance-driven, productivity and efficiency enhancing measures - Systematic assessment of performance through targets, standards, indicators, measurement and control systems 	<ul style="list-style-type: none"> - Emphasis on the contribution of employees to the “bottom line”, productivity and commitment enhancing measures - Systematic assessment of performance
Role of management and managers	<ul style="list-style-type: none"> - Emphasis on “letting the managers manage”, managerial discretion and accountability - Primacy of management function 	<ul style="list-style-type: none"> - HRM largely integrated into line management - Emphasis on the role of top management and its strategic partnership with HR professionals
Employees and organisational culture	<ul style="list-style-type: none"> - Empowerment of employees, emphasis on “business-like” attitudes of public servants - Focus on leadership 	<ul style="list-style-type: none"> - Importance of building employee trust, common values and commitment to job and organisation - Focus on leadership

Sources: Pollitt 2000; Taylor 2001; Torrington et al. 2002; Legge 2005; Christensen and Læg Reid 2007b; Diefenbach 2009; Farnham 2010; Boxall and Purcell 2011

However, there have also been other developments. The concept of “governance” was argued to have replaced the idea of NPM in the 2000s in the same way as the latter was said to have put “administration” in the background in the 1980s and 1990s (Hood 2011). In Western Europe, rising attention has been drawn to the emergence of “post-NPM” and “neo-Weberian administration”, to the “whole-of-government” approach and to the “rediscovery of bureaucracy” during the last decade (Pollit and Bouckaert 2004; Drechsler 2005; Christensen and Læg Reid 2007a; Meyer-Sahling and Yesilkagit 2011). Even if the glory days of NPM are over, another approach of that period, HRM has not lost its appeal in the public service. The reasons of the durability of the HRM can be explained by the fact that it addresses strategic HR issues both at the micro and macro levels of public service and thus is also in accordance with the elements of post-NPM as well as with the models of whole-of-government and the neo-Weberian state. While the NPM approach emphasised decentralisation and accordingly HRM on the micro or organisational level, the

post-NPM era has brought new vitality to the macro or public service level (Pollitt and Bouckaert 2004; Christensen and Lægreid 2007a). As a response to the problems of fragmentation, departmentalism and tunnel vision caused by the NPM reform programmes, post-NPM emphasises achieving coordination, collaboration and synergy across and within administrative systems (Christensen and Lægreid 2007b). It also focuses on increasing central capacity and control of public service and underlines the importance of establishing common values and goals (ibid.). Moreover, increasing strategic leadership at the centre, establishing value-based management and improving the development of public servants are typical efforts of post-NPM era (Christensen and Lægreid 2007a). The basic elements of HRM, such as the strategic integration of HRM, managerial responsibility for HR and shared values of employees, fit well with the elements of the post-NPM era as well as with the post-post NPM slogan of “merit with flexibility” (see e.g. Drechsler 2005). There is also another reason why public service continues to be an important environment for implementing a strategic HRM approach. Namely, in the context of the economic and development issues of today, the need for a high-quality governance apparatus and the role of public servants is placed in a more central position compared to other actors, and therefore, strategic management of human resources is not likely to lose its appeal.

Still, some reservations have been also expressed about the concept of HRM by a number of academics. According to Armstrong (2000), who has summed up the critics, HRM has been accused of being overly simplistic, containing contradictions, producing a gap between rhetoric and reality etc. Some of the reservations are related to the fact that there is no universally agreed upon concept of HRM or the practices it involves. Three broad categories of perspectives can be identified (Farnham 2010; Lengnick-Hall et al. 2009; Mayrhofer and Larsen 2006; Millmore et al. 2007). First, the universalistic or normative perspective, such as the models of Walton (1985) or Pfeffer (1994), suggests that there is one best way of achieving HR effectiveness across organisations and under all conditions. Which HR practices are universal, continues to be a source of debate. Second, the contingency perspective (e.g. Schuler and Jackson 1987) argues that the choice of particular sets of HR practices is dependent on an organisation’s strategy and its internal and external contingencies. Third, the configurational perspective holds that coherence of HR practices is equally important and that unique “bundles” of mutually compatible HR practices have a positive effect on organisational performance (Farnham 2010; Lengnick-Hall et al. 2009). Giving best-management practices from the universalistic perspective tends to ignore different contexts in which strategic HRM operates. The main problems of both the contingency and the configurational perspectives, however, are related to the static, top-down and managerialist approach to defining strategies (Millmore et al. 2007; Van Buren

et al. 2011). As pointed out by Mintzberg (1994), strategy formulation is not necessarily a rational or continuous process.

Considering the chronological development of strategic HRM literature, it could be argued that during the 1980s, research was mainly conceptual – several theoretical foundations were established (Lengnick-Hall et al. 2009). The 1990s were characterised by a number of advances in theoretical research (e.g. application of the resource-based view), but also by important accomplishments in empirical research. For instance, broader perspectives of measuring the impact of HR on organisational performance came forward during this period (Guest 1997). In the 2000s, research on strategic HRM was expanded along many fronts. How leadership styles, investments in human capital and HR systems potentially affect organisational effectiveness was further examined. Moreover, some special features of introducing strategic HRM in international companies, in emerging markets, in different types of organisations and in different sectors were identified. Current trends in strategic HRM research involve further examination of the established ideas. Issues, such as how human capital or HR systems affect organisational performance and what kind of implementation issues of strategic HRM arise, continue to grab the attention of researchers.

There are, however, problems that have been largely overlooked in the current academic debate, namely what kind of tensions and challenges arise with HRM strategic positioning in the public service in the context of the newly democratic countries (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) of Central and Eastern Europe (CEE), which have acceded to the European Union (EU). On the one hand, much of the HRM research so far has focused on private-sector organisations rather than on the public sector (Daley 2006). Therefore, the question of whether HRM contributes to a more professional and better-performing public service remains highly relevant. On the other hand, public management reforms in new European democracies have already been studied by a number of researchers (e.g. Ridley 1995; Hesse 1996; Verheijen 1998; Drechsler 2000; Beblavy 2002; Boussaert and Demmke 2003; Lucking 2003; Meyer-Sahling 2004, 2008 and 2011; Randma-Liiv et al. 2011). Yet the HRM component of these reform attempts has not received sufficient academic attention so far. The thesis proposes to make up for both of these deficits by highlighting and exploring strategic HRM and some key HR practices within the public services of CEE. Thus, the purpose of this thesis is to extend the strategic HRM argument to the public service context and conceptualise the mechanisms through which strategic HRM could create value for the public services of CEE.

The main research questions of the thesis are: first, what are the main features and challenges that arise with HRM strategic positioning in the public service, as

experienced in Estonia and other CEE countries? What are the main ideas behind strategic HRM both on the micro and macro levels of public service and how do they appear in HRM practice in CEE? Second, how has strategic HRM evolved in CEE over time – during the post-communist transition and during the Europeanisation process both before and after the accession? Third, what could be the implications for other countries that aspire to join the EU in the future? Are there lessons to be learned from the experience of Estonia and other CEE countries?

Taking into account the developments of the concept of HRM, the thesis suggests three main pillars that constitute strategic HRM. First, HRM emphasises the necessity of integrating HR activities with organisational strategy and with each other (Legge 2005). Second, managers play a crucial role in implementing strategic HRM (Storey 1989; Boxall and Purcell 2011). HR professionals are supposed to design strategically aligned HR systems, which the line managers are expected to carry out. Third, the link between HRM and organisational performance is emphasised (Guest 1997). This is based on the assumptions that HRM elicits commitment from employees and that committed persons perform better and are also more loyal to the organisation (Storey 1989; Boxall and Purcell 2011).

This originally private-sector strategic HRM model can also be adapted to the public service. However, in the context of the public service, it is necessary to make a distinction between the micro and macro levels. The micro level is related to a single public service organisation, whereas the macro level incorporates the entire public service, which in many countries is considered to be one entity and which is often also regulated by a specific public service law. The private sector analogue to that would be a large corporation consisting of more or less autonomous units (Christensen 2006). The above-mentioned strategic HRM model will apply to the micro level of the public service without considerable modification, but it needs to be modified for the macro level. The three pillars of a strategic HRM model on the macro level (see also Table 2) would then include:

(1) Vertical and horizontal integration of HRM assumes the presence of a public-service-wide HRM strategy (and a respective coordinating institution) as a framework for designing, steering and coordinating micro-level HRM strategies in individual public service organisations.

(2) Whereas the micro-level approach postulates line manager ownership of HRM, the respective macro-level approach assumes ownership and implementation of a central HR strategy by individual public organisations and their leaders.

(3) In order to improve performance in the public service as a whole, the macro-level commitment needs to be enhanced. It does not only mean commitment to a particular organisation and its objectives but it also entails an overall public service motivation including public ethics, a desire to serve the public interest and loyalty to the government as a whole (Perry and Wise 1990).

Table 2. Strategic HRM model on micro and macro levels of public service

	Strategic fit	Role of managers	Organisational performance
Micro level (a public service organisation)	<ul style="list-style-type: none"> - Integration of organisational and HR strategy - Link between organisational strategy and external context - Integration and coherence of HR policies and practices 	<ul style="list-style-type: none"> - Line managers' ownership of HRM - HR professionals as strategic partners to managers 	<ul style="list-style-type: none"> - Importance of public servants' commitment to organisation - Emphasis on individual and organisational productivity and performance
Macro level (public service)	<ul style="list-style-type: none"> - Fit between public service HR strategy and external environment - Presence of public-service-wide HR strategy and coordinating institution - Coherence of micro-level HR policies and practices - Fit between public service HR strategy and internal resources - Shared values of public service 	<ul style="list-style-type: none"> - Top executives' ownership of HRM - Support of political leaders to public service HR strategy - Strategic role of the coordinating institution 	<ul style="list-style-type: none"> - Importance of public service motivation, including public ethics and loyalty - Importance of public trust in the public service - Emphasis on public sector performance

These three pillars of the strategic HRM model constitute the analytical framework of the thesis. The main body of arguments is developed in the four original articles, dedicated to several central issues of the topic – “Strategic HRM in the Public Service: Evidence from Estonia and Other CEE Countries”. The article “Public Personnel Policies and Problems in the New Democracies of Central and Eastern Europe” (I) (co-authored with Tiina Randma-Liiv) analyses the development of selected HR policies in CEE over the periods of institution building in the 1990s and Europeanisation before and after acceding to the EU. The second article “Public Sector HRM: The Case of no Central Human Resource Strategy” (II) (co-authored with Tiina Randma-Liiv) studies the main problems and opportunities related to the decentralisation and the absence of a sector-wide HR strategy in the public service of a CEE country, namely Estonia. The third article “Career Management in Transition: HRD Themes from the

Estonian Civil Service” (III) (co-authored with Christopher J. Rees and Beverley Metcalfe) deals with the institutional perspective of career management, a key area of strategic HRM, in the small transitional administration of Estonia. The fourth article “Starting from Scratch: Rewards for High Public Office in Estonia” (IV) (co-authored with Tiina Randma-Liiv) gives an in-depth look into another key area of strategic HRM, reward management, analysing the development of rewards of Estonian high public officials.

Methodological note and the structure of the thesis

The thesis is a combination of independently published articles. The theoretical perspective has been a work in progress throughout the research period; therefore, each of the articles has applied a slightly different angle within the theoretical framework, summarised in II and in sections 1-3 of the introduction below. The structure and methods of empirical study have also somewhat differed. The thesis combines a qualitative case-study method with the interpretation of existing literature and public service HR policies and practices in CEE. First, the differences of the empirical research are related to the scope of analysis – from a CEE region-wide study (I) to country case studies (II, III, IV). Second, the methods of information gathering also vary across the publications. The articles draw on existing reports and surveys on public service reforms and on HRM (I, II), but also on semi-structured interviews with policy-makers and stakeholders (III). Where possible, the above-mentioned material has been expanded by considering applicable legislation as well as official documents and websites (I, II, IV), previous country studies (I), existing scholarly literature (I, II, III, IV) and personal communications with top public servants and HR professionals (II, IV). Third, differences in the empirical analysis also concern the scope of the research topics – within the theoretical framework, the research issues extend from general public service HR strategy and policies (I, II) to single key HRM activities, such as career management (III) or reward management (IV). The common feature of the research, however, has been to describe and explore, through the use of in-depth case studies, some of the key issues of strategic HRM in the public services of CEE, particularly in Estonia. Employing a broad range of information sources has allowed the author to gain insights into dynamic decades of fundamental administrative reforms and an opportunity for some generalisation regarding HR issues in the public services of new democracies.

The research focuses on three distinctive periods of HR policy development in the public services of CEE: (1) institution building and the introduction of modern HRM during the post-communist transition years of the 1990s; (2) efforts to reform HR policies before accession to the EU in 2004 or 2007; and (3) post-accession developments up to the start of the global financial crisis in

2008. It is yet to be seen if the effects of the crisis and the various responses to it across the region lead to more fundamental changes in public service HRM.

Based on the three pillars of the strategic HRM model, the following sections of this introductory part give an overview of the main findings of the thesis. Section one discusses the strategic integration of HRM. Both the vertical and horizontal “fit” are examined on the micro and macro levels. In order to draw conclusions on HRM alignment with broader strategies in the public sector, the external context for strategic HR is analysed in this section, with a particular focus on the specifics of CEE. The internal fit between different HR strategies, policies and practices is also explored. Section two elaborates on the role of managers in delivering HR. Top and line managers’ ownership of HRM and their cooperation with HR professionals are the key issues to be analysed. The delegation of HR responsibility to managers also raises the dilemma of decentralisation vs. centralisation in the public service, which is further examined. Section three takes an in-depth look into the connection between strategic HRM and organisational performance. How HR policies and practices could contribute to higher public service motivation and thereby to performance is discussed. Sections one and two, which deal with the strategic integration of HRM and with the role of managers, are based on the empirical research presented in the four articles, whereas section three on organisational performance provides a more theoretical approach. The concluding section summarises the main findings of the dissertation and proposes future avenues for academic research and policy analysis. It also makes some policy recommendations for designing and implementing personnel reforms in countries which are undergoing processes of transition and Europeanisation similar to those experienced by CEE states.

1. Strategic integration of HRM

The first pillar of the strategic HRM model (presented in Table 2) – strategic integration of HRM – refers to the organisation’s ability to integrate HRM into its strategic plans (vertical integration) and to ensure that the various aspects of HRM cohere (horizontal integration) (Storey 1989; Armstrong 2000). In other words, it is assumed that there is a close link between HR and wider organisational strategies and the external forces shaping them. Additionally, in order to maximise the HR contribution to realising the “grand plan”, recruitment and career management, training and development, performance appraisals, reward systems and other HR matters need to be coordinated (Delery 1998). This contingency approach suggests that for any organisational strategy on the micro level, there will be a matching HR strategy and a corresponding “bundle” of HR policies (Holbeche 2001). Although there is still a lack of evidence that this strategic integration will automatically lead to improved performance, a key finding in the research appears to be that implemented HR policies and practices

depend on the context and need to be internally consistent and complementary in order to obtain the best effect (Holbeche 2001).

On the macro or public service level, vertical integration of HRM does not only assume the presence of a public-service-wide HRM strategy (and a respective coordinating institution), but also a close fit between public service HR strategy and its external environment. Both the external fit and the fit between macro- and micro-level HRM are further discussed in separate subsections below. The notion of horizontal integration or internal fit of HRM needs to be expanded to the macro level, as well. It refers to the coherence of HR policies and to the need for shared values across public service and emphasises that internal resources have to be taken into account when developing public service HR strategies. The internal fit of HRM, as experienced in the public services of CEE, is presented in the third subsection.

1.1 External fit

The external context of HRM is crucial because HR practices, in any country, are socially embedded in their wider, institutional, external contexts (Farnham 2010). Thus, vertical strategic fit also means that an organisation needs to match its capabilities and resources to the opportunities in the external environment (McCourt and Ramguttty-Wong 2003). The strategic HRM model can succeed if the limits of the legal and political environment are taken into account and the influence of political, socio-economic and cultural factors in a particular country is considered on both micro and macro levels.

Major political-legal, economic and socio-cultural developments have affected HR strategies and practices in CEE countries for more than two decades. Although there are important differences among the countries, they still appear to share a number of common developments, opportunities and risks (I; Randma-Liiv et al. 2011). CEE countries started out their state-building efforts with a firm demand to be like the West. The Europeanisation process as well as the worldwide NPM fashion of the 1990s both left their footprints on the HR policies of CEE countries. As the new EU member states are gradually changing from policy searchers to policy providers, the analysis of the external context of HRM in CEE may help other new democracies to modernise their public services and HR policies.

HRM in the public service depends very much on its legal and political environment (I; IV). There are a number of factors specific to the public service that might affect the implementation of a full-fledged strategic HRM approach (II). First, strategic management in the public sector is specific in nature (Allison 1992). The multiplicity of its goals, the complexity of measuring performance and a tendency for conflicts to arise between its different objectives

and stakeholders make strategic HRM, and thus the achievement of both a vertical and a horizontal integration, more difficult. Second, by the legislature, public managers are subject to close scrutiny, which often limits the autonomy to apply the strategic approach. There are more constraints on procedures and a greater tendency to formalisation and control compared to the private sector. The complexity and the legal framework may make both public managers and HR professionals passive followers of the rules rather than proactive developers of HRM tools. Third, successful HRM in the public service requires not only backing from top managers but also political support (Storey 1989; **I**). The limited time horizon of political leaders, however, may cause them to fail to address strategic HR issues profoundly (**IV**). Although there are problems and constraints in implementing strategic HRM in the public service, public organisations could still benefit from the strategic approach (Stewart 2004; **II**).

The political environment in the newly democratic countries has been anything but stable in the last two decades, particularly during the periods of institution building and Europeanisation before the accession (**I**). This has demanded quick decisions and fast changes, often without serious analysis preceding the adoption of new regulation or policy. As the societies in CEE have been undergoing sweeping changes, it has been relatively easy to accept new initiatives without major opposition or public debate (**IV**). A key challenge faced by governments in transitional environments has been one of having and maintaining a strategic view both on macro and micro levels in the context of constantly changing political frameworks. Instability, caused by the reshuffling of cabinets, top officials and priorities, has resulted in a lack of consensus in the direction of public service reforms and a lack of continuity (**I**; Randma-Liiv et al. 2011). It has also made trust-building, commitment and cooperation difficult in the public service (**I**). This was pointed out by OECD (1997), for example in the case of Bulgaria, where the highly-politicised and therefore instable environment complicated the creation of professional public service.

During the early years of transition, CEE countries had to cope with the different tradition of doing HR (**I**; **III**). One of the problems resulted from the practice of not regarding public servants as a category apart from any other group of employees. Moreover, the countries in question had to contend with a communist legacy that included patronage networks and considerable ideological influence (**III**). Contrary to the developments in many old democracies, which in the 1990s took steps to reduce differences in the general employment conditions applicable in the public and private sectors, the CEE countries passed public service laws, granting public servants a special status and deliberately emphasising the merit principle (**I**). The dilemma between continuity and change in the public service also became an important issue during the early years of transition. In most CEE countries, including Romania and Bulgaria and Hungary, a majority of the old cadre remained in office as

governments did not initiate the replacement of public servants (Drechsler 2003; Meyer-Sahling 2004). However, in other countries, the old *nomenklatura* problems were not so severe. For example in Estonia, the changes in personnel were remarkable in 1992-1993, when 37 per cent of public servants were replaced (Drechsler 2003).

Since the late 1990s, European integration was one of the few stable strategic goals and a significant factor behind administrative reforms in CEE countries, also creating an important motive for the systematic development of HR policies (Viks and Randma-Liiv 2005; Meyer-Sahling 2011). However, the Europeanisation process mainly focused on changes in the legal framework and less on the “softer” European values of personnel reforms. At the same time, the implementation gap between the adoption of formal acts and their realisation has been a serious problem in most CEE countries (Meyer-Sahling 2008). Poland and Slovenia represent the examples of countries which had reached quite high a fit with EU standards for public service by the time they joined the EU (Meyer-Sahling 2011). However, the developments shortly after the accession, such as politicisation in Poland and reform efforts creating a legal vacuum in Slovenia, demonstrate that not all the principles of the European administrative space were deeply rooted in the region during the Europeanisation process (ibid.). Romania was no exception to this rule, as a number of EU-induced laws that were passed there remained dead (Ioniță 2007; Michalak 2012). Political instability can also affect different HR subfields. The Estonian example from the pre-accession period demonstrated that no long-term promises about career opportunities were made by managers because this would have obliged them to take responsibility for acting on those agreements, which may not have been feasible in the changing environment (III).

After joining the EU, the sustainability of public service reforms and strategic HRM in CEE has essentially been dependent on domestic factors, namely the commitment of government coalitions to continue with the public service developments pursued before EU accession (I; Meyer-Sahling 2011). The importance of domestic factors has resulted in somewhat different pathways of different countries. The changes of government in Slovenia, Poland, the Czech Republic and Slovakia meant a change in the direction of public service developments, which from the EU perspective could be classified as reform reversals (Meyer-Sahling 2011). In other cases, e.g. in Estonia and Latvia, the political environment has been more stable after the accession, but the political forces have been rather reluctant to conduct reforms going beyond a cosmetic treatment of the underlying issues (I). In general, the political consent (or the long-term stability of one political power) and consistency in public service reform policies has been missing in CEE countries during the last few decades (Verheijen 2003; Randma-Liiv et al. 2011).

In the legal-political environment of CEE, the positive role of public servants could not be taken for granted neither during the post-transition nor during the pre- and post-accession periods. In terms of public service HRM, the missing positive concept of the state has continued to be a fundamental challenge, leading to serious problems, including a lack of interest in public service careers, an absence of common administrative culture and public discontent with high public office rewards (**I**; **IV**). Such “anti-state” attitudes have also fostered the popularity of ideas related to minimal state and NPM. Although the rhetoric of NPM coincides with the concept of HRM, over-idealisation of the private sector and “marketisation” of the state have led to sketchy HR practices in reality in a number of cases in CEE. For example in Slovakia, both pre- and post-accession amendments, initiated by the advocates of NPM in power, have led to the deregulation of the salary system, the introduction of highly discretionary bonus system and the abolishment of the central public service office (Meyer-Sahling 2011). The examples of NPM-inspired flexibility and discretion in reward management can also be found in the Estonian and Hungarian public service (**I**; **IV**; Meyer-Sahling 2011). It has been argued that contrary to Western Europe, the popularity of NPM has even grown in CEE countries, especially after their accession to the EU (Meyer-Sahling and Yesilkagit 2011).

Another fundamental challenge that stems from the legal-political context is the politicisation of public service in CEE. In order to ensure principles of impartiality, political neutrality, fairness and merit as well as to contribute to the stabilisation of public services in CEE, EU has paid particular attention to depoliticisation and professionalisation (Meyer-Sahling 2011). However, despite the efforts, these principles are not met in the selection and promotion processes of senior public servants in most of the CEE countries, except for the three Baltic states (World Bank 2006; Meyer-Sahling 2008). Poland, Slovakia and Hungary have, in fact, continued to politicise their public services even more after the accession to the EU (Meyer-Sahling 2011).

In addition to the legal and political environment, economic factors have played an important role in shaping HR policies and practices in the public services of CEE. It was already emphasised in the context of political factors that the NPM ideology sat well with countries that were abolishing their one-sector economies and carrying out large-scale privatisations. Fast and radical economic transition brought along organisational changes, such as downsizing, delayering, decentralisation and reorganisation. These changes were more distinct in the case of newly independent CEE countries, which had to be built up from scratch in the 1990s (Randma-Liiv et al. 2011; **IV**). In the “old states” of the region, however, the organisational changes were more evolutionary and path-dependent (Randma-Liiv et al. 2011; Michalak 2012). Article **III** summarises some effects of these changes on public service jobs in Estonia, one of the newly independent states. On the one hand, organisational restructuring led to shortened and blurred

career paths, decreased job security, work intensification, multi-functional jobs, an increased managerial span of control and sometimes to excessive competitive behaviour (III). On the other hand, the changes provided opportunities for “winners” of transition, such as greater functional flexibility, increased external market recruitment and bigger jumps in responsibility in case of promotion (III).

Chronic resource shortage, be it financial, organisational or human, is another economic factor that has been pointed out as an obstacle to the effective implementation of public service reforms even before the financial downturn of 2008 (World Bank 2006). It could be argued that shortage of economic resources might be a possible constraint on the pace of reforms in the public service but should not prevent a strategic approach to HR (Lucking 2003). Still, the economic changes have created many opportunities and therefore, a high turnover of competencies and side-employment among top officials can be noticed. It has been a problem particularly in the public sectors of CEE where there have been no resources to value and reward competencies sufficiently compared to the private-sector competitors or international institutions (Boussaert and Demmke 2003; III; IV; Meyer-Sahling et al. 2012). In Bulgaria, employment conditions hardly allowed for recruiting qualified personnel to the public service in the 1990s (Verheijen 1999). In the case of Romania, the low level of salaries has been considered a major factor leading to bribe-taking in the public service not only during the transition years, but also during later stages of democratic development (Michalak 2012).

Although the global financial crisis, which started in 2008, is not in the focus of the current research, the consequences of the crisis on public services need to be emphasised. The crisis as an external factor raises a number of questions in CEE which remain to be answered in future research. As Peters et al. (2010) have put the questions: do the governments maintain their paths of governing or does the crisis become the source of change; where does the pendulum swing between centralisation and decentralisation; does it require further politicisation or more reliance on the expertise of bureaucracy to tackle the crisis; could governments be expected to respond to the crisis with increased levels of coordination; and does the crisis create short-term responses or generate long-term solutions and provide opportunities to undertake major reforms?

Public organisations are also affected by the socio-cultural context and need to develop appropriate HR strategies and practices (Farnham 2010). In the social sphere, demographic trends are a key driver. In the first decade of transition, the growth of young officials characterised the public services of several newly independent countries of CEE (I; III; IV). Based on the Estonian example, it could be argued that it resulted in greater adaptability to changes and provided many career opportunities for the younger generation (III). But it also caused accelerated turnover, loss of institutional memory, conflicts between different

generations at the workplace and unfulfilled career hopes for the “losers” of transition (III). The impact of EU on public organisations, employees and the HR function needs to be pointed out not only as a political factor, but also as a social factor. The major freedoms and the greater labour market within the EU have made international careers appealing and put the rewards in public services of CEE into wider perspective (III; IV; Ioniță 2007). Migration to Western Europe and elsewhere, whether due to the search for a higher living standard and more socio-economic equality or due to better career prospects, decreases the potential labour force in the newly democratic countries.

The groundbreaking political and economic developments have also had a powerful impact on cultural values. When a country is undergoing rapid changes, economic and physical security is emphasised above other goals (Inglehart and Baker 2000). Thus, in the 1990s, the importance of materialist values increased in Estonia and many other CEE countries (ibid.). The Estonian case demonstrates that although at the beginning of the transition period, many of the nation’s best and brightest joined public service for mainly altruistic reasons, this motive receded in the mid-1990s, and the materialist values became more dominant (Lauristin 1997). Increased individualism and reduced collectivism at home, at work and in society has also been underpinning these trends (Farnham 2010). It could be argued that the cultural shift from the supremacy of collectivism toward more individualistic and achievement orientation has had an impact on career- and reward-related behaviour (Lauristin 1997; Realo 2002; III; IV). After the “building up the state” motive started to recede in the Estonian public service, it was soon compensated by a certain euphoria of looming EU accession and higher personal rewards (III; IV). Moreover, increasing individualism has also resulted in a rising demand for flexible working arrangements, more individually oriented HR policies and practices and more job mobility within the workforce not only in CEE, but also in the rest of Europe (Farnham 2010).

One of the main prerequisites for developing strategies for effective HRM is a common understanding about the public service values in democratic societies. Several democratic goals such as transparency, openness, equal opportunities, access to public services, fair procedures, accountability and citizen participation in decision-making may conflict with the more “technocratic” or “rational” goals such as efficiency, value-for-money and fast decision-making (Peters 2001; Diefenbach 2009). This contradiction has been especially hard to solve in countries where the above-mentioned democratic principles are not as deeply held as in countries with long democratic traditions (I; II). The situation has been even more complicated as limited resources have brought pressure on governments to adopt a cost-concerned and efficiency-oriented approach. Finding a healthy balance between democratic and technocratic goals has implications for the development of a variety of HR policies and tools (I; II;

IV), which is the reason why this field has become one of the greatest challenges in the public services of CEE, particularly in the context of sharply decreasing economic growth.

When focusing on Estonia, there is yet another social aspect that has to be taken into account, namely the notion of the “small state”. In small societies, with population figures around one million, where “everybody knows everyone else”, relationships tend to be personal and consequently, situations and decisions are likely to be more personalised (Benedict 1966; Sutton 1987). In this state of affairs, people use informal means of communication, personal connections and networking for career-related purposes (**III**). Yet this may reduce the value of the merit principle in the public service and makes it difficult to develop “hierarchical” values. Furthermore, the limits of a small labour market influence the public service of Estonia. The shortage of high-level manpower has been listed among the most serious problems of small societies (Bennell and Oxenham 1983). This has contributed to the individualisation of rewards in the public service and cross-sectoral mobility (**IV**). The small scale also requires multiple roles, duties and a high degree of flexibility on the part of its officials (**III**). Last, but not least, in small and flat organisations, it is difficult to design smooth individual career paths (**III**; **IV**).

The legal-political, economic and socio-cultural factors have shaped the public services and the respective HR policies in CEE to a large extent. For illustrative purposes, a summary of these contexts as well as some key drivers within them and their main implications on HRM in CEE are provided in Table 3.

Table 3. The external context of public organisations: some key drivers of strategy and implications on HRM in CEE

<i>Factor</i>	<i>Examples of key drivers of strategy</i>	<i>Implications on HRM</i>
Legal-political	“Nature” of public sector	Multiplicity of strategic goals; complexity of measuring performance; tendency towards formalisation and control; limited managerial autonomy due to legal framework
	Communist legacy, consequently missing positive concept of state	Lack of interest in public service careers; absence of a common administrative culture; public discontent with public service rewards
	Institution building in the 1990s	Introduction of modern HR practices
	Europeanisation before accession to EU	Establishment of legal frameworks for HRM; application of EU standards of public service policy
	Post-accession developments due to domestic factors	Different pathways of public service reforms
	Politicisation	Importance of political criteria in public service selection and promotion process
	Political instability	Lack of consensus and continuity in public service reforms
Economic	Organisational changes (downsizing, delayering etc.)	Shift towards open job systems; decreased job security and work intensification; blurred career paths and functional flexibility; bigger jumps in responsibility in case of promotion
	Chronic resource shortage	Turnover of competencies; increased side-employment; uncompetitiveness of public service rewards
	“Marketisation” of state	Individualisation of rewards
Socio-cultural	Demographic changes (increased number of young officials, migration)	Career opportunities for younger generation; dilemma between continuity and change
	Dominance of materialist and individualist values	Flexible working arrangements; focus on monetary rewards in motivating public servants
	Public service values	Dilemma between democratic and technocratic values; pressure for transparency of rewards; merit principle in recruitment and career management; focus on performance management
	Small-state factor	Informal networks for career-related purposes; shortage of high-level competencies; cross-sectoral mobility; individualisation of rewards; multiple roles and duties

Sources: Farnham 2010; I; II; III; IV

1.2 Fit between macro- and micro-level HRM

On the micro level, vertical integration of HRM refers not only to the external forces helping to shape HR, but also to the links between HR and wider organisational strategy and the management of an organisation as a whole (Farnham 2010). On the macro level, vertical fit assumes the presence of a public-service-wide HR strategy and a respective (central) institution to provide a framework for designing, steering and coordinating micro-level HRM policies and practices in individual public service organisations. As discussed below, the piecemeal public service developments in the CEE region tend to take place without comprehensive public-service-wide strategies and with decreased levels of coordination.

Several authors (Ridley 1995; Hesse 1996; Verheijen 1998; Drechsler 2000; Goetz 2001) have noted that the absorption of decision-makers in burning economic, political and social problems of post-communist transition tends to downgrade administrative reforms and the development of public service HR strategies to a lesser priority. Although public service reform is usually ranked among the “second generation” reforms of transition (Verheijen 2003), the governments of CEE countries understood that an underdeveloped public service shaped by inconsistent and inadequate HR policies was likely to put the political and economic reforms at risk (Beblavy 2002). Whereas some countries (e.g. Estonia, Hungary, Lithuania and Slovakia) started major organisational reforms of public service in the early 1990s, these reforms were somewhat delayed in other cases (e.g. Romania and Bulgaria) (Verheijen 1999; Randma-Liiv et al. 2011). The example of Estonia demonstrates that the creation of many new functions, procedures, organisations, units and individual jobs during a short period of time in the 1990s led to unclear hierarchical relationships, overlapping functions, a duplication of duties and a lack of consensus on the principal questions of public service (Randma-Liiv 2005a; II).

One of the strategic steps taken in CEE in the 1990s, as a result of the Europeanisation process, was passing public service laws, thereby granting public servants a special status (I). Although this legislation was not fully implemented in all countries (World Bank 2006; Meyer-Sahling 2011), the endorsement created a basis for the development of the merit principle. Through that, sub-fields of HR policies (for example, recruitment, training, career and reward systems) in the public service were fundamentally challenged (I).

Although the need for developing public service HR strategy was recognised, the actual history of public service development in CEE tells a mixed story of piecemeal attempts to reform existing systems (Verheijen 2003; Meyer-Sahling 2011). As already mentioned earlier, legislation continued to be in focus during

the Europeanisation process in particular. The European Commission was more successful in pushing through formal instruments, but less successful in influencing the actual content of change in the public services of candidate countries (Meyer-Sahling 2008). After joining the EU, there has been a need for thorough attention to structural defects in HR policies, which may have been neglected during the rush of transition and accession. However, the actual post-accession and pre-crisis behaviour of the CEE countries shows either some backsliding of public service reforms (e.g. Slovenia, Poland, Slovakia and the Czech Republic) or only partial continuation of the reforms (e.g. Hungary, Latvia, Lithuania) (Meyer-Sahling 2011).

One of the main challenges in assuring the strategic fit between macro- and micro-level HRM stems from the poor coordination mechanisms characteristic of CEE public services (World Bank 2006). Better co-ordination could help to prevent the introduction of conflicting regulations and policies by different public organisations. In reality, however, horizontal management systems such as central public service agencies or departments have in several cases been weakened or removed – most noticeably in Poland, Slovakia and the Czech Republic (Meyer-Sahling 2011). Hungary and Estonia also lack a strong central authority to coordinate their HR policies (World Bank 2006; **II**). This, in turn, has brought about the risk of politicisation, fragmentation, problems with equal opportunities and the decreasing transparency of HR policies (Lucking 2003; Meyer-Sahling 2004, Randma-Liiv 2005b; Meyer-Sahling 2011).

In the Czech Republic, the absence of coordinated public service development and the lack of coherent HR policies for two decades has led to the differentiation and the emergence of “many public services” within the country (Meyer-Sahling 2011). The Estonian central government also represents an interesting case of an absent strategic HRM on the macro level, and only partial strategic HRM on the micro level (**II**). There are several institutions with certain coordinating responsibilities in HRM, but there is no institution at the central government level with legitimate powers to develop the government’s HR policies. Every ministry and executive agency is responsible for recruitment, training, performance appraisal, promotion and setting of pay levels of its staff. Consequently, there is no top-down steering of the development of strategic HRM, and well-designed strategic HRM systems are seldom found even at the micro level. HR issues are often, particularly in executive agencies, dealt with in an *ad-hoc* manner, human resources are not approached coherently and HR managers have little say in designing longer-term prospects in their organisations (Riigikantselei 2006; Rahandusministeerium 2010). Thus, the Estonian institutional framework does not guarantee the fulfilment of the functions that a central coordinator is expected to perform, such as taking the lead in creating an overall HR strategy, making the necessary interventions, or mobilising the political will for required changes (Meyer-Sahling 2008; **II**). As a

result, the development of public service HRM has been fickle with gaps in both the vertical and the horizontal coherence of different HR practices (II).

There are a number of limitations, but, in fact, also some opportunities to this kind of decentralised HRM system, some of them particular to new democracies (II). A lack of central HRM strategy and weakness of central coordination make it possible for government units to flexibly consider specific environmental factors surrounding each public organisation. This has been particularly important in the highly dynamic context of post-communist transition and Europeanisation, which inevitably required considerable institutional and HR flexibility to adapt rapidly to changing tasks, environment and mobile workforce (Meyer-Sahling 2008; I; II). Another reason why a poor central HRM framework can still produce relatively good results is that organisations can develop their own innovative initiatives in HRM, tailor-made to their own needs. On the one hand, the heterogeneity of HR policies can help single public organisations to become more competitive and attractive as employers (II). On the other hand, different approaches and new ideas can be tested on a smaller scale, and the best practices can then be allowed to spill over to other institutions (Meyer-Sahling 2008; II).

Based on the Estonian example, it could be argued that decentralisation does not mean absence of strategic HRM (II). However, in a decentralised system, the role of the central coordinator becomes crucial to guarantee a more integrated and holistic approach towards HRM. If this function is not carried out well, individual ministries and agencies may partly fill up the resulting strategic vacuum by developing strategic HRM on the micro level, but it might not lead to the strategic approach to the development of the public service as a whole (II). Then again, the centralisation of the HRM function does not automatically signify the existence of strategic HRM, since even in highly centralised systems, HRM may not be sufficiently integrated into strategic governance mechanisms. Examples of vertical fit in practice indicate that integrating HRM with wider strategies appears to be a highly complex process, which is very dependent upon the interplay and resources of different stakeholders (Farnham 2010).

1.3 Internal fit

Whereas vertical integration of strategic HRM emphasises the importance of HRM alignment with an organisation's priorities and its external context, horizontal integration underlines the "fit" between different HR policies and practices and the degrees to which they support or contradict each other (Farnham 2010). On the macro level, internal fit implies the adoption of a holistic approach to the development of HR policies and the coherence of micro-level HR practices across public organisations. Horizontal integration also

assumes HRM fit to organisations' internal resources, both on the micro and macro levels (Armstrong 2000).

The absence of a central HR strategy and the weakness of horizontal coordinating units, which is the case in a number of CEE countries (World Bank 2006; Meyer-Sahling 2008), pose significant disadvantages for public services. If central government forms a number of loosely connected internal labour markets, every unit is likely to develop its own particular culture and work habits and reach very different development levels in the long run. Instead of co-operation, public organisations may find themselves in a situation where they compete with each other. For example, in Estonia, individual salaries of public servants vary to a large extent due to the effects of pay differentiation and “add-ons”, negotiated separately for each organisation and individual (II; IV). Differences in rewards are also seen as an obstacle to mobility in the public service (III). Another example of incoherence in the Estonian public service HRM can be found in the field of training and development. The absence of a central training institution and the consequent variety of development practices across the public service has led to very different professional knowledge, skills and values of public servants (Riigikantselei 2008). While public organisations with better HRM systems and more generous working conditions attract highly qualified people, this tends to raise the pressure on other government units as recruiting and retaining good professionals becomes more difficult for them. Such a “winner takes it all” practice worsens conditions for co-operation across departmental boundaries, since public servants in different organisations tend to perceive themselves as belonging to different “leagues” (II).

The implementation of strategic human resource practices, such as recruitment and career management, training and development, performance management and reward management, has a mixed record in CEE. Certain achievements have been reported in creating merit-based systems in recruitment by institutionalising open competitions and fair treatment of applicants (I; Meyer-Sahling 2008). There is also evidence that CEE countries (e.g. Hungary and Slovenia) increasingly provide systematic training programmes for new public servants. However, several authors (Lucking 2003; Verheijen 2003; Randma-Liiv 2005b) have noted that the training programmes have at times been rather random, fragmented and unlinked to organisational or public service goals. A positive exception to this practice was the pre-accession period when systematic trainings were organised to improve the knowledge of public servants on the EU institutions and policies (Lucking 2003). Diverse evidence of success is also related to another key area of HRM, namely career management in CEE. None of the countries have been able to develop a classical career system of public service (Drechsler 2003), although the governments of Poland, Hungary and Slovenia have tried to boost systematic career management. Thus, in the changing circumstances and in the overall context of uncertainty, most CEE

governments have taken the *ad-hoc* approach to public-service careers. As the Estonian case study demonstrates, this sporadic and incoherent approach on the macro level has not prevented individual organisations from implementing several on-the-job career management practices on the micro level (III).

Horizontal integration or internal fit may be achieved by the use of shared processes such as competence management or performance management, which provide a common framework for different HR practices (Armstrong 2000). The use of competency models as an integrative force between HR planning, recruitment, development and appraisals has been used, for example, in Estonia (Järvalt 2007; I). In the absence of a broad underlying consensus on the direction of reforms, the development of senior managers has been seen as a means to fill this strategic vacuum and bring about necessary changes at the senior public-service level via the development of competency frameworks. Thus, following the example of some high-income countries, expectations to senior public servants have logically found expression in a more structured approach in some CEE countries, as well (e.g. Estonia and Lithuania) (I; Meyer-Sahling 2011).

Although there are a few achievements in some sub-fields of HRM across public organisations in CEE, efforts of reforming the reward systems and using performance-based management tools have mostly failed or remained insufficient (Randma-Liiv 2005b; World Bank 2006; IV). Performance-orientation has been a central value in the rhetoric of HR reforms in CEE due to the general popularity of NPM ideas. However, CEE countries generally have no success stories of performance management so far, and it has not turned out to be a linking process in HRM. Hungary and Latvia have made some progress and Lithuania the most progress in this area by introducing performance evaluation systems. This has not occurred without problems, which include cases of perceived lack of fairness, resentment among public servants and weak links between strategic goals and evaluation (Meyer-Sahling 2008). The Estonian example of pay-for-performance has also received criticism, mostly because of the poor management experience of public service leaders (Randma-Liiv 2005b). In reward management, a growing number of countries (for example the Czech Republic, Latvia, Lithuania and Slovakia) have opted for broadbanding, that is, grouping jobs into job families and salary brackets to achieve more flexibility and discretion (World Bank 2006; Meyer-Sahling 2008). Estonia and Poland have decentralised their public service salary systems to a large extent, leaving a considerable degree of discretion to individual organisations and managers. It has been expected that a high level of discretion makes it possible to flexibly consider specific environmental factors surrounding each organisation, but in reality, it has led to uneven development, cross-sectoral differences and harsh competition across public service (I). It could be argued that the reward systems have remained the weakest link despite reform investments (Meyer-Sahling 2008).

Strategic horizontal integration does not only mean coherence between HR policies and practices, but also fit between internal resources and opportunities. The resource-based approach focuses on an organisation's existing resources and capabilities, through which it is able to attain and sustain a competitive advantage (Maatman et al. 2010). HRM can play a major role in achieving it by assuring better people and better ways of working (Lengnick-Hall et al. 2009; Farnham 2010). When the external environment is in a state of flux, the organisation's own resources and capabilities may offer a more durable basis for strategy than search for unsatisfied "market" needs or catch-up with latest fashions (Armstrong 2000).

The failure to ensure that internal resources are available may also be a barrier to the implementation of HR strategy. These internal resources include the capabilities of the HR professionals, both on the macro and micro levels, who are the key to the effective development and implementation of HR policies. Another crucial resource in terms of implementing strategic HRM in the public service is the managerial competence. Top officials are expected to adopt more holistic perspectives in HR, to look more widely and across the network as well as within departmental and national boundaries, to obtain greater management and leadership responsibilities (Mountfield 1997). Middle managers play a substantial role in carrying out HR practices on the micro level. The roles and responsibilities of these key internal resources are further discussed in section two.

Due to the lack of headway in developing public-service-wide HR strategies and the absence of adequate cohesion-building tools on the macro level, it is hard to talk about the coherence of HR policies across public organisations or consistency between different HR practices themselves in CEE countries. The promising examples of internal fit found in some individual organisations tend to co-exist with incoherent HR policies in other organisations and on the macro level. It could be argued that there is little evidence of a comprehensive and successful attempt to achieve internal fit on the macro level of public service in CEE. The problems could be related to the complexity of public organisations and their strategies, which make it hard to achieve any coherence across a diverse range of plans and practices. Obstacles to horizontal integration may also arise due to management pressure for rapid changes and financial constraints leading to "quick fixes" and incremental approaches to the development of HR practices. The most common example of this could be the introduction of pay-for-performance in the public services of CEE (Randma-Liiv 2005b; I). Moreover, implementation difficulties are likely to jeopardise the achievement of strategic fit. Grand plans may fail because either HR or line managers are incapable of playing their part (Armstrong 2000; II).

2. Role of managers in strategic HRM

The second element of the strategic HRM model is represented in the idea that effective implementation of HR strategies depends on the involvement, commitment and cooperation of managers (Armstrong 2000). Strategic integration implies that HR professionals are supposed to design the HR systems that will align with strategic objectives, while managers are supposed to carry them out (McCourt and Ramguttty-Wong 2003). According to the model, every manager at any level of the organisation is a people manager having an important role in building up the strategic role of the HR function and contributing to the commitment of employees. Given these expectations, the move from centralised to decentralised decision-making and control has become a prominent issue (Meyer and Hammerschmid 2010). On the micro level of public service, it refers to the degree of line managers' ownership of HRM and to the division of roles between HR professionals and managers in individual organisations. On the macro level, however, the second pillar of strategic HRM includes the top officials' ownership of HRM and their commitment to public-service-wide HR strategy, support of political leaders to public service HR strategy and the strategic role of the coordinating institution.

The design of the public service HRM systems has been influenced by the ideas of NPM, which have been attractive to a number of governments in CEE. The well-known NPM slogans "let the managers manage" and "make them manage" fit well with the concept of strategic HRM, which highlights the managers' ownership of people management. However, following the ideas of NPM and HRM may lead to considerable autonomy and to a high degree of discretion of individual public sector organisations and managers. Thus, one of the main questions in implementing strategic HRM in the public service is related to finding an optimal balance between centralisation and decentralisation, i.e. to how the roles and responsibilities are divided between the central HRM institution and individual organisations. On the one hand, decentralisation forces managers to deal with HRM matters and to build corresponding competences. It also increases the probability that HR managers in each organisation are given a more strategic role and wider responsibilities (II). On the other hand, decentralisation may create an opportunity for abuse by individual public organisations and their leaders. It may enhance instability and increase politicisation as well as levels of corruption (Verheijen 1998; Meyer-Sahling 2004; Meyer-Sahling 2011). In post-communist countries, decentralisation may prove risky because of an insufficiently developed legal framework, a high incidence of corruption, a lack of democratic values in administrative culture, inexperienced top and middle managers, and the general insufficiency of control mechanisms (I; II). For instance, in a situation where the recruitment, selection and appointment of public servants remains the exclusive responsibility of individual organisations, a conflict can easily develop between HR practices and

the principles of openness and transparency if such a risk is not counterbalanced by the use of open competitions.

A decision to decentralise or centralise is driven by the wish to either increase responsibility and flexibility of individual organisations, or to centralise control over support functions (Maatman et al. 2010). There are a number of benefits and risks of both decentralised and centralised public service, the advantages of one system often being the shortcomings of the other, as presented in Table 4. While initiatives to decentralise HRM have been reported by many EU countries and seem to have high symbolic appeal, a recent study demonstrates that the administrative practice throughout Europe, including in CEE, is still rather centralised (Meyer and Hammerschmid 2010). There has been more reform rhetoric than actual reform itself. Meyer and Hammerschmid (2010) argue that managers possess individual decision-making power to a limited degree, and many HR issues are a shared responsibility of different actors within administration. According to Ingraham (2005), after extensive devolution in the reform process, many governments now seek a movement back towards some central frameworks and value statements. The question is how to back up the decentralisation efforts by other cohesion-building tools on the macro level (III). Finding the right balance between too much of either in terms of HRM is a major challenge for all governments (Meyer and Hammerschmid 2010).

Table 4. Advantages and disadvantages of centralisation and decentralisation of the public service

<i>Decentralised public service</i>		<i>Centralised public service</i>	
Disadvantages	Advantages	Advantages	Disadvantages
<ul style="list-style-type: none"> Higher costs Variable standards Various control environments Duplication of effort Fragmentation 	<ul style="list-style-type: none"> Units in control of decisions Recognition of local priorities Responsive to specific needs 	<ul style="list-style-type: none"> Pooled experience Enhanced career progression Synergies Dissemination of best practices 	<ul style="list-style-type: none"> Consistent standards Common systems, support, control Critical skills mass and expertise Economies of scale
			<ul style="list-style-type: none"> Unresponsive No unit control of central overhead costs Inflexible to units' needs Remote from "business"

Sources: Maatman et al. 2010; Meyer and Hammerschmid 2010

The role of top public servants, both on the micro and macro levels of public service, cannot be emphasised enough, especially in the context of fundamental public service reforms. Top public servants can substantially impact the design of modern HR policies and, even more importantly, their actual implementation in individual public organisations (I; OECD 2008). They are the officials who interact with the politicians and directly influence the development of public

service values and common identity (Randma 2001). Without a central strategic view, which can be provided only by top managers, HRM is likely to remain a set of independent activities, each guided by its own practice tradition (Purcell 2001). Goldsmith (1997) argues that strategic thinking is more important than any formal technique, and strategy formulation is often about preferences, choices and matches rather than a pure exercise of applied logic. By working through the ideas, sharing intentions and highlighting points of tension amongst the top officials, consensus over goals can be found (Armstrong 2000). If top management is all “singing from the same page”, this is more likely to lead to actions in the public service being exercised on a collective, but at the same time consistent basis.

The development of the senior public service might prove particularly valuable for the CEE countries that have been characterised by a high degree of fragmentation of public administration (Verheijen 1998; World Bank 2006). However, senior public servants in CEE countries either have long public service experience from the Communist period, or alternatively, represent relatively young people who have joined the public service only recently (Järvalt 2007). Politicisation of senior public service has also been pointed out as a problem in CEE (Meyer-Sahling 2011). In all these cases, the public servants in question may not have managerial and/or professional qualifications, as well as experience in democratic governance (Randma 2002; II). If they lack an understanding of the HR role, they may recruit HR executives who do not have the strategic knowledge and ability and thus create a vicious circle. Top public servants play a significant role in initiating and maintaining changes (or resisting these) and therefore, development of their competence and ethical standards requires special attention, and probably even a specific HR policy. The critical role for managers in HRM also means that a great deal of HR activity and energy is directed at managers themselves (Storey 2001). For instance in CEE, Estonia and Lithuania have systematically invested in the development of senior public servants during the post-accession period (Järvalt 2007; Meyer-Sahling 2008). Hungary has also established a separate senior public-service system, which has, however, been abused by a politicised selection process of senior officials (Meyer-Sahling 2011).

The development of high-quality managers is a broader task than just providing them with training programmes. In practice, the effectiveness of management development is seldom adequately evaluated beyond the short-term and reaction level. For example in Estonia, the designed and implemented development programmes have been beneficial in creating a common identity and improved coordination between institutions, but the long-term return on investment in terms of enhanced policy development, management of organisations and public service delivery still remains questionable (Järvalt 2007). As a lot depends on the key players in the system, it is important not only to recruit and develop the

senior public servants, but also to retain their valuable competence (IV). Failure to recruit and retain suitable managers may constrain public service performance, a problem that is prevalent in CEE countries that lose managerial talent as greater opportunities are available in the private sector and in the global market for executives (IV). Boxall and Purcell (2011) even argue that constituting and renewing the top team should be regarded as the most strategic concern of all in HRM.

On the macro level of public service, political support to strategic HRM is of particular importance. Lack of continuity due to frequently changing governments and political priorities may contribute to the mixed signals about the importance of public service HRM efforts. Boxall and Purcell (2011) argue that a large part of the difficulties experienced in the quality of employee relations in the public sector occurs because governments change frequently, introducing new philosophies, policy requirements and senior leaders. The limited time horizon of political leaders, coupled with a general indifference on the side of politicians on public service issues, may cause them to address strategic HR policies less seriously. As emphasised in the analysis of the political context of HRM, the government changes in Poland, Slovakia, the Czech Republic and Slovenia between 2004 and 2006 meant that the public service reforms negotiated and initiated before EU accession were put on the back-burner (Meyer-Sahling 2011). Indeed, those responsible for drafting important reform legislation rarely were in office for long enough to keep an eye on its implementation (I).

In addition to top managers and politicians, line managers have a crucial role in the concept of strategic HRM in the public service. Line-manager action or inaction is often responsible for the differences between espoused HR policies and their enactment (Boxall and Purcell 2011). The global rhetoric and trend have been clear: to give line managers more responsibility for the management of their staff and to reduce the extent to which HR professionals control or restrict their autonomy in this area (Brewster 2001). Devolving HR activities to line managers, however, is not without its difficulties. As NPM and HRM are both very much about the establishment of management, there is a danger that the primacy of management above other functions gets too much emphasis. It has been argued that particularly in the context of public organisations, which are based on values, ethical and professional concepts, management ideology may “colonise” the professional work (Diefenbach 2009). Therefore, public sector managers not only need broad managerial experience, but also widespread knowledge and interpersonal competence and an understanding of work and problems of frontline public servants.

However, line managers do not always have the skills and competencies needed to manage people. In CEE, even after two decades of democratic development,

the features of the previous system (e.g. ambiguous responsibilities) still affect the role of line managers on the one hand (Meyer-Sahling 2008; **III**). On the other hand, inexperienced transition “macho managers” emerged in both the public and private sectors: ready to make fast and radical decisions with no hesitation, prior analysis or consultation with other stakeholders (**III**). The cultural challenge for all CEE countries in the last decade has been to move from the management practices of early transition years, where new institutions and policies had to be adopted immediately, to more careful preparation and evaluation of initiatives. Despite these efforts, there are still symptoms of ill-developed management systems and lack of sufficiently skilled and experienced managers (Randma-Liiv et al. 2011). In Estonia, for example, a study revealed that top managers’ competence in HR was considered adequate and they were sufficiently involved in HRM, whereas the role and competence of the line managers was regarded as less sufficient (Riigikantselei 2006).

In other cases, line managers tend to have more pressing priorities than managing and developing people. In CEE, managers’ involvement in burning issues of post-communist transition and Europeanisation has downgraded HR issues to a lesser priority (Verheijen 1998). Subjective and discretionary decision-making can be another consequence of the devolvement of HR activities to line managers (OECD 2008). The ways in which HR practices are implemented by them are often inconsistent and contradictory, unless HR support is provided. For instance, some managers have been found unprepared and unqualified to conduct performance appraisals as experienced in Estonia (Randma-Liiv 2005b). The assessments are likely to be undertaken for “statistical purposes”, and in many cases, nothing is done with the performance information afterwards (**III**). Implementation problems of performance management have also occurred in the Hungarian public service (Meyer-Sahling 2011). Training line managers and their HR responsibilities and working in partnership with HR professionals appears to be a key issue here (Farnham 2010).

As the organisations assign more responsibility to front line managers, the role of HR professionals partly changes (Mayrhofer and Larsen 2006). The strategic HRM imperative has raised HRM’s positioning in organisational decision-making processes: a “seat at the table” is now an expectation rather than an aspiration for senior HR managers (Van Buren et al. 2011). The function is assumed to take a prominent position and a more pro-active role in developing organisations and their human resources. Various studies conducted in the private sector have even suggested that whether there is an HR professional in top management team could be a measure for assessing the strategic importance of HRM (Brewster 2001; Sisson 2001; Kazlauskaitė and Bučiūnienė 2010).

The renewed role of HR professionals also has its implications in the public service. In order to be full-fledged strategic partners on both the micro and

macro levels, HR professionals are expected to address major long-term issues concerning the management and development of people, to strive to achieve strategic integration and fit, to ensure top officials' focus on HR issues, to facilitate change and to systematically assess the impact and importance of HR initiatives (Armstrong 2000; Schuler et al. 2001). In becoming a strategic partner, however, HR is still required to deliver effective services and to provide expertise and support to managers. If the basic HR processes are not in good order, no strategic contribution is likely to be considered of value. The development and implementation of people strategies also depends on the skills of the HR specialists. Inability to persuade top management to actively support HR initiatives or achieve ownership among line managers could be barriers to the implementation of HR strategies.

HR attempts to make itself strategic by seeking to accomplish organisational goals and by acting as a catalyst for HR efforts have also received some criticism. Due to the strategic and resource factors in HRM activities, at times it appears that the “human” element has been neglected (Lengnick-Hall et al. 2009). Strategic HRM, being more organisation-focused and less employee-focused, creates a set of ethical implications for HR professionals as not all employees may be considered “strategic” (Van Buren et al. 2011). It has been questioned whether HRM is a case of “the wolf in sheep’s clothing” (Legge 2005). It could be argued that the shift to a strategic mindset has marginalised employee-focused HRM responsibilities and ethics activities. The latter, however, are particularly important in the context of public service. Implementing “hard” HRM in combination with NPM is likely to erode commitment and shared values in the public service.

In CEE, HR membership of the top management team on the micro level is not an obvious way of recognising the importance of HRM in strategic decisions. Even in the private sector, which is usually considered to be the front-runner in implementing the classical HRM model, the figures of HR departments directly represented at the top decision-making level tend to be lower in CEE as compared to some Scandinavian or Western European countries (Brewster 2001). When it comes to the question of HR influence on strategy in public service organisations, there seems to be much variety: HR departments tend to be greatly involved in strategy-making in some organisations, but there are also examples of the HR departments functioning as mere personnel administrators (Riigikantselei 2006). The Estonian central government represents the case where the need for a strategic approach is more recognised in ministries and much less in executive agencies, where HR issues are often dealt with in an *ad-hoc* manner and where HR professionals do not have a say in setting longer-term perspectives for staff in their organisations (II). It could be assumed that in the Czech Republic, where each ministry has its own HRM system (Meyer-Sahling 2011), the role and influence of HR professionals varies, as well.

As regards the competence of HR professionals in CEE, the Estonian case study reveals that most HR managers have received their HR skills through the trial-and-error method of testing various HRM policies and tools rather than from conscious training and development, particularly during the immediate post-communist transition (II). The uneven development of public service HRM implies that there are organisations which do not yet understand the real value of the strategic approach, and they may need the necessary impulse from outside (II). For gaining this stimulus to understand the importance of HR function and also to enhance the capability for creating strategic HR systems, horizontal cooperation networks of HR professionals and managers could more soundly be used (Uus 2007; II).

On the macro level, strategic HRM in the public service depends on the role, mandate and competence of the central coordination institution. It is needed in order to steer micro-level strategies and provide for their coherence. Better coordination could also help to prevent the introduction of conflicting regulations and policies by different public organisations. Moreover, a central HRM co-ordinating institution is expected to invest time and energy in the development of horizontal values, cross-departmental partnerships and knowledge-sharing mechanisms between various government units to widen the “critical mass” capable of a strategic approach (II). Supportive actions at the central level can also minimise the problems related to the unequal quality of HRM. If a high degree of decentralisation is not counterbalanced with systematic development of coordination mechanisms, strategic HRM will remain a rarity confined to a handful of organisations (II). In reality, however, central coordination units have been weakened or abolished in Poland, Slovakia and the Czech Republic after the EU accession (I; Meyer-Sahling 2011). Hungary and Estonia also lack a central authority with a strong mandate to coordinate their HR policies (I). Latvia and Lithuania, on the other hand, have created capable structures to manage public service HR strategies and policies (Meyer-Sahling 2011).

3. Organisational performance and strategic HRM

The third defining characteristic of modern HRM is its emphasis on the importance of enhancing high commitment and performance (Armstrong 2000). It is based on a logical assumption that a committed person shows better results and adaptability, is willing to “go the extra mile” and is also more loyal to the organisation (Guest 1987; Storey 1989). According to the HRM model, HR function is supposed to contribute to the creation of added value by ensuring that employees with the required competences and levels of motivation are available through traditional HR services, and by dealing with macro concerns such as organisational culture and structure that stimulate performance. It is assumed

that human capability and commitment distinguish successful organisations from the rest (Storey 2001). A number of authors (e.g. Delaney and Huselid 1996; Delery and Doty 1996; Guest 1997; Paauwe 2009; Guest 2011) have conducted research examining the relationship between HR practices and organisational performance across a variety of settings. In order to prove the contribution of HRM, HR activities themselves are also increasingly viewed in economic terms leading to formal evaluation of HR activities (Mayrhofer and Larsen 2006). This section, which examines the links between organisational performance and strategic HRM, is not based on the empirical research from the public services of CEE, but provides a more theoretical approach and some avenues of discussion in the CEE context.

A steadily increasing number of studies exists that analyse the effect of HRM on organisational performance at the conceptual and empirical level. In analysing the impact, each of the linkage models complements the others by adding constructs, variables or relationships. Despite different approaches, most studies conclude that at least under specific conditions and in certain combinations, HRM has a positive effect on performance, even though the size of the effects are often relatively small (Mayrhofer and Larsen 2006; Paauwe 2009). Thus, there is an array of studies which reveal how investment in HRM “pays off”. Yet, despite such evidence, the task of persuading employers of the wisdom of adopting such policies and practices appears to be as much of an uphill battle as ever (Storey 2001). Lengnick-Hall et al. (2009) argue that until the facilitating and enabling role of HRM is understood and links are made between HRM and organisational outcomes, HRM will continue to be seen as an administrative function vulnerable to financial constraints in difficult times.

The performance outcomes of HRM can be captured in a variety of ways. A distinction could be drawn between financial, organisational and HR-related outcomes. Financial measures, such as profits, sales, stock price and market share dominate the research conducted in the private sector, but even there the distance between the performance indicators and HR interventions is argued to be too large (Paauwe 2009). So in the public service, there is a need for performance indicators that are far more proximal in terms of what HR practices can actually affect, such as changes in public servants’ attitudes (motivation, commitment, trust) and behaviour (turnover, absence), and subsequent changes in outcomes at the organisational level (e.g. productivity, quality of services, organisational learning).

Despite considerable empirical evidence, significant conceptual and methodological issues remain in the research. The problems are reflected, for example, in the inadequacy of performance measures and in mixed results with respect to causality. Diefenbach (2009) argues that the measurement systems contribute to a further ignorance and devaluation of many intangible assets and

traditional values. Moreover, it is widely recognised that little is known about and little has been done to unlock the “black box” of the processes that link HRM and organisational performance (Storey 2001; Legge 2005).

Although the relationship between HR policies and organisational performance has been thoroughly discussed in both academic literature and applied organisational settings, the question of whether HRM contributes to a more professional and better-performing public service, and helps to reform the structure of public administration, remains highly topical – especially in the countries going through major changes. There is less empirical work regarding strategic HRM and its promised creation of value in the public sector, where measures of organisation accomplishments are even vaguer and more controversial than in the private sector (Goldsmith 1997). Even though it is harder to measure the link, there is still the recognition that the quality of public service can make a real difference in terms of both the efficiency and the effectiveness of the public sector (Meyer-Sahling 2008).

Organisational performance is dependent on commitment and motivation. According to Armstrong (2000), strategic HRM is “commitment-oriented” – it stresses both behavioural commitment to pursue agreed goals and attitudinal commitment reflected in strong identification with the organisation. In public service organisations, it is expected that public service motivation is positively related to individual performance and organisational commitment (Perry et al. 2010). The belief is that individuals will be motivated to perform well when they find their work meaningful and think that they have a responsibility for the outcomes of their assigned tasks. Among the job characteristics that contribute to performance motivation are autonomy, task identity and perceived significance, intellectually challenging work, growth perspective and the possibility to do good for others and shape the well-being of society (Taylor 2010; III). It can be argued that these are the attributes that individuals with public service motives derive from public service employment. However, Perry and Wise (1990) consider the trend of treating the public service as a private enterprise a great risk as it fails to acknowledge the unique motives underlying the public service employment and the linkage between the way bureaucracy operates and the advancement of democratic values.

Regarding the organisational performance in the public services of CEE, it has been argued that the fact that the countries had to go through early stages of transition without general HR policy guidelines led to lower efficiency, higher costs and poorer services (Lucking 2003). During the accession period, EU compatibility could be seen as the benchmark for evaluating new member states’ administrative arrangements and the quality of public service (I). The significance of external pressure and expectations shaping the path of reforms has decreased following accession (Meyer-Sahling 2011). There are no series of

clear targets and deadlines to assess the performance of public service (I). However, wishing to meet the standards of Western administrations and the EU demands requires constant development and a broad range of competence of the countries' administrations. What is crucial for the continuity and sustainability of the public service and the public administration is, therefore, the commitment of public servants, not hard-line control mechanisms (Uus 2007).

The fundamental challenge to CEE has been to restore or (re)create the positive concept of the state and a common understanding about the complex roles fulfilled by public servants in democratic societies. The missing positive concept has led to serious problems, such as unattractiveness of public service careers, lack of loyalty, rivalry between government units and lack of common administrative culture within the public service (Drechsler 2000). In Estonia, this has also been indicated in the decreasing degree of popular trust for public institutions and for the government officials over the last decade (II; IV). Low levels of public trust have also characterised public services of other CEE countries (OECD 1997; Verheijen 1999; Ioniță 2007). Moreover, as experienced in Estonia, these problems have been reflected in the lower levels of commitment of public servants, including managers, as compared to the commitment of employees in the private sector (II; Riigikantselei 2008).

Organisational psychologists also emphasise fairness or equity concerns in the workplace, including employee concerns with the justice of their rewards (Boxall and Purcell 2011). The process of building trust and positive motivation to perform is seen to depend on the track record of fairness in HR decisions. The discrepancy between public servants' attitudes towards politicisation and the actual HRM practices in CEE suggest that political interference with HR decisions has a negative impact on the satisfaction and motivation of public servants in the region (Meyer-Sahling 2008). Moreover, the substantial differentiation of salaries across government institutions in CEE does not fit with the European principles of administration, which favour the concept of equal pay for equal work, regardless of the location in the governmental apparatus (Meyer-Sahling 2008). In the Estonian public service, for instance, the underlying principles of public servants' rewards are neither transparent nor consistent (IV). The same applies to Slovakia and the Czech Republic, where the salary systems have been characterised as fragmented and non-transparent (Meyer-Sahling 2011; Staroňová and Láštic 2012). It could be assumed that such unfairness of rewards in Estonia and elsewhere in CEE has its implications on performance.

Relatively high employee turnover could be another consequence of low motivation. This represents a serious challenge for decentralised systems which are dependent on cooperation and common values among various government units. As trust builds after repeated interactions between the same partners, a constant change of partners creates a rather unfavourable context for

collaborative action and poses a considerable obstacle to developing a common public service culture which forms a basis for any macro-level strategy. (II)

It has been argued that there has been too much focus on measuring the strategic contribution of HRM to organisational success. In the context of NPM, a whole range of additional systems and tools of control, monitoring and evaluation have been introduced (Diefenbach 2009). As a result, many public organisations appear to be overwhelmed by forms of performance monitoring. Too much focus on performance criteria of HRM can be also an issue in CEE, where public managers often have insufficient managerial experience (II). Inexperienced managers tend to over-quantify performance indicators that are easy to measure and that may look more “objective” and understandable than qualitative data (Mintzberg 1994; Randma-Liiv 2005b).

Organisational performance depends on the actual implementation of strategic HRM. As several authors have noted, there is often a gap between the rhetoric of strategic HRM and the reality (Legge 2005, Lengnick-Hall et al. 2009). There is a growing recognition that intended strategic HRM practices may be different from realised and perceived HRM practices. Lengnick-Hall et al. (2009) argue that to simply rely on what is stated rather than what is actually in place may lead to ineffective implementation as well as ambiguous results in studies. Additionally, if there are different perceptions of strategic HRM among top management and line managers, mixed or ambiguous messages may be communicated downward in the implementation of HRM. The consistency between intentions and actions is much harder to achieve when organisations are subject to frequent changes. As the implementation gap has been and is likely to remain a problem in CEE, as well, future modernisation efforts are expected to pay particular attention to implementation issues as well as policy evaluation (I).

Summary and conclusions

The three-pillar model of HRM, which emphasises the strategic integration of HRM, the role of managers and the impact of HRM on organisational performance, is the dominating paradigm in theory and organisational practice. The thesis has contributed to the field by extending the model to the context of public service. On the macro level, strategic integration assumes the presence of a public-service-wide HR strategy and a respective central coordinating institution. Managers’ ownership on the public service level refers to the crucial role of both senior officials and politicians in developing and implementing HR policies. The link between HRM and public service performance is expected to be made by enhancing macro-level commitment, i.e. public service motivation.

The strategic model of HRM may be desirable on the macro level, but there are no straightforward ways of applying it successfully, as experienced in the public

services of CEE countries which joined the EU in 2004 and 2007. However, this thesis is based on the evidence that, although there are many difficulties and challenges with strategic HRM, a strategic approach in itself is a positive development in order to give a sense of direction and a basis for the establishment of relevant and coherent HR policies. For the public service, a strategic HRM model can provide a unifying and analytical framework which is broad, integrative and contingency-based.

Drawing on the literature and the CEE experience with strategic HRM in the public service, it is demonstrated in the thesis that Western HRM practices have become increasingly relevant in these newly democratic countries. Political, economic and cultural changes during the post-communist transition and Europeanisation have provided a fertile ground for an expansion of the modern Western ideas and the concept of strategic HRM. However, the findings of this research suggest that the general problems of the HRM model are complicated by specific issues related to the developing phase of the countries, such as the poor reputation of the state, political instability, profound institutional changes, chronic resource shortage, sustained materialistic values, deficient coordination mechanisms and insufficient management experience. Thus, HRM is not merely another set of rules but reflects certain fundamental features of the persisting political and administrative system.

CEE provides a unique mixture of unifying and dividing elements. The communist legacy, the immediate post-communist transition process and pre-accession Europeanisation have provided a more unified context for public service organisations to operate in. Nevertheless, national institutions and individual countries still play an important role in HRM practice. Somewhat different pathways of different countries have appeared particularly during the post-accession period, when public service development and the implementation of strategic HRM have been essentially dependent on the domestic factors. The public service development in the region, however, has not been linear throughout the three distinguished periods of post-communist transition, pre-accession Europeanisation and post-accession modification. During the immediate post-communist transition, institution building and introduction of modern HRM took place in CEE, even though there were some variations in the fundamentality and pace of the reforms between the newly independent states and the “old states”. The Europeanisation of HR policies before the accession to the EU could be seen as a period of “project management” in the region, aimed at meeting the EU standards of public service policy. After the accession, CEE countries have chosen more and more divergent ways of public service development – there are cases of reform continuation and reorientation, but also examples of reform reversals. Therefore, in the future, it could be more difficult to define a common “CEE trajectory” of public service developments and implementation of strategic HRM.

As demonstrated in the thesis, a piecemeal approach to public service development has characterised the region. In the rapidly and radically changing context, organisations tend to deal with HR issues as they emerge, choosing the *ad-hoc* development of HR policies both at the organisational level and across public service. HRM has been generally perceived as an evolving process rather than a conscious design of an effective framework for managing people. The lack or weakness of public-service-wide HR strategies and respective central coordinating institutions has led to a rather fragmented setup of public service HRM in Estonia and elsewhere in CEE. On the one hand, this setup has made it possible to consider specific external factors surrounding each public service organisation and to carry out major organisational reforms, which required considerable institutional and HR flexibility in the highly dynamic context of post-communist transition and EU accession. On the other hand, the setup has caused an uneven capacity of HRM. Although some public organisations in CEE countries might have a strategic approach to HRM, their adherents can still at best be viewed as “islands of success”, which do not have a substantial effect on the public service as a whole. The failure to understand the strategic needs of public service on the central level has often had the consequence that HR strategic initiatives have been seen as irrelevant.

The thesis also reveals that implementation of the strategic HRM model requires sufficient capacity and competences of different key players of HRM both at the micro and macro levels. The role of top public servants in designing and implementing HR policies cannot be emphasised enough, particularly in the context of fundamental reforms. As a lot depends on the particular persons in HRM systems, it is important to attract and retain the necessary competence. Another critical issue is to develop the competences of HR professionals, not only at the micro level, but also at the public service level, and to provide the coordinating authority with sufficient capacity and mandate. Moreover, the strategic approach makes new demands on the skills of line managers, who play a major role in implementing it. Last, but not least, political leadership and support to strategic HRM remains the key condition for progress to be made in the region.

The assessment of strategic HRM in the public services of CEE has implications for the countries that aspire to EU membership in the future. The study provides an opportunity to draw lessons from the transition, pre-accession and post-accession experience of the post-communist countries. Although there are limits to the extent to which findings of the thesis may be generalised to other countries and settings, there are still several practical recommendations and lessons to be learned from the CEE experience.

The first lesson concerns the applicability of the strategic HRM model on the macro level of public service. Based on the experience in Estonia and in other CEE countries, it could be suggested that a strategic framework for managing public servants at the central level is needed. The strategic HRM model is not a panacea, but it may help to address some common issues, such as a lack of shared values, fragmentation, rivalry and uneven quality of HRM within the public services. The framework may also offer a positive contribution to meet the immediate and future challenges of the public services by introducing more systematic and long-term approach. Although modernisation of the public services in new democracies is taking place in a challenging context, strategic HRM is a realistic target also in these settings through careful planning, training and follow-up.

The second implication concerns the strategic fit between a country's HRM model and the wider context in which it is applied. The task for transitional governments is to respond adequately to the distinctive challenges they face in people management. While the post-communist transition and the EU accession process could be seen as "project management" exercises characterised by a series of clear targets, EU membership and the following more stable development period brings with it permanent demands for managing complex processes. This requires systematic attention to be paid to broader HRM deficiencies that were sometimes neglected during the hasty times of transition and EU accession. Moreover, with an ongoing global financial crisis, it has become more obvious that the role of the government in tackling the crisis is crucial. This requires a professionally managed public service that is based on effective HRM strategies on both the micro and the macro levels.

The third implication concerns path dependency, which is a particularly relevant factor in newly democratic states. It means that institutions, social structures and patterns of behaviour in the present are bounded by what has happened in the past, even though earlier circumstances may no longer apply (Farnham 2010). Once a specific way for HRM development has been chosen (often on an emergency basis and with limited prior analysis), it is very hard to change it afterwards. For example, continuing to espouse the combination of decentralisation and insufficient coordination tends to magnify the unevenness of HR development. Consequently, the "winners" of transition may become reluctant to give up their flexibility and discretion in HRM. In order to minimise the problems related to unequal quality and the perceived inner inequity of the existing HRM systems, strategic public-service-wide HRM is needed. For the coherent development of the public service, it is necessary to point out more clearly where the organisations' practices should be homogeneous and what the commonly agreed principles of HRM are, building upon a general vision for the development of the public service. Such a framework would help define HR priorities, taking into account the specific needs and challenges of individual

organisations. Thus, the institutional setup, role, tasks and limitations of central HR coordinators in public service deserve special attention as they seem to play a crucial role in strategic HRM.

The fourth implication has to do with the implementation gap. There is often a mismatch between the rhetoric of strategic HRM and the reality of its impact and therefore, good intentions can easily be subverted by the harsh realities. The analysis threw some light on the implementation issues of HR strategies. Some of the barriers that appeared in CEE provide lessons for other countries: inadequate assessment of the contextual factors of HRM, the development of irrelevant initiatives, possibly because they are current fads or because there has been inadequate analysis, execution of one initiative in isolation without considering its implications on other areas of HRM and failure to ensure the availability of resources. Therefore, future modernisation efforts in CEE and elsewhere are expected to pay particular attention to implementation issues as well as evaluation.

The thesis also provides a number of avenues for further research. First, while the micro-level HRM in public service has received sufficient attention in scientific literature, the HRM model on the macro level deserves further research. Second, although the relationship between HRM and organisational performance has been discussed in both academic literature and applied organisational settings, the question of whether the strategic HRM approach contributes to a better-performing public service remains highly relevant. The potential impact of HRM on public service motivation and, hence, on public service performance that was discussed in the thesis from a theoretical perspective, offers interesting opportunities for empirical research. And finally, the effects of the global financial crisis on the public management in general and on public service HRM in particular, which were not in the focus of the current research, require further analysis.

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SUMMARY IN ESTONIAN

Strateegiline personalijuhtimine avalikus teenistuses: Eesti ning teiste Kesk- ja Ida-Euroopa riikide kogemus

Strateegiline personalijuhtimine on olnud nii akadeemilise debati keskmes kui juhtimispraktikute huviorbiidis juba mitukümmend aastat. Vaatamata valdkonna pikaajalisele ja ulatuslikule uurimisele ning rakendamisele erinevates sektorites ja riikides, on seni vähem tähelepanu pälvinud strateegilise personalijuhtimise temaatika avaliku teenistuse kontekstis Eestis ning teistes Kesk- ja Ida-Euroopa (KIE) riikides. Seetõttu otsib väitekiri vastust järgmistele uurimisküsimustele:

- Mis on peamised probleemid ja eripärad, mis ilmnevad strateegilise personalijuhtimise rakendamisel Eesti ja teiste KIE riikide avalikes teenistustes? Milles seisneb strateegiline personalijuhtimine nii avaliku teenistuse mikro- kui makrotasandil ning kuidas see väljendub erinevates personalijuhtimise praktikates KIE riikides?
- Kuidas on strateegiline personalijuhtimine KIEs arenenud aja jooksul – postkommunistlikul üleminekuperioodil ning europaniseerumise käigus enne ning peale liitumist Euroopa Liiduga (EL)?
- Lähtudes KIE avalike teenistuse kogemustest strateegilise personalijuhtimise rakendamisel, millised võiksid olla peamised järeldused ja õppetunnid teistele riikidele, kes liituvad EL-ga tulevikus?

Väitekiri koosneb neljast teadusartiklist (**I**; **II**; **III**; **IV**) ja sissejuhatuses, mis annab tervikliku raamistiku artiklitele, sünteesib nende teoreetilise panuse ning võtab kokku juhtumianalüüsid. Teadusartiklid käsitlevad strateegilist personalijuhtimist Eesti (**II**; **III**; **IV**) ning teiste KIE riikide (**I**) avalikes teenistustes, analüüsides nii personalijuhtimist tervikuna (**I**; **II**) kui uurides konkreetseid personalijuhtimise alavaldkondi (**III**; **IV**).

Väitekiri võtab aluseks strateegilise personalijuhtimise võtmelemendid ning pakub välja kolmesambalise raamistiku, rõhutades eelkõige personalijuhtimise orienteeritust organisatsioonilise sidususe ning organisatsiooni eesmärkide saavutamisele. Esimene sammas – strateegiline sidusus, mis tagab personalijuhtimise tervikliku ja organisatsiooni strateegiat toetava korralduse, on mitmesuunaline. Personalijuhtimise väline ehk vertikaalne sidusus tähendab, et personalijuhtimine kui teatud tegevuste ja põhimõtete kompleks lähtub organisatsiooni strateegilistest eesmärkidest ning arvestab väliskeskkonnaga. Personalijuhtimise sisemine ehk horisontaalne sidusus aga eeldab, et personalijuhtimise erinevad valdkonnad (näiteks värbamine, hindamine, arendamine ja tasustamine) moodustavad kooskõlalise paketi. Teine sammas raamistikus keskendub juhtide võtmerollile inimeste juhtimisel ning

personalijuhtimise praktikate elluviimisel. Personalijuhtidele omistatakse seejuures eelkõige strateegilise partneri roll. Raamistiku kolmanda samba rõhuasetus on töötajate pühendumuse ning seeläbi organisatsiooni tulemuslikkuse saavutamisel. Eeldatakse, et pikemat perspektiivi arvestava edu jaoks on vajalik tagada inimeste pühendumus, sest pühendunud inimesed on produktiivsemad, rahulolevamad ja lojaalsemad.

Väitekirja panuseks on selle algselt erasektorist pärineva strateegilise personalijuhtimise raamistiku kohandamine avaliku teenistuse konteksti. Kui avaliku teenistuse mikrotasandil, st üksikutes avaliku teenistuse asutustes saab nimetatud raamistiku ilma põhjalike muudatusteta üle võtta, siis makrotasandil, mis hõlmab avalikku teenistust kui tervikut, tähendab raamistiku rakendamine teatud täiendusi. Seega makrotasandil sisaldab kolmesambaline mudel järgmisi elemente (Tabel 1):

(1) Vertikaalne ja horisontaalne personalijuhtimise sidusus eeldab avaliku teenistuse ülese personalistrateegia (ja ka vastava koordineeriva institutsiooni) olemasolu, et tagada mikrotasandi personalijuhtimise poliitikate ja praktikate kooskõla ning koordineeritus.

(2) Juhtide võtmeroll strateegilises personalijuhtimises makrotasandil viitab eelkõige avaliku teenistuse tippjuhtide vastutusele personalijuhtimise eest ning poliitilise toetuse olulisusele avaliku teenistuse personalistrateegia kujundamisel.

(3) Avaliku teenistuse organisatsioonide tulemuslikkuse saavutamiseks tuleb makrotasandil tähelepanu pöörata mitte üksnes avalike teenistujate pühendumusele oma tööle ja organisatsioonile, vaid avaliku teenistuse motivatsioonile laiemalt.

Strateegilise personalijuhtimise mudel avaliku teenistuse mikro- kui makrotasandil võib olla soovitav, kuid KIE riikide kogemus, mis ühinesid EL-ga aastatel 2004 ja 2007, tõendab, et selle rakendamisel ilmneb mitmeid väljakutseid. Tuginedes akadeemilisele kirjandusele ja läbiviidud uurimustele, näitab väitekirj, et läänelikud personalijuhtimise praktikad on muutunud järjest asjakohasemaks ka KIE kontekstis. Poliitilised, majanduslikud ja kultuurilised muudatused postkommunistliku ülemineku ja europamiseerumise perioodidel on loonud soodsa pinnase kaasaegsete personalijuhtimise ideede ning strateegilise personalijuhtimise mudeli ülevõtmiseks. Käesoleva väitekirja raames läbiviidud uurimused toovad aga esile mudeli rakendamisel ilmnevad probleemid, mis on seotud KIE riikide eripärase keskkonnaga, näiteks riigi ja avaliku teenistuse kehva maine, poliitilise ebastabiilsuse, ulatuslike institutsionaalsete muutuste, pideva ressursinappuse, süvenevate materialistlike väärtuste, ebapiisava juhtimiskogemuse ja -kompetentsi ning nõrkade koordinatsiooni-mehhanismidega.

Tabel 1. *Strateegilise personalijuhtimise mudel avaliku teenistuse mikro- ja makrotasandil*

	Strateegiline sidusus	Juhtide roll	Organisatsiooni tulemuslikkus
Mikrotasand (avaliku teenistuse organisatsioon)	<ul style="list-style-type: none"> - Organisatsiooni- ja personalistrateegia sidusus - Seos organisatsiooni- strateegia ja välis- keskkonna vahel - Personalipoliitika ja -praktikate sidusus ning kooskõla 	<ul style="list-style-type: none"> - Keskastmejuhtide vastutus inimeste juhtimisel - Personalijuhtimise professionaalid kui juhtide strateegilised partnerid 	<ul style="list-style-type: none"> - Avalike teenistujate pühendumuse olulisus - Rõhk nii individuaalsel kui organisatsiooni tootlikkusel ja tulemuslikkusel
Makrotasand (avalik teenistus)	<ul style="list-style-type: none"> - Avaliku teenistuse personalistrateegia vastavus väliskeskkonnale - Avaliku teenistuse ülese personalistrateegia ja koordineeriva institutsiooni olemasolu - Mikrotasandi personalipoliitika ja -praktikate kooskõla - Avaliku teenistuse personalistrateegia ja sisemiste ressursside vastavus - Avaliku teenistuse ühised väärtused 	<ul style="list-style-type: none"> - Avaliku teenistuse tippjuhtide vastutus personalijuhtimise eest - Poliitiline toetus avaliku teenistuse personalistrateegiale - Koordineeriva institutsiooni strateegiline roll 	<ul style="list-style-type: none"> - Avaliku teenistuse motivatsiooni, sh avaliku teenistuse eetika ja lojaalsuse olulisus - Avalikkuse usaldus avaliku teenistuse vastu - Rõhk avaliku teenistuse tulemuslikkusel

KIE avaliku teenistuse personalijuhtimise puhul saab välja tuua nii riikidele sarnaseid kui neid eristavaid jooni. Kui kommunistlik pärand, ülemineku periood ja EL-ga liitumisele eelnud europäniseerumise protsess on loonud üsna sarnase konteksti avaliku teenistuse organisatsioonidele erinevates riikides, siis suuremad erisused on ilmnunud peale EL-ga liitumist, mil avaliku teenistuse arendamine ning strateegilise personalijuhtimise rakendamine on sõltunud eeskätt siseriiklikest teguritest. Avaliku teenistuse personalijuhtimise arengut KIEs ei saa pidada lineaarseks, sest peale liitumist on riigid valinud lahknevad teed – on nii näiteid avaliku teenistuse reformide jätkamisest ja strateegilise personalijuhtimise rakendamisest kui ka näiteid tagasikäikudest ja taandarengust. Seetõttu on tulevikus keerulisem leida KIE ühisosa avaliku teenistuse personalijuhtimise arengutes.

KIE juhtumianalüüside põhjal võib väita, et avalikku teenistust on neis riikides arendatud n.ö jupi kaupa. Kiiresti ja radikaalselt muutavas kontekstis on organisatsioonid tegelenud personaliküsimustega jooksvalt ning valinud

personalipoliitikate arendamiseks *ad hoc* lähenemise nii asutuste tasandil kui avalikus teenistuses tervikuna. Makrotasandi personalistrateegia ning vastava keskse koordineeriva institutsiooni puudumise või nõrkuse tõttu on Eesti ja teiste KIE riikide avaliku teenistuse personalijuhtimine fragmenteeritud. Ühelt poolt on fragmenteeritus võimaldanud arvesse võtta iga asutuse spetsiifilisi keskkonnategureid ning viia dünaamilises ülemineku ning EL-ga liitumise protsessis ellu suuri organisatsioonireforme, mis on nõudnud institutsionaalset ja ka personalijuhtimise-alast paindlikkust. Teisalt on fragmenteerituse tõttu strateegilise personalijuhtimise rakendamise võimekus ebahütlane organisatsioonide lõikes.

Väitekiri toob ka esile, et strateegilise personalijuhtimise raamistiku rakendamine eeldab mitmete oluliste osapoolte suutlikkust ja kompetensi nii mikro- kui makrotasandil. Tippametnike roll personalipoliitikate kujundamisel ja elluviimisel on võtmetähtsusega, eriti fundamentaalsete muutuste kontekstis. KIE kogemus tõendab ka, et tähelepanu tuleb pöörata personalijuhtimise valdkonna professionaalide kompetentsile mitte ainult mikrotasandil, vaid ka avaliku teenistuse tasandil ning tagada koordineeriva institutsiooni piisav võimekus ja mandaat. Lisaks eeldab strateegiline lähenemine keskastmejuhtide kompetensi inimeste juhtimise alal ning poliitilist toetust avaliku teenistuse arendamisele regioonis.

Strateegilise personalijuhtimise raamistiku rakendamise või mitterakendamise kogemus KIE avalikes teenistustes annab võimaluse järelduste tegemiseks ning õppetundide saamiseks ka teistele riikidele, kes liituvad EL-ga tulevikus. Esimene õppetund on seotud strateegilise personalijuhtimise mudeli rakendatavusega makrotasandil. Eesti ja teiste KIE riikide kogemus näitab, et selline strateegiline raamistik avaliku teenistuse juhtimiseks kesksel tasandil on vajalik. Kuigi tegemist ei ole imerohuga, aitab see siiski tähelepanu pöörata KIE avalike teenistuste probleemidele, nagu ühiste väärtuste puudumine, fragmenteeritus, rivaliteet ja ebahütlane personalijuhtimise kvaliteet. Raamistik pakub süstemaatilise ja pikaajalise perspektiivi, et toime tulla tänaste ning tulevaste väljakutsetega avalikus teenistuses.

Teine järeldus puudutab personalijuhtimise ja väliskeskonna strateegilist sidusust. Üleminekuperioodi ja EL-ga liitumisele eelset perioodi võib pidada n.ö projektijuhtimise perioodideks, mida iseloomustasid selged eesmärgid ja tähtajad muutuste läbiviimiseks. EL-ga liitumisele järgnenud stabiilsem periood võimaldab aga süstemaatilisemat ja komplekssemat lähenemist avaliku teenistuse personalijuhtimise kitsaskohtadele, millele ei pööratud piisavat tähelepanu kiirete muutuste ja pealesuruvate tähtaegade kontekstis varasematel perioodidel. Strateegilist lähenemist ja professionaalselt juhitud avalikku teenistust nii mirko- kui makrotasandil eeldab ka finantskriis, mille lahendamisel on avalikel teenistujatel oluline roll.

Kolmas Eesti ja KIE õppetund on seotud arengutrajektoorist sõltumisega (*path dependency*). See tähendab, et tänased institutsioonid, sotsiaalsed struktuurid ja käitumismustrid sõltuvad sellest, mis toimus minevikus, isegi kui kontekst on tänaseks muutunud. Kui personalijuhtimise arendamiseks on valitud mingi konkreetne tee (sageli kiirkorras ja ilma eelneva analüüsita), on seda arenguteed hiljem keeruline muuta. Näiteks Eesti avaliku teenistuse juhtumisanalüüsi põhjal võib väita, et detsentraliseeritus koostoimes ebapiisavate kesksete koordinatsioonimehhanismidega süvendab personalijuhtimise ebaühtlast kvaliteeti ja arengut ning sisemist ebaõiglust. Väitekirjas väljapakutud strateegilise personalijuhtimise raamistik annab avaliku teenistuse arengutee valimiseks lähtekoha, rõhutades vajadust kokku leppida teatud ühtsetes põhimõtetes, kuid jättes võimaluse arvestada ka asutuste spetsiifiliste vajadustega. Seejuures mängib olulist rolli see, milline on avalikku teenistust koordineeriva keskse institutsiooni mandaat, ülesanded ja võimekus.

Neljas KIE kogemusel põhinev õppetund on seotud strateegilise personalijuhtimise elluviimise problemaatikaga. Personalijuhtimise retoorika ja reaalsus ei pruugi sageli ühtida ning häid kavatsusi võivad õõnestada mitmed elluviimise probleemid. Need võivad tuleneda näiteks personalijuhtimist mõjutavate väliste tegurite ebaadekvaatses hindamisest, avaliku teenistuse konteksti sobimatute juhtimispraktikate ülevõtmisest või moevooludega kaasaminemisest, ebapiisavatest ressurssidest või ka üksikute arenduste läbiviimisest, arvestamata nende kooskõla teiste personalijuhtimise valdkondadega. Seetõttu tuleb edaspidi nii KIE kui teiste riikide avalike teenistuste arendamisel pöörata erilist tähelepanu elluviimise ning personalipoliitikate ning -praktikate hindamisele.

Väitekiri toob välja ka mitmed olulised uurimisvaldkonnad edaspidiseks. Nii strateegilise personalijuhtimise raamistiku rakendamine avaliku teenistuse makrotasandil, finantskriisi mõju avaliku teenistuse personalijuhtimisele kui strateegilise personalijuhtimise roll avalike teenistujate motivatsiooni ja seeläbi avaliku teenistuse tulemuslikkuse tagamisel väärivad põhjalikumat käsitlemist tulevikus.

ACKNOWLEDGEMENTS

In writing this dissertation, many people have helped me, but I would particularly like to acknowledge some of them for their support. First of all, I would like to thank my supervisor and co-author Prof. Tiina Randma-Liiv for guiding me so helpfully along the lengthy journey towards completing the dissertation. I have benefitted greatly from her inspiration, her challenging critique and her insight into the field. Tiina has greatly shaped my ways of thinking and my professional career.

I would like to thank colleagues in the Department of Public Administration of Tallinn University of Technology. Prof. Wolfgang Drechsler's and Prof. Rainer Kattel's influence on the success of DPA and their demand for high academic standards made me finish my PhD studies and this dissertation. Külli Sarapuu has shaped my professional career and academic development for many years both in Tartu and Tallinn. I am also grateful to former fellow PhD students in DPA whose doctoral theses and successful academic careers have encouraged me and given me the feeling that "it" would be possible.

A part of this thesis has benefited from fruitful cooperation with Christopher J. Rees, who supervised my Master thesis during my studies at the University of Manchester. I also thank Beverley Metcalfe for co-authoring a research article.

In addition, I am deeply indebted to a range of colleagues from Nordea, Ministry of Social Affairs, State Chancellery and PARE who have taught me a lot in strategic HRM practice over recent years, bringing the touchstone of the "real world" into the discussions.

I thank my immediate family and friends who must have wondered what I was doing for several years, while this work was being written. I appreciate the constructive comments, helpful feedback and personal support provided by Karsten Staehr. As ever, my heartfelt thanks go to my daughter Amanda, who helps me to see the world of work from a fresh perspective, and my grandmother Elve, who has been taking such good care of my child while I was focusing on the thesis.

PUBLICATIONS (Articles I – IV)

Article I

Randma-Liiv, Tiina and **Jane Järvalt**. 2011. “Public Personnel Policies and Problems in the New Democracies of Central and Eastern Europe.” *Journal of Comparative Policy Analysis* 13 (1), 35-49.

Public Personnel Policies and Problems in the New Democracies of Central and Eastern Europe

TIINA RANDMA-LIIV* and JANE JÄRVALT**

*Tallinn University of Technology, Estonia; **Nordea Bank, Estonia

ABSTRACT *The development of personnel policies in the new democracies of Central and Eastern Europe (CEE) may be divided into three periods: institution building and introduction of modern personnel policies in the 1990s; Europeanization of personnel policies before acceding to the EU; and making further adjustments after accession. The development of selected personnel policies in new CEE democracies is analyzed. The paper concludes by recommending that, in modernizing their personnel policies, countries going through similar changes should (1) keep a strategic view; (2) pay close attention to the details of implementation; and (3) recognize the key role of top public servants.*

Introduction

The relationship between personnel policies and organizational performance has been thoroughly discussed in both academic and applied organizational settings (for example, Evans and Rauch 1999). Yet the question of whether people management contributes to a more professional and better-performing public service, and helps to reform the structure of public administration, remains highly relevant – especially in environments characterized by sweeping political, social and economic changes.

Public management reforms in new European democracies have already been studied by a number of researchers (Ridley 1995, Hesse 1996, Verheijen 1998, Drechsler 2000, Goetz 2001, Meyer-Sahling 2004). Yet the personnel management component of these reform attempts has so far not received sufficient academic attention. The paper at hand proposes to make up for that deficit by highlighting and exploring a selection of key personnel policies within the public services of the Central and East European (CEE) countries that have acceded to the European Union. Although there are important differences among those, they still appear to share a number of common developments, opportunities and risks.

Tiina Randma-Liiv is Professor of Public Administration and Policy at the Tallinn University of Technology.

Jane Järvalt is a PhD student at the Tallinn University of Technology and Head of Human Resources at Nordea Bank Estonia.

Correspondence Address: Tiina Randma-Liiv, Department of Public Administration, Tallinn University of Technology, Ehitajate tee 5, 19086 Tallinn, Estonia. Email: tiina.randma-liiv@ttu.ee

The paper draws on the records and commentary concerning key aspects of public service reforms, including reports of the World Bank and OECD (Support for Improvement in Governance and Management (SIGMA)), and various government websites of the countries in question. Where possible, the authors have expanded the above-mentioned material by considering applicable legislation, previous country studies, and their personal experience and observations. Employing a broad range of information sources has allowed the authors to gain an insight into two dynamic decades of fundamental political and administrative reforms and an opportunity for generalization.

The success of any government is determined largely by its ability to attract and retain a high-quality and high-performance workforce. Governments of all CEE countries have attempted to develop personnel policies in which decisions regarding an individual's selection and progress are guided by comparative merit or achievement, and in which the conditions and rewards of performance contribute to the competency and continuity of the public service (Goetz and Wollmann 2001). Three periods are distinguished in the development of personnel policies in CEE countries: (1) institution building and introduction of modern personnel policies in the 1990s; (2) efforts to reform public personnel policy before acceding to the EU; and (3) fine-tuning the reforms after joining the EU in 2004 and 2007. In addition, four key areas of personnel policy that affect the movement of people into, through and from the public service are examined: recruitment and career management, training and development, performance management and rewards. In this paper, the focus is exclusively on central government. The paper concludes with specific policy recommendations for designing and implementing personnel reforms in countries which are undergoing processes of transition and Europeanization similar to those experienced by CEE states.

Development of Public Personnel Policies in CEE Countries

The 10 CEE states that have to date acceded to the EU (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia in 2004, and Bulgaria and Romania in 2007) have gone through major changes in the last two decades. These changes were a response to the challenges of post-communist transition, to the development from candidate status to full membership of the EU and to making further adjustments in personnel policies after joining the EU. The development of personnel policies in the CEE countries has been influenced by broadly similar societal, legal and economic factors. Therefore, an examination of the background and underlying dynamics of the personnel reform efforts of those countries allows us to sketch a set of common features reflecting developments in the policy design and legislation as well as in the actual implementation of personnel policies.

Institution Building and Introduction of Modern Personnel Policies in the 1990s

Several authors (Ridley 1995, Hesse 1996, Verheijen 1998, Drechsler 2000, Goetz 2001) have observed that the absorption of decision makers in urgent economic, political and social problems of post-communist transition tends to downgrade administrative reforms to a lesser priority. Although public service reform is usually

ranked among the so-called “second generation” reforms of transition (Verheijen 2003), the governments of CEE countries understood the necessity of reforming their administrative apparatuses. It was clear already in the 1990s that an underdeveloped public service shaped by inconsistent and inadequate personnel policies was likely to jeopardize the continuation of political and economic reforms, and make further stabilization unlikely (Beblavy 2002). Lucking (2003) has argued that the fact that CEE countries had to go through early stages of transition without the benefit of a system of general personnel policy guidelines, led to lower efficiency, higher costs and poorer services.

One of the main problems in public personnel management in CEE countries stemmed from a tradition of not regarding public servants as a category apart from other types of employees. Thus, at the beginning of the 1990s, public servants in post-communist CEE countries (with the exception of Poland), were subject to general labour codes, and enjoyed no special status, or any particular social guarantees. The public services in former communist countries were a clear example of a patronage (spoils) system with no regard for merit principles. Contrary to developments in many old democracies, which in the 1990s took steps to reduce differences in the general employment arrangements applicable in the public and private sectors, the CEE countries all passed public service laws (see Table 1), granting public servants a special status and deliberately emphasizing the distinction between public and private employees.

Although this legislation was not fully implemented in all countries (World Bank 2006), the enactment created a basis for the development of merit principles in the public service. Through that, all subfields of personnel policies (for example, recruitment, training, career or incentive systems) were fundamentally challenged, and in most cases also reformed.

At the beginning of transition, no strong bureaucratic constraints existed in the CEE countries to endanger public personnel reforms, as they did in Western countries with long public service traditions and well-established administrative cultures. Yet the countries in question had to contend with a Communist legacy that included patronage networks and considerable ideological influence. The positive role of public servants could not be taken for granted in CEE countries that lacked an established tradition and experience of democratic governance. The absence of a positive concept of the state and the resulting lack of a sense of ownership on the part of the citizens led to serious problems. Among other things, these included a negative image of public service careers, a lack of loyalty on the part of citizens, rivalries between government units, ebbing commitment among public servants, an absence of a common administrative culture and a lack of co-operation within the public service (Drechsler 2000, Verheijen 2003, Riigikantselei 2008).

The early years of transition coincided with a period of Western thinking about the state that was dominated by neo-liberal concepts of public management. The New Public Management (NPM) fashion also prevailed in the international organizations (for example, the World Bank and the International Monetary Fund (IMF)) and countries that had served as models for CEE reforms, especially the USA and the UK (Verheijen 2003: 490). The NPM ideology sat well with CEE countries that did not like big state apparatuses, and were carrying out large-scale privatizations as a part of a radical reworking of their one-sector economies. In

Table 1. Adoption of public service legislation in selected CEE countries

Country	Year of adoption of Public Service Act(s)
Bulgaria	1999
Czech Republic	2002
Estonia	1995
Hungary	1992
Latvia	1994, 2000
Lithuania	1995, 1999
Poland	1982, 1996, 1998
Romania	1999
Slovakia	2001
Slovenia	1990, 2002

Sources: Beblavy (2002), Boussaert and Demmke (2003), Meyer-Sahling (2004).

personnel policies, this led to solutions based on deregulation and decentralization, as well as on “letting the managers manage”. However, the introduction of merit principles in “deregulated” public service settings has proved difficult, as demonstrated in the following sections.

Finally, the dilemma between continuity and change in the public service became an important issue during the early years of transition. In most CEE countries, for example in Bulgaria and Romania as well as in Hungary, a majority of the old cadre remained in office as governments did not initiate replacement of civil servants (Drechsler 2003, Meyer-Sahling 2004). However, in other countries the *nomenklatura* problems were not so severe. For example in Estonia changes in personnel were especially marked in 1992–93, when 37 per cent of public servants were replaced (Drechsler 2003). By 2000, the proportion of Estonian public servants who had worked in the public service for less than 10 years reached 76 per cent (Riigikantselei 2001). A rapidly developing private sector created many new jobs that required new qualifications and provided interesting opportunities for personal growth. As several authors (Jasaitis 1999, Randma 2001) have demonstrated, in a time of increasing career opportunities, the public sector was losing out to the private sector, which was preferred by labour market “winners” on account of higher salaries and better growth prospects. This, in turn, became an obstacle in designing and implementing public personnel reforms (Beblavy 2002, World Bank 2006).

“Europeanization” of Personnel Policies before Accession to the EU

A key challenge faced by governments in transitional environments is one of maintaining a strategic view in the context of constantly changing political frameworks. However, the history of public administration development in CEE tells a mixed story of piecemeal and ill-sequenced attempts to reform existing systems (Verheijen 2003). In the late 1990s and the beginning of the 2000s, the European integration process was one of the few stable strategic goals that provided the backbone for administrative reforms. It also created an important motive for systematic development of personnel policies (Grabbe 2001, Viks and Randma-Liiv 2005). Although public personnel management *per se* was not part of the *acquis communautaire* to be formally incorporated into a country’s legal framework in

order for the country to join the EU, entrants were required to have a functioning administrative system. The legalistic nature of the *acquis* mainly focused the accession process on changes in the legal framework, yet to an extent also spilled over into substantive public service reform (Beblavy 2002).

The European Commission was rather successful in pushing through major formal institutional instruments (such as the adoption of Public Service Laws in some candidate countries, most notably in the Czech and Slovak Republics), but it was much less successful in influencing the actual content of change and the implementation of new legislation (Beblavy 2002, Meyer-Sahling 2009). The implementation gap between the adoption of formal acts and procedures, and their realization, has been a serious problem in most CEE countries (Verheijen 1998). Researchers have revealed ample evidence of continuing patronage in a number of accession countries that possessed a legal framework ostensibly creating the necessary preconditions for a democratic public service and public personnel management (Jasaitis 1999: 305–307, Verheijen 1999: 98). For instance, it was observed in Latvia that although most vacancies were announced as essentially “open”, their openness was in many cases effectively negated by the specifics of decentralized selection procedures (Simanis 1999). Moreover, the Czech public service law had not become effective by 2006 yet (World Bank 2006).

Therefore, it could be argued that in the Europeanization process too much reliance was placed on legislation as the main reform instrument. As for the “softer” European values behind personnel reforms, the goal of developing a “European Administrative Space” operating by a set of common principles including the rule of law, openness and transparency, accountability, efficiency and effectiveness, was well known in CEE countries during the accession process. It is unclear, though, if this had any actual influence on the reality of personnel reforms and practices.

Adjustments in Personnel Policies after Joining the EU

While transition and EU accession could be seen as periods of “project management” characterized by a series of clear targets and deadlines, the ensuing membership period has brought with it permanent demands for managing complex processes. This requires careful attention to structural defects in personnel policies, which may have been neglected during the rush of transition and accession. As EU compatibility could be seen as the benchmark for evaluating new member states’ administrative arrangements, the significance of external pressure and expectations in shaping the path of reforms has decreased following accession. EU policies towards the new member states all but neglect developments in their public services, which means that the sustainability of personnel reforms essentially depends on the domestic factors (Meyer-Sahling 2009).

One of the widely recognized obstacles to root-and-branch reform is political instability. Frequent political swings have effectively reduced the prospects of reform continuation in several countries. Government changes in Poland, Slovakia, the Czech Republic and Slovenia between 2004 and 2006 meant that the public service reforms negotiated and initiated before accession were put on the back-burner (see Meyer-Sahling 2009). Indeed, those in charge of drafting important reform legislation are rarely in office for long enough to oversee (and responsibly care for) its

implementation. The work of previous governments is often rejected on principle, and any institutions and functions created by them are subject to almost automatic reshuffles. A lack of consensus in the direction of personnel reforms leads to a lack of continuity. In addition, frequent cabinet changes tend to result in changes in personnel, especially at the top level. Although the reasons for these changes have been widely different, such turbulence in high public offices makes trust building, serious commitment and enhancement of co-operation difficult, especially considering the fact that top officials usually play a key role in developing and implementing strategic personnel policies.

Despite the fact that the Europeanization process has contributed to the general development of co-ordination culture in CEE governments (Viks and Randma-Liiv 2005), insufficient policy co-ordination has resulted in uneven development and fragmentation of personnel policies within individual countries (Verheijen 2003). Albeit there are certain “islands of success”, these tend to be limited and, as a rule, cannot be considered instances of irreversible progress (Verheijen 2003). These “success stories” tend to co-exist with essentially unreformed public institutions and personnel policy practices, which makes a generalized assessment of reform results complicated. Better co-ordination could help to prevent the introduction of conflicting regulations and policies by different public organizations. In reality, however, horizontal management systems such as central public service agencies or departments have in several cases been weakened or removed – most conspicuously in Poland, Slovakia and the Czech Republic. Hungary and Estonia also lack a central authority to coordinate their personnel policies (see Table 2). This, in turn, increases the risks of politicization, problems with equal opportunities and the decreasing transparency of personnel policies (Lucking 2003, Meyer-Sahling 2004, Randma-Liiv 2005).

Chronic resource shortage, be it financial, organizational or human, has also been pointed out as an obstacle to effective implementation of reforms (Goetz 2001, World Bank 2006). It remains to be seen to what extent the economic and financial downturn of 2008 reduces investments in the public service personnel, or whether it can provide new incentives for personnel development and promote discussions of the quality and effectiveness of the public service. Shortage of economic resources might be a possible constraint on the pace of reform, but should not prevent a strategic approach (Lucking 2003).

There are a number of challenges facing the public services of CEE that cannot be implemented by decree. Making amendments in the public service laws can only be a precondition for improving the everyday practice of personnel management. Whereas the two first periods of personnel development tended to focus on policy making by ensuring the presence of a modern legal and institutional framework, the challenge of the third period lies in the constant improvement of policy implementation through permanent reflection, feedback and evaluation of personnel policies.

Key Personnel Policies – Problems and Prospects

Fundamental public service reforms in all CEE states have, with greater or lesser success, addressed four key areas of personnel policy. Although the overall starting platform as well as the direction of reform has been the same – to move from a

Table 2. Responsibility for co-ordination and management of the public service in selected CEE countries

Country	Authority
<i>Central authority</i>	
Lithuania	Civil Service Department under the Ministry of Interior, established in 2002
Latvia	State Chancellery, responsible for public service since 2003
Slovenia	Ministry of Public Administration, established in 2004
<i>Fragmented or partial authority</i>	
Hungary	Government Centre for Public Administration and Human Resource Services under the Prime Minister's Office, established in 2007
Estonia	Ministry of Justice, Ministry of Finance and State Chancellery, responsibilities divided since 1995
<i>No central authority</i>	
Czech Republic	No institution with central public service management authority
Poland	Civil Service Office abolished in 2006, some responsibilities in the Civil Service Department within the Prime Minister's Office
Slovakia	Civil Service Office abolished in 2006, some responsibilities left in the Ministry of Labor and the Government Office

Sources: Meyer-Sahling (2009), World Bank (2006).

Communist patronage to merit principles – actual implementation has resulted in various unexpected side-effects in most CEE countries.

Recruitment and Career Management

In the core of recruitment and career management has been the development of a merit-based system in which an official's selection and progress is determined by his or her comparative merit or achievement, and in which the conditions and rewards of performance contribute to the competency and continuity of the public service. An important precondition for merit-based systems is the establishment of formal recruitment procedures. By 2008, announcement of public service vacancies has been made mandatory in most CEE countries (Meyer-Sahling 2009). Yet the presence of merit-based procedures does not necessarily mean their automatic implementation. Replacing the Communist public service by merit principles is not simply a matter of passing relevant legislation and reforming the corresponding institutions. It also requires a fundamental shift in the values, attitudes and beliefs of politicians, public managers and individual public servants who determine day-to-day personnel decisions. Several authors have identified serious implementation problems in recruitment and selection in CEE, especially in the 1990s. For instance, the Bulgarian system of announcing public service vacancies remained vestigial, and many public servants were recruited in an informal way, by means of private contacts (Verheijen 1999). There were cases in Lithuania where undesirable applicants were informally intimidated or discouraged from pursuing their applications, and there were also cases where selection procedures were influenced by ideological considerations and

personal ties (Jasaitis 1999). There is, however, some evidence to suggest a gradual recognition of merit values in CEE. For example, in the Czech Republic the advertisement of public service vacancies is not compulsory, yet most positions are actually advertised and the merit principle is widely accepted (Meyer-Sahling 2009). It could be argued that the general competitive environment has contributed to a shift to merit-based recruitment.

CEE countries which do not have long state traditions, high prestige or a distinctive social status for the public service, face difficulties in building their public services upon a long-term “career contract” between an official and the state. Instead, short-term gains of position-based public service systems tend to dominate over long-term benefits of a career system. A classical career system presumes societal and organizational stability and continuity, whereas CEE public administrations suffer from social and political as well as structural and legal instability. Moreover, unlike many old democracies whose personnel policies are in need of more flexibility, the personnel policies of CEE states primarily require stability and predictability. In theory, these could be provided by the development of a classical career system. Yet none of the CEE countries has been able to develop one (Drechsler 2005), although the governments of Poland, Hungary and Slovenia have over the last two decades tried to boost systematic career management (Drechsler 2003). In the majority of CEE countries, public service laws do not provide for an “automatic” rise in rank or position, nor do they guarantee life-long tenure (Meyer-Sahling 2009). Although most CEE countries recognize the special status of public servants, declare them to be employed for indefinite terms and proclaim public service employment security, the actual practice could be rather different. Dismissal of public officials is easy and widely used, making a mockery of formal declarations of permanent tenure (Verheijen 1999). Consequently, in most cases it is possible to enter the public service at any level of the hierarchy, attempts to manage officials’ careers are random and depend on the will of individual public institutions and managers (Rees et al. 2005).

Such practices tend to weaken CEE public services and lay them open to political influence (Verheijen 1999). Politicization of the public service is a serious problem in CEE (see Table 3). For instance, Verheijen (1999: 118) claims that although professional competency is an important qualification requirement in the Bulgarian public service, professional criteria can sometimes be sacrificed to political interests. Another study shows that Hungary, Poland and Slovenia experienced a trend towards increased politicization in top-level appointments even after accession to the EU (World Bank 2006). There are also examples of re-institutionalization of political appointments, for example in Poland, Slovakia and Hungary (World Bank 2006).

Another important question to be considered in relation to recruitment and career development policies is the degree of centralization. The experience with over-centralization under Communist rule made decentralization very attractive to CEE citizens. The decentralization of traditionally centralized recruitment procedures in several Western countries in the 1990s has also had a substantial impact on the organization of public services in CEE. A number of CEE governments have decentralized their personnel policies to a considerable degree. For example, the Czech as well as Estonian governments allow their individual agencies a high degree of discretion in the recruitment and selection of personnel (Vidláková 1999,

Table 3. Degree of politicization of the senior civil service in selected CEE countries

Low politicization	Medium politicization	High politicization
Estonia, Latvia, Lithuania	Czech Republic, Slovenia	Bulgaria, Hungary, Poland, Romania, Slovakia

Sources: Meyer-Sahling (2004, 2009).

Randma-Liiv 2005, Meyer-Sahling 2009). Only Poland, Lithuania and Slovakia are characterized by partly centralized selection procedures – initial selection in the form of standardized exams is carried out by a special unit of the public service (Meyer-Sahling 2009). A high level of discretion in personnel management may prove risky if practised in countries characterized by an insufficiently developed legislative framework, high incidence of corruption, inexperienced top and mid-level managers, a lack of democratic values in administrative culture and insufficient control mechanisms. Verheijen (1998) has argued that liberalization of employment conditions in the CEE context may lead to further politicization, is likely to enhance rather than eliminate instability and could boost favouritism. In addition, when a central government works with an internal labour market that consists of loosely connected mini-markets, government units may develop their particular cultures and recruitment traditions, potentially leading to rivalries between individual public organizations.

Training and Development

The performance of organizations in rapidly changing environments depends by and large on the qualities of their members and on the organizations' ability to learn and adapt. The development of new knowledge and skills has been particularly crucial for CEE countries, whose newly democratic public services were initially composed of officials who had served under the Communist system, or of complete public service newcomers. Whereas in Western countries, public service training traditionally revolves around skills and competencies, training efforts in CEE countries are expected, in addition to skill development, specifically focus on the role and values of the public service, because in spite of the fact that two decades have elapsed since democratic reforms in CEE, democratic values cannot be taken for granted yet.

There is evidence that CEE countries increasingly provide systematic training programmes for new public servants. For instance, Hungary and Slovenia require new public servants to follow a mandatory in-service training programme (Meyer-Sahling 2009). Although several other CEE countries have also introduced mandatory training programmes for new entrants, this practice has not been sustainable. For example, Jasaitis (1999) demonstrates that although a mandatory training period was prescribed in the Lithuanian Law on Public Officials, it was not offered in practice because of budget restrictions and the unwillingness of managers to release critical personnel for training activities. The usual practice in most CEE countries is that officials are provided with an opportunity for both general public service training as well as specific training for certain posts. However, it should be

noted that the training processes have at times been random, fragmented and unconnected to organizational or public service goals (Lucking 2003, Verheijen 2003, Randma-Liiv 2005). A positive exception to this practice was the pre-accession period when most CEE states sought to improve the knowledge of their public servants of the EU institutions and policies by organizing systematic training programmes (Lucking 2003).

The key question in the personnel development now, more than ever before, is the need for highly qualified top public servants. The competence and ethical standards of senior public servants and their personal example in forming and promoting modern public service values throughout the public service has become crucial for further development of public service personnel. Senior public servants in CEE countries either have a long public service experience from the Communist period or, alternatively, represent relatively young people who have joined the public service only recently. In both cases, the public servants in question may lack managerial and/or professional qualifications, as well as an experience of democratic governance. Top public servants play a substantial role in initiating and maintaining democratic changes (or resisting these) and therefore their development requires special attention, and probably even a specific personnel policy. Estonia and Lithuania have systematically invested in the development of senior public servants (Meyer-Sahling 2009). Based on the competency framework of top officials, multi-staged development programmes, specific training events, master classes and workshops as well as individual activities such as mentoring or consulting have been put in place for senior public servants in Estonia since 2005 (Järvalt 2007).

Performance Management

Performance-orientedness has been a central value in the rhetoric of personnel reforms in CEE due to the general popularity of NPM ideas. However, CEE countries have no success stories of performance management so far. Although Hungary, Latvia and Lithuania have made the most progress in this area by introducing performance evaluation systems, this has not occurred without problems, which include cases of unfairness and of weak links between strategic goals and evaluation (Meyer-Sahling 2009). The Estonian example of pay-for-performance has also received criticism, mostly because of the poor management experience of public sector leaders (Randma-Liiv 2005). Public managers in CEE often have insufficient managerial experience, and will therefore find it difficult to pick up problems and failures related to performance management. Managers with too little experience tend to over-quantify performance indicators that are easy to measure and that may look more “objective” and understandable than qualitative data (Mintzberg 1994). This way the technique may easily triumph over the purpose of performance management. An additional CEE-relevant problem is the lack of trust between managers and public servants due to a high level of politicization – which may make the appraisal process less “counselling” and more a controlling exercise.

Most of the NPM ideas are rooted in bundles of various concepts that often embody contradictions (Peters 2001). Several “democratic” goals such as transparency, representativeness, equal opportunities and fairness of procedures

can be in conflict with the “technocratic” or “rational” goals such as efficiency, value-for-money or fast decision making. For instance, in Latvia, management contracts with defined performance bonuses for senior staff became rather unpopular due to their lack of transparency (World Bank 2006). The quality of Slovenian and Slovakian initiatives has been criticized because of the legal uncertainty in their performance evaluation systems (Meyer-Sahling 2009). Such contradiction in values is particularly hard to solve in CEE countries, where democratic values are not as deeply held as in old democracies.

CEE governments can thus fall into the trap of adopting cost-concerned and efficiency-oriented approaches that are likely to sideline democratic values. The concept of accountability to the general public with the multiple dimensions may easily change to accountability for financial outcomes. The situation will be even more complicated if limited financial resources bring pressure to bear on governments to give precedence to “technocratic” goals. Finding a balance between democratic and technocratic goals will have implications for the development of a variety of personnel policies and tools, which is why this field is expected to become one of the greatest challenges in the years to come, especially in the context of sharply decreasing economic growth.

Rewards

Successful recruitment and retention of public servants depends on traditional labour market factors such as the relative attractiveness of the public service and the conditions of public employment. In order to have a realistic chance of attracting and maintaining highly talented people in a situation where public service employment conditions are increasingly compared to those in the private sector, public service pay and benefits are expected to be reasonably competitive, although the specific motivators of the public service, such as contribution to the public good and socially meaningful accomplishment, may compensate for salary disparity to a certain extent.

Insufficient competitiveness of public service pay in CEE countries is a far-reaching problem (World Bank 2006). In addition, government and the state do not evoke positive associations for many citizens of the CEE countries, leading to a lack of respect for public administration. This means that the presence of the solidary motivators of the public service (see Clark and Wilson 1961) can also be questioned. As this is coupled with uncertain public service tenure, it is very difficult to attract and maintain qualified public servants.

The situation is further complicated by the need for compensation policies to be perceived as fair by public servants and the public alike. A growing number of countries (for example, the Czech Republic, Latvia, Lithuania and Slovakia) have opted for broadbanding, that is, grouping jobs into job families and salary brackets to achieve more flexibility and discretion (World Bank 2006, Meyer-Sahling 2009). Estonia and Poland have decentralized their public sector salary systems to a large extent, leaving a considerable degree of discretion to individual organizations and managers. It has been expected that a high level of discretion will enable the flexible consideration of specific environmental factors surrounding each organization which is particularly important in a highly dynamic context of transition and

Europeanization. However, decentralization might also have considerable disadvantages. If every government unit develops its particular working conditions, public organizations can find themselves in a situation where instead of co-operation they have to compete with each other. For example, in Estonia this has led to a situation where each ministry and agency is responsible for the remuneration of its staff and individual salaries vary to a large extent due to the effects of pay differentiation and “add-ons”, negotiated for each organization and individual. In 2007, the average salary in the best paid institution was 3.2 times higher than that in the lowest paid institution (Riigikantslei 2008).

Bonus payments – often in the form of pay-for-performance – have attracted considerable attention in the last decade in CEE. Some politicians and public sector managers look upon pay-for-performance as a quick and easy fix for serious performance problems. Although certain positive results have been reported in Latvia and Lithuania, the use of pay-for-performance has met with only limited success in the region (World Bank 2006). On the one hand, pay-for-performance is a valuable tool to encourage high-quality performance of public servants, and to motivate the best officials. On the other hand, complexities of performance appraisal have set limits to the use of pay-for-performance. The primary problem that managers encounter is not one of knowing who are the best performers, but of measuring and documenting performance differentials (Perry 1990). For example, a Slovakian bonus-based performance system has been criticized for the lack of transparency and subjectivity (World Bank 2006). If pay-for-performance is poorly designed or managed, it may produce an effect contrary to what was intended, and eventually harm productivity and organizational culture. This has, for instance, been demonstrated in relation to Estonia (Randma-Liiv 2005).

Conclusion and Policy Recommendations

Two decades after the fall of Communist regimes, public personnel reforms in the new democracies of Europe are still struggling with weak strategic planning and insufficient policy co-ordination, reform delays, failures of implementation and a lack of political commitment. Certain achievements have been reported in developing training programmes and creating merit-based systems in recruitment by means of institutionalization of open competitions and fair treatment of applicants. Yet these efforts have remained insufficient to build a personnel policy that allows to attract and retain highly qualified staff. Such a mixed record in the implementation of personnel policies appears to be due to a lack of headway in the reform of reward systems and limited progress in the use of performance-based management tools.

Each country of the region is characterized by a mix of problems affecting the general public service level and of more promising examples in individual organizations. Common features were more frequent in the personnel management of the CEE countries at the beginning of the 1990s because of the similarity of their Communist legacy and the directions of personnel reforms. While it is relatively easy to describe common negative features of public services, the current diversity makes it more difficult to discern solutions that would apply to all CEE countries. Although

there are some limits to the generalizability of the findings and further constraints on their applicability to other countries and settings, several lessons can still be learned from the experience of the new CEE democracies.

The first lesson concerns a strategic approach to personnel policies which is a necessary precondition for ensuring the success and sustainability of any modernization programme. The strategic direction, developed and maintained by politicians, top public servants and central personnel institution(s) is particularly needed in the time of structural reforms. Especially after accession to the EU, governments in CEE countries seem to be at a loss for a basic consensus regarding the direction of public personnel reforms and apparently there are no new, sufficiently powerful drivers for change. It remains to be seen what will be the impact of the economic and financial crisis on developments in public service reform, and whether the crisis will create new incentives to drive personnel reforms strategically. The experience of CEE countries shows that instability in the public service, combined with high levels of decentralization and weak co-ordination systems, is a major risk to effective policy design and implementation. Therefore, it is important to achieve a healthy balance between the decentralization of functions and the central steering of personnel policies.

Secondly, public servants of transition countries are accustomed to the role of a policy *maker* as opposed to that of a policy *implementer*. Whereas most CEE countries were involved in the development of a legislative framework and institution building in the 1990s, more attention has been paid to the managerial, or “softer” issues of public personnel management in the past decade. The legalistic approach to personnel policy has gradually been replaced by a focus on management problems that have been encountered during the implementation. As the implementation gap between legislation and reality remains a problem in CEE, future modernization efforts are expected to pay particular attention to implementation issues as well as to both *ex ante* and *ex post* policy evaluation. The biggest challenge for effective implementation, however, is the need for a systematic development of democratic public service values such as the rule of law, transparency, openness and accountability.

Thirdly, the role of top public servants cannot be emphasized enough, especially in the context of fundamental personnel reforms. On the one hand, top public servants can substantially influence the design of personnel policies and, even more importantly, their actual implementation in individual public organizations. They are also crucial in developing modern values in their respective organizations and throughout the public service, in ensuring fair treatment of public servants and in setting a personal example. On the other hand, well-developed personnel policies help to make the public service an attractive place for the most qualified people in the labour market. Once there is a critical mass of new and democratically minded public managers in place, this *per se* adds to the comparative attractiveness of a public service career. Consequently, merit recruitment, high-level training and career management as well as competitive reward packages are of particular importance in the case of top public servants.

Finally, the study has several implications for policy learning. CEE countries started out their state-building efforts with an insistent demand to be like the West. The Europeanization process as well as the worldwide NPM fashion of the 1990s

both left their footprints on the personnel policies of CEE countries. Nevertheless, considering Western countries as role models is highly problematic as the success of policy transfer depends on the substitutability of institutions and the equivalence of resources between model and recipient (Rose 1993). In addition, several “Western solutions” to personnel problems such as deregulation and decentralization presume a considerable experience of democratic governance, a high level of trust and the presence of professional public managers. It is thus questionable whether West European or Anglo-American models provide the best lessons for new and fragile democracies, which still experience political instability and inconsistent strategic management, have relatively high corruption levels, deficient accountability and coordination mechanisms and insufficient management experience. It is also significant that the new EU member states are gradually changing from policy searchers to policy providers. An analysis of the successes but also of mistakes made in Central and Eastern Europe may help the countries of the Balkans, the Caucasus or Central Asia to modernize their personnel policies. The analyzed countries themselves could benefit from a greater cross-national comparison and lesson-drawing, given their proximity and the similarity of their problems.

Acknowledgements

The study was supported by the Estonian Target Financing grant no. SF0140094s08 and by the Estonian Science Foundation grant no. 7441.

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Article II

Järvalt, Jane and Tiina Randma-Liiv. 2010. "Public Sector HRM: The Case of no Central Human Resource Strategy." *Baltic Journal of Management* 5 (2), 242-256.



Public sector HRM: the case of no central human resource strategy

Jane Järvalt and Tiina Randma-Liiv

*Institute of Public Administration, Tallinn University of Technology,
Tallinn, Estonia*

Received June 2009
Revised September 2009
Accepted February 2010

Abstract

Purpose – The purpose of the paper is to outline and analyse the limitations and opportunities of decentralised human resource management (HRM) in the public sector.

Design/methodology/approach – The paper is based on a case study of the Estonian Central Government.

Findings – It is demonstrated that the absence of a central human resource strategy, combined with fragmentation, insufficient coordination and a lack of common values throughout the public service as well as with other limitations related to the country's post-communist legacy has hindered a systematic approach to public service HRM. However, the paper also reveals that a decentralised setup of HRM has enabled Estonia to flexibly conduct major reforms on the organisational level during the transition of the 1990s and in the following Europeanisation period.

Research limitations/implications – Although the case study method limits the extent to which findings of the study may be generalised to other countries and settings, there are still several lessons to be learned from the Estonian case of no central HR strategy.

Practical implications – The practical recommendations are related to the applicability of the strategic HRM model, path dependency of the development of HRM and the strategic fit between a country's HRM model and the wider context in which it is applied.

Originality/value – The paper provides a new look to the macro-level HR policies and to the institutional setup of central HR coordination in the context of fast reforms.

Keywords Human resource management, Public sector organizations, Human resource strategies, Decentralized control, Estonia

Paper type Research paper

1. Introduction

Strategic human resource management (HRM) is crucial in public organisations in order to adapt to the changing role of the government and of those who work in the public service. Comprehensive HR strategies are needed to exploit new opportunities and to ensure that all public service functions are carried out according to the highest professional standards. The skills and knowledge needed in the public service – in policy development, in the management of organisations, in public service delivery, and last but not least, in tackling the worldwide economic crisis – place greater demands on public servants than ever before. Public service leaders around the world are looking for new approaches to inspire integrity, accountability and motivation in the public service, to secure coherence and coordination among government policies and various interests. A changing environment and the changing expectations of public servants have made



enhancing HRM a central issue in both academic and applied organisational settings (Storey, 2001; Tompkins, 2003).

The main aim of the paper is to highlight and explore, through the use of a case study of the Estonian Central Government, some of the key issues of decentralised HRM which lacks a sector-wide HR strategy to meet the challenges of managing people in the rapidly changing environment of post-communist transition and Europeanisation. Europeanisation is seen as processes of construction, diffusion and institutionalization of formal and informal rules, procedures, policy paradigms, styles, “ways of doing things” and shared beliefs and norms which are first defined and consolidated in the making of EU decisions, and then incorporated into the logic of domestic discourse, identities, political structures and public policies (Radaelli, 2000).

The paper starts by outlining the conceptual and contextual framework with a discussion of the role of strategic HRM as well as by addressing distinctive aspects of the public sector. This is followed by analysis of the following research questions:

RQ1. What are the main problems that stem from decentralisation and the absence of a sector-wide strategic HRM?

RQ2. Which opportunities has such a flexible approach offered during the hasty transition period?

Although the strategic HRM model has been given strong theoretical and empirical support in scientific literature (McCourt and Ramguttty-Wong, 2003; Schuler *et al.*, 2001; Storey, 1989), this paper aims to demonstrate that reality is too complex to be neatly described by universal models. Sometimes more dynamic *ad hoc* practices can bring about better or at least equally good results in people management.

The case study incorporates a range of sources and makes use of several research methods. A survey of public service HRM conducted by the State Chancellery of the Republic of Estonia (*Riigikantselei*) in the Autumn of 2005 provides important insights into the questions posed in this paper. One of the authors participated in the process of developing the survey questionnaire and carrying out the survey. The questionnaire was sent to 78 HR managers and 78 top managers from all Estonian Central Government institutions and to HR managers from 50 larger local governments. Top managers from the local governments were not involved due to the local elections taking place in the Autumn of 2005. The body of respondents to the electronic questionnaire consisted of 80 HR managers (62.5 per cent) and 58 top managers (74 per cent). The questionnaire of top managers was slightly shorter but to a large extent similar to the questionnaire of HR managers in order to obtain comparative data. Both questionnaires contained multiple choice questions and open questions. Public service legislation and official documents, empirical data available on the Estonian public service from the previous studies as well as personal communications with top civil servants and HR professionals have also been used in order to gain more detailed information for the case study.

As with any other matter closely related to people, analysis of the limitations and opportunities of decentralised HRM is influenced by historical, political and cultural contexts. Research into HRM is complicated by the fact that the majority of previous studies have been conducted by American scholars, which may have influenced our understanding of public personnel management by giving it an “American flavour”. In his comparative study of American and European HRM, Brewster (1995) demonstrates the particularities of “EuroHRM”. In fact, there can be even substantial differences

within EuroHRM, most notably between the old and new democracies. Therefore, the transitional character of Estonia is given particular attention within this study. This also allows us to generalise at least some of the findings to the other post-communist countries of the Central and Eastern Europe (CEE).

2. Strategic HRM in private and public sectors

A typical strategic HRM model in the private sector underlines private managers' systematic approach to managing people. Three main pillars of the model are outlined below. Probably the most important among them is the notion of strategic integration (McCourt and Ramguttly-Wong, 2003; Storey, 1989). It refers to aligning people management systems with the organisation's overall strategic objectives (vertical integration of HRM) and with each other (horizontal integration of HRM). In other words, recruitment and selection, staff development, appraisal, rewards and other HR matters need to be coordinated to realise the "grand plan" (Delery, 1998; Schuler *et al.*, 2001; Taylor, 2001). The second element is the line managers' ownership of HRM. According to the model, HR professionals are supposed to design strategically aligned HR systems, which the line managers are expected to carry out. It is agreed that HR must be managed by line managers. The third feature of the strategic HRM model in the private sector is the objective to elicit commitment from employees. This is based on the assumption that a committed person performs better and is also more loyal to the organisation (Storey, 1989).

Such a private-sector model can also be adopted in the public service. However, in the context of the public sector, it is crucial to distinguish between the micro and macro levels. Whereas the micro level refers to a single public sector organisation, the macro level includes the entire public service, which in many developed countries is conceived of as one entity and which is often also governed by a specific public service law. The private sector analogue to that would be a large corporation consisting of more or less autonomous units (Christensen, 2006). The above-mentioned strategic HRM model will apply to the micro level of the public sector without substantial modification, but it needs to be modified for the macro level. The three pillars of a strategic HRM model on the macro level would then be the following:

- (1) Vertical and horizontal integration of HRM assumes the presence of a public sector-wide HRM strategy (and a respective coordinating institution) as a framework for designing, steering and coordinating micro-level HRM strategies in individual public sector organisations.
- (2) Whereas the micro-level approach postulates line manager ownership of HRM, the respective macro-level approach assumes ownership and implementation of a central HR strategy by individual public organisations and their leaders.
- (3) The macro-level commitment not only means a commitment to a particular organisation and its objectives but also entails an overall public service motivation including public ethics, a desire to serve the public interest and loyalty to the government as a whole (Perry and Wise, 1990).

The concept of strategic HRM in the public sector became especially important with the rise of new public management (NPM) in the 1980s. Even after the heyday of NPM reforms, HRM has not lost its appeal because the approach draws attention to strategic HR issues both at the micro and macro levels. While the NPM approach emphasized

decentralisation and accordingly HRM on micro level, the post-NPM era has brought new vitality to the macro level (see, e.g. Pollitt and Bouckaert (2004) for a discussion on the Neo-Weberian state).

One of the main questions in implementing strategic HRM in the public service is related to finding an optimal balance between centralisation and decentralisation, i.e. to how the roles and responsibilities are divided between the central institution and individual organisations. The standard view is that it is easier to design and implement strategic HRM in centralised systems. However, centralisation of the HRM function does not automatically signify existence of strategic HRM, since even in very centralised systems, HRM may not be sufficiently integrated into strategic governance mechanisms. Similarly, decentralisation does not mean exclusion of strategic HRM. However, in a decentralised system the role of the central coordinator becomes crucial to ensure a more integrated and holistic approach towards HRM. If this function is not carried out well, individual ministries and agencies may fill up the resulting strategic vacuum to some extent by developing strategic HRM on the micro level, but it might not lead to the strategic approach to the development of the public service as a whole.

There are several other factors specific to the public sector that might influence the adoption of a full-fledged strategic HRM approach. First, strategic management in the public sector is specific in character (Allison, 1992; Stewart, 2004). The multiplicity and diversity of its objectives, the complexity of measuring performance and a tendency to conflicts between its different goals and stakeholders make strategic management and thus, achievement of both a vertical and a horizontal integration, more difficult.

Second, public managers are subject to close scrutiny under various schemes or oversight bodies established by the legislature in ways that are quite uncommon in the private sector. Such scrutiny often constrains executive and administrative autonomy to act in pursuit of the strategic approach. There are more constraints on procedures and spheres of operation, a greater tendency to proliferation of formal specifications and controls, and less decision-making autonomy and flexibility of managers than in private sector. The complexity and detail of the statutory framework prescribing the working conditions of public servants may make HR managers passive and reactive followers of the rules rather than proactive developers of HRM tools and improvers of their implementation.

Third, political environment may influence the implementation of strategic HRM since successful HRM in the public sector requires not only support from top managers but also political support (Storey, 1989). Thus, in countries, which can be characterised by relatively high political instability and frequent political changes, the limited time horizon of political leaders may cause them to fail to address strategic HR policies seriously (Alas and Sepper, 2008).

Yet another problem that may impede sector-wide implementation of strategic HRM is the difference of approaches to HRM on the central and organisational level. For instance, if the institution with coordinating responsibilities favours “hard” HRM (Gooderham *et al.*, 2004), but organisations prefer to implement a “soft” approach (Truss *et al.*, 1997), the cohesion of overall HR practices and policies might suffer and their horizontal coordination might be poorer than expected by the strategic model.

Although there are more problems and constraints in implementing strategic HRM in the public sector compared to the private sector, public organisations could still benefit from the strategic approach (Stewart, 2004). A “strategic fit” between an organisation

and its environment is at the heart of the strategic HRM model. What is also important is the nature of the “strategic fit” between the strategic HRM model itself and the particular environment in which it is applied (McCourt and Ramguttu-Wong, 2003). On the one hand, a strategic HRM model can succeed if the limits of the legal and political environment of the public service are taken into account and the strategic HRM model is followed on both micro and macro levels. On the other hand, implementing strategic HRM in a particular country is influenced by a set of political, socio-economic and cultural factors which are closely intertwined.

3. Limitations and opportunities of decentralised HRM

The following section presents a case study of strategic HRM in Estonia, where the organisation of people management in the public service follows the generally decentralised setup of the government. There is no institution at central government level with powers to develop the government’s HRs policy. Every ministry and executive agency is responsible for the recruitment, probationary periods, training, performance appraisal, promotion, setting of pay levels and organisation of work of its officials. There are several institutions which have certain coordinating responsibilities. The Ministry of Finance is responsible for development of the organisation, finance, grading and salary systems of central government staff; the Ministry of Justice deals with development of the corresponding public-law framework; and the State Chancellery oversees the development of public service training and personnel appraisal, promotes cooperation between HR managers, supports the implementation of competency frameworks and the development of top officials, administers European Union, European Social Fund (EU ESF) support for building administrative capacity and gathers public service statistics.

Several crucial elements of macro-level strategic HRM are missing in Estonia. First of all, there is no public sector wide HRM strategy. Although some HRM principles are provided in the Public Service Act, previous studies have shown an implementation gap in observance of the act by individual public organisations (Riigikantselei, 2006). There is also a public service code of ethics – a comprehensive analysis of the practical implementation of which demonstrates also serious drawbacks (Saarniit, 2006). Consequently, there is no top-down steering of the development of strategic HRM, and well-designed strategic HRM systems are infrequently found even at the micro level. The need for a strategic approach is recognised more clearly in ministries and much less in executive agencies, where HR issues are often dealt in an *ad hoc* manner, HRs are not approached coherently or systematically and HR managers do not have a say in designing longer term prospects for staff in their organisations (Riigikantselei, 2006). Consequently, Estonian Central Government represents an interesting case of an absent strategic HRM on the macro level, and a partial strategic HRM on the micro level.

This section of the paper aims to analyse limitations and opportunities of the decentralised HRM system by highlighting specific factors characterising the transitional nature of the Estonian Government.

3.1. *Instability*

One of the challenges of strategic HRM is the general context of change and instability, which is characteristic to Estonia as to the other CEE countries. Already the term “transitional country” contradicts the concept of stability. In Estonia, 13 different cabinets have held office during the period of 1991-2009. This has led to a situation where

parties and individual politicians are unable to set strategic goals not only in HRM but also in general, which, in turn, engenders conflicting programmes and unstable objectives. Owing to the deficiencies in political culture, the work of previous governments is often rejected out of principle, including almost permanent reshuffling of organisations and functions. In addition, the reshuffling of cabinets often results in changes in personnel within the ministries, especially at the top level. For instance, during the eighth cabinet (1999-2002) to hold office after Estonia regained its re-independence only one out of 12 permanent secretaries was able to stay in office, and the tenth cabinet (2003-2005) changed a half of the permanent secretaries. Such a turbulent environment makes developing strategic HRM both on macro and micro levels extremely difficult, especially taking into account the fact that top officials usually play a key role in having a strategic vision.

Employee turnover in the public service has been approximately 14 per cent over the last years (Riigikantselei, 2008). This represents a serious challenge for decentralised systems which are dependent on cooperation and common values among various government units. As trust builds after repeated interactions between the same partners, a constant change of partners creates a rather unfavourable context for collaborative action and poses a considerable obstacle to developing a common public service culture which is needed as a basis for any macro-level strategy.

Instability is reflected in most governmental HRM policies but first of all it is visible in career management – the “strategic” HRM tool par excellence. Previous studies have shown that in the context of frequently changing governments, public servants become accustomed to instability in their lives (Rees *et al.*, 2005). It is claimed that constant change and short career lifespan, coupled with limited resources and inadequate career management policies have made interventions such as succession planning, career counselling and extensive outplacement programmes less feasible in Estonia (Rees *et al.*, 2005). Therefore, organisations have focused their attention on on-the-job interventions. Public sector organisations prefer not to make long-term promises about career opportunities because keeping these may not be feasible in a rapidly changing environment.

Nevertheless, frequent changes are not always counterproductive. In addition to instability, they also bring fresh ideas and help avoid ethical problems such as “source loyalty” and “keeping things in the family” (Ferlie, 1994). A transitional context puts public service in a different perspective – one where the key challenge is to have and keep a strategic view. An important motive for substantial improvement of HR practices has been provided by the Europeanisation process in the new EU member states. Europeanisation has been an important factor behind administrative reforms in CEE countries since the late 1990s, and it has had a positive impact on improving administrative culture in the Estonian public service (Viks and Randma-Liiv, 2005). As the European integration process has been one of the few stable strategic goals in Estonia, it has provided the backbone for developing cross-departmental partnerships and strategies in otherwise decentralised and autonomous governmental setup.

3.2. Fragmentation

The decentralised design of the Estonian public service HRM system has been influenced by the ideas of NPM which have been attractive to a number of consecutive coalition governments led by neo-liberals. Following the well-known NPM slogan “let

the managers manage”, this has led to considerable autonomy of individual public sector organisations. Yet, decentralisation efforts have not been counterbalanced by other cohesion-building tools on the macro level. For example, the absence of a central HR strategy poses significant disadvantages. If central government forms a number of loosely connected internal labour markets, every government unit is likely to develop its particular culture and work habits in the long run. Instead of cooperation, public organisations can find themselves in a situation where they have to compete with each other. For example, in Estonia this has led to a situation where each ministry and agency is responsible for the remuneration of its staff and individual salaries vary to a large extent due to the effects of pay differentiation and “add-ons”, negotiated separately for each organisation and individual. In 2007, the average salary in the best paid institution (the Prosecutor’s Office) was 3.2 times higher than that of the lowest paid institution (the Health Protection Inspectorate). Pay differentials of this magnitude have existed since 1999 (Riigikantselei, 2008).

Decentralisation and a high degree of discretion may create an opportunity for abuse by individual public organisations and their leaders. It may lead to further increases in politicisation, enhance rather than eliminate instability and increase levels of corruption (Verheijen, 1998, p. 415). Decentralisation may prove risky because of insufficiently developed legislative framework, a lack of experience on the part of high level and mid level managers, and the general insufficiency of control mechanisms in post-communist countries. In a situation where the recruitment, selection and appointment of public servants without managerial responsibilities remains the exclusive responsibility of individual organisations, a conflict can easily develop between HR practices and the principles of openness and transparency. Such a risk can be reduced by the use of open competitions. In 2007, 69.6 per cent of higher officials, 51.6 per cent of mid-rank officials and 16 per cent of junior officials appointed to office received their position after winning an open competition (Riigikantselei, 2008).

As a direct consequence of lacking a macro-level HR strategy, highly diverse working methods and development levels can be noted within the Estonian Central Government. For instance, the planning and implementation of training activities is the responsibility of individual organisations because there is no central training institution. There is an obligation to spend at least a specific amount of financial resources (2-4 per cent of annual payroll) on training, but the content of training is not prescribed. This has resulted in a variety of training and development policies and practices across the public service. These are likely to lead to very different professional knowledge, skills and values of public servants (Riigikantselei, 2008).

Although some public organisations use modern management practices and offer quite generous working conditions to their staff, they can still at best be viewed as “islands of success” which have no considerable effect on the public service as a whole. On the contrary, while public organisations with better HRM systems attract highly qualified people, this is apt to raise the pressure on other government units as recruiting and retaining good professionals becomes more difficult for them. Such a “winner takes it all” practice worsens conditions for cooperation across departmental boundaries, since public servants in different organisations tend to perceive themselves as belonging to different “leagues”.

Such cross-sectoral differences have become a considerable obstacle in implementing strategic HRM on the organisational level. The survey conducted by the State

Chancellery allows us to conclude that strategic HRM has not been feasible in the Estonian public service because strategic HRM and good HR practices are not well known in individual organisations, and the necessary strategic framework on the central level is missing. In addition, the same survey also revealed that the devolution of people management to individual organisations and line managers has not been sufficiently backed up by the coordinating institutions and there has been little interest on the political level to adopt the necessary changes (Riigikantselei, 2006).

3.3. Coordination

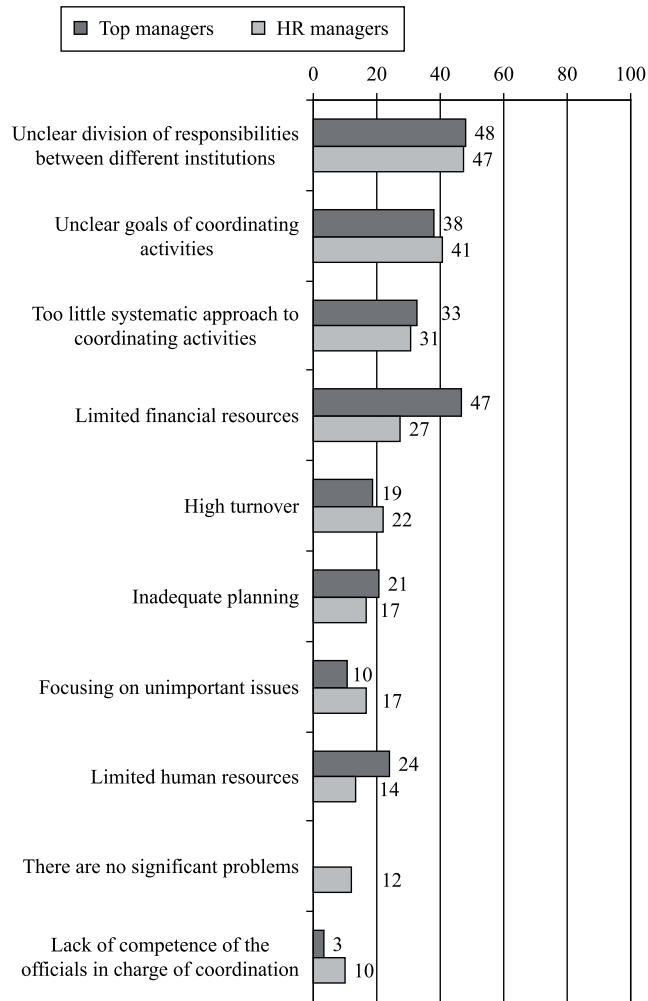
Effective coordination – also dubbed the “administrative Holy Grail” (Peters, 1998, p. 76) – is all the more crucial in a decentralised public service. However, the functioning of the Estonian Central Government supports earlier conclusions by (The) World Bank (2006), which deplored the unusually poor coordination mechanisms characteristic of CEE public services. Although new democratic countries were successful in dismantling communist structures and systems of government, they have been less successful in integrating new structures created in their place.

In the 1990s, many new functions, procedures, organisations, units and individual jobs were created during a short period of time and thus often without the necessary prior analysis. This has sometimes led to unclear hierarchical relationships, overlapping functions, and duplication of duties (Randma-Liiv, 2005). For instance, when the Public Service Act came into force in 1996, it did not offer any coordination mechanisms for developing different components of public service HRM. Consequently, individual core ministries took over various coordinating functions on their own initiative, and the resulting practices were subsequently fixed in separate legislation.

The short history of the Estonian public service reflects a number of serious conflicts between different parts of the public service coordination framework. For instance, in principal questions such as “Who should co-ordinate the overall strategy of the public service?”, “Should an open or a career based public service be implemented in Estonia?”, “What kind of financing should be used in public service training system?” and others, there is no consensus between the core ministries. Depending on the interests and power of the corresponding minister or the prime minister, particular units have sometimes imposed their will in the areas of their interest. Sometimes, these “small victories” have been in conflict with previous decisions of the cabinet. As a result, the development of public service HRM has been highly fickle. Figure 1 shows that nearly half of the top managers and HR managers consider coordination problems to be the result of unclear division of responsibilities and ambiguous goals.

The current Estonian institutional framework does not guarantee fulfilment of the functions that a central coordinator is expected to perform (Meyer-Sahling, 2009). The coordinators of the Estonian public service have not taken the lead in creating an overall HR strategy, or made the necessary interventions. Furthermore, they have neither dealt with the identified obstacles nor mobilised the political will for necessary changes. As a result, there are remarkable gaps in both the vertical and the horizontal coherence of different HR practices (Riigikantselei, 2006).

The real effectiveness of decentralised HRM is based not only on formal coordination structures but also on mechanisms that enable public servants from different government units to cooperate on the basis of common values (Peters, 1998). Since there is no central HR strategy in Estonia, it is almost impossible to talk about shared values in



Sources: Riigikantslei (2006); HRM Survey

Figure 1.
Problems in central coordination of the public service defined by top managers and HR managers (per cent)

the country's central government. One of the few positive examples in this regard is an unofficial network of public HR and training managers which was initiated by the State Chancellery in the mid-1990s. This network has served as a tool for disseminating common HR practices but it has also had a certain impact on creating a common value base among public servants.

3.4. Values

The main prerequisite for developing strategies for effective HRM is a common understanding about the complex roles fulfilled by public servants in democratic societies.

Drechsler (2000, p. 267) argues that “[. . .] the fundamental challenge to Central and Eastern Europe is still a restoration or (re)creation of the positive concept of the state”. The missing positive concept of the state and insufficient identification with the state on the part of citizens leads to serious problems, which include unattractiveness of public service careers, lack of loyalty, rivalry between government units and lack of common administrative culture within the public service. Such problems are reflected in the low levels of commitment of the Estonian public servants, including managers. In 2007, only a half of those polled thought public servants were competent and only 30 per cent considered government officials could be trusted. At the same time, public servants’ commitment to their work was lower than the commitment of Estonian employees in general (*Riigikantselei*, 2008).

Public management is not a value-free exercise. For instance, several democratic goals such as transparency, equal opportunities, access to public services, fair procedures and citizen participation in decision making may conflict with the more “technocratic” or “rational” goals such as efficiency, value-for-money or fast decision making. This contradiction can be especially hard to solve in countries where the above-mentioned democratic principles are not as deeply held and broadly accepted as they are in countries with long democratic traditions. It could be difficult for “rational” public managers in new democracies to understand the fundamental reasons behind the need for open competitions or public procurement procedures in the planning of training, since these exercises may be expensive and time-consuming. The situation will be even more complicated if limited resources bring pressure on governments to prefer “technocratic” goals – which, in turn, is more likely to happen in the competitive environment of decentralised government. The absence of a central HRM strategy has contributed to the development of competitive rather than cooperative values and administrative culture.

3.5. Opportunities

A lack of central HRM strategy and a high level of decentralisation make it possible for government units to flexibly consider specific environmental factors surrounding each public organisation. This has been particularly important in the highly dynamic context of transition and Europeanisation. Tight and often very late timetables associated with the building up of state institutions from scratch in the 1990s, the need to deliver results during accession negotiations with the EU, and adjustments to EU demands inevitably required considerable institutional and HR flexibility. To a large extent, building up new institutions as well as responding to the European Commission’s progress reports in the pre-accession phase were both undertakings that involved the entire public service. In such a situation an adaptable, discretionary and fast-track approach to HRM was favoured because a predominance of flexible personnel systems allowed the country to adapt rapidly to changing tasks, to a changing environment and to a mobile workforce (Meyer-Sahling, 2009).

Decentralisation also enables individual government units to take into account their particular organisational context. Being closer to everyday people management and knowing the needs and competencies of public servants in specific organisations, HR managers at the organisational level can design HR policies that are tailor-made to the needs of their organisation and fit into the overall strategy of their organisation. The heterogeneity of HR policies and the variation in career pathways has also helped many

organisations to become more competitive and attractive as employers, which is particularly important in the open system of public service and the accompanying competitive environment.

Another reason why poor central HRM framework can still produce relatively good results is that organisations can develop their own innovative initiatives in HRM. This has been the case in areas such as the salary system and training policy, where not being limited to following the central HR strategy has helped Estonian public organisations to come up with a number of new initiatives (Meyer-Sahling, 2009). When HR policies are delegated to the level of individual organisations, different approaches and new ideas can be tested on a small scale, and the best practices then exported or allowed to spill over to other organisations.

Most of Estonia's top and HR managers have received their HRM training through the trial-and-error method of testing various HRM policies and tools. On the one hand, decentralisation increases the probability that HR managers in each organisation are given a more strategic role and wider responsibilities within their organisations. On the other hand, top managers have been forced to deal with HRM matters and to build corresponding competences. Results of the HRM survey (Figure 2) demonstrated that most top managers and HR managers agreed that top managers' HRM competence was adequate and they were sufficiently involved in HRM (Riigikantselei, 2006).

Finally, decentralisation has also helped to avoid the concentration of power over HRM decisions (e.g. recruitment and promotion) in the hands of a narrow group of people, which could be particularly risky in post-communist countries.

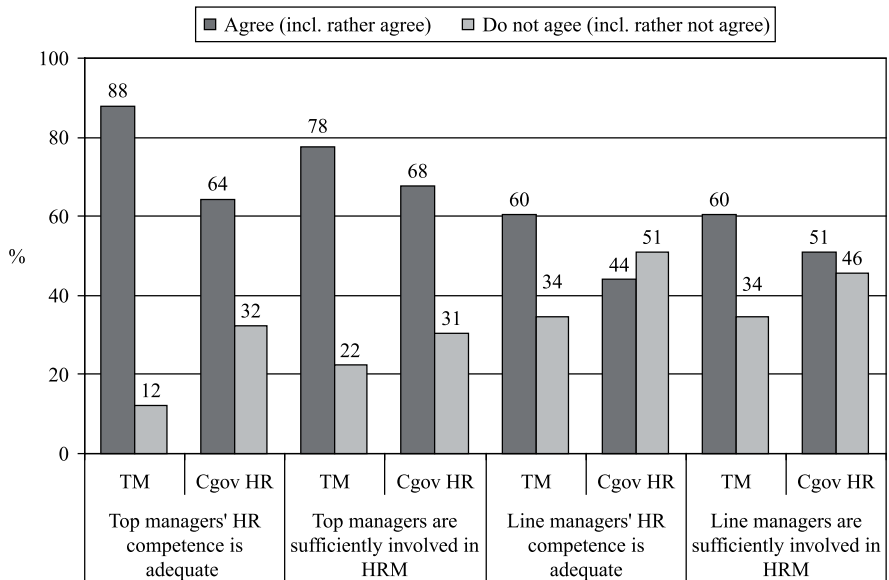


Figure 2. Competence and involvement of managers in HRM in the Estonian public service (per cent)

Notes: TM - top managers; Cgov HR - central government HR managers
Sources: Riigikantselei (2006); HRM Survey

4. Conclusion: implications for strategic HRM in new democracies

The decentralised setup of public sector HRM has made it possible for Estonia to carry out major organisational reforms during a difficult period of post-communist transition and Europeanisation. However, although some public organisations use modern HRM practices, their adherents can still at best be viewed as “islands of success” which do not have a substantial effect on the public service as a whole.

What implications does the study have for HRM in other countries going through the processes of transition and Europeanisation? Although the case study method limits the extent to which findings of the study may be generalised to other countries and settings, there are still several practical recommendations and lessons to be learned from the Estonian case of no central HR strategy.

The first implication has to do with the applicability of the strategic HRM model. Based on the Estonian case, it could be suggested that a strategic framework for managing the public service at the central level is needed in order to steer micro-level strategies and provide for their coherence. If a high degree of decentralisation is not counterbalanced with systematic development of common values and coordination mechanisms, strategic HRM will remain a rarity confined to a handful of organisations. The cultural challenge for all CEE countries is to move from the practices of early transition years (Alas and Rees, 2006), where new institutions and policies had to be adopted at very short notice, to more careful preparation and evaluation of changes. The latter requires cross-departmental partnership rather than rivalry. This, in turn, means that public executives are expected to invest a significant share of their time and energy in the development of horizontal values and knowledge sharing mechanisms between various government units. Organisations that do not yet understand the real value of the strategic approach to HRM and a need to move further on from their *ad hoc* HR practices, may require the impulse and competence from outside, for instance, from a central HRM coordinating institution. For gaining the necessary stimulus and enhancing their HR capabilities, decentralised government units should systematically share their best HRM practices, for which cooperation networks of managers and HR professionals could be used.

The second implication concerns path dependency, which is a particularly relevant factor in newly democratic states. Once a specific way for HRM development has been chosen (often on an emergency basis and with limited prior analysis), it is very hard to change it afterwards. For example, continuing to espouse the combination of decentralisation and insufficient coordination tends to magnify the unevenness of HR development, leaving weaker organisations aside and pushing stronger ones ahead. Consequently, the “winners” of transition may become reluctant to give up their flexibility and discretion in HRM. In order to minimise the problems related to uneven development and unequal quality of HRM, strategic cross-sector HRM is needed. As one size does not fit all, the considerable variety of public sector organisations must be taken into account in setting up the relevant framework. For the coherent development of the public service, there is a need to point out more clearly where the organisations’ practices should be homogenous and what are the commonly agreed principles of HRM, building upon a general vision for the development of the public service. Such a framework would help defining HR priorities, taking into account the specific needs and challenges of the organisations. This is particularly important in the light of the perceived inner inequity and unfairness of the existing HR and management systems.

The third implication is that there has to be a strategic fit between a country's HRM model and the wider context in which it is applied. The priority for transitional governments is to respond adequately to the distinctive challenges they face in people management. While the post-communist transition and the EU accession process could be seen as "project management" exercises characterised by a series of clear targets, EU membership and the following more stable development period brings with it permanent demands for managing complex processes. This requires systematic attention to be paid to broader HRM deficiencies that were sometimes neglected during the hasty times of transition and EU accession. A critical issue is to develop the competences of the key-players of HRM both at the macro and micro levels. As a lot depends on the particular persons in HRM systems, it is important to attract and retain the necessary competence. Moreover, with an ongoing global economic crisis – which has already had a major impact on most CEE countries – it has become more obvious than ever that the role of the government in tackling the crisis is crucial. This requires a professionally managed public service that is based on effective HRM strategies on both the micro and the macro levels.

This study also provides a number of avenues for further research. First, while the micro-level HRM in public sector has received sufficient attention in scientific literature, the macro-level HR policies deserve further research. Second, the centralisation-decentralisation dilemma of public sector HRM requires a fresh look in the context of fast reforms, and in newly independent states in particular. And finally, the institutional setup, role, tasks and limitations of central HR coordinators in public sector deserve special attention of researchers as central HR agencies seem to play a crucial role in strategic HRM.

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About the authors

Jane Järvalt is a PhD Candidate of Public Administration at Tallinn University of Technology. She is also the Head of Human Resources at Nordea Bank Estonia. Her main interests are in HRM and civil service.

Tiina Randma-Liiv is a Professor of Public Administration and Policy at Tallinn University of Technology. Her main research interests include civil service reforms, HRM, policy transfer, new democracies and small states.

Article III

Rees, J. Christopher, **Jane Järvalt** and Beverley Metcalfe. 2005. "Career Management in Transition: HRD Themes from the Estonian Civil Service." *Journal of European Industrial Training* 29 (7), 572-592.



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Career management in transition: HRD themes from the Estonian civil service

572

Received January 2005
Revised May 2005
Accepted May 2005

Christopher J. Rees

IDPM, University of Manchester, Manchester, UK

Jane Järvalt

Department of Personnel, State Chancellery, Tallinn, Estonia, and

Beverley Metcalfe

IDPM, University of Manchester, Manchester, UK

Abstract

Purpose – To explore, through a case study, some of the key career-related HRD issues that senior managers are currently facing in the Estonian civil service.

Design/methodology/approach – Presents primary empirical research into career management in the Estonian civil service since 1991, that is, in the post-Soviet era. The research involved in-depth interviews with a group of 12 senior staff employed by the Estonian civil service.

Findings – The interview data reveal the ways in which downsizing and de-layering in the Estonian public sector have led to shortened career paths, increased functional flexibility, increased spans of control and shifts towards open job systems.

Research limitations/implications – The research explored career-related issues solely within the Estonian civil service. Further research would be needed in a wider range of organisations and countries before the transferability of the findings could be established to transitional economies more generally.

Practical implications – Provides practical insights into the difficulties of career management in transitional economies situations from an HR perspective.

Originality/value – Offers a valuable contribution by demonstrating that, within certain parameters, Western-based career management strategies and techniques may be adapted to fit transitional public services in Estonia but only as one element of a comprehensive HR modernisation programme.

Keywords Careers, Estonia, Transition management, Public sector organizations

Paper type Research paper



Introduction

The importance of career development has long been recognised in both academic and applied organisational settings. Yet the subject remains highly topical, particularly in environments that are characterised by wide-scale organisational and cultural change. Once viewed mainly as a synonym for initial job choice, career is now widely accepted as a crucial feature in employment arrangements. Owing to organisational and environmental changes, different career-related issues such as short-term employment relationships, more lateral and cross-functional movements, career breaks and career plateaux affect an increasing number of employees.

By way of definition, the term “career” implies a “route”, which has both direction and purpose. In everyday usage, career is generally understood as the sequence of work-related experiences occupied throughout one’s working life-time (Arthur *et al.*, 1989). To individual employees, the term “career” may have different meanings. For some, it may be the vehicle to satisfy basic economic needs. For others, it may provide a sense of social status and social worth. From an organisational perspective, “career” is often used as a pervasive and explicit mechanism for the effective management of human resources. It allows organisations to negotiate implicitly employment contracts with current and prospective employees. In this paper, “career management” refers to “a set of specific activities in the field of human resources that aim to improve organisational effectiveness by providing resources and assistance in developing individual talents” (Randma, 2001, p. 15).

In an attempt to reflect the dynamic relationships between individuals, organisation and society, a transitional country, that is Estonia, has been selected for the case study in this paper. Estonia, which is the country of origin of one of the authors of the paper, has currently a population of 1.4 million people, spread over 43,000 square kilometres. Estonia has parliamentary democracy with a President, Prime Minister and a unicameral parliament. Eleven different governments have been in office during the transition period from 1991 to the present. Together with the other Baltic States, it is considered to be the most successful part of the former Soviet Union since regaining its independence in 1991. The success of the democratic and economic reforms in the 1990s has recently been rewarded with the invitation to join the European Union (EU) in May 2004.

It is almost impossible to speak about the gradual emergence of modern forms of government (Randma, 2001) in Estonia as, for centuries, the development of the Estonian civil service has been inextricably linked to the political government of the various states that have occupied the country (Sootla and Roots, 1999). Nevertheless, there have been two comparatively short periods of independence from 1918 to 1940 and from 1991 to the present. Since the beginning of 1990s, Estonia has been modernising its public administration and developing an open system of management in its civil service. This provides an opportunity to examine the impact of the reform process in a transitional administration and observe the reciprocal relationship between the development of careers and of civil service. For careers research and management, an important question is whether existing knowledge and practice, developed largely in the West, is directly applicable to non-Western and particularly post-Communist administrations.

The main aim of the paper is to analyse the institutional perspective of career management in a small transitional administration and to draw conclusions about the development of careers in the civil service of Estonia. The paper also aims to examine and evaluate the appropriateness of some of the career management policies and interventions implemented in the Western countries, that might offer solutions to the Estonian public sector’s search to improve the opportunities for meaningful careers. The analysis is carried out by considering the peculiarities of the Estonian transitional administration and the broader changes in society which have occurred in the post-Soviet era.

General perspectives on career management under Soviet rule

Over the decades, while the organisations in Western countries were developing internal labour markets and clear career structures, the career management policies and practices under the Communist model were developing along a different path. During the Soviet rule, it was not necessary to differentiate human resource management systems for government organisations because the majority of institutions and companies were owned by the state and, therefore, similar features applied for different organisations. The characteristic feature of the Soviet model of management was strict centralisation, which meant that central authorities decided the detailed plans for individual organisations; “managers” were administrators of instructions with very little opportunity for independent decision-making (Koubek and Brewster, 1995).

Generally, the function of managing human resources was split among several departments with clearly established functions. Personnel policy (cadre) department served as the central arm of Communist Party within each organisation. According to Koubek and Brewster (1995), this department was often the only decision-making unit in terms of human resource issues in an organisation, deciding selection, placement, promotion and training matters. In the main, one principle – the preferment of Communist Party members – was applied. One could argue that the essential attribute of the system, namely the “equality of life opportunities regardless of social origin” became relevant if one was loyal to the party (Tung and Havlovic, 1996, p. 5). The staff of cadre department systematically evaluated the political reliability of each employee (Sootla and Roots, 1999). To a minimal extent, the appraisals included general characteristics about their expertise, performance and potential. However, it was usual to mention only positive aspects of performance. Since the salary differentials were very small and there was no danger of unemployment as a result of poor performance, objective performance criteria was unnecessary (Fey *et al.*, 1999). Rather, a variety of other reasons were used for dismissing employees, such as marriage to a foreigner or church attendance (Sootla and Roots, 1999).

Generally, separate departments concentrated on other aspects of personnel administration. For instance, there were special departments or groups whose role was to organise training and development of employees. However, much of it was not in connection with the organisational needs, but was rather done “for statistical purposes” (Koubek and Brewster, 1995). While the Communist countries have traditionally had a well-developed and demanding educational system that people went through prior to beginning to work, relatively little attention was paid to skill development once an employee was provided a job (Fey *et al.*, 1999). Consequently, the employees’ attitude to training tended to be negative, since it had virtually no impact on their work, compensation or promotion.

There were also units to ensure different administrative services, such as administering personnel records and providing statistics concerning the labour force. One advantage of the system was that very comprehensive personnel information systems were developed in the centrally planned economies (Koubek and Brewster, 1995). Furthermore, departments of planning were involved in human resource function, namely in human resource planning. However, under the system, where both jobs and human resources were assigned to an organisation by the state plan, their role was limited. Since the state aimed at full employment, many jobs were created,

regardless of any real need (Fey *et al.*, 1999). Correspondingly, organisations attempted to increase the number of jobs and employees to gain an increase in state funding. Subsequently, this funding-based as opposed to market-based human resource planning often resulted in massive over-employment within organisations.

Estonian civil service under Soviet rule

All these above-mentioned factors have had implications for the HR function in today's transitional administrations, including Estonia. However, a number of specific issues concerning the Estonian civil service in the Soviet era need to be emphasised. The Republic of Estonia was occupied by and annexed to the Soviet Union in 1940. Consequently, the focus of strategic decision-making and policy-making was shifted to Moscow. Establishing an extremely centralised administration meant that the domestic civil service in Estonia was deprived of a truly independent policy-making legislature. The negative impact of this centralisation on service delivery was compounded by the fact that the centralised administration took little account of regional, let alone national differences, when formulating and implementing public policy for the union states including Estonia.

As elsewhere in the Communist countries, the administrative system in Estonia was heavily politicised; political loyalty had high priority and ideological control was widely exercised over personnel decisions (Sootla and Roots, 1999). Civil servants in Estonia had neither specific status nor social guarantees because they were subject to the general Labour Code. Often, however, there was selective implementation of legislation as staff depended to a large extent on their supervisors, whose opinions sometimes took precedence over legal norms. The civil service system in the Soviet Estonia thus offered an example of a system steeped in spoils, patronage and nepotism with little regard for merit principles.

The civil service under the communist regime mostly comprised people who entered the service at an early age, often through administrative allocation, at relatively low levels in the hierarchy, and spent their working lives in the civil service (Martin, 1999; Randma, 2001). However, it was also possible to enter the service at higher ranks, which was an advantage because Communist ideology did not encourage mobility between jobs or employers. It was usual to have lifetime employment with just one employer. Hence, employment security and immobility used to be the hallmarks of Soviet labour policy (Fey *et al.*, 1999). Artificial constraints, for example, a permit to live in each town, housing allocation through the employer, and limited career progression were thus likely to decrease stimuli for people to work hard (Fey *et al.*, 1999; Martin, 1999).

In the Communist cadre system, secrecy in decision-making and personnel policies prevailed; the civil service was not "professional" in the sense that it did not value specialised training or competence (Randma-Liiv, 2004). Therefore, open competition in employee selection was virtually unknown and professional qualifications did not usually matter in promotion. Rather, promotion was carried out on the basis of a combination of seniority and loyalty to communist ideology. Several authors (for example, Šević and Wright, 1997; Titma, 1996) have argued that being a member of the Communist Party was an obligation that an individual had to fulfil at a certain point in his or her professional career in order to attain career progression. Anyone whose loyalty was in doubt, had to face the prospect of losing future career security (Randma,

2001). Personal loyalty to an immediate supervisor was of importance to succeed in public office (Sootla and Roots, 1999). As Lauristin (1997, p. 38) has stated:

... a career was not viewed as the result of individual achievement but depended on "being moved forward" by someone else's mighty hand, as a result of obedience to official ideology and personal loyalty to the master.

Estonian civil service in transition

In addition to universal trends such as globalisation, attention has to be paid to the particular features that have played a major role in creating patterns of HRM in the Estonian public sector organisations in more recent years. First, after Estonia declared its independence from the Soviet Union in 1991, it was necessary to build up the state with its legal, political and economic structures. Therefore, there was a need to reorganise and downsize the old governmental institutions and create new structures that could function under the auspices of an independent state. From this perspective, the development of the civil service in Estonia differed from other CEE countries, which already had many of the attributes of independent statehood (Randma, 2001). Additionally, public institutions employed new personnel to free themselves from the Soviet relationships and their inertia (Lauristin and Vihalemm, 1997). Like elsewhere, the effects of restructuring on the civil service careers in Estonia have meant increased functional flexibility, accelerated turnover and increased external recruitment.

Reforming the administrative apparatus has been influenced by the aims of introducing the principle of meritocracy into Estonian public management and thus abolishing the patronage that was previously endemic within the civil service (Randma, 2001). In terms of career management, this has led to the gradual development of a "modern civil service system in which comparative achievement has to govern each individual's selection and progress" (Randma-Liiv, 2004). The Public Service Act that came into force in 1996 supports those aims by leaving recruitment open to competition for all posts in the civil service and introducing regular performance appraisal. Restructuring has also taken place in the form of decentralisation. As a consequence of the devolution of responsibility, HRM in the civil service is, to a large extent decentralised in Estonia. Excluding senior civil servants who are appointed, evaluated and promoted centrally, every ministry and executive agency is responsible for the recruitment, development, performance appraisal, promotion and organisation of work of their staff.

Several authors have observed that the development of the Estonian civil service in the 1990s was neither rational nor consistent (Drechsler, 1995; Verheijen, 1998). As the civil service has been managed in a fragmented way, little attention has been paid to the conscious development of civil service culture or performance at a time when civil servants themselves have been under constant pressure to build up state institutions and develop new functions (Randma, 2001). Recently, however, there has been a deliberate shift towards open job systems. The direction of the move is, for example, reflected in the principles and provisions of the Public Service Act (2003).

In 2002, Estonia employed 20,265 civil servants in the government agencies and this number has been slowly increasing. The most remarkable of the demographic changes has been the rapid growth in the number of young officials as the Soviet civil service

experience has been irrelevant for the needs of the democratic government[1]. This trend has been quite opposite to the ageing civil service in the Western countries.

The effect of the changes in education levels and skills requirements has been two-fold. First, the increasing number of highly educated people[2] implies that civil servants tend to be more willing to take responsibility for their own careers, but are also more judicious about the general framework of civil service careers. Second, there is a permanent need for new and highly developed competencies relating to career management. Thus, the lack of managerial capacities, coupled with weak role of HRM, has constrained the deliberate use of career management techniques (Jankowicz, 1998).

In the Estonian civil service, the specific characteristics of careers are also related to the notion of the “small state”. Having about 10-15 people, or sometimes only one or three members of staff in one department and having career ladders of two to four levels often means that it is difficult for to design smooth individual career paths; put bluntly, there are limited opportunities for career progression. Accordingly, many people may reach the peak of their careers very quickly and then encounter a career plateau (Bray, 1991). Moreover, the limits of a small labour market influence the civil service in Estonia. The small scale of the system requires multiple roles and duties on the part of its officials. Undertaking jobs, which are multifunctional by nature, requires a high degree of flexibility from the person conducting them, but also allows the individual job holder to design the character of the job (Murray, 1981).

In relatively small countries, career-related procedures are further complicated by the social environment. In societies where “everyone knows everyone else” relationships tend to be personal, and consequently, situations and decisions are likely to be more personalised (Benedict, 1966). This state of affairs epitomises Estonian society. Many people use informal means of communication, personal connections and networking for career-related purposes. Yet this may reduce the value of the merit principle in organisations including the civil service.

In the light of these developments of the civil service careers it could be argued that the concept of careers has also been changing. In the past, the notion of career was thought to be negative and to have individualistic and egoistic connotations. More recently the notion of career has emerged as a concept which recognises the importance of personal development and individual values. Several scholars (e.g. Lauristin, 1997; Realo, 2002) have explained it by the cultural changes. It seems reasonable to speculate that the cultural shift from the supremacy of collectivism towards more individualistic and achievement orientation will impact on overt career-related related behaviour. Furthermore, the understanding of careers, formerly viewed as moving forward in hierarchical ladder thanks to obedience to official ideology, has now become closer to the career philosophy in the Western countries.

Case study: the Estonian civil service

Methodology

The primary research of this paper focuses on the Estonian civil service. The broad aim of this research is to explore the policies and practices of the Estonian public sector organisations in managing the careers of civil servants. In particular, the study investigated how the civil service careers as well as the organisational career policies and practices have changed in the context of transition and in the light of organisational change.

A qualitative research design was taken using semi-structured interviews with top managers, HR managers and others serving in high positions in the Estonian civil service. The interview was chosen as the primary data collection method for several reasons. First, considering the nature and objectives of the research, interviewing is appropriate for an exploratory study (Saunders *et al.*, 1997). Second, interviewing is an effective method for establishing personal contact and gaining access to some of the attitudes, assumptions and beliefs that guide people's behaviour and affect processes in organisations (Randma, 2001). Third, semi-structured interviews are well suited because they can allow some flexibility in covering the list of themes and therefore, let the interviewees explain or build on their responses and express their views freely (Saunders *et al.*, 1997).

The sample that consisted of 12 people was designed to achieve a purposeful variation among respondents. Due to the exploratory and analytical nature of the study, random selection of interviewees was not used. Seven people, including four top managers and three HR managers, were chosen to provide views on career management mainly in their organisations and five respondents, who worked on the development of the Estonian public service, were selected to reflect their views on career management in the civil service in general[3]. Confidentiality of response was assured through anonymity of respondents. Thanks to the seniority of the respondents, the interview data made a major contribution to the analysis of career management from the institutional perspective. Namely, the chosen civil servants were often the initiators, implementers and key decision-makers of career management policies and practices either at micro or macro level of the Estonian civil service[4].

Along with an exploration of the views on career management at organisational and state level, the respondents were first asked to analyse the problems and challenges of career management. The issues that might be characteristic to the careers in transitional countries and public sector organisations were discussed among other issues. Second, the interviews covered the area of policy choices that organisations face in dealing with career management issues. The third part of the interviews focused on the career management interventions that the Estonian public sector organisations have already applied or could apply in the future.

Findings: the case for changes

Developments in civil service careers in Estonia

The interviews with the Estonian civil servants revealed the scope and depth of changes that have taken place over the period from the independence in 1991 to the present (Table I). The main issues that the respondents highlighted included the broader changes of transition, the shift from centralised to decentralised career management, the altering role of managers, the direction towards open job system in the civil service and the change in the notion of career.

First, concerning the broader changes in transitional society, all the interviewees mentioned the demographic changes, namely the growth of young officials in many parts of the civil service, and its consequences on careers. On the one hand, they accepted the need for the civil service to employ relatively young senior officials; as there are not many civil servants with the experience of the previous system, transition has been necessary. On the other hand, they some of the interviewees expressed their concern about the youth of the civil service:

Change form	Effects on jobs and careers
<i>Organisational changes</i>	
Downsizing	Shortened career paths; accelerated turnover; increased functional flexibility; increased external market recruitment; decreased job security; “winners” versus “losers” of transition
Delayering	Career plateaux; bigger jumps in responsibility in case of promotion; increased managerial span of control; increased opportunities for creating and shaping one’s own job
Decentralisation	Shift towards open job systems; institutional career management dependent on individual organisations and managers; need for an organisation at macro level to offer methodological support; segmented and fragmented structures; restricted lateral moves; excessive competitive behaviour; extra responsibilities to units and employees; unwanted responsibilities to line and HR managers with inadequate or irrelevant managerial experience
Reorganisation	Removed organisational levels; blurred career paths; displacement; work intensification; holding multi-functional jobs
<i>Demographic changes</i>	
Increasing number of young people	Wider range of opportunities and high turnover; portfolio careers; dilemma between adaptability and stability; unfulfilled career hopes; career plateaux, mismatch between organisational structures and labour force
<i>Changes in education levels and skill requirements</i>	
Higher level of education	More individual responsibility for careers, increasing commitment to careers rather than to organisations; more pluralistic institutional approaches to careers; increasing importance of work-family-leisure arrangements; self-actualisation outside work
Changing skills and competences	Careers more complex; need for managers’ highly developed skills

Table I.
Transitional changes
affecting careers in the
Estonian civil service

People who are in their twenties have many opportunities and temptations in the transition society. Therefore, the problem is not that they do not have enough challenges, but rather that they are attracted to a completely different field. They change sectors and areas of interests. At the same time, I do not think that we have done the wrong thing by employing young people because the change of the worldview has been necessary. But what we need to do in the future, is to stabilise and enrich our organisation with middle-aged generation (HR Manager A).

Many young people, who have made fast career, have left Estonia because they were not willing to make a step back. Others have just “burnt out” because the society does not need them any more (Senior civil servant, Adviser C).

The fact that very young people reach to high positions quickly has its implications on the communication between the generations. For example, in our subordinate agencies, most of the civil servants are middle-aged or older, whereas in the ministry, most of the employees are young. Consequently, we can initiate and make changes, but the incapability in the subordinate agencies can work against the changes and a good idea can turn out badly. Also,

the priorities differ between generations. Older people value more security, whereas younger people are more eager to experiment (which is not always good) (Deputy Secretary General).

The respondents also underlined the consequences of the changes that characterise public sector organisations in particular. They referred to the frequently changing governments and political priorities and argued that in this context, civil servants get used to instability in their lives. Also, considering the changes in transitional administration, the civil servants preferred not to make long-term promises about career opportunities because this would oblige them to take responsibility for acting on those agreements – some of which may not be feasible in a rapidly changing environment:

There are many changes going on in the Estonian civil service at the moment. We cannot make career promises to anybody (Secretary General B).

Another issue that arose in the interviews had to do with the limited resources in the transitional administration. A top manager summarised the views of others as follows:

Since the societal changes have created many opportunities, there is high turnover of competences. A person, who has rapidly moved up in one organisation, is offered positions in other organisations very soon. As the society is poor, it is particularly a problem in the public sector where there are no resources to value and reward competences sufficiently (Deputy Secretary General).

However, several civil servants mentioned that although the state organisations may not be able to compete with private and foreign firms in terms of salaries, there are many advantages and good prospects of making a career in the Estonian civil service. Some of the interviewees expressed the view that career and growth perspectives in the public sector are often better and the work itself is intellectually more challenging than corresponding work in the private sector.

The second major issue that the respondents pointed out is the change from centralised to decentralised career management. A senior civil servant summarised the views of others as follows:

A general framework for managing people and their careers in the civil service has to be provided by the legislation. But I believe that regarding the specific policies and interventions, it should be left at the organisational level. It is not possible to regulate and harmonise career management at the macro level; it is only possible to provide supportive conditions. It would be best to encourage flexibility and believe that in order to achieve the organisational goals, managers have to be able to manage people and their careers, too. However, it does not mean that somebody at the macro level should not analyse the situation and offer recommendations (Deputy Secretary General).

Other civil servants agreed that there should be an institution at the macro level where the competence of career management is brought together and where others could receive methodological support. An experienced civil servant threw some light to the positive aspects of co-ordinating career management activities:

If career management is perceived as developing public employees, then it could be managed, encouraged and controlled at the macro level at least to some extent in order to guarantee development in all organisations, ensure fairness and equity as well as some efficiency (Senior civil servant, Head of Division).

However, in today's civil service, institutional career management is still entirely dependent on the individual organisations and managers. A senior civil servant explained the reasons for this in the following terms:

At the macro level, it would be possible to demonstrate and promote the best practice of career management, but at the moment, there is no institution that would do it. The organisations that are involved in the field of developing the Estonian civil service today do not have resources for more (Senior civil servant, Adviser A).

The next major issue that the respondents of the current study pointed out is the role of managers and HR managers in managing careers. In terms of the implications for the development of a more strategic approach to career management, perhaps one of the most thought-provoking is the point that the managers' involvement in decentralised career management activities requires a variety of highly developed skills. On the one hand, in Estonia, part of the current generation of managers has been trained according to socialist principles and ideals. A senior civil servant expressed herself as follows:

At the moment, there are still many *cadre* administrators among the HR managers (Senior civil servant, Adviser A).

Therefore, even after more than a decade of transition, the features of the previous system (e.g. ambiguous responsibilities and unwillingness for decision making) still affect the role of several line and HR managers and thus, make introducing the idea of their ownership of people management complicated. On the other hand, there are also many young people in high positions who do not have adequate managerial skills yet. A HR manager elaborated on the issue:

People who move rapidly to the top positions may not necessarily have an adequate level of competences. For example, it may be inevitable to recruit a manager who does not have managerial experience and may thus easily fail as a manager. But as he/she has a unique education or knowledge that is needed in the organisation we may be forced to recruit the person to help the department to reach a new level of quality (HR Manager C).

Another subject that the interviewees emphasised concerned the issue of closed career versus open job systems. They acknowledged that career systems that are explicitly based on Weberian bureaucracy are not applicable in the Estonian context because of the small size of the public service. An experienced civil servant explained:

The "problem" of the Estonian civil service is that it is flat and low. In terms of careers, moving forward means acquiring experiences and improving qualification. The growth of competences is rewarded with the increases in salary levels rather than by offering hierarchical advancement opportunities. Therefore, there is the general direction towards an open position system, in which civil servants are employed to undertake certain tasks of a particular post (Senior civil servant, Adviser B).

The civil servants also demonstrated the increasing implementation of the principles of open job systems by discussing the issue of external recruitment versus internal progression. Referring to the recruitment of the senior civil servants at the highest ranks, a civil servant summarised the views of the officials, whose responsibilities are related to developing the Estonian civil service, as follows:

There is a dilemma between motivating the current members of the civil service and the openness of the civil service. The latter has to prevail. Therefore, the principle of openness will be also more articulated in the new Public Service Act that is currently in the process of making (Senior civil servant, Adviser B).

As the respondents generally favoured the decentralised approach to career management, they claimed that getting the balance right between external recruitment and internal progression for the positions at lower levels of the civil service should depend on the individual organisations. Last, but not least, the interviewees drew attention to the notion of career (Figure 1). They argued that not only the context of careers, but also the understanding of careers has been changing. Several respondents admitted that although for an “average” civil servant, career still associates with vertical advancement, there is an increasing acceptance that climbing up the ladder cannot be the only option for development:

If you have made a “good” career and moved up enough steps, then at a certain point vertical movement is not the only satisfying option for development any more. Also, if you feel that you have reached the optimum level, there is no motivation to move forward quickly, but rather make most of the present job (Deputy Secretary General).

Managing careers in the Estonian civil service

Although the beliefs, assumptions and concepts underlying career management and the list of available interventions are attractive at the first sight, the “fully-fledged” applicability of them in the Estonian civil service is questionable, as illustrated by the interviewees of the current study (see Table II).

The interviews revealed a degree of scepticism towards the idea that career management is a matter of strategic importance derived from a long-term organisational strategy. Some of the interviewees pointed out that the formation and implementation of career management policies in the public sector organisations is about making choices to respond to the changing circumstances and uncertainty. A senior civil servant expressed her view as follows:

At the moment, there are many young officials with only a few years of service in the Estonian civil service. Moreover, the turnover rate is relatively high. It could be expected that

Hierarchical progression thanks to obedience to official ideology and personal connections	----->	Both vertical and lateral moves between organisations and across functions as a result of outstanding performance
Career as a sequence of work positions	----->	Career as a sequence of employment-related activities and roles
Career for life in return for loyalty	----->	Opportunities of marketability and employability in return for good performance
Negative notion of career with individualistic and egoistic connotations	----->	Positive notion of career with the emphasis on personal development and achievement
Employer’s responsibility (the state’s) for career management	----->	Individual responsibility for careers, organisational support

Figure 1.
Changes in the notion of career during the transition period in the Estonian civil service

Policy choices	Strategies for the Estonian civil service
Strategic versus <i>ad hoc</i> approach	<p><i>Ad hoc</i></p> <p><i>Rationale:</i> Search of flexibility to respond to changing circumstances and uncertainty Incapability of managers and HR managers of performing their roles in managing careers</p> <p><i>Limitation:</i> Sporadic and incoherent career management activities, inconsistent HR practices</p>
Individual versus organisational responsibility	<p>Individual or shared responsibility</p> <p><i>Rationale:</i> Lack of resources for extensive institutional career management programmes Emphasis on individual career development with some organisational support in changing career environment</p> <p><i>Limitation:</i> Weak link between individual needs and organisational development</p>
All employees versus key employees	<p>No deliberate policy</p> <p><i>Rationale:</i> Dealing with individual cases as they appear in changing transitional administration</p> <p><i>Limitation:</i> Staff not prepared to fill vacancies</p>
Specialists versus generalists	<p>Generalists</p> <p><i>Rationale:</i> Multi-functional jobs and high degree of flexibility in small civil service More opportunities for mobility</p> <p><i>Limitation:</i> Loss of expertise in areas of specific relevance</p>
“Shipping out” versus “shaping up”	<p>Shaping up</p> <p><i>Rationale:</i> The period of genuine redundancies at the beginning of transition is over, now focus on developing competences</p> <p><i>Limitation:</i> Less flexibility in recruiting and dismissing</p>

Table II.
Career management
policy choices in the
Estonian civil service

career management becomes more topical and of greater importance when there will be more stability (Senior civil servant, Adviser A).

Another important issue pointed out by several civil servants has to do with the issue that human resource management, with its longer time-scales and return on investment times, should not be seen as the way forward. A respondent commented on the possible reason for the “emergent” approach to careers:

In general, there is no strategic career management in the Estonian public sector organisations, because managers are focused on the “here and now” activities. It would be rather an exception than the rule, if there were deliberately developed career management programmes. There could be individual cases of managing the careers of some people, but it does not take place at organisational level or in the civil service on the whole (Senior civil servant, Adviser C).

Other interviewees recognised the problems of adopting a precisely articulated approach to careers in the changing environment and argued that the *ad hoc* approach might not be a major problem as long as human resources are given a strategic role. An HR manager explained:

Career management is not an issue in itself. It is a natural part of managing human resources, closely related to other HR practices such as performance appraisal, development and motivation system (HR Manager B).

Regarding the extent of the individual and organisational responsibility, the respondents clearly favoured the idea of shared responsibility. A top manager explained how the policy is applied in practice:

Our organisation does not take complete responsibility for career management, an individual’s role will be always important. On the one hand, the mutual responsibility is reflected in training and development activities that aim to ensure that individuals perform well in their jobs and acquire knowledge and skills in the areas they are responsible for. On the other hand, shared responsibility is articulated through performance appraisals (Secretary General A).

Although some interventions, for example, performance appraisals, are often open to all employees, this cannot be seen as a purposeful policy if there is no action taken on the basis of these appraisals. Neither are the interventions oriented towards the key employees:

Career management interventions do not include succession planning or high-flyer schemes. Thus, there are no programmes to prepare the existing staff members to be able to fill the vacancies in the future. Rather, organisations act according to their current needs (Senior civil servant, Adviser C).

The interviews revealed that career management in any organisation in the Estonian public sector involves finding the best way of developing careers for both generalists and specialists. One respondent argued that development of specialist and generalists is a natural process and their organisation does not take particular action to promote the expansion of any of those groups:

It is important that an individual has the capability of doing his/her job. Some prefer “depth” and attention to details in their jobs. Others capture the “picture” as a whole, since different areas intersect in their day-to-day work inevitably. People “come forward” and move to positions that match with their interests. It is a normal process of mobility and in fact, the balance between specialists and generalists develops naturally (Secretary General A).

The respondent’s reference to the overlapping fields of work also draws attention to the importance of size of the civil service in dealing with generalist-specialist issue in career management. Another top manager stated that even though the Estonian public sector organisations tend to be generalist-oriented, yet they could pay more attention to

developing generalists. She also suggested encouraging horizontal movements as a way of implementing the policy.

Regarding the “shipping out” or “shaping up” policy, the interviewees tended to support the latter. A HR manager summarised the views of others as follows:

If there is any hope to develop the competences, which were identified to be inadequate in the development interviews, to an adequate or good level, then we support it by all means. But if the civil servant realises that the job is not for him/her and the manager recognises that it is not what we were once hoping and expecting, then they reach a mutual agreement and the official leaves the position. But we do not support redundancies that are based on punishment (HR Manager A).

The civil servants who participated in the current study maintained that in small institutions of a small state, moving up the career ladder within an organisation or in the civil service system is restricted. They also claimed that the continuous change and shortened future horizon coupled with the limited resources and deficiency of deliberate career management policies have made interventions such as succession planning, career counselling and extensive outplacement programmes less feasible. Therefore, they focused their attention on the on-the-job interventions as more promising in the context of the Estonian civil service (see Table III).

First, the respondents expressed positive attitudes towards the techniques of job enlargement and enrichment. Recognising the unavoidability of structural plateauing, the civil servants drew attention to the alternative options:

More and more nuances of job enrichment and enlargement come into play. One aspect is in-house training. A person can enrich his/her job by conducting these training activities. In addition, we organise inductions for our new employees to which our current staff can make their contribution. We also expect our civil servants to take responsibilities in developing methodology. Moreover, our senior civil servants often take extra tasks by working as consultants for other CEE countries (HR Manager A).

Given that our work increasingly covers different areas and involves different departments, I see project-type work as a way of satisfying people’s ambitions in the future (Secretary General A).

Another civil servant gave examples of job enrichment and enlargement techniques that have been used to some extent at the macro level in the Estonian civil service. However, he argued that more awareness of the potential benefits of these interventions (e.g. inter-ministerial work groups and project teams, training events in the Centre for Public Service Training and Development) could be developed. Apart from offering career opportunities, these techniques could promote co-operation between organisations, develop co-ordination mechanisms and network systems as well as give broader perspective of the civil service to the individual officials.

Several statements of the interviewees (e.g. “in terms of the content of the jobs, there is no ceiling in the public sector”, “I do not think civil service jobs are static” and “job enrichment is a natural part of HR activities”) reveal that enriching and expanding jobs is seen as a normal part of civil servants’ careers in the small transitional administration of Estonia. However, as the work may become extremely diffuse and multiple-function role can take lots of energy, one needs to consider these possible drawbacks:

Benefits	Limitations	Examples
<i>Job enlargement, job enrichment and project work</i>		
Wider range of experiences	Overloading already hard-pressed people	Conducting training activities
Extended mastery of skills	Extra accountability on poorly trained and paid people	Conducting employee inductions
Prevention of "content" plateauing	Devaluing the use of developmental work assignments by using too familiar tasks	Extra accountabilities in developing methodology
Expanded employability		Working as consultants to other CEE countries
Increased organisational flexibility		Inter-departmental projects
Networking with colleagues		Inter-ministerial work groups
Developing coordination mechanisms		Conducting training in the Centre for Public Service
Broader perspective on civil service		Training and development
<i>Job assignments and career mobility</i>		
Job challenges and variety	Loss of valuable subordinates	Job assignments from ministries to other government agencies, subordinate agencies or foundations and vice versa
Additional experience	Loss of specialisation and usefulness for specialist department	Mobility between policy-making and policy implementation units
Exposure to new areas	Lack of cooperation between parties, particularly at macro level of the civil service	Work experience in similar organisations in other countries
Broader range of competences, generalist skills	Negative perception of job assignments	
Increased motivation and commitment of employees	Decrease in performance level	
Overcoming plateauing in dead-end career paths	Loss in salaries	
Decreasing brain drain	Small labour pool and irreplaceable employees	
Wider picture of the civil service	No overlapping positions to which to move	
<i>Performance and potential assessment</i>		
Identifying development needs and potential	Good performance in one job does not mean good performance in another job	Development interviews
Giving ongoing feedback on career perspectives	Focus on salary review rather than on development needs or career prospects	Performance appraisals
	Managers' limited view of the requirements of the job	
	Managers unprepared or unqualified for conducting performance appraisals	
	Lack of organisational action following performance and potential assessment	
<i>Mentoring and networking</i>		
Receiving career assistance	Over-reliance on mentors and social networks	Informal social networks
Increasing individuals' information, resources and access to career possibilities	Loss of objectivity in career-related decisions due to informal networks and personal connections	
Greater possibilities for personal learning		
Enhanced career satisfaction		
Increased engagement in work		
Collaborative culture and communication		
Increased mobility		

Table III.
Career management practices in the Estonian civil service

Our senior civil servants are highly qualified professionals, who are already quite hard-pressed in their current jobs and would not like to take, for example, extra administrative tasks (Director of Constitutional Institution).

Second, the respondents of the current study expressed their views on the different opportunities for career mobility. They were sceptical about the prospects of enhancing mobility by developing a system across the civil service:

Coordination does not give any results if the parties are not interested. It means that I do not believe that it would be possible to start with the mobility system at the macro level. Everyone tries to keep his/her good employees and nobody wants to give them away for a couple of years. Whether the employee comes back or not is questionable and the gain one can get may be little (Secretary General A).

Mobility at the top managers' level (e.g. Secretaries General) would be complicated because it is assumed that they are specialists in their fields. However, there are examples of administrative managers who, in principle, could rotate (Secretary General B).

The director of a subordinate agency argued that there is some mobility at the macro level, but it is sporadic, not deliberately promoted. Again, it could be concluded that it is more about dealing with individual cases:

Of course, reasonable agreements are possible in single cases. If there was a common subject and a good employee who would be willing to take the challenge, then I would support the individual case (Secretary General A).

The HR managers elaborated on the issue of mobility and competition between organisations further:

There is some mobility between public sector organisations. It could be proved by the fact that in several cases, the experience of our employees in the civil service is longer than the experience in our organisation (HR Manager B).

Our employees are sometimes "taken over" by other public sector organisations. But I do not know if we should consider it as unhealthy competition in the public sector or on the contrary, be happy. These people have not left the civil service, may be they have just gone to do more useful work for the state (HR Manager A).

In general, the civil servant claimed that it would be more hopeful to encourage mobility within an organisation. For instance, one respondent pointed out the following option:

We are trying to implement the idea that people whose jobs are related to legislation would gain some experience in our inspectorates and boards, subordinate agencies or foundations (Secretary General A).

Other experienced civil servants also mentioned the potential benefits of being rotated, seconded or "switched" from a policy-making unit to a unit of implementing policy, from a subordinate agency to a policy-making unit and vice versa. Since this would help the officials to see the problems in the field and acquire a wider range of competences, the respondents had the opinion that these mobility patterns could be used more extensively than is currently the case.

Two civil servants from constitutional institutions indicated the co-operation with their counterparts in other countries and emphasised their employees' positive

experience in doing work experience in foreign countries. They claimed that this mobility scheme has increased the public servants' skill base and kept them motivated.

However, the respondents were realistic about the accompanying limitations of the job assignments that need to be taken into account:

Despite the espoused rhetoric, job rotation as a way of multi-skilling has not been used in reality. In this particular case, it is partly because of the pressure and workload in the individual units that does not allow decrease in performance levels. Another counter-argument is that in the rapidly changing and developing legal environment, public servants are not willing to rotate because it could lead to loss of specialisation and eventually, to loss of usefulness in their area of expertise (Director of Constitutional Institution).

There is lots of time pressure in the civil service and each official is important in his/her present job (Senior civil servant, Adviser A).

Another civil servant claimed that this might not be a major obstacle to mobility since there should not be irreplaceable people in any organisation. It would make organisations very vulnerable and unstable. However, due to the limits of small labour pool in the small civil service, structures and jobs tend to be organised around individuals. This may easily lead to unstable work environment, which, in turn, makes it complicated to plan human resources and career moves within an organisation.

Other obstacles to mobility that were brought up by the interviewees included the following:

The choices for mobility are limited because of the differences in rewards. One would not like to loose in terms salary if he/she changes positions (Deputy Secretary General).

I cannot imagine that people would go to other institutions related to our field since the salary level is lower elsewhere (Director of Constitutional Institution).

Concerning the employees in highly specialized departments, it might be difficult to find positions where to move (Senior civil servant, Adviser A).

If somebody is offered a position in any of the subordinate agencies, it is seen as degradation. Today it is not perceived as an investment (Secretary General B).

The idea of dual ladders to provide advancement perspectives for specialists is also known in the Estonian civil service:

For employees in specialist functions, we have developed positions called "experts". Although experts have higher salaries, it is rather a moral recognition to persons who have worked for several years and are well-recognised and highly qualified in their fields (Secretary General A).

Third, several civil servants, particularly HR managers, underlined the importance of performance appraisals[5] in managing careers:

In order to develop competences according to the requirements of the jobs, we have developed a performance appraisal system in the form of regular development interviews. The appraiser and the appraisee are expected to come to an agreement about the current stage of development and decide what needs to be done to develop the competences in more depth. They also try to agree about the career ladder. They discuss whether the appraisee is satisfied

with the position he/she has today and whether he/she would like to move to another job, and what could be done to move forward (HR Manager A).

Although the respondents revealed that performance appraisals are widely used practices, they maintained that their effect as a career management tool is questionable in today's civil service:

Whether a person's development and career perspectives are discussed in performance appraisals depends largely on the organisation and the line manager. In general, it is a relatively unimportant issue (Senior civil servant, Adviser A).

Managers are likely to be unprepared and unqualified to conduct performance appraisals. Therefore, the assessments are often undertaken only for "statistical purposes". Moreover, although the appraisals are well-documented, in many cases nothing is done with the results afterwards. Even if there is any action after the appraisal, it is more about salary review, since the managers have not thought through the possibilities of career management (Senior civil servant, Adviser C).

Another experienced civil servant recognised the potential problems of formalising the performance appraisal system, but argued that it is necessary to start from somewhere in order to develop managerial skills that tend to be inadequate in the transitional administration:

The performance appraisal system is mainly developed for the reason that there would be procedures also to those managers who would not deal with the development and career issues (Secretary General A).

Last, but not least, the respondents discussed the role of supportive alliances in managing careers in the Estonian public service. None of the interviewees mentioned formal mentor-protégé relationships as career management tools. This could be explained by the fact that in the small civil service, the networks between organisations and people are well developed and managing people is inevitably highly participatory:

To know all the people who work in the ministry – it is possible only in a small state. Contacts outside the ministry are without any doubt different: there is more scrutiny and control, but also closer and more personal contacts (Secretary General A).

Therefore, it could be claimed that in the small administration, it is natural for the civil servants to receive developmental guidance and advice and career information from a variety of sources. Furthermore, the fact that individuals' careers are likely to be dependent on their connections could be also explained by the Soviet legacy in human resource management. On the one hand, using the informal social network may blur the "merit" principle in the civil service and thus, the objectivity of career-related decisions can be questioned. On the other hand, the characteristics of a small administration enable the individuals to initiate and maintain social relationships for career-related purposes and have better access to career information.

Conclusion

The analysis of the nature and context of careers in the first part of the paper showed that careers play an important role in the design of civil service systems. Under the Soviet rule, the Estonian civil service was relatively closed. However, it did not

represent a conventional career system of the Western countries, but was rather a patronage system. The case study data reveal that Estonia is developing an open system in the civil service and moving from centralised to decentralised HRM systems. The interview data also indicate that there has been a move away from institutional to more individual responsibility for careers, and from offering vertical advancement opportunities to providing alternative career paths. Thus, it could be argued that although the starting point for developing a “modern” civil service in Estonia was very different from its Western counterparts, the changes affecting careers in the transition period have brought about similar trends and challenges.

The findings of this research suggest that, to the extent that a shift towards a decentralised and open job system in the civil service is occurring in Estonia, Western career management practices should become increasingly relevant. Organisational restructuring, the rapid growth in the number of young officials, the individualisation of employment relationship and relatively high level of education and skills provide a fertile ground for an expansion of the modern Western ideas and concepts of career management. However, as revealed by the participants of the case study, there are several constraints to the applicability of these ideas and concepts, caused by the surviving “socialist” practices in HRM, the particular context of a small state and specific features of public sector organisations.

Concerning the strategic policy choices of career management, the case study demonstrated that Estonian public sector organisations face familiar decisions when dealing with career management issues. Different choices such as whether to go for “here-and-now” or strategic approach to careers, whether to “shape up” people’s careers or “ship them out”, whether to focus on developing specialists or generalists, depend on the jobs and environment of the organisation. The case study of the Estonian civil service reveals that the most influential of the policy choices relates to the fact that in the rapidly and radically changing transitional administration, organisations tend to deal with career management issues as they emerge. Thus, they choose the *ad hoc* development of career policies both at the organisational level and across the civil service. Career management is perceived as an evolving process rather than a conscious design of an effective framework for managing people’s careers. However, the civil servants agreed that taking into account the need for continuous development, Estonian organisations might need to introduce more systematic and longer-term approach to qualifying and motivating staff. An effective framework of career management does not solve all problems, but it may help to address the issues, especially if it is integrated with other human resource practices (Mayo, 1991).

There are various activities for managing careers and dealing with different career-related problems. Job enrichment and enlargement for keeping the plateaued employees motivated, job rotation and dual career ladders for offering career challenges in flattening organisations are just a few examples of possible interventions. These and other on-the-job career management activities, such as designing performance appraisal schemes to assess future potential, encouraging networking in order to ensure fluid interaction across structures and providing career assistance from external sources, all require both creativity and deep analysis of organisational needs.

The analysis of the case of the Estonian public service threw some light on the applicability of the on-the-job career management techniques in the transitional administration. It highlighted the fact that several interventions, such as job

enlargement, networking and performance appraisal are already well-known practices. The case study demonstrated that the common problems of career management interventions in Western countries are also present in the Estonian context but specific issues related to transitional administrations, for example, deficient coordination mechanisms and insufficient management experience supplement them.

Finally, it is suggested that the generally encouraging findings of this study can pave the way for future research on career management in Estonia and perhaps other transitional countries of the CEE. Through careful planning, orientation, training and follow-up, career management programmes are realistic HR policy targets in these settings. Such programmes may indeed offer a positive contribution to modernising HRM and helping to meet the immediate and future challenges in the transition process.

Notes

1. According to the *Civil Service Yearbook 2002* (Riigikantselei, 2003), in 2002, 53 per cent of the civil servants were less than 40 years old, and 69 per cent had worked in the civil service for less than ten years.
2. According to the *Civil Service Yearbook 2002* (Riigikantselei, 2003), 48 per cent of civil servants had higher education in 2002 as compared to 35 per cent in 1997.
3. In the case study, the interviewees are referred to as Secretary General A, Secretary General B, Deputy Secretary General, Senior civil servant – Adviser A, Senior civil servant – Adviser B, Senior civil servant – Adviser C, Senior civil servant – Head of Division, Director of Constitutional Institution, Director of Subordinate Agency, HR Manager A, HR Manager B, and HR Manager C.
4. The sample itself was predominantly female (83 per cent) and highly educated (100 per cent, including 25 per cent with graduate degrees). The sample had an age range of 25 to 65 years with 75 per cent of the respondents under the age of 35.
5. In the Estonian civil service, performance appraisals are often referred to as development interviews.

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Article IV

Järvalt, Jane and Tiina Randma-Liiv. 2012. "Starting from Scratch: Rewards for High Public Office in Estonia." In B. Guy Peters and Marleen Brans (eds). *Rewards for High Public Office in Europe and North America*. London: Routledge, 190-208.

13 Starting from scratch

Rewards for high public office in Estonia

Jane Järvalt and Tiina Randma-Liiv

Introduction

This chapter analyzes the rewards of Estonian high public officials (HPOs) in 1991–2008. Having regained independence in 1991 (Lieven's 'Year Zero'), Estonians had to build up their state and its institutions virtually from scratch.

Whereas the East European satellites possessed at least the formal attributes of independent statehood, however theoretical they might be, the Baltic states lacked their own currencies, armed forces, border guards, diplomatic services, central or even local banks, railways, airlines, and even tourist offices.

(Lieven 1993: 100).

Institution building in Estonia and the other Baltic states included introducing new reward systems at all levels of state apparatus. It was recognized soon after regaining independence that highly motivated senior public officials constitute a guarantee of reliability, professionalism and continuity in governance. However, establishing their reward systems has proved to be a lengthy process.

The development of reward mechanisms for HPOs in Estonia has been influenced by the transitional instability of the country's political and administrative systems. From 1991 to 2007, there have been five parliamentary elections and twelve changes of government. Among other things, instability has resulted in considerable changes in the public service. The first democratic government of 1992 followed through on its declared aim of 'A Clean Sweep' by replacing numerous public officials – many at the highest administrative echelons. As a result, more than 83 percent of civil servants employed in the Estonian ministries and agencies in 2003 had been in the civil service for less than 15 years (Riigikantselei 2004). After the 1992 reforms, only a very limited number of the Soviet *nomenklatura* continued working as HPOs. This led to a true transition for the Estonian state, although the side effects have included missing statistics on rewards and frequently altering reward concepts, particularly during the first decade of transition. Hence, comparable data from the first years of independence 1991–1992 are not available because rubles were used in Estonia through June 1992 and the current systems for calculating and archiving the relevant data were not in place.

According to the Constitution of 1992, Estonia is a parliamentary democracy with a unicameral parliament, the *Riigikogu*. The 101 members of the *Riigikogu* are elected for a 4-year term. The formal Head of State, the President, performs mainly a representative and ceremonial role, which is why the rewards of the presidential office are not included in this study. The Cabinet consists of the Prime Minister and up to 14 full ministers. The proposed analysis will include the gross average salaries, allowances and benefits of all ministers, with special attention to the rewards of the PM. Government institutions include ministries as well as executive agencies and inspectorates (for simplicity, we will use the collective reference ‘agencies’ below) that are subordinated to particular ministries. For the purposes of this chapter, top civil servants mean the Secretaries General and Deputy Secretaries General of ministries as well as Directors General of agencies. The office of State Secretary, which is the top civil service position in the country, received special attention. The rewards of State Secretary have been comparable to those of Secretaries General. In addition, the rewards of the judges at the highest level of the Estonian court system – the Supreme Court – will be analyzed with particular attention to the position of the Chief Justice. The data on the salaries of top officials is available from 1993 to 2007.

A country’s economic development level limits the opportunities for creating rewards for high public officials (RHPOs). Estonia experienced negative GDP growth only in the period of 1991–1994, although the validity of these calculations is strongly contested (Aslund 2002: 135–140). Since the mid-1990s, economic growth in Estonia has been robust and, on average, well above that in West European countries. In 1995, Estonia’s per capita gross domestic product (GDP) in purchasing power adjusted terms amounted to 36.1 percent of the average in the EU27 countries, while it reached 67.9 percent of the EU27 average in 2007 (Eurostat). Despite the fast economic growth until 2007, a relatively modest average income (in 2007 GDP per capita amounted to 11,400 EUR using market exchange rates and 16,900 EUR using purchasing power parity) has not allowed the state to pay internationally competitive salaries or to introduce lucrative tangible and intangible benefits. Nevertheless, the RHPOs have gradually become more competitive within the Estonian labor market, allowing the state to recruit the nation’s best to the highest positions of public office.

Base salary and regular allowances

The arrangements for determining the rewards for Estonian HPOs have varied over time but there is now a consistent movement towards unification. In recent years, the salaries of most categories of HPOs have been aligned with reference to the Estonian average gross monthly wage.¹ The salaries of members of parliament (MPs) were tied to the average wage in 1993: backbench MPs earning four times, faction and committee chairmen five times, the Parliament’s Vice Presidents five and a half times and the President of the *Riigikogu* six times the average wage.²

The salary of Estonian MPs is further complemented by a tax-free parliamentary allowance. MPs can claim an additional amount of up to 30 percent of their monthly salary as an allowance for various expenses, which include transport, communication, business travel, secretarial and office expenses, training and representation. The actual use of this allowance has been a major source of public criticism. For instance, the widespread practice of using allowances to lease private cars has resulted in universal public cynicism concerning parliamentary ethics.

Until 2002, the salaries of Cabinet ministers and Supreme Court judges were linked to the highest rate of the civil service salary scale,³ which was then multiplied by coefficients ranging from 1.5 to 1.8. However, the centrally set and regulated salary scale rapidly became outdated, with various ways found around it at both the organizational and the individual levels. Therefore, a reform designed to set the rewards of HPOs on a more transparent, comparable and objective basis by linking them to the average wage was implemented. Compared to the average Estonian wage, from 2001 onwards the country's ministers and judges have been better off than they were throughout the 1990s (Figure 13.1). Their purchasing power has increased 3 to 3.5 times while that of the average wage earner and MP has only increased twofold (Figure 13.2). The PM and the Chief Justice receive a base salary equivalent to that of the President of the Parliament, at six times the average wage. Other ministers and senior judges are paid the same as Vice Presidents of the *Riigikogu* (5.5 times average wages).⁴ The relevant rules also entitle the ministers to an additional tax-free representation allowance of 20 percent of their monthly salary. The salary of Supreme Court judges may be topped up by up to 15 percent of the base depending on the number of years of service. Judges are also entitled to a 5 percent salary boost for supervising candidates to judicial office during the probation period.

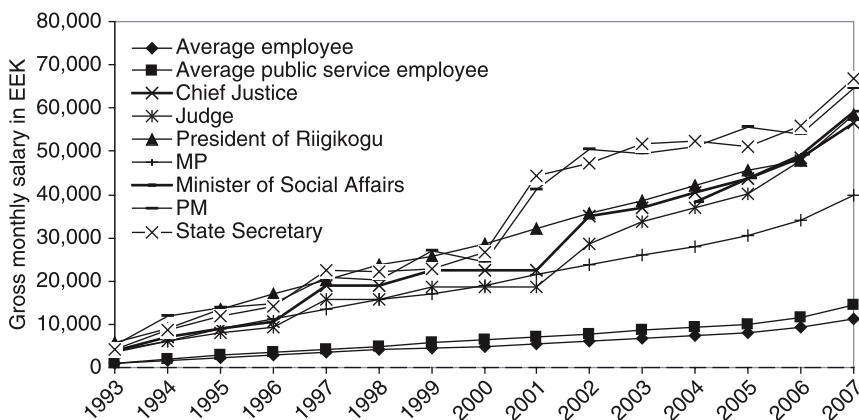


Figure 13.1 Average gross monthly salaries (fixed exchange rate 1 EUR = 15.6466 EEK).
Source: Statistics Estonia, websites of ministries and agencies, official requests for information to public authorities.

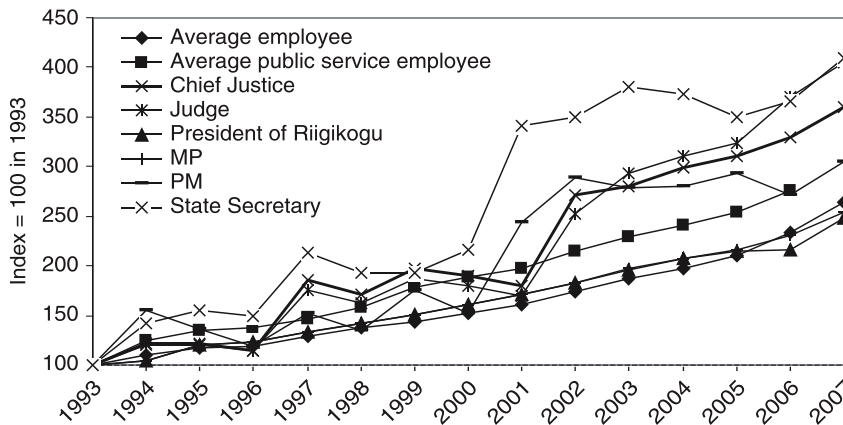


Figure 13.2 Real wages in Estonia, deflated with consumer prices, index = 100 in 1993 for all categories.

Source: Statistics Estonia, websites of ministries and agencies, official requests for information to public authorities.

Thus, instead of fluttering in the shifting winds of political decisions, the RHPOs in Estonia have essentially been depoliticized by being linked to the evolution of average wages. The egalitarian principle of striving towards a parity of similar HPOs and keeping their rewards proportional to a standard ‘popular’ level implies that the same multiple of average wages must be paid to the heads of legislative, executive, and judicial branches of government. It could be argued that, among other things, the established system also fulfills the performance criterion, linking HPOs’ rewards to the overall economic performance of the country and thus making their welfare dependent on doing the job well. The visibility of the base salary system has been guaranteed by fixing the coefficients and calculation principles by law as well as by making the annual incomes of the HPOs public. At the same time it also represents a clever trick: since the salaries increase in keeping with the economy’s performance, there is no need to continually make unpopular decisions on HPO pay rise and justify them in front of the public. However, it could be argued that RHPOs as a share of annual GDP have not increased over time (Figure 13.3).

The salaries of HPOs caused major public debates in 2008. The issue was raised because the HPOs’ salaries had been growing rapidly and had allegedly triggered the salary increases in the entire public sector. With the growing financial crises, freezing HPO salaries and de-linking them from the average gross monthly wage were proposed, and a respective RHPO task force was established at the *Riigikogu*.

The salaries of top civil servants are subject to the same regulations as those of lower level civil servants. Under the current system, the base salaries of top civil servants⁵ are paid at a basic rate common to all staff in the grade. The salary scale

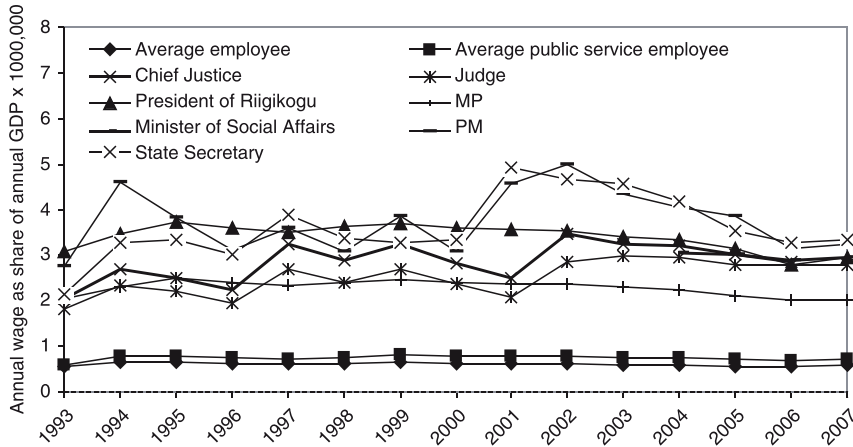


Figure 13.3 Wages as a share of gross domestic product (GDP) for different categories.
Source: Statistics Estonia, websites of ministries and agencies, official requests for information to public authorities.

that was in force from 2001 to 2006 settled the highest rate for top civil servants at 12,500 EEK (798.90 EUR; fixed exchange rate 1 EUR = 15.6466 EEK); since 2007 the highest rate has been 25,000 EEK (1597.79 EUR). As other salaries have increased at a considerable pace during these years of fast economic growth, the official base salaries of top civil servants have gradually been rendered modest to the point of being something of an oddity. A number of successive governments have been reluctant to increase the overall public service salary levels, lacking the political will to cut top officials' salaries loose from the rest of the civil service by linking them with average salaries in the private sector, for instance. Therefore, as each ministry and agency is responsible for the remuneration of its staff (according to certain centrally determined statutory guidelines), individual salaries vary to a large extent due to the effects of pay differentiation and 'add-ons', which are negotiated for each organization and individual (Randma-Liiv 2005). As of 2006, the average salary base was worth 50 to 60 percent of top civil servants' total pay. Thus, the reward package of civil servants may, for instance, include additional remuneration for years of service, academic degree, handling state secrets (until 2008), or proficiency in foreign languages. Another source of variation, in addition to differences in individual base salaries and add-on remuneration, is performance pay. As opposed to the period when 'pay for performance' schemes were introduced in the beginning of the 2000s (Randma-Liiv 2005), current performance pay incentives are mostly aimed at front-line staff rather than top civil servants, who are usually not covered.

The growing pay differentials within the civil service and reduced transparency of rewards drawn by top bureaucrats can be justified by the perceived need to

make the civil service more competitive and, thus, move towards a more individualized pay system in which pay varies according to the job and the incumbent's competence and performance. In order to be able to recruit good public managers at market rates, over time the heads of the civil service have exempted their posts from certain institutional rules that have continued to apply to others. The pay of civil service managers (including top civil servants) is currently closely aligned with the size of the organization managed, the salary levels in the relevant field of the private sector, performance and individual responsibilities. Meanwhile the actual remuneration is much less based on hierarchical elements, such as position rank, salary grade or seniority. For example, these days the best-paid top officials tend to be found among those working in the highly rewarded fields of finance and telecommunications.

As a consequence of bringing public sector reward practices closer to those of the market, there has been a change in relative incomes of the country's political, judicial and administrative leaders. There are Secretaries General and Directors General who take home more than a Cabinet minister. In spite of criticism about the appropriateness of senior bureaucrats being paid more than MPs or the ministers responsible for those bureaucrats, this pattern became common by 2007. In addition, the gaps between the pay of top bureaucrats themselves have grown. For example the highest-paid agency head, the Director General of the Tax and Customs Board, earned more than 80,000 EEK (5100 EUR) a month (2005) – more than twice the average top bureaucrat's salary, five times the lowest-paid top bureaucrat's salary and well above the pay claimed by the PM.⁶ Figure 13.1 shows the increase in salaries from 1993 to 2007, revealing that average salaries in the civil service have constantly topped the Estonian average by more than 20 percent. However, the salaries of top civil servants still pale when compared to private sector executives.⁷

The 'little extras'

Members of the executive, the legislature and the judiciary have traditionally been entitled to a wide range of in-kind benefits and other perks on top of their salaries and regular allowances. Thus, in accordance with the requirements of office or the functional needs of the job, they are often provided with housing, cars, travel, and so on.

Most of the MP benefits and perks are included in the regular allowance set at 30 percent of their salary, which the MPs are free to use for any of the listed purposes. In addition, a second-home allowance is payable to parliamentarians whose constituency and principal residence are outside Tallinn. Like ministers and civil servants, MPs can take a holiday of 35 calendar days. Parliamentary pensions vary between 40 and 75 percent of MPs' salary, depending on the length of service. MPs who have served for at least 3 years and have attained the statutory pensionable age receive a pension amounting to 40 percent of their salary. In order to be entitled to the maximum pension rate of 75 percent, 9 years of legislative service are required. However, currently members of the *Riigikogu* are not

entitled to the parliamentary pension since the respective changes were introduced to the MPs' Salary, Pension and Other Social Guarantees Act shortly before the general election in 2003. As the turnover of MPs exceeded 60 percent in 2003 and 40 percent in 2007, there is increasing agreement on the fact that the abolition of parliamentary pensions may have an adverse effect on MPs' continuity of service and that it is increasingly difficult to attract the nation's 'best and brightest' to politics. Additionally, MPs become entitled to severance pay amounting to 3 months' salary in case of leaving or being replaced in the Parliament before a full year's service and to 6 months' salary for service exceeding one year.

The salaries of Cabinet ministers and top civil servants are further complemented by various social guarantees. Ministers who are not from Tallinn or its surrounding municipalities can claim a rent allowance of up to 7,000 EEK (447.38 EUR) per month. However, the real value of this allowance has declined since 2000. A similar, second-home allowance applies to the State Secretary, Secretaries General and County Governors, but is very rarely used. Furthermore, all ministers are entitled to an exclusive use of a chauffeured government car. Top civil servants either have official cars or are entitled to reimbursement of expenses for using their private cars. Ministers who were employed in public service before their appointment to ministerial office or held an MP's mandate have the right to resume their mandate or previous position, or a position comparable to the previous upon release from ministerial duties. Top civil servants are entitled to compensation upon release from service due to the winding-up of an administrative agency or as a result of being laid off. Depending on the duration of service, that compensation ranges from 2 to 12 months' salary. This is an important extra, since Secretaries General are appointed for 5 years with the possibility of termination after one-year service under each new minister. The retirement pension paid to civil servants constitutes a supplement to base national old-age pension and is determined by the length of service. For example, retirees with 10–15 years of service draw an extra 10 percent and those with more than 30 years of service an extra 50 percent.

Among all Estonia's HPOs, the reward package of Supreme Court justices is the most straightforward and transparent. Justices can claim an allowance for business travel pursuant to the same regulations that apply in the civil service. Only the Chief Justice is entitled to exclusive use of a chauffeured official car. The right to claim a refund of mobile phone costs applies to the Chief Justice and the Presidents of Chambers. Until 2005, Supreme Court justices used to be provided with residence by the state but were then given an opportunity to buy the apartments they lived in on concessionary terms. Among all HPOs justices have the longest paid holiday – 56 calendar days. The Supreme Court's reward policy entitles justices to a further holiday benefit of up to one month's salary, which has become known as 13th month's pay. Justices' other benefits, for example on the occasion of the birth of a child, certain round anniversaries, marriage, etc. can be claimed by Supreme Court employees too. All judges become entitled to an old-age pension at 75 percent of their last salary upon reaching the statutory

pension age, provided they have held judicial office for at least 15 years or served as Chief Justice for 7 years. After being employed in judicial office for 30 years, judges can claim a length-of-service pension of 75 percent of their last salary. Unlike other HPOs, judges in Estonia are appointed for life.

In addition to their official base salaries, certain office holders have been drawing supplementary income from other sources besides the official pay. The most lucrative prospects for outside earnings are in the Estonian Parliament, where representatives can make substantial amounts of money on 'side jobs.' Thus, parliamentarians often combine public office with lecturing, media, consultancy work and the like. These types of activities include accepting international lecturing or consulting offers (for instance, in the case of MPs, to share their transitional experiences), which are presumably handsomely paid. Another source of additional income, closely linked to MPs' political role, consists of sitting on a wide array of public institutions' oversight and other bodies: official commissions, supervisory boards of state-owned enterprises (SOEs), and foundations. In supervisory boards, appointments are divided according to quotas reflecting the relative strength of political parties in Parliament and/or the coalition government. According to applicable regulations, the chairman of a supervisory board is allowed to earn up to 7,400 EEK (472.95 EUR) and a board member up to 5,550 EEK (354.71 EUR) per month. It is not uncommon for MPs to sit on several boards, enhancing their base income considerably.

As for the ministers, their opportunities for additional earnings while in office are severely restricted. They are forbidden to accept appointments or payments from outside interests during their term in office, except for teaching and research work, and must give up any previous position when appointed. Certain ministers may be board members of SOEs or foundations but will not be paid for it. Similar restrictions are also imposed by law on Supreme Court justices and all other judges. According to the regulations, they are not allowed to have side jobs extraneous to the office of the judge, except for teaching or research. Ministers and judges are supposed to dedicate themselves fully to their office.

Additional employment for top civil servants is also restricted. They are not allowed to belong to permanent oversight or control/audit bodies of companies, except as representatives of the state. This exception, however, is a major additional source of income for many Secretaries General. Besides, a top civil servant may engage in business or work for another employer, provided he or she has been authorized by the person who has appointed him or her to office and subject to the proviso that the additional job must not interfere with performance, lead to a conflict of interests or damage the reputation of the position. The rules prohibiting or restricting 'second jobs' for persons in office are closely observed.

There is no institutionalized system to guarantee income to those leaving high-level political, civil service or judicial posts. Still a widespread practice of HPOs leaving for prestigious or more lucrative positions after resigning public office is apparent. Executive branch officials appear to gain the expertise and contacts necessary to advance their future careers effectively. In many instances, the second career may be in the area of business (e.g. banking, transport, and

communications) with which the individual worked while in government. The move from top public office to the private sector was particularly attractive in the mid-1990s when large-scale privatizations took place. Top bureaucrats have also provided an important supply of aspiring politicians. In addition, former HPOs stand a good chance of becoming a top civil servant or a management board member in public or private enterprises, being appointed ambassador, taking up a position as state representative to an international organization or sitting on prestigious committees. There have also been cases of ‘round trips’, civil servants and private sector executives moving back and forth between different offices. Ex-ministers and ex-MPs also find different openings, whether they are government posts, appointments to professorship, other political appointments, opportunities in the private sector or in different European institutions. As regards senior judges, the position of Chief Justice has served as a launching pad for high-paid careers in the European Communities court system.

There has been considerable public criticism of the ‘golden handshakes’ received by HPOs who are accused of nepotistic or corrupt practices. In these cases, justifications refer to the inevitable need to retain and apply the top leaders’ competence in a very limited ‘labor pool’ of a small country (Rees *et al.* 2005).

The visible and invisible sides of transparency

In order to make RHPOs more transparent, Estonian public organizations are obliged by law to disclose the compensation of all top officials. Information about the yearly pay of the country’s political, judicial and administrative leaders is made accessible to the public via the Internet each year, attracting considerable attention from the public and the press.⁸ There is a statutory requirement for the HPOs to reveal their personal wealth and declare their sources of income in the *State Gazette* (Estonia’s official publication for laws and related documents). In addition, the Public Information Act, which came into force in 2001, entitles any citizen or journalist to make requests for information to public authorities. The requested information may be related to the rewards of public officials. For instance, we used official information requests to various public institutions to collect data for this paper.

The requirement of making salaries public has been seen as the first step to establish a more regular process for determining rewards at the top, and to help achieve at least some consistency between the salaries paid in different institutions and to officials of similar rank. For MPs, Cabinet ministers and judges, whose reward systems are fairly transparent due to linkage to average salaries, it has been an additional measure of assuring transparency. For top civil servants, however, the public as well as the designers of reward policies at the organizational level have been especially critical about the inconsistency and opacity surrounding the setting of salaries and entitlements. Estonia, like many other countries, is moving away from a grade-related pay-system, towards a more individualized pay-system (Riigikantselei 2006).

The individualization of top civil servants' rewards is mostly achieved by means of the 'little extras' in the reward structure. This is to a large extent the result of an opaque reward system and limited central coordination in the Estonian civil service (Randma-Liiv 2005). Therefore, in order to keep up with the economic growth and salary levels most authorities have developed their own reward systems. In the most extreme cases, the formal base salary of top civil servants constitutes only about a third of the total reward. Using other available mechanisms (such as additional remuneration for extra tasks or for outstanding performance), public officials are regularly paid well above the civil service salary scale. Therefore, to understand the formation of rewards one needs to know the legal framework as well as the reward policy and structure of each individual public organization. In spite of the openness and the obligatory publishing of the total annual RHPOs, the underlying principles of top civil servants' rewards are neither transparent nor consistent.

The disclosure of compensation and economic interests is also seen as a means of preventing corruption. Its purpose is to get an overview of the sources of income of top officials and any possible conflicts between their private and public interests.⁹ In the Transparency International ranking, Estonia was placed 27th in 2008,¹⁰ one of the best among post-communist countries over the last years. However, the degree of popular trust for all public institutions has been steadily decreasing over the years.¹¹ Thus, increased transparency has not created more trust in public institutions. The public's trust is conditioned more by general perceptions of HPO integrity than by the availability of information about rewards.

To make RHPOs more transparent and consistent, information regarding basic HPO pay structure and rates has been made readily available. However, this has still fallen short of providing sufficient information for an objective assessment of RHPOs. Every year, after publication of the annual RHPOs, media coverage usually focuses on ranking best-paid officials, with no further analysis or explanations. The public's resulting appraisal of RHPO systems as 'cynical' could be partly explained by the fact that the perceivably 'devious' reward policies lack coordination, clarity, and consistency within the public sector itself.

RHPOs in a newly democratic state

RHPOs in Estonia have been influenced by various political, socio-economic and cultural factors that are closely intertwined and sometimes difficult to pry apart analytically. Many of these factors are in turn shaped by post-communist transitions. The analysis of these factors is complemented by a few other arguments, mainly based on the small size of Estonia.

Political factors

A country's HPO reward policies depend on how the society sees the role of government and of civil service in advancing the welfare of its citizens. A positive

role of public officials cannot be taken for granted, especially in countries characterized by a lack of long-standing governance traditions and a short experience with democracy. Drechsler (2000: 267) argues that ‘the fundamental challenge to Central and Eastern Europe is still a restoration or (re)creation of the positive concept of the state.’ In Estonia, the development of many aspects of the state still suffers from the legacy of public estrangement from the state under the Communist regime. The missing positive concept of the state and insufficient identification with it on the part of the public leads to serious problems, including a lack of interest for public service career paths,¹² rivalries between various government units, and an absence of common administrative culture and co-operation within the public service.

Such ‘anti-state’ attitudes have fostered the popularity of ideas related to the minimal state. Moreover, the early years of transition coincided with the New Public Management (NPM) trend in the West (Hood 1991). The NPM ideology sat well with countries that were abolishing their one-sector economies and carrying out large-scale privatizations. Some over-idealization of the private sector (and the free market) still prevails in Estonia. As a consequence of the policies adopted by a succession of neo-liberal governments, the underlying theme of many government reform initiatives has been the ‘marketization’ of the state, including the ‘marketization’ of RHPOs. It is not unusual that the jobs and rewards of top public managers are weighed and assessed against those of their private sector counterparts. The comparison with top private sector earners has constantly pushed RHPOs upwards and served as the basis for justifying previously decided rewards. Comparing rewards in public and private sectors became a very ‘practical’ issue after the general elections in 1999 when Mart Laar (whom Margaret Thatcher had called her ‘best student’) became Prime Minister for the second time. Since the resulting government installed a number of business leaders into top political and administrative positions, RHPOs were increased markedly, as demonstrated in Figure 13.1.

Political and economic changes in Estonia have been fast and radical. This has often required fast decisions and robust action, sometimes at the price of ignoring voices that could have been heard. For more than a decade both politicians and civil servants have grown used to elaborating complicated policy proposals and drafting legislation under considerable time pressure, but there is as yet no general culture requiring serious analysis to precede the adoption of a new regulatory measure or policy. In addition, as the entire society has been undergoing sweeping changes, it has been relatively easy for all social groups to accept new initiatives without major opposition. This is partly a reason why the cornerstone of Estonian RHPOs – linking RHPOs to gross average salary – literally got lost in the overall reform debates (this general principle became a matter of public debate only in 2008). When the salary of MPs was first linked to the average gross salary in 1993, nobody questioned the principle behind multiplying the average salary by the coefficient ‘four.’ When the base salaries of other HPOs were linked to the average salary 9 years later, the relatively modest public debate that ensued focused exclusively on the internal parity of RHPOs, to complete

neglect of possible objective reasons for justifying such high coefficients in a developing economy. Since no serious public debate over base salaries of HPOs was held until 2008, the matter has not been part of competition between political parties. The topic from the complex 'package' of RHPOs that has seen some debate is that of MPs' benefits and pensions. Yet even here, political parties have been rather reluctant to conduct reforms going beyond a mere cosmetic treatment of the underlying issues.

The political environment in Estonia has been anything but stable in the last two decades. The coalition governments have usually included at least three parties, resulting in rather unstable power relations. A high turnover of MPs¹³ has been complemented by personnel changes in the ministries, especially among top civil servants. For instance, only one out of twelve Secretaries General managed to stay in office during the entire mandate of the 1999–2002 cabinet, while the cabinet that came to power in 2003 changed half of the Secretaries General. In practice, it has meant that the job of a politician or a top civil servant is perceived as a temporary appointment, contributing to 'profit maximization' during the time in office and ensuring appropriate post-public service careers (often related to the 'challenges' of privatization, particularly in the 1990s). The casting of 'marketization' as a value in itself has served as window dressing for individualist attitudes. Judges with their lifelong tenure constitute a significant exception to this general rule.

The present study of Estonian RHPOs confirms the previous finding of Hood and Lambert (1994: 37) that top salaries in the public service and the most dramatic pay raises have been secured by those who have escaped the ordinary civil service pay matrix as well as the floodlights of parliamentary scrutiny. Since the management of civil service in the Estonian administrative system is decentralized, Estonian ministries have substantial freedom in managing their (administrative) human resources. This has led to a situation where the highest rewards of all go to agency Directors as well as to Secretaries General. The individually negotiated reward packages of these officials make them the obvious winners from the 'marketization' principle. Ironically, the steepest upward leap of top civil servants' pay took place immediately after the 1999 general election (see Figure 13.1), precisely when the new government had declared the reduction of public sector expenses to be one of its main goals.

Socio-economic factors

The economic transition of Estonia provides a good testing ground for general assumptions about the correlation between economic development and the size of RHPOs. As Brans and Peters (this volume, chapter 2) argue, more affluent countries tend to pay some public employees more than they would be able to get in the private sector. However, since the base salaries of Estonian HPOs have been linked to the average gross salary for the country, Estonia's rapid economic growth has boosted both private sector salaries and HPO pay. Although it is possible to claim that as societies develop economically, it becomes easier for

governments to tax and extract money for HPO rewards (Brans and Peters, this volume, chapter 2), the Estonian case demonstrates that this is not necessarily true. The relationship between GDP per capita and RHPOs has remained the same over a number of successive years of rapid economic growth with only minor fluctuations (see Figure 13.3).

Economic growth and high inflation rates (especially in the 1990s) created a situation where it took a series of trials and errors to reach the current system of RHPOs. During the 1990s the rewards of various groups of HPOs were decided independently. Only recently can the first glimmers of consensus be detected in discussions regarding different HPO sub-categories. Theoretically, the pay fluctuations within various groups of HPOs should have been larger at the beginning of transition. However, Figure 13.1 shows that this has not been the case. Instead, the growing individualization of rewards from 2000 onwards has had a clearly visible effect on increasing differentiation of pay.

Whereas fairness in RHPOs has been discussed in the media, discussion of the consistency of RHPOs with the salaries in other sectors of the economy has remained in the shadows. This is surprising in a country that is characterized by one of the highest social stratification and economic inequality rates in Europe. The Estonian Gini index was 33.0 in 2006 (Eurostat) and 19.4 percent of the population lived below the poverty line as defined as 60 percent of the median income in the same year (Statistics Estonia www.stat.ee).

Another issue that has been relatively important in the context of Estonian RHPOs is the difference of the country's living standard and those of West European countries. Already before negotiations over EU accession started in 1997, Estonian HPOs were involved in a number of working groups and committees at various EU institutions. This led to a situation where a few days' business trip to 'Europe' provided daily allowances comparable to half of the HPO's monthly salary. Especially during the 1990s, such trips were a goldmine for anyone with access to them. While relative profits accruing to HPOs from official business trips have decreased, side-employment abroad through foreign lecturing or consultancy work has remained alluring. Moreover, an HPO's job is frequently seen as a springboard onto the 'Euro-gravy-train to Brussels' (Hood and Peters 1994: 19), creating the potential of an enormous future salary increase. A number of representatives of all sub-categories of Estonia's HPOs (politicians, top civil servants and judges) have already realized that potential.

Cultural factors

Economic development has a powerful impact on cultural values: the value systems of rich countries differ systematically from those of poor countries – wealthier countries tend to emphasize self-expression related values while poorer countries emphasize survival values (Inglehart and Baker 2000). For a discussion of RHPOs, the survival element of the World Values Survey (*ibid.*) provides an interesting basis for further analysis by presenting a dimension in which post-communist countries clearly differ from advanced democracies. The survival

values include, for instance, the following elements: 'respondent gives priority to economic and physical security over self-expression and quality of life,' 'when seeking a job, a good income and safe job are more important than a feeling of accomplishment,' 'respondent does not favour less emphasis on money and material possessions' (Inglehart and Baker 2000: 24, 27). When a country is undergoing rapid social changes and the economic base for one's survival has become uncertain, hard work, money, technological development and material possessions matter most in people's lives. Economic and physical security is emphasized above other goals. A central component of this dimension involves a polarization of respondents between materialist and postmaterialist values. Postmaterialist values focusing on leading a life of excitement and variation, leisure, and tolerance can only be espoused widely in a society where economic and physical security is taken for granted (Realo 2003). In this context, it is interesting to note that the importance of survival values in Estonia as well as in the other Central and Eastern Europe (CEE) countries (with the exception of Slovenia) *increased* during the first half of the 1990s (Inglehart and Baker 2000: 40). The negative economic growth of the early 1990s, complemented by the collapse of the poor but relatively secure socialist economic, social and political systems, contributed to the growing feeling of insecurity and the overwhelming dominance of survival (materialist) values.

These contrasting values have had an impact on shaping individual attitudes towards RHPOs. The national independence movement of the late 1980s and early 1990s clearly contributed to the development of a broadly shared feeling of collective identification. The revolutionary beginnings of the 1990s confirmed the attractions of public office felt by many of the nation's best and brightest for predominantly altruistic reasons. The excitement inherent in building an independent state coupled with a sense of duty to one's country provided a powerful motive for joining the ranks of HPOs.¹⁴ Materialist values became more prominent in the society as a whole by the mid-1990s (Lauristin 1997). However, it could be argued that although the 'building up the state' motive started to recede in the mid-1990s, it was partly compensated for by the euphoria of looming EU accession that characterized the late-1990s. This directly involved literally all HPOs in accession negotiations and preparations. The shift in the attitudes to RHPOs started to take place at the turn of the millennium (see also Figure 13.1). From 2000 onwards, the behavior of HPOs has gradually become more and more akin to that of 'rational rent-seekers' of the Chicago theory of government (Niskanen 1971). Various groups of HPOs as well as individual officials started negotiating higher personal rewards within the constraints of institutional rules. The growing role of economic interests led to the emergence of calculating individualists rejecting ideas of 'service to the state' as its own reward. The gradual 'marketization' of RHPOs as well as HPOs' growing side-employment and the increasing importance of 'little extras' in HPO pay have been influenced by the individualist trends.

The cultural factors affecting the shaping of RHPOs are related to the attitudes held by the people vis-à-vis the public sector. The change of values manifested in

the course of transitional years has also caused a shift in attitudes toward RHPOs. Public perceptions of HPO jobs have gradually come to be determined by predominantly materialistic considerations. Although economic constraints have precluded very high RHPOs in absolute terms, rewards exceeding the average by a considerable margin continue to draw sarcastic commentaries by journalists and members of the public alike. That shows Estonian RHPOs following the ‘tragic bias’ towards cell ‘four’ (high and less visible RHPOs combined with a low legitimacy) in the citizen–HPO interaction matrix (Hood and Peters 1994: 9).

Small-state factor

When focusing on Estonia, there is, besides its transitional character, yet another aspect that must be taken into account. With its population of 1.344 million people (2006), Estonia is one of the smallest countries in Europe. Studies of small states (for example, Lowenthal 1987, Sutton 1987) suggest that differences between large and small states are not merely quantitative, but essential qualitative differences can also be found. Consequently, previous studies of small states may help to understand the course of development of RHPOs in Estonia.

Benedict (1966) has shown that in small societies with population figures of around one million, people grow up within an interdependent network, where each person plays several roles; thus nearly every social relationship serves many interests. In such conditions, the decisions and choices of individuals are influenced by their relationships with other individuals in many contexts. Therefore, the importance of the individual takes on a disproportionately greater significance in small societies where ‘everybody knows everyone else’ (Sutton 1987). Situations and decisions tend to be more personalized, which essentially permits the view of a small government apparatus as a comprehensive informal network (Sutton 1987, Bray and Packer 1993). It would be very difficult to develop ‘hierarchical’ values in a society where the elite are not only tightly interconnected within their own ranks, but also bound by strong informal networks to members of the larger society (Lowenthal 1987). Sutton (1987: 15) argues that in small societies, senior administrative and political office holders have more direct contact with the man in the street and, accordingly, there is less of the aloofness traditionally associated with a bureaucracy. Additionally, the high level of personification and the relative importance of individuals may contribute to the development of individualized rewards, as in the case of the leader members of Estonian administrations.

Human, financial and material resources in small states are limited. Bray and Packer (1993: 237) demonstrate that the majority of small states also have very limited natural resources. This means that, perhaps even more so than in larger states, human resources, especially those relevant for HPO recruitment, are critical for small state development. A survey by Bennell and Oxenham (1983: 27) found that all of the small countries researched ranked shortage of high-level manpower among their most serious problems. In the context of Estonian RHPOs, the shortage of potential top political and administrative leaders has contributed

to the ‘marketization’ of rewards, especially for top administrative positions. On the other hand, this limited reserve has given young professionals great opportunities for entering the ranks of HPOs. For instance, in 1994, Estonia’s Prime Minister was 33 and the Minister of Foreign Affairs only 28 years old. The average age of Secretaries General is also remarkably low (38 years in 2006). The youth of Estonian political and administrative leaders, in turn, means that there are very limited career perspectives for regular civil servants as well as for HPOs themselves. These limitations may, however, be partly compensated by higher rewards.

The importance of informal networks also influences relationships between various segments of society. First, politics and public administration are closely interconnected in small societies (Sutton 1987). There is a greater amount of mixing between politicians and civil servants and stronger personal networks beyond political ties that means that it can be difficult to maintain totally discrete roles. Sutton (1987: 15) argues that in small societies, in particular, politics may be less than a full-time job, constituting either a means to promote other interests or an avenue of mobility into other areas in a situation of limited economic opportunities. This may partially explain the tendency of Estonian MPs to ‘keep all doors open’ through side-employment. In extreme cases it may lead to situations where official business is discharged as a secondary activity, causing potential conflicts of interest, problems of management and accountability. Second, the web of connections spanning small societies clearly affects relationships between public and private sectors. As both public and private organizations are relatively flat, they offer a limited number of advancement opportunities. Analyses of the relevant trends in Estonia show a remarkable cross-sectoral mobility of managers (including HPOs). For instance, the careers of Secretaries General on average only include 3.6 years of civil service experience before becoming a top public administrator (2006), with a few directly recruited from the private sector. On the one hand, such ‘in-and-outers’ within HPOs present several practical and ethical problems. On the other hand, a high mobility between public and private sectors contributes to the ‘marketization’ of RHPOs.

Finally, it is important to note that problems of smallness can easily be confused with the specific characteristics of development (Randma 2001). These two factors may act separately from one another, or the stage of development and size of the country may interact. Consequently, there is a question yet to be answered as to whether any identifiable characteristics or consequences are associated with size or transition *per se*. As Estonia is both a country of fast development and a small state, it is difficult to separate the relative importance of the two dimensions.

Conclusion

Although the starting point for developing a reward system for Estonian HPOs was very different from those of its Western counterparts, the changes affecting RHPOs have seen similar trends and challenges in Estonia. During the period

from 1991 to 2008, RHPOs could be characterized by the development of routine reward practices and stabilization of reward systems, some moves towards unification and an increasing pressure to enhance transparency. However, in spite of the governments' efforts to work more effectively and more transparently, public discontent has continued to grow. In an attempt to recruit the 'best and the brightest' to the public sector, Estonian decision-makers have implemented NPM ideas and 'marketization' principles in designing RHPOs.

The general problems of RHPO design in Estonia are complicated by specific issues related to the developing phase of the country's administration, such as the deservedly bad reputation of the state inherited from the Soviet system, rapid economic growth, sustained materialistic values of the population and the particular context of a small state. Thus, the RHPOs are not merely another set of pay and perks rules but reflect, in a way that resembles Brans and Peters's (this volume, chapter 1) approach, certain fundamental features of the given political and administrative system.

Notes

- 1 RHPOs are regulated by the following Republic of Estonia acts: Public Service Act, Courts Act, State Public Servants Official Titles and Salary Scale Act, Members' of Parliament Salary, Pension and Other Social Guarantees Act, Government of the Republic Act, Act of Salaries of Civil Servants Appointed by the *Riigikogu* and the President of the Republic, Anti-corruption Act, Public Information Act.
- 2 HPOs monthly salary = coefficient * previous year's average gross monthly wage.
- 3 Civil service salary scale consists of pay grades 7 to 35. The salary rate of the highest grade is set in the annual national budget with other grades' pay being provided by Cabinet Regulation.
- 4 The salaries of other HPOs (e.g. President of the Republic, Auditor General, Legal Chancellor, and Commander of the Defence Forces), who are not included in this study, are also related to the average wage.
- 5 There are about 100 top civil servants in the Estonian bureaucracy, including the State Secretary, Secretaries General (administrative heads of ministries), Deputy Secretaries General, Directors General of state agencies and County Governors.
- 6 As regards public companies, the Chief Executive Officer (CEO) of Eesti Energia (a state-owned energy company) earned more than 115 000 EEK (7350 EUR) in monthly salary and approximately 40 000 EEK (2556 EUR) in monthly bonus in 2005. The CEO of Eesti Post (a state-owned company engaged in providing postal services) was paid 58 000 EEK (3707 EUR) in base salary, plus 10 000 EEK (639 EUR) in bonus per month in 2005. Tallinna Sadam (Port of Tallinn, a state-owned company, which is the biggest cargo and passenger harbor in Estonia) paid its CEO a monthly salary of 70 000 EEK (4474 EUR), topped up by a monthly bonus 25 000 EEK (1598 EUR). The most highly paid CEO of a public company was the CEO of Eesti Raudtee (Estonian Railways) with a monthly base salary of 160 000 EEK (10 226 EUR) in 2007. The somewhat higher salary level in Eesti Raudtee as compared to other public companies was due to the fact that after renationalization of Eesti Raudtee in 2006, the salary levels of the previously privatized company had to be retained to a large extent (Estonian Ministry of Economic Affairs and Communications, <http://www.mkm.ee>).
- 7 For example, among the CEOs of the companies listed on the Tallinn Stock Exchange, the CEO of Ekspress Grupp (the largest publishing company in Estonia) earned 816 000 EEK (52 152 EUR) in 2006 (68 000 EEK or 4346 EUR per month) in base

- salary and approximately 1 450 000 EEK (92 672 EUR) (corresponding to 121 800 EEK or 7784 EUR per month) in bonus payment. The five members of the management board of Tallink Grupp (one of the largest shipping companies in the Baltic Sea region) earned in total 31 million EEK from Sept 2005 to August 2006, including 19 million EEK in bonuses, i.e. on average 6 million EEK (383 470 EUR) per person per year in total remuneration (OMX Nordic Exchange, <http://www.baltic.omxgroup.com>).
- 8 According to the Anti-Corruption Act, since 2004 all ministries, government agencies and SOEs have to publish the salaries and additional remuneration paid to their top officials and board members during the previous year on their web pages by April 1 each year.
 - 9 As required by the Anti-Corruption Act, since 1999 HPOs have been disclosing a variety of information (e.g. salary, additional remuneration and other taxable income, property, vehicles, holdings of shares, credit, other financial obligations, dividend income), all published in the *State Gazette*.
 - 10 According to Transparency International, Estonia's CPI (corruption perceptions index) was 5.6 in 2001 and 6.4 in 2005 (www.transparency.org).
 - 11 According to the pollster Turu-uuringute AS, popular trust in chief public offices in 2008 amounted to: the President 70%, Cabinet 45%, Judiciary 63%, Parliament 43% (www.turu-uuringute.ee).
 - 12 For instance, the recruitment of senior civil servants (i.e. deputy secretaries general and directors general of agencies) via public competitions has not revealed great popularity of the HPO positions. In 2004, 2 public competitions were held and altogether 8 candidates applied for these jobs with only 4 of the applicants being qualified for the posts. In 2005, there were 3 competitions with a total of 14 applicants of which 12 were deemed qualified. In 2006, 4 posts were advertised, 29 persons applied, but only 20 of them fulfilled the requirements for the positions. (Data obtained on request from the State Chancellery of the Republic of Estonia.) As regards the job openings for Supreme Court Judges, in which case the qualification requirements severely limit the number of potential candidates, the statistics show the following: in 2002 there were 3 competitions with 12 candidates, in 2003 1 competition with 7 applicants, in 2004 1 competition with 5 candidates and in 2006 1 competition with 1 candidate. (Data obtained on request from the Supreme Court of Estonia.)
 - 13 The carry-over of MPs was 45.3% after general elections in 1995, 43.8% in 1999, 33.6% in 2003 and 59% in 2007.
 - 14 For example, 628 persons ran as candidates in the Riigikogu elections in 1992, 1256 persons in 1995, 1901 persons in 1999, 963 persons in 2003 and 975 persons in 2007. The Riigikogu has 101 members.

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CURRICULUM VITAE

Jane Järvalt

1. Personal data

Date and place of birth: 18 February 1979, Tartu

Citizenship: Estonian

2. Contact information

Address: Akadeemia tee 3, 12618 Tallinn, Estonia

Phone: +372 53 481 310

E-mail: janejarvalt@hotmail.com

3. Education

2003 The University of Manchester
Magister Scientiae in Human Resource Management,
with distinction

2001 University of Tartu
Baccalaureus Artium in Public Administration,
cum laude

4. Language skills

Estonian native language

English C2, proficient

Russian B1, intermediate

5. Other education and special courses

2004-2010 University of Tartu, Faculty of Social Sciences,
Doctoral Studies in Public Administration

2008 University of Iceland, Centre for Small States Studies,
Summer School on Small States and European
Integration

2001-2002 University of Tartu, Faculty of Social Sciences,
Master Studies in Public Administration

1999 Universiteit Maastricht, Faculty of Economics and
Business Administration, Erasmus Exchange
Programme

6. Employment

2008-	Nordea Bank Finland Plc Estonia Branch, Head of Human Resources
2005-2008	Ministry of Social Affairs of the Republic of Estonia, Human Resource Manager
2003-2005	State Chancellery of the Republic of Estonia, Public Service Department, Advisor
2001-2002	Supreme Court of the Republic of Estonia, Human Resource Manager

7. Participation in scientific projects

2008-2013	Public Administration and Development in Small States, Estonian target financing grant, SF0140094s08
2004-2006	Evaluation of the Applicability of the Methods of New Public Management in the Estonian Central and Local governments, Estonian Science Foundation grant, ETF5819

8. Other professional experience

2008-2012	Estonian Association for Personnel Development PARE, Board Member
2010-2011	Estonian Higher Education Quality Agency, Member of Expert Committees evaluating study programmes in business and administration, law and social sciences
2007-2008	SIGMA (OECD), Country Expert in the project “Sustainability of Civil Service Reforms after EU Accession”
2004-2012	University of Tartu, Tallinn University of Technology, Tallinn School of Economics, teaching courses on Public Management, Human Resource Management and Public Service
2000-2002	University of Tartu, Department of Public Administration, Teaching Associate

9. Defended theses

“Career Management in Transitional Administration: The Case of the Estonian Civil Service” (*Magister Scientiae*), The University of Manchester

“The Concept and Implementation of Performance Pay: The Case of the Estonian Civil Service” (*Baccalaureus Artium*), University of Tartu

10. Main areas of scientific work

Human resource management, public management, public service

11. Publications

Järvalt, Jane and Tiina Randma-Liiv. 2012. “Starting from Scratch: Rewards for High Public Office in Estonia.” In B. Guy Peters and Marleen Brans (eds). *Rewards for High Public Office in Europe and North America*. London: Routledge, 190-208.

Randma-Liiv, Tiina and Jane Järvalt. 2011. “Public Personnel Policies and Problems in the New Democracies of Central and Eastern Europe.” *Journal of Comparative Policy Analysis* 13 (1), 35-49.

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Rees, J. Christopher, Jane Järvalt and Beverley Metcalfe. 2005. “Career Management in Transition: HRD Themes from the Estonian Civil Service.” *Journal of European Industrial Training* 29 (7), 572-592.

Järvalt, Jane and Mariann Veisson. 2005. “Leadership and Competency Management in the Estonian Senior Civil Service.” *Paper presented at the EGPA 2005 conference*. Bern, Switzerland, 31 August - 3 September 2005.

Järvalt, Jane (ed.). 2004. *Public Service Yearbook 2003*. Tallinn: Riigikantslei/State Chancellery.

ELULOOKIRJELDUS

Jane Järvalt

1. Isikuandmed

Sünniaeg ja -koht: 18. veebruar 1979, Tartu
Kodakondsus: Eesti

2. Kontaktandmed

Adress: Akadeemia tee 3, 12618 Tallinn, Eesti
Telefon: +372 53 481 310
E-post: janejarvalt@hotmail.com

3. Hariduskäik

2003 Manchesteri Ülikool
Magister Scientiae, personalijuhtimine
2001 Tartu Ülikool
Baccalaureus Artium, avalik haldus, *cum laude*

4. Keelteoskus

eesti emakeel
inglise C2, kõrgtase
vene B1, kesktase

5. Muu hariduskäik

2004-2010 Tartu Ülikool, Sotsiaalteaduskond,
doktoriõpingud avaliku halduse erialal
2008 Islandi Ülikool, Väikeriikide Uuringute Keskus,
suveülikool “Väikeriigid ja Euroopa integratsioon”
2001-2002 Tartu Ülikool, Sotsiaalteaduskond,
magistriõpingud avaliku halduse erialal
1999 Maastrichti Ülikool, Majanduse ja ärijuhtimise
teaduskond, Erasmus vahetusprogramm

6. Töökogemus

2008- Nordea Bank Finland Plc Eesti Filiaal,
personalijuht

2005-2008	EV Sotsiaalministeerium, personalijuht
2003-2005	EV Riigikantselei, Avaliku teenistuse osakond, nõunik
2001-2002	EV Riigikohus, personalijuht

7. Teadustegevus (osalemine teadusprojektides)

2008-2013	Avalik haldus ja areng väikeriikides, Eesti sihtfinantseerimise grant nr SF0140094s08
2004-2006	New Public Management'i meetodite hindamine Eesti riigi ja kohalike omavalitsuste tasandil, Eesti Teadusfondi grant nr ETF5819

8. Muu erialane tegevus

2008-2012	Eesti Personalitöö Arendamise Ühing PARE, juhatuse liige
2010-2011	Eesti Kõrghariduse Kvaliteediagentuur, kõrghariduse üleminekuhindamise komisjoni liige ärinduse ja halduse, õiguse ning sotsiaalteaduste valdkonnas
2007-2008	SIGMA (OECD), ekspert projektis "Avaliku teenistuse reformide jätkusuutlikkus peale Euroopa Liiduga ühinemist"
2004-2012	Tartu Ülikool, Tallinna Tehnikaülikool, Tallinna Majanduskool, kursuste õpetamine avaliku sektori juhtimise, personalijuhtimise ja avaliku teenistuse valdkonnas
2000-2002	Tartu Ülikool, Avaliku halduse osakond, õppetöö assistent

9. Kaitstud lõputööd

"Karjäärijuhtimine üleminekuriigi halduses: Eesti avaliku teenistuse näide"
(*Magister Scientiae*), Manchesteri Ülikool

"Tulemuspalga olemus ja rakendamine: Eesti avaliku teenistuse näide"
(*Baccalaureus Artium*), Tartu Ülikool

10. Teadustöö põhisuunad

Personalijuhtimine, avaliku sektori juhtimine, avalik teenistus

11. Publikatsioonid

Järvalt, Jane ja Tiina Randma-Liiv. 2012. "Starting from Scratch: Rewards for High Public Office in Estonia." B. Guy Peters and Marleen Brans (toim.). *Rewards for High Public Office in Europe and North America*. London: Routledge, 190-208.

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TALLINN UNIVERSITY OF TECHNOLOGY
DOCTORAL THESES
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18. **Jane Järvalt.** Strategic Human Resource Management in the Public Service: Evidence from Estonia and Other Central and Eastern European Countries. 2012.