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Eurofound

Restructuring in the public sector

ERM ANNUAL REPORT 2014

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EU28 country codes

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BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

Country clusters used in the report

Continental (AT, BE, DE, FR, LU, NL)

Eastern European (PL, CZ, HU, SK, SI, RO, BG, EE, LT, LV, HR)

Liberal (UK, IE)

Mediterranean (PT, ES, IT, EL, CY, MT)

Nordic (DK, SE, FI)

Main acronyms used in the report

EMCC	European Monitoring Centre on Change
ERM	European Restructuring Monitor
EU LFS	European Labour Force Survey (Eurostat)
NACE	European industrial activity classification (Nomenclature statistique des Activités économiques dans la Communauté Européenne)
NPM	New Public Management
SES	European Union Structure of Earnings Survey
US-CPS	US Current Population Survey

Contents

Executive summary

Introduction

In the immediate aftermath of the recession in 2008, employment in the public sector continued to grow, helping to sustain demand in the European economy. However, by 2010, significant restructuring was underway in the public sector in several Member States. In contrast to restructuring in the private sector, public sector restructuring affects much of the population, and so generates a great deal of political interest and some controversy. It is also particularly complicated, and often problematic – not least on account of the numbers of people involved, the tradition of strong employment protection and high levels of trade union representation. The rationale for public sector restructuring is also very different to that in the private sector, one important factor being that it is not motivated by a decrease in demand for its services. Recent public sector restructuring has almost exclusively been triggered by the dire state of public finances in many Member States.

Just as the recession has had very different impacts in various Member States, so too has the extent of recent public sector restructuring. This is, of course, largely due to the different rates of public debt, which have varied considerably from one Member State to another. However, it is also the case that Member States that initiated significant public sector restructuring in the 1990s had less need to restructure post-2008.

Policy context

The overarching policy context is that of austerity, prompted by the perceived need to cut public debt in order to maintain not only an individual Member State's financial stability, but also the existence of the single currency. The Stability and Growth Pact provides the framework for the coordination of national fiscal policies in the European Union. Its primary objective is to safeguard sound public finances. In terms of preventive action, it requires that Member States outline their medium-term budgetary plans, using the Excessive Deficit Procedure. In recent years, the issue of public debt has been a central issue in the European Semester. The legal ability for European institutions to dictate matters of public finances has been particularly strong in Member States that have come under extreme financial distress, particularly the programme countries in receipt of loans from the Troika (International Monetary Fund, European Central Bank and European Commission).

The European Quality Framework on Restructuring (QFR) was launched in 2013 to provide guidelines for restructuring organisations, based on the real experiences of companies. The Commission has called on Member States 'to explore ways of applying the proposed QFR to public sector employees'. Indeed, the general thrust of the QFR is the involvement of a wide range of actors in the process, something that should be particularly relevant for public sector restructuring.

The other broad policy context is that of demographic ageing, both as regards the ability to meet the demand for more care and health services in the immediate future, and as regards the very significant increase in the age of the workforce in these sectors. All ageing policy initiatives have particular relevance for the public sector.

Key findings

- Employment in the large public services – health and education – continues to grow but there is evidence of an increasing share of private employment in these sectors.
- 800,000 net job losses have been recorded in the core public sector (public administration), which has contracted faster than the overall workforce since 2008. Nineteen of the 28 Member States

have experienced declining employment levels in the core public sector: the sharpest decline has been in Latvia (-29%), with declines of more than 10% recorded in the UK and France.

- More than one-third of public service workers in Europe are now aged over 50, and the share of older workers has increased by more than five percentage points since 2008 in both the health and public administration sectors. As most job loss occurred in the male-dominated core public sector, public sector employment has become significantly more female-dominated overall.
- Pay reductions or freezes have been most common in the programme countries, Spain, the UK and the Baltic countries, and least common in the Nordic countries and Germany.
- Employment levels in public services are relatively high in the Nordic countries and relatively low in those economies most affected by the crisis – Greece, Ireland, Italy, Portugal and Spain.
- While the number of workers taking early retirement has declined somewhat in the private sector since the onset of the economic crisis, it has increased in the public sector.
- In terms of the impact of change on the public sector employees, the overall assessment from senior public sector executives is quite negative. Out of 16 performance dimensions, 2 of the lowest scores were related to staff motivation and attitudes towards work and the attractiveness of the public sector as an employer. Assessments were particularly negative for these dimensions in France, Italy, Spain and the UK.
- Evidence from the European Working Conditions Survey shows that the already comparatively high levels of psychosocial risk in the public sector increase when restructuring has taken place.
- Much of the research on recent public sector restructuring finds that the decisions were not well prepared: the processes were carried out in a hasty manner, often not transparent and with limited consultation with the social partners including, in some cases, the employers. There were, of course, exceptions. The very extensive, but consultative, public sector restructuring in Ireland is perhaps the best case at national level.
- The case study evidence indicates, however, that carefully planned and consultative restructuring processes can lead to relatively positive outcomes across many types of public sector activity and in various institutional settings.

Policy pointers

- It is clear that the public sector will continue to be a topic of major policy concern. The profile of dismissed employees (or those who leave voluntarily) suggests that skills shortages have worsened. Moreover, the demographic challenges are particularly severe in the sector. However, the sector does have great potential to increase its efficiency through more widespread use of information and communication technology.
- The lack of experience of restructuring in the public sector means that both the social partners and the labour market authorities lack the necessary expertise and infrastructure to facilitate positive labour market transitions. There are many positive examples – for example, the public sector job security councils in Sweden – from which valuable lessons could be learnt.

- While the public sector has a long tradition in granting staff working time flexibility, job rotation, work sharing, and various career developments, these measures should be partially re-oriented towards management tools for implementing workforce transformation.
- Efforts should be made to ensure the skills of dismissed public sector employees are more transparent for potential employers. The qualification-based approach should be oriented towards the actual skills of employees.

Introduction and summary

While the public sector provided a buffer for the sharp decline in employment in the immediate aftermath of the recession in 2008, the last five years have seen unprecedented employment decline in parts of the public sector in many EU Member States. Restructuring in the public sector, the theme of the 2014 European Restructuring Monitor, is not only an extremely topical issue but is also a distinctly different phenomenon from restructuring in the private sector: it is carried out for quite different reasons, it has a very different legal basis and institutional context, and it affects a much wider range of interests in society. It is thus highly political and sometimes controversial.

Indeed, the very nature of employment in the public sector is, in many respects, quite different from the private sector. This is particularly the case with the activities that have historically constituted the public sector, such as the administration of the state, defence and the observance of the law and the maintenance of essential infrastructure (transport and utilities). Issues of control, trust and loyalty make very close state involvement logical and, indeed, this is the case in practice in all Member States. It was this need for control, trust and loyalty that led to the very particular labour codes, wage structures and employment contracts in these core public services. Seniority wages and relatively generous pensions served to promote trust and loyalty. These deferred rewards were made credible by employment contracts that often meant, in practice, a job for life.

After the Second World War, the public sector grew rapidly with the rise of the welfare state into fields such as social security, social welfare services, education and health. The last two sectors, in particular, grew to employ a very significant portion of the labour force. The reason behind the growth of these services is somewhat different to that of the traditional public services mentioned above. It was, ultimately, driven by the ever-increasing demand from citizens as incomes grew, or more precisely, by a high income demand elasticity. The motive for public ownership of these services was based on the one hand on the notion that a fair distribution of these services was considered essential for the welfare of citizens and on the other hand from the difficulty in creating competitive markets for such services, where tendencies to monopoly and information asymmetries between consumers and producers were key. In addition, there are significant positive externalities to health and education that meant that pure market provision would result in a lower level of consumption than that which was considered socially optimal.

The incorporation of these welfare services into the public sector after the Second World War led to the partial adoption (with significant variation among Member States) of the employment conditions of the core public services including – and this is of great relevance for this report – considerable employment security. A further commonality between core public services and welfare services is that, unlike the private sector, the reasons behind restructuring are seldom consumer-demand driven. Indeed, it is often the case that, when overall demand in the economy declines, the need for many public services increases. Thus, if austerity-driven public sector restructuring leads to fewer public employees, it can potentially have quite serious consequences for both the remaining staff and the citizens. This is not the case in the private sector when staff are dismissed due to a fall in product demand. The other distinctive feature of public sector restructuring is that the public sector has a higher – in some Member States, appreciably so – trade union coverage than the private sector. This obviously has implications for restructuring processes.

It is very difficult to define the precise nature of the public sector, especially in the case of welfare services and utilities. However, the state is almost always involved, in some way, in ensuring the provision of welfare services – if not by direct service delivery then by subsidising consumption and the regulation of production. In addition, in some countries such as Germany, non-governmental organisations play a key role and have a somewhat intricate interrelationship with public funding. Moreover, in many Member States, the distinction between public and private sectors is becoming increasingly blurred. While welfare services and utilities are highly unlikely to be efficiently run and equitably provided by profit-maximising firms alone, private involvement in welfare services has increased significantly in many cases. This has not been the case for core public services where the role of private actors is obviously less appropriate, and where the opportunities for profits would appear to be significantly less than in, for example, health and education – where there is a clearly identifiable and in recent times increasing consumer demand. Similar tendencies can be found in the provision of utilities.

Estimates of the number of people employed in the public services differ considerably depending on whether we use the broad, functional definition of 'services of general interest' (30%, EU28 – 2013) as indicated in European policy documents, or a narrower focus on those in the core public administration/civil service (7%). In practice, the biggest and fastest-growing employing sectors in the public services are health and education, but evidence points to an increasing share of private employment in these two sectors.

Large cross-country variation in the shares of public service employment relates mainly to different shares of combined education and health sector employment: relatively modest in some lower GDP per head countries such as Romania (<10%) but much larger in higher GDP per head countries, especially those with strong social democratic traditions, such as Denmark (28%). The share of employment in the core public service does not vary much between Member States, ranging between 5% and 11%, and this share has little correlation with national wealth. Interestingly, those Member States requiring Troika programme assistance (Cyprus, Portugal, Ireland and Greece) or those that faced escalating sovereign debt financing costs in the context of the euro crisis (notably Italy and Spain) tend to have relatively modest public service employment shares.

There has been a marked divergence in employment trends between the core public sector and the predominantly state-funded sectors of health and education since 2008. Around 800,000 net job losses have been recorded in the core public sector, which has contracted faster than the overall workforce in this period. This was reflected in the European Restructuring Monitor, which saw a sharp increase in the share of announced job loss in public administration in 2010–2011 when the sector accounted for more than a quarter of all large-scale restructuring job losses. Some 19 of the EU28 have experienced declining employment levels in the core public sector since 2008 with the sharpest decline experienced in Latvia (-29%) and contractions of more than 10% recorded in the UK and France. Meanwhile, the education and health sectors have continued to expand during the peak years of the crisis and afterwards, though at a slowing pace since 2011.

Employment in the public services is skewed towards relatively well-paying jobs and, in particular, jobs requiring well-educated staff. The biggest single job (an occupation in a sector at 2 digit level) in the public services – teaching professionals (education sector) – alone employs almost 10 million people in the EU28, nearly 5% of total employment. During the initial years of the Great Recession (2008–2010), the public services served to stabilise the economy, expanding employment, while the private sector workforce experienced severe job losses. This expansion of employment took place across all job-wage quintiles but with a strong bias towards well-paid jobs. Since 2011, the picture has changed considerably with net job losses experienced in public services, especially in middle-wage jobs. Continued employment growth in well-paying jobs has increasingly been in the private sector rather than the public sector – again, a predictable outcome of fiscal retrenchment and pressures on the public pay bill.

Since public administration is predominantly male (54%), and the education and health sectors are overwhelmingly female (over 70%), the gender effects of the divergent recent employment trends within the public sector are similar to those in the workforce as a whole. Mainly male sectors have borne the brunt of numerical adjustments. The composition of public services employment has, as a result, become more female since the onset of the crisis.

It has also become significantly older, most likely as a consequence of the slowing intake of younger staff, resulting from hiring freezes or widespread implementation of replacement ratios for retiring workers. More than one third of public service workers in Europe are now over 50 and the share of older workers has increased by more than five percentage points since 2008 in both the health and public administration sectors. The shrinkage of younger age cohorts in the public services in particular, is likely to negatively affect the generational transmission of knowledge, in both age directions, with consequences also in terms of the attractiveness of the public services as an employer and ultimately in terms of the efficient delivery of public services.

This report has also looked at the forms and consequences of recent public services restructuring from the point of view of employees and management.

According to data from the fifth European Working Conditions Survey (EWCS), a higher share of public than private sector workers (41% v 35%, EU27) reported 'substantial restructuring' in the previous three years at their workplace. From the employee point of view, restructuring in the public sector is associated with mixed outcomes. On the one hand, already comparatively high levels of psychosocial risk in the public sector have increased where restructuring has taken place. A likely contributing factor was the timing of the survey (2010): after a period of sharp recession, demands on employees in many public services are likely to have been high at precisely the time that staff resources were becoming limited. On the other hand, restructuring is strongly associated with an increased prevalence of some characteristic 'high performance work organisation' (HPWO) practices – formal assessment, teamwork, increased work autonomy and a focus on human capital development – although public service workers continue to be much less likely to report the forms of variable performance pay increasingly common in the private sector.

Some interesting findings also emerge from the COCOPS survey of senior public service executives.[1] One significant finding was that the typical 'new public management' reforms such as privatisation, flexible employment and contracting out were less likely to be considered important, while measures more associated with a network-oriented understanding of government (cooperation among public sector actors, digital e-government as well as transparent open government) were considered of greater importance.

Unsurprisingly, countries where the fiscal crisis hit hardest tended to be those in which senior public sector executives indicated the most extensive recourse to measures limiting the public sector pay bill. Two of the four programme countries – Ireland and Portugal – as well as Spain feature at the top of the list for public sector pay cuts or pay freezes, and near the top of the list for hiring freezes. Generally, there was a hierarchy in the prevalence of measures, which appears to reflect greater political acceptability of, for example, hiring freezes over staff lay-offs, and of pay freezes over pay cuts.

1 COCOPS (Coordinating for Cohesion in the Public Sector of the Future) is a project of the European Commission's Seventh Framework Programme (FP7).

Cross-country variation was much greater in the pay flexibility measures (pay cuts and pay freezes – in most cases pay cuts in real terms) than the numerical flexibility measures (staff lay-offs and hiring freezes). Pay flexibility was much more likely in the programme countries, Spain, the UK and the Baltic countries, and was much less likely in the Nordic countries and Germany.

Recourse to staff lay-offs was the most idiosyncratic of the four measures in its reported incidence across countries, and seems largely uncorrelated with the other three measures. Levels were relatively high in the Nordic countries and relatively low in those economies most affected by the crisis – Greece, Ireland, Italy, Portugal and Spain.

In terms of the impact of public sector change on the sector employees, the overall assessment from the COCOPs data is quite negative. Of 16 performance dimensions, two of the lowest scores related to staff motivation and attitudes towards work and the attractiveness of the public sector as an employer. Assessments were particularly negative for these dimensions in France, Italy and Spain and the UK.

The overall picture to emerge from the different data sources is of an ageing, increasingly feminised public service contracting in terms of its scope of activities and losing some of its former attractiveness as an employer, with workplaces just as likely to be undergoing intensive organisational change as those in the private sector, and where reforms are more likely to be assessed negatively than positively – both in terms of overall job satisfaction of employees and in terms of their perceived effectiveness in improving the delivery of public services.

Just as the motives for public sector restructuring differ from those in the private sector, so do both the processes enacting restructuring and the actors involved. In both these respects, the principal characteristic is that the public sector is inherently much more political. Welfare services and education are extremely important matters for their clients who make up the entire electorate. Thus all political parties and other interest groups see such matters as being of common concern. Similarly, the social partners, regardless of their sector affiliation, have a wider interest in the welfare services part of the public sector. The industrial relations context is also quite different. The particular nature of employment contracts needs to be noted, as does the fact that trade union density in all Member States is often appreciably higher in the public sector than in the private sector. However, it is the dual role of the state as legislator and ultimately the employer, the precise nature of which can vary significantly between Member States and sectors, that sets the entire public sector apart. The distinguishing feature of recent public sector restructuring, in terms of processes and actors, is the impact that the financial crisis and the economic governance of the euro has had on public debt levels and structural deficits. While it may be hard to link this governance precisely to specific cases of public sector restructuring, it is reasonable to assume that there has been some general impact. The impact is, of course, clearer (but still far from conclusive) for the Member States that received loans from the European Commission, the European Central Bank and the International Monetary Fund.

As underlined above, the rationale for public sector restructuring is more complex and affects a wider range of actors than in the private sector, where the profitability of a single company is the main driver. This, together with the requirements of the political process (including possibly new legislation and public budgetary decisions) would suggest that all likely costs and benefits for all involved parties, including alternative scenarios, should be presented in an objective and transparent way before decisions are taken (Vaughan-Whitehead, 2013). International literature shows examples of major public restructuring in Sweden and Canada in the 1990s, where making ex-ante programme reviews has provably led to both countries meeting increasing efficiency targets and generating maximum amount of savings (OECD, 2011). Such well documented assessments should also be an important element in explaining the often complex restructuring rationale for the employees, which the Innovative Restructuring European Network of Experts (IRENE) shows to be of particular relevance in public sector restructuring (IRENE, 2013). Finally, many of the distinguishing features of public sector restructuring mentioned above, such as the high level of job security, the need for political decisions (possibly legislation) and the broad range of stakeholders may lead to a much longer implementation period in a publicly owned organisation compared with the restructuring of a private enterprise. The fact that union density is relatively high can both speed up and delay the process.

Part A

Recent labour market trends

Labour market and restructuring trends

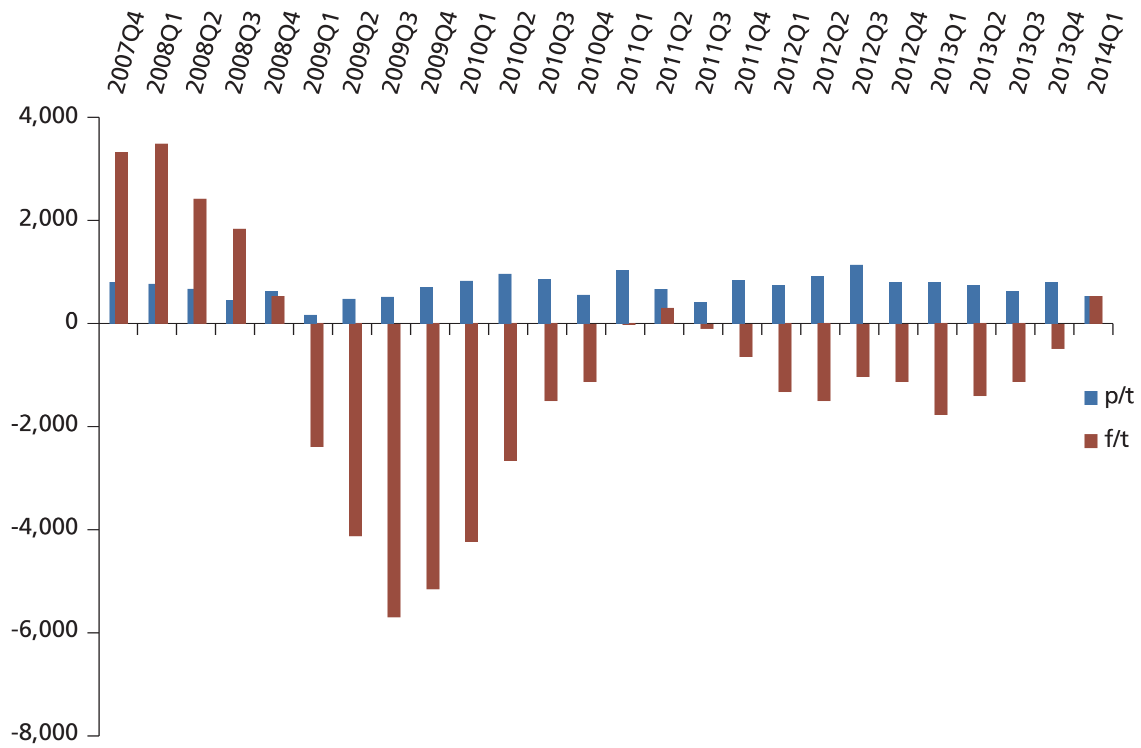
1

Background

Labour markets in Europe appear finally to be stabilising after six years of recession or stagnation. Six million fewer people were at work in the EU28 in 2013 compared with 2008, an unprecedented decline in employment in the history of the European project. The EU28 unemployment rate has been falling since May 2013 although, at 10.4% (April 2014), it remains more than four percentage points higher than the US rate. There have also been stark divergences in macroeconomic and labour market performance in the EU, especially within the euro zone. A small number of countries have experienced a disproportionate share of employment losses during the crisis. There have been declines of at least 10% in seven Member States (Spain, Greece, Portugal, Ireland, Bulgaria, Croatia and Latvia). By sector, manufacturing and construction were particularly affected (more than eight million jobs lost between them).

These large-scale quantitative transformations of European labour markets have also had significant qualitative impacts on the structure of employment. Through its disproportionate impact on male workers, the crisis has accelerated the trend towards more equal gender shares in employment. It has also accentuated the impacts of existing demographic trends on the workplace. It has, for example, raised the age profile of employment: employment growth has occurred in all five-year age groups aged 45 and over (such as 45–49, 50–54) while employment has contracted in all five-year groups aged 45 and under. It has also raised the education profile of workers, as job losses were concentrated among those with middle and low educational attainment and new jobs are more likely to be for those people who are higher-skilled. Finally, it has sharpened employment polarisation, principally through its impact on mid-paying jobs prevalent in the sectors where employment fell most dramatically (Eurofound, 2013d).

Figure 1: Part-time and full-time employment growth quarterly year-on-year (,000s), EU28



Source: EU LFS.

Finally, the crisis has, in particular, significantly reduced the ranks of those with a 'standard' or typical job (full-time with a permanent contract) even in the public sector, as this study will show in the next chapter. New jobs during the crisis have been more likely to be part-time. Indeed, as Figure 1 above illustrates, part-time employment has increased by more than 10% since the crisis began, in the same period as full-time employment decreased by 5%. As part-time work is generally of lower quality, in terms of pay and entitlements, this has negative implications for aggregate job quality. It also implies that real labour inputs (in full-time equivalent terms) have declined by even more than the figure of six million net job losses suggests.

On a positive note, one indicator that employers are beginning to express greater confidence in a durable recovery is that full-time employment grew more than part-time employment in 2014Q1 (year-on-year) for the first time since 2008. This report uses the ERM restructuring events database data, as well as Eurostat's EU Labour Force Survey, to summarise briefly recent labour market and restructuring developments in the EU. While the EU LFS is the most reliable source of information on employment levels in Europe, the main objective of the ERM is to monitor the employment impact of large-scale restructuring events in European countries, covering both job creation and destruction. Based on media reports across all EU27 countries, it is the single best publicly available source of EU data on the employment impacts of large-scale organisational restructuring.

ERM and redundancies

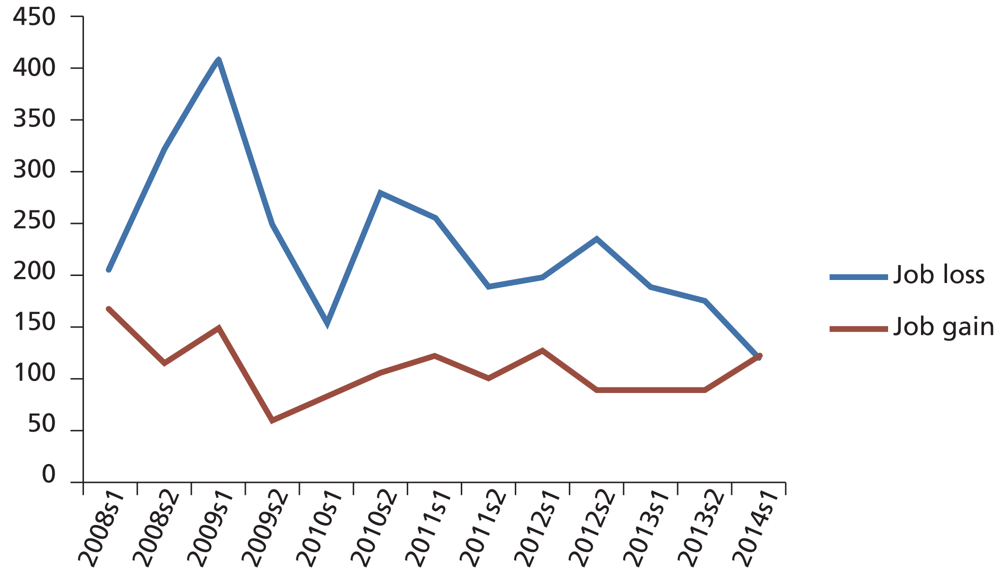
The ERM defines job loss in restructuring in a similar fashion to the European Directive on Collective Redundancies (98/59/EC) in that it refers to intended redundancies.[2] However, the intended redundancies do not have to be notified to any public authority but rather 'announced', either in the media or some other public domain. The thresholds for redundancies are at least 100 jobs or involving sites employing more than 250 people and affecting at least 10% of the workforce. Unlike the Directive, however, there is no stipulation regarding the time in which the intended job loss is to occur.

The ERM dataset comprises more than 18,000 individual restructuring events captured between 2002 and 2014Q2 and around 120–150 new cases are added each month. The descriptive analysis that follows gives a summary of the most recent developments (from 2013Q1 to 2014Q2 inclusive) with some data from the earlier post-crisis (2008–2012) and pre-crisis (2002–2007) period for comparison. Between 2013Q1 and 2014Q2, the ERM recorded 2,165 cases of large-scale restructuring in Member States, as well as 103 transnational cases. The number of cases of announced job loss was more than 50% higher than that of announced job creation (1,331 cases of announced job loss as opposed to 860 cases of announced job gain).[3] Total announced job destruction associated with these cases was more or less proportionately greater than that of job gain (481,000 compared with around 298,000). Figure 2 below shows the evolution in the magnitudes of both announced job losses and gains.

[2] Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies. This directive consolidates Directives 75/129/EEC and 92/56/EEC.

[3] Reflecting, in part at least, the fact that the database only started capturing 'business expansion' cases during 2004/2005.

Figure 2: Announced restructuring job loss and job gain (,000s) by semester, 2008–2014Q2



Source: ERM.

The most recent data for the first six months of 2014 reflect improving labour market conditions as announced job gains and job losses balance each other out for the first quarter since before the onset of the global financial crisis in 2007/2008. During the peak restructuring period of late 2008 and early 2009, announced job losses were 200,000 to 250,000 greater per semester than job gains. Their recent convergence is mainly attributable to a steady decline in job destruction since the second half of 2012.

Table 1: Share of announced job loss by type of restructuring (%)

	Bankruptcy/ closure	Internal restructuring	Merger/ acquisition	Offshoring	Relocation	Other	Total
2002-2007	15.1	71.7	4.4	5.6	2.9	0.4	100
2008-2012	19.8	72.4	2.9	3.0	0.9	1.1	100
2013-2014	23.4	68.5	3.7	3.1	1.2	0.2	100

Source: ERM, 2002-14q2.

With regard to the form of restructuring, one catch-all, residual, category ‘internal restructuring’ accounts for a majority of cases in the ERM dataset before and after the crisis. Around 70% of job losses are attributable to internal restructuring.[4] Restructuring due to bankruptcy or closure has continued to account for an increased share of job loss post-crisis compared to pre-crisis (23% compared with 15%). There were 18 cases of bankruptcy/closure involving at least 1,000 announced job losses recorded on the ERM in 2013–2014. The largest case involved Austrian retail group Dayli whose closure in July and August 2013 followed the largest retail sector insolvency in the country in more than 20 years. Nearly 3,500 jobs were lost.

Cases of offshoring, outsourcing and /or relocation represented a modest 4% of job loss post-crisis compared with 9% beforehand. These forms of restructuring, which can involve significant fixed

[4] In part, this is because of the way internal restructuring is defined for ERM purposes: where a company ‘undertakes a job-cutting plan, which is not linked’ to the other forms of job-loss restructuring listed in Table 1 above. Correspondents also tend to classify restructuring cases as internal where there may be a mix of restructuring types – such as the closure of some units, offshoring of certain functions – including larger restructuring cases affecting multiple sites or establishments.

investment (in cases of greenfield relocation or offshoring) as well as high-risk strategic commitments (in cases of outsourcing/offshoring), are less likely to have been undertaken in a context of post-crisis economic uncertainty. There is some modest evidence of an increase in offshoring/relocation since 2012. Similarly, the recent share of job loss attributable to merger/acquisitions suggests that corporate merger activity may be strengthening after a crisis-induced lull.

Table 2: Largest cases of job loss/gain by type of restructuring, 2013–2014

Announced	Company	Job loss/ gain	Sector	Country/ units affected	Type of restructuring	Notes
Nov 2013	Barclays	-7,000	Financial services	UK	Internal restructuring	Initial announcement of 1,700 UK job losses expanded to 7,000 in Feb 2014.
Jul 2013	Dayli	-3,468	Retail	AT	Bankruptcy	Declared bankruptcy in July 2013 with debts of € 49.5 million. No white knight found.
Feb 2014	Mory Ducros	-2,850	Road transport	FR	Merger/ Acquisition	Arising from merger of Arcole Industries and Mory Ducros. Dismissed employees supported by an adviser until re-employed with financial support to maintain their former salary level up to one year.
Oct 2013	Lufthansa Systems	-1,000	IT services	DE (Flensburg, Kelsterbach)	Outsourcing	Outsourcing of computer centre and call centre jobs to reduce business costs.
May 2013	Aviva	-800	Call centres	UK (Norwich, Sheffield, York, Manchester)	Offshoring	800 jobs to be offshored to India.
Mar 2013	Astra Zeneca	-700	Manufacture: pharmaceuticals	UK (Cheshire, London)	Relocation	As part of planned relocation from the Alderley Edge and London sites to a new €400m research hub in Cambridge, operational from 2016. 300 jobs also to go to existing sites outside UK.
Sep 2013	GDF Suez	8,000	Utilities	FR	Business expansion	Under 'generation contracts' in which workers older than 55 are offered a 20% working time cut with no salary cut in exchange for their commitment to engage in on-the-job training for young recruits (<35 years).
Transnational job loss case						
May 2014	Siemens	11,600	Manufacture: computers and other technological hardware	WO	Internal restructuring	Major reorganisation as part of group's 'Vision 2020' plan which envisages savings of €1bn a year by 2016. Job losses to affect 7,600 positions in sector coordination and 4,000 people working on regional cluster analysis.

Source: ERM 2013–2014.

In terms of case size, medium and small restructuring cases account for an increasing share of total job loss. Large-scale restructurings (>1,000 job losses) accounted for 59% of aggregate ERM job losses in 2002–2007, 51% in 2008–2012 and 38% in 2013–2014. A very similar pattern is also observed for cases of business expansion with a decreasing share of overall announced job creation in large-scale cases (>1000 job gains) and a growing share in smaller and mid-sized cases.

Restructuring and employment shifts by economic sector

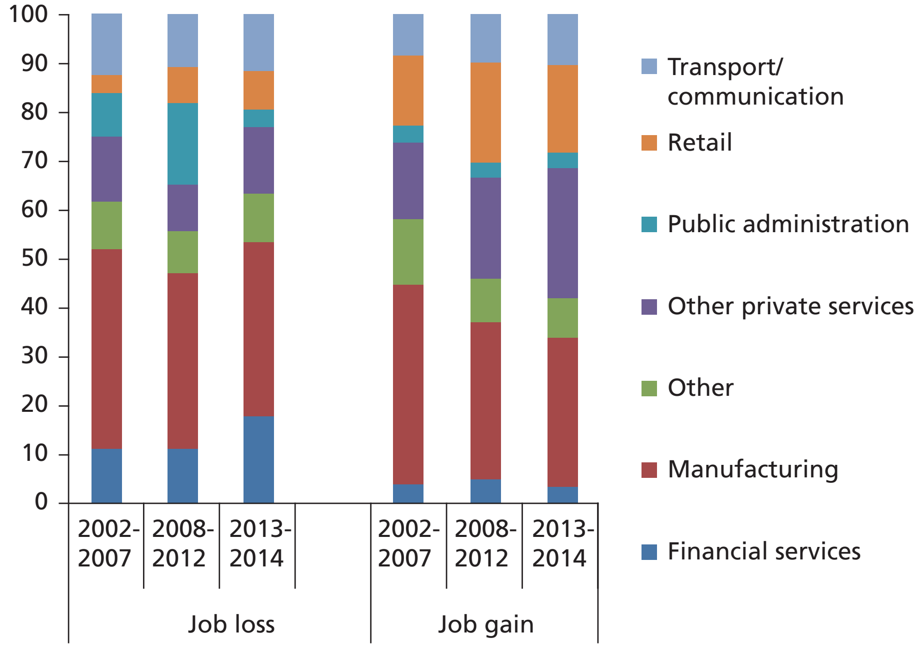
Manufacturing is the broad sector that accounts for most announced job losses and job gains in the restructuring events database. By virtue of its case size eligibility thresholds, manufacturing is over-represented in the dataset and accounts for 36% of announced job loss on the ERM in 2013–

2014 and 31% of announced job gains. Its share has tended to decrease, in particular as regards announced job creation – reflecting its contracting share of overall employment. Around one in six European jobs is now in manufacturing compared with one in four in 1980.

Other recent developments regarding job losses have been:

- the increased share of the retail sector post-crisis;
- the major increase in the share of public administration in 2008–2012 (mainly in 2011–2012, coinciding with fiscal retrenchment – 'austerity' – in many Member States);
- a significant increase in the share of financial services job losses in 2013–2014, which could be a delayed reaction to the troubles experienced by the sector during the global financial crisis.

Figure 3: Share of announced job loss/gain by broad sector, 2002–2014 (%)



Source: ERM 2002–2014.

On the job gain side, the most obvious development, other than the declining share of manufacturing, has been the growing share of 'other private services' (for example, other than retail or financial services), which in 2013–2014 accounted for 27% of announced new jobs. Professional services has been the main engine of employment growth in recent years.

The retail sector has also been undergoing intensive restructuring activity since 2008 as consumption patterns shifted away from established supermarket chains to mass discount retailers. A combination of relatively unconstrained market forces, narrow margins and cross-border competition has seen the collapse of some major established retailers such as Woolworths, Arcandor and Dayli and the rapid rise of groups such as Aldi, Lidl and Ikea. The overall employment outcome of the 'creative destruction' observed in the retail sector has been a net loss of some one million retail jobs (just over 3% of sector employment) since 2008, as can be seen from the EU LFS data in Table 3, below.

Table 3: Employment by sector, EU28, 2008–2013

Sector	Employment (,000s)				Share of total emp	
	2008	2013	Diff	% change	2008	2013
A - Agriculture, forestry and fishing	11533	10567	-966	-8	5.2	4.9
B - Mining and quarrying	919	854	-65	-7	0.4	0.4
C - Manufacturing, of which	*38143*	*33406*	*-4736*	-12	17.1	15.4
CA - Manuf: food, beverages and tobacco	5117	4871	-246	-5	2.3	2.2
CB - Manuf: textiles, clothing, leather	3255	2406	-849	-26	1.5	1.1
CC - Manuf: wood, paper and printing	3321	2548	-772	-23	1.5	1.2
CD - Manuf: coke, petroleum products	244	208	-36	-15	0.1	0.1
CE - Manuf: chemicals	1463	1286	-177	-12	0.7	0.6
CF - Manuf: pharmaceuticals	800	782	-18	-2	0.4	0.4
CG - Manuf: rubber, plastics etc	3396	2892	-504	-15	1.5	1.3
CH - Manuf: basic metals	5789	4765	-1024	-18	2.6	2.2
CI - Manuf: computers etc	1731	1580	-151	-9	0.8	0.7
CJ - Manuf: electrical equipment	1576	1357	-220	-14	0.7	0.6
CK - Manuf: machinery etc	3327	3181	-146	-4	1.5	1.5
CL - Manuf: transport	4312	3956	-356	-8	1.9	1.8
CM - Manuf: other and repair	3811	3573	-238	-6	1.7	1.6
D - Electricity, gas, steam and air conditioning	1559	1631	72	5	0.7	0.8
E - Water supply; sewerage, waste management	1601	1659	59	4	0.7	0.8
F - Construction	18660	15032	-3628	-19	8.4	6.9
G - Wholesale and retail trade; repair of motor vehicles and motor cycles	31657	30669	-988	-3	14.2	14.1
H - Transportation and storage	11584	11143	-441	-4	5.2	5.1
I - Accommodation and food service activities	9400	9715	316	3	4.2	4.5
JA - Publishing, broadcasting	2005	1919	-86	-4	0.9	0.9
JB - Telecomms	1435	1121	-314	-22	0.6	0.5
JC - IT and info services	2805	3217	412	15	1.3	1.5
K - Financial and insurance activities	6613	6467	-146	-2	3.0	3.0
L - Real estate activities	1666	1769	103	6	0.7	0.8
MA - Legal, accounting, architecture, engineering	7408	8038	630	9	3.3	3.7
MB - Scientific research and development	856	902	46	5	0.4	0.4
MC - Other prof scientific, technical	2173	2532	359	17	1.0	1.2
N - Administrative and support service activities	8067	8786	720	9	3.6	4.0
O - Public administration and defence; compulsory social security	15737	14962	-774	-5	7.1	6.9
P - Education	15492	16107	615	4	7.0	7.4
QA - Human health services	12740	13328	589	5	5.7	6.1
QB - Residential care and social work activities	8456	9763	1307	15	3.8	4.5
R - Arts, entertainment and recreation	3442	3547	104	3	1.5	1.6
S - Other service activities	5405	5432	26	0	2.4	2.5
T - Activities of households as employer	2543	2583	40	2	1.1	1.2
U - Activities of extraterritorial organisations	172	193	21	12	0.1	0.1
Non response / sector not identified	*776*	*1619*	*843*	109	0.3	0.7
All sectors	**222847**	**216964**	**-5883**	**-3**	**100.0**	**100.0**

Source: EU LFS.

The representative data from the EU LFS confirms many of the trends at sector level observed in the ERM restructuring data. Since the onset of the crisis in 2008, the largest declines in employment have taken place in manufacturing (4.7 million), construction (almost 3.6 million), agriculture and retail (around 1 million) and public administration (approaching 800,000). In terms of balancing gains, the only sector to record net employment growth of more than one million jobs was residential care and social work activities (+1.3m). The majority of service sectors continued to add employment though, with some notable exceptions including core government functions (such as public administration and defence) which suffered a 5% decline, and the telecommunications sector which shed 22% of pre-crisis employment. Growth was fastest in IT and information services (+15%), and in other professional, scientific and technical activities, as well as residential care and social work activities.

Within the manufacturing sector, employment losses have been most severe (>15% of total employment) in basic, low-tech subsectors such as basic metals, textiles, clothing and leather, and wood, paper and printing while machinery, food/beverages and pharmaceuticals suffered more modest employment declines (<5%).

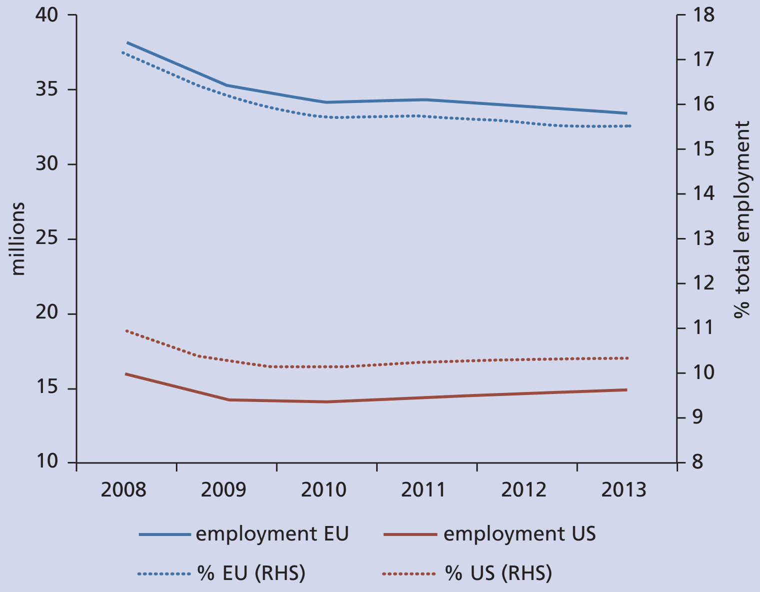
Trends in manufacturing

Much has been written about the recent ‘manufacturing renaissance’ in the US (see, for example, Celasun et al, 2014; McKinsey Global Institute, 2012). Some modest employment growth since 2010 has seen 800,000 net new jobs created in the sector, and manufacturing output has recovered faster from the Great Recession than in previous (less severe) recessions going back to the early 1980s. Some see this as the re-emergence of a more resilient manufacturing presence in the US, whose supporting props are reduced energy costs (shale), a relatively weak dollar, declining relative labour costs and increasing reluctance to offshore production due to transport costs and strategic reasons (such as production/research and development synergies, proximity to market). There is even some evidence of previously offshoring companies reshoring or backshoring production to the US (The Economist, 2013).

The data from Table 3 shows an altogether gloomier picture for European manufacturing employment: there has been a contraction of employment in every one of the main sub-sectors since 2008. Even if we exclude the peak crisis period of 2008–2010 and look only at subsequent developments since 2010, only three of the featured sectors in Table 3 have recorded net employment gains (machinery, auto/transport and computers). These are also the main sectors contributing to the US manufacturing rebound.

As Figure 4 confirms, manufacturing employment has mounted a modest recovery since 2010 in the US after suffering a sharp contraction in 2008-2010. In the EU, it has continued to decline.

Figure 4: Manufacturing employment, 2008–2013, EU and US



Source: EU LFS, US-CPS.
Note: RHS = right-hand side.

But to look only at recent trend growth ignores some important differences. First, there are more than twice as many workers in manufacturing in the EU28 as there are in the US (33.4 million versus 14.9 million, 2013). This is, in part, due to the EU being more populous and having more people in employment, and partly due to a significantly higher manufacturing share of employment (15.4% of total employment compared with 10.3% in the US in 2013). The accession of CEE countries in 2004–2007, with their extensive industrial infrastructure, not only added substantially to the EU's manufacturing headcount (+9.5m), it may also have served to slow the rate of decline of manufacturing employment in the EU. Cost advantages facilitated the transfer of productive activity within the enlarged EU, which might otherwise have gone elsewhere.

Different trends in manufacturing employment in the US and EU may relate to differential cost advantages for labour and energy but, given the declining share of both these factors in overall production costs, a simpler and more likely explanation may be the better labour market and macroeconomic performance in the US in recent years. The modest US manufacturing recovery should also be seen in the context of the sharp rate of contraction of manufacturing employment in the pre-crisis period from 2000–2007 as well as during the peak crisis years, 2008–2010. The recent addition of manufacturing jobs in the US may merely be a correction after excessive job-shedding, pre- and post-crisis.

Ultimately, the capacity for high productivity growth in manufacturing is the reason for the decline in relative and absolute employment in the developed world, as it was at the beginning of the twentieth century for agriculture. The secular trend is one of contracting manufacturing employment. With new waves of innovation in robotics and automation, the pace of technological change, and associated productivity improvements, is more likely to quicken than to slow down. Technology will continue to displace production jobs and may begin to encroach on other high-skill manufacturing jobs.

In this perspective, the strategic importance of manufacturing is not as a source of employment itself but its value as a stimulus to employment in other sectors both upstream and downstream through strong multiplier effects, as well as its crucial contribution to aggregate productivity growth.

Flows out of employment and reasons why

The recent financial and economic recession led to a strong and persistent increase in unemployment in many European countries. These effects were sizeable and involved job losses for a large number of people. Overall, the increase in unemployment was mainly due to many more people exiting employment, whereas reduced transitions from unemployment back into the labour market played a minor role (ECB, 2012).

The aim of this section is to map labour market dynamics through an analysis of flows from employment to non-employment and, particularly, the reasons why currently non-employed individuals left their previous job. In this context, involuntary separations such as those resulting from restructuring are of particular interest. The study will cover a large number of Member States during the last decade (2002–2012).[5]

There are many different motivations to explain why individuals change their labour market status and it is worth investigating the reasons for exiting employment. First, the transition from employment to non-employment may be important for individual welfare, since dismissals have been shown to lead to greater instability in future employment and earnings and may also lead to worse health outcomes and higher mortality (Eurofound, 2012b; OECD, 2013; Davis and von Wachter, 2011). Such negative effects are less likely when the transition to non-employment is made for personal reasons, such as family responsibilities or retirement.

Second, the reasons for transitions to non-employment are likely to have been strongly affected by the crisis and it is worth attempting to explore in what ways. Third, the relevant information in Eurostat's Labour Force Survey (LFS) data on the reasons for employment exit has not, to the authors' knowledge, been comprehensively analysed in previous research. This LFS data has been exploited by Eurofound (Eurofound, 2006), but the present report will conduct a more in-depth analysis with updated data in order to try to address this gap.

Data and methodology

The main aim of this analysis is to estimate flows out of employment and, in addition, give the reasons for transitions to non-employment according to those interviewed in the EU LFS. In the box below, the methodology applied to estimate transitions from employment to non-employment is explained, as well as other challenges presented by the data.

[5] The calculation of the transition rates and other results in this section were performed by Ronald Bachmann, Christin Dietrich, Rahel Felder, Hanna Frings, Matthias Giesecke and Sylvi Rzepka from Rheinisch-Westfälische Institut für Wirtschaftsforschung (RWI).

Transition rates from employment to non-employment

The point of departure for the estimate of the transition rates in the EU LFS is a retrospective question enquiring about the labour market status of survey respondents one year before the interview. With labour market status information available for the same person at two points on a timeline, it is possible to calculate transition rates. For example, the transition rate from employment to non-employment is defined as the number of people who were not employed in year t (the year of the interview) who state that they were employed the previous year (t-1) divided by the number employed in t-1. For example:

$$\text{Transition rate} = \frac{\text{People not employed in (t) who were employed in (t-1)}}{\text{People employed in (t-1)}}$$

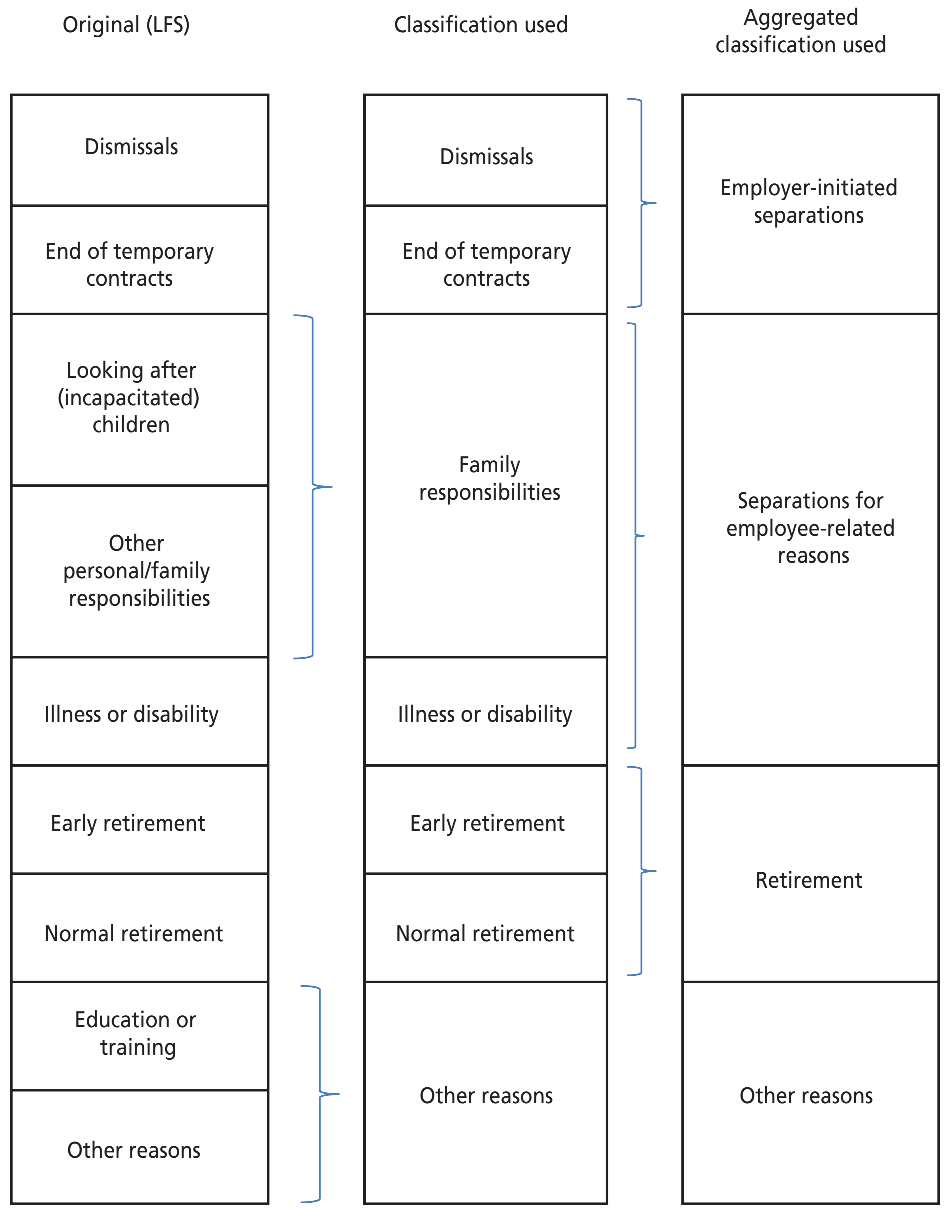
While the labour market status information in t-1 is very limited, the information on the destination status (in period t) is much richer. For example, transition to non-employment can be disaggregated into transitions to unemployment and to inactivity. Moreover, the EU LFS has further questions addressed only to the non-employed that can be used to specifically ask the reason for leaving that job.

Some caveats are in order regarding the use of the EU LFS data to estimate these transition rates. Ideally, labour market transitions would be best studied by using longitudinal information on individuals over time. Instead, the LFS is a yearly survey conducted each time on a different panel of individuals, who provide information on their current labour market status and retrospective information on their status the previous year. The use of retrospective information means that it is only possible to identify transitions, for example, from employment to non-employment for employees who did not find a new job before the interview took place; in other words, those who remained non-employed for long enough to be observed in that state one year later. Consequently, transition rates from employment to non-employment are underestimated, since those individuals leaving a job but quickly finding a new one before the interview takes place will be coded as employed and their previous transition from employment to non-employment will not be registered in the data.

The weights supplied by Eurostat ensure that the sample is representative over time and between countries. Unfortunately, the labour market status in the previous year is missing for some country/year combinations – and this distorts the cross-country representativeness of the dataset. First, absolute weighted numbers are generally too low and second, insofar as the development in a country with many missing values might have been different to the EU average development, the results may be biased (cross-country representativeness). Therefore, the weights are adjusted according to the number of missing observations. The entire procedure rests on two core assumptions. First, the missing observations are randomly distributed; for example, the same distribution of explanatory variables is achieved through the weighting procedure as would actually be observed. And second, missing years can be modelled as a linear trend between the non-missing years in terms of explanatory variables and in terms of observed labour market transitions.

The reasons in the survey are clustered at two levels of aggregation whenever the empirical analysis requires it (due to small sample issues), as set out in Figure 5.

Figure 5: Worker's self-reported reasons for leaving last job



The analysis will be solely based on Eurostat's LFS data. But due to data restrictions, especially in the main variable of interest (reason for leaving last job), only 21 EU countries will be covered (EU27 except Ireland, Bulgaria, Malta, Belgium, the Netherlands and Slovakia). The chosen period is that of 2002–2012, permitting a distinction between a 'pre-crisis period' (2002–2007) and a 'post-crisis period' (2008–2012).

General trends

This section will briefly present some data on transitions from employment to non-employment. The averages of the yearly transition rates are displayed in Table 4, separately for the pre-crisis

(2002–2007) and the crisis period (2008–2012). The average transition rate from employment to unemployment in the pre-crisis period amounted to 2.85%, which means that 2.85% of all workers who were employed the year preceding the survey were unemployed in the year of the survey during the pre-crisis period. Transition rates into inactivity were slightly higher before the crisis.

Table 4: Yearly transition matrix, before and during crisis (transition rates in %)

	Destination			
	Employment	Self-employment	Unemployment	Inactivity
Before crisis	93.03	1.02	2.85	3.1
During crisis	92.32	0.93	3.43	3.32

Source: EU LFS; calculations by RWI as contractor.

The crisis has clearly increased transition rates out of employment. While a lower proportion of employees moved into self-employment, more of them moved into unemployment and inactivity, with a significantly greater increase to unemployment.

The logistic regression model was used to quantify the specific effect of various factors on the probability of an employee making such a transition, while keeping constant the effect of all other variables considered in the model. The results can be summarised as follows:[6]

- Younger employees (mainly those aged 15–24, but also those aged 25–34) and, especially, employees older than 54 have much higher odds of making a transition out of employment than do mid-age employees.
- Compared with those with mid-levels of education, those employees with a lower (higher) level of education have higher (lower) odds of making a transition out of employment.
- Females show a higher likelihood than males (37% higher) to make a transition out of employment in this multivariate context. However, as will be shown below, men had a higher likelihood of making employment to non-employment transitions.
- Compared with employees in the manufacturing sector, the highest odds of making a transition out of employment are found in extraterritorial organisations, agriculture, construction and the hotel and restaurant sectors. The likelihood is lowest in sectors which are either public or in which the public sector has a large presence (public administration, health, education), electricity, gas and water supply and financial sectors.
- Country dummies are generally very statistically significant. Compared with Austria, the likelihood of making a transition out of employment is greatest in Spain, Latvia, Lithuania and Poland and smallest in Romania, Sweden, Luxembourg and Slovenia.
- Compared with the pre-crisis period, the likelihood of experiencing a transition from employment to non-employment was 15% higher during the crisis period.
- An extended version of the model including household variables was run for countries with available data. Results show that those individuals living with other people who have moved out of unemployment in the same household show higher odds of making a transition out of employment themselves.

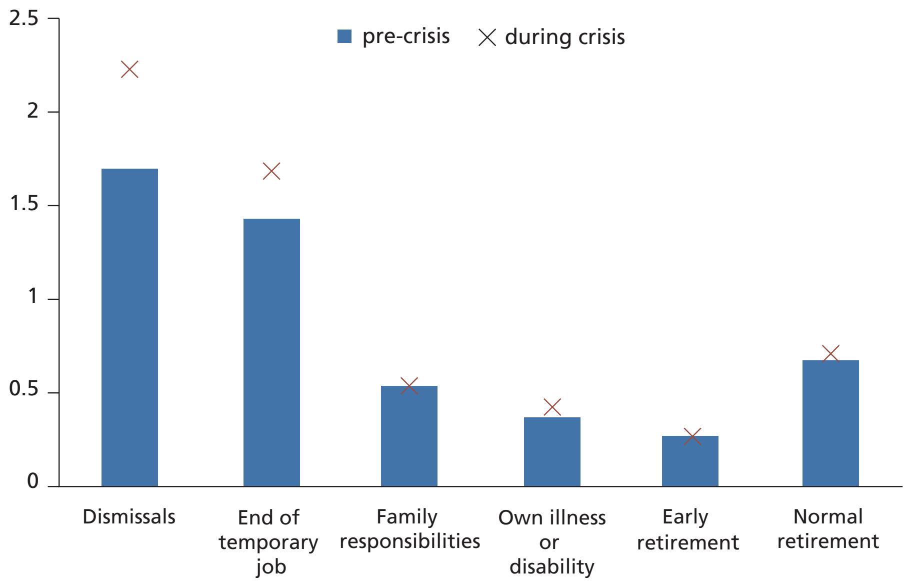
6 Detailed results are available from Eurofound upon request.

Reasons for the transitions from employment to non-employment

The reasons people leave their jobs are of great interest as they may have different impacts on the employee's welfare. For instance, the literature points out that an involuntary job loss (such as a dismissal or as consequence of illness) has large negative consequences for earnings and employment probabilities, both in the short and longer term (Eurofound, 2012b; OECD, 2013). This has been shown for a number of countries, such as Germany (Bender and von Wachter, 2006), Sweden (Eliason and Storrie, 2006) and the US (Davis and von Wachter, 2011; Farber, 2011). Furthermore, there is evidence that workers who have been displaced in the past are more vulnerable to subsequent macroeconomic shocks (Eliason and Storrie, 2006), and that the macroeconomic conditions at the time of displacement greatly affect the costs of displacement (Davis and von Wachter, 2011). With respect to involuntary reasons for leaving the previous job, the literature highlights the importance of the end of temporary contracts. In particular, workers on a temporary contract are generally more prone to becoming unemployed than workers on regular contracts (Verick and Islam, 2010). In contrast, leaving a job voluntarily, for instance to take up another job, due to family reasons or in order to retire, may well lead to an improvement in welfare. Moreover, since the business cycle influences individuals' labour market behaviour, it is likely also to affect the reasons behind different labour market transitions.

In this section, the reasons for leaving a job to non-employment are analysed using the relevant data in the EU LFS, which, to date, has been barely exploited. Figure 6 presents the average annual transition rates in the pre- and post-crisis periods for EU21. Even before the crisis the highest transition rates were due to dismissals and temporary job endings and these same two categories are the ones registering the strongest increase during the crisis. The transition rates due to family responsibilities, own illness or disability, early and normal retirement were at a lower level before the crisis and barely increased during the crisis (only own illness or disability did so in a meaningful way). It is particularly relevant, and striking, that the crisis did not lead to an increase in early retirement. While this can be surmised from other data (for example, the strong employment performance of older workers in recent years), this analysis provides hard evidence.

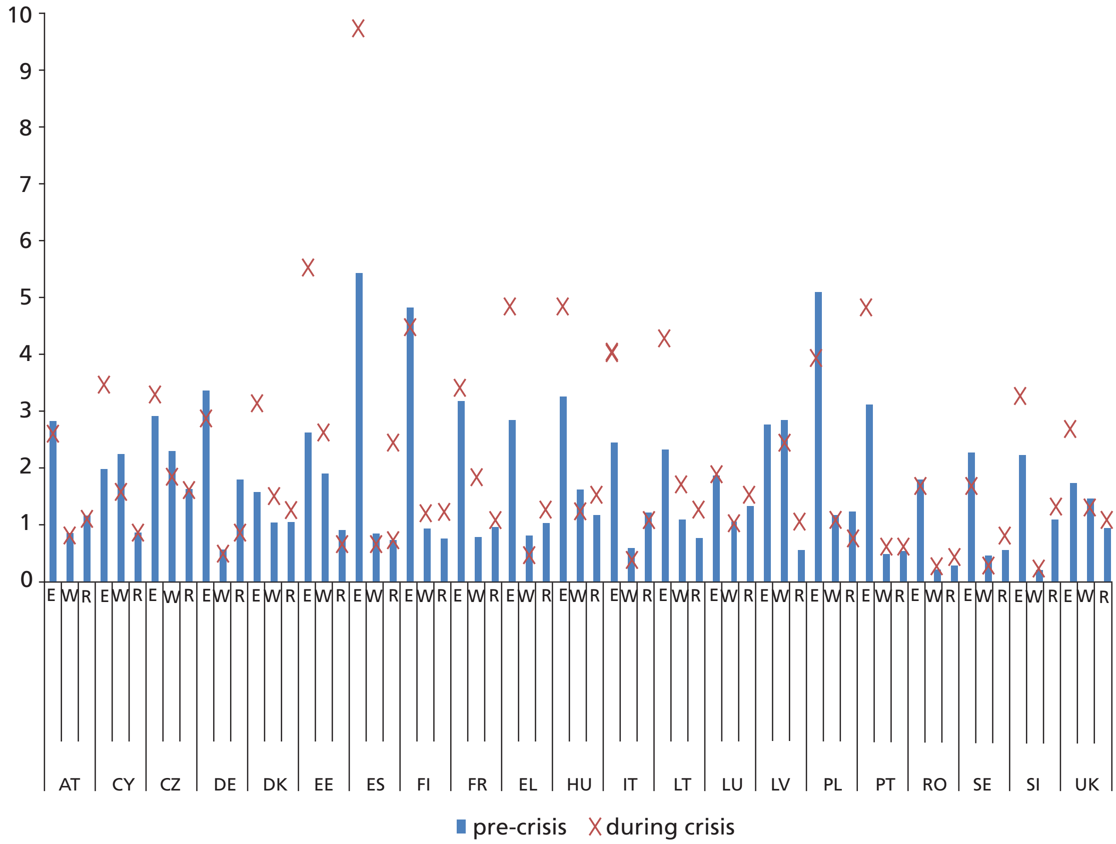
Figure 6: Transition rates from employment to non-employment, by reasons for leaving a job (%)



Source: EU LFS; calculations by RWI as contractor.

Figure 7 presents similar data by Member State but, due to a low number of observations in some countries, the reasons for the transition are clustered in four categories: employer-initiated reasons, worker-related reasons, retirement and other. Before the crisis, employer-initiated transition rates were the highest of all three types of transitions for all countries except Latvia and Cyprus, where employee-related transition rates are higher. Before the economic crisis, rates were high in Spain, Poland and Finland (above 4%). In Spain and Portugal, transitions due to non-renewal of temporary contracts probably played an important role. The rates were particularly low in the UK, Cyprus, Denmark, Romania and Luxembourg (below 2%). Transition rates due to employee-related reasons are lower than those initiated by employers, although significant differences across countries exist: they were relatively pronounced (above 1.5%) in several CEE countries (Latvia, the Czech Republic, and Cyprus, Hungary and Estonia). Finally, transition rates due to retirement were generally the lowest, although they were relatively higher in Poland, the Czech Republic, Italy and Luxembourg (above 1.2%).

Figure 7: Transition rates from employment to non-employment by main type of reason and country, before and during the crisis (%)



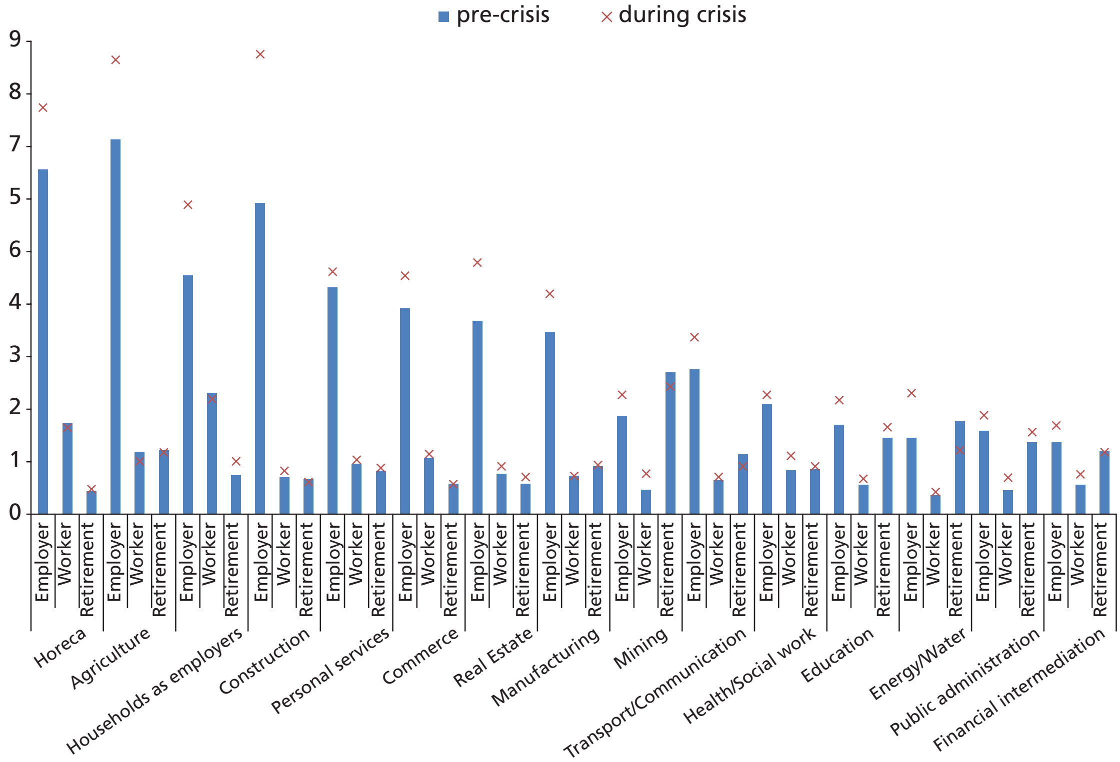
Source: EU LFS; calculations by RWI as contractor.
Note: E = employer; W = worker; R = retirement.

During the crisis, employer-initiated separations registered, on average, the largest increases – most strongly in the countries with a very large drop in economic activity (Spain, the Baltic states, Greece, Cyprus and Denmark), as could be expected. Transition rates due to worker-related reasons showed divergent patterns across countries, but decreased in more than half of them, reflecting the reluctance of employees to leave their jobs in the middle of a crisis. Transitions to non-employment due to retirement increased in most countries, and although the magnitude of the increase was, in general, more modest than that of employer-initiated transitions, it was very significant in some countries (Latvia, Finland, Lithuania, Sweden and Romania).

Figure 8 presents results on transitions to non-employment by sectors. Transition rates towards non-employment for employer-initiated reasons are clearly higher than the other types of transitions in all sectors, except mining and energy and water supply (where transitions towards retirement were higher before the crisis) and education, public administration and financial sector (where the differences between the levels of transitions for employer-initiated reasons and retirement are not very big). Transition rates for employer-related reasons are highest in highly seasonal sectors such as agriculture, Horeca and construction, as well as in 'households as employers' and personal service sectors, which in all cases are above 4%. They are lowest in mining, financial and other sectors generally characterised by public sector involvement, in all cases here with rates below 2%.

The levels of transitions due to employee reasons and retirement are clearly less important generally and more homogeneous across sectors. Employee-related separation (family reasons and own illness) rates are relatively high in the Horeca and 'households as employers' sectors, where they are at levels above or close to 2% (and higher than separations due to retirement), while they are only around 1% or below in the rest of the sectors. On the other hand, transition rates due to retirement are relatively important in mining, financial and other sectors with public sector involvement (education, energy and water supply and public administration) where, in all cases, rates are above 1% and are higher than transition rates for employer-initiated reasons.

Figure 8: Transition rates from employment to non-employment by main type of reason and sector, before and during the crisis (%)



Source: EU LFS; calculations by RWI as contractor.

The crisis caused important increases, especially in the transitions due to employer-initiated separations, as might be expected. The most important increases were registered in sectors such as energy and water supply, construction and real estate, reflecting the severe crisis in the construction sector that took place in the aftermath of the financial crisis especially in Spain, Ireland, and the Baltic states (Stawinska, 2010). Increases in transition rates due to other reasons were more modest. Transition rates to non-employment for worker-related reasons increased for most sectors, especially in the mining and public administration sectors, probably as a result of extensive leave options (in the case of public administration employees) and the availability of disability schemes for physically demanding jobs such as mining. Transition rates to non-employment due to retirement increased more modestly during the crisis and stronger differences between sectors are evident, since some of them registered important declines.

Figure 9, below, shows transition rates to non-employment and their reason by gender and reveals that, while dismissals and non-renewal of temporary contracts explain the most significant transitions, the former are larger for men, while the latter are more important among women. More sizeable gender differences emerge when it comes to the higher rate of transitions due to personal commitments among females: around 1% of the females employed in a given year find themselves out of employment due to personal family responsibilities in the following year.

The crisis caused a large increase in transition rates due to dismissals and non-renewal of temporary contracts for both groups, especially among males, and only slight increases in most of the transitions attributable to other reasons. Gender differences diverged further regarding transitions due to family responsibilities, which slightly increased among women and decreased among males. Nevertheless, these types of transitions which may be considered as voluntary may, in fact, be involuntary labour market exits due to worsened job prospects, especially against the background of an economic crisis. Results are consistent with many studies highlighting that men were more negatively affected by the crisis than women. This can, at least, be partly attributed to male-dominated sectors having been more affected by the crisis, particularly in the early crisis years (Verick and Islam, 2010; Eurofound, 2011). Besides sectoral affiliation, average higher education levels among women in the workforce could explain the divergent crisis impact, since high-skilled jobs were more crisis-resilient (Eurofound, 2013).

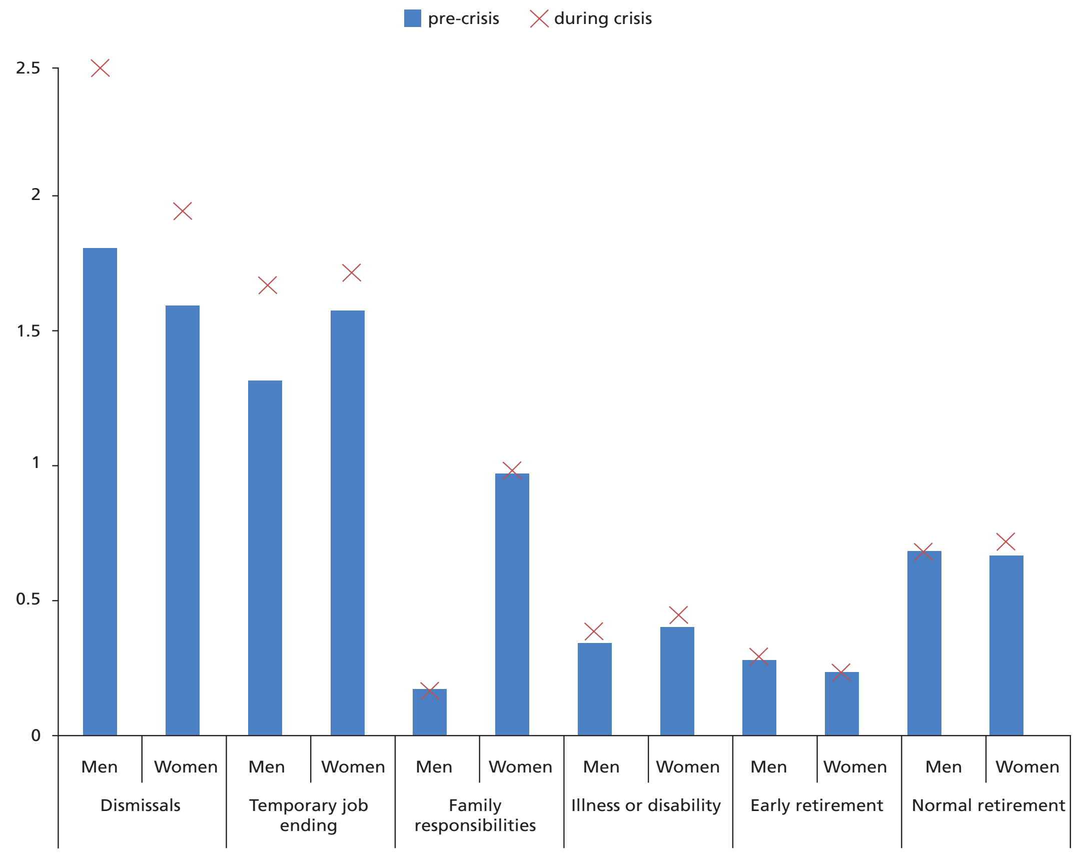
Figure 10, below, shows that the highest transitions before the crisis were due to dismissals and the ending of temporary jobs for all age groups. Transitions due to temporary jobs ending strongly declines with age, as the incidence of temporary contracts has this age profile. Transition rates due to dismissals also decline by age but pick up again for older workers.

The largest increases occurred in transitions due to dismissals of workers aged up to 34, clearly reflecting the disproportionate impact of the crisis on the younger segments of the workforce. On the other hand, transition rates due to retirement (early or normal) fell during the crisis for the oldest workers.[7] While the dire employment state of young people since 2008 is well known, this has generally been attributed to them not gaining access to jobs in the first place. The data presented here also shows that, compared with older workers, even those with a job were more likely to lose it.

It was noted in Figure 6 that transitions to retirement (normal and early) had not increased during the recession. Figure 10 shows that, in fact, transitions to retirement among the over 54-year-olds actually declined.

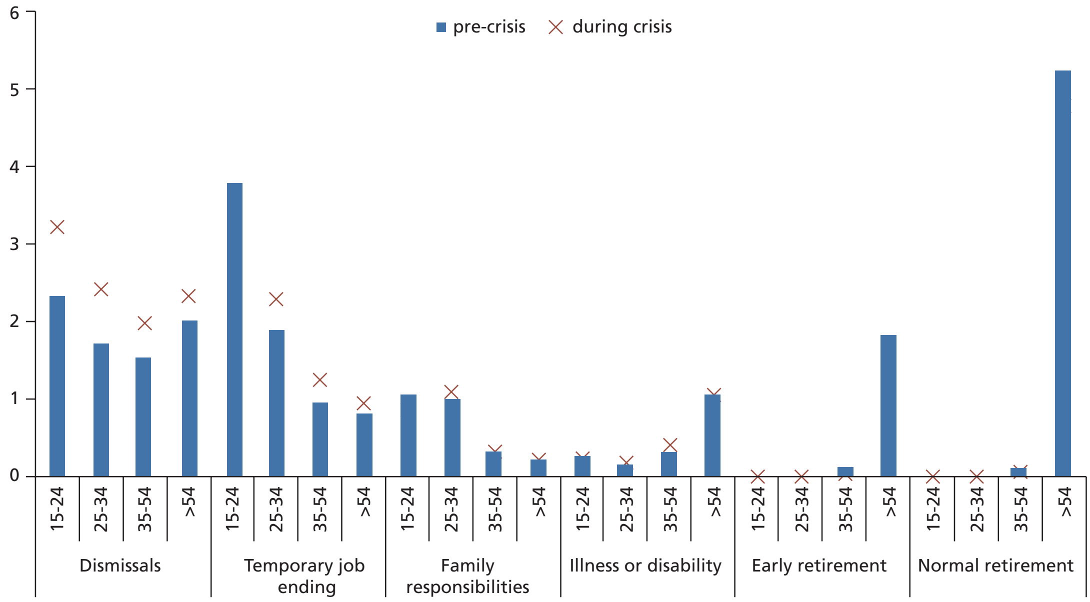
7 It should be pointed out that this is not a contradiction to the aggregate evidence pointing to transition rates due to retirement in the crisis period; because of an ageing population in Europe, there were more older workers in the workforce in the crisis period. Each individual worker was less likely to retire during the crisis but, because there were many more older workers, aggregate retirement transitions increased.

Figure 9: Transition rates from employment to non-employment by type of reason and gender, before and during the crisis (%)



Source: EU LFS; calculations by RWI as contractor.

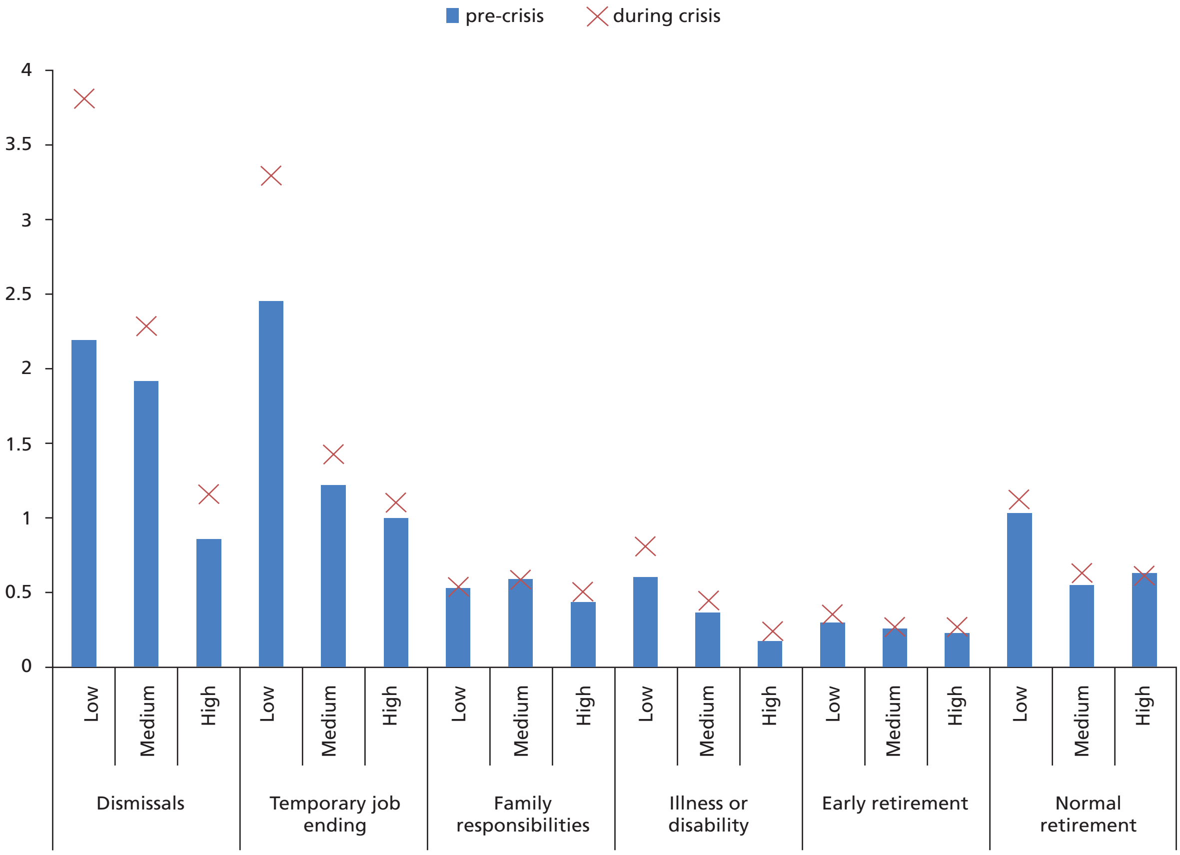
Figure 10: Transition rates from employment to non-employment by type of reason and age, before and during the crisis (%)



Source: EU LFS; calculations by RWI as contractor.

Figure 11 presents the same transitions by education levels. Education level is arguably the strongest of all predictors of employer-initiated job loss dismissals. It is also interesting to note that the highest educated group of those on fixed-term contracts experienced only a very marginal increase in dismissal rates after 2008.

Figure 11: Transition rates from employment to non-employment by type of reason and level of education, before and during the crisis (%)



Source: EU LFS; calculations by RWI as contractor.

Conclusion

While employment levels show signs of a modest recovery, aggregate EU employment remains well below pre-crisis peak levels and has declined by six million in 2008–2013. If the fast-rising share of part-time employment is taken into account, the decline of overall labour inputs in the EU has been even greater.

Manufacturing and construction have been the main sectors contributing to net job loss and both sectors continue to contract although with a lot of variation across countries, especially in the case of construction. Employment growth has been observed principally in the service sectors: both in high-skilled services, notably IT and information services, professional scientific and technical services and also in predominantly low-skilled residential care activities.

In terms of the large-scale restructuring activity recorded on the European Restructuring Monitor, manufacturing continues to be a broad sector accounting for the highest share of announced job losses, but there have also been recent significant increases in restructuring activity in the retail sector (on both the job creation and job destruction side) and the financial services sectors (mainly job losses). An increasing share of announced job losses, due to large-scale restructuring (23% of the total in 2013–2014 compared with 15% pre-crisis) have been attributable to bankruptcy/closure which may be indicative of increasing credit constraints for troubled companies.

The crisis has clearly increased transition rates out of employment. While a lower proportion of employees moved into self-employment, a higher proportion of employees moved into inactivity and, especially, unemployment. The likelihood of employment to non-employment transitions increased notably in Spain, Poland and the Baltic countries.

The share of employer-initiated jobs has increased since 2008, while the share of worker-initiated separations has tended to be stable.

Employer-initiated separations rose in most countries, most strongly in those countries with a very large drop in economic activity (Spain, the Baltic states, Greece or Cyprus), as might be expected. Transition rates out of employment for employer-related reasons were highest in personal service activities, while they were lowest in the mining, financial services and other predominantly publicly funded sectors (public administration, health, education) where transitions due to retirement were also relatively more important.

Normal retirement might have been expected to increase significantly as happened in previous crises, but older workers have remained in the labour force at surprisingly high levels during the current economic crisis, probably as a result of policy reforms removing incentives for early retirement. In combination with the shrinking employment levels of those aged under 45, one consequence is that workforce ageing has significantly outstripped population ageing.

Part B

Restructuring in the public sector

Introduction

Restructuring in the public sector has been dominated by the dire state of public finances resulting from the financial crisis of 2008. This was primarily a result of the banking crisis. As the crisis also threatened the existence of the euro, the state of public finances became of increased relevance at European level and several legislative initiatives strengthened European governance in this context. Public sector restructuring, however, is not a new phenomenon for many Member States. Reforming and reorganising some public sector entities with the aim to rationalise structures and increase cost efficiency has been ongoing for some decades (Demmke and Moilanen, 2013; Naumann and Naedenoen, 2013) and there is much literature available, not least about New Public Management (NPM) and its manifestations in the public sector organisations and delivery of their services (see COCOPS NPM reforms in Europe database for a broad overview).

This part of the report aims to contribute to a mapping of recent public sector restructuring quantitatively and qualitatively, elaborating on reasons, processes and practices and identifying its implications from an employment perspective. It is, however, not yet possible to draw conclusions on the long-term implications of restructuring on public sector employment as, in many Member States, the process is ongoing and it is too early to evaluate these adjustments at a macro level. To compensate for this limitation, Eurofound conducted 14 case studies for this publication in order to dig deeper into how restructuring has been implemented, and to see what kind of employment consequences this had for public sector employees, at least at a micro level. All case studies conducted therefore have a component of workforce reorganisation. The authors intentionally selected cases where restructuring started recently, for example in the aftermath of the crisis, respecting diversity in countries, levels of governance and restructuring measures applied. The most important selection criterion was that the cases should present measures that were developed as alternatives to compulsory redundancies.

Mapping public sector employment

This is a difficult exercise, especially when trying to compare developments across 28 Member States with very different public service traditions and evolutions, and no common understanding of what a public sector worker is.

The relevant concepts in European policymaking tend to relate to a broader concept of public services rather than public sector employment as such. The European Commission defines 'services of general (economic) interest' as 'the services, both economic and non-economic, which the public authorities classify as being of general interest and subject to specific public service obligations' (European Commission, 2007). This is a functional definition and considers public services more from the end-user/citizen perspective than in terms of whether the state, or some other entity, pays for the services and the wages of those who provide them. It combines sectors that in most Member States are predominantly publicly funded, such as health, education, public administration, public security and social welfare with other sectors – such as telecoms, postal services, energy supply, water supply – which are increasingly in the private sector, in many cases as a consequence of liberalising EU directives.

This project focuses on the specificities of the public sector employment relationship, in which an employee works for an organisation funded by and controlled by the state and whose pay comes from the state budget. This means that the 'services of general interest' framework is too broad as it includes many employees in the private sector.

However, trying to narrow the definition of 'services of general interest' to pick out just 'public sector' workers presents further difficulties. The first is that there is a large grey zone between the public and private sectors in many countries, including, but not limited to, sizeable 'semi-state' sectors. Some jobs are clearly in the public sector (such as a civil servant in a government department, a police officer or a judge); others are clearly in the private sector (retail assistant in a supermarket, manager of a bottling factory, lawyer in private practice). Less clear is the situation of some teachers. For example, in Ireland, teachers in private schools receive most of their salary from the state. In the UK, general practitioners (doctors) working in the publicly funded national health service are considered by the UK Office of National Statistics as self-employed and therefore private workers (Cribb et al, 2014). Ambiguous cases abound.

Outsourcing in the public sector also complicates the assessment. Canteen workers working for a private subcontractor in a public hospital are, currently, private sector employees but may well be doing the same job they did ten years ago when they were paid directly by the hospital. In many cases, newly designated private sector workers may be working alongside managers, supervisors or other grades of staff that are still publicly employed. Many archetypally private sector jobs in the financial services sector became, temporarily at least, public sector jobs with the partial or complete nationalisation of their banks after the global financial crisis of 2007–2008. These difficulties in identifying and assigning individual jobs to the public or private sector are likely to increase with continuing privatisation and the outsourcing of public services.

In any case, empirically, it is not possible using existing European labour market data sources to characterise simply the share of public and private sector employment. The EU LFS, for example, does not ask respondents whether their employer is in the public or private sector (although there is such a question in the European Working Conditions Survey – yielding some interesting indications, as will be seen later).

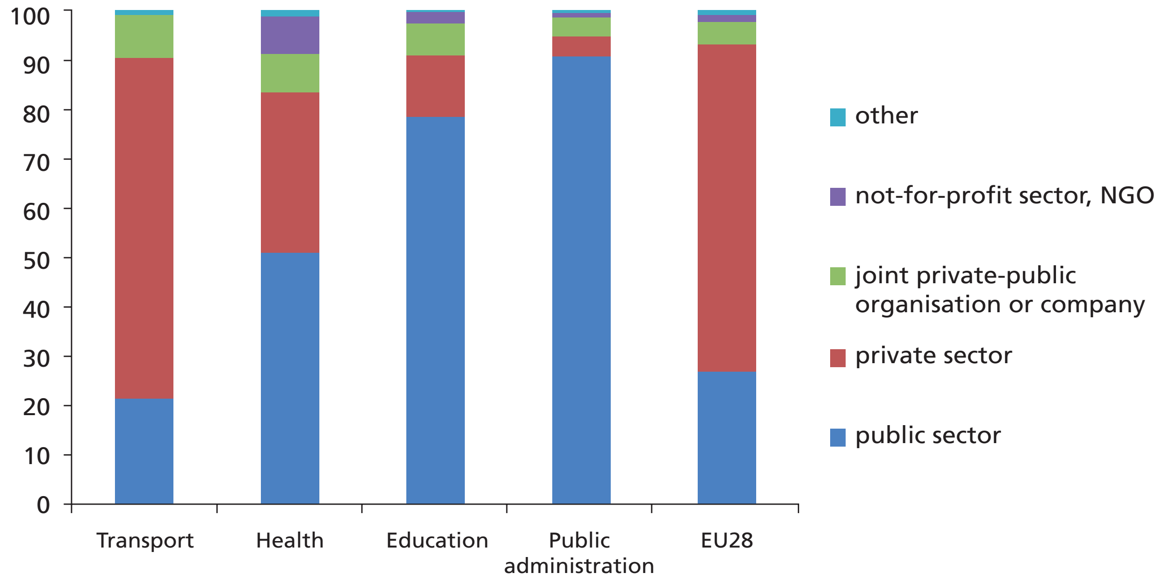
It is necessary, therefore, to use the indirect route of describing the public sector in terms of the NACE classification: a detailed sectoral classification that does allow for selecting of sectors that are mainly public or private. Of course, this involves many simplifying assumptions about which sectors can be considered public and which private within the NACE classification. The advantage of this approach is that comparable data can be provided across Member States. The disadvantage is that applying the same NACE-based taxonomy of public sector jobs across the Member States fails to capture the specificities of public sector employment in individual countries, while also misallocating significant shares of employment across what are, in any case, blurred public–private sector boundaries.

As a practical solution to the difficulties outlined, this study will refer to *public services* (workers) when using a broad NACE-based taxonomy – based on the education, health and public administration with some additional smaller sectors and sub-sectors when mapping 'services of general interest' – and to *public sector* (workers) where the data source means it is possible to identify workers who report that they are paid by the state.

Main sectors employing public sector workers

Before looking at the recent evolution of public employment using NACE-based measures, it is interesting to look at the share of public sector workers. Eurofound's fifth European Working Conditions Survey (EWCS) (Eurofound, 2012a) asks respondents about the public–private ownership status of their employer. Figure 12 below cross tabulates respondents' answers to this question with their answers regarding their employer's main productive activity (NACE sector).

Figure 12: Share of EU28 employees in the public, private or mixed sector, 2010 (%)



Source: Fifth EWCS (Eurofound, 2012a) (author's calculations, note: employees only).

Overall, the public sector accounted for 27% of total employment in 2010: similar but somewhat lower than recent estimates by the Centre of Employers and Enterprises providing Public Services (CEEP) (Cambridge Econometrics, 2013) of public services employment. The sector with the highest share of public sector employees was public administration, defence and compulsory social security (91%), followed by education (78%) and health (51%). These are the only three broad sectoral categories with a majority of public sector employees. One other broad sector – transport – has a significant share of public sector employees (21%)[8] while the remaining sectors all have less than 12%.[9]

Given the small sample size (n=1,000 for most Member States), and the fact that 200–300 people in this sample are public sector workers, country-level sector breakdowns have too large a margin of error to be presented. Instead in Figure 13, the data have been grouped into country clusters to indicate some of the differences in the public–private employment split across the EU.

The main difference relates to the continental grouping (Austria, Belgium, Germany, France, Luxembourg, the Netherlands), which has systematically lower shares of employees in the three predominantly publicly-funded sectors indicating that they are, in fact, public sector employees. This is notably the case in the health sector where only one in three (33%) employees indicates that they work in the public sector. Services in the health systems in Germany, France and Benelux, while largely state-funded, are provided in the main by private sector companies or mixed ownership organisations. Joint private-public or not-for-profit organisations account for a relatively large share of employment in the continental countries in each of the three sectors (9% in public administration, 16% in education and 25% in health).

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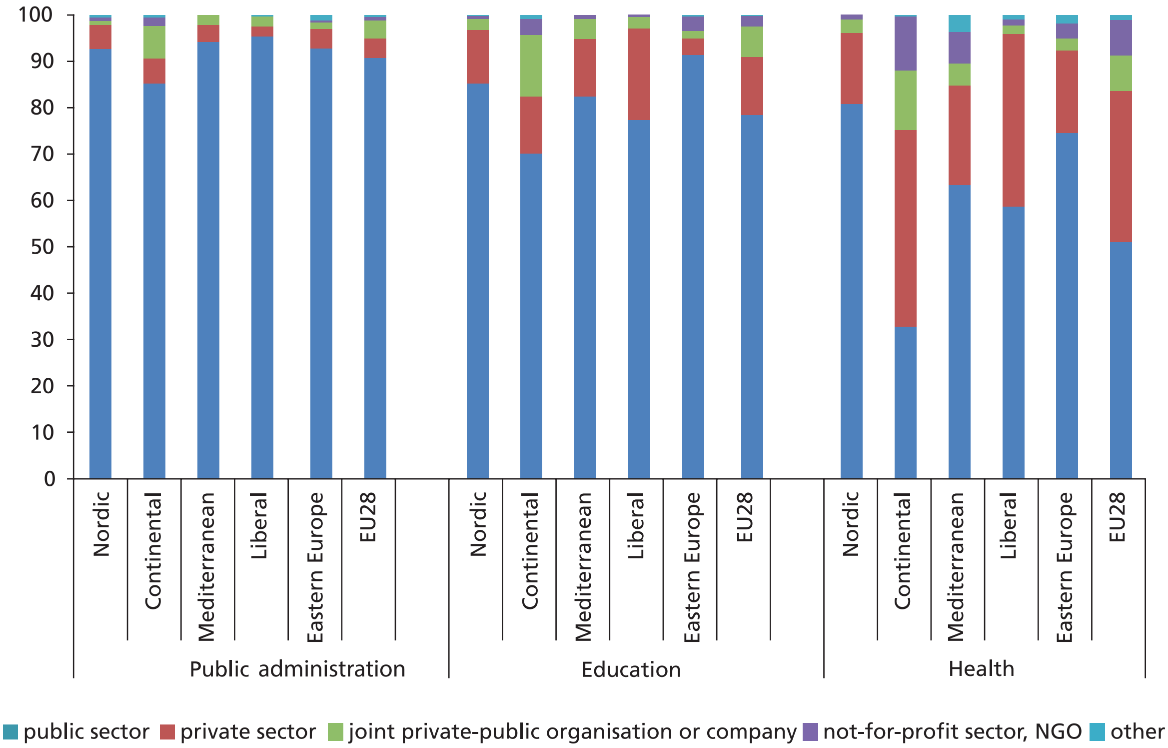
8 This sector includes postal services as well as land, sea and air transport.

9 One caveat: the EWCS public/private sector question is self-reported. Previous research in the UK has shown that a significant minority incorrectly classify themselves as part of the public sector (Hicks et al, 2005) when asked such a question. This may lead to some inflation in the estimated shares of public employees by sector.

Figure 13: Public–private sector employment split in predominantly public sectors by country cluster (EU28, 2010) (%)



Source: Fifth EWCS (Eurofound, 2012a) – authors' calculations. Note: country breakdown as follows: Nordic (DK, SE, FI), Continental (AT, BE, DE, FR, LU, NL), Liberal (UK, IE), Mediterranean (PT, ES, IT, EL, CY, MT), Eastern European (PL, CZ, HU, SK, SI, RO, BG, EE, LT, LV, HR).

In the Nordic countries, the share of non-public employees is comparatively low across the three sectors while the share of private sector employment is lowest in the Mediterranean grouping for public administration and in the eastern European countries for education. Clearly, the biggest variation in the public sector share of employment across countries/country clusters is in the health sector, reflecting different paths of historical development of healthcare provision.

Recent European research

Findings from a recent ILO/EU Commission research project – published as *Public sector shock: The impact of policy retrenchment in Europe* (Vaughan-Whitehead, 2013) – shed light on the diverse public sector adjustments in the context of the crisis. The report provides evidence of short and long-term effects of such adjustments on public sector employees' wages, employment quality, industrial relations, transformation of the public sector's image, service quality, gender employment and pay gaps based on literature review, secondary data analysis and case studies from 12 EU Member States.[10] Based on these findings, the report makes a series of suggestions for a better policy mix that could mitigate the negative effects of such adjustments on the affected employees and recipients of public services: these include more predictable and gradual adjustments, more negotiated reforms that combine quantitative adjustments with structural reforms that would not only cut expenses but also raise revenues and better monitoring mechanisms for such reforms.

[10] Croatia, France, Germany, Greece, Hungary, Ireland, the Netherlands, Portugal, Romania, Spain, Sweden, UK.

The EU Commission's biannual *Industrial relations in Europe* report (European Commission, 2013b) for the first time focused on the public sector and dedicated a chapter on the consequences of the crisis for public sector industrial relations in all EU Member States. The chapter provides an overview of austerity measures taken and gives numerous examples of protest actions against these measures during 2008–2012. It concludes by saying that there is an observed trend towards centralisation and unilateralism in public sector industrial relations and that this might affect – once the economic recovery is achieved – the attractiveness of public sector as an employer for a talented workforce.

COCOPS (Coordinating for Cohesion in the Public Sector of the Future) is a project of the European Commission's Seventh Framework Programme (FP7) that studies the comparative effects of New Public Management style reforms in 10 European countries (Belgium, Estonia, France, Germany, Hungary, Italy, the Netherlands, Norway, Spain and the UK). Coordinated by Erasmus University Rotterdam, the COCOPS project featured the participation of researchers in 11 universities, started in 2011 and is in its concluding phase at the time of writing.[11] A survey of public executives' perceptions of current reforms was carried out in 2012–2013 as part of the COCOPS project: data from this survey will be presented in later sections of the report.

An earlier framework programme project focused entirely on the privatisation of public services and its impacts for employment, working conditions, and service quality in Europe (Hermann and Flecker, 2012) by means of a sample of case studies from the electricity, postal services, local public transport and healthcare sectors in Austria, Poland, the UK, Belgium, Germany and Sweden, supplemented by desk research, expert interviews and secondary data analysis. In line with this project, Eurofound's ongoing research project 'Delivering public services: greater role for the private sector' aims to examine whether and to what extent expansion of the private sector helped to cope with the challenges Member States had to face in recent years, with special regard to the consequences of the financial and economic crisis. The project plans to document implications for access, quality and effectiveness of selected services. The increasing role of the private sector is to be reviewed in general. The expansion of the private sector in social services, with its underlying factors as well as the dynamics of the process are to be investigated in more detail in selected Member States (Lithuania, Spain, Sweden and the UK).

The IRENE (Innovative Restructuring European Network of Experts) Network published a booklet and a policy paper on restructuring in public services where they identify developments within the sector in times of crisis (IRENE, 2013).[12] The Network looked at the differences concerning the implementation of restructuring in several EU Member countries including those deeply affected by the crisis, such as Portugal, and those where the crisis has been less severe, such as Germany. They investigated the consequences of such restructuring in terms of health and working conditions of the involved workforce, as well as the role of social dialogue throughout the process. IRENE's main policy conclusion is that the crisis might be an opportunity for positive change towards meaningful and strategic social dialogue in the public sector. It advises policy makers to consider more systematic training for social partners to raise their awareness of restructuring-related health consequences for employees. In addition, it is important to identify appropriate processes and frameworks that can integrate citizens as end-users of the services in order to launch innovative initiatives. Finally, the network also advocates organising responsible job transitions for public sector employees.

11 The authors of this report are grateful to Professor Steven van den Walle (Erasmus University, Rotterdam) for making available country descriptive tables with the survey data.

12 The authors of this report are grateful to IRENE for its contributions to their expert workshop on 27 September 2013 which were used to enrich this chapter's content.

HIRES Public project (2011) is another European Commission-funded research work that explores how employee health is affected during the public sector restructuring process, and how good social dialogue in the public sector can help to mitigate negative health effects on the employees concerned. Focusing on four branches of public sector, (central government, local government, public health service provision and public education provision) and seven Member States, (Belgium, Finland, France, Germany, Romania, Italy and the UK), the HIRES Public project produced sectoral trajectory reports on restructuring, as well as national case studies to show the effects of such restructuring at a micro level. The final report makes several policy recommendations including the importance of treating fairly all affected employees in a segmented workforce, which is generally the case in the public sectors and the importance of not undermining the public sector ethos through restructuring, which is the key source of motivation for many workers.

At present, Eurofound is managing several research projects on recent changes in the public sector and studying the effects of such changes in the sector from the perspective of working conditions, industrial relations, employment and service delivery. One, for example, *Access to healthcare in times of crisis* (Eurofound, 2014) identifies the groups most likely to face barriers to healthcare as a consequence of the crisis, including a number of new groups that have been generally overlooked by policy-makers. It suggests a range of policy pointers, including the need to consider mitigating measures in tandem with policy reform, and suggests policy-makers and service providers might consider reviewing crisis responses once financial pressures on EU Member States begin to ease. A 2013 working paper, *The impacts of the crisis on access to healthcare services*, presents results from a literature review and data analysis of EU-SILC and the European Quality of Life Survey (Eurofound, 2013a). It investigates the various types of barriers to accessing healthcare services, and the impacts of the crisis on these different dimensions of access. The later report draws on nine multi-method country reports and more than 30 case studies, mainly of healthcare service providers affected by the crisis, complemented by an additional literature review (Eurofound, 2014).

Another ongoing Eurofound project aims to provide comparative analysis on changing working conditions and industrial relations in central public administration following the recent crisis.

Finally, the August 2014 edition of the quarterly journal of the ETUI Research Department focuses on austerity and public sector restructuring at local government level in seven Member States (the UK, the Netherlands, Denmark, Germany, Hungary, France and Italy (Leisink and Bach, 2014)). The editors conclude, on the basis of contributions from several scholars from these countries, that austerity measures have affected municipal employment both directly and indirectly, depending on the amount of reduced government funding to municipalities. Moreover, at least in some cases, employment at local governmental levels declined and the working conditions of the remaining employees deteriorated with, according to the authors, potential negative long-term consequences on public sector employment. Moreover, the effects of such restructuring on public services provision are yet to be observed, but the evidence from case studies covered in this study denotes a mixture of positive and negative effects.

Mapping restructuring in the public sector

2

Descriptive statistics

In this section, EU-level data sources are used to look at recent employment trends in the public sector/public services in the EU28, as well as evidence of restructuring activity.[13]

This report is specifically interested in the crisis and post-crisis period from 2008 to date and the impact of the crisis, and reactions to it, on public sector employment. As mentioned in the introduction, one of the working hypotheses of this project is that public employment has specific characteristics that make the path of numerical adjustment via collective redundancies or dismissals less likely than in the private sector. Higher levels of employment protection – in some cases based on contractual features of the employment relationship, for example, civil servants – higher levels of worker representation, higher average skills levels and a particular age profile offer public sector workers greater protection against involuntary separations than their private sector counterparts. While some of these protections may have been weakened during the crisis, employment resilience in predominantly publicly funded jobs in most countries during 2008–2013 support the case that, in relative terms, public sector employment levels have been less affected by the crisis than private sector employment.

This could be related to the characteristics of public employment noted above but recent developments are also consistent with long-term shifts in the employment structure, favouring services on the one hand and generating increased demand for some traditionally publicly provided services on the other – notably health and education. The services share of employment has increased from 50% in 1975 (EU12) to more than 70% in 2012 (European Commission, 2007 and 2013b). Nearly all public sector employment is in services and so the services transition will tend, all things being equal, to increase the public share of employment; sectors such as manufacturing and agriculture, where employment is in long-term decline, are largely if not exclusively under private ownership.

Privatisation has taken place in many network industries formerly in the state sector and European legislation has served to coordinate some transfers of activity in telecoms, energy and postal provision from public to private ownership. Increasingly, even in the sectors that remain predominantly publicly funded, outsourcing of specific functions – cleaning, canteen work but also higher-end functions including IT and specialist medical – has brought with it a growing share of private employment.

Characteristics of public services employment

The employment composition of public services tends to be different from that of the remainder of the workforce in a number of respects. It is predominantly female, while the workforce as a whole continues to be predominantly male. This is due largely to the high share of women in health and education sectors. This, in turn, contributes to explaining the higher share of part-time work in

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[13] The data sources used in this section are the:
European Labour Force survey (2008–2013) for estimates of employment by sector in 2008–2013. Recent secondary analysis of recent tenure trends in public sectors is also used, based on the LFS and produced as part of another Eurofound project (*Labour market transitions in turbulent times*).
European Working Conditions Survey (2010) for estimates of restructuring activity by sector and to indicate the extent to which workers in traditionally publicly-funded sectors such as health, education and public administration are in reality public sector workers
COCOPS senior executive survey on public administration reform (2012–2013) for some tabulations showing variable recourse to different cutback measures in different Member States 'in response to the fiscal crisis'. This was a survey of senior public sector executives in ten EU MSs on the nature of recent public sector reforms. This survey was undertaken as one work package of the FP7 project on Coordinating for Cohesion in the Public sector of the Future [COCOPS].
European Restructuring Monitor (2003–2013) to show changes in the relative importance of public administration in the sectoral share of large-scale restructuring job loss in the post-crisis period.

public services (four out of five part-time workers in the EU are women) – also reflecting the fact that public service organisations have tended to be pioneering in terms of work-life balance initiatives and flexible working time (den Dulk and Groeneveld, 2012). Employment in the public services tends to be characterised by an older age profile, a lower turnover and higher average tenure, with higher levels of educational attainment – also linked, in turn, to a higher share of professionals (ISCO 2) and higher average pay. Workplaces tend also to be larger with nearly half of public service employment in larger units employing at least 250 people, compared with less than a third for the economy as a whole (Cambridge Econometrics, 2013, p 34).

Table 5: Employment profile of public service sectors, EU28

	Gender – % of women			Age – % of 50+			Turnover – % with tenure < 3mths		
	2008Q2	2013Q2	change	2008Q2	2013Q2	change	2008Q2	2013Q2	change
All sectors	44.7	45.7	1.1	25.4	29.3	3.9	4.4	3.8	-0.6
Public administration and defence	45.6	46.3	0.7	28.4	33.8	5.4	2.5	2.3	-0.1
Education	70.7	71.7	1.0	32.6	35.1	2.6	2.4	2.2	-0.2
Human health and social work activities	78.1	78.3	0.2	28.3	33.1	4.9	3.6	3.1	-0.5

	% temporary contracts			% part time			Average usual weekly hours		
	2008Q2	2013Q2	change	2008Q2	2013Q2	change	2008Q2	2013Q2	change
All sectors	14.2	13.5	-0.8	18.2	20.4	2.2	40.5	40.4	-0.1
Public administration and defence	11.7	10.8	-0.9	13.1	13.2	0.1	39.6	39.7	0.1
Education	17.2	17.1	-0.1	25.3	27.1	1.8	37.0	37.9	0.9
Human health and social work activities	14.2	13.4	-0.8	31.1	32.4	1.3	39.5	39.5	0.0

Source: EU LFS (authors' calculations).
Notes: % part time is of all workers; % temporary contracts is of all employees; average actual weekly hours is for full time employees.

In Table 5 above, employment shares in the public services in the EU are compared with those in the workforce as a whole, across a variety of demographic and labour market variables. In the aftermath of the 2008–2009 crisis, the gender employment gap has narrowed, reflecting the disproportionate negative impact of the recessionary period on predominantly male-employing sectors, as well as the relative resilience of some predominantly female-employing sectors. The female share of employment has risen by more than one percentage point over the five-year period. Each of the public service sectors has a higher-than-average share of female employment – marginally so in the case of the core public services sector of public administration, notably so in the cases of education and health. In each, the female share of employment has increased since 2008, albeit at a slower rate than in the workforce as a whole.

Over a third of public service workers were aged 50 or over in 2013q2. There had been large increases in this share since 2008q2 in part due to demographic reasons – the entry into pre-retirement age cohort of the baby boom generation – and in part as a consequence of hiring freezes or slowdowns. Rapid workforce ageing has been observed notably in public administration (a 5.4 percentage point increase in the share of those aged 50+) and health sectors (+4.9 percentage points).

The rate of entry to public services (the share of workers whose jobs started in the last three months) is lower in the public services than in the workforce as a whole and has decreased since the onset of the crisis, though the decrease has been even larger in the workforce as a whole.

Non-standard employment forms (part-time, temporary contracts) are less prevalent in public administration but there is a higher than average share of temporary contracts in education and significantly higher than average shares of part-time work in both health and education. The incidence of temporary work has declined since 2008q2, probably reflecting the vulnerability of temporary workers to non-renewal of contracts in the crisis period. The share of part-time work, on the other hand, has increased significantly since 2008q2 and accounts for a disproportionate share of net new jobs. The increase in the share of part-time jobs has been more modest in the public service sectors.

Average actual weekly hours of work are somewhat lower in the public service sectors but with some small indications of convergence since 2008q2, which might be explained by quantitative adjustment of the working time of public servants as an austerity measure.

Table 5 reveals distinctive differences in employment composition between the core public service (public administration) and the predominantly publicly funded service sectors of health and education. Employment in the core public service is predominantly male and with a higher share of standard employment (lower shares of part-time work and temporary work). As will be seen later, the employment trajectory of the public administration sector has also been quite distinctive since 2008, recording significant declines, while levels increased in health and education.

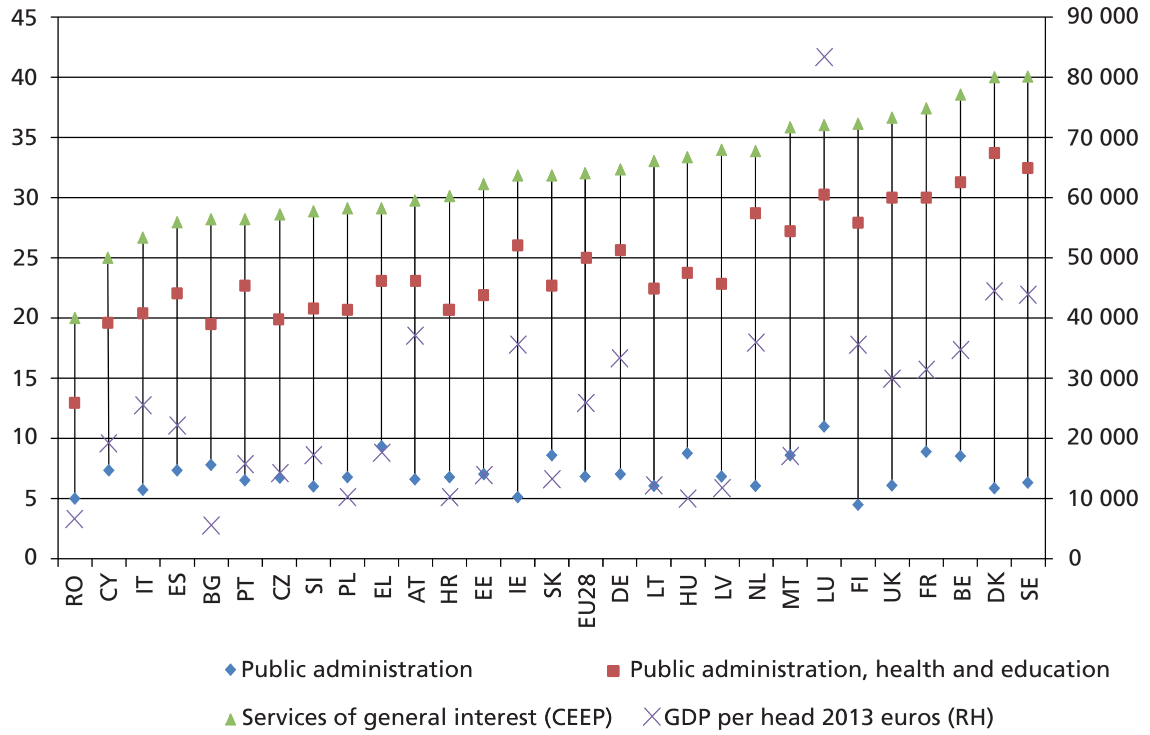
There are various possible explanations for this divergence in employment levels between the core public administration and education/health. One is that contractual flexibility is greater in education and health. This is suggested by high and/or growing shares of part-time and temporary employment. Another possible explanation is that public administration has been especially affected by public spending cuts during the austerity period post-2010, as it is the part of the overall public sector most reliant on state expenditure. There is some evidence that an increasing share of new education and health jobs are in the private sector. Finally, public policy may prioritise health and education provision, ring-fence their funding and protect their employment levels at the expense of other parts of the public sector. This has, for example, been the case in the UK (Cribb et al, 2014) where the greater protection afforded to schools and National Health Service funding mean that local government in particular has been hit by a disproportionate share of the public sector pay cuts.

Extent of public services/public sector employment

The European Centre of Employers and Enterprises providing Public Services [CEEP] recently carried out a mapping exercise on the importance of services of general interest [SGIs] in Europe (CEEP 2010, updated in Cambridge Econometrics 2013) in terms of output, employment and investment. Because there is no specific definition of what constitutes a service of general interest in terms of the standard international sector classification (NACE), CEEP devised their own mapping. They estimated that the share of employment in services of general interest in the EU27 was in the range 28%–30%, nearly one in three of all workers. This figure is likely to be an overestimate of the share of public sector employment, as it includes many private sector workers.

This section uses three NACE-based measures of public employment. The first is a narrow one including only the category 'public administration, social security and defence' where, in most countries, the vast majority of workers in the sector are in public employment. The second measure is a broader one encompassing two sectors that are big employers – health and education – with a majority of public employment in most countries. This excludes many of the sectors included in the CEEP/Cambridge Econometrics mapping of services of general interest but counts workers in the health, education and public administration that are not on the public payroll. The third measure is the one based on services of general interest used by Cambridge Econometrics in 2013 which this study considers as representing an upper limit on the public share of employment (see Annex 1).[14]

Figure 14: Share (%) of public sector employment using NACE-based proxies, EU28, 2013



Source: EU LFS (authors' calculations).

In 2013, 29.7% of all EU workers worked in services of general interest, of which:

- 25% were in the three main publicly funded sectors (public administration, health and education);
- 6.9% worked in core government functions (public administration, compulsory social security and health).

There is some correlation between the share of workers in services of general interest at country level with GDP per head, reflecting, in particular, high income elasticity of demand for health services. Interestingly this is not the case for the public administration share where, for example, the Nordic Member States and the UK have among the lowest shares relative to other Member States.

Only Malta, out of the relatively new Member States, is among the ten countries with the highest shares of workers in services of general interest.

[14] With some small adaptations to reflect the availability of LFS data at three digit rather than four digit detail.

The highest shares were recorded in Sweden and Denmark while the lowest shares were in the two most recently acceding, and relatively poorest, Member States, Bulgaria and Romania.

It is also noteworthy that those countries requiring Troika programme assistance (Cyprus, Portugal, Ireland and Greece) or those that faced escalating sovereign debt financing costs in the euro crisis (notably Italy and Spain) tend to be in the lower half of the sorted country list in Figure 14 with comparatively small public service employment shares. This is not as a result of cuts in services of general interest employment in recent years. In fact, the opposite is the case. The share of such employment has increased in each country, and Spain, Ireland and Portugal have been among the countries recording the biggest increases as relatively fast destruction of private sector employment has led to increases in shares of employment in services of general interest of, respectively, 4.2, 3.8 and 3.9 percentage points. Each of these countries has modest services of general interest employment shares, despite these rapid recent increases.

Table 6: Employment shares and shifts in public services, 2008–2013

	Public administration				Public administration, health and education				Services of General Interest (CEEP mapping)			
	% share of total employment		ppt ch	% change employ-ment	% share of total employment		ppt ch	% change employ-ment	% share of total employment		ppt ch	% change employ-ment
	2008	2013			2008	2013			2008	2013		
AT	6.8	6.6	-0.2	-0.9	21.3	23.0	1.7	10.2	27.8	29.7	1.9	9.2
BE	9.7	8.5	-1.2	-10.8	30.9	31.2	0.3	3.0	38.9	38.5	-0.4	0.9
BG	7.0	7.8	0.8	-2.9	17.8	19.3	1.5	-5.4	26.1	28.1	2.0	-6.0
CY	8.0	7.2	-0.7	-11.1	19.2	19.7	0.6	0.8	24.0	25.0	1.0	2.2
CZ	6.3	6.4	0.1	-0.3	18.4	19.8	1.4	6.0	27.7	28.6	0.9	1.8
DE	7.2	7.0	-0.2	2.6	24.6	25.6	1.1	9.5	31.3	32.3	1.1	8.5
DK	6.0	5.9	0.0	-6.2	30.8	33.7	2.9	2.9	37.4	40.0	2.6	0.8
EE	5.8	6.9	1.1	12.0	19.7	21.8	2.1	4.7	28.4	31.0	2.6	3.3
EL	8.3	9.3	1.0	-11.1	20.4	23.1	2.7	-10.3	26.4	29.0	2.7	-12.8
ES	6.3	7.3	1.0	-3.7	18.2	22.0	3.8	-0.2	23.8	28.0	4.2	-2.8
FI	4.6	4.5	-0.1	-5.2	26.2	27.9	1.7	3.2	34.3	36.1	1.8	2.1
FR	10.3	9.0	-1.3	-13.5	29.6	30.0	0.3	0.6	36.8	37.4	0.6	1.1
HR	5.7	6.7	0.9	-0.9	16.9	20.6	3.7	3.6	25.7	30.1	4.4	-0.5
HU	7.1	8.8	1.6	25.0	21.6	23.7	2.1	11.2	30.6	33.3	2.7	10.6
IE	5.0	5.1	0.1	-8.5	22.3	25.9	3.6	4.0	28.0	31.7	3.8	1.6
IT	6.2	5.8	-0.4	-10.0	20.0	20.3	0.3	-2.9	26.0	26.8	0.8	-1.2
LT	5.5	6.2	0.7	2.2	21.9	22.5	0.6	-6.9	31.5	33.0	1.5	-5.2
LU	11.8	11.0	-0.8	10.2	30.2	30.3	0.1	18.3	36.7	36.1	-0.6	15.9
LV	7.7	6.9	-0.8	-29.3	20.6	22.8	2.2	-12.0	31.9	33.9	2.0	-15.5
MT	8.8	8.5	-0.3	6.9	24.8	27.2	2.3	21.0	34.6	35.8	1.2	14.4
NL	6.6	6.0	-0.5	-10.6	29.2	28.7	-0.5	-4.4	34.1	33.9	-0.2	-3.1
PL	6.2	6.8	0.5	7.1	19.1	20.6	1.5	6.0	27.4	29.0	1.7	4.5
PT	6.6	6.5	0.0	-13.7	19.0	22.7	3.6	3.4	24.0	28.2	4.2	1.9
RO	5.0	4.9	0.0	-2.1	13.3	12.9	-0.4	-4.0	20.4	20.0	-0.3	-2.9
SE	5.7	6.3	0.6	13.1	31.7	32.5	0.7	4.7	39.4	40.0	0.7	4.2

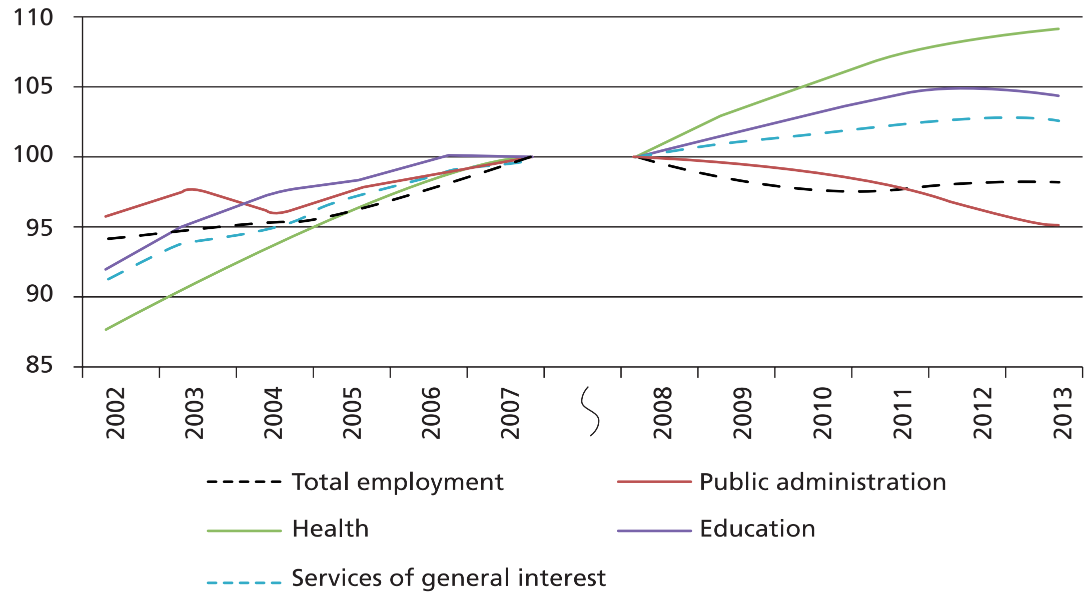
	Public administration				Public administration, health and education				Services of General Interest (CEEP mapping)			
	% share of total employment		ppt ch	% change employment	% share of total employment		ppt ch	% change employment	% share of total employment		ppt ch	% change employment
	2008	2013			2008	2013			2008	2013		
SI	5.7	6.0	0.3	-4.3	18.8	20.8	2.0	0.5	26.9	28.8	1.9	-2.5
SK	6.9	8.6	1.7	20.0	19.8	22.7	2.9	9.5	29.1	31.8	2.6	4.4
UK	7.1	6.2	-0.9	-11.4	28.4	29.8	1.4	6.7	35.5	36.7	1.2	5.0
EU28	7.1	6.9	-0.2	-4.9	23.5	25.0	1.4	3.3	30.4	32.0	1.6	2.4

Source: EU LFS (authors' calculations).
Note: ppt ch = percentage point change. E in data for IE, EL, CY, LU, SK (2009), NL, PL (2010), BE, BG, CZ, DE, PT and SK (2011), FR, NL and AT (2013) though none appears to affect substantively the estimates/estimated shifts.

Recent employment trends in the main public service sectors

Employment in services of general interest has increased by more than 2.5 million jobs since 2008 (around 4%) while total employment in the EU28 has declined by 2.6% (or 5.9 million jobs) in the same period. However, nearly all of the public services gain is accounted for by the growth of employment in education and, especially, health which, as has been observed, are two sectors with significant, and in many countries probably growing, non-public sector workforces.

Figure 15: Employment levels in public sector(s) and SGIs, EU28, 2002-7 and 2008-13 (2007/8=100)



Source: EU LFS (author's calculations). Note: 2002–2007 data based on NACE rev 1.1 and scaled 2007=100; 2008–2013 data based on NACE rev 2.0 and scaled 2008=100. Due to the NACE classification break in 2008, the individual sector categories are similar but not identical. Services of general interest is based on applying the CEEPs methodology for 2008–2013. For the period up to 2007, it is proxied by grouping together employment in health, education and public administration.

Employment in core government functions (public administration, compulsory social security and defence) has declined since 2008. As Figure 15 above confirms, the sharpest falls were recorded since 2010, in the aftermath of the peak phase of the global economic crisis, as policy shifted towards fiscal consolidation ('austerity') in many countries. Rates of employment increase have also tended to flatten out in health and education in the most recent two years, with a net decline in education sector employment recorded in 2012–2013. Over the five-year period, public administration headcount declined by 5% (about 800,000 jobs) and by more than occurred in overall employment in relative terms.

As the earlier data (2002–2007) indicates, these employment differentials between different public service sectors were already visible in the pre-crisis period. Public administration employment was continuing to grow up to 2007, but at more or less the pace of the total workforce. Its growth was slower than that of education and, especially, health.

Nineteen of the 28 Member States experienced declining employment levels in core government functions (see public administration in Table 6, below). The sharpest contraction took place in Latvia where nearly three in ten public administration jobs were lost (-29.3%). Other countries with large declines included France (-13.5%), where the previous administration instituted a policy of non-replacement of one in every two retiring public servants, the UK (-11.4%), where the Office of Budgetary Responsibility forecasts 1.1 million fewer general government jobs as a result of expected cuts to public spending between 2010–2011 and between 2018–2019, bringing general government employment back to levels not seen since the 1940s (Cribb et al, 2014), as well as most of the countries in Troika programmes or those that have come under sovereign debt financing pressures. Contrasting developments have occurred in the public administration sectors in two CEE countries – Hungary and Slovakia – with employment increases of 20%+ recorded since 2008.

In a context of declining overall employment, public administration job losses led to only a modest contraction in the sector's share of EU28 employment (from 7.1 to 6.9%).

As indicated in Figure 15 above, recent employment developments in services of general interest/ public services as a whole, have been quite different from those in the core government/public administration sector as a result of the relative resilience of employment growth in education and health. Nineteen of 28 Member States had higher levels of employment in services of general interest employment in 2013 compared with 2008 and, in only two (Belgium and Romania), has the share of overall employment in services of general interest declined. Some of the biggest increases in the share of employment in this sphere have been recorded in euro zone 'periphery' countries where employment trajectories in public and private sectors decoupled more markedly. In Spain, for example, the share of employment in services of general interest increased by more than four percentage points in 2008–2013. However, while employment in services of general interest declined, the decline was much more modest (-0.2%) than in the economy as a whole.

Public sector employment in Ireland 2008–2013

As already indicated, there is no EU-level data source that allows us directly to compare public sector employment across countries (being understood as employment where the state is the direct employer, has financial and management control over the employing organisation, and ultimately pays the employee's wages). At national level, such data are maintained. Table 7, below, compares EU LFS data for employment by sector in Ireland for the three main state-funded sectors (in the left panel) with Irish data (source: CSO EHECS, 2014) on public-sector employment in the same sectors.[15]

Table 7: Public services/sector employment data for Ireland, 2008–2013

	Employment count by sector (,000s)						% change 2008-2013	Public sector employment count (,000s)						% change 2008-2013
	2008	2009	2010	2011	2012	2013		2008	2009	2010	2011	2012	2013	
Public administration	104	106	105	101	99	95	-9	109	106	101	102	97	95	-13
Health	221	232	238	241	244	246	11	138	138	136	131	126	123	-11
Education	141	145	155	156	155	153	9	117	115	114	114	110	110	-6
Total	466	482	497	498	498	495	6	364	358	352	347	332	328	-10

Source: EU LFS, CSO EHECS.

The closest correspondence between the two sets of data relates to public administration employment levels. Both record employment declines (of 9%–13%) between 2008 and 2013 and the estimates converge in 2013 at 95,000 employees.[16] This is unsurprising, as nearly all public administration employment is in the public sector. For the other two main public service sectors, health and education, on the other hand, the estimates vary significantly and the sign of the trend in employment change also differs across the two data sources. As already observed, employment in health and education is predominantly public sector employment in most EU Member States, including Ireland, but with a sizeable minority of private sector workers. What appears to have happened in Ireland is that employment levels have continued to rise between 2008 and 2013 in both health and education but that this has coincided with a decline in the level of public sector workers in each sector. Growing health sector employment has become increasingly private: assuming broad comparability of the estimates from the two data sources, there was one private health sector employee for every public one in 2013 while, in 2008, the ratio was 0.6:1. Something similar has happened in education. One plausible explanation is that certain jobs/functions in both sectors have been outsourced to the private sector. In any case, net job creation in health and education in Ireland appears to be significantly positive in the private sector and significantly negative in the public sector. The combined total employment across the three broad sectors, which the Earnings, Hours and Employment Costs survey (EHECS) labels as 'total public sector excluding semi-state bodies', has increased by 6% according to the EU LFS but declined by 10% according to the EHECS data (CSO EHECS, 2014).

[15] The Earnings, Hours and Employment Costs survey [EHECs] is a business register-based survey whose main objective is to follow labour cost trends and only incidentally covers aggregate employment data. Public administration employment data from EHECs refers to the combined total for the following categories: civil service, defence, garda siochana (police) and 'regional bodies'. The EU LFS data are based on NACE divisions O, P and Q and derive from a different national data source (the quarterly national household survey). Both sets of employment estimates are based on the averaging of the quarterly estimates for each year.

[16] As the data derives from surveys with different objectives conducted using different sampling frames, some discrepancy between the estimates can be assumed.

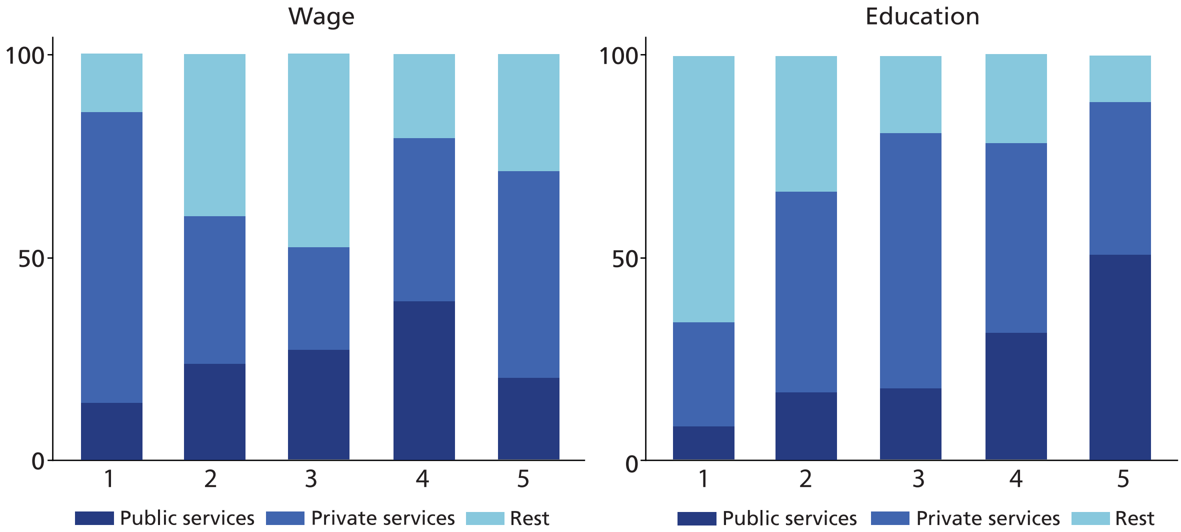
Qualitative implications of recent employment shifts in public services

In Eurofound's European Jobs Monitor, a jobs-based approach is used to describe recent employment shifts at Member State and EU aggregate level and to assess these shifts in terms of their implications for aggregate job quality. The approach involves:

- characterising a job as a given occupation in a given sector using standardised international classifications (ISCO for sector and NACE for sector);
- assigning jobs so defined to job quality employment quintiles based on some qualitative criterion (generally wage based but with secondary measures based on education/skill level as well as a broader, multidimensional job quality indicator based on the European Working Conditions Survey);
- describing the employment shifts by quintile in each Member State as well as the EU as a whole in a given period.

The jobs approach was pioneered in the 1990s in the USA by Nobel laureate Joseph Stiglitz and refined by Erik Olin Wright and Rachel Dwyer. The particular question that this earlier American work addressed – Was job growth being achieved at the expense of job quality? – has become more nuanced. The jobs approach has, in particular, been used to assess the extent to which developed economy employment structures are polarising, leading to a 'shrinking' or 'disappearing' middle, or upgrading in line with the predictions of 'skill-biased technical change'.

Figure 16: Distribution of public services employment (EU28, 2011q2) by wage/education quintiles



Source: EU LFS and Structure of Earnings survey (author's calculations). Quintiles based on job-wage rankings using 2010 SES and 2011 EU LFS data and on job-education rankings based on 2011 EU LFS data.

In Figure 16, above, employment in public services is skewed towards the higher quintiles, whether wage or education are used as ranking criteria.[17] The bias is much stronger in terms of education level, where public service workers account for half of all top quintile employment. By wage it is medium to high wage jobs in the second quintile where public service workers have the highest concentration. The main public service jobs tend to rank higher in terms of average education than average wage,

17 The left-most bar represents jobs accounting for the lowest 20% of employment as ranked in terms of unit wage or the average educational level of job holders; the right-most bar represents jobs accounting for the highest 20%.

reflecting mandatory qualification requirements and relatively low wages for a given level of educational attainment in many public service posts. The fact that the wage-ranking used is based on mean gross hourly wage, but excludes non-wage entitlements, is likely to be more significant for public service jobs (pension, health/social insurance) and may mean that some public service jobs are assigned to wage quintiles lower than an estimate of overall remuneration would indicate.

Table 8: Top ten employing jobs in the public service

Occupation (ISCO 2d)	Sector (NACE 2d)	Quintile		Employment 2013q2 (,000s)	% change 2011–2013	% change 2008–2010
		Wage	Education			
Teaching professionals	Education	4	5	9,640	-0.2	3.1
Health professionals	Human health activities	5	5	4,773	3.7	6.9
Health associate professionals	Human health activities	3	4	3,579	-5.4	5.4
Business and administration associate professionals	Public administration and defence	4	4	3,023	-5.3	-2.0
Personal care workers	Residential care activities	2	2	1,905	3.7	19.2
Personal care workers	Social work activities without accommodation	1	2	1,854	0.7	0.5
Protective services workers	Public administration and defence	4	3	1,808	0.7	0.7
Personal care workers	Human health activities	2	3	1,430	-1.3	-3.7
Personal care workers	Education	2	3	1,213	0.7	10.1
Business and administration profs	Public administration and defence	5	5	1,199	1.9	7.0

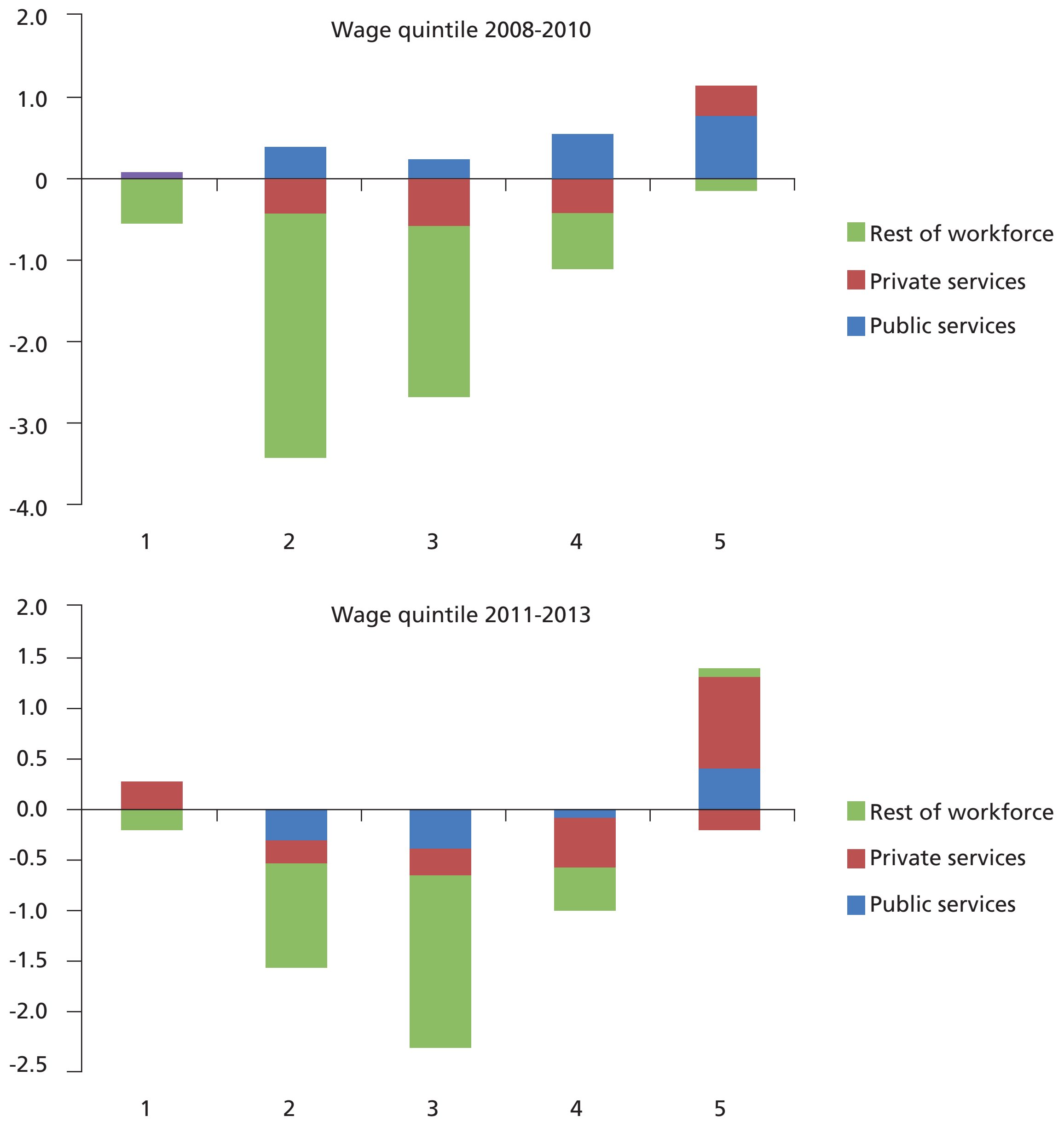
Source: EU LFS. Note: % change 2011–2013 refers to EU26 (excluding DE and NL due to occupation classification changes during the period). % change 2008–2010 refers to EU27 (excluding HR). Occupation titles are ISCO-08 and quintile assignments are based on job-wage rankings using 2010 SES / 2011 EU LFS data, on job-education rankings based on 2011 EU LFS data and employment weights based on 2011 data. Due to ISCO classification change in 2011, the % change in the 2008–2010 column refers, in most cases, to comparable but not the same occupation titles in the earlier ISCO-88 classification (such as business and administration professionals) – ISCO08 covers other professionals ISCO88).

The largest employing job, by some margin, is that of teaching professionals in education which accounted for over 9.6m jobs throughout the EU in 2013, a little less than 5% of total employment and around 19% of public service employment. This job is in the fourth quintile in terms of pay (mid-high paid) and in the fifth quintile in terms of education (highly educated) and so contributes significantly to the different employment distributions of public service employment, depending on whether job-education or job-wage is used as the ranking criterion.

Employment in this job contracted slightly (-0.2%) since 2011. Bigger employment contractions were observed in health associate professionals in the health sector (although some of this may relate to an upgrading of some associate professional positions to professional status), as well as in public administration middle managers ('business and administration associate professionals'). The biggest employment gains between 2011q2–13q2 were in the health professionals sector (although with the caveat mentioned in footnote 9) and among personal care workers in residential care activities (+3.7% in both cases). This type of job has been one of the fastest to expand, in relative terms, over the last decade reflecting the demands of our ageing societies.

During the peak period of the global recession (2008q2–10q2), employment in the main public service jobs actually grew quite robustly both relative to the subsequent 'austerity' period (2011q2–13q2) and especially relative to the rest of the labour market where around 5 million net job losses occurred (2.3% of total employment). Employment in the biggest job – teaching professionals in education – grew by 3.1%, while employment in the second biggest job, health professionals in the health sector, grew by 6.9%. Public services employment therefore served as something of a stabiliser during the peak crisis period.

Figure 17: Employment shifts (% per annum) by wage quintile in public and private services, 2008q2–10q2 and 2011q2–13q2



Source: EU LFS, SES (authors' calculations). Notes: based on quarter two data for each year; 2008–2010 are for EU27 (EU28 excluding Croatia) and 2011–2013 for EU26 (EU28 excluding Germany and the Netherlands due to occupational classification changes).

In Figure 17, above, it is obvious that developments in public services were quite different from those in the rest of the economy during 2008–2010. Positive employment gains were experienced across the quintiles for public services with the strongest gains in the top two quintiles. This happened at the same time as significant contractions in private services employment (except in the top quintile, well-paid jobs) and even sharper contractions in the remainder of the workforce. Public services were clearly a bastion of employment resilience during the early, most attritional phase of the global financial crisis.

The overall shape of employment shifts in the two periods was very similar: upward skewed polarisation with a contraction of employment in middle-wage jobs which was especially strong in 2008–2010. Each of the broad sector categories contributed to this polarisation, including public and private services, even if the biggest factor was the destruction of middle-wage employment (notably in construction and manufacturing).

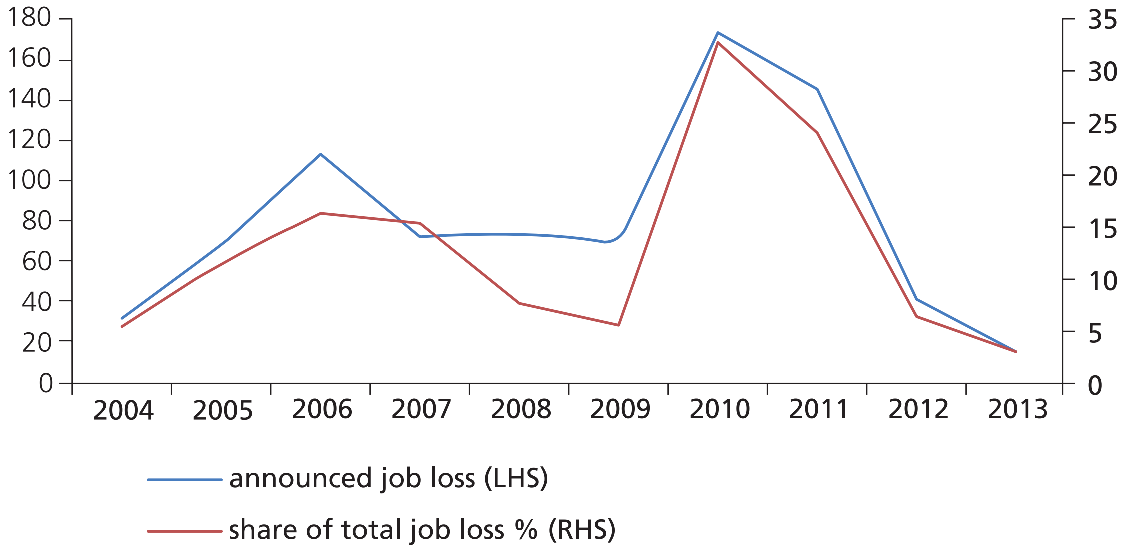
An important aspect of the polarisation observed during the crisis was the persistence of top quintile net employment growth, almost all of which was in services sectors. This relates to a longer-term, underlying structural shift in demand towards higher-skilled jobs (which are generally also higher paid, given the high correlation of wages and education/skill level). Within the top quintile, one can see clearly the shift post-crisis (2011–2013) from public to private services as the motor of growth in employment in high-paid jobs. At the same time, net job losses occurred in public services in jobs in the three middle quintiles during 2011–2013 where net gains had occurred during the peak crisis period. Since 2011, public services employment has fared relatively worse than that in private services. This is hardly surprising given the policy shift after 2010 to budgetary consolidation and public spending cuts in a context of rising post-crisis public debt levels.

Recent restructuring in the public sector – evidence from the ERM

While the ERM is the single best publicly available source of EU data on the employment impacts of large-scale organisational restructuring, when it comes to public sector restructuring, the data can be considered as only indicative. This is mainly due to the fact that one of the criteria of inclusion in the ERM is that the restructuring should start within nine months following the announcement. Moreover, ERM data are gathered through media announcements. However, public sector restructurings tend to operate on longer time-frames than those in private companies, to be implemented incrementally and are not always reported in the media. This means that ERM data from the public sector show only a fraction of what has been happening in reality. In addition, the ERM is about reported job creations or cuts. Public sector restructuring is less likely to involve the shedding of jobs and more likely to use instead other flexibility tools that serve as mechanisms to avoid redundancies, as will be discussed later. Another weakness is that the media follow-up of original announcements – highlighting the extent to which announced job losses/gains materialise – tends to be particularly weak when it comes to big public sector job loss cases, as is illustrated in Table 9 below.

Using the broad definition of public sector employment to encompass public administration, education and health (NACE divisions O, P and Q), there were 791 cases of public sector restructuring captured between 2002 and the end of 2013 (around 5% of total cases) with the large majority being cases of announced job loss (617, with 149 cases of announced job creation and 25 cases of mixed job creation/job loss). As public sector restructurings tend to be large, in terms of employment consequences, the 617 job loss cases accounted for 10% of the overall recorded decline in employment.

Figure 18: ERM announced job loss (,000) and share of total job loss (%) by year for the public sector (NACE O, P and Q), 2004–2013



Source: ERM.
Note: LHS = left-hand side; RHS = right-hand side

Figure 18, above, shows a wide variation in announced yearly public sector job losses in large-scale cases captured by the ERM, but with a strong peak in 2010–2011 coinciding with the renewed focus on fiscal retrenchment in those years following the initial policy of stimulus to counter the effects of the 2007–2008 global financial crisis. During the peak years of the crisis (2008–2010), the public sector accounted for a much smaller share of overall restructuring job losses as the private sector took the brunt of the impact. In 2012–2013, the public sector once again accounted for a comparatively low percentage of overall restructuring job losses (5%). That announced job losses have declined in 2012–2013 does not necessarily indicate declining rates of actual restructuring job loss in the public sector: as already noted, major public sector restructurings tend to be carried out over many years (up to seven years in some individual ERM cases) and many of those from the peak announcement period of 2010–2011 are currently in implementation.

Table 9: Large restructuring cases in the public services, 2008 Q1 to 2014 Q2

Announcement date	Organisation	Job losses/ gains	Notes	Sector	Country	Type of restructuring
5 December 2008	British public service	3,400	HMRC, the government department responsible for tax collection, is to cut 3,400 jobs and close 90 offices across the UK. The decision is part of a wider efficiency programme following the merger of the Inland Revenue and Customs and Excise.	Public administration	UK	Internal Restructuring
24 June 2009	French public service	16,000	The Ministry for National Education and Vocational Training has announced plans to cut 16,000 jobs among teachers in French secondary schools across all regions of the country.	Education	FR	Internal Restructuring
12 May 2010	Department of Education	1,000	The new teaching jobs have been approved because of a substantial increase in the number of students. A further 1,000 teaching posts expected in 2011.	Education	IE	Job creation

Announcement date	Organisation	Job losses/ gains	Notes	Sector	Country	Type of restructuring
13 May 2010	NHS Greater Glasgow and Clyde (GGC)	1,252	Scotland's largest health board will cut its workforce by 1,252 by 2013. NHS GGC has said the reductions will be through natural attrition, not compulsory redundancies, and are part of its £350 million plans to modernise and redesign their services.	Health	UK	Internal Restructuring
11 August 2010	Romanian **public service**	50,000	Job losses as a result of the restructuring in local public administration. Enforcement of the Government Emergency Ordinance no. 63/2010, published in the Official Journal no. 450 on 2 July 2010.	Public administration	RO	Internal Restructuring
01 November 2010	Health Service Executive (HSE)	5,000	HSE has announced an early retirement/ redundancy package designed to cut the number of clerical, administrative and support staff by 5,000 by the end of 2010.	Health	IE	Internal Restructuring
04 October 2011	Czech public service	8,000	Across all ministries, departments, government organisations and state institutions in order to cut public spending.	Public administration	CZ	Internal Restructuring
11 January 2012	Hungarian public service	6,719	Around 40% of job losses are to take place in the Ministry of Public Administration and Justice. Reduction of state budget deficit cited as reason. Unions criticised the lack of consultation prior to the announcement.	Public administration	HU	Internal Restructuring
21 January 2012	Polish Police Force	5,100	Recruitment to take place in several stages from March to November 2012.	Public administration	PL	Job creation
06 September 2012	German public service	10,000	The Federal Employment Agency Bundesagentur für Arbeit (BA) intends to shed 17,000 posts by 2016 in order to save €750 million in administrative costs. The job cuts shall be achieved by natural attrition and by a freeze on hiring new staff.	Public administration	DE	Internal Restructuring
17 June 2014	Greek public service	6,500	The Greek government announced plans to cut 6,500 public service jobs until the end of 2014. In total 15,000 public sector jobs were lost in 2013 and 2014 as part of the austerity measures agreed with the country's international lenders (IMF, EU and ECB).	Public administration	EL	Internal Restructuring

Source: ERM.

Given the methodological limitations of ERM data for public sector restructuring, this study aimed to verify and complement the data in a qualitative way by means of a comparative analytical exercise. A structured questionnaire was distributed among Eurofound's Network of European correspondents, asking them to comment on the occurrence and nature of current restructuring in the public sector, following the crisis in their respective countries.[18] The results are depicted in the map in Figure 19.

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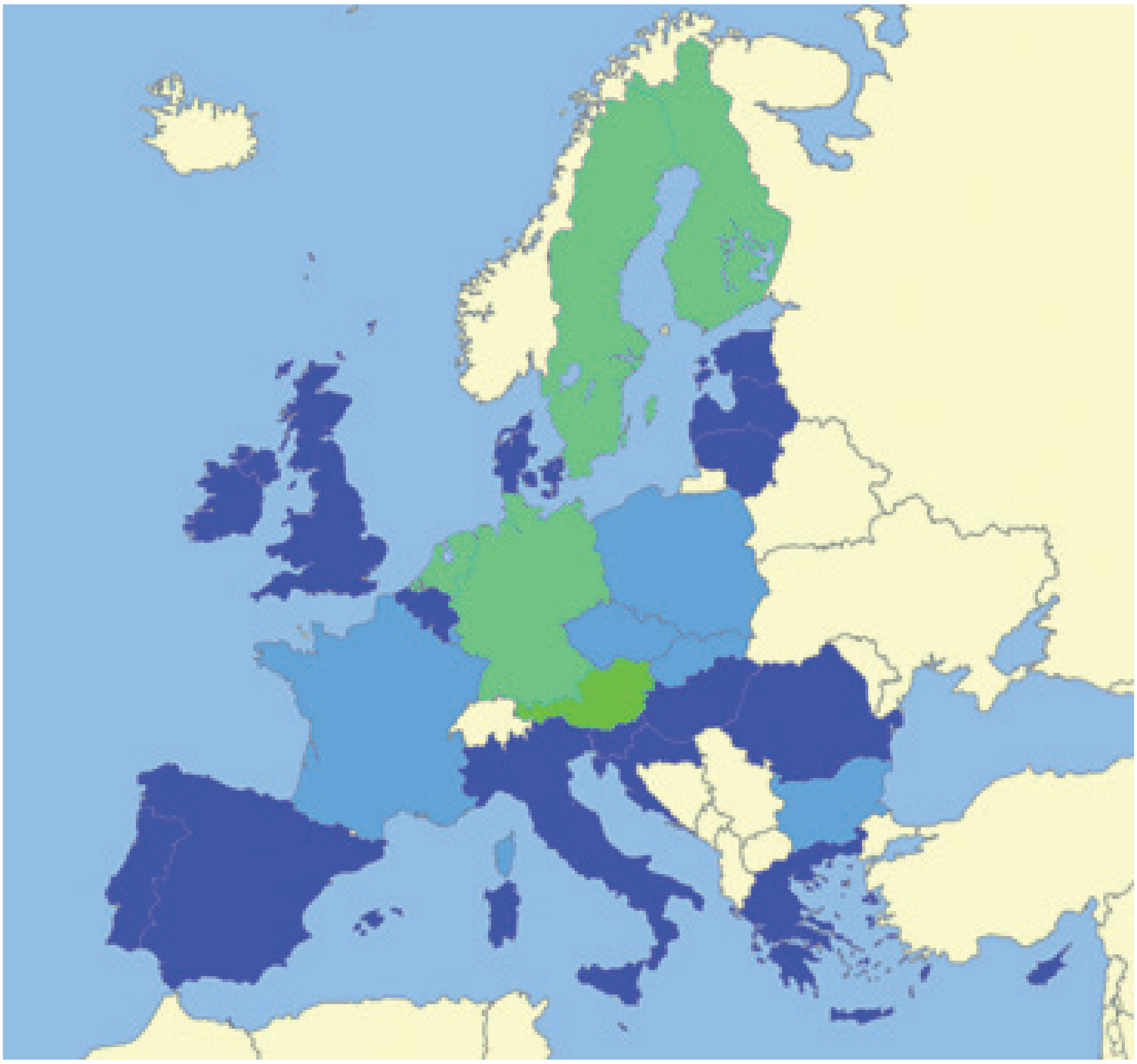
[18] The questionnaire is available from Eurofound upon request.

Figure 19: Public sector restructuring following the crisis



■ (value 2): Major restructuring in the public sector following the crisis
■ (value 1): The crisis accelerated ongoing public sector restructuring
■ (Value 0): No major restructuring observed

Source: Contributions from Eurofound's Network of European correspondents, unpublished.

As will be detailed in the coming chapter, the economic and financial crisis cannot be interpreted as the sole initiator of the public sector reforms as a general trend for the whole EU. However, the countries shown in shades of blue on the above map represent those where there is either:

- a general programme of public sector reform or restructuring in place;
- specific initiatives for a section of the public sector;
- a category of public employees that is to an extent crisis-related.

This covers almost all of the EU Member States except Sweden, Finland, Germany, partially Hungary, Luxembourg and the Netherlands. It is important to underline that, with the exception of Luxembourg, in all the mentioned countries there have been major public sector reforms implemented in the 1990s and early 2000s (Eurofound, 2013b). This could be interpreted as indicating that significant reforms in the public sector undertaken in the past were among reasons for these countries to weather the fiscal debts and deficits better during the current crisis. However, as the latest data from the Netherlands suggest, new adjustments may come later, especially at local level, in 2014 (Vaughan-Whitehead, 2013). It might also be necessary, depending on the severity of the problems of shrinking revenues and high public deficit and debt, to undertake significant reforms again, although this has been the case in 1990s and 2000s, for example in the UK (Grimshaw, 2013). Some countries (indicated with lighter blue colours on the map) are characterised in this context by their commitment to public sector reform before the crisis, for instance through the New Public Management adjustments (which rely on a more-market oriented approach); however, the recent global financial and economic crisis has accelerated the implementation of this long-term reform agenda. France, Poland, the Czech Republic and Bulgaria can be considered as belonging in this category.

3 Motives for restructuring in the public sector

As mentioned in the introduction, the motives for restructuring in the public sector are often quite different to those in the private sector. In particular, the primary reason for job loss in the private sector is a lack of product or service demand. This is very seldom the case in the public sector. Indeed it may often be that, when there is a decline in overall demand in the economy, the demand for many public services increases. Cost reductions, efficiency drives and ideology (or perhaps rather different understandings of the economic rationale of the public service provision) are the primary drivers of public sector restructuring. More recently it could be argued that demographic ageing and possibly even information and communication technologies have potentially more immediate consequences for public sector restructuring. It is, of course, highly likely that by far the most important driver of public sector restructuring in Europe since the advent of the Great Recession in 2008, is the perceived need to reduce government debt. This is largely borne out by reports from Eurofound's correspondents as presented in Table 10 below and it is highly likely that the economic motivation category in the table is also driven by budgetary concerns.

Table 10: Drivers of recent restructuring in the public sector, by EU Member State

	Budgetary/ Fiscal consolidation		Economic/Modernisation*	Demographic	Political**
	Internal	External			
BE	x		x	x	
BG	x		x	x	X
CZ			x		
HR	x	x	x		
DK	No major restructuring				
DE	x				
EE	x		x		
IE	x	x		x	
EL	x	x			x
ES		x			x
FR			x		
IT	x				
CY		x			
LV		x	x		
LT	x		x		
LU	No major restructuring				
HU			x		x
MT		x			
NL	No major restructuring reported at national level but continuous restructuring at local level				
AT	x		x		
PL				x	x
PT		x			
RO	x				
SI	x				
SK	x		x		
FI			x		
SE	No major restructuring				
UK	x		x		x

* Economic/modernisation entails making public service delivery more efficient including New Public Management (NPM) reforms

** political motives include redesigning the role and power of the state in service delivery and using alternative service delivery methods such as outsourcing.

Source: Contributions from Eurofound's Network of European correspondents; Vaughan-Whitehead, 2013.

Impact of austerity measures

As seen above, restructuring in the public sector has, to a large degree, been driven by the worsened state of public finances. Table 11, below, shows that state budget deficits increased since 2007 in every Member State up to 2009–2010 and, with the major exception of Greece, have come down quite rapidly since then. The aggregate public debt level in 2013 was 87.1% of GDP, almost half again in excess of the 60% maximum threshold for public debt in the Stability and Growth Pact. However, it is important to underline that the main reason behind the worsened fiscal position of most Member States (and especially so in the worst hit Member States, with the exception of Greece) since 2007 was primarily due to the banking crisis and not to excessive public expenditure pre-crisis. While it is not feasible to put a precise figure on the specific contribution of various factors to the current levels of debt, Tagkalakis (2013) indicates that the impact of the banking crisis was decisive.

The economic debate around the impact of debt on growth has been intense in both academic and political circles. Broadly speaking, the stance taken by most Member States was initially to incur debt in order to parry the shock of the rapid fall in demand in 2008 and 2009, as in the European Economic Recovery Plan adopted by the European Commission in November 2008. By 2010 the intense concerns about the viability of the euro became the top priority with the understanding that it could be best defended through the curtailing of deficits and debt as originally set out in the Maastricht criteria. Subsequent legislation strengthened the compliance mechanism for deficits and debt which was enshrined in the Fiscal Compact Treaty of 2012. The data presented in Table 11 show that when public debt grew at the beginning of the crisis employment levels at first increased or were stable and then, with fiscal consolidation after 2010, public sector employment started to decline.

Table 11: Central government deficit/surplus as % of GDP as defined in the Maastricht Treaty

	2007	2008	2009	2010	2011	2012	2013
EU28	-0.9	-2.4	-6.9	-6.5	-4.4	-3.9	-3.3
AT	-0.9	-0.9	-4.1	-4.5	-2.5	-2.6	-1.5
BE	-0.1	-1	-5.6	-3.8	-3.8	-4.1	-2.6
BG	1.2	1.7	-4.3	-3.1	-2	-0.8	-1.5
CY	3.5	0.9	-6.1	-5.3	-6.3	-6.4	-5.4
CZ	-0.7	-2.2	-5.8	-4.7	-3.2	-4.2	-1.5
DE	0.2	-0.1	-3.1	-4.2	-0.8	0.1	0
DK	4.8	3.2	-2.7	-2.5	-1.9	-3.8	-0.8
EE	2.4	-3	-2	0.2	1.1	-0.2	-0.2
EL	-6.5	-9.8	-15.7	-10.9	-9.6	-8.9	-12.7
ES	2	-4.5	-11.1	-9.6	-9.6	-10.6	-7.1
FI	5.3	4.4	-2.5	-2.5	-0.7	-1.8	-2.1
FR	-2.7	-3.3	-7.5	-7	-5.2	-4.9	-4.3
HR	-1.9	-1.9	-5.4	-6.4	-7.8	-5	-4.9
HU	-5.1	-3.7	-4.6	-4.3	4.3	-2.1	-2.2
IE	0.2	-7.4	-13.7	-30.6	-13.1	-8.2	-7.2
IT	-1.6	-2.7	-5.5	-4.5	-3.7	-3	-3
LT	-1	-3.3	-9.4	-7.2	-5.5	-3.2	-2.2
LU	3.7	3.2	-0.7	-0.8	0.2	0	0.1
LV	-0.7	-4.4	-9.2	-8.2	-3.5	-1.3	-1
MT	-2.3	-4.6	-3.7	-3.5	-2.7	-3.3	-2.8
NL	0.2	0.5	-5.6	-5.1	-4.3	-4.1	-2.5
PL	-1.9	-3.7	-7.5	-7.8	-5.1	-3.9	-4.3

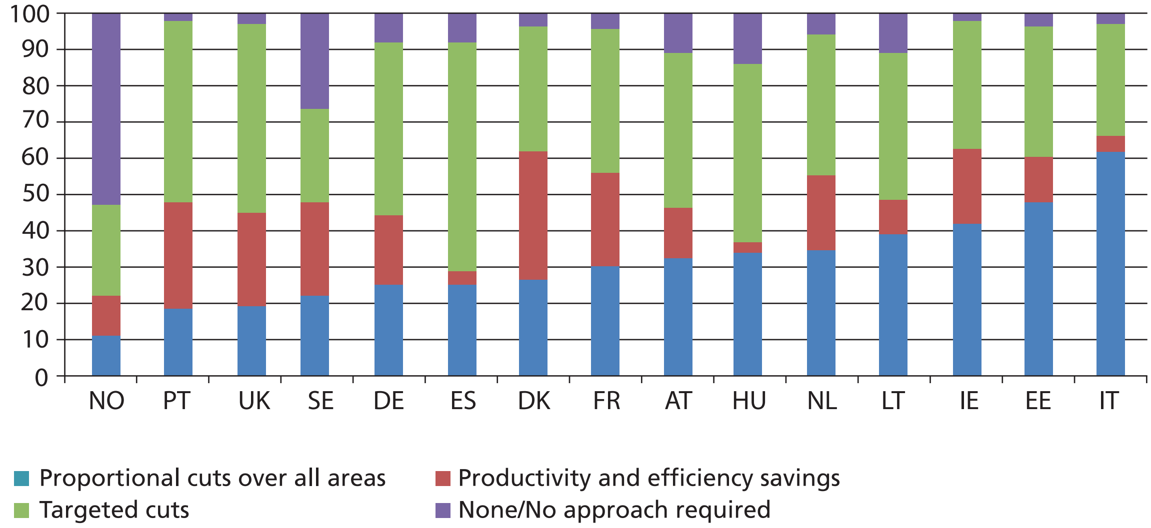
	2007	2008	2009	2010	2011	2012	2013
PT	-3.1	-3.6	-10.2	-9.8	-4.3	-6.4	-4.9
RO	-2.9	-5.7	-9	-6.8	-5.5	-3	-2.3
SE	3.6	2.2	-0.7	0.3	0.2	-0.6	-1.1
SK	-1.8	-2.1	-8	-7.5	-4.8	-4.5	-2.8
SL	0	-1.9	-6.3	-5.9	-6.4	-4	-14.7
UK	-2.8	-5	-11.4	-10	-7.6	-6.1	-5.8

Source: Eurostat.

Table 11 above shows that deficits peaked at just below 7% of GDP around 2009 and 2010 and dropped in most Member States quite rapidly down to 3.3% by 2013. Initially the reduction was largely achieved by reduced social and other expenditure and subsequently by a reduction in the public sector wage bill (wage levels, hours and headcounts). This occurred not only in the euro zone but in other Member States and indeed outside Europe itself.[19] Quite naturally, as underlined in an ILO/EU Commission study (2013), the type of adjustments, as well as their extent, varied considerably among Member States. The severity of the crisis and whether such reforms were introduced even before the recent crisis played a role in this differentiation, confirming the findings from the qualitative mapping exercise presented in Chapter 2.

The COCOPS Project published, in 2013, a comparative study of fiscal consolidation measures in Europe, where, based on a survey of senior public sector executives in 17 European countries, it is shown that cutback measures were applied in many EU countries during the crisis, summarised in Figure 20 below (Kickert et al, 2013). In the survey, public sector executives were asked to respond to the following question, 'In response to the fiscal crisis, how would you describe the broader approach to realising savings in your policy area?'

Figure 20: Response to fiscal crisis: broad or targeted public sector cuts? (%)



Source: COCOPS 2012–2013
Note: NO = Norway.

[19] OECD (2011) points out that public sector salaries and benefits were cut across several OECD countries, for example in the USA, Japan, Iceland, Canada and Australia.

The Eurofound study summarised in Table 10 showed that the majority of Member States reported that fiscal consolidation had a major role in public sector restructuring in recent years. As expected, this was particularly the case for the IMF-EC-ECB (Troika) programme countries: Greece, Cyprus, Ireland, and Portugal, but also Spain and, to a limited extent, Latvia in 2008 following the insolvency of the third largest commercial bank Parex (Eurofound, 2013b). For some others like Germany, Austria or arguably France, even though the crisis did not hit the national economy very severely, national policy makers have been urged to have a closer look at the public sector expenses and introduce reform programmes, mostly at local level. In Austria, for instance, a 'fiscal consolidation package' for 2012 to 2016 that was introduced with the aim of saving around €2.5 billion, included:

- hiring freezes plus a mobility package;
- wage freezes and moderate wage increases;
- internal restructuring measures that would yield additional savings (Eurofound, 2013b).

It is relevant to note that while some countries, such as the Netherlands or Poland, reported either no major restructuring or no effect of austerity measures at a national scale, there has subsequently been a number of prominent restructuring cases even in these countries. In September 2012, the Dutch government announced total cuts in the governmental sector amounting to €2.5 billion affecting the budgets of ministries, provinces and local municipalities (Eurofound, 2013b). Following this announcement, there have been many restructuring announcements in the media. On 20 February 2014 the municipality of Amsterdam announced it would cut at least 900 jobs in the next two years due to budget cuts by the central government (ERM Fact sheet Gemeente Amsterdam, 2014). Likewise, in Poland, the ERM captured several job reductions in the education sector, announced by the local governments in the second half of 2013, where one of the reasons cited was a reduction in the budget for the Ministry of National Education (ERM Fact sheet Kraków Local Government, 2013). The Ministry of Education and the Polish Teachers' Union estimate that around 7,000 teachers may be made redundant (Eurofound 2013b) nationally in the coming years, not least due to these and other foreseen austerity measures.

Impact of reforms and efficiency drives

Before the outbreak of the economic crisis of 2008–2009 and the initiation of austerity measures, there had already been pressure on the public sector to deliver 'more with less' along the lines of the New Public Management (NPM) doctrine in many Member States. The New Public Management implies a more market-oriented approach, an increased empowerment of management and more focus on performance monitoring. It has often been advocated by international organisations such as the OECD, which views the introduction of competition and management by objectives as crucial (OECD, 2013). More recent development in the efficient management of public services has primarily focused on the introduction of ICT to move from 'face-to-face' service delivery to e-platforms.

In Hungary, an ongoing public sector development programme was launched in 2011, which envisaged changing the organisational structure of ministries, as well as introducing a new career path model for government officials (Eurofound, 2013b). In Bulgaria, restructuring in the public sector has been going on since the late 1990s; however, the process has been rather incremental. During the years of economic growth and stability, in 2003–2008, the restructuring programmes were not thoroughly implemented. Subsequently, an 'initiative for optimisation of state administration' was introduced in 2010, which aimed to merge some structures and reorganise the functions of some institutions by introducing new roles and performance appraisal systems for public sector employees, together with some measures to reduce personnel costs (Eurofound, 2013b). Similarly, in the Czech Republic, a 'smart administration strategy' has been in place since 2008, the main aim of which is to promote e-government in the provision of public services (Eurofound, 2013b).

There is, however, the perception that the crisis has altered the initial content of New Public Management type of reforms across Europe and changed the focus of reform, from efficiency gains to budget savings. Some fragmented evidence from this report's comparative analytical exercise supports this. In France, for instance, after a long period of stability in public administration, a general programme on revision of public policies was launched in 2007, with three main objectives:

- adapting public service delivery to citizens' needs;
- making more efficient use of the HR capital of the public sector;
- creating a more flexible budgetary structure (Eurofound, 2013b).

However, the new government in 2012 replaced this programme with the Public Action Modernisation scheme, which aimed to keep the number of jobs steady and to limit indirectly public expenditures mainly through reorganising public departments (Eurofound, 2013). The programme involves wage freezes, performance-related bonuses and non-replacement of those who retire. In Latvia, an Optimisation Plan was launched in 2009 within the framework of the Economic stabilisation and growth programme that was focused on cost-saving measures, together with increasing efficiency and state control (Eurofound, 2013b). In some Member States the change in the focus of such reforms was much more significant. In Portugal, for example, the PRACE programme (*Programa de Reestruturação da Administração Central do Estado*) from 2005, which aimed at restructuring and rationalising the public sector through New Public Management principles, was replaced in 2011 by the Central Administration Restructuring and Modernisation Plan (PREMAC), the main focus being to reduce expenditure permanently, rather than structurally improve efficiency that manifested itself as a series of mainly quantitative adjustments aiming at substantial cuts in wages, promotions and employee headcount (Eurofound, 2013b; Rego and Neumann, 2013).

It must be underlined that public sector efficiency is a highly contested issue. While, ideally, one should expect restructuring decisions to be taken on the basis of a full cost-benefit analysis, such exercises are extremely complicated and, by necessity, somewhat imprecise with appreciable room for different interpretations that may be coloured by quite different political preferences and ideologies. For example, in Hungary, the change of government in 2010 brought significant changes to how the public sector is organised and a strong move towards state control was introduced within the public sector, leading to many reforms of centralisation (Eurofound, 2013b). Also, in the UK, the extensive outsourcing and privatisation of services in recent times has been interpreted as being driven by the political considerations of the Conservative Party (Grimshaw, 2013). Finally, in Spain, during a period of the Socialist government rule, public sector employment increased by 10.2% between 2007 and 2011 (Eurofound, 2014).

Demographic factors

The demand for public services, particularly the major employment sectors of health and education, is very strongly related to demographic structure. Education services are primarily for the young, and the major part of health and care expenditure is devoted to the elderly. Even the supply of these services has important demographic dimensions as public services employ generally older people and, in particular, more women than the private sector. Migration flows have also important demand and supply implications for public services.

The ERM has several cases of demographic factors causing public sector restructuring. As mentioned above, the local government in Kraków announced in July 2013 plans to reduce employment in the local schools by 585 jobs: 420 teachers and 165 other employees in the education sector (ERM Fact sheet Kraków Local Government, 2013).

This, it was claimed, was due to lower pupil cohorts coming though the education system. In Ireland, on the other hand, the ERM reports a case of job creation in the same sector, as shown in Table 9. In Latvia and Estonia, high levels of emigration have resulted in decline in the demand for services which affected local government employment levels (Eurofound, 2013). Likewise, in Bulgaria, a large-scale restructuring programme for public hospitals was introduced in 2009 that is still on-going – partly motivated by the declining demand for healthcare services, especially in some small cities due to emigration and population decline (Eurofound, 2013b).

Population projections indicate that there is likely to be a significant shift in the composition of the Irish population – perhaps the most significant challenge to the public finances over the medium to long term. The coming decades are associated with an increasingly ageing population, with the share of the population aged 65 years and older expected almost to double by 2060. This, in tandem with the projected contraction in the share of the working age population, will contribute to an increase in the old-age dependency ratio: by 2060 there are expected to be fewer than two people employed for every person over 65 years, as compared with today's ratio of almost 4:1.

While many discussions of demographic change are concerned with 40 or 50-year time horizons, projections also indicate that there are likely to be notable shifts in the composition of Ireland's population over the next decade or so. By 2021, older people are projected to account for about 16% of the population compared with 12% in 2011. This is a significant shift in a relatively short time. It is anticipated that this trend will continue: by 2031 older people are projected to account for about one fifth of the population with the share of people aged 85 years or older doubling.

In Slovakia, high emigration among qualified medical staff to other Member States since 2004 resulted in a shortage of qualified labour and new legislation that made it possible to offer new forms of employment contracts for additional work paid on an hourly basis in the public health sector to meet demand for services (Eurofound, 2014).

In the decades to come it is certain that demographics will be crucial in determining the demand and supply of public services. Anticipation of these changes, in terms of forecasting demand is feasible, as are labour demand estimates of the replacement demand in a public sector with an above average age profile (Cedefop, 2010). The other main future driver of the demand for public sector employment is technology, both medical technology and an expected very widespread application of ICT in all aspects of public services. This is considerably more difficult to predict.

Processes and actors 4

Just as the motives for public sector restructuring differ from those in the private sector, so do both the processes enacting restructuring and the actors involved. In both these respects, the principal characteristic is that the public sector is inherently much more political. Not least welfare services and education, which are extremely important matters for their clients (who make up the entire electorate). Thus all political parties and other interest groups see such matters as being of common concern. Similarly, the social partners, regardless of their sector affiliation, have a wider interest in the welfare services part of the public sector.

The industrial relations context is also quite different. The particular nature of employment contracts was mentioned in the previous chapter as was the fact that, in all Member States, trade union density is often appreciably higher in the public than private sector. However, it is the dual role of the state as legislator and ultimately the employer (the precise nature of which can vary significantly between Member States and sector), that truly distinguishes the entire public sector in the context of processes and actors. The distinguishing feature of recent public sector restructuring, in terms of processes and actors, is the impact that the financial crisis and the economic governance of the euro has had on the levels of public debt and deficits.

While it may be difficult to link this governance precisely to specific cases of public sector restructuring, it is reasonable to assume that it has had some general impact. The impact is of course clearer (but still far from conclusive) for the Member States that received loans from the European Commission, the European Central Bank and the International Monetary Fund.

As underlined in the previous chapter, the rationale for public sector restructuring is more complex and affects a wider range of factors than in the private sector, where the profitability of a single company is the main driver. This, together with the requirements of the political process (including possibly new legislation and public budgetary decisions), would suggest that all likely costs and benefits for all involved parties, including alternative scenarios, should be presented in an objective and transparent way before decisions are taken (Vaughan-Whitehead, 2013). International literature shows examples of organisations from Sweden and Canada that went through major public sector restructuring in the 1990s where making ex-ante programme reviews provably led to both meeting increasing efficiency targets and generating maximum amount of savings (OECD, 2011). Such well documented assessments should also be an important element in explaining the often complex restructuring rationale for the employees which IRENE (2013) shows to be of particular relevance to public sector restructuring. Finally, many of the distinguishing factors of public sector restructuring mentioned above, such as the high level of job security, the need for political decisions (possibly legislation) and the broad range of stakeholders may lead to a much longer implementation period in a publicly owned organisation compared with the restructuring of a private enterprise. The fact that union density is relatively high can both speed and/or delay the process.

Financial agencies

As austerity measures have been the main driver behind recent restructuring in the public sector across many Member States, it is not surprising that, in many cases, there has been an increased empowerment of finance departments (Kickert et al, 2013). In some Member States, bodies or agencies have been established with the specific remit to implement or to track the implementation of the reform programmes. For example, in Ireland, the department of public expenditure and reform (DPER) was established in order to manage the reform delivery process. In Spain, a new body, the Commission for the Reform of the Public Administration (CORA) was established with the remit to plan and administer the public sector restructuring agenda (Eurofound, 2013b). In Greece, based on a presidential decree in 2011, the Ministry of Interior, Decentralisation and e-Governance was renamed as the Ministry of Administrative Reform and e-Governance and appointed to implement and monitor the public sector reforms (Eurofound, 2013b).

In a few other Member States, new independent institutions were established, or existing ones empowered, to oversee the implementation of the ongoing public sector reform. To illustrate, in France, in order to facilitate the implementation of the Public Action Modernisation (MAP) programme, the government has created a new General Secretariat for Public Action Modernisation (SGMAP) which has the mandate to monitor, assess and suggest measures for the interdepartmental committees (Eurofound, 2013b).

However, these developments were not just due to the economic crisis. An OECD report shows that the number of independent specialised budgetary research units increased remarkably in the previous decade (OECD, 2008). The existence of such mechanisms might be helpful in ensuring the planning and smooth implementation of such processes in many ways. First of all, they provide institutional checks against budgetary assumptions (OECD, 2011), then they ensure that governments stick to reform agendas (Vaughan-Whitehead, 2013). They may even give the key stakeholders, not least the affected employees and the public, some trust that change is being implemented in a systematic manner. There is comparative evidence across western Europe that an increase in managerial autonomy while reforming public institutions results in an improvement in the management processes in general, as long as efficient communication with both political and public stakeholders about the implementation process is maintained and any bottlenecks dealt with by involving these stakeholders (Dan, 2013).

International actors

One particular characteristic of the recent restructuring, especially for Member States that received financial support from the European Commission, the European Central Bank and the International Monetary Fund, was that they were mostly driven by the economic adjustment programmes drafted by these organisations. National governments in Greece, Portugal, Cyprus and Ireland then transformed the programme into national austerity policies with limited room for adjustment. Table 12, below, shows the content of these programmes with relevance for the public sector.

The role of international actors in shaping the reform agenda of the public sector at Member State level was not limited to these programme countries. For instance, Croatia has gone through major restructuring recently within the framework of EU accession reforms (Franicevic and Matkovic, 2013). Malta restructured national airlines and ports following the 2011 recommendations of the EU Commission on how to minimise its excessive spending (Eurofound, 2013b).

Table 12: Guidelines to restructure public workforce based on economic adjustment programmes for programme countries

Greece, 2010 *(1st Economic Adjustment Programme for Greece)*	Reduction of public employment /Rule of 1 recruitment for every 5 exits. Introduction of a unified statutory retirement age of 65 years, including for women in the public sector
Greece, 2012 *(2nd Economic Adjustment Programme for Greece)*	Reduction of public employment /Rule of 1 recruitment for 5 exits (1:10 for state-owned enterprises). Reduction of public employment by 150,000 from the end of 2010 to the end of 2015 (22% of the public labour force). Pre-retirement scheme. Potential enactment of temporary hiring freezes, control and limit of hiring, elimination of vacant positions. Transfer of 15,000 staff to a labour reserve in the course of 2012, following the identification of entities or units that are closed or downsized (mandatory separations once their time in the labour reserve has been exhausted).
Ireland, 2010*	Reduction of public service employment numbers through natural attrition and voluntary schemes (2011–2013)
Portugal, 2011	Limit staff admissions in public administration to achieve annual decreases in 2012-2014 of 1% per year in the staff of central administration and 2% in local and regional administration (partial replacement and increased mobility across the administration). Central administration: Reduction of management positions and administrative units (at least 15%). (Q4-2011) Local administration: Reduction of management positions and administrative units (at least 15%). (end of 2012)
Cyprus, 2013	(*Action Taken Prior to the Signature of the MEFP*) Reduction of public sector employees by at least 4,500 during 2012–2016.

*According to the Post-Programme Surveillance for Ireland report (2014), a reduction in the level of public services may be required for further savings despite the ongoing public service reform initiatives.

Source: Compiled based on DG ECFIN Occasional Papers Nos. 61, 76, 79, 94, 149, European Commission.

Role of trade unions

Although well-established social dialogue systems, backed up with high union membership, are inherent in the public sector in most of Europe (at least in the EU15), there have been many criticisms about recent restructuring programmes being implemented without the involvement of the social partners (European Commission, 2013). Moreover, as pointed out by IRENE, there is a lack of concrete knowledge on how to deal with the possible negative effect of restructuring for employees, which is partly due to the lack of previous experience of such processes (IRENE, 2013). However, while the comparative analysis and case studies in this report show that this happens to be the case for many countries, there are some examples where employee representatives were directly, or indirectly, involved at least in the implementation phase of restructuring.

Quite naturally in the programme countries, and to some extent in Latvia and Romania, public sector reform measures had to be implemented under extreme external pressure. This certainly did not leave much room for consultation and negotiations, and imposed pressure on the social dialogue tradition in the public sector in many countries (European Commission, 2013b; Eurofound, 2013c).

Public sector trade unions initially showed little opposition to austerity measures, only later protesting, as was the case in Latvia (Eurofound, 2013). In Greece, Portugal, Cyprus or Spain, in spite of the initial good intentions to try to involve social partners in the reform process, in the end major changes were imposed by the enactment of specialised legislation or emergency decrees (European Commission, 2013b) which led to much criticism and mass protest actions.

Given the circumstances of austerity it is understandable, from a government's perspective, to implement, as quickly as possible, cost-saving measures; this also means that many of the implemented changes were not acceptable to employee representatives, which most probably hampered their effective implementation. As underlined by the IRENE Network, many public sector employees affected saw little or no linkage between their restructuring case and the financial crisis, yet their work was seriously affected by decisions not even directly taken by their employers. This made these restructuring decisions even less understandable and acceptable for them (IRENE, 2013).

One of the enablers for successfully implementing major public sector austerity measures in Ireland recently is acknowledged to be the Croke Park and Haddington Road Agreements signed by all involved parties (DPER, 2014), see text box below. Such a consensual approach in the implementation of austerity measures also paid off in terms of mitigating the immediate negative effects of such changes on the affected workforce in Italy, at least in some local authorities (Bordogna and Neri, 2012). For instance, in the municipality of Sesto San Giovanni (near Milan), the externalisation of the services delivery process indirectly imposed by austerity measures was significantly slowed through unions' interventions and through consultations about other ways to save costs, such as selling public buildings. In some small and medium sized municipalities in Emilia Romagna and Modena, negotiations with the unions resulted in the reorganisation of working time schedules for municipality employees which led to significant cost reductions (Eurofound, 2013b).

Reform in the Irish public sector

The Croke Park and Haddington Road Agreements were negotiated between public sector unions and the Irish government and outlined a programme of substantial public sector reforms to be implemented over 2010–2016. The main objective of the agreements for the government was to secure savings in the public sector pay bill in a context of the rapid post-crisis deterioration of public finances in Ireland and to do so while maintaining industrial relations 'peace'. From a public sector union perspective, the main strategy has been to seek to minimise planned reductions in public service headcount, pay and entitlements for public sector employees in exchange for work flexibility and guarantees that no compulsory redundancies will take place.

Public sector employment in Ireland is characterised by high security and high levels of collective representation.

The main provisions of the Croke Park Agreement were:

- no further reductions in wages, additional to those applied in 2009–2010 (see Annex 3) (this was revised in the subsequent Haddington Road Agreement);
- no compulsory redundancies as long as public servants were flexible about redeployment;
- the pensions of public servants who retired on or before 29 February 2012 would be based on pay levels prevailing before the introduction of the 2010 pay reductions;
- a review of public sector wages was to be carried out every spring following the agreement.

The Croke Park Agreement was replaced by the Haddington Road Agreement (2014–2016) that included similar commitments in terms of avoiding redundancies in exchange for an increase in weekly working hours without extra compensation, and the introduction of work-sharing measures and adjustments to the original redeployment schemes. The Haddington Road Agreement also provided for graduated pay reductions for public servants with annual earnings in excess of €65,000.

An implementation body was set up to monitor the roll-out of the Croke Park Agreement. In its final report in July 2013, the Croke Park Agreement implementation body estimated total pay and non-pay savings of approximately €1.8 billion arising from the agreement.

Source: Department of Public Expenditure and Reform (DPER, 2014); EIRO, 2014.

In countries less affected by austerity the picture of the role and impact of social partner involvement in recent public sector restructurings is mixed. In some Member States where there was an established collective bargaining tradition as in Germany, Sweden, Finland and Denmark, social dialogue can also be said to have played an efficient role in the recent adjustments (European Commission, 2013). An example of this was reported from Saarland, Germany; this state (*Bundesländer*) had to introduce the 'debt break programme' recently in order to reduce the structural budget deficit.[20] Accordingly, a round-table discussion, as well as various working groups for different pillars of reform, were set up in the assessment phase of the restructuring. While it was decided that 2,400 jobs should be cut in the initial round of negotiations, later on a consensus was reached that 40% of all vacant positions should not be filled and that all positions should be critically assessed with regards to the feasibility of merging them. These efforts eventually led to wage and career promotion budget increases thanks to greater savings than previously envisaged, achieved by work-sharing measures, according to participating trade unions (Eurofound, 2013b).

In some other Member States, consultation has taken place but the effects on the outcome of the reform are unclear. For instance, in Belgium, changes in working conditions in the public sector in 2012 were initiated by negotiations with the relevant trade unions. In general, such negotiations should result in a protocol, which provides guidance to the decision-maker but is not legally binding. Therefore, although in a recent protocol on the career reform in the public sector the trade unions declared that they did not agree with some of the proposals, the Council of Ministers approved the reform with minor changes without paying much attention to the unions' contributions (Eurofound, 2013).[21]

In Hungary, the Czech Republic and Slovenia, unions were quite critical about recent public sector programmes and their involvement. According to a recent report by the Alliance of Public Sectoral Trade Unions from Hungary, it was stated that, in spite of all their efforts to represent public employees' interest, social dialogue had not been functioning during 2009–2013 and they had very little influence on major issues affecting the public sector workforce such as wage levels and pension regulations (Eurofound, 2013b). In Slovenia, following the unilateral adoption of the Act on Balancing Public Finances in 2013, public sector trade unions sued the government for the annulment of certain measures within the programme, which led, in some cases, to public sector employees being paid holiday bonuses for the preceding year (Eurofound, 2013).

Role of citizens

A particular characteristic of public sector restructuring, especially for sections delivering services of general interest, is that one of the most prominent stakeholders affected is the target audience: the

[20] Debt Break is a fiscal consolidation programme introduced by the Federal Government of Germany in summer 2009, which limited federal and regional states' expenditures with the aim to reach a balanced budget by 2020.

[21] Protocol 685 of July 10, 2013.

citizens. Ideally, restructuring practices should involve them in the process, if possible at an early stage, in order to avoid negative consequences to access and quality of public services.

A couple of case studies conducted within the framework of this project show that the successful implementation of planned restructuring is greatly dependent on how involved the citizens were in the anticipation process. A case study from Buckinghamshire health services in the UK concerns a relatively complicated restructuring process involving the merger of several healthcare service providers in the same region due to financial constraints and concerns for efficiency. According to respondents, this could be smoothly achieved in a very short period as those implementing the restructuring programme always prioritised the community's interest while planning the whole process. During the planning stage, a public consultation was undertaken which included a survey, as well as public meetings regularly held to inform the community about several proposals for change. Several features of the initially designed restructuring plan were removed because public consultation showed they were unpopular. This led not only to a higher level of acceptance for change among the community but also to higher levels of awareness of the implemented changes. In another example, from the Swedish Trollhättan Municipality, many service lines including education and healthcare had to be restructured following the bankruptcy and closure of SAAB Automotive. This major restructuring was carried out smoothly because, according to respondents, the Municipal Council was involved in the process from the beginning.

Role of ex-ante impact assessments

In most cases across the EU, recent public sector restructuring decisions were taken as a result of yearly or multiannual spending reviews. Such reviews showed the need to save, and therefore led to concrete plans on how to restructure the workforce in order to deal with the budget deficits at different levels. Before the crisis, it had been common practice in the public sector for such evaluations to be outsourced to external consultants. Post-crisis, at least in some Member States, and often within the framework of austerity measures, using external consultancy services was limited as in the example of Italy (Eurofound, 2013b) or the UK (Graham, 2011). Instead, in most cases, targets were set in a top-down approach by the central government, and regional and local levels had to then accommodate at a later stage this decision by planning some workforce restructuring that would result in the dictated budget savings. As it was entirely left up to the individual public sector entity to deal with the workforce implications of the spending settlement taken at central level (Eurofound, 2013b), this gave the individual public sector entity the freedom to develop ideas in order to mitigate the negative consequences of cut-back management for employees and citizens as much as possible, as exemplified in the majority of case studies conducted for this report (see Annex IV).

For instance, in Germany, in 2009, a new debt brake was enacted and all federal states were urged to reach a balanced budget by 2020, which led to various measures such as job cuts, recruitment freezes, cuts in remuneration of specific groups of civil servants and outsourcing of some services in four Bundesländer: Saarland, Schleswig-Holstein, Berlin and Bremen (Eurofound, 2013b). In Romania, every May fiscal budget strategies are introduced which provide some ceilings for annual fiscal and public spending including personnel costs. According to the Strategy for 2013–2015, suggestions included reducing the number of employees by ensuring a 1:7 replacement ratio as well as a 25% reduction in salaries, allowances and other payments to public sector employees (Eurofound, 2013b). It is interesting to note that, while such decisions based solely on government reviews on fiscal balances might be useful, they may fail to reflect the whole picture on the effects of public workforce restructuring. For instance, in Slovenia, the Act on Balancing Public Finances, introduced in May 2012, aimed to reduce the public sector pay bill by 1% each year, based on which a reduction strategy was put in place. However, the measures were taken without evaluating thoroughly the workforce dynamics: hence, the number of employees was reduced by 2.7%, exceeding the target set. This was partially explained by the high number of older employees who were due to retire – this had not been factored in for the ex-ante calculation (Eurofound, 2013).

In the case of programme countries, where restructuring programmes were decided with the involvement of international actors, very few such evaluations were carried out. The measures taken were rather reactive and lacked a clear roadmap, due to the need to abide by the conditions for the loans. Targets and measures have been changed and modified often in some cases, as in Greece. As shown in Table 12, large-scale fiscal adjustment and consolidation packages were introduced first in 2010 and then in 2012, each of which either introduced new cuts or modified the previous targets significantly (Eurofound, 2013b). In Portugal, some of the targets set by the original Plan for the Reduction and Improvement of the State's Central Administration (PREMAC) programme such as reducing central administration employment by 15% was largely exceeded, with an actual reduction of 40% (Rego and Neumann, 2013).

Restructuring in a UK healthcare trust

The Better Healthcare in Bucks (BHIB) restructuring programme in Buckinghamshire, UK was initiated in January 2012 following an anticipation phase that lasted more than eight months. During the planning stage, the Buckinghamshire Healthcare NHS Trust, the management authority in charge of the organisation, engaged a broad spectrum of stakeholders in order to discuss and evaluate potential scenarios for restructuring that would lead to improved service quality, efficient work organisation and long-term cost reductions. Among those involved were patients, employees of the health institutions, members of the public, and Oxford and Buckinghamshire National Health Service Cluster Board members. Following a series of meetings, six different proposals for change were drafted and evaluated. The proposal that proved to be the optimal solution based on ex-ante evaluations was selected and was sent for review to the National Clinical Advisory Team, which comprises clinical experts who support, advise and guide the local NHS on restructuring services. In addition, a public consultation for restructuring was initiated, which included a survey and some public meetings held in order to inform the public and engage their support for restructuring. The results of the consultation process were incorporated in the final restructuring plan.

The BHIB programme achieved a large-scale merger of two healthcare institutions and the redeployment of around 450 employees in a rather short period. The restructuring was completed smoothly in the allocated time and many of the targets set were met. According to respondents, one ingredient of success was the time and effort dedicated to initial assessments which helped to anticipate upcoming challenges and adjust the restructuring plan accordingly.

Based on the input from national correspondents from many Member States it can be concluded that recent public sector restructurings were undertaken within very tight schedules. This was particularly the case in Troika programme countries, but also in the Baltic states that went through substantial reforms in 2008–2009.

Public sector institutions had to implement many changes within a very short period of time without much planning in order to comply with the saving objectives dictated by the central government as soon as possible. This led, according to the case studies, to unforeseen bottlenecks throughout the implementation process, as well as overload for the employees. Temporary problems in service delivery occurred due to the bottlenecks. Moreover, since implementation task forces in each public sector institution were so busy 'doing the transformation' within the tight time schedule, there was less time left to engage employees and document what was done, what worked and what did not work that well.

Restructuring practices 5

Introduction

The previous two chapters have underlined the distinguishing characteristics of public sector restructuring, in terms of its drivers and processes and actors. Many of these dimensions have always been present, such as:

- employment security;
- high union density;
- the dual role of the state;
- the wide range of interested parties (and so its political dimension);
- the complexity of making sound, wide-ranging economic and social decisions.

For at least a decade, the particular relevance of demographic ageing and the incorporation of information and communications technology into public service provision have added further complexity. In even more recent times, the dire state of public finances in many Member States, and implications of this for the stability of the euro have led to deeper European concerns about public spending and to strengthened governance tools. They have also led to a decline in employment in parts of the public sector, particularly public administration, not experienced in decades (if indeed ever). In the programme countries (and a few others with spiralling public debt) it led to far reaching and intense restructuring throughout the public sector. This chapter examines how this restructuring was carried out, both by presenting some representative data and by pointing to methods that, if not best practices, are interesting and deserving of some consideration.

OECD (2011) mapped instruments that have been used by public authorities while restructuring in the last couple of decades. Such instruments were classified under three main pillars:

- structural and organisational reforms (including privatisation and outsourcing);
- budgetary instruments (including ad-hoc budget cuts realised through wage and working-time reduction);
- human resources management instruments (including job cuts/redundancy programmes, recruitment freezes, early retirement programmes and redeployment provisions).

It was a common practice to use a combination of several instruments for many OECD countries.

This report, in line with other research, shows that, since the outbreak of the current crisis, as with previous experiences, a mixture of what can be referred to as 'quantitative adjustments' on pay and headcount, combined with human resource flexibility measures with a direct or indirect aim of mitigating compulsory job losses, were applied across the EU. Examples of such adjustments which were applied at a macro level (central or federal government level) are summarised in Table A2 in Annex 3. In addition, again similar to past restructurings, outsourcing or alternative methods of service delivery were also very common in many Member States.

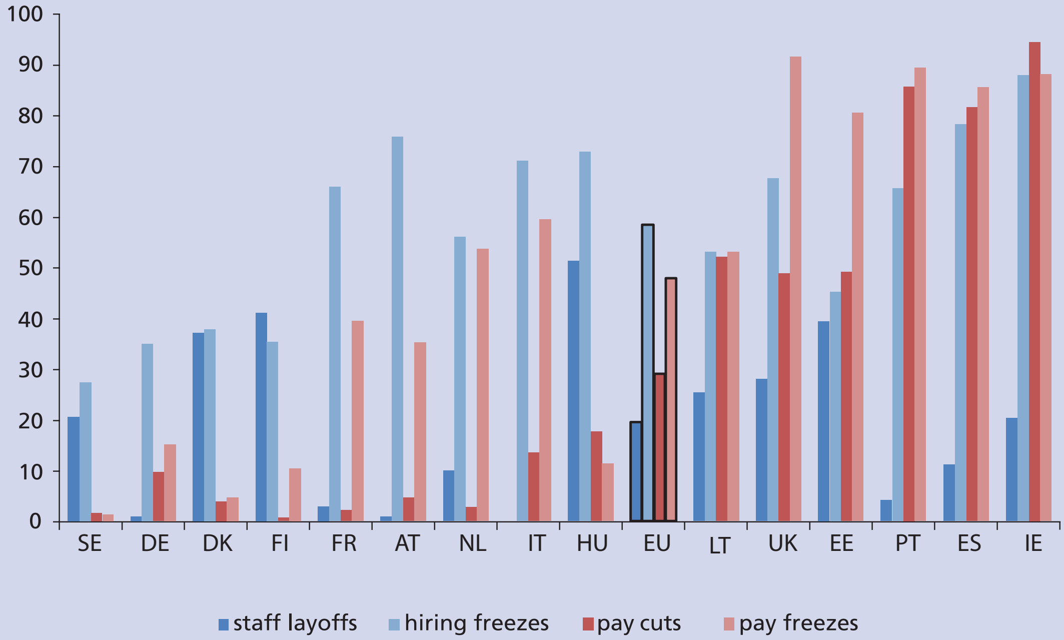
There are, however, some new approaches in comparison with previous experiences reported by the OECD. In some Member States, the quantitative adjustments necessitated legislative changes concerning the contractual status of the public sector workforce towards that of general labour law as applied in the private sector. This entailed a weakening of public sector job security. Another prominent development has been the introduction of alternative ways of recruiting contractual staff, mainly in the sectors such as education and healthcare where meeting increasing demand for services required additional human resources and the austerity targets prevented institutions from hiring employees under the usual public sector contracts. Finally, shared service models, labour pools and job sharing practices have been introduced at least in some Member States along the lines of that which has been previously applied in the private sector. The rest of this chapter reviews the use of each of these measures, supplemented by concrete examples from several case studies.

The results of the COCOPS project provide a very useful overview of restructuring practices based on interviews with public sector executives, as discussed in the box below.

Current restructuring practices – views of public sector executives

One of the three main sections of the COCOPS survey questionnaire focuses on public sector reforms during the fiscal crisis and offers us a picture of how reform measures varied from country to country. It shows the extent to which different policies – pay cuts/freezes, headcount reductions, early retirement, hour cuts – have been implemented in different countries in order to reduce or limit the growth of the public sector pay bill.

Figure 21: Share of senior public sector executives by country, indicating extensive recourse to specific cutback measures in response to the fiscal crisis (%)



Source: COCOPS descriptive data files. %s are those indicating 6 or 7 in a Likert scale where 1 = 'not at all' and 7 = 'to a great extent'. Countries are sorted by average % across the four measures.

Figure 21, above, shows the extent to which numerical flexibility or pay flexibility measures were implemented 'in response to the fiscal crisis'. There are some interesting points:

- Countries where the fiscal crisis hit hardest tended to be those in which senior public sector executives indicated the most extensive recourse to measures limiting the public sector pay bill. Two of the four programme countries – Ireland and Portugal – as well as Spain feature at the top of the list for public sector pay cuts or pay freezes and near the top of the list for hiring freezes. Sweden and Germany, on the other hand, two Member States where the annual budget balance has never sunk much beyond -1% feature at the lower end for most measures, suggesting much less urgency in reducing the public sector pay bill.
- There is a hierarchy in the prevalence of measures which appears to reflect greater political acceptability of, for example, hiring freezes over staff layoffs and of pay freezes over pay cuts.
- Cross-country variation is much greater in the pay flexibility measures than the numerical flexibility measures (staff lay-offs and hiring freezes). Pay flexibility was much more likely especially in the programme countries, Spain, the UK and the Baltic countries and was much less likely to be reported in the Nordic countries and Germany.
- Recourse to staff lay-offs is the most idiosyncratic of the four measures in its reported incidence across countries and seems largely uncorrelated with the other three measures. Levels are relatively high in the Nordic countries and relatively low in those economies most affected by the crisis – Greece, Ireland, Italy, Portugal and Spain.[22]
- The expert respondents were also asked about the relative importance of 15 public sector 'reform trends' such as privatisation, e-government and open/transparent government initiatives. A significant finding was that the typical 'new public management' reforms such as privatisation, flexible employment and contracting out were less likely to be considered important (see Table 13 below) while measures more associated with a network-oriented understanding of government – cooperation among public sector actors, digital e-government as well as transparent open government - were considered of greater importance (Hammerschmid et al, 2013).
- Public sector downsizing was considered the most important reform trend in five Member States which, in part, reflects the timing of the survey (2012–2013, the euro zone and sovereign debt crisis with widespread discussion of deficit reduction and public spending cuts). Among the larger Member States, downsizing was considered relatively important in all except Italy. It was also considered important in the Netherlands, Ireland and Estonia and Lithuania.

[22] Pay freezes are included under the heading 'pay flexibility' as these were, in most cases, real pay reductions.

Table 13: Importance of different public sector reform trends by country

Country/ reform trend	Public sector downsizing	Citizen participation methods	Creation of autonomous agencies/ corporatisation	Contracting out	Focusing on outcomes and results	Extending state provision into new areas	Treatment of service users as customers	Collaboration and cooperation among PS actors
AT	4.5	3.8	3.57	3.4	5.26	3.57	5	5.38
DE	5.23	4.35	3.24	3.81	5.03	3.43	4.79	5.13
DK	4.98	3.66	2.69	3.29	6.02	4.45	4.71	5.3
EE	5.5	4.76	3.71	3.77	5.28	4.79	5.26	5.8
ES	5.08	3.39	2.83	3.72	4.04	2.93	4.6	4.56
FI	4.02	4.31	2.3	3.82	5.94	2.61	5.69	6.15
FR	5.57	2.96	3.66	3.48	4.36	2.7	3.84	4.4
HU	5.13	3.08	2.57	2.86	4.67	3.99	5.1	4,83
IE	5.88	3.58	2.93	4.35	5.49	3.22	4.89	5.25
IT	4.46	4.03	3.06	3.48	3.38	4.82	4.55	4.6
LT	5.21	3.28	2.38	3.94	5.1	4.1	5.16	4.52
NL	5.45	3.86	3.66	4.4	5.54	3.43	4.74	5.52
PT	4.5	4.84	2.69	3.36	5.99	3.34	5.62	6.27
SE	4.68	4.17	2.39	3.66	5.5	3.73	4.91	5.55
UK	5.7	4.02	3.58	4.33	5.72	2.75	4.91	5.13
EU(15)	5.06	3.87	3.02	3.71	5.15	3.59	4.92	5.22

Country/ reform trend	Internal bureaucracy reduction	Flexible employment	Privatisation	Digital or e-government	External partnerships and strategic alliances	Mergers of government organisations	Transparency and open government
AT	5	4.35	2.44	5.11	4.49	3.83	4.82
DE	4.9	4.47	2.68	4.9	4.3	3.43	4.68
DK	4.61	3.41	2.5	5.83	4.62	4.02	5.37
EE	5.11	5.11	2.03	5.62	5.37	3.86	5.64
ES	4.84	3.32	3	5.17	3.98	3.79	5.05
FI	5.63	5.3	2.59	6.06	5.35	4.1	6.21
FR	3.77	3.05	2.13	4.56	3.39	4.26	3.43
HU	3.88	2.4	1,54	4.03	3.99	4.14	4.5
IE	4.76	4.17	2.69	5.11	4.43	4.23	5.15
IT	4.85	4.93	3.85	5.7	4.29	4.23	5.42
LT	3.66	3.43	1.69	4.44	3.28	3.89	4.48
NL	5.24	5.03	3.02	5.1	4.86	4.4	5.43
PT	6.28	4.67	2.53	5.91	5.19	4.81	6.38
SE	5.63	4.29	2.66	5.19	4.56	3.64	5.92
UK	4.99	4.69	3.19	5.31	5.12	4.06	5.5
EU(15)	4.88	4.17	2.57	5.2	4.48	4.05	5.2

Source: COCOPS senior public service executive survey 2012-2013. Note: Mean scores of Likert scaled question where 1 = 'not at all' and 7 = 'to a large extent'. EU15 is unweighted country average. Green square indicates lowest score per country, red square indicates highest score per country.

Important cross-country differences may relate to administrative culture and the different phasing of reforms as well as the variable impact of the crisis on public spending in each country. Focusing on outcomes and results is most prominent in the UK, the Netherlands and Denmark and is indicative of developed performance management norms in these countries. Contracting out of functions, while considered one of the less important reform trends overall, continues to be important in the UK, the Netherlands and Ireland – suggesting relatively low constraints on the outsourcing of public sector services. Privatisation was considered important in Italy, reflecting the comparatively recent withdrawal of the state's involvement in many sectors. Flexible employment is considered important in Estonia, the Netherlands and, to a lesser extent, in the UK and Germany, but is of less importance in France, Spain and Hungary.

Quantitative adjustments on wages and working time

Wage freezes/reductions

As was mentioned above, the most common way to reduce the public sector pay bill in many Member States has been wage freezes or reductions. While, in some Member States, the latter was enacted by simply cutting a percentage of wages across the board, in some others abolition or modifications to pay bonuses, overtime entitlements or extra benefits for only a group of public employees were introduced.

Table A2 in Annex 3 provides an overview of such adjustments that were undertaken post-crisis in each Member State.

Cuts in public transport company in Portugal

The Portuguese government approved the Stability and Growth Programme 2010–2013 that targets considerable savings and efficiency gains by reorganising public institutions in order to comply with the Troika 'Memorandum of Understanding on Specific Economic Policy Conditionality', signed in May 2011. This manifested itself, in many layers of public sector institutions, as major workforce restructurings. For example, Carris, a public transport company in the state business sector, is one of many public institutions that introduced headcount and wage reductions, not least in order to address the high debt levels. Regarding wage reductions, cuts between 3.5% and 10% were introduced for those employees who had a gross monthly salary equal to or higher than €1,500. In addition, overtime payments were reduced by 50% if overtime necessitated working at weekends or on bank holidays. Interestingly, the reduction in overtime was compensated for by those employees that were called back to work in 2012 after being granted early retirement in 2007.

Changes to working time

Eurofound's mapping exercise (mentioned above) confirms that, looking at the post-crisis period, while adjustments to working time were introduced in around half of the EU Member States, the direction of these adjustments was varied. In some countries, weekly working hours were increased, a trend especially prevalent in the programme countries. This meant up to five extra hours as in the case of Portugal (from 35 to 40 hours without extra compensation) (Rego and Neumann, 2013). In Cyprus, the working time arrangements were made more flexible within the framework of restructuring (Eurofound, 2013b).

In Ireland, the measure of increase in weekly working hours (net working weeks of 35 hours or fewer increased to 37 hours; net working weeks of more than 35 hours increased to 39 hours) in combination with planned productivity increase measures within the framework of the Haddington Road Agreement are estimated to add 15 million working hours annually across all sectors of the Public Service (DPER, 2014). Increasing weekly working hours have extended beyond the programme countries: in Hungary, for instance, the obligatory number of classes and hours to be spent in schools for teachers were increased without any extra compensation (Eurofound, 2013b). Such a measure was taken to ensure cost reductions but also the smooth delivery of public services given the increase in demand due to the crisis.

Interestingly, in the Baltic Member States and Romania, the direction of working time adjustments was the opposite. Changes to working week were introduced, mostly for a temporary period in terms of 'unpaid leaves' or 'reduced working time', along the lines of the short-time working schemes that have been prominently used in the private sector especially in the first years of the crisis (Eurofound, 2010). For instance, in Romania, in order to reduce personnel expenses by an average of 15.5% every month in the last quarter of 2009, the management of public institutions had to offer either 10 days of unpaid leave per month to each worker, or a reduction in the daily number of working hours, or a combination of both (Eurofound, 2013b). In a few other cases, changes in the working time were introduced on a permanent basis in terms of the reduction in the number of annual leave entitlements.

Regional restructuring in Spain

MAR Health Park is a public consortium of two hospitals and several small health centres, with approximately 3,000 employees, in Barcelona. The Spanish economy has been severely hit by the crisis and this has manifested itself in rocketing unemployment rates, a decline in national GDP and an increase in public deficit. Linked to these unfavourable economic conditions, public expenditure in the health-care sector started to decline from 2009 onwards. From 2010, a major restructuring process within the public sector was introduced across the country, which then spread to autonomous communities as outlined in the 'Framework Agreement with the Autonomous Communities for the Sustainability of Public Financing' approved in June 2010. The Framework Agreement obliged the autonomous communities to draw up a rationalisation plan with the objective of reducing expenditures and increasing efficiency. This was followed by a Royal Decree 8/2010 of 20 May, which adopted extraordinary measures for reducing the public deficit, including a 5% reduction of the salaries of employees in public administration. The Regional Government of Catalonia therefore had to manage with a shrinking budget to be allocated to each public sector institution within the autonomous community. For this reason, the public budget of MAR Health Park was reduced by around €15 million; 5% less than the previous year, in 2012.

The management prepared a plan which included an adjustment of employee levels based on 194 dismissals, leading to significant cost savings. The MAR Consortium has a diverse and pluralist works council representing six major trade unions within the region. Following the announcement of the dismissals, the management and the workers' representatives started negotiations to agree on a new plan to reduce HR related costs while avoiding redundancies as much as possible. As a result, and based on the Royal Decree 2/2009 (March 2009) which promoted the use of internal flexibility measures, instead of 194 dismissals, 78 temporary suspension of work contracts for a period of 16 months was agreed, which would lead to the desired cost reductions at least for the years of 2011/12. It should be noted however, that, since 2012 (third additional provision of Royal Decree Law 3/2012 and Law 3/2012) the temporary suspension of work contracts is permitted only for public companies or public entities mostly financed by market income.

These 78 employees were selected first on a voluntary basis and then respecting proportions of staff in several functions at different departments. The restructuring process also necessitated a temporary adjustment of working conditions in terms of annual leave planning and the elimination of special leaves. Social partners agreed to monitor the remaining employees who might be interested in a temporary suspension during the 16-month period, in order for them to replace the initially selected 78 employees so that they could go back to work earlier if they wanted to.

Quantitative adjustments on headcount

Job cuts/redundancy programmes

Recalling data presented in Chapter 2, employment in the public sector as a whole proved relatively resilient in the immediate aftermath of the crisis (2008–2010) but growth has tended to slow since 2011 in line with a renewed policy focus at European and national level on balancing public budgets. The surge in restructuring activity in public administration saw the share of ERM announced job losses in the sector rise from fewer than 10% in 2009 to above 25% in 2010–2011. Despite this overall picture, there are some significant differences between the three main public service sectors. The education sector has continued to grow (+5% employment growth since 2008), with the health sector growing even faster (+10%) but there has been a significant contraction of employment in the core government functions of public administration, compulsory social security and defence (-5%). These divergent paths have an important gender dimension as health and education are predominantly female-employing sectors while, in public administration, 54% of all employees are male. Sector composition effects in the public service have therefore tended to favour women over men, as has been the case in the economy as a whole.

In the last five-year period, employee headcount declined substantially in public administration across the EU28, and the majority of Member States experienced declining employment levels in core government functions although, traditionally, dismissals are rare, especially for this segment of the public sector. Accordingly, 19 of the 28 Member States experienced declining employment levels in public administration functions since 2008 with declines of more than 10% recorded in France and the UK among the larger Member States. In Latvia, almost one in three public administration jobs has been lost since 2008. This suggests that job cuts have been mostly achieved by natural attrition and that the contraction in public administration employment has been effected mainly through hiring restraints. This means that more than one third of public administration employees are now over 50 years old, a rise of 5.4 percentage points in the share of older workers since 2008.

Many Member States (such as Greece, Portugal, Romania, and France) have introduced replacement ratios (fixed ratios of hiring to replace employees who have exited a post). This ranged from one employee for two exits in France up to one employee for ten exits in Greece. In addition, in many Member States, positions filled with temporary-contract holders were cut when the contracts expired, as in the case of Croatia (Franicevic and Matkovic, 2013). Voluntary redundancy schemes were used based on age, gender or seniority (last in, first out).

Restructuring in Trollhättan Municipality (Sweden)

Although Sweden was not hit by the economic and financial crisis of 2008 as severely and persistently as some other Member States, SAAB Automotive, which has been the economic engine of the Trollhättan region, after decades of difficulties finally went bankrupt at the start of the recession. This led to major workforce restructuring in the Municipality of Trollhättan, due to declining municipal income tax collected from the residents of the community. Initially, 220 municipality employees were given redundancy notices; however, thanks to good social dialogue, well managed alternative approaches for restructuring and a grant from the national government, awarded to the municipality in 2010, the number was reduced to 42 employees. While 23 employees were made compulsorily redundant, the other 10 were offered severance pay or early retirement if they voluntarily opted for such schemes.

Phased/early retirement

Phased or early retirement schemes have been in place for many Member States for a long time and used as a way to adjust headcount prior to the recent crisis (OECD, 2011). The crisis, on the other hand, led to mixed policy responses as shown in Table A2 in Annex 3.

While, in some Member States, steps were taken to loosen the restrictions on early retirement for public sector employees, some went in the opposite direction and implemented reforms to increase statutory pension age such as Belgium, Germany, Greece and Denmark. In many central and eastern European Countries, where working beyond the pension age is a rather common practice, especially in education, some restrictions were introduced, such as the possibility of receiving an income and pension at the same time, as for example in the case of Hungary. Again, mostly in these countries, but also in southern Europe, while early retirement was often offered as an option, the employees were not much in favour of it, due to significantly lower levels of income granted after retirement.

In some countries, early retirement possibilities in the public sector have been often offered, in order to reduce overall staff costs. This, of course, sometimes just leads to a shift in costs to the national social security and pension scheme. To illustrate, the city council of Huelva, in Spain, had to reduce staffing costs, which initially was to be achieved through salary cuts. As an alternative, the trade unions raised the option of introducing an early retirement scheme from the age of 63 instead of the statutory age of 65 while granting them an incentive equal to 50% of net salary until they reached the age of 65. Once this was agreed upon, feasibility studies were carried out to estimate how much cost reduction such an option would yield. The city council estimated that this would lead to savings of up to €1,700 million; however, the effect such a plan would have on the costs to the Social Security system was not taken into consideration while doing this ex-ante evaluation, which can be then interpreted as rather misleading.

Phased retirement schemes are appropriate only when workforce demographics are suitable. For instance, in the merger of Sparta-Artemis municipalities in Greece, those employees without a permanent contract could not be retained. This group of employees was relatively young, around 40 years old on average. Once it became obvious that their contracts could not be renewed, those with sufficient years of service were offered early retirement with a minimum pension. For around seven employees however, it was not legally possible to offer early retirement and they became unemployed.

Voluntary exit plan in Cyprus

The Municipality of Nicosia faced major cuts in government grants in 2012. In order to ensure a smooth delivery of services with a shrinking budget, the municipality implemented several measures to reduce operating expenses and staff costs. These included:

- a recruitment freeze;
- limiting overtime costs;
- reducing business travelling costs;
- introducing labour pooling among several sites.

In addition, a voluntary exit plan with one-off wage compensations until retirement was offered to employees who were over 62 years old (three years earlier than the statutory retirement age). It was decided that the positions vacated by those taking the early retirement option will not be filled. Generally speaking, legislation in Cyprus allows public servants to take early retirement without penalty at the age of 62; where the restructuring plan differed was the incentives in terms of extra payments until the age of retirement.

As can be observed in Eurofound's Restructuring Support Measures, in Cyprus, the redundancy fund, administered by the Department of Social Insurance Services of the Ministry of Labour and Social Insurance, provides a financial reserve both for private and public entities that need to restructure and thus make some staff redundant.[23] In addition, those with a monthly salary of less than a certain amount are entitled to some financial help from the Welfare Fund. Therefore, the Municipality of Nicosia could partially cover the costs of the one-off payments from these two funds.

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[23] Eurofound's ERM database on support instruments for restructuring provides information on about 500 measures in the Member States of the European Union and Norway. National governments, employers' organisations and trade unions are among the bodies providing support for companies that need to restructure and the affected employees. The support instruments are described in terms of their characteristics, involved actors, funding sources, strengths, weaknesses and outcomes. The aim is to inform governments, social partners and others involved about what kinds of support can be offered. More information is available at http://www.eurofound.europa.eu/emcc/erm/supportinstruments/

The evaluations done by the municipality's HR department identified around 320 employees that could take early retirement under the new plan and there were funds enough to cover around 60 employees. The municipality, after consulting three trade unions and with the support of an external legal consultant, decided that participation in the plan would be completely on a voluntary basis by workers who were aged between 52 and 64. However, once the plan was presented to the employees, the interest was much greater than expected, so additional selection criteria had to be introduced by the management. Accordingly, the municipality approached older employees who would cost more within the framework of the plan and who had more days of sick leave or who had been found inefficient by their managers in their annual human resources development plans. This resulted in 47 employees going into early retirement with one-off payments between 2012 and 2013. In addition, 53 employees went into usual retirement by the end of 2013, which led to total savings of €24 million in wages for the municipality.

The voluntary exit plan was a bold decision by the municipality: it delivered, in a short period of time, desired cost savings while avoiding wage cuts or redundancies. This type of restructuring attracted much attention from other municipalities with similar problems in Cyprus, including, for instance the Municipality of Agios Dometiou. However, one weakness of the redundancy fund is that, during times of crisis, its funds have been shrinking rapidly and there are no longer enough funds to subsidise another large-scale restructuring for other municipalities, according to the respondents.

Restructuring tools as an alternative to quantitative adjustments

Job sharing/employee sharing

Job sharing has, for many years, been an important means to facilitate a good work-life balance for public sector employees. However, since the outbreak of the crisis, job sharing practices were often applied instead to save costs and to create jobs. Job sharing is an employment arrangement where several (usually two) people work on a part-time basis to do a job normally done by one person working full-time. Thus, when restructuring requires a reduction in the provision of labour services employees could be offered a shared job, instead of a full-time one, as an alternative to redundancy. A more developed version could be that various employers can share one employee for several jobs requiring similar skills and expertise. This is termed here 'employee-sharing' although sometimes in the literature it is called labour pooling.

However, there has not been an intensive usage of employee sharing or job sharing, mostly due to obstacles in legal frameworks. One of the few examples of employee sharing that could be identified was from London, through a cooperation arrangement between three councils – Hammersmith and Fulham, Westminster, and Kensington and Chelsea, to share services in order to cut costs. Under this arrangement, the three councils share a chief executive, and have combined a range of services, such as children's services, libraries and adult social care, environment and leisure and facilities management. The councils also combine corporate overheads for information technology and human resources.

In Lower Austria, recently, a labour pool pilot project was undertaken among several municipalities plus some companies aimed at assessing whether there was sufficient interest in employee sharing among municipal employees (Eurofound, 2013b). While the main motivation was not to save costs but to retain skilled labour in the region, the feasibility study also assessed the option in terms of costs (Eurofound, forthcoming 2). The results of this feasibility study showed good potential for future benefits if such a labour pool was established. At time of research, however, the project had not been realised. It turned out that the municipalities could not proceed with the idea as the legal framework would have resulted in a situation where they would be charged additional value-added tax on top of the wage costs, and this would have cancelled out the potential cost-saving benefits (Eurofound, forthcoming 2).

Job-sharing in the public health sector in Slovenia

The University Medical Centre Ljubljana (UMCL) is a public healthcare institution providing medical services at secondary and tertiary level. The economic crisis had a negative impact on the budget of UMCL. Significant budgetary restrictions have been applied since 2009. The management had to abolish extra payments to staff for good performance and overtime, reduce salaries, and cut administrative costs. In 2012, the Fiscal Balance Act (ZUJF) was adopted by Slovenian Government, which further reduced funding for annual leave, meals and wages for the public sector staff and made a cut of around 3% in the prices for healthcare services, which reduced the income of the hospital even further.

The implementation of the above mentioned austerity measures, and the deterioration of working conditions, have resulted in the reduction of staff at the majority of UMCL units, especially among administrative and support services staff. On the other hand, due to national restrictions and budgetary constraints, the management could not consider hiring new employees.

As in the majority of Slovenian organisations, both in the public and private sector, UMCL has been using job sharing for a long time in order to fulfil its legal obligation to allow employees to work part-time due to health conditions, partial retirement or family obligations.

Given the austerity measures in place, job sharing also increased as the management became more and more obliged to rely on existing staff and allocate them to tasks by using alternative work arrangements including job sharing. For that particular reason, the management in their 2014 financial report presented employee headcount not as number of employees, but as a percentage of full-time work they actually perform at the hospital, in order to be able to monitor better the necessary and available resources for fulfilling tasks.

It is estimated that job sharing is currently practised by around 5% of all employees at the UMCL and expected to increase as long as the austerity measures prevail. The management also sees an added value in job sharing as a facilitator for knowledge transfer among two or more colleagues, which ultimately has a positive impact on the quality of services delivered.

Redeployment

The redeployment of public sector employees to other functions has been intensively used in many Member States as an alternative to redundancies. In some countries, such as Finland and the Netherlands,, redeployment schemes for the public sector existed before the crisis, while in other countries they have been introduced or adjusted post-crisis.

For instance in Ireland, during the initial years of reform, there was a so-called resource panel system that enabled small-scale redeployment within the sectors. However, this proved not to be sufficient for meeting on the one hand Croke Park Agreement requirements of no staff lay-offs and on the other hand Troika programme targets on public sector pay bill cuts.

New redeployment scheme in Ireland

The key driver of implementing a new redeployment scheme was the Croke Park Agreement of 2010. As it was agreed that there would be no compulsory redundancies in exchange for industrial peace, there has been a 'recruitment moratorium' since 2009: unless the state institution can claim that it is not possible to fill a very indispensable post with internal resources, new recruitments will not be approved. A large-scale redeployment scheme was seen as an important means of ensuring the provision of public services.

The basic idea was to try to redeploy within the three subsectors of the Irish public sector: the civil service, education and healthcare. A redeployment toolkit based on the Croke Park Agreement was introduced to provide guidance to 'sending' and 'receiving' institutions. A key element of the policy was that a public servant could be moved to positions within 45km of their current work address or home address, whichever was the shorter, taking into account what would be a reasonable daily commute.

An organisation in need of staff would send its request to the central unit in the Irish Governmental Department of Public Expenditure and Reform, stating how many staff it needed and their required qualifications. This request would be communicated to the sending organisations and volunteers would be identified by name. This was subsequently revised in the Haddington Road Agreement as it turned out to be difficult to find good matches on a voluntary basis. Under the revised procedure, the staff to be redeployed would send a CV to the HR department in charge at the sending authority, who would match this CV with the job profile provided by the receiving organisation.

This workflow worked smoothly for smaller scale redeployments. However, for large-scale ones the procedures met legal difficulties. For instance, one of the state bodies that had been restructured thoroughly was the Department of Social Welfare. It was reconfigured and had received additional staff from the Irish Health Board and the state training and employment agency, FAS. This entailed moving 2,000 employees across sectors. The same applied to the abolition of Ireland's policy advisory board for enterprise and science (Forfás) which was to move to the Department of Enterprise, Jobs and Innovation. Initially specific legislation had to be enacted for each single move of such a scale, which delayed the process. New significant legislation was thus enacted to permit a more general application of redeployment.

By the end of 2013, more than 12,000 employees were moved within the framework of the redeployment scheme.

Before the economic crisis in Portugal, the law did allow for some mobility of civil servants and other public agents across different public administration services and for special mobility placements to occur in the case of restructuring and personnel streamlining in the services (Eurofound, 2013b). However, its usage was rather limited. In 2013, within the framework of the Troika Memorandum Agreement, the scheme was to be strengthened and supplemented with a training pillar under which public sector employees would receive a maximum of 12 months of training, during which they would get a fraction of their monthly wage. At the end of this, they would be provided with two options:

- being placed on a waiting list for a new position (unpaid);
- terminating their employment contract, receiving compensation and unemployment benefits (Eurofound, 2013).

However, this amendment was rejected as unconstitutional by the Constitutional Court.

In other Member States, redeployment to vacant positions in other departments has been recently introduced for redundant staff, as in the case of the Czech Republic and France. In Spain, the plan for the Restructuration and Rationalisation of the Public Foundation and Business Sector, agreed in March 2012, entails introduction of several measures such as the closure, merging or reduction of the majority of positions of state mercantile societies and public foundations, which would necessitate as a consequence introduction of redeployment schemes (Duran, forthcoming).

Lessons learnt from the Irish scheme

The new Irish redeployment scheme has been a success in terms of the number of people moved within a short period of time and the cost savings achieved. In addition, staff satisfaction was relatively high. More than 12,500 moves had taken place under the scheme up to the end of 2013. Overall, there have been only around 10 cases that were brought to appeal where the staff concerned considered that they were affected in a very negative way as a result of the move. Still, interviews done with several public sector executives for this publication do suggest some room for improvement.

It should be noted that the scheme was put in place in the context of a deep financial crisis and sought to reduce personnel cost savings while, at the same time, seeking to avoid compulsory (and as much as possible voluntary) redundancies. The system worked reasonably effectively when an assignment was a good fit for all parties involved. The process, as initially designed, where volunteers were sought in the first instance and posts were circulated broadly before a person (usually the most junior) could be obliged to move, resulted in substantial delays in cases where the post to be filled was perceived as unattractive. The voluntary clause in the scheme resulted in employees understandably seeking to obtain a post that best matched their existing terms and conditions and who judged available vacant positions based on criteria such as flexitime arrangements and parking. This added to the delay in filling positions in the receiving organisation as many of those who had volunteered for a position, to avoid exclusion from consideration for it, very often refused it when a more suitable post from a personal perspective was circulated.

A staff recruitment moratorium was also put in place, which required organisations seeking staff to make a business case to have each vacancy filled, which contributed to delays in the filling of posts. Organisations understood that they needed to help employees cope with the negative effects of restructuring, even while under pressure ‘to do more with less’. However, management also felt that available posts were not always being filled by those best qualified to do them.

The redeployment process was changed as part of the Haddington Road Agreement: staff members who needed to be redeployed had to submit their CVs (previously only the number and description of the grades that an organisation required to redeploy was provided), which enabled a better match to be made between the skills of those available for redeployment and the vacant positions in receiving organisations.

While the clauses in the Croke Park Agreement in relation to a receiving organisation being able to refuse a proposed staff member only if the person had a poor sick leave or performance record remained in place (a refusal on such grounds could not take place if the person was being redeployed from an organisation that was to be totally closed down), the process of sanctioning of posts under the Moratorium was adjusted so that account was taken of such refusals by the receiving organisation. This, in addition to changes under the Haddington Road Agreement in relation to paid sick leave allowances, provided additional impetus for sending and receiving organisations to address poor sick leave and performance issues and to facilitate the redeployment of these staff.

Another, lesser, problem was that there was no requirement for a central training programme or measures to facilitate transition for receiving organisations. Essentially organisations were asked to provide training themselves and to cooperate with each other. Transitional arrangements for newcomers were left entirely up to the receiving organisations, which did not work very smoothly, especially for organisations that only occasionally received additional staff. The situation was exacerbated by the requirement for receiving organisations to cut expenditure (including that on training) as the amount available to organisations was substantially less due to the financial crisis.

There are, however, some successful cases of the smooth integration of new staff. For example, the Department of Social Protection (DSP) managed a very large-scale integration programme of around 2,000 redeployed staff from the Community Welfare Service of the Health Services Executive. The unit within DSP that was in charge throughout the transition stage adopted a participatory leadership approach and a high level of staff engagement. Senior managers of the programme travelled all around the country to communicate with staff, both present and incoming, to inform them about the changes.

As an important lesson learnt, it can be said that, for such a large-scale project, the right people should be given the right incentives to make it work. As indicated by the Croke Park Agreement's redeployment toolkit, both sending and receiving organisations had to have a liaison officer to manage the matching, which proved to be a successful approach in institutions where these officers were proactive by nature but were also supported and authorised by their superiors. Where this was not the case, it did not work as well.

As a last point, it was not easy for the staff being redeployed to figure out information specific to them about pay and pension entitlements as this information was not easily accessible. The uncertainty this created contributed to reluctance among staff to volunteer for available posts. An important improvement in the revised version of the redeployment toolkit was the addition of substantially more detail about post-redeployment terms and conditions.

Overall, whether such a redeployment scheme is transferable to other EU Member States depends on several factors. In the Irish public sector, the majority of jobs are 'jobs for life' and there is high union protection. Across the EU, there are many different structures: for instance in the Netherlands or the UK, where there are many temporary jobs and different types of contracts within the sector, such an umbrella scheme might not work well. In addition, in order to implement such a large-scale scheme, continuous support from the unions is needed. Also, as in the Irish case, there should be enough time to show the unions that voluntary scheme is not working well and additional criteria should be identified to get things going.

Online skills assessment in the UK

Sunderland City Council, in the UK, invited all its employees to take part in an online skills assessment exercise which it had developed. The software was tailored to be capable of storing, matching and ranking the strengths required for a vacant job against the strengths of all assessed employees. Special attention was paid to the point that no vacancy should require direct experience or strictly unnecessary qualifications. As a result of the matching exercise, individuals who best matched the core requirements of a vacancy were invited to express an interest and those that agreed would be shortlisted for an interview. Such an approach of putting more emphasis on the potential of a candidate gave employees the chance to change their line of work and develop more specific skills or experience on the job. People were moved to positions where their strengths were very useful. For instance there are examples of people that moved from the social care environment to managing a staff restaurant or from administrative jobs to front line social care jobs.

An interesting aspect of the internal redeployment market was the ‘Staff Working in Transition and Change (SWITCH)’. While waiting to be redeployed, some employees opted to be a part of the SWITCH team which provided the organisational capacity on a number of projects. While in the team, people could be asked to work on any project anywhere in the council. The one guarantee was that people would be asked to do jobs which matched their personal strengths. This enabled the organisation to reduce the dependency on temporary employees or external consultancy services.

In the first year of the programme, nearly 4,000 employees applied for the Internal Jobs Market and 2,000 took the online assessment for skills. While applications were purely on a voluntary basis, the employees were convinced that this was a good chance for them and certainly a way to avoid redundancies, so the participation was massive.

This approach became a model for other city councils in the UK such as Nottingham. It was legally possible to make people redundant but this was not the preference of Sunderland as they thought it entailed other costs such as the negative impact of redundancy on productivity.

Privatisation/Outsourcing/External service delivery

Shifting some activities, previously carried out by the state, to the private sector has been a major trend in all EU Member States in the two past decades (Hermann and Flecker, 2012 and European Commission, 2013). There has been extensive debate on both the change this implies for the working conditions of the employees and the efficiency of the services provided.

Legal framework

There is a European Directive that sets out a framework for safeguarding employees’ rights in the event of such transfers (Directive 2001/23/EC) although a number of differences prevail among Member States in terms of its implementation. To illustrate, in Hungary, the Labour Code applies only to the private sector, and transfers involving the public sector may lead to the termination of employment contracts, rather than their transfer to the new employer with the same working conditions (Sargeant, 2007). There have been efforts by the relevant unions both at the European and national level to improve the conditions for employees of the contracted third party which delivers the public service. Notably, the European Federation of Public Service Unions (EPSU) published a report on public procurement in 2010 (EPSU, 2012) in order to promote the introduction of social clauses obliging contractors to give their workers decent working conditions. In its 2010 report on public procurement, the European Parliament called on the commission to make it clear that public authorities should base public procurement on social criteria such as the payment of relevant standard wages and for the commission to devise guidelines or other practical assistance for public authorities and other public bodies in connection with sustainable procurement. Similar efforts are cited in the EPSU report by trade unions in Finland and Malta. However, it is not yet common practice to have social clauses in procurement services. To illustrate, a comprehensive study on the practice and effects of contracting out from the public sector in Denmark, which made a systematic review of studies published between 2000 and 2010, found that only a very limited number of Danish municipalities include a social clause in their invitation for tender (Petersen et al, 2011).

Social partners' views

While outsourcing is generally motivated by a concern to increase efficiency and cut costs, there are diverging views on whether it actually delivers such gains. For instance, a report commissioned by EPSU in 2014 looks specifically at the issue of outsourcing as a way of increasing efficiency, and states that, based on extensive experience and research published, across all sectors and all forms of privatisation and outsourcing, there is no empirical evidence that the private sector is intrinsically more efficient. The report also highlights that cutting costs is not the same as increasing efficiency as lower costs may simply mean a lower quality of service.

On the other hand, in a position paper published in 2013, BusinessEurope sees outsourcing as an effective means of cooperation between the private and public sector, where public authorities can contract private service providers to carry out public tasks (BusinessEurope, 2013a). BusinessEurope also stresses that, in certain areas, such as ICT and digital tools, public–private partnerships can play an important role in modernising the public sector. In a 2013 position paper on this theme, it states that stronger cooperation between the public and private sector in making better use of ICT and digital tools can greatly contribute to modernising the public sector, primarily through public–private partnerships (BusinessEurope, 2013b).

CEEP in a final report for a project conference in 2010 stated that privatisation and outsourcing of services alongside other reforms to ensure smooth delivery of services remains a strong tool for many municipalities. The report notes that outsourcing is a practice that is particularly prevalent in sectors such as education, where cleaning and catering services are commonly outsourced. Further, in the health sector, the outsourcing of washing, cleaning, security and catering are common, but also increasing are the outsourcing of standard minor procedures, diagnostics and ambulance services.

Privatisation and outsourcing in the post-crisis era

As noted in a report by the Centre of Employers and Enterprises providing Public Services (CEEP) (2010), the extent of the outsourcing of technical and administrative functions was relatively limited in the public sector pre-crisis. However, information gathered by Eurofound's Network of European correspondents show that this is not generally the case in all Member States. It also provides some examples of recent significant outsourcing and privatisation.

Table 14: Post-crisis outsourcing from the public sector

	Details
BG	There has been widespread privatisation and outsourcing of public services since 2000, with a negative impact on employment levels across the public sector.
CY	Privatisations planned within the country's economic adjustment programme. Ongoing restructuring at Cyprus Airways, involving redundancies and outsourcing due to a joint venture.
DK	No significant outsourcing or privatisation of public services has taken place since 2008. The liberal-conservative government wanted to outsource part of the home-care and residential-care activities but the issue was never carried out in any depth.
EL	A large number of privatisations of public enterprises in a range of areas, including utilities and transport, are being carried out by the Hellenic Republic Asset Development Fund (HRADF), which was established on 1 July 2011.
HU	Outsourcing from the public sector was a major trend until 2010. The current government is now following a policy of recentralisation of public services.
IT	Recently, trade unions have had some success in mitigating and reducing the outsourcing of employment from local municipalities in some regions, by suggesting other ways of cutting costs.
IE	Maximising new and innovative service delivery channels is one of the five major commitments of the 2011 Public Service Reform Plan which on the one hand incorporated e-government roll outs and on the other hand examining opportunities for external service delivery of non-core processes.
LV	Studies by the State Chancellery (VK) found that there are high levels of subcontracting and outsourcing in the Latvian public sector.
MT	There has been privatisation and outsourcing activity in recent years, including privatisation of the Malta Shipyards and outsourcing in energy and water and in information technology management.
PT	The government is pursuing a privatisation strategy that covers a wide range of transport, banking and utilities enterprises, within the context of austerity.
SE	The Swedish state monopoly of the pharmacy market was sold to multiple private actors in 2009–2010: a total of 465 out of 900 state pharmacies were sold to four private actors during 2009, affecting 3,320 employees. Further, new pharmacies can be established if they are approved and licensed. Privatisation of the pharmacy market aimed to increase competiveness and efficiency, build a larger product range, lower prices and increase accessibility.
UK	Whilst the number of directly employed civil servants has fallen, the total expenditure per civil servant has increased. This demonstrates the increasing reliance on models of service delivery other than direct provision of services by civil servants, in particular the outsourcing of public sector work. This trend predates the economic crisis, but has not abated. Whilst some services have been privatised, such as rail and bus transport, others have been outsourced by local and regional government. This is done on a piecemeal basis and there is wide variation in which services are delivered by local and regional government and which ones are delivered by voluntary sector or private sector providers.

Source: Eurofound, 2013b.

One of the UK case studies conducted for this project is of some interest. A county police force had been going through a financially difficult time even before the austerity measures announced by the government in autumn 2010. Once the austerity measures, which included the cutting of 490,000 public sector jobs over four years, were launched by the coalition government, it was decided that the police force had to reduce its budget by 16% over the following four years. Prior to this, other restructuring measures such as redeployment, promotion of voluntary redundancy schemes and not filling vacancies had been used to enact previous budget cuts, and so the potential to use such instruments again was severely limited. Hence, once the new austerity measures were imposed, the police proposed to make a large part of the force, which employed around 900 employees, redundant.

The approach taken was to develop a public-private partnership with the security firm G4S. The trade unions were not extensively informed about the content of the tendering process, nor could they review the specific details of the terms of the contract between the force and G4S which concerned the employees, due to the confidentiality requirements of the public procurement process. More involvement occurred, however, once the contract was awarded in December 2011. The employee selection was based on the criteria of which department was to be transferred to the private service provider and 13 departments and included the crime management bureau, criminal justice services, Human Resources and Resource Management Unit, and IT services. On 1 April 2012, 575 police staff were transferred from the police to G4S under the TUPE regulation respecting their rights and entitlements in their previous job. However, there is no time limit on how long these previous terms and conditions should be kept according to the TUPE regulation and they could be changed by G4S after the expiration of the ten-year contract. Moreover, G4S, according to the contract, could decide to reduce staff numbers based on the selection criteria jointly agreed with the trade unions after the transfer was completed. Two months after the transfer was made, G4S announced that about 60 of those who had transferred were at risk of redundancy. This resulted in 38 voluntary redundancies and five compulsory redundancies. The question is whether, if the outsourcing had not occurred, the police would have been forced to make more people redundant.

There are, of course, a number of ideological considerations that guide outsourcing policy and therefore determine the prevalence of this practice. It is highly likely that, in this case, the outsourcing option would not have been smoothly implemented in other institutional and political contexts. In the UK, outsourcing is currently promoted by the government as key to achieving effective cut-back management. Grimshaw et al (2012) note that in France the main focus for cost reduction is internal flexibilisation either through the increased share of non-civil servants or through establishing public enterprises where employees are under private law.

Finally it should be noted that there are several recent examples of bringing services back into the public domain, particularly in the energy and water sectors. For example, a 2013 survey examined a trend towards the re-municipalisation of outsourced services over the previous two years, noting that the most common reason for this was the drop in the quality of services. Services provided by the municipalities are seen as better than private services, especially when it comes to customers' rights and developing services. In the UK, a lobby group, 'We own it', was set up in 2013 to challenge the idea that the private sector can do things more efficiently and effectively. A key element of the campaign is a call for the introduction of legislation to protect and promote high-quality and accountable public services.

New forms of employment within the public sector

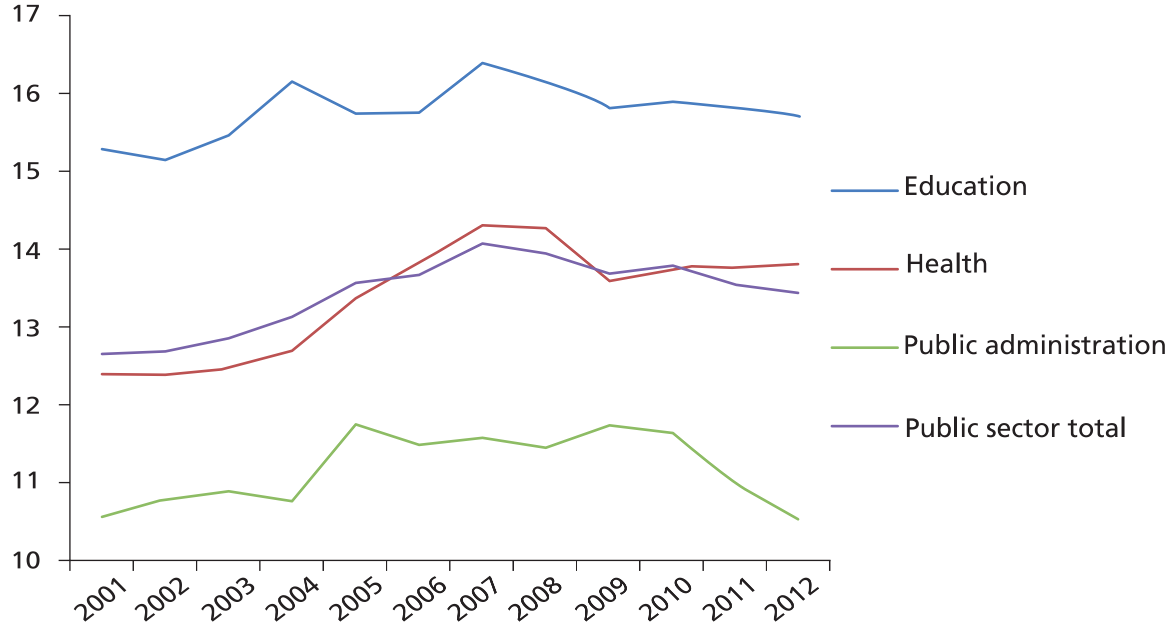
Changes in employment status

Public sector jobs are traditionally expected to be 'jobs for life' and subject to civil servant privileges granted by public law. However, in the last few decades, there has been an erosion in the number of public servants with civil servant status, even within the central public administration (Demmke and Moilanen, 2013), which restricts such positions in many Member States to core sovereign functions such as foreign affairs, armed forces, justice and inspection (Eurofound, 2013b). For instance, in Sweden, only around 5% of public sector employees hold such a status while, in Denmark and Germany, statutory civil servants account for not more than 40% of the publicly employed workforce (Gold and Veersma, 2011).

Since the onset of the crisis, especially in some countries where public service jobs were highly protected by special legislation, legislative amendments have changed the contractual status of employees or revised labour market regulation to permit collective redundancies. For instance, in Spain, within the framework of Law 3/2012 on urgent measures to reform labour market legislation, introduced in July 2012, collective redundancy procedures were allowed to be applied also in those public administration entities that had a significant budget shortfall for nine consecutive months (Eurofound, 2013). This applies only to contracted staff and not to civil servants. In Portugal, before the outbreak of the crisis, many government positions had already been placed under general labour law, except for those related to foreign affairs, armed forces, justice and inspection (OECD, 2008). Recently, there have been proposals to develop a new public administration law to simplify further the rules of public sector employment, and to introduce private labour code elements, including ease of hiring and laying off (Rego and Neumann, 2013).

As the European Commission pointed out in a green paper on modernising labour law (European Commission, 2006), fixed-term contracts, part-time contracts, on-call contracts, zero-hours contracts, contracts for workers hired through temporary employment agencies, and freelance contracts have become an established feature of European labour markets, irrespective of sector. According to a recent survey of public sector executives, it was found that employees with atypical forms of employment contracts have increased in recent years (Demmke and Moilanen, 2013). Data from the EU LFS show that the concentration of permanent work contracts has changed in the public sector and that non-standard contracts cover around 13% of the EU28 public sector workforce. The increase in the usage of such contracts overall in the sector (less prominently in the civil service) is, however, not a crisis-induced phenomenon. On the contrary, Figure 22 confirms that the levels of temporary employment have been slightly decreasing following the crisis (with the exception of the healthcare sector, where the usage of temporary contracts remained stable), which can be explained mostly by budgetary reasons and because it is easier to terminate temporary contracts.

Figure 22: Share of temporary employment in public sector – EU28 (%)



Source: EU LFS.
Public sector total is an aggregate of NACE codes O, P and Q.

Casual work/Zero-hours contracts

An ongoing Eurofound study on new forms of employment has identified a number of interesting cases from the public sector. In Italy, there have been amendments of the statutory law on voucher-based work first in 2009 and then in 2012; expanding the limited scope of activities that can be carried out by voucher workers also for public sector institutions. While the original reason for introducing service vouchers was to combat undeclared work in Italy, this recent amendment might be best understood in light of the need to provide public services when public finances are under pressure. Broad guidelines are provided at the discretion of each public sector institution that wants to implement such a casual work scheme. For instance, the Municipality of Gorizia in northeastern Italy has been using a voucher system since 2010 for activities such as painting, gardening, maintenance, street cleaning, snow clearance, and additional support during public events. In 2010, the municipality issued a decree stating guidelines and procedures related to voucher usage. According to the guidelines, the maximum amount of hours one person can work using vouchers is limited to 60 (non-renewable). As of 2013, around 150 employees were selected to work on several service voucher based tasks. This enabled the municipality to benefit from an additional workforce during times of high demand for services, which would not have been affordable otherwise. The municipality is considering drafting new projects in the near future where vouchers can be used to pay employees delivering more qualified services and not only marginal tasks.

Another practice that has been attracting much attention recently is the usage of on-call or zero-hours contracts for some public services. In the Netherlands, for instance, it has been common to use on-call contracts in the childcare and medical sector since the financial crisis of the 1980s, in order to give the employer the flexibility to fill gaps in scheduling regular employees due to sickness, vacations or other unforeseen absences. It is reported that the number of on-call workers has been increasing in the public sector in the last decade, which can be interpreted as a flexibility tool for employers in times of crisis and budget cuts, and also because there are more workers willing to accept such jobs amid rising unemployment. The Flexibility and Security Act that regulates such arrangements is under review at the moment and will be replaced by the Work and Security Act, which will limit the usage of zero-hours contracts, at least in the healthcare sector, in order to enable zero-hour workers who work regularly for the same employer to get a more regular contract (Eurofound, forthcoming 2).

Similarly in Ireland, zero-hours contracts are on the rise, especially in residential or other health care settings, in both the public, private and third sector where there is a need for 24-hour service provision. Although the Irish Health Service Executive (HSE) was forced to put an end to zero-hours contracts in 2013, which were being used to employ more than 10,000 at-home carers (O'Regan, 2013), HSE still outsources some work to organisations that use such hiring practices as a strategy to circumvent the recruitment moratorium and meet increasing demand for its services.

Likewise, in the UK, there has been a recent growth in the use of zero-hours contracts, which generated much media and policy interest. The government regards zero-hours contracts as having boosted employment growth in the recession and as a useful form of flexibility for employers (BIS, 2013). It has committed itself not to ban zero-hours contracts despite an ongoing consultation to address some issues of concern such as the cost to employees. An assessment of existing research and policy debates suggest factors such as:

- cost minimisation through spot contracting;
- legitimisation of flexibility by use of non-standard contracts.

The procurement of public sector services to the private sector on terms incompatible with the provision of standard employment contracts (Rubery et al, 2014) and the availability of labour supply for zero-hours contracts all contributed to the sharp rise in the use of such contracts in the last decade in the UK.

UK local authority employing care workers on zero-hours contracts

A large metropolitan district council in the north of England is responsible for assessing the care needs of its citizens and for commissioning that care, including for those who are required to pay the local authority for services on the basis of means-testing. The local authority is located in one of the areas in the UK that has been hit hardest by budget cuts, and zero-hours contracts, as a result, are becoming more widespread post-recession.

The local authority procures home care services from a private provider that delivers around 2,400 hours of care to around 370 individual clients, around 50% of which is under contract to this very local authority.

All home support assistants working to deliver services on behalf of this local authority are on zero-hours contracts. This is primarily because the contract with the local authority pays only for the working time spent with clients and offers a relatively low hourly fee due to the budgetary restrictions so guaranteed-hours contracts could not be a feasible business model to align with the commissioning practices of the local authority. Anecdotally, the provider suggested that some local home-care providers had experienced significant financial and operational problems as a result of moving from zero to guaranteed hours contracts, some going out of business.

All staff on zero-hours contracts are treated as ‘employees’ in the sense that they have a formal written permanent contract of employment, and have redundancy rights on a sliding scale based on the length of time employed (for example, under one month: no notice for termination; one to three months: one week’s notice; three months to three years: two weeks; and over three years: one week per year up to a maximum of 12 weeks). However, redundancy payments would not normally apply as staff are simply not allocated any paid hours when demand is low (rather than being made redundant), although there are small reserves held for redundancy payments should the entire organisation become insolvent.

Neither the council nor the provider felt there were any particular problems in using zero-hours contracts; in fact this practice was perceived as increasingly common for employers in many low paying sectors such as retail and hospitality. The council had recently asked a private provider to pilot an overnight service which they were able to make operational in less than two weeks – existing staff volunteered for the night shift, and the company found it easy to recruit staff externally on zero-hours contracts to work the day shift. The council noted that there appeared to be a stable supply of recruits who wanted to work in the sector (irrespective of zero-hours contracts) and providers rarely refuse work owing to a lack of capacity. These conditions may reflect the high unemployment in this locality.

Whilst a zero-hours contract carries a degree of implicit flexibility to match worker preferences with the variable demand for hours, zero-hours contracts in this instance were a cost-driven solution and, although the provider expressed a strong desire to offer guaranteed hours, as long as only contact hours were paid for by the council it was said to be simply not feasible.

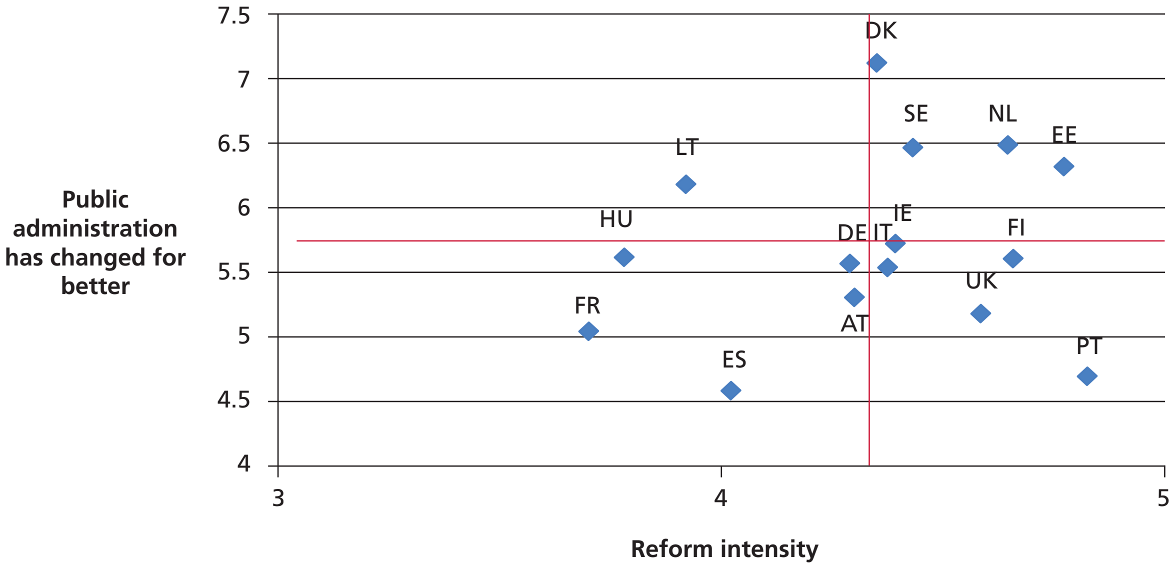
Effects of public sector restructuring on stayers and leavers

6

Introduction

Since post-crisis public sector reforms are still in process in many of the Member States, there are not yet (to the authors' knowledge) comprehensive evaluations on the broad socio-economic impacts that can be expected to result in the restructuring of many public services. As can be seen in Figure 23, the previously mentioned COCOPS survey maps the reported 'reform intensity' – the mean score by country across all 15 identified reform trends – against the mean assessment of whether public administration has improved or deteriorated over the preceding five years (scale: 1–10).[24] Whether public service reform intensity was high or low in a country had no influence on how public administration change was assessed qualitatively by senior executives in that country.

Figure 23: Reform intensity and perceived outcomes, by country



Source: COCOPS senior public service executive survey 2012-13. Note: Mean scores of Likert scaled question where 1 = 'not at all' and 10 = 'to a large extent'. Red lines represent unweighted EU(15) means.

There is something of a north-south divide in the perceptions of how things have changed, with Scandinavia, the Baltic countries and the Netherlands offering positive assessments and Spain, Portugal and (to a lesser extent) France offering more negative assessments. On the other hand, reform intensity was highest in Portugal but lowest in Spain, France, Hungary and Lithuania. Of course, there may be biases in 'elite surveys' of this type, given the interests of senior officials in presenting a positive image of reforms, implemented in some cases with their input and under their supervision.

The most obvious and visible impact of major organisational restructurings tends to be job loss but this does not mean that job losers are the only ones affected. In principle, restructuring 'survivors', or 'stayers', are the lucky ones who have avoided the fate of their former colleagues. They continue to work in the same organisation and do not face the disruption of involuntary job loss. However, due to particular motives behind public sector restructuring, such processes can have significant

[24] The reform trends in the COCOPS survey are: public sector downsizing; citizen participation methods; creation of autonomous agencies/corporatisation; contracting out; focusing on outcomes and results; extending state provision into new areas; treatment of service users as customers; collaboration and cooperation among public service actors; internal bureaucracy reduction; flexible employment; privatisation; digital or e-government; external partnerships and strategic alliances; mergers of government organisations; transparency and open government.

negative side effects for working conditions in restructured public organisations. Evidence on these effects could be relevant for both management and employee representatives as they pose new challenges in terms of keeping employee morale and motivation at high levels while restructuring, which is an indispensable ingredient for ensuring high quality public service delivery.

On the other hand, there are very few studies (and those mostly at national level) that show what it means to lose one's public sector job, not only in terms of future earnings and reemployability but also in terms of health and social wellbeing. Comparative evidence on these aspects would, however, be useful for policy-makers in order to develop targeted support mechanisms for this group of employees.

This chapter starts with an analysis on the effects of public sector restructuring on 'stayers' based on the European Working Conditions Survey, supplemented by a literature review and case studies. The second section then reflects on the effects of such restructuring on 'leavers' by, first of all, continuing the analysis on labour market transitions featured in Chapter 2 of this report to focus on differences in transition rates out of employment for public sector employees in comparison with their private sector counterparts. In addition, available literature on the topic and insights from case studies are presented.

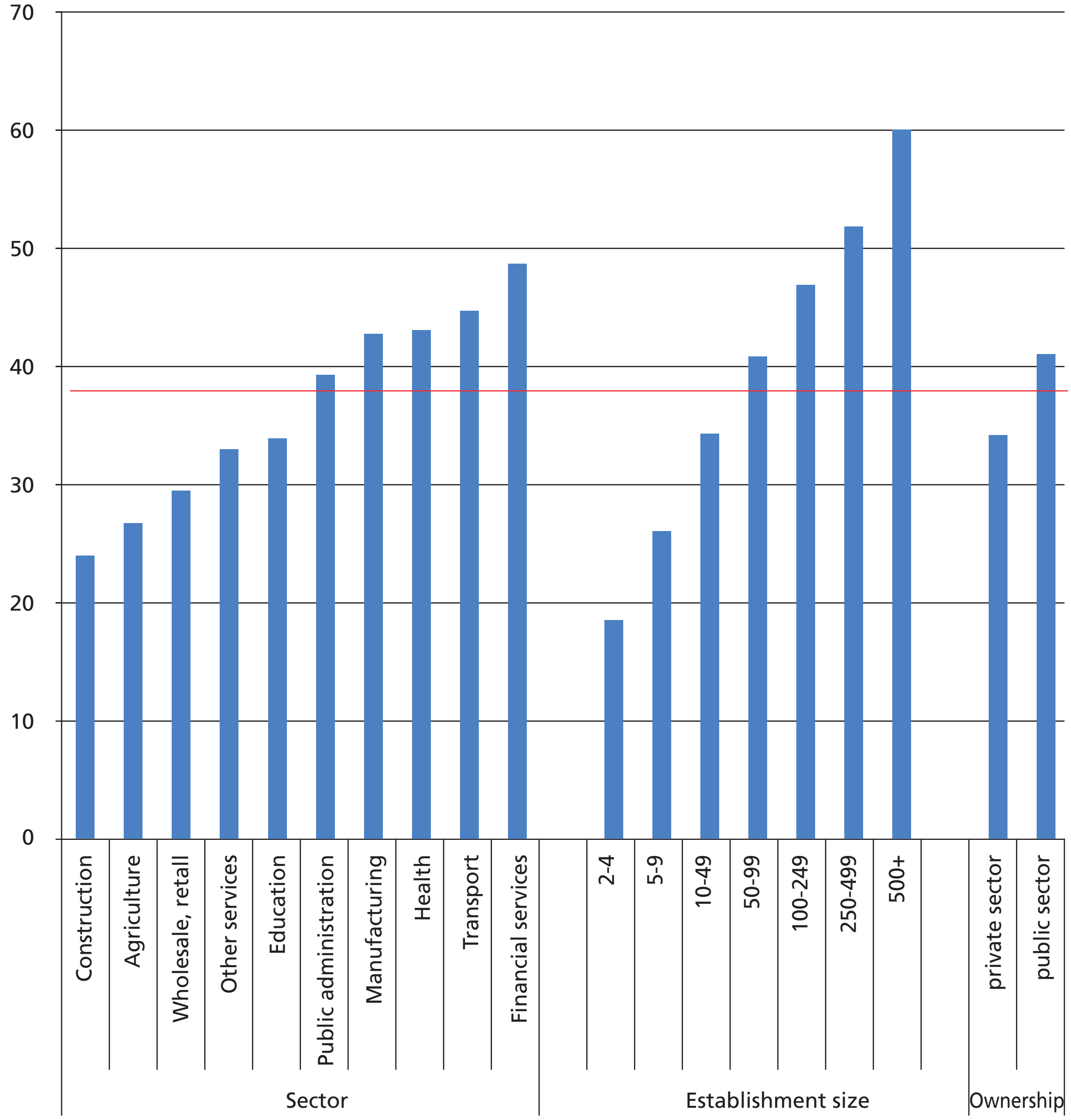
Impact of public sector restructuring on 'stayers'

In cases of job loss does a similar workload fall on the shoulders of a reduced group of workers with consequent work intensification? If so, is this reflected in higher levels of stress, burnout or other work-related health problems? Are restructured organisations more likely to offer training and other development possibilities as the reconfiguration of tasks necessitates up-skilling? These were among the questions posed in earlier research with some indicative answers based on an analysis of representative European data from the fifth European Working Conditions Survey (Eurofound, 2012a).[25] The analysis took advantage of a new question in the fifth wave of the survey in 2010 on whether restructuring had taken place in the respondent's workplace in the preceding three years, aggregate results of which are presented in Figure 24 (below).[26] This shows the results when respondents were asked, 'During the last three years have the following changes occurred at your current workplace which affected the immediate working environment?' The graph aggregates and summarises respondents that stated substantial restructuring or reorganisation was carried out (% yes).

[25] The analysis was based on a subsample of the fifth EWCS data (n=21,000+) focusing on employees with at least three years tenure in their current job. Due to small sample size at Member State level, the analysis was carried out based on pooled EU27 data. It described many self-reported working conditions outcomes comparing levels between those who had reported 'substantial restructuring or reorganisation' as having taken place at their workplace in the preceding three years with those who had reported that it had not. Multivariate analysis was used to control for relevant demographic variables.

[26] Q15: 'During the last three years have the following changes occurred at your current workplace which affected the immediate working environment:
[Answer category] B: Substantial restructuring or reorganisation was carried out.'

Figure 24: Worker's perspective: 'substantial restructuring' carried out during last three years (2010) (%)



Source: Fifth European Working Conditions survey (Eurofound, 2012a).

The principal finding was that restructuring mattered: the experience of restructuring significantly affected a wide range of working conditions as reported by employees, in some cases positively and in others negatively.

Restructuring was associated, on the one hand, with modestly higher levels of work autonomy, greater access to training, a higher incidence of teamwork and of formal assessment of work. On the other, it was characterised by higher work intensity, lower levels across a range of 'soft' indicators of employee well-being such as self-reported satisfaction with working conditions and a higher prevalence of stress, of health risks and negative health outcomes, especially of a psychosomatic nature (sleeping problems, depression and fatigue). The analysis therefore supported earlier research associating restructured workplaces with higher levels of work intensity leading to negative health outcomes but also with many of the characteristics of 'high performance work organisation' – teamwork, performance monitoring, autonomy, human capital development.

In the brief analysis that follows, this study looks in particular at the impact of restructuring on 'stayers' in the public services. The underlying assumption is that, as the demand for public services further increased following the crisis, the stayers in the restructured public institutions may have had increased levels of stress and work-related health problems compared with their counterparts in the private sector, as they had to cope with a more intense workload.

Looking at Figure 24, first, a higher share of public than private service employees reported the restructuring of their workplaces in the previous three years, with above average levels in particular reported in health and public administration (44% and 40% respectively; average 37%). The fifth EWCS includes a specific question on whether an employee works in the private or public sector and here again one can see that public sector workers were more likely to report workplace restructuring (41%) than their private sector counterparts (35%). Once organisation size, however, is controlled for, these private-public differentials become insignificant. The reason for this is that restructuring is more likely to be reported in larger workplaces and a relatively high share of public service/sector employment is in larger workplaces. Hence,'substantial restructuring or reorganisation' is no less likely to be reported by public employees than private service ones.

Table 15: Working condition dimensions/outcomes for public sector and private sector workers and how recent restructuring may have affected them

Theme	Dependent variable	Public sector worker				Private sector worker			
		Restructuring				Restructuring			
		Yes (%)	No (%)	OR	Sig	Yes (%)	No (%)	OR	Sig
Work organisation	Work intensity	34.0	23.4	1.49	***	46.6	38.3	1.39	***
	Work autonomy	54.4	51.8	0.98	NS	50.4	43.5	1.18	*
	Teamwork	76.2	67.5	1.29	*	67.3	57.4	1.33	***
	Access to training	60.0	44.0	1.61	***	44.3	25.7	1.71	***
	Computer use	61.4	42.8	1.76	***	53.4	34.9	1.68	***
	Work subject to formal assessment	60.7	45.8	1.58	***	52.6	30.8	1.91	***
Health risks/ outcomes	Psychosocial risk exposure	27.3	15.0	1.99	***	13.4	10.3	1.33	***
	Physical risk exposure	32.9	26.0	1.46	***	35.1	34.2	1.27	**
	Bullying/harassment	9.5	3.5	2.74	***	5.2	2.8	1.68	**
	Any psychological health problems	64.9	56.9	1.57	***	59.9	52.4	1.39	***
	Any physical health problems	64.1	57.1	1.46	***	63.9	61.9	1.21	**
	Stress	37.1	26.1	1.66	***	32.1	23.5	1.49	***
Worker well-being	Job satisfaction	83.4	90.3	0.50	***	82.3	85.1	0.69	***
	Good career advancement prospects	34.9	34.7	0.84	NS	36.3	24.8	1.28	**
	Job security	77.6	82.8	0.63	***	63.7	68.4	0.70	***

Source: Author's calculations based on fifth EWCS, 2010 (Eurofound, 2012a). Note: sample includes employees only. OR= odds ratio based on logits comparing respondents reporting restructuring in previous three years with those not reporting; covariates: sex, age, education level, organisation size, supervisory status, occupation and country. Significance levels: * p<.05, ** p<0.01, *** p<0.001. See Annex 2 for construction of dependent variables.

Table 15 compares working conditions for public and private sector employees of restructured and non-restructured workplaces, again taking advantage of the fact that the fifth EWCS includes one question specifically asking workers to say whether they work in the public or private sector. Some of the findings are interesting, as shown here.

- While work intensity is more likely to be reported by private sector workers, restructuring makes it more likely to be reported especially among public sector workers.
- Work autonomy is more likely among public sector workers, reflecting their higher than average education profile. Restructuring leads to modestly enhanced levels of self-reported work autonomy but the effect is significant only for private sector workers.
- Access to training paid for by the employer is more common in the public sector. One of the bigger positive effects of restructuring is that employees in restructured workplaces are much more likely to report having had access to paid-for training — in both public and private sectors. Possibly linked, the extent of frequent computer use at work is also much higher in restructured workplaces.
- Restructuring is associated with a much higher level of formal assessment of work, especially in the private sector. In fact, processes of change brought about by restructuring appear to lead to convergence on public sector norms of work performance monitoring.
- Exposure to psychosocial risks and negative associated health outcomes (such as fatigue, headache, and sleeping problems) are much more prevalent among public sector workers and in particular in restructured public sector workplaces. There is also an increased incidence of bullying. Even if bullying remains a relatively marginal phenomenon overall (affecting, on average, one in 25 workers), working in the public sector, especially in a workplace that has been restructured, is associated with a higher risk of being bullied.
- While public sector workers enjoy somewhat higher levels of job satisfaction overall, restructuring has a more negative effect on job satisfaction in the public sector than in the private sector. Restructuring is also associated with better career advancement prospects in the private sector, which may be related to stronger selection effects in more numerically flexible private companies.

In summary, restructuring appears to be associated with subtly different working conditions outcomes depending on whether it takes place in a public sector or a private sector setting. On the one hand, already comparatively high levels of psychosocial risk in the public sector are increased further where restructuring has taken place. On the other, restructuring is strongly associated with an increased prevalence of characteristic 'high performance work organisation' [HPWO] practices:

- formal assessment;
- teamwork;
- increased work autonomy;
- financial incentives;
- a focus on human capital development.

It is noteworthy that HPWO practices – with the exception of the financial participation/profit-sharing benefits that remain largely confined to the private sector – tend to be more prevalent in public sector workplaces, but that restructuring tends to narrow the public–private gap. New public management [NPM] reforms are often predicated on the desirability of applying private sector work organisation norms and practices to the public sector but, in this analysis, restructuring is associated with a convergence in the opposite direction as work organisation practices in private firms adapt to resemble those in public sector organisations.

These findings also have some support in the COCOPS survey, where the impact of public sector change on employees was assessed to be quite negative. Of 16 performance dimensions, two of the lowest scores were related to staff motivation and attitudes towards work and to the attractiveness of the public sector as an employer. Assessments were particularly negative for these dimensions in France, Italy and Spain and the UK.

The effects of recent restructuring on the remaining public sector employees were also studied in a number of case studies for this publication. The findings overall show rather positive effects in terms of:

- increased work motivation;
- decreasing sick leave;
- overall increasing levels of team work and work autonomy.

In the majority of cases, job satisfaction has increased. However, as previously mentioned, researchers for this publication intentionally selected cases where the public organisation applied alternative methods in order to minimise redundancies. Work-sharing or alternative ways of cooperation that were introduced as part of restructuring in many cases were acknowledged by many employees as positive and contributing to their informal on-the-job training as they had to work with new colleagues of different backgrounds or contractual status that were used to doing business in other ways than their own. Thanks to some flexibility measures introduced, such as redeployment or alternative ways of service delivery, the majority of those who remained perceived their career prospects as being better than they were previously; however, this is also very much dependent on the context, as exemplified in the box below.

Less positive experiences were found in the case studies carried out in the programme countries, simply because, in these Member States, restructuring took place as a combination of quantitative adjustments on headcount, wages and entitlements and alternative measures to increase flexibility and thus avoid further redundancies. This, as one would expect, led to a feeling of job insecurity among those employees staying, as well as increasing levels of psychological stress, lack of motivation, sick leave and an increased number of strikes. This has been the case, for instance, in Carris, a Portuguese public transport company, that was forced to introduce wage and headcount cuts quite dramatically following the Troika Memorandum Agreement. Similarly, restructuring that took place in OASA, the Athens Mass Transport System, which had to combine a series of wage cut measures with many organisational changes including merger of five separate public transport companies into two, led to high dissatisfaction among employees, and a series of strikes. Interestingly, according to interviews carried out for this report in these countries, most frustrating for the remaining workforce was not wage or entitlement cuts, but that they felt insecure and uncertain about their future.

Impact of staff cuts in Silkeborg municipality (Denmark)

In 2010, Silkeborg Municipality in Jutland, Denmark, was in danger of being put under economic administration by the Ministry of Internal Affairs due to very low liquidity. Therefore, the municipality had to reduce staffing costs significantly, especially in the education sector, which led to around 200 employees being made redundant and the reorganisation of many courses. However, the restructuring also meant that the reduced number of employees remaining had to do the same amount of work. Some of these, and the local trade union, reported that, during the transition period which was around six months, their motivation deteriorated due to worsening cooperation between them and the staff who had been dismissed. Those who had been given redundancy notices had less motivation to participate actively in planning for the next school year, which complicated the job of stayers. Such instances increased tension among the two groups of employees. In addition, the staff interviewed stated that the grounds given for selecting staff to be made redundant were not made very clear to either those leaving or those staying. This led to increased anxiety and fear among the staying workforce as they thought they could be the next to be dismissed, no matter how well they performed their work. This resulted in an increased number of requests from employees for psychological support.

To summarise, two common findings were identified among all case studies. First, fewer work-related health problems were reported in places where workers or their representatives were involved and informed about restructuring. Second, it is important to combine quantitative adjustments with other structural changes that optimise workflows so that the burden will not be so heavy on the staying workforce. In addition, carefully planning how to implement restructuring with realistic deadlines helps to a great extent to mitigate negative consequences for the remaining staff.

Impact of job loss for the dismissed employees

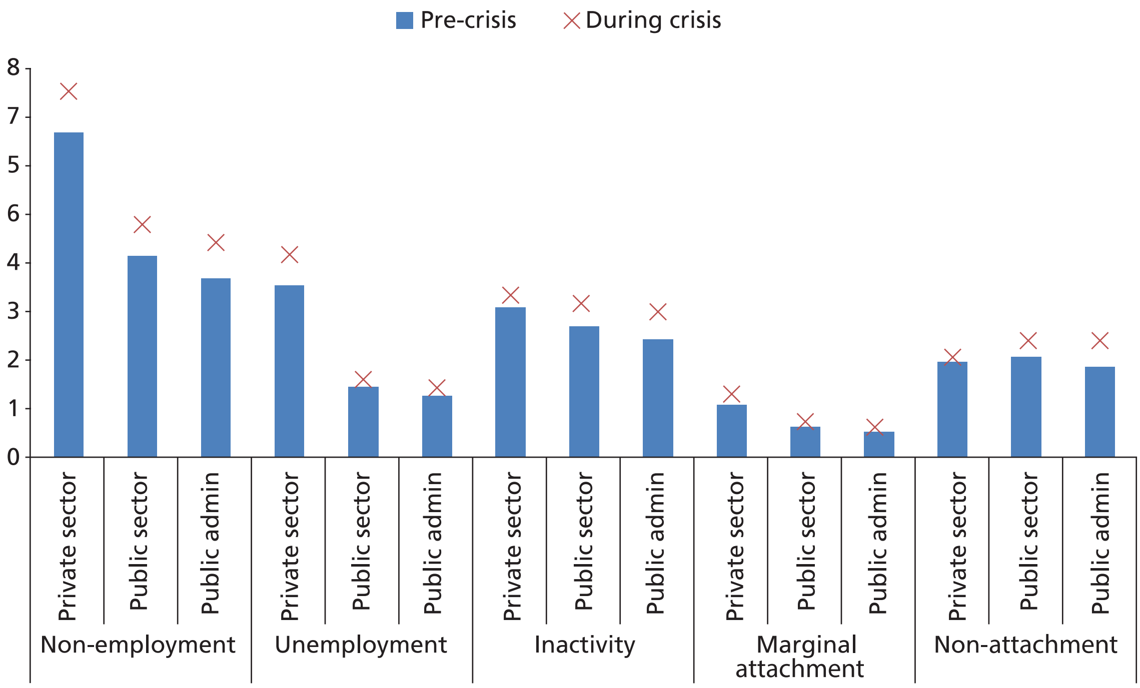
There is a very extensive literature on the impact of job loss on subsequent labour market outcome, in terms of earnings, unemployment duration and possible subsequent re-employment. However, in the developed parts of Europe (and the United States) this literature has almost always excluded public sector employees.[27] This was primarily, at least in Europe, due to the fact that it was such a rare event. It was also a somewhat unusual event, because, if job loss occurred, it was almost entirely dealt with by natural wastage and the pensioning of the workforce with minimal ensuing unemployment, limited earnings loss and, therefore, a situation with less research policy interest. It is thus not possible to provide a data-based account of particular problems associated with the post-displacement labour market outcome of ex-employees in the public sector.

However, the labour market transition data presented in the first part of this report can be used at least to get a broad picture of the different impacts that separations, particularly employer-initiated separations, have on the public sector, compared with their effect on private employees.

27 There is more research on the job loss in the public sector in developing countries and in the European countries that made a transition from plan to market economies from 1990 onwards. See, for example, Haltiwanger and Singh (1999). However, this literature reflects a quite different reality to that of the recent job loss in the public sector in Europe.

Figure 25 shows that average annual transition rates to non-employment are higher in the private sector than the public sector. Before the crisis, almost 7% of private sector employees in the EU were not employed the following year, compared with just above 4% in public services (health, education and public administration) and below 4% in the core government functions (public administration only). During and after the crisis, transition rates to non-employment increased in all sectors, but interestingly, the largest relative increases were in public sectors.

Figure 25: Transition rates from employment to different employment statuses by reason and sector, before and during the crisis (%)



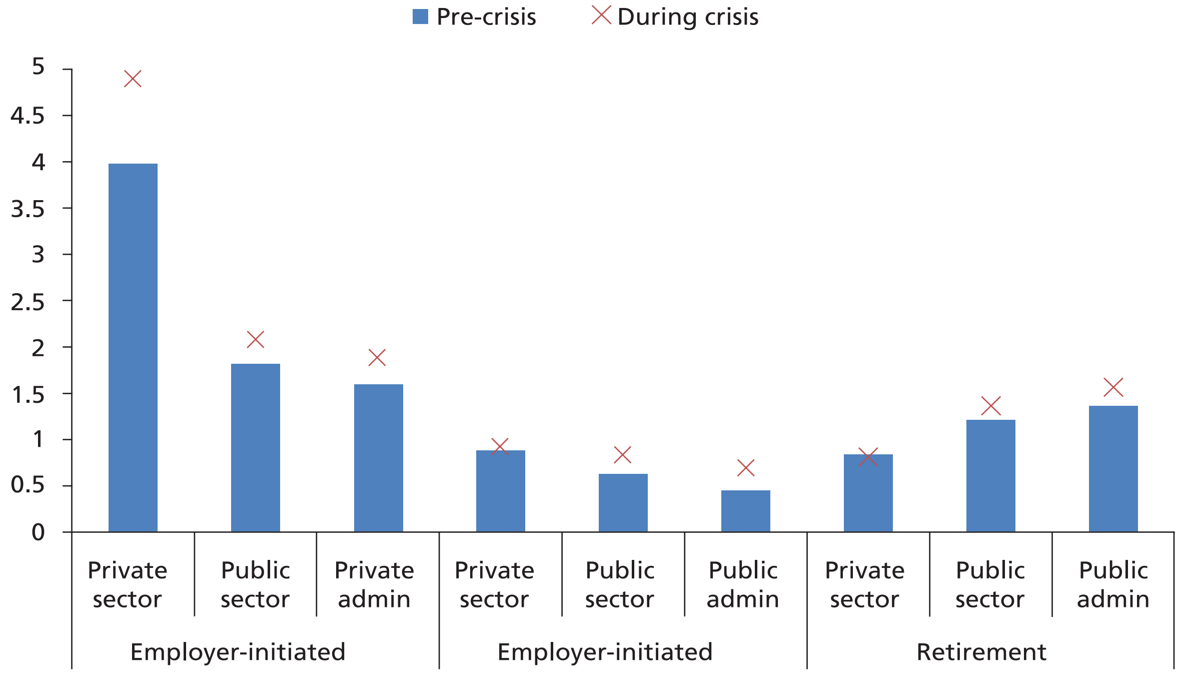
Source: EU LFS; calculations by RWI as contractor.

Transition rates into non-employment can be disaggregated into transitions to unemployment and inactivity. Higher transition rates to non-employment in the private sector were attributable, in particular, to a greater likelihood of employment-to-unemployment transitions. For public service workers, there were higher levels of transition to inactivity than to unemployment. These distinctive patterns were reinforced during the crisis, since transitions to unemployment rose more in the private sector, while transitions to inactivity rose relatively faster in public services.

It is also possible to identify the reasons for employment to non-employment transitions. For simplicity of presentation, Figure 26 groups the response categories into three broader groups – employer-initiated separations, employee-initiated separations and retirement.

Transition rates into non-employment due to employer-initiated separations (dismissals, end of temporary contracts) dominate the distribution and account for the main part of the increase in aggregate transition rates post-crisis. They also increased relatively more rapidly in the private sector during the crisis. Transition rates due to retirement are second in importance, after employer-initiated transitions. Transitions to retirement have always been larger in the public compared with the private sectors. However, while transition rates to retirement fell very slightly in the private sector they increased in the public sectors, particularly in public administration.

Figure 26: Transition rates from employment to non-employment by type of reason and sector, before and during the crisis



Source: EU LFS; calculations by RWI as contractor.

Figure 27: Transition into non-employment by reasons for leaving last job, 2008–2012 (%) (2008–2012)

Source: EU LFS; calculations by RWI as contractor.

The distribution of transitions from a previous job to non-employment by reason for transition (annual averages 2008 to 2012) by age and sector is presented in Figure 27, above.

Remembering that overall transitions are almost twice as large for the private sector compared with public administration, and more than double the rate for employer-initiated transitions, the chart shows how these various overall rates were distributed by reason and age.

It shows that the previously observed higher exit through retirement in the public sectors is particularly higher in younger age groups: between the ages of 35 to 54 in public administration. While employer initiated transitions to non-employment are lower in public administration compared with the private sector, it is highly noteworthy that the distribution data shows that this is not the case for those under the age of 30. When one also considers that employment adjustment in the public sectors was also enacted by recruitment bans, which primarily affect younger people, the two empirical findings highlighted above further strengthen the understanding that it was the young who were most affected by public sector restructuring.

The available data does not, however, tell us anything about how many of those who were dismissed from the public sector were able to find a new job and, as mentioned above, there is very limited relevant other research on this topic. The available data indicated only that ex-public administration workers were more likely to be inactive (mainly retired) rather than unemployed, compared with their private sector counterparts. There are, however, a number of points that can be made about the re-employment prospects of dismissed public-sector workers.

There is some evidence that the reputation of public sector workers may not be the best in the labour market as a whole. The Barclays Corporate Job Creation Survey in 2011 questioned more than 500 executives of UK businesses (Barclays, 2011). Almost a third of companies responded that would not consider employing ex-public sector workers. Moreover, evidence from Hays Recruitment UK in 2010 showed that s that 85% of candidates coming from the public sector fear that their public sector background will put them in a disadvantageous position compared to other candidates (Recruitment International UK, 2010). Employers in the same survey stated that they have difficulties assessing the skills of potential employees from the public sector, not least because of different job titles granted to employees in similar functions in the public and private sectors. Around 60% of employees believe that public sector employers (and, indirectly, governments) can have a critical role in supporting their transition to the private sector. Such findings can be interpreted as discrimination, or as an information failure. The most obvious implication for policy in this context is the need to clarify the capabilities of public sector employees with more focus on their ability to perform certain tasks rather than the presentation of skills in terms of formal qualifications, which is common in the public sector environment. Issues of unwarranted prejudice about the capabilities of these potential employees may be addressed by a temporary subsidised placement of ex-public sector workers in private firms to dispel prejudice.

As job loss in the public sector was previously quite rare, there are limited support mechanisms dedicated to public sector employees. However, such institutions and measures do exist. For example, Sweden has had such services for public sector workers for decades (for central government employees) and has recently extended them to cover municipal workers, hence now covering the entire public sector. These institutions, which are bi-partite financed and administered, are permanent bodies that primarily provide matching services to displaced workers. In fact, there is evidence that if employees made redundant are provided with adequate support in finding a new job, such as training to brush up their skills for other opportunities in private or public sector or psychological counselling, their chances of being reemployed can be quite high. For instance, in the Municipality of Trollhättan, 75% of the healthcare employees that were initially given redundancy notices and a ticket to the relevant support programme, found new jobs within a short period of time and declined an offer to return to the municipality.

Conclusions 7

This report has provided an overview of restructuring trends in Member States since the onset of the recession in 2008. One of the characteristics of the recession was that, even if employment in the public sector helped to cushion the initial macroeconomic shock, the public sector subsequently experienced the most severe restructuring in Europe for many decades. This was, of course, due to the spiralling public debt in many Member States, largely due to the banking crisis, and issues related to the governance of a then fragile euro.

The report highlights the divergent employment trends in the public sector. The biggest and fastest-growing public services are health and education, but evidence also points to them having an increasing share of private employment. However, roughly 800,000 net job losses have been recorded in the core public sector which has contracted faster than the workforce overall in this period. This is reflected in data from both the European Restructuring Monitor (particularly around 2010 and 2011) and the EU LFS. Nineteen of the 28 Member States have experienced declining employment levels in the core public sector since 2008, with the sharpest decline in Latvia (-29%) and contractions of more than 10% in both the UK and France. Meanwhile, the education and health sectors have continued to expand during the peak years of the crisis and afterwards, although at a slowing pace since 2011.

Employment in the public services is skewed towards jobs which are relatively well-paying and, in particular, demand well-educated staff. Teaching professionals in the education sector alone number almost 10 million people in the EU28, nearly 5% of total employment. During the initial years of the Great Recession (2008–2010), the public services served to stabilise the economy, expanding employment while the private sector workforce experienced severe job losses. Since more than half the workforce in public administration is male (54%), and the education and health sectors are overwhelmingly female (over 70%), the gender effects of the recent divergent employment trends within the public sector are similar to those in the workforce as a whole. The workforce has also become significantly older. More than one third of public service workers in Europe are now over 50, and the share of older workers has increased by more than five percentage points since 2008 in both the health and public administration sectors. The shrinkage of younger age cohorts in the public services is particularly likely to negatively affect the generational transmission of knowledge (in both age directions) with consequences also in terms of the attractiveness of the public services as an employer and ultimately in terms of the efficient delivery of public services.

A higher share of public sector workers than private sector ones (41% compared with 35% in the EU27) reported ‘substantial restructuring’ in the previous three years at their workplace. From the employee point of view, restructuring in the public sector is associated with mixed outcomes. On the one hand, already comparatively high levels of psychosocial risk in the public sector are increased further where restructuring has taken place. On the other hand, restructuring is strongly associated with an increased prevalence of some characteristic ‘high-performance work organisation’ practices (formal assessment, teamwork, increased work autonomy and a focus on human capital development) although public service workers continue to be much less likely to report the forms of variable performance pay increasingly common in the private sector.

Some interesting findings also emerge from the COCOPS survey of senior public service executives. A significant finding was that the typical ‘new public management’ reforms such as privatisation, flexible employment and contracting out were less likely to be considered important, while measures more associated with a network-oriented understanding of government – cooperation among public sector actors, digital e-government as well as transparent open government – were considered of greater importance.

Unsurprisingly, countries where senior public sector executives indicated the most extensive recourse to measures limiting the public sector pay bill tended to be those where the fiscal crisis hit hardest. Two of the four programme countries – Ireland and Portugal – as well as Spain feature at the top of the list for public sector pay cuts or pay freezes and near the top of the list for hiring freezes. Generally, there was a hierarchy in the prevalence of measures which appears to reflect a greater political acceptability of, for example, hiring freezes over staff layoffs and of pay freezes over pay cuts.

Cross country variation was much greater in the pay flexibility measures (pay cuts and pay freezes – in most cases pay cuts in real terms) than the numerical flexibility measures (staff lay-offs and hiring freezes). Pay flexibility was much more likely in the programme countries, Spain, the UK and the Baltic countries and much less likely to be reported in the Nordic countries and Germany.

Recourse to staff lay-offs was the most idiosyncratic of the four measures in its reported incidence across countries and seems largely uncorrelated with the other three measures. Levels are relatively high in the Nordic countries and relatively low in those economies most affected by the crisis – Greece, Ireland, Italy, Portugal and Spain.

In terms of the impact of public sector change on the sector employees, the overall assessment from the COCOPS data is quite negative. Of 16 performance dimensions, two of the lowest scores related to staff motivation and attitudes towards work and the attractiveness of the public sector as an employer. Assessments were particularly negative for these dimensions in France, Italy and Spain and the UK.

The overall picture to emerge from the different data sources is of an ageing, increasingly feminised public service contracting in terms of its scope of activities and losing some of its former attractiveness as an employer, whose workplaces are just as likely to be undergoing intensive organisational change as those in the private sector, and where reforms are more likely to be assessed negatively than positively both in terms of overall job satisfaction of employees, and in terms of their perceived effectiveness in improving the delivery of public services.

Recently, the distinguishing feature of public sector restructuring, in terms of processes and actors, has been the impact that the financial crisis and the economic governance of the euro have had on the levels of public debt and deficits. While it may be difficult to link this governance precisely to specific cases of public sector restructuring, it is reasonable to assume that there has been some general impact. The impact is of course clearer (but still far from conclusive on a case by case basis) for the Member States that received loans from the European Commission, European Central Bank and the International Monetary Fund. Much of the research on recent public sector restructuring presented in this report finds that the decisions were not well prepared, the processes were very quick, often not transparent and involved limited consultation with the social partners. There were of course exceptions. The very extensive public sector restructuring in Ireland is perhaps the best case of good practice at national level. The case studies presented in Chapter 5 also include some interesting examples that indicate that well prepared, consultative processes lead often to relatively successful outcomes.

The European Quality Framework (QFR) was launched in 2013 in order to provide guidelines for restructuring organisations based on real experiences of companies. The QFR is expected to provide guidance and inspiration on ways to minimise costs for all involved parties in a restructuring organisation (mainly in private sector). The Commission calls on Member States ‘to explore ways of applying the proposed QFR to public sector employees'. Indeed, the general thrust of the QFR is the involvement of a wide range of actors in the process, something that should be particularly relevant for public sector restructuring. The evidence presented in this report is rather mixed. While there are numerous cases of wide-ranging and extensive consultation in the cases studied, the overall picture is generally rather of a lack of planning, consultation and ex-ante evaluation of the impact of the restructuring on all involved parties. This was certainly very strongly influenced by the perceived urgency of very rapidly reducing public expenditure and particularly so in the programme countries. It must be underlined, though, that, even during times of financial hardship, some important elements of a quality framework, such as building joint diagnoses and internal consensus at an early stage and providing personalised support to employees by the employer were adhered to.

The QFR also calls for the development of anticipatory measures. It would appear that, in the vast majority of cases in this study, the public sector institutions did not anticipate change or prepare for it by mapping jobs and skills needs and introducing flexibility and training measures. That said, the public sector has always played a guiding role for the private sector in offering its staff flexibility (such as working time flexibility, job rotation, job-sharing, early retirement), as well as training and different career development tools (sabbatical) for their employees. Such measures already existed before the crisis in most of the public institutions whose staff were interviewed for this study. However, they were not considered as management tools for transforming the workforce transformation but rather as staff entitlements.

There is room for development, however, concerning the role of both employers and employee representatives in the anticipation phase of restructuring. In addition, the type of support provided to employees who have been made redundant can be improved. This is particularly important given that the employment relationships within the sector are becoming more and more similar to private sector contracts in many Member States, and it is no longer unusual for public sector employees to be made redundant. It should be borne in mind that restructuring in the public sector is not a crisis-only phenomenon and will be a trend across the EU: therefore, adopting a more anticipatory approach to change would be relevant and should be expected from all involved stakeholders.

There is no doubt that, regardless of the experiences of the recent economic crisis, the public sector faces a very challenging future. In no sector of the economy will the impact of the ageing demographic structure be as great as that in the health and care sectors. But even the education sector will have to adapt considerably (as seen in some of the case studies in Chapter 5) to the lower cohorts going through schools and universities. The big opportunity that the public sector has to increase efficiency is the potential provided by information and communication technology. The use of the internet for the provision of public administration services has already begun to have a significant impact in many Member States. Its use is less obvious for the welfare services of health, care and education even if there is certainly some potential.

Some lasting effects of the recent restructuring carried out in the public sector can be expected. Recruitment bans and selective dismissals have meant a significant rise in the age of the public workforce, and there is some indication that many who left the public sector were quite highly skilled. Moreover, the erosion of various employee rights and benefits may have damaged the reputation of public sector employment. Both these trends can be expected to increase the skills shortage in the public sector. The restructuring processes, particularly in some of the countries that had acute public debt problems, was often hasty, non-transparent and not always well prepared.

This report has presented evidence of the negative impact of restructuring in the public sector on those who remained in the organisation. Of course, these were exceptional circumstances, but one may expect – not least due to the demographic challenges – that public sector restructuring could become more common in the future. It is vital that the public sector actors learn from the good and bad examples of restructuring and develop a more strategic, anticipatory mind-set that includes possible future restructuring.

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Annex 1: Public services and NACE codes

Table A1: CEEP definition of public services using NACE revision 2 sector classification

Sector	NACE rev 2 code	Note
Silviculture	2.1	
Forestry support services	2.4	
Electricity, gas, steam and air conditioning supply	35	
Water collection, treatment and supply	36	
Sewerage	37	
Waste collection, etc.	38	
Remediation activities and other waste management	39	
Land transport, etc.	49	excluding 49.39, 49.42, 49.32
Inland passenger water transport	50.3	
Air transport	51	in part, estimated as 10%
Warehousing and support activities for transportation	52	
Postal activities under universal service obligations	53.1	
Programming and broadcasting activities	60.2	in part, estimated as 40%
Telecommunications	61	61.1 and 61.3 only
Financial services (central banking)	64.11	
Scientific research and development	72	
Veterinary activities	75	
Employment placement agencies	78.1	
Public administration and defence; compulsory social security	84	
Education	85	
Health and social work	86-88	
Libraries, archives, museums and other cultural activities	91	
Funeral and related activities	96.03	

Source: Cambridge Econometrics, 2013.

Note: Eurofound version of the CEEPs mapping relied on EU LFS data extraction provided by Eurostat at NACE 3-digit level of detail (2 digits in BE, BG, CY, DK, IE, LV and SI and in UK (2008) and IT (2008-10)). Adjustments made for 2-digit data based on assumption that NACE3d share was equivalent to that observed in EU20 where NACE 3d data available. Employment in NACE 49 was included in part, estimated as 80% to reflect the excluded 4d categories. Employment in NACE 64.11 and 96.03 was excluded in all countries due to non-availability of data at 4-digit detail.

Annex 2: Recodings of the fifth European Working Conditions Survey data

For the logit analysis of impacts of restructuring on working conditions of public and private sector employees in section 6, the following notes indicate the recodings carried out of non-dichotomous categorical variables and composite variables (in bold) used in the analysis.

High work intensity: those answering around half of the time or more to both the tight deadlines and high speed work questions. Cronbach's alpha: 0.77.

High work autonomy: respondents who answered following three questions positively – a/ able to choose pace, b/ method, c/ order of work. Cronbach's alpha: 0.77.

Computer use: 1= those answering 'Half of the time' or greater

Physical risk exposure: 1= those answering 'all of the time' or 'nearly all of the time' to any one of twelve physical risk exposures (working in tiring or painful positions, carrying or moving heavy loads etc.).

Psychosocial risk exposure: 1= those answering yes to any one or more of five psychosocial risk questions (verbal abuse, bullying/harassment, etc.)

Any physical health problems in past 12 months: 1= those experiencing any of the following in previous 12 months – backache, muscular pains in lower limbs or upper limbs, injury(ies)

Any psychological health problems in past 12 months: 1= those experiencing any of the following in previous 12 months – fatigue, depression, headaches, sleeping problems.

Stress: 1= those indicating they experience stress in their work 'always' or 'most of the time'

Job satisfaction: 1=answering 'satisfied' or 'very satisfied'.

Good career advancement prospects: 1= those answering 'agree' or 'strongly agree' to statement 'My job offers good prospects for career advancement'.

Job security: 1= those answering 'disagree' or 'strongly disagree' to statement 'I might lose my job in the next six months'.

Annex 3: Public sector restructuring measures in the EU

Table A2: Recently implemented public sector restructuring measures, by Member State

	Quantitative measures			Pension reform	Outsourcing	Flexibility measures
	Pay cut/freeze	Cuts in other benefits	Staff reductions			
AT	Wage freeze in 2013. Moderate wage increase in 2014.	-	Recruitment freeze (police, teachers, judiciary services are exempt) until 2014.		No outsourcing or privatisation since 2008.	Phased retirement common though not specific to public sector and introduced before the crisis. Pilot project on labour pooling.
BE	Wage freeze (2013–2014).	-	Decrease of the public sector workforce by 5% (2012). 1 employee per 3 leaving will be replaced (2012).	Pension age to rise from 60 to 62 (2012). Restrictions on the period of career interruption without effect on pension. Calculation of pension amount will be based on salary of last 10 years instead of last 5.	Increase in public private partnerships.	No schemes in place.
BG	Wage freeze (2009–2010).	Freezing of compensations for maternity leave (2009).	Reduction in the number of administrative employees by 12.8%.	Freezing of pensions (2009–2011). Gradual increase in retirement age (to 65 for men and 63 for women). Increase in minimum required length of service for all workers.	Privatisation of railway transportation in the pipeline (2013).	Some cases of redeployment in public administration.
HR	6% to 15% wage cut in 2009, wage freeze since then. Tenure supplement reductions.	Cuts in Christmas bonus and restrictions on travel allowances. Restrictions on overtime. Restrictions on temporary service contract and fixed-time contract.	Recruitment freeze. Replacement quota 1 for 3. 5% target for downsizing.	-	Outsourcing of auxiliary functions.	Early retirement scheme under consideration.
CY	3-year freeze and scaled reduction between 0% & 12.5% (2012). Increased by 0.8%–2% in 2013. In 2014, an additional 3% reduction on wages.	-	Reduction in public sector employees by at least 4,500 over the period 2012–2016.	Subject to same reductions as public sector employee pay cuts.	Privatisation of Cyprus Airways. No further outsourcing or privatisation.*	Redeployment in semi-governmental organisations. Voluntary exit for older workers.
CZ	10% reduction in wages (2011).	-	Staff reductions expected in the Service Act.	Pension reform expected in 2014**.	No outsourcing or privatisation planned.	No schemes in place.

	Quantitative measures			Pension reform	Outsourcing	Flexibility measures
	Pay cut/freeze	Cuts in other benefits	Staff reductions			
DK	Wage freeze (2010–2013).	-	-	Early retirement age will gradually be increased to 62 by 2017. By 2018, normal retirement age will be 64. From 2025 both will be linked to life expectancy.	No significant outsourcing or privatisation has occurred since 2008.	Job mobility common in the public sector since it was introduced in 1985.
EE	Wage cuts between 10%–20%. Revised terms of employment for new recruits to public service.	Reduction in performance-related bonuses.	Recruitment freeze (2009).	Decrease in retirement benefit for certain retired public sector staff as they were tied to the minimum salary level of current staff.	No information available.	Shared services point. Redeployment.
FR	2 year pay freeze (2009-2011)	-	Replacement of 1 in 2 staff that leave the public service.	-	No significant outsourcing or privatisation has occurred since 2008.	2009 reform increased public sector employee mobility within departments. Career breaks.
FI	-	-	Between 2003 and 2011, the number of central government positions was reduced by 7,900.	Introduction of part-time pension and flexible retirement between the ages of 63 and 68.	19% increase in service procurement between 2006 and 2010.	Redeployment. Phased retirement. (Both in place for long time).
DE	Wage increase of 6.3% in 2012–2014 for 2 million public sector employees.		Recruitment freeze.	Retirement age of civil servants to be raised from 65 to 67.	Decrease in privatisation and outsourcing since 2008.	In cases of job cuts, alternative public employment of equal quality to be provided in the same locality.
EL	Reduction of pay on a called basis from 1%–5.5% (2010). Replacement of 13th and 14th salaries with payment of €500 (2012). Pay freeze 2010–2014.	12% reduction in all public sector bonuses (2010). 8% cut in all allowances (2012). Abolition of family allowance (2011). Increase in weekly working hours from 37.5 to 40.	Reduction of 4,000 members of staff by the end of 2013. Replacement of 1 in every 10 employees who leave public service.	Replacement of 13th and 14th pension payments with €800 (2012). Changes in men's retirement age to match women's, which will be raised to 60 in 2013.	Privatisation of many public entities as set out in the Memorandum of Troika Agreement.	Staff mobility to be increased. 12,500 employees will be redeployed from June 2013. Job-sharing as a result of mergers.
HU	Wage cut by 7% in 2008–2010. Pay freeze since 2008. Abolition of 13th wage in 2009.	-	8% redundancy (around 7,000 governmental jobs) announced in 2012.	End to possibility of receiving an income and pension at same time (2013).	Significant outsourcing and privatisation of previously publicly provided services up to 2010.	Career breaks. Revised unpaid leave or 'term time' provisions.
IT	Wage freeze (2008–2014). Wage cuts only for highest salaries, abolished in 2012.		Only 1 in 5 employees replaced when they leave public service (relaxed in 2014)	Retirement age for old age pension for female public employees raised from 61 to 66 (2012) and gradually raised to 67 employees by 2021.	No information available.	No schemes in place at national level, although redeployment and early retirement were used at regional or local level.

	Quantitative measures			Pension reform	Outsourcing	Flexibility measures
	Pay cut/freeze	Cuts in other benefits	Staff reductions			
IE	Pay freeze in place since 2009. Wage reductions, varying by salary level, average cut of around 6.5%. A graduated pay cut implemented for those on wages above €65,000 per year (2009). Reductions in pay levels for all new entrants (2009).	Reduction in overtime pay. Increase in working hours. Cuts in annual leave entitlements for some (standardised annual leave entitlements for all). New sick leave arrangements.	Public sector staff numbers reduced from 320,000 in 2008 to 292,200 by March 2012. Recruitment moratorium (to be relaxed in 2015).	Income-graduated reduction applied to each gross annual public service pension in excess of €12,000, amounting to an average reduction of 4% to pensions paid before 29 February 2012. Further reductions applied to pensions of €32,500 and over from 1 July 2013.	Outsourcing and alternative external delivery methods as one pillar of the reform programme.	Redeployment. Incentivised early retirement scheme (2009). Shared services points. Incentivised career break schemes up to three years. Job-sharing. Voluntary redundancies.
LV	Wages cut by 17%.	All bonuses have been abolished. Certain leave entitlements and holiday bonuses have been abolished.	Number of staff employed in institutions financed by the state reduced by 26% from 2008 to 2012	-	According to a survey conducted in 2010, 43% of public institutions outsourced at least part of their functions to other institutions or private enterprises.	No schemes in place.
LT	Wages of civil servants cut by 10% to 15% (2009).	-	-	-	No information available.	No flexibility measures but civil servants whose jobs are cut must be offered an alternative. Career breaks. Compulsory unpaid leave of 5–7 days per year (2009-2010).
LU	Effective freeze of wage increases in 2010 and 2011.	-	-	Government introduced gradual increase of pension contributions from 24% to 30% of wages.	-	No schemes in place.
MT	No reductions, the new collective agreement 2011–2016 has increased the overall wage bill.	-	Replacement ratio is 1 employee for every 2 retiring.	-	Malta Shipyards privatised in 2008. Increase in the outsourcing of services (2011–2016).	No schemes in place.
NL	An effective wage freeze is in place, but there have been some exceptions.	-	Planned job reductions by 2015.	Reduction of early retirement.	Privatisation mainly took place before 2008. Few examples of outsourcing since the crisis began.	Policy of job-sharing.
PL	Public sector wage freeze (2010).	-	Redundancy of 7,000 teachers (in 2012) and approximately 7,500 (in 2013).	-	Outsourcing of non-medical services at hospitals.	No schemes in place.

	Quantitative measures			Pension reform	Outsourcing	Flexibility measures
	Pay cut/freeze	Cuts in other benefits	Staff reductions			
PT	Since 2011, wage cuts between 3.5% and 10% for those earning over €1,500.	Increase in weekly working hours from 35 to 40 (2013). Reduction in: overtime payments compensation for performing tasks that pose risks to health Travel costs and daily allowances (2012).	Net reduction in the number of public employees by 50,000 (2010 to 2012).	Suspension of the scheme of age flexibility for early retirement on full pension (2012).	Privatisation of the energy sector: the electricity operator EDP (2011), the energy operator GALP (2011) and the energy company REN (2012).	Common mobility scheme for civil servants introduced in 2006 was reviewed in 2013 to adjust to austerity measures.***
RO	The Public Budget Rebalance Act (2010) cut wages by 25% but was gradually restored (2011–2012).	-	Cap on number of public sector employees to 1,290,000 (2011–2013) 1 new employee for 7 employees exiting (2013–2015).	Retirement age increased from 57 to 65 for women, due to increase gradually by 2030 and from 62 to 65 for men until January 2015.	No information available.	No schemes in place
SI	Pay cut by 4% in 2011, by an additional 8% in 2012.	Abolition of supplement for years of service in the public sector for women over 25 years. 50% reduction in supplement for Masters and PhD degrees. Reduction in sickness benefits.	-	Retirement age increased to 65 in 2013. Freeze on contributions to collective supplementary pension (2013).	-	No schemes in place.
SK	Wage freeze (2011–2013).	-	-	Pension entitlement for those in army and police force extended from 15 to 25 years (2013).	Privatisation and outsourcing of health sector in previous decades. Few examples of outsourcing since the crisis began.	Job-sharing introduced in 2011. Redeployment to vacant positions in other departments introduced in 2009 for redundant staff.
ES	Scaled pay cuts with an average cut of 5% (2010). Freeze to public sector pay in 2011. Cut of the Christmas bonus salary in December 2012. Pay freezes in 2012 and 2013.	Increase in weekly working hours to 37.5. Adjustments to sick leave entitlements. Reduction in general personal days off and seniority-related days off.	Redundancy applied to contracted staff due to, for example, budget gaps.	Freeze in pension rises (2010). Reform of the pension system and partial retirement system (2010).	Some regional outsourcing in the health sector.	No specific regulations in place but some redeployment may be part of the Law aimed at rationalising local administration.
SE	-	-	Employment freeze 2010–2011.	-	Privatisation of state monopoly of the pharmacy market (2009-2010).	Early retirement schemes in use in 2010–2013.

	Quantitative measures			Pension reform	Outsourcing	Flexibility measures
	Pay cut/freeze	Cuts in other benefits	Staff reductions			
UK	2-year pay freeze (2010–2012). Cap of 1% on subsequent pay increases.	-	10% cut between 2010 and 2015.	Increase in employee contribution towards pensions and pension calculation changed to career average (2013).	Privatisation of rail and bus transport. Increased outsourcing at local and regional level.	Redeployment. Phased or early retirement. Voluntary redundancy.

* Information on Cyprus from: http://www.theguardian.com/business/blog/2014/feb/27/royal-bank-of-scotland-loss-bonuses-rsa-business-live

** Information on Czech pension reform from: http://www.ipe.com/czech-membership-in-third-pillar-pensions-continues-to-shrink/10001850.article

*** Several amendments suggested by the Memorandum of Understanding were found to be unconstitutional by the Constitution Court and did not come into force.

Source: Contributions from Eurofound's Network of European correspondents, 2013; Vaughan-Whitehead, 2013; EU Commission, 2013.

European Foundation for the Improvement of Living and Working Conditions

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The European Restructuring Monitor's annual report for 2014 explores the rapid transformation of the public sector in Europe since the onset of the financial crisis in 2008. Initially, employment expansion in the sector helped to stabilise Europe's economy while the private sector suffered severe job losses. However, subsequent austerity measures (or fiscal consolidation) have brought in their wake widespread restructuring in the public sector. Hiring freezes have meant the public sector workforce has shrunk and become significantly older, with more female workers. Lack of job security means working in the public sector is no longer quite as attractive. More restructuring will undoubtedly occur, and it is vital that those involved in its planning develop a more forward-looking, anticipatory strategy, to soften the blow for those workers who leave and to enhance conditions for those who stay.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency, whose role is to provide knowledge in the area of social and work-related policies. Eurofound was established in 1975 by Council Regulation (EEC) No. 1365/75, to contribute to the planning and design of better living and working conditions in Europe.

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