

# IMPLEMENTING ADMINISTRATIVE REFORMS LINKED TO ECONOMIC CHANGES: THE CASE OF MALTA

by Edward Warrington

## Introduction

The history of Maltese public administration is marked by periodic attempts at a root-and-branch reform of the rapidly-growing civil service. The latest sustained effort lasted between 1972 and 1981. Because of its duration and the range of changes introduced, the reform qualifies as an important formative period for the public service.

The Reorganisation, as it has come to be known, took place in the context of an 'economic crisis' that has preoccupied Maltese policy-makers since the late 'fifties. Throughout the period, successive administrations have struggled with the problem of disengaging Malta from its fortress role and launching a viable economy. In 1971 the problem acquired a new urgency when the newly-elected Labour administration negotiated the final closure of the British Naval Base which was set at 31st March 1979. In the course of the decade, the economic problem was compounded by the effects of the Oil Crisis and the later downturn and recession.

Thus, the objective of civil service reform were stated as follows in 1971:

- to prepare the civil service to assume a leading role in development;
- to re-orient decision-making in the direction of centralization and control; and
- to contain numbers and costs.<sup>1</sup>

Side by side with the economic undercurrents, other forces were at work in the interests of reform. The change of government in 1971 brought with it not only a new set of policies and priorities: the incoming administration was characterised by an ideological approach to government and by a reliance on the charismatic leadership of the Premier.

The Labour Party came to power at a time when industrial development was beginning to make its effect felt on the social structure and the balance of social forces on the Island. A new middle class of managerial, engineering and technical personnel was taking shape and the industrial proletariat expanding greatly. New forms of political organization other than the traditional parties — trade unions, professional associations and special interest groups — came

into being to articulate the demands and interests of the classes. All of these organisations challenged the traditional prestige and pre-eminence of the civil service among the country's institutions, even as they demanded fresh initiatives, services and programmes from the public sector.

The growing size and responsibilities of the civil service were also transforming it from within. Organisational cohesion diminished under the influx of specialist and professional staff and as new organisations were created. Internal strains found expression in a degree of union militancy which was directed as much against competing unions as against government as employer. Throughout the sixties, under the pressure of union activism, civil service salaries and benefits kept pace with the rising industrial sector and the declining British defence establishment.

It was in this context of urgent economic problems and against a background of changing social and political structures, that the objectives and plans for civil service reform were laid. Throughout the seventies and eighties the surging tide of change continued transforming every facet of life on the Island. Remarkably, though development has produced severe strains that are expressed in the political arena, the country has enjoyed more than two decades of political stability and steady economic growth. This is a tribute to the resilience and adaptability of the traditional basic institutions: family unit, close-knit secular communities and Church.

The decades since Independence can be characterised, above all, as a period of institution-building which is at the heart of national development. It is in relation to this task of institution-building that the civil service Reorganisation must be evaluated.

### **An Agenda for Reform: Economic Changes**

The distinguishing characteristic of the Labour administration's economic policy over the past 15 years has been the considerable expansion of the influence and activities of the public sector in the economic life of the country. The underlying assumption is that in the state of economic development obtaining since Independence, the private sector is unable to mobilize resources on the scale necessary to promote growth.

Government has assumed a leading position in the economic life of the country in four physical ways:

- a) by close regulation of commerce, industrial enterprises and financial markets and institutions;
- b) by extending state ownership and control over public utilities,

telecommunications, shipping and aviation, financial institutions and the import of vital commodities;

c) by setting up state-owned enterprises of a commercial, industrial or agricultural nature;

d) by developing the country's infrastructure, chiefly, power, water, roads, harbours, airport and internal and external telecommunications.

Though the groundwork for the public sector's development along these lines was being laid down in the years immediately prior to and after Independence, the scope and scale of these activities reached its full implementation during the seventies. As the largest and most important organisation in the public sector, the civil service played and continues to play the leading role in this sector's development and, indeed, in national development.

### **An Agenda for Reform: Administrative Changes**

The objectives of administrative reform were clearly stated in the Labour Party's Manifesto for the 1971 elections. The first difficulty emerged in translating these statements into operational policy. The Manifesto spoke only of the appointment of two commissions to carry through the reorganisation, without elaborating on their terms of references.<sup>2</sup>

The principal tasks with regard to reform could be stated thus;

- a reappraisal of departmental organisation;
- the expansion of the range of specialisations among key professional, technical and managerial personnel;
- the rationalisation of the vast pool of direct labour employed by the civil service (then approximately 8,000 among a total public workforce of 20,000).

In addition, the new economic policies required the centralisation of decision-making and the strengthening of control over departmental activities. This meant more than the rigorous application of traditional mechanisms of accountability; the discretionary use of authority by permanent officials was to be curtailed and top-down approach adopted in policy-making.

The containment of costs and numbers could potentially conflict with the expansion of the civil service's role. In the event, a total freeze on recruitment was imposed.

In spite of the diverse declarations, the agenda for reform remained unclear, a fact which hindered the work of the newly-appointed Commission on the Reorganisation of the Public Service.

## **The Reorganisation Begins**

The Commission was to make recommendations on the pay, grading and benefit structures and on manning levels in the public service. In addressing its terms of reference, the Commission was required to examine technical issues such as staffing and job classification and other sensitive issues of pay and benefits that would normally be the subject of collective bargaining.

The Commission comprised about thirty members. It was chaired by a senior career civil servant and included equal numbers of representatives of each of the main departments and of the four principal public service unions. The unions represented distinct constituencies<sup>3</sup> and brought to the Commission very diverse interests and a degree of rivalry. The Commission was serviced by a small secretariat located in the central personnel management agency (the Establishments Division of the Office of the Prime Minister).

The technical elements of the Commission's work, particularly the assessment of manning levels, which required work study experts, were delegated to a management unit in the central personnel agency which had been set up a few years before to introduce modern management techniques in the public service. In an organisation where the tradition of the 'gifted amateur' was revered, however, the unit's influence was limited.

The Commission was unable to function as a non-partisan, collective body. Work proceeded fitfully. Two committees were formed: one to oversee the manning exercise; the other to report on pay and benefits. The latter succeeded in formulating a comprehensive report on conditions of civil service employment. However, towards the end of 1972, the white-collar unions sought to press their demands outside the Commission and initiated industrial action. It became impossible for the Commission's work to proceed and it was quietly wound up. A year passed before any fresh initiatives were announced.

### **A Second Try: Collective Bargaining**

At the beginning of 1974, Government and unions agreed that each union would negotiate its pay, grading and benefits claims independently of the others. Existing pay relativities would not be disturbed and the unions would cooperate in the realisation of the government's productivity goals.<sup>4</sup>

There followed a brisk series of negotiations, in the course of which the pay and grading of different groups was considerably restructured. Between 1974 and 1976 the administrative, clerical, industrial, teaching, paramedical and technical employees were reorganised. The reorganisations of professional staffs was delayed by a lengthy

industrial dispute between Government and the doctors. Thereafter, until 1981, the tempo of negotiations slowed somewhat. The doctors' dispute led to a considerable souring of relations between the Administration and the Confederation of Trade Unions.<sup>5</sup>

The negotiations accomplished the following;

- the simplification of the grading structure by the merger of related grades;
- a redefinition of salary scales applicable to the new grades; by the late seventies, however, public sector pay lagged behind private sector salaries;
- the opening up of career paths by the abolition of 'dead-end' grades and promotion 'ceilings'.

Negotiations on job descriptions were never finalised, and ambiguities in the definition and operation of the merit principle in promotion remained unclarified.

Despite the novelty of the approach, the negotiations underlined the limitations of co-opting unions into the process of institutional reform. In the course of the decade, the negotiations became increasingly divorced from the economic issues underlying the reforms. Fundamental questions concerning departmental organisation, decision-making processes, the management of policy and the audit of implementation could not be tackled through collective bargaining.

## **Departmental Organisation, Management and Control**

Concurrently with the negotiations on manpower, a number of organisations within the civil service launched their own initiatives in this sphere of reform. The ever-expanding programme of public investment in infrastructural development and industrial or commercial enterprises required the introduction of new management techniques and mechanisms of evaluation and control. Revenue was expanded to meet the growing expenditures, both through the improvement of collection procedures and through the development of new sources. The Ministry of Finance took the initiative in the sphere.

The Ministry experimented with programme budgeting. It encouraged the development of the state audit services and assisted the Inland Revenue and Treasury departments to tighten control over revenue and expenditure. Later in the decade, the Ministry launched the first sustained attempt at the mechanisation of clerical functions, an initiative which led to the establishment of an Electronic Data Processing (EDP) policy and a data-processing agency for the public sector.

Throughout the seventies, too, several attempts were made to rationalise ministerial portfolios. As public investment grew in many economic sectors, the ministries of development and industry assumed greater importance. In 1976, a separate Ministry of Parastatal and People's Investments came into being, to formulate policy for, coordinate and control, this growing breed of organisations. Economic planning reached its apogee during the seventies with the formulation of a seven-year plan that was given quasi-legal status by Parliament.

In some respects, however, the emphasis on rationality does not fully accord with the reality of decision-making, implementation and control. Political control exercised directly and personally by ministers and their political staffs, is the preferred instrument for securing accountability, though officials regard it as intrusive and dysfunctional. There is a tendency to rely on instinct and native ability rather than on analysis and judgement. Informal networks growing around significant individuals and working around and through the established organisations exercise inordinate influence on policy implementation.

### **The Outcome of Reorganisation**

While the seventies may be characterised as a period of wide-ranging reform, it cannot be claimed that the several initiatives coalesced into a thorough-going, sustained and unified strategy of administrative reform. What can be claimed for the Reorganisation?

On the credit side, the economy has successfully weathered the withdrawal of the British forces from Malta, as well as the subsequent world recession. Growth has been steady and, indeed spectacular, particularly in the second half of the seventies. Substantial foreign assistance has been available, but the authorities have refrained from resorting to questionable economic policies. While the performance of certain sectors remains unsteady and unemployment is high, severe dislocations have been avoided.

In all this, the civil service played the 'leading role' envisaged for it in 1971. The principal economic ministries — Finance, Economic Planning and Trade, and Industry — have regulated the employment-generating sectors and intervened directly in economic activity, sometimes to rescue troubled undertakings, more often to establish significant new ventures. One such case was the take-over of the procurement of essential commodities by the Department of Trade. The civil service has also traditionally undertaken, infrastructural projects, the scale and number of which over the past fifteen years has been staggering. In general, it is only when a venture or project is well-established and viable that it is 'hived-off' into the parastatal sector, or privatised altogether.

On the other hand, there are signs which give rise to concern about the quality of the civil service's performance. The technical input into decision-making is poor or limited. The state audit services repeatedly criticise the mismanagement of funds and other resources, which is attributed to inadequate systems of accounting and control rather than to negligence or deliberate fraud. Representatives of most economic sectors complain of the crushing burdens of administrative regulation and the labyrinthine procedures that are imposed on them. And while, by and large, the civil service has not been sullied by charges of corruption, most clients complain about the indifference and, sometimes, the arrogance of officials. One survey of the socio-political situation has described the country's governing institutions as being caught in the throes of a crisis of confidence.<sup>6</sup>

The effect of certain policies upon the morale of the civil service must be given closer attention. The Reorganisation greatly reduced salary differentials between junior and senior staff and facilitated the promotion of less-qualified officers into the highest ranks of the service. Furthermore, the administrative class, from among whom the policy advisers and programme managers are selected, has lost ground in relation to parastatal and private-sector salaries. The civil service, which is the training ground for many prospective managers,<sup>7</sup> finds great difficulty in retaining the best personnel. The argument that is advanced against awarding competitive salaries, namely that the high costs of personnel will become untenable, is less than credible.

On the basis of these observations, the picture that emerges is of a civil service that has, thus far, successfully coped with its assigned role in economic development, but which may be running short of crucial resources — skilled staff for policy and programme development, an ethic of service, internal leadership, a sense of professional identity and an unambiguous vision of its role in the Maltese political system (rather than simply in the economy).

### **Evaluating the Reorganisation**

The Reorganisation is only one factor influencing the development and performance of the civil service. It is, however, the most decisive influence, because it was addressed specifically and systematically at the service. The civil service's successful adaptations can be attributed to the flexibility, the emphasis on productivity, the speedy decision-making and the central political control that were the principal innovations of the Reorganization.

The principal failure of the Reorganisation has been in the sphere of institution-building. Government has not acknowledged the civil service as a separate, albeit subordinate, institution of the State. Hence the emphasis on political control of the most insignificant

administrative tasks and with that, the steady erosion of leadership within the service and the progressive loss of professional identity.

The implementation of a thorough-going reform on the scale envisaged in 1971 was hampered in other ways.

First, as pointed out earlier, the broad objectives of civil service reform were never translated into operational policy, partly because the reform was never allocated to a particular agency. Technically, the civil service falls within the Premier's portfolio. However, Establishments Division, the central personnel and management agency, was never unequivocally assigned responsibility for the reform. It merely represented the government in the negotiations on pay, grading and benefits. At one time or another, the Ministries of Finance, Development and Economic Planning assumed responsibility for particular structural or systems reforms. However, the absence of a single authority with broad-based powers and the political backing of the Premier or a senior minister ensured that the several individual initiatives did not coalesce into an all-embracing reform capable of being sustained, controlled and developed.

Implementation was also hampered by an inappropriate choice of policy instruments. The policy on costs and numbers containment was defeated at its inception by the use of a blanket freeze on recruitment that ignored the complexity of the issue. The limitations of collective bargaining as a mechanism for restructuring the workforce have been noted. The appropriateness of the Commission on Reorganisation as an agency for reform must also be questioned.

The choice of policy instrument and the design of operational policies are largely tasks for the permanent officials, acting within a framework of responsibility and accountability. Though, it is tempting to lay the blame at the politicians' doorstep, one must admit that, by accident or design or simply inertia, the civil service failed to live up to its responsibilities in their regard.

### **The future of Civil Service Reform in Malta**

Between 1981 and the present, there have been few significant statements on civil service reform. Critics, within government and outside, are agreed only on the symptoms of malaise, but the diagnosis of the underlying cause is contentious. This author suggests that the present situation is as much a natural consequence of the problems of post-colonial adjustment, as it is due to the failure of Reorganisation.

Any further policy on reform must approach the issue from the broad perspective of institution-building, rather than simply from the managerial or economic perspective of productivity and efficiency, and it will build on the foundation of the Reorganisation, rather than



attempt to return to the 'status quo ante' or project into the future the images of an idealised past.

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#### NOTES

1. Malta Labour Party, *Electoral Manifesto, 1971*. Union Press, Malta, pp 3, 4.
2. Two commissions are mentioned , both of which were subsequently appointed; the Commission on the Reorganisation of the Public Service, and the Commission on Discipline.
3. Of the four unions, the General Workers Union represented the industrial and technical employees; the Malta Union of Teachers represented educational staffs; the Society of Administrative and Executive Civil Servants represented the "upper division" of the General Service; clerical employees were organised in the Malta Government Clerical Union.
4. Cfr. Agreement between the Government of Malta and the Confederation of Malta Trade Unions on the Reorganisation of the Service, signed on 31 December 1973, Establishments Division, Office of the Prime Minister, Malta.
5. This marks the beginning of a serious dispute concerning the government's approach to industrial relations and the implementation of certain sections in the Industrial Relations Act, 1976.
6. Archdiocese of Malta, *Pastoral Plan, 1985*, p.23, Valletta, Malta, 1985.
7. Under the worker-student scheme for tertiary education, Government annually sponsors the studies of students in the Faculty of Management Studies at the University of Malta, and provides them with facilities for obtaining on-the-job training and work experience. On graduation, the students are guaranteed employment in the civil service for the first two years.

