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***THE POLITICAL ECONOMY OF REFORM OF THE
ADMINISTRATIVE SYSTEMS OF PUBLIC SECTOR PERSONNEL IN
LATIN AMERICA:***

AN ANALYTICAL FRAMEWORK

WORKING PAPER

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INTRODUCTION

Currently there is consensus, both at the international and regional level, about the need to improve the quality of government as an indispensable condition for ensuring economic growth and democratic stability (World Bank 1997). There is also clear agreement on the importance of using more efficient, honest and responsible public-sector employees to achieve this goal (IDB 1994; Rauch and Evans, 1997). However, there is less agreement and clarity on how to achieve it.¹

In the case of Latin America, some people are of the opinion that the greatest obstacle to better government is basically of a cultural nature (Ozlak 2001), while others stress problems of a technical nature (Reid and Scott 1994). The diagnosis matters, since it determines the kind of strategies to be used for maximizing possibilities for change. Thus, if the cultural aspect is emphasized, it will – at least in the short term – cause actions to be taken that target a change in the assessment orientation of the employees, such as through communication campaigns and motivational courses. If, on the other hand, the problem is considered to be of a technical nature, efforts will tend to focus on the investigation and analysis of optimal models and better practices, on the subject of the administration of human resources in the public sector.

In recent years awareness has increased as to the decisive significance of political factors as conditions for the success or failure of reforms oriented toward strengthening the general capacity for action by the government and, in particular, improving the profile and performance of government employees. Although, as a result, specific studies have already been produced on the topic, there is not yet sufficient clarity on the relative weight of the various kinds of conditions and strategies that have arisen on the distribution of power between the opponents and supporters of reform.

There are authors and approaches that emphasize the central nature of political institutions for explaining differences between countries in the ability of the reformers to overcome the resistance of groups opposed to reform (Geddes 1994; Eaton 2001). Although opinions vary, many of these studies tend to consider that the concentration of authority in the executive facilitates change. Thus, for example, they usually predict that with more

discipline and less fragmentation among supporters – as well as greater control of the executive over the congress – the possibilities for orchestrating the reform will be greater (Haggard 1995).

Other perspectives underscore the importance of structural and international variables, in particular, the increase in the mobility of capital and the move toward more open and competitive economies. These factors are used to explain the strengthening of actors, such as private investors and external creditors, capable of and disposed toward pressuring the government to improve its performance. The increase in the power of these groups and the strong political vulnerability of government leaders in view of their decisions thus serve to explain the introduction and considerable success of reforms directed, for example, toward reducing the costs of economic transactions (the administration of customs and certain legal procedures, such as credit and debt repayment guarantees, among others), or in order to give these actors greater confidence through actions that increase transparency and the level of professional competence in managing the budget, the money supply and the exchange rate, among others (Maxfield 1997 and Mahon – at press).

Some studies on second-generation reforms and in particular on administrative systems for public-sector personnel suggest that the ideas guiding the reforms and the implementation strategies used by their driving forces are usually very important for explaining variations in the level of success among countries and sectors. Those who underscore the role of ideas insist that these ideas are relevant, as they determine the visibility of the reforms, as well as their specific content and their level of adaptation to the problems faced by bureaucracies and bureaucrats in the region. Therefore, they tend to emphasize the need to better understand who is participating in the intellectual design of the change, and how this participation takes place. The work on implementation strategies usually highlights, in turn, the usefulness of actions capable of altering distributions of power adverse to the reform. This is achieved, for example, by means of sequential designs or the grouping of different kinds of measures that allow opponents to be divided, as well as increasing and strengthening the influence of its possible beneficiaries (World Bank 1997:172-176).

¹ For a review of the main approaches for the study of this topic, see Kaufmann (in the press).

This study develops a conceptual and analytical reference framework for the preparation of case studies on political determinants of the level of success of the reforms of the system of public-sector personnel in Latin America. Its main goal is to orient the empirical work toward the evaluation of the explanatory weights of the different structural, institutional and strategic variables that have a bearing on the ability of driving forces to initiate and sustain processes of change oriented toward improved efficiency, honesty and responsibility on the part of government employees.

The purpose of these reforms is defined here in a broad sense – government personnel systems, in general – by virtue of the great diversity of institutional arrangements that govern public-sector personnel, both at the national level and in the different sectors and levels of the government within a single country. A broad definition facilitates comparison; it also proves useful, because it allows the kind of political obstacles entailed in the transformation of a certain administrative system for government personnel to be specified with greater precision.

This study begins with a definition of the problem that conceives of the reform of public-sector personnel systems as a process that redistributes power among politicians, bureaucrats, interest groups and citizens. More concretely and for the case of the majority of the countries of Latin America, it is a process whose success will depend on the disposition and ability of focused interest groups and broad citizen groups to succeed in making it in the interest of politicians and bureaucrats to act with greater levels of efficiency, honesty and effectiveness. Reform will only be possible if the survival and advancement of those holding public authority begins to depend on the change actually occurring.

Based on this definition of the problem, as well as on studies and empirical information available on the subject, the proposed framework emphasizes the importance of four main factors for explaining sectorial and national variations in the ability of reformers to alter distributions of authority frequently adverse to the success of this kind of reform: the characteristics of the preexisting personnel administration system; the proposed reform model; the presence and relative power of groups outside the government interested in promoting change, as well as the kind of strategies employed for carrying it out.

The first two factors are central to identifying the opponents and potential supporters of reform. The second two factors are important, as they allow their preferences to be specified and variations in their relative power to be explained in different national and sectorial contexts.

1. DEFINITION OF THE PROBLEM

Control over public employment constitutes a fundamental power resource in any political system. The importance of government personnel administration systems stems from the fact that these systems organize control over that resource. These systems define the mechanisms and criteria that govern decisions with regard to the hiring, remuneration, promotion and dismissal of government employees. These mechanisms and criteria usually discriminate in favor of certain profiles and generate incentives for certain kinds of behavior. As a result, these systems tend to generate groups of winners and losers, both within and outside government.

Any transformation of the structure and operation of these systems usually faces powerful obstacles, two of which are especially important: firstly, to manage to overcome the resistance of the beneficiaries of the existing system in order to be able to introduce new rules; and secondly, to see to it that the new rules are effectively observed.

The costs of changing the rules: the redistribution of power

The first major obstacle faced by the reform of any government personnel system has its origin in the resistance of those individuals and groups that most benefit from it, more concretely, of those actors that control decisions relative to personnel, and of all those who derive benefits – jobs, resources, authority – from the existing criteria and decision-making mechanisms. In general, the beneficiaries of the continued existence of these systems are usually less numerous and more focused than the groups harmed by their continued existence. This is explained by the fact that the underlying distribution of authority generally tends to reproduce itself and its transformation usually requires external pressure or exogenous changes, such as fiscal crises, changes in the profile of the electorate, or the arrival of new groups of politicians in the government, among other factors.

The specific identity of opponents and possible supporters of reform, their relative authority and the intensity of their resistance or support of the change tend, however, to vary greatly among countries and periods, as a function of various factors, in particular: the kind of personnel administration systems in effect, the kind of reform proposed, as well as the identity and relative power of focused groups interested in improving the profile and performance of government employees.

In recent years many countries in the world have undertaken significant reforms of their public-sector personnel systems. In the case of the advanced democracies with consolidated civil services, the greatest resistance to change has tended to come from career employee bodies themselves. Supporters have included important groups of politicians, entrepreneurs and broad sectors of the electorate. In the case of Latin America, the main opponents of reform have tended to be politicians, bureaucrats and leaders of public-sector employee unions. The supporters of the change in the region have been, in general, less numerous than in the developed countries: small groups of technocrats, some – in particular, the most internationally oriented – entrepreneurs, some non-governmental organizations and international, financial institutions (OECD, 1999).

The costs of making the new rules effective: the problem of compliance

A second basic obstacle has to do with the fact that the consolidation of reforms of government personnel systems presents considerable challenges, due to their long maturity times, as well as the high costs of monitoring and effective compliance. These difficulties originate in the fact that, in contrast to another kind of structural reform, such as privatization or commercial opening, they tend to present low levels of self-compliance. The tensions between individual and collective rationality that characterize all hierarchical organizations and the technical impossibility of generating administrative schemes that eliminate such tensions limit the level of voluntary compliance with the new rules by the affected actors and make hierarchical control an indispensable instrument for their effective fulfillment (Miller 1992: Ch. 1).

In the case of reforms of public-sector personnel systems, these problems are especially acute, since they require a modification in the behavior of large numbers of persons, many

of whom, moreover, usually feel threatened by the change. To this must be added the difficulties generated by the monopolistic position of many government agencies – a situation that limits the possibility that competition will discipline the employees. There are also serious difficulties associated with the evaluation and measurement of the performance of public-sector employees, which helps to explain the predominance of controls based on regulations and not on results within the government bureaucracy (Tirole 1994: 14; McCubbins and Schwartz 1984).

The low levels of self-compliance of these reforms make their introduction only the first move in a game repeated over the long term. Bringing reforms to a successful conclusion crucially depends on the possibility of reducing monitoring costs and making their fulfillment effective. To this end, four elements are significant: firstly, the credibility of the reformers with regard to their disposition and ability to have the new rules followed in practice (Manning, et al); secondly, the ability to obtain and sustain over time the cooperation of the actors affected, in particular, the public servants themselves; thirdly, the possibility of introducing mechanisms into the operation of the system that generate incentives for self-compliance, such as higher levels of competition upon entry and in promotion; and fourthly, the presence of focused groups of potential winners from the reforms outside the bureaucracy, such as private investors, who contribute in a regular manner to disciplining the bureaucrats and, if necessary, the politicians as well (Horn 1995: Ch. 2).

2. MODELS OF REFORM: POLITICAL COSTS AND BENEFITS

Government personnel administration systems usually present considerable deficiencies in most of the world. Diagnosis of the main problems of a certain system, however, usually varies between countries and governmental sectors. The kind of diagnosis and the solution derived from it are of importance, because they allow three elements to be specified: the distribution of concrete power that underlies the personnel system in question; the identity of the opponents and supporters of their reform; and the intensity, respectively, of their resistance to or support of the change.

From an analytical point of view, it is convenient to classify the models for reforming public-sector human resource administration systems into three main categories: career civil servants, managers and models oriented toward strengthening accountability on the part of public employees.² Each of these categories corresponds to a particular diagnosis of the main failures and deficiencies of the public-sector personnel system to be transformed and helps understand the different kinds of political obstacles faced in their implementation. The first model is based on a diagnosis that identifies clientelism, corruption and a lack of stability in public policies as the main problems. For the management model, the greatest deficiencies are inefficiency and excessive autonomy on the part of bureaucrats with regard to politicians. The last model, in turn, focuses attention on the lack of transparency and responsibility on the part of public-sector employees.

The meritocratic model

This administration model for government personnel systems includes the following main components: the central position of merit as an entry criterion, and to a lesser degree, for promotion – undertaken in practice, by means of examination and competition; the general regulation of the system by means of written rules; the existence of reasonable and adequate salaries, the importance of seniority for promoting employees; the operation of hierarchical control structures; and job security. The classical career civil services constitute the most typical expression of this kind of systems and their introduction has historically had to do with the goal of professionalism, the reduction of corruption, clientelism and the high turnover rate of public employees in the preexisting government personnel systems.³ This explains the fact that the main goal of various components of meritocratic civil services is a restriction of the margin of discretionary action of politicians on the management of public employment and an increase in the autonomy of bureaucrats. It also explains how its implementation usually involves particularly complex challenges and especially long maturity periods.

² This typology was originally developed in Heredia and Schneider (in the press).

³ For an excellent analysis of the political origin and internal operation of these systems, see Horn 1995: Ch. 5. For a view of their historical development that contrasts organization and professional merit-based systems, see Silberman 1993.

Management models

These models historically arise as a response to the problems of consolidated, meritocratic systems.⁴ Management diagnoses criticize the rigidity of career services, their over-regulation, inefficiency, and especially the excessive autonomy given to bureaucrats with regard to politicians. The solution models proposed are based on regulation schemes inspired by the market and private management. Their basic design consists of exposing the models to competition and replacing regulatory control with results-based forms of control.⁵ This is done with the goal of increasing their efficiency and submitting employees to more effective control on the part of the politicians and the voters the politicians represent.

The package of measures they include is less integrated than that of the meritocratic models, but it tends to include the following: a linkage of remuneration and promotion to performance, such as through performance contracts; a simplification of rules and procedures; decentralization of control and increased autonomy of local authorities or individual agency directives over the decisions of personnel; a replacement of forms of regulatory control with results-based control mechanisms; a strengthening of competition as an entry and promotion criterion; and the elimination or at least greater flexibility in guaranteed job security. This last point is particularly important, since it erodes bureaucratic autonomy and gives politicians and hierarchically higher employees a basic instrument for rewarding or punishing the performance of the employees.

⁴ The work that has had the greatest influence on the very broad diffusion of this kind of models is Osborne and Gaebler 1993. For a panoramic analysis of their development and main postulates, see Barzelay 2001.

⁵ For the high costs in terms of efficiency of the internal rules of bureaucracies, as well as the rules used by congresses to control bureaucrats, see Garvey and Diulio 1994.

Accountability models

These models are based on a diagnosis, according to which the main problems of the government and its personnel systems have to do with an excessive centralization of power in the executive branch and in particular, excessive autonomy of the government with regard to the citizenry (World Bank 1997: Ch. 6 and 7). More than offering a consistent and complete human resources scheme, what these models propose is a set of discrete measures oriented toward facilitating for the citizens the possibility of holding politicians and bureaucrats accountable. To achieve this goal, they suggest various strategies, among which are highlighted: the strengthening of control of the legislative and/or judicial branch over the executive branch; the facilitation of citizen control over the government by establishing figures such as the ombudsman and/or the introduction of simple and speedy mechanisms for complaints and claims; and increased transparency in government decisions by making information public with regard both to its internal rules and its results.

The general logic of all these mechanisms is based on the assumption that the main problem of the government is that the citizens do not control the politicians and bureaucrats. In general, and given that electoral competition is insufficient for guaranteeing its effective control, one way of achieving it consists of strengthening horizontal controls on the executive branch – by strengthening the legislative and judicial branches – as well as reducing the cost of having citizens directly and daily express their satisfaction or unhappiness with regard to the government's actions (Przeworski 1999: 30-36; O'Donnell 2000). What this model offers to the citizens is the possibility of complementing the “exit” – which operates in competitive elections and also in some of the measures proposed by the management model – with the strengthening of the “voice” as a disciplinary mechanism for the government's action.

Three models: Three kinds of obstacles and political challenges

In practice, the reforms recently introduced in the region have included aspects of the three models. In addition, many of the concrete measures that have been promoted have sought to resolve all, or at least, more than one of the main problems of the public-sector personnel systems in effect at the beginning of the reform. It is advisable, overall, to distinguish among these three models conceptually, as this facilitates analysis, in particular, with regard to various types of measures, of the political costs associated with their implementation.

The three models tend to limit the power of presidents, as well as their collaborators and closest allies. Each model, however, redistributes power in a different way. Meritocratic models reduce the power of politicians – especially clientele power – and increase the autonomy and authority of bureaucrats. Although in principle they benefit the citizens, these models, however, fail to take into account any mechanisms explicitly directed toward strengthening their influence over the government. The costs of consolidating civil services, which do, in effect, function, must be especially high. This is due to very long maturity times, their high technical demands, and the strong opposition of politicians.

Management models redistribute power to the detriment of career employees and to the benefit of politicians – especially those who depend politically on the efficient provision of public assets and services – as well as local leaders and directives from the various units of the government. The flexible and decentralizing components of the management model have been relatively easy to introduce in the region, as they allow focused support groups to be created in a short time. The introduction and, above all, the effective implementation of their control elements has in practice, however, been much less simple. In principle, results-based control is attractive, given that it supposes an easing of the regulatory burden of bureaucrats. In fact, however, in making that kind of control effective, two main problems arise: in the first place, the usual difficulty in defining and measuring results in many areas of government activity, and secondly, the resistance to measures that limit the discretionary actions of the clientele politicians in personnel-related decisions. These two obstacles explain, for example, the greatly diminished progress achieved in the effective implementation of objective and transparent evaluation mechanisms in most cases.

It is important to point out, in all, that the costs of monitoring and fulfillment of management measures are usually less than those of a meritocratic design. This is due to the fact that the introduction of competitive elements in the operation of the public-sector personnel systems generates greater incentives for self-compliance, which, in turn, reduces the cost to regulators.⁶ Thus, the elimination of job stability or the opening of external competition at all levels of bureaucratic careers tends to make an improved performance individually beneficial to employees. Something similar may occur at the level of agencies or local governments, especially if competition among them affects the definition of their budget.

Accountability models tend to be threatening, both to politicians and bureaucrats. The main beneficiaries are the citizens and, in those sectors most directly affecting them, some focused interest groups such as private investors or external creditors. In contrast to the other two models, however, which do not include any mechanisms for strengthening the influence of their beneficiaries, these models focus their attention precisely on this point. The schemes that stress the need to require leaders to be accountable to those governed vary in their capacity to achieve it. In general, however, they tend to be more effective in strengthening groups that have their own power resources available.

The point to emphasize with regard to the costs of implementing different reform models is that the resistance of their opponents will tend to be greater to the extent that the kind of reform proposed contains greater reductions in the discretionary margins of the main users of the public-sector personnel systems in effect at the beginning of the reform. The opposition of these actors will tend to be less, on the other hand, with regard to reforms or measures that make the operation of inherited rigidities more flexible, because the elimination or reduction of these rigidities allows scarce resources to be freed up, and generates, with it, opportunities that allow those resources – in this case public-sector jobs and the use of the functions and resources associated with such jobs – to be used, at least in the short term, in a discretionary manner by politicians in order to enhance or maintain their basis for support. The above helps explain the very considerable influence that management modules have had in recent reform efforts in the region (Bresser Pereira and Spink 1999).

⁶ For the limits and costs of employing competitive mechanisms for improving the operation of hierarchical

3. PUBLIC EMPLOYMENT IN LATIN AMERICA: DISCRETIONARY ACTION WITHOUT RESPONSIBILITY

The general opinion on the bureaucracy and Latin American bureaucrats is very negative (IDB 1994). Among the many criticisms levied against them, the following may be highlighted: their inefficiency and incompetence, their high levels of corruption, their low capability for generating the public assets required by development and their weak or non-existent responsibility toward the citizenry. Empirical information available indicates that, in effect, the majority of the bureaucrats of the region demonstrate very serious deficiencies in these aspects.

TABLE 1
QUALITY OF THE BUREAUCRACY

| <i>COUNTRIES</i> | <i>1</i> <i>Place</i> | <i>PUBLIC</i> <i>SERVICE</i> | <i>2</i> <i>Place</i> | <i>BUREAUCRACY</i> | <i>3</i> <i>Place</i> | <i>BRIBERY</i> <i>AND</i> <i>CORRUPTION</i> | <i>4</i> <i>Place</i> | <i>COMPETENCE</i> <i>OF THE</i> <i>PUBLIC SECTOR</i> |
|-----------------------|--------------------------|---------------------------------|--------------------------|--------------------|--------------------------|---|--------------------------|--|
| Argentina | 23 | 3.672 | 34 | 4.05 | 55 | 2.34 | 58 | 1.7 |
| Brazil | 36 | 2.583 | 46 | 3.56 | 37 | 3.23 | 40 | 2.41 |
| Colombia | 46 | 1.56 | 44 | 3.61 | 58 | 2.15 | 53 | 1.97 |
| Costa Rica | ... | ... | 47 | 3.55 | 33 | 3.41 | 52 | 1.99 |
| Chile | 26 | 3.4 | 8 | 5.12 | 19 | 5.01 | 48 | 2.15 |
| Mexico | 34 | 2.626 | 48 | 3.52 | 34 | 3.41 | 38 | 2.41 |
| Peru | ... | ... | 32 | 4.08 | 32 | 3.51 | 44 | 2.26 |
| Venezuela | 47 | 1.095 | 51 | 3.37 | 54 | 2.35 | 59 | 1.66 |
| <u>Average</u> | 35.3 | 2.489 | 38.75 | 3.858 | 40.3 | 3.176 | 49 | 2.07 |
| Canada | 4 | 5.839 | 23 | 4.43 | 10 | 6.07 | 17 | 3.27 |
| United States | 16 | 4.567 | 20 | 4.55 | 18 | 5.11 | 29 | 2.81 |
| Spain | 21 | 3.857 | 24 | 4.35 | 22 | 4.46 | 36 | 2.45 |
| Korea | 42 | 2.235 | 49 | 3.46 | 43 | 2.8 | 34 | 2.54 |

Source: *The World Competitiveness Yearbook 2000*, Lausanne, IMD, 2000.

Note: The sample consists of 59 countries and the valuation is: 1 = completely disagree to 7 = completely agree. In the case of public service, the sample is from 47 countries.

1. Public service is subject to political interference.
2. The bureaucracy hinders economic development.
3. Bribery and corruption are present in the public sector.
4. The competence of public-sector personnel is greater than that of the private sector.

The origins of these problems are complex. Two factors, however, are especially important for explaining them: The predominance of irresponsible discretionary action and the rigidities derived from political use – both clientele-related and corporate – of public employment. An analysis of the logic, origin and consequences of these problems is central to understanding the kind of specific obstacles that will presuppose the need for reform.⁷

The predominance of irresponsible discretionary action and the strong politicization of public-sector personnel systems in the majority of the countries of the region are well known. Their origins and very adverse consequences on the structure and operation of the government have not received, however, all the attention they deserve in literature on reforms. This predominance serves to explain their obvious fragmentation – very different levels of efficiency, professional competence, effectiveness and remuneration among various sectors, hierarchical levels, as well as between the central administration and local governments, as well as the strong collusion between politicians and bureaucrats that usually characterizes their operation.

The gap between formality and reality

The large majority of the countries in Latin America have career civil services that are either generalized – Argentina, Brazil and Chile – or partial. Among the latter, their coverage includes in some cases part of the central administration and in others some dependencies – typically the ministries of foreign affairs – as well as professional groups from specific sectors, such as teachers. Career services formally operate on the basis of written and general rules. Although the effective validity of such rules varies among individual countries and dependencies, throughout most of the region the practical observance of the rules and procedures that formally govern the hiring, remuneration, promotion and dismissal of public servants is quite weak. This, in conjunction with the tendency of these services only to cover employees at a lower hierarchical level – including

⁷ In studies on the topic, the characteristics of the preexisting personnel systems and their link to the rest of the political system have not received sufficient attention. This is costly, since those factors are very important for specifying the main obstacles and kinds of resistance faced by this kind of reform. An example of examining in greater detail the kind of preexisting government personnel system and its effects on the political determinants of the reforms may be found in the brilliant work of Skowronek (1982: Ch. 3) on the move from a clientele bureaucracy to meritocracy in the United States during the progressive era.

those cases that horizontally cover the totality or a good part of the government – has caused, in practice, discretionary action to continue to play a predominant role in most personnel-related decisions. This is therefore especially the case with employees located at intermediate and upper levels of the bureaucratic machine, but it has also affected the administration of human resources at lower levels of the pyramid (Ozlak 2001:14-18).

The high level of discretionary action in personnel-related decisions is, however, not always applied using the same criteria, as they vary among countries and government sectors. The use of different criteria is usually in response to the need to achieve different kinds of goals. Thus, at times discretionary action is used to attract highly-qualified personnel – typically in sensitive and technically and more demanding areas of the government, such as finance-, while in others the discretionary management of public-sector employment is used by politicians or bureaucrats to obtain either political support – votes, money, organizational capability – or even private benefits.

One of the few formal elements of the civil services that has tended to operate in practice has to do with job security. The presence of strong unions interesting in maintaining job security has contributed to this. In fact, even in countries such as Mexico, which do not have general career systems, unionized employees enjoy job security. The coverage of job security varies among countries, but tends to be concentrated, in most of them, at lower levels of the bureaucratic pyramid (Ozlak 2001:18-19).

In general, the security schemes in effect tend to be sharply rigid. Thus, although the formal rules usually contain some grounds for dismissal, in practice, dismissing this kind of employee has tended to be very difficult. Lifetime employment basically coexists in most of the region with high turnover levels in upper levels of the bureaucracy. In all, there are some significant differences among countries and sectors. Thus, for example, in Mexico and Chile, relatively high levels of discretionary action have coexisted with also quite high levels of stability in upper levels of the bureaucracy. A similar situation occurs in public financial agencies and in other technically demanding areas.

The origins of the predominance of irresponsible discretionary action

The gap between legality and reality has historically been a common, ubiquitous and profoundly persistent trait in Latin America. The origins of the predominance of irresponsible discretionary action in exercising public authority and using state resources are very complex. Specifically with regard to the case of personnel systems, however, three factors seem to be especially important for explaining them: social fragmentation, the precariousness of the status of law and the weakness of mechanisms that allow citizens to control their leaders.⁸

Social fragmentation

In Latin America, the survival and progress of politicians have been and continue to be to a considerable degree strongly conditional upon their ability to provide their political clientele with individualized assets and services. The provision of private benefits in exchange for political support is not limited to Latin America alone. Everywhere, the politicians' portfolio includes public as well as private assets. What varies, as a function of the private political context, is its relative political profitability. In Latin America it has traditionally been much more beneficial to politicians to produce private assets and services than to generate broad and inclusive public assets. The heterogeneous nature of Latin American societies has significantly contributed to this. This heterogeneity has included regional, ethnic and cultural elements, but the factor that seems to have been of the greatest influence has been the profound and persistent inequality in wealth and income (IDB 1998). Under conditions of great social and economical heterogeneity, the demands of social groups tend to be very differentiated and the probability that focused interests will exploit the offer of public assets tends to be high.

This fragmentation should, moreover, require that politicians use multiple intermediaries both to identify the demands of their clienteles and to monitor that their satisfaction translates into votes and other forms of political support. In situations of this kind, the

⁸ Some important similarities between the current experience in Latin America and in the United States at the end of the 19th century and the beginning of the 20th century, make the latter situation very suggestive for the analysis of the reforms of personnel systems underway in the region. See, for example, among many others, the excellent work of Knott and Miller (1987), Shefter (1994) and Van Riper (1958).

provision of public assets is politically inefficient and, on the other hand the clientele-related use of public resources (including jobs) is usually much more beneficial (Reid and Kurth 1988). Political clientelism thus tends to flourish under conditions of social heterogeneity and its operation usually contributes to reproducing such conditions over time. This occurs, among other reasons, because clientelism tends to break the organization of social action through the selective and discretionary granting of benefits – often vital for the material survival of the clients, in particular, those with lower incomes – in exchange for political support. This has had strongly divisive effects in social terms and has contributed to diminished incentives for horizontal, collective action (Heredia 1997).

The precariousness of the Status of Law

A fundamental element for explaining the persistence of discretionary public-sector personnel administration systems generating concentrated benefits and broad and disperse costs has been the weakness of judicial authorities, and, more generally, the precariousness of the status of law in the region.⁹ These factors have had a decisive impact on political life in Latin America and have been a central part of the operation of state apparatuses in which public resources – including employment – have been used in a basically discretionary, clientele-related way and on many occasions also in a quasi-legal or frankly illegal way.

The weakness of judicial authority has made the predominance of irresponsible discretionary action possible, since it has granted highly significant measures of impunity to politicians and bureaucrats.¹⁰ It has been possible to violate the formal rules in Latin America, since the cost of doing so has tended to be generally low. The precariousness of the status of law has thus deprived the citizens of a fundamental control mechanism for limiting and holding their leaders accountable. This precariousness largely explains the discretionary action, the extreme politicization of important areas of the government and the high levels of corruption that characterize many Latin American bureaucracies.

⁹ The academic production on this topic has grown significantly in recent years. Among others, see: Prillaman (2000); Dakolias (1995) and Nino (1992-93) and Larkins (1998).

¹⁰ The collusion between judicial employees and the client politicians is central to explaining this impunity. Something very similar would occur, moreover, in the American spoils system (Knott y Miller 1987:22,27).

The weakness of accountability

With few exceptions, in Latin America the functioning of competitive elections has been either weak or intermittent. Throughout a good part of the modern history of modern countries, in fact, instability of political regimes has been the norm. The low durability of competitive systems or in some cases their very limited presence has deprived their citizens of a fundamental control mechanism on their leaders. The move to democracy in recent decades has reinstalled or introduced a key means for allowing those governed to control and hold their leaders accountable: The electoral process as a central procedure for electing holders of public authority. Nevertheless, the weakness of at least two very important mechanisms of citizen control distinct from competitive elections – strong judicial authority and autonomy from the executive, and the effective consumption of information media (press, in particular)- have caused the effective level of control of the citizenry on the government to continue to be low, in general.

Main consequences: collusion, rigidity and fragmentation

Discretionary action in personnel-related decisions has, in general, caused bureaucrats, far from being autonomous from politicians – as usually occurs in the consolidated, civil services, to tend to be strongly in collusion with them. Three factors help explain this phenomenon. Firstly, in discretionary systems the links between politicians and bureaucrats are direct and personal, which facilitates control or, more concretely, collusion between both groups. Secondly, the cost of monitoring bureaucrats tends to be relatively low, since the interest groups benefited by politicians usually have the motivation and capability to participate directly in their control. Thus, for example, if a politician asks a bureaucrat to give a job or an import permit to an important customer and the bureaucrat does not follow the instructions, the customer is usually in a position to hold the politician accountable in a fast and inexpensive way. Thirdly, many transactions among politicians, bureaucrats and focused interest groups in these systems include elements of illegality, which generates strong complicity and contributes to strengthening and facilitating the possibility that all parties monitor each other among themselves.

The use of various criteria in discretionary decisions on personnel has promoted the creation of sharply fragmented bureaucratic machines. In general, staff members of financial areas and high levels of the central administration are well qualified - in many cases, in fact, highly so. They are relatively well paid - although not always in a transparent manner-, they do not enjoy guaranteed job security and they perform at acceptable levels of efficiency and effectiveness. On the other hand, in the areas of social policy, public security, justice and, in general, local governments, as well as at middle and lower levels of the bureaucracy, public servants demonstrate much lower levels of professional competence and efficiency. They are usually poorly paid and many have lifetime jobs.

This bureaucratic fragmentation has entailed significant costs for the efficiency and general effectiveness of the government. The very marked differences in the profile and behavior of personnel in different sectors and levels of the bureaucratic machine suggest, however, that discretionary action is in itself insufficient to explain variations in levels of effectiveness, probity and efficiency. It is clear that it has been useful to politicians to have better personnel systems in certain areas and at certain levels of government. This is normally a result of pressures applied by powerful groups whose interests demand it, or it results from requirements of a technical nature. Where politicians, for example, central banks, have faced pressure groups, such as private investors or external creditors, whose support is vital for their political survival, bureaucracies and bureaucrats have tended to be better (Maxfield 1997). On the other hand, areas that serve majority groups are precisely those that have tended to present the greatest deficiencies. This is fundamentally due to the weakness of citizen controls that link the success of politicians to their ability to provide the majority social sectors with broad and inclusive public assets.

The clientele-related or corporate political use of public employment has tended, finally, to produce strong rigidity in its operation. In this sense, the cost of mechanisms is stressed which guarantee job stability without demanding, in turn, any merit from it, beyond the political loyalty of the employee to the union leader. Many public servants enjoying lifetime assignments do not have the levels of professional competence or material resources sufficient for performing their work well. Some, despite everything, make the effort and succeed. Most simply respond to rules that reward neither merit nor good performance and which furthermore, frequently punish innovation and efficiency. The

greatest beneficiaries of these rigid schemes are the leaders of many public employee unions and the politicians who depend on their electoral support. Those harmed are the citizens and many government servants themselves who do not have an adequate environment in which to grow and develop professionally.

These three elements have created, in many countries in Latin America, bureaucracies in which the worst defects of the clientele and patrimonial systems coexist with some of the most serious deficiencies of career civil services. Modernizing, professionalizing and making public-sector personnel systems more efficient will require different kinds of measures, which are adjusted to the peculiarities of different countries and specific governmental entities. In order to achieve this goal, however, strong resistance will have to be overcome.

4. THE DISTRIBUTION OF POWER BETWEEN OPPONENTS AND SUPPORTERS OF REFORM: FAVORABLE CONDITIONS FOR CHANGE

The move from discretionary, fragmented and irresponsible bureaucracies to efficient, professional, honest and transparent bureaucracies constitutes a long, costly and difficult process. Some partial successes recorded in the region in recent years and the successful experiences of change in that direction in other countries and periods indicate that modernizing and professionalizing government personnel systems, although difficult, is not impossible. What these experiences suggest is that a critical factor for success or failure basically has to do with the distribution of power between opponents and supporters of the change.

In the literature on the topic there is considerable consensus on the importance of the relative power of these groups for explaining variations in the level of success in the implementation of reforms (World Bank 1997:165-167). However, there is much less agreement on the relative weight of different variables for explaining various distributions of power between both groups. Some studies stress the influence of the institutions of the political system, while others underscore the role of structural conditions and yet others stress the importance of implementation strategies used by the reformers. Determining the explanatory value of different variables and factors with greater precision requires more

empirical work on the subject. Information available up to now suggests, however, that the political institutions and, in particular, the concentration of power in the executive, are relatively less useful than other variables for explaining differences in the distribution of power between supporters and opponents of reform.

Political institutions

Studies that emphasize the role of political institutions as determinants of the distributions of power between opponents and supporters have tended to see, in the concentration of power in the head of the executive branch, a critical factor for explaining variations in the level of success in implementing the reforms. This emphasis explains the fact that a good part of the attention has been focused on effects, on the power of the executive, of factors such as: the power relationship between the executive and legislative branches – both in terms of the distribution of power and competence, and as refers to the position of the party of the president in congress-, the electoral rules and the party systems. It also helps to understand that it has generally been believed that the most presidential systems, with more disciplined and less fragmented party systems and those in which the party of the president has a majority in congress offer the greatest probabilities of success for the implementation of reforms.¹¹

Although intuitively attractive and to some degree useful for explaining differences in the level of success achieved by first-generation reforms – commercial opening, privatization, for example-, the hypothesis on the importance of the concentration of power in the executive branch does not appear to be, however, especially useful for explaining national and sectorial differences in the case of reforms of government personnel systems. What current empirical studies suggest, in fact, is that such a concentration appears to be neither a condition, nor necessary, nor sufficient for the success of that kind of reform.

In some countries, such as Chile under the Pinochet regime, and in the case of reforms targeting the reduction of costs and government personnel – such as the first reform in

¹¹ See, for example: Haggard (1997); Haggard and Kaufmann (1995); and World Bank (1997:168-171).

Argentina in the beginning of the 1990's¹², the strong concentration of the power in the executive in effect facilitated the change. However, in countries with similar concentrations of power in the head of the executive branch - Mexico, for example-, the intent to introduce a career civil service for the central administration as a whole between 1995 and 2000 did not prosper (Guerrero 2000). On the other hand, one of the most ambitious reforms of personnel systems in the region – the Brazilian reform initiated in the middle of the 1990's- was implemented with significant amounts of success within the context of a political system characterized by strong fragmentation and poor discipline on the part of supporters and, in general, a much smaller concentration of power in the executive branch – both with regard to the congress and the provincial governments (Melo; and Bresser Pereira).

What these cases suggest is that the concentration of power in the president helps to implement reforms only if there exists the will to do so. On the other hand, if that will exists, even if there is no strong concentration of power in the executive branch, the reform may do well. The fundamental question to answer, therefore, is what motivates the president and his close collaborators to introduce the change.

Motivation in favor of reform: Main determinants

In general, motivation is the key problem. The fact that the head of the executive branch decides to support reforms that improve the quality and efficiency of public servants is especially intriguing, however, because reforms of public-sector personnel systems are supposed to limit the authority of those actors and their allies in the management of a fundamental political resource: public-sector employment. The motivations for doing so are usually varied. In some cases there may be a personal conviction on the part of the president in favor of the change. Just as with the concentration of power in the executive branch, however, those convictions and values do not seem to be a necessary or sufficient condition for explaining the fact that they decide and manage to push this kind of reform. Without a doubt, believing in it helps. However, available evidence suggests that what

¹² Two recent studies on this experience (Ghio and Rynne) indicate it in this way. The second work, however, also emphasizes the central importance of the existence of two public employee unions, which served to divide the losers and thus facilitate the reform.

matters most is if the political survival of the president and his party, in effect, depends on supporting reform.

The main factor driving these actors to introduce and sustain reforms of this kind is the possibility of losing power. Two kinds of situations are relevant in this regard: firstly, the uncertainty generated by the possibility that the other party will win the next election; and, secondly, the strengthening of focused interest groups or broad sectors of the electorate interested in improving the quality of the administration and public policies, and which are capable of removing leaders from power if they do not do it.¹³

Competition between parties, and uncertainty

One, in principle, reasonable hypothesis, is that motivation for effecting the change will tend to arise wherever the party in power faces conditions of uncertainty with regard to its possibilities for retaining power.¹⁴ The kind of reform that is useful in this context is a reform that guarantees the members and allies of that party stability in employment – civil service. This is because such stability offers, in view of the threat of losing control of the government, a way of surviving and advancing its members and allies in the future.

However, competition between parties and its potentially positive impact on the introduction of meritocratic systems does not seem to have had much weight in the recent reforms in the region. One reason for this is that the majority of the countries already had civil services. Another reason is that its possible expansion was limited both by intellectual factors – the predominance of critical diagnoses regarding lifetime employment-, and, especially, the presence of strong budgetary restrictions. The only case in which that factor may have played a decisive role in favor of the introduction of reform along meritocratic lines, and in which it did not take place, is Mexico.

In the middle of the 1990's the governing party in Mexico –PRI, Revolutionary Institutional Party – faced conditions of uncertainty that may have provided an incentive for

¹³ For the enormous importance of the focused interest groups in the internal reforms of the bureaucracy, more generally, see: Moe (1989).

¹⁴ This hypothesis has been frequently used to explain both the introduction and the expansion of the meritocratic civil service in the United States. For example, see Knott and Miller (1984:44). This has also been used by Geddes (1994) to explain the successive increase in the coverage of the Brazilian civil service.

the establishment of a career civil service as a means for guaranteeing its members survival in the government. The initiative was pushed, in fact, by the executive branch, but it failed. Two factors worked against the possible incentive of retaining power by means of introducing a system that guarantees job security to members of the party in power: firstly, the general disbelief of PRI members with regard to the possibility of losing power, despite growing evidence to the contrary; and secondly, the division within the party in power between career politicians established in the party structure and technocrats with bureaucratic careers. This division blocked the introduction of a civil service, because it was regarded by the politicians as a means to perpetuate the power not of everyone, but instead only that of technocrats.¹⁵

Strengthening of external creditors, private investors and citizens

Studies currently available suggest that the main stimulus for the introduction and consolidation of government personnel systems in the region has to do with the strengthening of groups outside the government – external creditors, private investors and citizens in their role as electors – which demand it and on whose support the survival and advancement of the politicians and bureaucrats controlling the government depend. It is worthwhile to point out that in general, these groups have not directly applied pressure for reforms to the personnel systems. Rather, what they have demanded is that the performance of the government be improved in those areas that interest each group the most. The pressure has been important, overall, since one of the keys for improving the quality of government in general or a sector in particular consists of strengthening the profile and efficiency of its personnel.

Three factors have contributed to the strengthening of these groups and largely explain the fact that a wave of personnel system reform initiatives has been produced in the region in recent years: the fiscal crisis, economic opening and the move to democracy. As a whole, all these changes have limited the power of politicians and the bureaucratic élites, but each one has redistributed power in a different way, and, as such, has had different results.

¹⁵ Interviews with public employees in charge of the reform. Mexico City, (2001).

Fiscal crises

The recurrence of fiscal and financial crises in most of the region since the 1980's has very considerably increased the vulnerability of leaders with regard to external creditors. The personnel systems do not interest these actors very much, as such. What they have demanded – a reduction of the public deficit – has tended to be, however, the main detonator of many recent structural reforms, including those of personnel systems.¹⁶ The main reason for this has to do with the very high participation of government salaries in total public expenditures in most of the region.

¹⁶ There is a very abundant bibliography on the importance and effects of the crises of the 1980's in pushing structural reforms. Nevertheless, an especially useful study is Rodrik (1996).

TABLE 2
BASIC INDICATORS
PUBLIC SECTOR

| COUNTRIES | TOTAL INCOME | TOTAL EXPENDITURES | GOVERNMENT SALARIES |
|------------------------------|---------------|--------------------|------------------------------|
| | % of GDP 1998 | % GDP 1998 | % of total expenditures 1998 |
| High income | 28.7 | 30.2 | 12 |
| Europe | 37.1 | 40 | 12 |
| Low and middle income | 18.6 | 20.1 | ... |
| Latin America | 20.1 | 21 | 20 |

Source: World Development Indicators 2001, Washington, World Bank, 2001.

Although fiscal crises have provided the main stimulus for beginning this kind of reforms, their effects on the nature and success of reforms have varied greatly among sectors and countries.

In Brazil, for example, the fiscal crisis served to motivate the government to reform its personnel system and, very particularly, to reduce the financial cost and extreme rigidity of its job security programs. The management orientation of the reform allowed, on its part, political support to be obtained from state governors, since making their programs more flexible meant very considerable benefits to them, due to the very heavy financial burden that their continued existence entailed. Thus, the pressure from creditors in favor of the reorganization of public finances, in conjunction with the support of key political actors made a very difficult and ambitious reform possible (Melo).

In many other cases - in Argentina in particular-, the temporary or cyclical nature of the fiscal crises and their tendency to favor reforms that emphasize reductions in cost and personnel above measures oriented toward making public-sector employees more

professional produced different consequences. In most cases, in fact, reforms focusing on cutting back levels of central government personnel were compensated by increases in personnel levels of local governments and/or were reversed once the most acute part of the crises ended. This tendency explains the notable decentralization of government personnel, which occurred in the region in recent years, as well as the fact that the salary burden did not decline significantly (Schiavo-Campo 1997a).

One possible explanation for the differences between Brazil and many other countries in the region has to do with differences in the distribution of power between the center and the provinces. In contrast to Argentina or Mexico, the state governments in Brazil at the beginning of the reform had a high level of inherited personnel with lifetime employment. This facilitated the support of the governors for making job security more flexible, since this allowed them to increase their budgetary labor margin and as such the political margin. In Argentina and Mexico, in contrast, the majority of personnel were concentrated in the center. More than cutting local employment, what turned out to be more politically convenient for the federal government was to transfer it to local governments, since that allowed the support of powerful unions and provincial political élites to be maintained – in particular, those associated with the governing party – to a politically costly extent for the party in power, such as in the fight against inflation, the commercial opening and privatization.¹⁷

Competition and economic internationalization

In contrast to the fiscal crises, the economic opening has had more stable and similar effects on the motivation and capability of leaders to promote reforms to public-sector personnel systems. The main effects of the opening have been to generate incentives so that private investors demand better public policies – in particular in the financial and macroeconomic

¹⁷ For the importance of the central-peripheral alliances for explaining the introduction of structural reforms in Mexico and Argentina, see the excellent work of Gibson (1997).

area – to enhance their international mobility, thus enormously strengthening their power with regard to the government.¹⁸

In closed economies with strong governmental intervention, for the majority of private agents, it is most beneficial to demand services and private assets of the government (fiscal exemptions, monopolies, import licenses, among others). This opening changes their preferences on the subject of public policies, since exposing them to external competition motivates them to demand some public assets and services of a general nature (macroeconomic stability, lower transaction costs, regulatory conditions comparable to those of their main foreign competitors, among others) from the government. This, in conjunction with an obvious increase in the vulnerability of the government with regard to decisions of private investors in contexts of high capital mobility explains why many governments in the region have introduced reforms to improve the quality of the government in those sectors of greatest interest to investors – in particular, to the most internationally mobile of them.

The enhanced power and specific interests of these groups help one to understand, therefore, the progress observed in the area of administration and personnel in the financial sectors of the government – central banks and the budget, for example. As a recent study on reforms suggests, in the case of the tax administration, the level of pressure applied by private investors also helps explain national variations in the level of success achieved in the area of personnel systems in this kind of entity (Taliencio 2001).

It is worthwhile to point out that in the financial areas, as well as in some sectors of commercial policy, obstacles faced for the purpose of improving the efficiency and quality of the employees have been, moreover, smaller than in other areas of the government – such as in the area of social policy. Better points of departure have contributed to this in terms of bureaucratic bodies which are not too large, are given considerable professional competence and which are to a considerable degree exempt from job security. Thus, success is explained through the more favorable distribution of power made possible by reform: the presence of powerful and focused groups of beneficiaries interested in change,

¹⁸ For a detailed analysis of the effect of increases in the international mobility of capital on the relationship of power between the state and private economic agents, see: Winters (1996).

on the one hand; and, on the other hand, less significant obstacles than in other sectors of the government, and, as such, resistance and opponents which are less difficult to overcome.

The move to democracy

The move to democracy in Latin American countries has also generated incentives for politicians to introduce this kind of reform. The reason for this is that their introduction potentially benefits large numbers of citizens and, in competitive political contexts, the survival and advancement of politicians depends on the number of votes they are able to accumulate. Despite this fact, however, incentives in favor of the reforms brought about by democracy have tended to be much less than those generated by economic opening. To some degree, the general limitations of the elections have contributed to this, as a mechanism for accountability. The most important factors for explaining this situation, however, are: the weakness of citizen control mechanisms— both vertical and horizontal — on the government, distinct from the elections, as well as the presence of very powerful resistance to change in the entities of the government that most affect the majority sectors of the population.

In recent years, the move to political systems based on competitive elections has promoted, in effect, the introduction of reforms oriented toward making the government's action more transparent and responsible in many countries in the region. At the level of the general operation of the government, three kinds of initiatives are highlighted: efforts to strengthen judicial power — horizontal accountability-, the startup of government information systems open to the public and the introduction of mechanisms to promote and facilitate for the citizens the expression of their satisfaction or dissatisfaction with the government's performance — vertical accountability. With specifically reference to public-sector personnel systems, the following would have to be mentioned: the introduction of greater transparency in salaries - in particular: the integration of non-salary compensation into the regular salary — as well as the disclosure of information relative to salary structures to the public, and also, although to a lesser degree, relative to rules on the hiring, promotion and a dismissal of public-sector employees.

Various non-governmental organizations – both national and international – have also contributed to the introduction of more transparent reforms, as have some important inter-governmental organizations – especially the World Bank and, at the regional level, the Inter-American Development Bank. On this topic, the influence of these actors has been key. Basically, this is because they have, to a large degree, placed the subject of transparency and accountability on the public agenda in many countries in the region and because their information collection and publication initiatives on the structure and operation of the government have constituted a powerful incentive for stimulating governments to initiate actions on the subject.

Neither the move to democracy nor the introduction of measures specifically oriented toward strengthening the responsibility and transparency of the government has succeeded, however, in being translated into increases in power for the citizenry, so as to allow it to threaten, effectively, the power of the politicians and bureaucrats if they do not respond to the demand for better government. One of the factors that has contributed to it is social inequality and the weakness of the middle class.

Under conditions of strong social inequity, competitive elections, instead of favoring demands for broad and inclusive public assets and services, tend to increase social demands for private assets and services. This perpetuates the predominance of political transactions of a clientele-related nature and conspires against the success of reforms that seek to limit the irresponsible, discretionary and clientele-related use of public resources – among others, employment.¹⁹ The weakness of the middle classes also does not help. In more homogeneous societies with strong middle classes, the introduction of competitive elections tends to promote demands for broader and more inclusive public assets, and favor more honest governments. This, in turn, generates incentives so that politicians and bureaucrats are interested - because their success and electoral survival depend on it – in shifting clientele-related and corrupt personnel systems toward other more honest and competent systems. Therefore, in the absence of strong middle classes, and in the presence of acute inequalities, competitive elections tend to reproduce – and on occasion even increase – the

¹⁹ In this regard, Weyland's work is very illustrative and suggestive (1996).

preexisting conditions of inequality, thus greatly contributing to the limitation of the ability of the majority sectors to control their leaders.

Another two factors that have reduced the potential impact of the move to democracy on the strengthening of the ability of citizens to demand accountability from their leaders, are the weakness of the judicial power and the low level of effective consumption of information media – the written press, in particular – in many countries of Latin America. In contexts in which the cost of violating the law tends to be low for politicians and bureaucrats, the probability of success of reforms directed toward increasing efficiency, and in particular the honesty responsibility of public employees with regard to the citizens will also tend to be low.²⁰ It is no coincidence that a strong correlation exists between the validity of the status of law and levels of corruption in the government. If being corrupt entails no political cost and provides many private benefits, politicians and bureaucrats will have no incentive to behave in an honest way. As regards the low consumption of the written press, the situation in many countries of the region is worrisome, because, as a recent study indicates, this seems to be the key variable for explaining national variations in levels of accountability on the part of the government (Adsera, Boix and Payne 2001).

The limited effects of the move to competitive elections on the power of the citizens to demand better performance of their leaders largely explains the enormous difficulties that the reform of personnel systems has tended to face in those areas of government that serve the majority sectors – health, education, the fight against poverty, among others. In order to explain these difficulties, one would, however, have to include the impact of especially powerful obstacles and resistance to change in those sectors, which, furthermore, most intensively use human resources within the government.²¹

The areas of government entrusted with the design and provision of social policies are usually largely those areas that have and require a higher level of personnel; at the same time these areas present the most serious and socially costly deficiencies in their human resource administration systems. Their large size tends, in and of itself, to make their

²⁰ On the particularly adverse effects of the weakness of the law in the region on lower income groups, see O'Donnell, et al (1999).

²¹ On average, the personnel from the health and education sectors represents almost half of the total amount of public-sector personnel of the countries of the region. (Schiavo-Campo, et al, 1997b).

reform very difficult. The reason is that modifying the behavior of large numbers of persons, many of whom, moreover, feel threatened by the change, usually involves very high costs, both in terms of introducing new rules and practices, and in monitoring and enforcing their effective compliance. A second set of problems has to do with guaranteed job security, which the majority of employees enjoy in these areas, as well as the presence of frequently very powerful unions. The first element makes the design of rules or strategies capable of generating incentives for these public servants to be more efficient and competent very difficult, because it deprives their hierarchical superiors of a key platform for inducing them to do so: the threat of dismissal. The second factor reinforces the first problem and at the same time explains that introducing reforms that may threaten the power of union leaders capable of politically mobilizing large numbers of persons is usually very costly to politicians; especially to those – although not only to those – who most depend on public-sector employee unions in elections.

The enormous difficulty in reforming personnel systems in the social policy areas of the government is thus explained by the distribution of power most adverse to change: on the one hand, a weak ability to pressure their potential beneficiaries; and on the other hand, very great obstacles to the introduction and above all the consolidation of the change, as well as very powerful opponents.

5. SOME ACTIONS AND STRATEGIES TO FACILITATE SUCCESS

The combination of fiscal crises, the shift toward more open and competitive economies and the move to democracy have strengthened the capacity of groups outside the government – external creditors, private investors and citizens – to demand of their leaders a more efficient, competent and responsible public administration. The redistributions of power produced by each of these changes however, have been different, as have their combined effects among countries and governmental sectors.

Fiscal crises and economic opening have increased in a very noteworthy way the vulnerability of leaders with regard to external creditors and private investors. This, in conjunction with the presence of conditions favorable to change in the areas of the government of greatest interest to these groups, has generated distributions of power

between supporters and opponents of the reforms which have facilitated both the introduction and the continuation of measures capable of raising the quality of the government, in particular, in the areas of monetary and financial policy.

The move to democracy, in contrast, has not yet managed to transform itself into an effective capability on the part of citizens to threaten the survival and advancement of politicians and bureaucrats who fail to meet their demand for better government. This, in combination with the presence of strong obstacles and powerful resistance in the sectors of the governmental that most strongly impact the quality of life of the majority of citizens, has caused leaders to have fewer incentives and at the same time face greater obstacles in reforming the public-sector personnel systems in those areas.

Better administrations and public policies in the sectors of the government of greatest interest to external creditors and private investors – areas of macroeconomic policy in particular – have had positive effects for the society as a whole – such as lower inflation. The positive effects on the quality of the government from the strengthening of those groups, however, have been and continue to be limited. Furthermore, in many Latin American countries, that strengthening has not necessarily led to demands for better general, public policies in all areas that affect them. In monopolistic or very concentrated sectors, for example, the pressure from investors has actually blocked the effective functioning of regulatory entities. Without any counterbalancing force, the enhanced power of private agents may also lead to the takeover of governmental units, and with it a stimulus to politicians to reproduce socially costly and inefficient policies.

So as to increase social benefits – better government - and limit costs – policies and kinds of public management that generate private returns – from the increase in the vulnerability of leaders with regard to private economic actors, it is indispensable to put together counterbalancing forces in support of reforms of personnel systems in those areas in which the social benefits of the change are the greatest. Two potentially useful strategies for achieving these goals could be: firstly, to generate pressures to make the action of private agents more socially transparent - on this there is a tremendous amount yet to achieve, since accountability in Latin America has not at all been a common practice among private agents-; and secondly, to prepare diagnoses that specify with greater precision both the

problems and obstacles faced by the reform of personnel systems, so as to attempt to interest private agents in reforms which, in principle, are outside of their most immediate areas of interest.

In order to move ahead effectively in the reform of the public-sector personnel systems that most urgently require it - areas of social policy – and whose social benefits are potentially the greatest, it is indispensable not only to attempt to mobilize support in its favor from private investors, but and above all the accountability mechanisms of the governments must be strengthened both horizontally and vertically. To achieve this, two actions would seem to be especially critical: the strengthening of judicial power and the enhancement of public access to information of the results of the government's action in the sectors entrusted with the management of social policy. The first step is to make it costly to politicians and bureaucrats to continue using power and public resources – specifically including employment – in a dishonest and clientele-related way. The second step is to mobilize groups of citizens in favor of the reform and debilitate its opponents by displaying before public opinion the extremely high social costs generated by irresponsible, inefficient and dishonest practices that have traditionally characterized the management of broad sectors of the government in many countries in the region.

CONCLUSIONS

The recent move toward democratic regimes and more open and competitive economies in Latin America has generated new opportunities for stimulating dynamic, equitable and stable development processes. Democratization and economic opening have, in effect, allowed the impact of some of the main barriers to development to be lowered.

Unfortunately, in most cases these macro-institutional changes have not yet succeeded in being translated into substantial improvements in the quality of people's lives.

Life in Latin America continues to have many precarious, limiting, uncertain and frustrating aspects. A lack of safety in the streets, continuous violations of the right of individuals, and absence of justice and legal certainty, deficient education and health services, rampant pollution, insufficient infrastructure and regulatory entities which do not regulate, continue to characterize the daily functioning of many countries in the region. The limited offer of these and other public assets has been reflected in high costs for the overall quality of life for everyone, not just in the poorest sectors.

There exists broad consensus on the urgent need to modernize and professionalize government personnel in the region in order to improve the general quality of government and in order to succeed in having the market and democracy translated into better conditions and opportunities in citizens' lives. There is, however, less clarity and consensus on how to achieve this.

The conceptual and analytical framework developed seeks to help improve the understanding of the problem by offering a guide to orient empirical work toward those conditions that most seem to influence the success or failure of this kind of reform. The proposed scheme is based on two central premises:

1. The reforms oriented toward improving the profile of government employees in contexts, such as in most of Latin America, are supposed to limit the irresponsible discretionary action of politicians and the bureaucratic élites in the management of public-sector employment,
2. Given that that kind of management is politically beneficial to leaders, a critical factor for the success of the reforms will be the fact that groups exist outside the government,

which are disposed toward and capable of threatening the survival and advancement of politicians and bureaucrats

Based on these premises, the work suggests that attention be focused on variables that occur with the greatest force and frequency on the will of the leaders to initiate and sustain reforms, in particular, in the distribution of power between supporters and opponents of change. So as to identify the authors that make up these two groups it is deemed advisable to examine the preexisting personnel administration systems and the proposed reform model. In order to specify the preferences and relative power of these two groups, it is, furthermore proposed that the effects of the fiscal crises, the turn toward the market and the move to democracy be analyzed as to any correlation of forces among politicians, bureaucrats, private focus groups and citizens.

The main conclusion drawn from this study is that the strengthening of groups outside the government, which are most interested in and capable of demanding that their leaders initiate and sustain the reforms, has been greater in the case of external creditors and private investors than in the case of citizens majorities. This, in conjunction with the presence of large obstacles and resistance to change in the government sectors that affect the majority of citizens more than in the areas of greatest priority to private, economic agents, helps to explain the very unequal progress of reforms in many countries in the region in terms of sectors.

Some of the actions and strategies suggested here which contribute to increasing the capacity of the citizens to demand reforms of their leaders that improve the profile and performance of public-sector employees are:

1. To make the action of private, economic agents transparent, because this will contribute to an increase in possible benefits of the strengthening of their power in terms of obligating leaders to improve the quality of the government, and at the same time it will limit some of their social costs,
2. To generate diagnoses that will allow obstacles, as well as possible ways to mobilize the support of private investors in favor of the reform of the personnel systems to be identified in the areas of social policy which most urgently require the change and which presuppose the greatest collective benefits,

3. To strengthen judicial authority, in order to make it politically costly for politicians and bureaucrats to continue using public-sector employment in a dishonest and clientele-related way,
4. To strengthen access to information on the results of governmental action, in order to increase with it the vulnerability of leaders with regard to the decisions and opinions of citizens, as well as to debilitate the main opponents of the reforms: those politicians and bureaucrats who derive great political and private benefits from socially inefficient ways of administering public-sector employment.

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