Chapter 5.

Building a stable and professional civil service in Peru

This chapter looks at the management of Peru’s civil service as a basic building block of effective governance. The chapter focuses on the ambitious reform agenda associated with the implementation of the new Peruvian Civil Service Law and raises the main challenges for the Peruvian civil service, including a complex multitude of employment regulations, payment criteria and human resource management. The chapter concludes with a set of recommendations to address these issues.
Introduction

A stable and professional civil service is fundamental to government performance in all areas. Hence, the laws, policies and processes of civil service management can greatly affect a country’s ability to implement government reform successfully, achieve strategic objectives and improve service delivery to citizens. Civil service management practices that ensure merit, professionalism, stability and continuity in staffing provide the foundations for an efficient and effective public sector that can promote strong, sustainable and inclusive growth. A stable and professional merit-based civil service is a precondition for ensuring that citizens are treated fairly and equitably across the country regardless of regional, ethnic or political affiliation. Professionalism in the civil service emphasises merit and competence. These values contribute to justice and continuity in public administration, which in turn improve governance and democracy and can determine how much trust citizens place in their government and the services that it provides.

This chapter looks at the management of Peru’s civil service as a basic building block of effective governance. More specifically, it focuses on the ambitious reform agenda associated with the implementation of the new Civil Service Law which aims to restructure and professionalise the management of approximately 560 000 civil servants in 2 000 public institutions across the country at all 3 levels of government. This reform is part of a wider process of governance modernisation which aims to align a merit-based civil service management with various components of Peru’s public management systems, including strategic planning, management for results, knowledge management and administrative simplification, among others.

The potential impact of these reforms is significant, given the scope of the issues that the reforms aim to address. Currently civil service management in Peru is plagued by a complex multitude of employment regulations, payment criteria and human resource management (HRM) practices. The workforce has been fast growing while no workforce planning process appears to limit this growth or align it with government priorities. Furthermore, the Peruvian civil service appears to suffer from a high degree of instability at high levels, which affects the capacity and continuity needed to implement reforms and improve services. In many of the interviews conducted by the OECD during the fact-finding mission for this review, counterparts in all areas of public service modernisation discussed the perceived difficulty in working across ministries with teams that were frequently changing. It was often suggested that this high level of churn in the system negatively impacts the ability of the Peruvian civil service to develop new services or improve existing ones. In this way, the low capacity of Peru’s civil service management directly impacts the quality of the services it provides to citizens.

Peru has taken commendable steps towards addressing this situation. The new Civil Service Law, once implemented, stands to greatly enhance civil service management capacity, as well as implementing and reinforcing the need for a merit-based civil service at all levels of the civil service. Systematic adherence to basic merit-based processes and standards in key areas such as recruitment, promotions and compensation in turn creates scope to develop strategic HRM based on competencies, performance and more flexible management of the public sector workforce according to the evolving needs of government.

The careful implementation of the law, overseen by the central HRM authority, the National Civil Service Authority (SERVIR, in its Spanish acronym), will be a key challenge of public sector modernisation in Peru over the coming years. This chapter shows that these reforms, once implemented, will put Peru’s civil service on a track
towards convergence with the high-functioning civil services of OECD countries, and suggests key areas of focus related to the need to carefully manage the governance and engagement of staff and entities as the implementation process moves forward.

**Size and shape of public employment in Peru**

Peru has nearly 1.4 million public employees distributed throughout the central, regional and local government public administrations, including the police, education and health sectors, and the armed forces. Public employment in general government represented 9% of the country’s total labour force in 2014 and this has increased from 7.9% in 2004 (Figure 5.1), a nominal increase of almost 380 000 employees. According to SERVIR, the civil service has seen significant growth in recent years with an average growth of 40 000 people per year between 2006 and 2014. This has resulted in spending increases of, on average, USD 350 million per year, or approximately 9%.

**Figure 5.1. Employment in general government as a percentage of the labour force**

*Source: SERVIR.*

**Figure 5.2. Evolution of public servants**

Thousands of persons and percentage of total employment

*Source: INEI and ENAHO 2004-2014.*
Of the total number of public employees, 45.2% are women and 54.8% are men. About half (50.5%) of public employees are concentrated in the so-called special careers (teachers, healthcare professionals, armed and police forces, diplomats, judges, penitentiary servants, among others). The remainder includes technicians (26.3%), assistants (14.5%), professionals (5.8%), officials and managers (3%).

The rest of this chapter focuses on those civil servants who do not fall within the special career system. This group splits across levels of government as follows: approximately 43% at the national level, another 22% at the regional level and 35% at the local (municipal) level.

**Institutional and legal context**

Peru’s national Human Resource Management Administrative System includes SERVIR, the human resource offices (HRO) of each public entity, and the Civil Service Court. SERVIR is the governing body of the system. The HROs implement the system’s statutes, principles, methods, procedures and techniques, which are designed and approved by SERVIR. The Civil Service Court is a unit within SERVIR that provides a recourse mechanism for civil servants to resolve conflicts with their employer. SERVIR also includes the National School of Public Administration, which co-ordinates training programmes for civil servants and public managers.

Peru’s civil servants are currently regulated under one of three employment regimes, which together account for a total of approximately 560 000 employees:

- public office regime, frozen since 1992: 40%¹
- private activity regime: 18%²
- administrative service contracting “CAS” – a special temporary contracting regime with some working benefits: 42%.³

In addition, approximately 113 000 people work in the public sector outside these categories as service providers. Many work in subnational governments and do not appear in official records.

The coexistence of these three regimes has created a system which is difficult to manage.

The public office scheme has been frozen since 1992, when the national government restricted selection procedures through budget regulations. In practice, access to this regime is only possible when a currently occupied position is vacated due to resignation or dismissal, which rarely happens due to the high level of protections in place for employees under this regime.

Promotions are reportedly almost non-existent and base salaries have also been frozen in the public office regime since the 1990s, resulting in the use of various bonuses and allowances to increase pay. Under this regime there is no standardised approach to career development, training or performance management.

Given that the public office regime is frozen and the growth of posts is restricted under the private activity regime due to limitations in the Budget Law, staff growth has mainly been under the administrative service contracting regime, which grew by 63% between January 2010 and December 2014, from 144 695 to 236 009 employees. This is meant to be a temporary contracting regime, and therefore does not exert significant merit-based practices for hiring and provides limited benefits and protections to
employees. It appears, however, that this hiring modality is being extended beyond its intended temporary use.

According to SERVIR, the result is “chaos”. Over 2,000 government agencies establish their own HR policies, often below an acceptable standard of merit or scrutiny. This multiplicity of employment regimes results in, for example, over 500 public employment regulations, over 400 different wage criteria, no standardised job posts and no understanding of minimum acceptable hiring criteria, and significant training investments with no planning or co-ordination.

This chaos places significant strain on the operations of the government and the quality of service delivery. Interviews with key informants across the government at all levels and in many different areas of public governance indicated a significant instability at the level of public managers due to a high level of churn. Many interlocutors complained of counterparts changing positions so often that it was impossible to form the lasting partnerships required to implement reforms and improve governance processes. And this churn was not only at the highest management levels, but appears to impact entire teams which are reconstituted once the management level changes. This churn is due, in part, to the absence of a coherent set of civil service HRM principles and practices. With the vast majority of the hiring done through the CAS or private regime, both of which imply terms and conditions negotiated individually with the immediate superior, the opportunity for appointment and dismissal at the will of the superior are high and loyalty is to the immediate superior who wields this power, and not to the broader public or civil service.

The incoherence of the public employment regimes in Peru also has impacts on the ground for service delivery.

- First, as mentioned earlier, it drains the public purse, as the cost of the civil service wage bill grows disconnected to government priorities and service delivery improvements. Furthermore, recent studies of public perception indicate some dangerous trends. For example, only 9% of college graduates would like to work in the public sector when they graduate. This implies that the skills needed to modernise the public sector will be hard to find. Almost half (49%) of entrepreneurs believe that inefficiency of the public administration is the main factor impeding the development of their business.

- Furthermore, various interviews at all levels of government articulated a frustration with the capacity to improve primary service delivery sectors such as education and health due to the instability and low perception of quality of public employment.

SERVIR was created in June 2008 in order to begin addressing many of the issues described above. It is a specialised technical body under the Presidency of the Council of Ministers (PCM, see Chapter 2), with authority nationwide, and over all entities and employment regimes in public administration. Its mission is to improve the civil service in a continuous and comprehensive manner to serve citizens. Its principal functions include:

- plan and prepare the system’s national policies regarding human resources, which include work organisation and distribution, employment management, performance, assessment, compensation, development and training, and human relations in civil service

- propose a pay policy
• give an opinion prior to issuing rules of national scope
• train the human resource offices
• regulate and manage the Public Managers Corps.

Civil service reforms

Currently, Peru’s civil service is in a state of significant transition and SERVIR is charged with overseeing the design and implementation of Peru’s ambitious civil service reforms. These reforms are a foundational element of Peru’s public management modernisation process and are guided by the following objectives:

• create a results-oriented civil service focused on citizens
• professionalise the civil service through meritocratic approaches to recruitment, retention and job progression
• gradually achieve a consolidated single employment framework, harmonising the terms of employment, compensation, responsibilities and rights of civil servants
• consolidate the state’s HRM system and its key actors; to have instruments and modern management techniques; strengthen HROs.

The new Civil Service Law

The reform is, in essence, the implementation of the new Civil Service Law (30057) published in the official gazette El Peruano on 4 July 2013. Almost all OECD countries have civil service laws in force which, to varying degrees, guide the management of the public workforce, define the rights and responsibilities for employees and employers, and provide some level of independence from the political level in order to provide stability and continuity across political cycles. Peru’s law has been designed based on OECD best practice and therefore, once implemented, stands to improve greatly many of the shortcomings of Peru’s civil service.

The purpose of the Civil Service Law is to establish a single and exclusive scheme for civil servants at national, regional and local levels. It articulates a strategic policy rationale for the civil service reform, emphasising merit and professionalism. The law is designed to consolidate the three existing employment regimes over a six-year implementation period. This law creates a new scheme with duties and rights for nearly 560,000 employees nationwide, representing approximately 40% of the total civil servants, and intends to replace the three labour regimes discussed above.

The law and its secondary legislation provide a broad framework for a complete and integrated merit-based career civil service system. This includes the designation of SERVIR as the technical body with power to oversee that system and its gradual implementation. The law also recognises the complementary roles played by individual HROs in each public entity, and the Civil Service Tribunal.

The regime developed under the new Civil Service Law includes specific provisions for the management of civil service careers from hiring through to retirement. The law defines four categories of employees:

1. Public officials (funcionarios públicos), which include elected officials, officials whose nomination is regulated through other legislation (e.g. heads of
independent organisations, judges, etc.) and those who are appointed at the will of their superior (ministers, vice ministers, general secretaries, members of professional bodies, the general manager of the regional government and the municipal manager).

2. Public directors, hired through merit-based open competition for a period of three years, renewable twice. A maximum of 20% of these positions may be political appointments, but they still need to show that they meet predetermined criteria. SERVIR plays a special role in managing this group (see below).

3. Career civil servants, hired through merit-based open competitions for open-ended contracts. All aspects of the career civil service are regulated through the new Civil Service Law as discussed below.

4. Public employees of complementary activities, which support the functioning of the entities, hired for open or fixed contracts.

The law limits the use of political appointments. Political appointees can never account for more than 5% of the total posts in any public entity, with a minimum of 2 and a maximum of 50. This includes public directors, which are limited to 20%.

The new Civil Service Law regulates a variety of HRM practices to be implemented by all public entities with guidance and monitoring from SERVIR. This includes open and transparent hiring processes that are merit-based and capable of ensuring equal access. The number of political appointments (servidores de confianza) are significantly limited and appointees must meet pre-determined criteria for each post (for more information see the section on public managers below).

An HR development and training system will be implemented, with SERVIR responsible for the development of a national training policy and defining common standards for entities’ development planning. The HRO of each entity is responsible for the planning, delivery (often through a third party) and evaluation of training and development. Two kinds of training are distinguished: work-related training, focused on filling skills gaps required for the organisation to deliver its mandate, and professional development training, such as university degrees to support employees’ career advancement. Whereas the former is available to all employees, the latter is only available to career civil servants.

Performance management will be mandatory for all civil servants, including directors, career civil servants and support functions. The system will require clear merit-oriented criteria linked to the particular job profile. SERVIR will design the system and the tools which are to be implemented by each entity’s HRO. Evaluation can result in four categories: distinguished, good, under observation or unsatisfactory. Good or distinguished ratings are required for job advancement. Each entity may only award up to 10% of its employees with distinguished ratings. Employees under observation are given priority access to training with a view to improving their performance. Any employee who is under observation on two consecutive performance assessment rounds is considered unsatisfactory and is fired from the entity.

A new pay system will be implemented for those in the new regime, with the intent to improve transparency and equity across public entities. Job family determines base pay, with some adjustment available for factors such as level of responsibility and specific risk/hardship factors. This greatly simplifies the existing pay system in which the base pay may only make up 20% of total remuneration, due the fact that it has been frozen
since 1992 and therefore pay increases have been made through other remuneration vehicles. On the whole, under the new regime, pay will be higher than under the previous public office regime, and roughly in line with the private regime.

The law also standardises the terms and conditions of employment, including working time, vacation, health and social security. The Civil Service Tribunal has been established to protect civil servants in case their rights are not being respected. Civil servants are also guaranteed the right to organise through trade unions and to bargain for changes in working and employment conditions, but financial remuneration is not determined through collective bargaining.\(^4\) Public servants' right to strike is recognised in Article 28 of the Political Constitution of Peru, but is limited in some cases, such as when disruption of service can put people in danger.

The new Civil Service Law was designed based on proven best practice across OECD countries, and, once implemented, is expected to create a lasting impact by significantly improving the organisation, capacity, professionalism and stability of the civil service. It will also build a civil service more in line with common practice in OECD countries. For example, merit-based hiring and limits to political appointments are common features of well-functioning OECD civil services. Almost all OECD countries have mandatory performance assessments for public employees, and are moving towards simple assessment schemes like the four-category model prescribed by the new law. The new pay system based on job families helps to improve the principle of equal pay for equal work – a driving principle of most OECD countries' pay systems. Finally, a clear statement of rights and obligations, as well as some job protection, are important features of all professionalised civil services across the OECD, necessary to protect civil servants from being overly politicised.

However, the design and approval of the law alone will not produce lasting change in Peru. Only a careful and well-designed implementation of the law will have a positive impact. This is the challenge that currently consumes SERVIR – designing the tools and polices to implement and manage the new system, and building the capacity and desire in each of the 2,000 public institutions, regions and municipalities to understand and use these tools. This will require a well-resourced, designed, co-ordinated and sustained effort from all involved – SERVIR, the Ministry of Economy and Finance (MEF), the PCM and its components (including the Decentralisation Secretariat, the Public Management Secretariat and the Centre for National Strategic Planning [CEPLAN], see Chapter 2), all politicians, and every organisation across Peru’s civil service.

**Implementation process**

The implementation of the new Civil Service Law has two interrelated components. The first is an organisational re-development while the second requires civil servants to transition to the new regime. This is a particular strength of the process. OECD experience shows that HRM reforms are most effective when they are embedded in institutional reforms. The law has an implementation horizon of six years, which suggests completion by the year 2020.

Nonetheless, the transition to the new regime will likely take much longer as civil servants cannot be forced into the new regime. In other words, each individual civil servant needs to choose to transition from the old regime to the new one. Civil servants who refuse remain in their previous regime with all the job protections, rights and responsibilities of that regime. Furthermore, this transition is not automatic. Existing civil servants will need to apply to posts in the new regime and go through a competitive
process to be appointed. If they are not successful, they remain in their old post, under the old regime. This implies the likelihood that some civil servants in the old regime will remain there until the end of their careers. This is a particular risk, given that employees in the old regime will likely not be given the same opportunities for training and development and career advancement. Nor will they be subject to performance management strategies.

The organisational transformation component of the reform is not voluntary. It requires every public organisation to make substantial improvements in its organisation and functioning. In the framework of the reform, public entities should transition to the new regime, through the following steps:

1. The creation of a transition commission made up of the general secretary of the entity, representatives from HR, planning and the administration office. This commission is to oversee the implementation process and develop a vision and mission for the new civil service regime within its own organisation and ensure that all are clear on the process to be followed and the road map.

2. A situational analysis of the current state of affairs in the organisation to map the current workforce, work processes, etc., as well as the identification of enhancement opportunities in the organisation of the entity and/or in processes, oriented to improving service to citizens.

3. After enhancement opportunities have been identified, the entity will start an internal improvement process, which can include the application of improvements (those that can be carried out in the short term), determining staffing, preparation of job post profiles, their appraisal, the preparation of the entity’s job post table (JPT). This will likely result in a new way of organising itself (at the level of posts and even areas) or in the way of carrying out its processes (process enhancement), with the purpose of achieving greater efficacy in meeting goals and efficiency in the use of its resources (planning of the necessary human resources in order to provide quality services).

4. Once an organisation has gone through the above steps, it may begin the selection process for staff the positions within its new structure, under the new regime.

SERVIR is taking a phased approach, beginning primarily with larger entities at the national level. Currently 192 entities have begun the transition process: 141 at the national level, 8 at the regional level and 43 local municipalities. At the time of the OECD mission in June 2015, approximately 40% were conducting their situational analysis, and a similar number were in the next phase, identifying opportunities for improvements and enhancements. The remaining 20% were actively implementing the reforms. The MEF and the Ministry of Justice are among those organisations that are leading the pack in this regard.

Role of SERVIR in the transition process

Almost all OECD countries have a central HRM unit like SERVIR which at the very least oversees and monitors the implementation of the civil service law. While the mandate and tasks of central HRM institutions vary, they are generally responsible for designing and overseeing core HRM policies, leaving a degree of implementation flexibility to line ministries and line managers.
While the steps described above to implement the organisational transformation are driven by the commission created in step 1, SERVIR monitors progress, supports entities to implement the tools they have designed, and continues to refine tools and methodologies for both the transition process and to manage employees under the new regime. SERVIR’s current priorities include:

- designing new tools to improve, develop and institutionalise the HR function while simplifying it
- strengthening human resource offices in entities
- raising the awareness of citizens
- constant follow up of the civil service situation to improve and strengthen the framework of the reform’s implementation.

The job profiles system is to be implemented by all organisations in step 3 above. This system was designed by SERVIR in consultation with key partners, including the Ministry of Economy and Finance as it is also provides the foundation for the new compensation system. It contains four levels of employees and includes a catalogue with around 400 positions based on functions, and includes educational requirements.

The development of the job scheme, as with all of the tools and policies developed by SERVIR, follows a common staged process. First, SERVIR conducts benchmarking and best practice analysis to understand local and international experience in the area it is working in. It then develops a technical proposal based on best practice and an analysis of suitability given local context. This is validated internally at SERVIR and then externally with key partners and stakeholders: the MEF, labour organisations and the PCM are generally engaged. The proposal is also published on the SERVIR website for three weeks, during which time anyone can read and provide comments. After consultation, the proposal is revised and presented for approval to the Board of SERVIR, made up of senior representatives from the MEF and the PCM, two representatives from civil society and the Executive Director of SERVIR.

Role of human resource offices in the implementation of the reform

Once the tool, policy or reform is designed and approved by the board, the focus shifts to training the HROs in entities to implement it. In relation to the implementation of the reform, the HROs play a key role that includes:

- Being a driver of the reform, from its participation in the Transition Commission, which heads the transition process of the entity into the new scheme.
- A high degree of responsibility in the execution of internal improvement and implementation steps that include: staffing, preparation of job profiles, their appraisal, the preparation of the JPT, and finally, carrying out public selection processes.
- After the transition, reform sustainability: as part of the reform, the HROs assume greater responsibilities because they are in charge of implementing the seven HR subsystems: planning HR policies, work organisation and its distribution, job management, performance management, compensation management, development and training management, management of human and social relationships. The great changes that will be generated during the transition will not be sustainable if HROs do not adequately implement these subsystems throughout time.
Thus, the role of HROs is fundamental as they support the reform’s development, sustainability and, ultimately, its success. The reform also implies a greatly expanded strategic role for many of the HROs, which, under the previous regime, may have been limited to payroll and other primarily administrative tasks. For these reasons, SERVIR needs to prioritise capacity building of the HROs in each of the many public organisations. This can be done through a variety of channels, including a helpdesk which is available to provide technical assistance to the HROs in the context of the implementation of the reform, and the development of conferences and other events to train and provide opportunities for collective learning. SERVIR is also establishing an Observatory to monitor progress and detect areas in which to intervene. This will likely include some kind of progressive accreditation process for HROs to be designed by SERVIR based on the phased-in implementation process.

Reforms to build senior leadership capacity

A particular area of focus of the new Civil Service Law and associated reforms is the capacity of the senior leaders of the civil service. Senior civil servants embody and transmit core public service values such as integrity, impartiality, transparency and merit. They set the example in terms of performance and probity, and are essential players in the development of future planning and strategic capacity. For these reasons, many OECD countries focus on this particular group, both in terms of individual development and in terms special management rules, processes and systems.

Peru faces particular administrative challenges in the area of workforce stability, whether in the national or subnational public administration, as churn of the senior leadership cadre appears to generate instability throughout the civil service: senior managers appear to change their teams and responsibilities at a rate that impedes long-term progress and reform continuity. While a controlled and structured mobility of senior leadership is a goal of many OECD countries, this is done within a structured development framework, and not at the will of politicians. OECD data confirm that in only 13 of 34 member countries is the top level of the civil service systematically replaced after an election. Below the second level of leadership, only three OECD countries see significant change. Comparative numbers are unavailable for Peru, but discussions with a range of interlocutors in national, regional and local governments suggest that the turnover of managers in the civil service is a fundamental challenge that goes below the top level leadership and whose impact is felt beyond that of the election cycle.

This is in part due to the fact that the large majority (more than 70% of those at the first and second management level below the minister) of Peru’s senior managers are “positions of trust”, appointed by the political level without a transparent merit-oriented process and without any guarantees of stability in their employment. This generates a culture of loyalty to the political level as opposed to a professionalised public management cadre working in the general public interest with the skills necessary to drive progress in Peru’s public services. A SERVIR study on the state of public management in the country in 2008 identified the following issues:

- poor management capacity to perform the managerial function
- inadequate organisation, inclusion and administration of managers
- unappealing managerial function to attract and retain talent
- limited and poor assessment of managers
- unstable context linked to poor political-institutional support.
The Public Managers Corps

Peru’s Public Managers Corp (PMC) was created in 2008 as a first step to professionalise the management level of Peru’s civil service and address some of the problems highlighted above. Managed by SERVIR, its purpose is to develop management skills and gradually professionalise the highest levels of the public administration by recruiting highly skilled professionals, selected by meritocratic and transparent processes to be appointed to managerial positions of institutions in the national, regional and local governments. The PMC has now existed for over seven years, during which time a management model in line with the national context has been developed, adjusted and validated. So far approximately 660 professional managers have completed SERVIR’s selection and training process, although only 200 of them are assigned positions by SERVIR. The remaining 460 are eligible for designated public manager posts for up to three years, after which they lose their designation. This current over-supply of public managers results from various factors, including the lack of agreements between SERVIR and the various entities, insufficient budget and the fact that many of the selected managers do not want to work outside of Lima. Of the 660, the large majority came from inside the public administration, as most of the posts require some previous public management experience.

To become a public manager under the PMC, one must pass a complex selection process which is run centrally by SERVIR. The selection process is public and nationwide and open to professionals from the public and/or private sector. For this purpose, profiles of post types have been prepared that meet the requirements of the public entities, which have different hierarchical levels and come from different sectors and different government levels. At present, there are more than 60 profiles of post types (administration office manager, planning and budget manager, regional hospital director, etc.). The selection process of public managers consists of a recruitment stage through a computer platform to select applicants who meet minimum working experience requirements, have the academic education and technical managerial skills. Later, a mass assessment is carried out to measure the minimum technical knowledge skills required for the post, a psychological-technical test, followed by a competence interview. Applicants who pass the test are summoned for an introduction course that consists of a competence assessment according to the assessment centre methodology and an assessment of practical cases. Applicants who succeed in this last stage are summoned for an interview by the maximum authority of SERVIR (Board of Directors) for the final selection.
Once a PMC manager, SERVIR promotes training opportunities for them and their work teams. Additionally, those managers with the best performance evaluation results can gain access to special top management training programmes through the National School of Public Administration and other educational institutions. The first of these programmes was made available to 40 managers and lasted 5 months. For public managers in particularly difficult positions, special coaching programmes are also available. SERVIR also organises an annual conference for all those in the PMC where they can receive special training and exchange experiences over a two-day period.

Expansion under the new Civil Service Law

Under the new civil service regime, the management of the senior level will be greatly expanded beyond a small team of 660 to include the entire senior management cadre of over 5,000 people at national and regional levels. The new Civil Service Law, inspired by the experience of the PMC programme, defines public managers as the top three layers of all public organisations. The law imposes strict and rigorous selection processes, including evaluation of experience and education, psychological and competency based assessments, knowledge testing and a final interview. Once successful, managers are appointed to a position for three years, with the possibility of renewal twice for a total of nine years. Then the public manager needs to find a different position. Public managers are subject to annual performance evaluations based on the achievement of goals, and may be removed from their position for failure to achieve those goals. Notably, the law further limits the use of political appointments. Organisations may count no more than 20% of political appointees among their public managers, and these people must still meet the requirements of the predetermined position and are also subject to the same annual performance evaluations.

Three roles of public managers are envisaged:

1. Political strategic managers influence the development of public policies of national, regional and sectorial scope. Their work involves strategic vision and analysis of the political environment in order to achieve legitimacy and support and, in turn, obtain results to benefit citizens. The managers in this role are often involved in uncertain environments and are in direct contact with political officials of different agencies.

2. Strategic managers intervene in the formulation and implementation of strategies for their agencies. For this reason, there is a greater emphasis on strategic and operational management. They are in direct contact with public officers in their agencies.

3. Operational strategic managers deploy legal, financial, material and human resources to achieve specific results which contribute to the agency’s strategic objectives. They require technical capacities and generally report to a higher level manager.

SERVIR will establish and govern the policies and processes related to the development of this senior management group. This includes developing a common framework for the management profile descriptions and providing psychological and professional assessments for selection. SERVIR will implement audit mechanisms to oversee the transparency and integrity of the selection processes conducted by individual institutions. SERVIR will also leverage experience with the PMC to develop a common competency profile for managers, to help guide the selection, development and assessment of public managers.
Implementing the reform: Considerations and challenges

Peru’s civil service reforms are an essential component of its broader governance modernisation agenda and signal an important commitment to the principles of good governance espoused by OECD countries. Once implemented, the new Civil Service Law will support governance reform in all areas by increasing the capacity and stability of the civil service, particularly at senior levels. However, implementing the law will be complex, not only because of the breadth of reforms the law includes, but also because of the scope of the law – which covers over 2,000 public entities at the national, regional and local levels. This will be a very significant challenge for SERVIR – and one that SERVIR cannot be expected to implement alone.

The good news is that the reforms embedded in the new Civil Service Law put Peru on a path that follows good practice in OECD countries. The themes of the reforms are common across OECD countries, which have built a great deal of experience through trial and error which can be leveraged to support Peru. The following section looks at some of the lessons learned and proposes a number of key considerations for SERVIR and the ministers which oversee it.
Box 5.1. SERVIR’s proposed senior management competency model

- **Commitment to service**: The ability to act by listening to and understanding the internal or external user, valuing their needs as one’s own and providing solutions or alternatives that solve their expectations through informed, timely and polite services.

- **Result-oriented**: A capacity to channel actions towards the achievement of institutional goals and objectives, securing quality standards and identifying improvement opportunities. It implies providing answers within required terms by optimally making use of the resources to the servants’ disposal and considering the final impact on the citizen.

- **Teamwork**: Capacity of creating positive and reliable work relationships by sharing information, actively supporting and collaborating with others, providing co-ordinated support, integrating one’s own efforts with the team’s and other areas or agencies for the achievement of institutional objectives that benefit citizens.

- **Leadership**: The capacity to influence others based on values to guide their actions towards the achievement of objectives.

- **Articulation with the political environment**: The capacity of understanding the socio-political context of the country and the institution’s impact, by participating in the decisions taken at the public policy level with awareness of their consequences on the specific needs of its citizens.

- **Strategic vision**: The capacity of perceiving future scenarios and to determine a long-term perspective in line with organisational objectives, in order to anticipate circumstances, avoid obstacles, estimate risks and plan actions.

- **Management capacity**: The ability to manage the administrative systems. It also involves the capacity to manage the use of resources to secure compliance with objectives.

*Source: SERVIR.*

**Governance and co-ordination for implementation**

The size and breadth of the civil service reforms will require a governance structure and approach to match. Currently, the head of SERVIR reports to the PCM on progress, and the PCM acts as a governance board for the oversight of the implementation process. The engagement of this group of ministers is essential to ensure the political visibility and sustained support that will be required to see the reforms through to the end, build capacity to sustain the reforms through the long term and ensure the new model functions as intended. However, a more elaborate governance structure may be required in order to share the responsibility of implementation and enable the buy in of key actors.

Experience in OECD countries suggests that the implementation of reforms of such a broad scope is best managed at various levels of activity, both horizontally and vertically. Engaging ministers at the top is essential, but the PCM may be engaged with too many other priorities to give these reforms the attention necessary. It may be advisable to concentrate accountability and responsibility for oversight and success of the reforms with a particular minister, or a subgroup of the PCM. Care will also need to be taken to ensure that regions and municipalities have a voice in whatever governance system is established.
Cross-ministerial co-ordination for implementation should not end at the ministerial level. In Ireland, a Civil Service Management Board has been established to oversee the implementation of the ambitious and far-reaching Civil Service Renewal Plan (Box 5.2). The board is made up of all secretaries general and heads of major offices and is chaired by the administrative head of the civil service. Three subgroups have been developed to drive progress under the themes of people, systems and governance. Through the use of subgroups and the assignment of specific responsibilities to individual secretaries general, Ireland’s reform becomes the collective responsibility of the senior management cadre and not of one sole agency. For Peru’s implementation process to succeed, SERVIR will need to think about a similar approach which engages senior managers as allies in the process, and assigns collective responsibility for success.

Box 5.2. Implementing civil service reforms in Ireland

After many civil service reform initiatives, Ireland has learned that there are a number of important elements required to deliver change: strong collective leadership, shared ownership, and sustained investment and commitment. It will establish strong governance and delivery mechanisms to manage the change programme effectively so that the ambitions of reform are underpinned by action. Delivering transformation at this level of ambition will not be easy, nor will it happen immediately. The Irish government will:

- Assign collective responsibility and accountability to the Civil Service Management Board and its members for implementing the Civil Service Renewal Plan. The Secretaries General of the Department of the Taoiseach and the Department of Public Expenditure and Reform will provide central support and leadership to enable this and will report progress to the Taoiseach and the Minister for Public Expenditure and Reform regularly.

- Allocate responsibility for the delivery of each action to a named secretary general, or group of secretaries general, with the remit to manage the implementation of changes across the civil service. Each secretary general will appoint a dedicated project manager to drive their action and this person will work centrally with all other project managers under the direction and co-ordination of a central Programme Management Office located in the Department of Public Expenditure and Reform.

- Co-ordinate and drive implementation through a central Programme Management Office which will have expertise in relevant areas and be staffed from a number of departments and external sources, as required. The office will be managed by the Public Service Reform Programme Director in the Department of Public Expenditure and Reform. This will facilitate an integrated approach to implementation that aligns the reforms set out in the Renewal Plan with the reform initiatives already underway in the civil service, in particular human resources (HR) and ICT reforms.

- Develop a strategic implementation plan for each thematic area to outline in practical terms how changes will be implemented and resourced. The plans will be prepared by the Programme Management Office working with the relevant secretaries general and their project managers, drawing on internal and external expertise to prioritise and sequence actions based on a robust assessment of feasibility, impact and cost; and outline the appropriate process to monitor and manage the risks, issues and challenges associated with large-scale transformation.

Another key horizontal co-ordination mechanism can be developed at the working level by networking the HROs. As discussed above, HROs play an essential role in the implementation of this reform and will require specific and sustained capacity building in order to move their status from a mainly administrative body processing payroll and leave to one that plays a key role in building Peru’s future civil service.

Box 5.3. Human resources professionals network in Estonia

The formation of human resource (HR) professionals’ networks started in Estonia in the late 1990s after the enforcement of the Civil Service Act in 1996. The act required the introduction of several new HR tools in ministries and administrative agencies, e.g. carrying out evaluation and designing a training system to support it. This had to be done in an extremely decentralised environment.

To cope within such a decentralised and fragmented environment, the Government Office started to bring together people responsible for HR issues in different organisations. This gave them an opportunity to learn from other organisations participating in these meetings and also speakers invited to introduce their experiences from outside the civil service (private sector and/or other OECD countries). These events formed the basis for an increasingly institutionalised network of HR professionals. It helped to establish more stable lines of communications between them and created a culture of discussing joint issues together and supporting each other in solving them. This also paved the way for additional subject-specific informal networks to be established, around training, for example.

As the bottom-up initiated communities are based on voluntary co-operation, they do not necessarily include all relevant organisations. Therefore, more formalised methods of co-operation are also needed. The Ministry of Finance chairs the roundtable of HR managers of ministries, which is their first point of contact for testing new ideas and receiving more practical feedback.

In addition to these networks, the Ministry of Finance uses other means for involving its stakeholders:

- bi-annual information seminars for HR professionals (0.5-1 day) – for informing them about the latest developments in civil service HR policy, introducing new initiatives (usually around 100 participants)
- annual co-operation seminars for HR managers (2 days, outside Tallinn) – for discussing strategic HR issues and introducing new trends in the area (up to 30 participants)
- mailing list of HR professionals – for disseminating information by e-mail
- learning and development activities for HR professionals – centrally funded by the Ministry of Finance for harmonising HR related knowledge and practices across the civil service
- civil service Facebook page – open to anyone interested in staying informed about the developments in the Estonian civil service.

The co-operation networks play a very important role in Estonia’s highly fragmented and decentralised civil service system. Central co-ordination bodies have very limited power, so networking activities serve as an alternative to formal (i.e. legally mandated) tools and are often more effective, since they are more proactive in nature. This has been helpful for the implementation of reforms as those HR managers who carry out the changes have had a chance to give their feedback in earlier policy design stages. Networks are also essential for creating a common culture and value system among people working in the same area in Estonia’s civil service.

Note: 1. In 2010, the co-ordination of the civil service was consolidated to the Ministry of Finance; the co-operation networks are now co-ordinated from there.

Source: Information received from the Government of Estonia.
Figure 5.5. Most commonly identified features of separate management of senior leaders


SERVIR is right to prioritise and invest in capacity building in this area, and should take measures to ensure that capacity is not only delivered from SERVIR to HROs, but is also shared horizontally among HROs. One significant forum to do this is the network of HROs established by SERVIR, which can provide a space for regular meetings and opportunities to discuss progress and share experience. This can be particularly relevant given that different organisations are at different stages of development, providing an opportunity for those in back to learn from the successes and mistakes made by those ahead in the process.

Toward a merit-based management cadre

SERVIR has built expertise in the management of the PMC and will extend this over a much wider breadth as the new Civil Service Law is implemented. This will involve a number of strategic decisions that will need to be taken regarding which responsibilities should be centralised in SERVIR and which to delegate to individual institutions. Many OECD countries manage their senior managers as a separate group, and experience has shown that a focus on the elements of recruitment, development and performance has benefited from a centralised process.

Recruitment of the senior civil service

The majority of OECD countries recruit and select senior civil servants with a more centralised process than the rest of their civil servants. Belgium and Chile provide useful examples. In Belgium, recruitment criteria are agreed between SELOR (the federal selection office) and the recruiting organisation. SELOR advertises the selection, receives and vets applications, conducts the different tests and examinations, and draws up a ranked list of applicants who have passed the selection process and are eligible for tenured public service. For senior managers, each selection process is overseen by a jury of seven people, which include representatives from SELOR, technical experts from a university, private sector HR and management experts, and public management peers. SELOR’s main advantages are its professionalism and its independence from the recruiting organisations. By centralising the selection competency, SELOR is able to concentrate and develop into a modern recruitment agency using state-of-the-art methods. In the Latin American region, Chile stands out as a leader in senior executive service recruitment (Box 5.4).
Box 5.4. Senior civil service recruitment and selection in Chile: Sistema de Alta Dirección Pública

In 2003, the Chilean government, with the agreement of all political actors (opposition political parties, non-governmental organisations, civil society), created the Sistema de Alta Dirección Pública (ADP), a central senior civil service system. The aim of the ADP was to establish a professional senior management. Following the reform, there are three distinct groups:

1. The most senior positions, which are filled by direct designation by the government (1 000 positions out of 2 million in central government).
2. The ADP, for which recruitment is based on public competition (1 000 positions in central government). There are two levels within the ADP: approximately 1% at the first hierarchical level (heads of service, directors general) and the remainder at the second hierarchical level (regional directors, heads of division).
3. Middle management positions (2 000 positions in central government) at the third hierarchical level, which form part of the career civil service.

The ADP system has been implemented gradually by recruiting by open competition whenever a post falls vacant and by expanding the system over time to additional groups. For example, it has been expended to include 3 600 municipal education directors and 2 800 new senior management posts in municipalities.

Most of the selection process for the ADP is contracted out to specialised recruitment agencies. The National Civil Service Directorate is responsible for the management of the ADP. However, the Senior Public Management Council is in charge of guaranteeing the transparency, confidentiality and absence of discrimination of the selection process. It is chaired by the director of the National Civil Service Directorate and has four members proposed by the President of Chile and approved by the Senate. The selection process, which takes about four months, begins with the publication of the vacancy in the media. A specialised enterprise commissioned by the Senior Public Management Council analyses the curricula vitae of the different candidates and prepares a shortlist for the council or a selection committee (under the council’s supervision). Professional competence, integrity and probity are some of the criteria used in the selection process. Subsequently, the council or the committee selects the best candidates for interview and prepares a final shortlist for the competent authority for the final appointment.

The ADP system was based on international experience. In particular, the experience of OECD countries such as Australia and New Zealand strongly influenced the Chilean model. The system is considered one of the main achievements of the modernisation of Chile’s public management. One effect has been a decline in the number of political appointees in the central government; they currently represent only 0.5% of the total public workforce. It is also argued that the presence of women in senior positions has increased under the system; they occupy 32% of positions, compared to 15% in the Chilean private sector.


The new Civil Service Law assigns the responsibility for running the selection process of senior managers to entities themselves, leaving SERVIR with some power to monitor for compliance. Given the political sensitivity of this matter and the high importance placed on this cadre as a model of merit and probity, centralising all selection processes for the top three levels of management may be advisable in the short/medium term; however, this would require a change in the law, which may not be feasible. Given the vast number of managers in the system and multitude of organisations impacted at all levels of government, it may be unsustainable to centralise recruitment over the long term. Therefore, under such a scenario, the hiring of managers could begin with a centralised system at SERVIR while, in parallel, SERVIR would work with entities and
their HROs to build their capacity to run their own competitions. Once entities have achieved a certain threshold of capacity that meets criteria established by SERVIR, and have a proven track record in managing merit competitions at the career level over several years, SERVIR could certify them to begin their own recruitment processes and monitor closely for compliance.

However, for such a process to work, SERVIR will require a large capacity of its own to both run a very large number of competitions at the beginning and to simultaneously work with entities to build their own capacity for eventual delegation. Experience in some OECD countries has shown that when competitions are held up due to low capacity of the central selection institutions, entities appoint provisional people, undermining the meritocratic intent of the process. Such a situation could present a high risk in Peru and needs to be avoided by ensuring that SERVIR is well capacitated to play this dual role for senior civil servant capacity building.

**Developing leaders**

SERVIR’s proposed competency model for the development of senior civil servants is another approach which is becoming increasingly standard across OECD countries. A well-designed competency framework provides a structure for management training and career progression. As SERVIR proposes three roles of senior leaders, the competency model can be used to identify the different expectations of each. Gaps between the current and desired competency level of leaders can then be identified, which can then result in a development plan for that leader as they wish to progress in their career and improve their own capacities. It can also help career civil servants who wish to accede to the management level to identify their own development needs.

For example, in the United States, the executive core qualifications serve as a guide for all leadership development programmes. For the individual federal manager or executive, the executive core qualifications represent the guidepost along the pathway to career and organisational success. The United Kingdom’s senior civil service competency framework is used by senior managers as cues on how to do their own work and to identify leadership potential. SERVIR, working with the National School of Public Administration, has already begun a variety of development programmes. These will need to be expanded and reinforced as the competency model is extended to public managers beyond the core 660 of the PMC.

**Assessing the performance of the senior leadership**

Building a performance-oriented civil service in Peru will need to start at the top. A move toward a focus on performance management in any organisation requires strong management accountability, a shift of attitudes and focus of leaders, new leadership competencies and building ownership of the performance management system. This means the performance management of the managers themselves. Managers can benefit from a structured environment with clear objectives for programme results as well as for the management of people and financial resources, against which their performance is assessed. This not only improves managerial accountability and performance, it also sends a signal to staff that the senior echelons of the public service are serious about performance management.

Peru’s move towards three-year cycles of position tenure create an excellent opportunity to implement a structured management accountability process based on the establishment of clear goals and objectives, periodic adjustment in consultation with...
superiors, and evaluation. The continuation of the contract at the end of the three-year cycle should be based on performance; however, SERVIR and the highest levels of public management need to ensure that, in turn, public managers have what they need to be effective in the new regime. This means ensuring that each manager is clear as to what they are accountable for, and to whom. In turn, the managers need control of that which they are expected to achieve, and must be aware of the consequences of achieving or not, from the start. Finally, information needs to be available to judge whether or not the manager has performed to an acceptable standard.

Box 5.5. Common framework for leadership development in Finland

The management of senior civil servants in Finland is more centralised than the management of other groups of employees. The Finnish Ministry of Finance is responsible for the joint leadership and management policy as well as some centralised management development activities. The common framework for management development consists of four elements: offices and employment, recruitment, performance management, and joint development.

In Finland all senior civil service appointments are made for a fixed period of five years. The selection criteria for these posts have been made more explicit, and all candidates are assessed using uniform selection principles. Greater emphasis is placed on leadership and executive management skills. The Ministry of Finance has also introduced a model for professional recruitment procedures and practices of managers and experts.

Another aim of the central government management policy is to enhance performance-oriented management and the accountability of managers. When a person takes up a managerial position, his/her personal goals must be defined, taking into account the present state and future challenges of the operating unit in question. The management agreement procedure combines the development of managerial practices with performance management. The management agreement should be part of the operating unit’s steering process and thus compatible with the performance agreement and the framework budget (spending limits) laid down for the unit.

Additionally, the Ministry of Finance organises management training and development for the senior civil service and the group of future senior civil servants below them.

One of these activities is the Forum for the Government Administration Management. The goal of the forum is to both strengthen the common goals of the central government and support senior civil servants in their leadership duties. The forum meets twice a year in one or half a day seminars and, furthermore, several times a year in one-hour informal meetings called “morning coffees”. The purpose of the groups is to increase free and confidential interaction between senior managers and thus support their leadership duties and their personal development.

The Ministry of Finance has also organised a special programme called Future Leaders, which is meant for the potential future senior civil servants and those managers who have recently been assigned to senior civil service posts. The programme lasts three weeks and has five modules. The main themes of the programme are future anticipation and leadership. Participants are selected by the Ministry of Finance in co-operation with the ministries. Since 2008, more than 175 managers have participated in the course. According to the feedback, the main benefits for the participants are an increased understanding of the whole-of-government aspect and a possibility to create wider networks. The Ministry of Finance has set up a working group to evaluate the programme and to redesign joint management training organised by the ministry.


Communicating and engaging to ensure a successful transition into the new regime

The Peruvian civil service transformation success will depend on the will of each individual civil servant to voluntarily apply to positions within the new civil service and
to thereby transition from their existing regime to the new regime under the new Civil Service Law. Discussions with various representatives and informants across the Peruvian civil service suggest that currently there exists a level of uncertainty among civil servants and concern for their future. Currently it appears that the unions in Peru have mounted their own communication campaign to persuade civil servants not to join the new regime.

Box 5.6. The Canadian Management Accountability Framework (MAF): People management component

Canada’s Management Accountability Framework (MAF) was implemented in 2003 to hold heads of departments and agencies accountable for management performance, and to continuously improve management performance.

The MAF aims to:

- clarify management expectations of deputy heads and support ongoing dialogue on management priorities with their executive team and the Treasury Board Secretariat
- provide a comprehensive perspective on the state of management practices and challenges in the federal government
- identify government-wide trends and general issues in order to help deputy heads set priorities and resolve issues.

On an annual cycle, the Treasury Board Secretariat evaluates departmental performance on each of the ten aspects of the MAF framework, provides a score and identifies the priority areas for management improvement, which must be measurably improved by the agency over the next 12-month period. Departments electronically submit supporting evidence of their performance in 15 areas of management, and this evidence is evaluated by the Treasury Board Secretariat and a score is given on each element of the MAF. For areas of management that receive a low score, the department must prepare an improvement plan for implementation during the next year. MAF scores are posted on a public website by the Treasury Board Secretariat. A department head’s performance on the MAF helps determine his or her performance pay for the year. Over the past thirteen years, since the MAF was introduced, departmental management scores have steadily improved, demonstrating the effectiveness of the MAF in improving public management.

The people management component of the MAF in 2012-13 included the following elements:

- employee engagement
- executive leadership
- diversity and employment
- employee learning
- performance and talent management
- workload and workforce planning effectiveness
- staffing
- official languages
- organisational context.

Trade union resistance appears due to two primary factors. First, the unions express concerns regarding the selection process for positions in the new regime. They argue that it is unfair to expect current civil servants to re-compete for their positions, especially those from the frozen regime who may not perform well against recent younger graduates.
who may be better prepared for testing processes. The second concern articulated relates to a perceived reduction in union strength as a result of the new Civil Service Law.

This implies the need for clear and consistent communication strategies that reach broadly across Peru’s civil service from the top down to the lowest levels, which clearly frame the benefits of the new regime and are honest about any perceived limitations. Such communication strategies work best when the information comes from someone known and trusted to the civil servant. The unions have representatives embedded throughout the workforce. SERVIR, on the other hand, is a relatively small and new agency whose voice may be less trusted on the shop floor. SERVIR, therefore, needs to equip trusted partners throughout the administration with confidence and clear messages to deliver. This may include staff in HROs and managers of the organisations at all levels. It may also suggest an opportunity to engage with key civil servants as ambassadors for the new regime.

It also suggests an opportunity to include civil servants actively in the transition process. Embracing civil servants of all levels as partners in the design and in the implementation of the process can help to build ownership and support for the reforms. It may also help to improve communication material and fine tune implementation tools to the realities of each public entity (see the following section). The partnership approach to change in the Irish civil service presented in Box 5.7 provides a useful example of how social partners can be engaged in genuine co-creation of public sector reform when there is a future vision and sense of immediate urgency driving the reform process.

Particular care may need to be taken regarding the communication of the performance management system, as this came up often as a key concern among unions and civil servants more broadly. There appears to be a perception that during the 1990s, performance management processes were implemented with a view to downsizing the civil service, and were used not to accurately identify the lower performing civil servants but instead those that management wished to target for political or personal reasons. Since then, performance management has not been a typical component of civil servants’ careers, and continues to promote concern and fear.

Performance management systems work best when they are not focused on punishing low performers, but instead on supporting all employees to perform at their best. There is a great deal of OECD knowledge accumulated on which performance approaches have worked and which have not, as well as the best approaches to implementing system improvements. One important lesson is that even the best systems will only work once the public managers who conduct performance assessments and use the performance tools are well trained and feel supported themselves. Another important lesson is that new systems are best implemented slowly, with direct awards and/or punishment implemented in later stages once employees and managers alike have gotten used to using the tools. This is particularly important in Peru’s context where trust is low and concern high. Hence, SERVIR’s gradual implementation of the system, beginning as a pilot in five entities in 2015 and growing to more in 2016, is a good approach.

Use iteration, experimentation and engagement to support innovation capacity in the civil service

The implementation of a new civil service in Peru is fundamentally a large-scale public sector innovation process. Peru is pursuing innovations in its civil service structure, as well as the tools and mechanisms that will be used to manage its civil servants. OECD countries have prioritised public sector innovation and the OECD has
begun collecting and analysing a wide range of innovations and their development, implementation and growth in its Observatory for Public Sector Innovation.6

Box 5.7. Partnership approaches to change in the Irish civil service

A broad variety of partnership approaches to change and modernisation has been used in Irish civil service organisations. Within an overall social partnership framework for the public service, organisations were encouraged to develop their own approaches, tailored to their individual needs and circumstances. For example, the Department of Social and Family Affairs, which has many local offices, adopted a multi-layered approach in order to involve staff at all levels of the organisation and local partnership committees were encouraged with the aim of embedding the process in all areas of the organisation.

The topics dealt with by partnership bodies varied between organisations, but they typically included HRM issues such as the implementation of performance management, training and organisation of work, as well as matters such as input into organisational strategy statements, internal communications and improvements in customer service. For example, a case study of partnership in the Office of the Revenue Commissioners found that the following topics were dealt with: the performance management and development system, internal customer standards, exceptional performance awards, working practices, training, IT developments, strategy statement, HRM policy, workplace charter, internal communications, shadow economy, and social partnership agreement issues.

Characteristics of effective partnership approaches in the Irish context included:

- partnership was visibly linked to the modernisation agenda and other organisational change processes
- important strategic and operational issues were considered and the relevant individuals and representatives were involved
- a strong emphasis was put on improving organisational performance
- the focus was on outcomes rather than processes or structures
- development of partnership at local level within organisations led to increased innovation
- visible commitment of managers and trade union representatives
- there were mechanisms to ensure input from other staff and managers
- use of joint problem-solving processes
- the rationale for decisions was explained to managers, staff and their representatives
- visible follow up by management and involvement of the partnership body in overseeing effective implementation.


Cases collected through the Observatory for Public Sector Innovation have highlighted a number of approaches that are increasingly being adopted in OECD countries to improve the innovation of new policies and processes. Typically, these involve small and fast production of new tools and/or services that are first tested in a small and controlled space and then adjusted and scaled in a controlled and phased approach. Typical users of the tools and services are often involved at the earliest stages
of the process as active partners, co-creating the tools or services. Some governments have established special units and teams who specialise in managing these processes, within “policy labs”. Chile has established such a lab and is working with the OECD to explore opportunities to expand the impact of its lab throughout its civil service.

Box 5.8. Public sector innovation labs

Recent years have seen the emergence of public sector innovation labs in many OECD countries. This has occurred partly in response to the increased complexity of public policy issues that requires new approaches and new ways of working. These labs provide a place to help the public sector frame issues in new ways and redesign services by drawing on a broad range of perspectives. Labs help institutionalise co-creation by actively involving the users of public services at all stages of policy and service development and by using different disciplines, from design and ethnography to psychology and sociology. At their best, innovation labs can help the public sector to work in a new, and often challenging, way to yield results which accurately address service users’ needs.

The term “laboratory” is borrowed from science and refers to the practice of experimenting – investigating a situation, exploring how it occurs, and testing solutions in a safe and controlled environment. On occasion, governments around the world have invested time, money and social capital in large-scale policies and programmes which have failed to achieve the expected results. Public sector labs can provide something of an antidote to this. They are dedicated spaces for investigating and experimenting through trial and error to understand better what works in practice.

Over the past decade public sector innovation labs have been popping up across the world. There is great diversity in the innovation lab model with labs at different levels of government and scope. For example, Mindlab in Denmark, the Central Innovation Hub in Canada and the Laboratorio de Gobierno in Chile all work at the central government level across multiple departments. The United States’ Office of Personnel Management has its own lab, which began looking primarily at issues related to internal management, such as those SERVIR faces, and has since expanded to include a broader policy role.

Relative to other practices in the field of public governance, innovation labs are still in their infancy. This means that established understanding about the different models that exist globally, how they function and their impact is continually developing.

Source: Ongoing OECD research.

SERVIR’s approach to policy and tool development has begun to incorporate some of the principles of public sector innovation and innovation labs. The consultation mechanisms and design process includes early consultation with key strategic partners such as the Ministry of Economy and Finance and the Public Governance Secretariat of the PCM, as well as an opportunity for public comment through their website. As SERVIR moves from policy development to the development of tools that will be used by entities and HROs to manage the civil service, it may wish to explore options to engage a broader range of participants in the process, particularly those who will have to use the products and tools in their everyday work.

This could include, for example, using a few HROs to test prototype models of tools and to provide feedback early and often to refine the tool in multiple stages as they expand to more and more entities. There may also be opportunities to engage the ambassadors’ network and/or union representatives in such experiments, giving them an opportunity to actively contribute to the building of a new civil service in Peru. This kind
of iterative and flexible design approach will become even more important as the tools and processes are adapted for municipalities and regions, many of which operate in very different circumstances from those located in Lima.

**Implementing the reforms in the context of decentralisation and multi-level governance**

Peru’s decentralisation process adds a layer of complexity to the civil service reforms, which impact the regional and local levels. As Peru focuses on building the capacity of the regions to take on more responsibilities for service delivery, so too must they concentrate on the capacity of senior management to manage more complex policies and programmes. This implies a great need to develop a professional and stable public management cadre in the regions and municipalities. This means emphasising merit-based recruitment, investments in skills development and competitive salaries to attract qualified people. In short, the successful implementation of the SERVIR reforms in the regions will be fundamental to the success of the decentralisation programme.

However, the regions also face particular challenges. Discussions with regions and municipalities as part of the OECD mission brought up a number of issues. First, it appears that the pay scale for all civil servants and local and regional levels are lower than those in Lima. While this may reflect some degree of living expense differences, it was suggested that wages in the regions are not high enough to attract and retain the best people, nor to invest in their development. It also appears that unions have a strong voice in the regions and are advising municipal governments and regional administrations to resist the civil service reforms. Furthermore, data on public employees at the municipal level are lacking. SERVIR has developed a plan to begin collecting them.

This suggests, first and foremost, the need for SERVIR to expand outreach to the regions and work more closely with administrations outside Lima. It is understandable and advisable that SERVIR would begin with the large institutions in Lima, build some success and use this to convince regions of the value of the reforms; however, there may also be an opportunity to begin a more thorough engagement process.

SERVIR has started working on skills development in the regions to identify the training and capacity-building needs in the regions (diagnósticos de conocimientos in Spanish). In this context, SERVIR and the Decentralisation and Public Management Secretariats will have to play a key role not only in supporting capacity building for recruitment procedures, but also training of subnational public employees. SERVIR is also developing specific training through the National Public Administration School and by strengthening HROs (SERVIR, 2014). At the same time, the MEF is providing specific training and capacity building on the ground to support local governments in the elaboration of budgetary planning and measurement (Ministry of Finance and Economy, 2013). This is also an illustration of the strong need for a robust, competent and well-prepared civil service in regional and local governments (see Chapter 4).

At the regional level, SERVIR may wish to build on its activity in the regions and invite key representatives from each region to a conference in one of the regions to host a dialog and give regions an opportunity to voice their concerns and learn from each other’s experience. Given that a small number of regions have begun the process of transition, these entities may be able to speak of their early experience and guide development in those regions that have not yet begun the transition.
At the municipal level, it will be important to engage key representatives early and use their input to carefully review the processes and adjust them for local use. Bringing municipal governments into this process and empowering them to provide input into the design of their tools will likely increase their confidence in the reforms. SERVIR should also work with the Decentralisation Secretariat in the PCM to align activities and co-ordinate implementation. This may even involve the establishment of regional SERVIR offices, or hubs, which can help to support and monitor implementation in the regions.

Sustaining reforms, monitoring progress and evaluating success

A key risk of the current reform initiative in Peru is its medium-term sustainability. Currently there is a lot of good energy being invested in designing and communicating the reform; however, the true test of the implementation will be in 2020 at the end of its intended implementation phase. Many things can happen in the next four or five years in Peru, including a change in government, which may require a refocusing of aspects of the implementation to ensure alignment with the incoming governments’ strategic priorities.

Beyond the political risk, longer term implementation timelines can result in the loss of momentum as civil servants suffer from “reform fatigue”. Additionally, with the above-noted churn in management positions, another risk is that key partners are moved around too quickly to drive effective change. One of the biggest problems that the reform aims to address may in itself be one of the biggest risks to achieving the reform.

One of the main tools used by OECD countries to sustain reforms is evaluation and reporting. This can be done both internally and externally. Internally, SERVIR should develop indicators to monitor implementation progress in ministries and agencies in a transparent way. Regular progress reports on implementation should be used to highlight problem areas, identify blockages and suggest solutions. Making this information open can help benchmark agencies’ progress. This can create a soft incentive to motivate laggards and reward trail blazers. The Dominican Republic has developed an online tool to monitor its ambitious civil service reforms. A 2015 OECD review of these reforms recommended further developing this tool to incentivise a long-term commitment to the reforms (OECD, 2015c). A similar approach could be useful in Peru (Box 5.9).

External evaluations can complement internal monitoring. In Sweden, for example, the parliament can establish commissions to evaluate and report on aspects of public sector reforms, while in Canada and the United States evaluation requirements are included in legislation on civil service reform (Wollmann, 2003). In a number of countries such as Canada, the Netherlands, Sweden and the United States, among others, audit bodies have adopted an evaluation function. Public reporting of the results of evaluations is a way of keeping the focus on reforms.

The Canadian approach is particularly comprehensive and may contain some elements that Peru could consider adapting. Public service legislation requires a review every five years to ensure that the legislation has been properly implemented. These reviews enable the Canadian parliament to assess the impact of the legislation and, if necessary, to make amendments or improvements. In addition, the Auditor General of Canada is required to report to parliament every five years to determine whether the central HRM bodies and selected line departments and agencies have implemented the requirements of the 2003 Public Service Modernisation Act. The central Canadian HRM bodies each make an annual report to parliament on their HRM responsibilities, including implementation of the Public Service Modernisation Act. Finally, the Privy Council
Box 5.9. Dominican Public Administration Monitoring System

The Dominican Republic is undertaking an ambitious civil service reform to build and reinforce a meritocratic civil service as a foundation for an innovative public sector, which was the focus of an OECD review in 2012. It has developed an online tool, the Public Administration Monitoring System (Sistema de Monitoreo de la Administración Pública, SISMAP), which can be used to monitor and evaluate on an ongoing basis the application of the public service law in public institutions. SISMAP uses criteria and indicators from the Barometer on Public Service in Central America and the Dominican Republic (developed by the Inter-American Development Bank). Institutions are assessed on a quarterly basis in a transparent, public manner on each indicator, and their level of compliance is signalled by a dashboard system of green, orange and red. The situation across all participating institutions as well as the situation in individual institutions is published online, along with supporting evidence of implementation.

SISMAP enables citizens to access 34 indicators of public administration, including matters such as quality, legality, merit-based recruitment and performance management, among others, and includes indicators in the following areas:

- human resources planning
- work organisation
- management of staffing
- performance management
- compensation management
- development of the career system
- management of employee relations
- organisation of the HRM function
- quality management.


Office (the secretariat to the Cabinet, advisor to the Canadian Prime Minister and responsible for public service leadership) submits an annual report to the Prime Minister on the state of the public service. Linked to this report is the work of the Prime Minister’s Advisory Committee on the Public Service (Box 5.10). Following the above example (Box 5.9), Peru should consider regular reporting to the country’s leadership on the progress of the reforms in a public and open way, to maintain the visibility of the implementation process, and sustain political and organisational momentum for reform implementation.

Looking forward: Civil service reform beyond the current implementation process

The implementation of the new Civil Service Law will do much to put civil service management on a solid foundation of merit and professionalism. OECD countries use merit and professionalism as a base for more strategic orientations to civil service management, to ensure that the right staff with the right skills is working in the right places at the right times, to drive efficient and effective service delivery. Strategic
workforce planning is an essential component of high-performing public administrations. It is indispensable if the government is to maintain a well-structured and representative workforce of appropriate size, which is able to meet the changing needs of citizens and business in a cost-efficient manner. Good workforce planning requires high-quality information and discussion that are linked to whole-of-government priorities, as well as organisational strategies and efficiency concerns, and accountability arrangements that support workforce decisions. SERVIR’s role after the 2020 implementation process may transform somewhat to include oversight of the merit principle while simultaneously developing workforce planning instruments that enable a more effective whole-of-government management of Peru’s civil service.

Box 5.10. Canada: Reporting progress on the public service renewal

The Prime Minister’s Advisory Committee on the Public Service, which is made up of experienced independent experts, makes recommendations for areas related to public service renewal in Canada, and overall progress is reported by the Clerk of the Privy Council in annual reports to the Prime Minister. The two reports are very closely linked. The Advisory Committee’s report is structured around four broad areas for renewal that have been identified:

1. **Planning**: planning provides a clear understanding of what skills and knowledge are needed to meet departments’ business objectives now and in the future. It considers that business planning and human resource planning must go hand in hand. Without this, recruitment and employee development will be largely ad hoc and short term.

2. **Recruitment**: recruiting the best possible talent to the public service is indispensable to a long-term capacity to serve Canadians with excellence. Recruitment focuses on replacing retirees and responding to increasing demands in areas like security and health. The approach is direct hiring by departments, especially of recent post-secondary graduates, into indeterminate positions.

3. **Employee development**: the development of public servants as leaders, managers, professionals and empowered employees is central to a high-performance institution. Such development occurs in the context of careful attention to assessing performance and managing talent.

4. **Enabling infrastructure**: correcting the deficiencies of tools and systems requires improving the governance of HRM, simplifying reporting and ensuring that the basics in areas like staffing and information systems work better. The committee’s report sets out the specific commitments agreed on the previous year following consultation with the deputy minister community (heads of ministries), and the progress and results for each commitment.


One important foundation to the development of a strategic approach to HRM is workforce data. The creation of standardised posts and positions as part of the reforms discussed above will place Peru in a good position to establish an HR information system with standardised and comparable data definitions across ministries and agencies. This will greatly enable improved workforce planning as well as better transparency across civil service management. Such an information system could be developed in a modular fashion, beginning with an accurate counting of the number, level and position type of each employee in each organisation. Once the basics have been solidly established, workforce data can go beyond counting the number of employees in a given organisation to support organisations to plan, support and develop workforce capacity. Including
factors such as level of education, skills and competencies supports organisations in aligning particular capacities with the right priorities. It is also important to consider factors that impact cost, such as age and rank, and years of service. These factors also ensure that planning can strike a balance between young and more experienced staff, and help for succession and renewal planning.

Another element that can greatly enhance the strategic management of HR in Peru is the development of competency management, which is a mid-term priority for SERVIR. Competency management and the use of common job profiles are tools which advance the strategic orientation and integration of key HRM areas including workforce planning, recruitment and selection, mobility, and training and development, so as to build human capital in the public service. Competency frameworks help organisations to identify competency gaps and strategies to fill them. Together with competency management, job profiling reflects the changing nature of organisations and work. Traditional job descriptions, which tended to describe jobs in terms of a finite set of tasks to be done, have come to be regarded as a source of rigidity. Job profiling focuses instead on the outputs of results and on the profile of the person needed to do the job. Many organisations use competencies as part of the job profile, as a way of defining and measuring the skills, abilities and behaviours considered necessary for the job.

Adopting a competency management framework could help to reinforce the principle of merit in recruitment and selection arrangements. The idea is not to replace hard credentials with behavioural competencies, but to use education and skills credentials to set minimum standards and then use competency testing to supplement this assessment for a more fine-tuned selection process. This requires the incorporation of new tools into the selection process, such as experience-based interviewing, behaviour simulations, assessment centres and the validation of transferable competencies that may be acquired through experience in other job settings. Competency management is already being proposed for the recruitment and selection of public managers, which is an excellent opportunity to build skills and knowledge on this modern form of workforce management before expanding it to a broader group in later phases.

OECD countries are also looking at developing workforce management approaches which aim to provide public servants with the abilities, motivation and opportunity to contribute to innovation. One approach is to align management tools to improve employee engagement, which emphasises “how we create the conditions in which employees offer more of their capability and potential” (Macleod, n.d.). Engaged employees are those that direct their behaviour towards achieving the goals of an organisation as effectively and efficiently as possible. They involve themselves and their ideas in their work, and feel supported to generate new ideas and contribute to innovation and overall workplace improvement.

Recent OECD work on employee engagement and HRM tools to support more public sector innovation has highlighted a range of practices, including the use of employee surveys to measure engagement and better assess the effectiveness of management interventions and HRM policies. Other tools include the development and maintenance of networks to promote learning across organisations. Awards processes are used to collect successful innovative practices and share them across the civil service. Some of these are done with a view to encouraging and rewarding successful collaborations across organisations. Mobility and diversity programmes also contribute by promoting a more inclusive workforce with diverse views of day-to-day work activities. These are supported by increasingly integrated HRM policies and frameworks that work to ensure
that each individual staff member is supported to contribute their best at various phases of
life and throughout the development of their own unique career paths. Each of these areas
contribute, in their own way, to a more engaged workforce where employees are given
the ability, motivation and opportunity to contribute to innovation, thereby improving
services for citizens.

Recommendations

This chapter has shown that the steps currently taken by SERVIR and the government
of Peru are the right ones to put Peru on a path towards a stable, professional and
effective civil service, which is a prerequisite for, and a strategic enabler of, better public
management in Peru. The big challenge Peru will face in the coming years will be the
implementation of the reform in a way that ensures consistency and application while
taking into account the need for flexibility, particularly at the subnational levels of
government. This is no easy task, and will test the country’s ability to sustain a reform
through to its full implementation.

A comparison of Peru’s current reform initiatives with OECD experience highlights
the following recommendations to build a stable and professional civil service in Peru:

1. Ensure political support for the implementation of the new Civil Service Law

- Following the 2016 presidential and legislative elections, it is important that the
  incoming government understand the deep value that these reforms give to the country
  and sustain them with all their force.

  - This implies recognising publicly the importance of continuing the reforms,
    resourcing SERVIR to adequately design, support and monitor the
    implementation process, and ensure power to monitor progress and enforce
    compliance with the new legislation and regulations.

2. Design a governance structure to implement the reforms

- An ideal governance structure should concentrate accountability and responsibility for
  oversight and success of the reforms with a particular minister.

  - In this connection, SERVIR could fall within the remit of the Vice-Minister of
    Strategy and Modernisation, a position that Chapter 2 recommends be created
    in the PCM to cluster PCM entities responsible for national strategy-setting,
    including CEPLAN, the Public Management Secretariat and the Decentralisation
    Secretariat.

  - Of course, SERVIR’s institutional autonomy would need to be preserved
    under this reform. The civil service reform agenda should be mainstreamed
    within the government’s main national strategic development planning and be
    fully reflected in the co-ordination efforts between CEPLAN, the Public
    Management Secretariat, the Decentralisation Secretariat and the Ministry of
    Economy and Finance so that the reform agenda is funded properly and its
    impact is fully assessed as part of integrated national strategy and budget
    performance monitoring for results at all levels of the public administration,
    including whether improvements to civil service capacity, professionalism,
    merit and competence at the subnational level are, in fact, leading to better
    service design and delivery that improve outcomes for citizens and businesses.
• SERVIR should be supported by a management board to engage senior managers as allies in the process, and assign collective responsibility for successful implementation. A close relationship will need to be maintained between SERVIR and the MEF to oversee effective resource allocation to implementation of the law. At the HRO level, networks can help to support and sustain implementation.

3. Continue to pay special attention to the development and management of senior managers
• This could include special arrangements for their more centralised recruitment and selection, that could be located within SERVIR as the system is initially implemented.
• In parallel, SERVIR should work with entities and their HROs to build their capacity to run their own merit competitions. Once entities have achieved a certain threshold of capacity that meets criteria established by SERVIR, and have a proven track record in managing merit competitions at the career level, SERVIR should certify them to begin their own recruitment processes and monitor closely for compliance.
• This could be supported by reinforcing the senior managers competency framework as a management tool, linking it to development and performance management. Performance indicators could be embedded within the three-year contract positions for senior managers to stress performance orientation and accountability.
• SERVIR could play a key role in the performance assessment process of senior managers so as to ensure meritocracy and limit the politicisation of non-political appointees.

4. Communicate often and build support networks
• The ultimate success of the reform will depend on each civil servant deciding that it is in their own best interest to join the new civil service regime. This means ultimately that civil servants must see SERVIR and the reform it represents as a positive entity deserving of their trust.
  – Clear and honest information based on civil service values and public impact need to be made available, and networks of supporters identified for their dissemination.
  – Likewise, communications outward to the general public are essential to show the progress of the reform, to ensure sustained support and public pressure for the reforms, and to help improve the image of the state and its civil servants in the eyes of the public.

5. Reinforce the need for a performance-oriented civil service
• Reinforce the role of performance assessments in achieving this goal. The new performance management regime needs to be carefully designed with a high level of transparency to promote effectiveness and confidence.
  – The new system could be implemented in a phased approach, with awards and sanctions implemented in later stages once employees and managers alike have gotten used to using the tools.
– Successful implementation will also require a significant investment in the training of all public managers who conduct performance assessments and use the performance tools. This can help to ensure an even and consistent implementation, and effective use of the tools.

6. Design tools and processes for effective monitoring and evaluation

- These could include internal monitoring done by SERVIR with clear and transparent indicators that are collected and shared publicly. This can help to sustain momentum for the reform over the medium term. Indicators should be collected and updated on a regular basis (e.g. quarterly) and could be used to convene the network of HROs to discuss progress.

- This could be complemented by an external assessment of the legislation’s implementation. An annual report to the parliament on the implementation process could help to ensure that the reform maintains its political visibility while also applying pressure to show progress and results.

- A larger review at the end of the implementation process in 2020 should also consider next steps in HRM reform for Peru’s civil service. These processes need to be carefully co-ordinated with MEF and the Director General of National Budget should participate in the evaluation and review processes.

7. Use performance assessment information to adjust policies, processes and tools regularly

Build capacity and skills for iterative and flexible design approaches

- Emphasise learning by doing, adjusting on the fly.
  - These innovation methods could help to test and prototype tools, such as the new performance management systems, on small groups before expanding to the wider civil service.
  
  - This could also provide a useful opportunity to engage reform supporters and reform sceptics (e.g. union representatives) early in the design process, giving them an opportunity to actively contribute to the building of a new civil service in Peru.

  - SERVIR could also thoroughly evaluate the experience of the first group of entities to undergo the transformation and use this information to revisit the process, tools and timelines to improve the chances of reform success.

Ensure the relevance and applicability of reforms at the local level

- The challenges of implementing the reforms in regions and municipalities stand to increase significantly due to geographical distance, mistrust in some regions of the central government, and potentially greater use of informal employment practices in some regions and municipalities. There is indication that SERVIR’s communications strategies have not reached the local level to the same extent as they have ministries in Lima, and this may present a challenge to ensure that actors at this level are aware of the benefits of the reform and are willing to participate.
Consider specific strategies to monitor implementation and impact. A specific implementation, monitoring and communications strategy for these areas will be required, which emphasises SERVIR’s willingness to adapt aspects of the reform for small (20 employees and less) governments at local levels (as is provided for in the law).

Engage key representatives from local and regional levels early and using their input to carefully review the processes and adjust them for local use can help to increase buy-in and trust. By bringing municipal governments into this process and empowering them to input into the design of their tools, their confidence in the reforms will likely grow.

It would be advisable to establish regional offices of SERVIR, and look at developing regional networks to support implementation and monitor progress.

Notes

2. Legislative Decree No. 728, Law on Employment Promotion.
4. Note that due to a recent ruling by the Constitutional Court, collective bargaining will be introduced by December 2016 and SERVIR is tasked with defining a model.
5. Note the all CAS employees will be required to transition to the new regime as CAS has no protections and will cease to exist.
Bibliography

INEI and ENAHO 2004-2014, INEI, Lima, Perú.


