

# Fixing Fiji's civil service overweight problem: a challenge

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Fiji's 'overweight' civil service was the centre of attention of previous regimes, yet not much action was taken to resolve the problem. The attempt by the interim regime to address this problem by implementing a 30 per cent reduction of the civil workforce by 2011 is a bold decision, considering the economic and political uncertainties facing the country. The retirement age and redundancy policies are central measures of the reforms. While the earlier retirement age policy might have an immediate impact, redundancy is expected to be instrumental in the later stage of the process. The interplay between Fiji's institutional setting and the country's civil service culture presents a major test for the policy.

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After more than two years in power, the interim government in Fiji remains adamant about tackling the many problems that it promised to address as part of its 'clean-up' campaign. Among other tasks—it is now taking up one of the challenges that previous governments timidly attempted: reducing the size of the civil service. A decision was made in early 2008 to reduce personnel expenditure by 10 per cent by the end of the year. Two main policies were adopted—redundancy and the reduction of the retirement age from 60 to 55. The outcome of the policy is not yet known;

however, in early April 2009, the government, through the Chairman of the Public Service Commission (PSC), announced another decision: to reduce the civil service by 30 per cent, equivalent to more than 10,000 positions. Redundancy of filled and unfilled posts and the reduction of the retirement age from 60 to 55 remain the favoured policy tools.

While the decision to reduce the size of the civil service is critical, considering the country's current economic woes and, in particular, the lack of response from the civil service, its implementation is by



no means simple. In retrospect, while past governments argued that the civil service was bloated and needed urgent attention, not much progress was made after 1993 when the idea was seriously raised as part of the civil service reform that aimed for an efficient and effective civil service. Several explanations have been presented for how conditions in the country thwarted progress. The change of political leadership in 1999 and the coup of 2000 were, without doubt, the key factors.

The economic and political climate has hardly improved since 2000. When the interim government took over in late 2006, the situation deteriorated further. Political stability is endemic, economic performance is the poorest in years and the morale of civil servants is in tatters. Thus, the backdrop against which the 30 per cent reduction decision has been made is much more difficult than that encountered by previous regimes.

This article argues that the policy of the interim regime is warranted and requires immediate action. The main focus, however, is on the means to see this policy through. While a lower retirement age is on the agenda, redundancy is of greater concern here—for many reasons. In particular, this is a case of an unpopular policy being introduced at a time when the country is facing an unsettled economic and political environment.

## An overview of Fiji's civil service

Apparently, the size of the civil service, in terms of excessive employment, is the main concern rather than excessive pay. In its Strategic Development Plan (SDP) 2003–07, the *Soqosoqo ni Duavata ni Lewenivanua* (SDL) government claimed that the

size of the civil service is untenable... approximately 32,202 established and un-established workers are employed in the civil service or 32 per cent of total paid employment. For a country that is small and highly vulnerable to internal and external shocks, the current size of the public service needs to be reviewed. (Government of Fiji Islands 2002)

The same view was reiterated in the 2007–11 SDP: 'The size of the public service increased from 10,000 in 1971 to 25,888 in 2005, much more rapidly than the growth in population' (Government of Fiji Islands 2006:96). The 2007–11 SDP points to a 2005 World Bank report highlighting this problem and advising the authorities of 4,381 unauthorised positions funded in the budget. An international comparison also shows Fiji's central government employment is more than 3 per cent of the total population, on average, compared with the 1.3 per cent average for developing countries in the early 1990s (Schiavo-Campo 1998).

While excessive pay can be a contributing factor to the 'size' of the civil service, it is evident that this is not the concern of the interim administration or of previous regimes. While the absence of data does not allow a genuine comparison of average wages in Fiji and other developing countries, 3 per cent of Fiji's civil servants have emigrated annually in search of better opportunities and working conditions, according to the Fiji Islands Bureau of Statistics (2007). Medical doctors, nurses, accountants, technicians, engineers and teachers have topped the list of skilled civil servants emigrating (RBF 2002). Further, a survey conducted by the Bureau of Statistics in 1998 ranked civil servants behind the employees of statutory bodies in terms of average hourly minimum wages, with the latter paid F\$3.46 compared with F\$2.96 paid to civil servants (cited in Chand 2004:9).



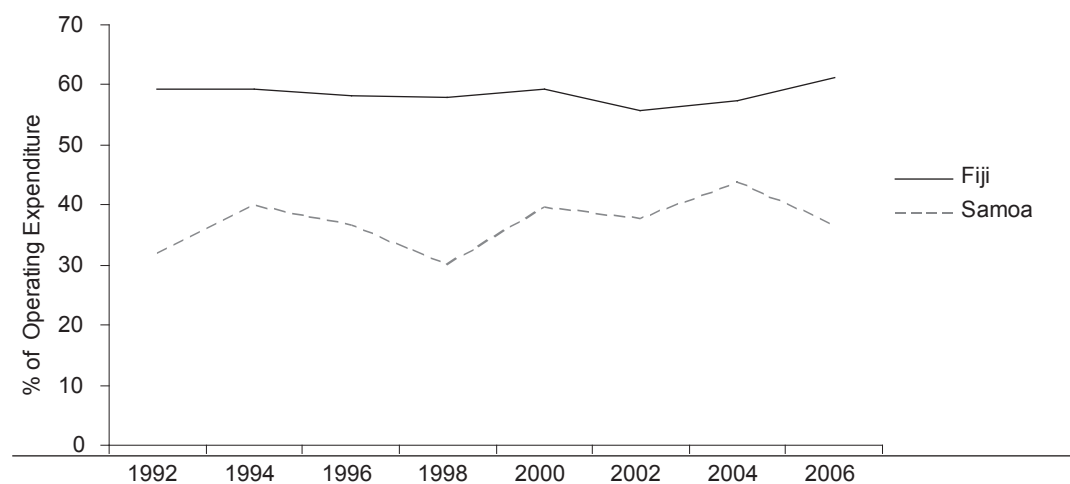
Fiji is compared with other Pacific island countries using three key indicators for the period 1992–2006 (Figures 1–3). Australia is part of the analysis (Figures 2 and 3), although the figures include state governments' wages and salaries. In terms of salaries and wages as a percentage of the government's operational budget, Fiji is clearly above Samoa, with its personnel expenditure taking between 50 and 60 per cent of the operational budget compared with Samoa's 30–40 per cent. The second indicator—salaries and wages as a percentage of total government expenditure—ranks Fiji second highest behind Vanuatu, and well above Australia, Samoa and Solomon Islands. On the third indicator—salaries and wages as a percentage of GDP—Fiji is rated the highest of the five countries. At the broader international level, Fiji also ranks higher than the developing countries examined in Schiavo-Campo's (1998) study with respect to the third indicator. On

average, Fiji's central government wage bill was 12 per cent of GDP in the early 1990s compared with 6.5 per cent for the developing countries included in the study (Schiavo-Campo 1998).

These statistics should put to rest any lingering doubt about Fiji's civil service being overweight. The glaring reality begs urgent action to trim the country's civil workforce and warrants the interim administration's bold attempt to reduce the budgetary allocation for salaries and wages. That said, the decision needs further analysis: why 30 per cent? Why not a higher or lower percentage?

The answer to this question is not simple. Determining the optimal size of the civil workforce is a formidable task, because of the extensive role of government, the complexity of the work that civil servants do and the scope of their operations. That said, the task is by no means impossible. Normally, the size of the civil workforce

Figure 1 Salaries and wages as a percentage of operating expenditure



Sources: Personal correspondence with Budget Division, Samoa Ministry of Finance; Reserve Bank of Fiji ([www.reservebank.gov.fj](http://www.reservebank.gov.fj)).



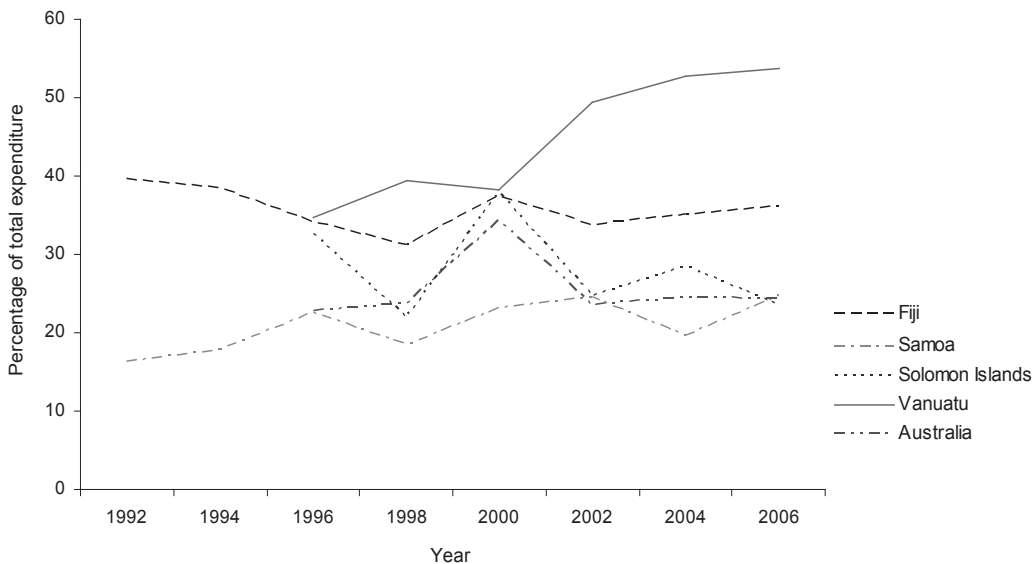
is contingent on several factors including mainly the role of government, the degree of decentralisation, the country's economic performance, technology, bureaucratic efficiency and market potential.

In contrast, finding the optimal size of a profit-making organisation is not as difficult. Usually, this is determined by several interrelated factors such as business strategy, objectives and the financial environment, among others (Stone 2005). While organisations operate at different levels, business strategies nevertheless affect the size of their workforce. For instance, an expansionary strategy means an increase in the size of the workforce, whereas a retrenchment strategy takes the company in the opposite direction.

### The interim administration's policy

Early in 2008, the interim government approved a decision to reduce personnel expenditure by 10 per cent of the operating budget by the end of the year. This reduction was equivalent to more than 3,000 civil servants, according to the PSC. The outcome of the 2008 decision remains largely unknown at this stage. Nonetheless, in April 2009, the interim government announced a policy to reduce the civil service—but this time a much more significant reduction was on the agenda. It now wants to see a 30 per cent reduction of the current workforce by 2011 (Chairman of the PSC, *Fiji Times*, 6 April 2009). This reduction would see an estimated 10,000

Figure 2 Salaries and wages as a percentage of total expenditure



**Sources:** Australian Bureau of Statistics ([www.abs.gov.au](http://www.abs.gov.au)); Central Bank of Solomon Islands ([www.cbsi.com.sb](http://www.cbsi.com.sb)); International Monetary Fund International Financial Statistics ([www.imfstatistics.org/imf](http://www.imfstatistics.org/imf)); Reserve Bank of Vanuatu ([www.rbv.gov.vu](http://www.rbv.gov.vu)); Reserve Bank of Fiji ([www.reservebank.gov.fj](http://www.reservebank.gov.fj)); Personal correspondence with Budget Division, Samoa Ministry of Finance.



jobs removed from the civil service in the next two years or so.

Redundancy is now clearly on the table as one of the means for the interim administration to see this policy through. A new redundancy package is to be introduced at the end of the year, according to the Chairman of the PSC. This is in stark contrast with previous governments' 'no redundancy' policy. Fiji would not, however, be unusual in the region in following a redundancy policy. In the late 1990s, Cooks Islands slashed half of its more than 4,000-strong civil workforce (Sharma 2007). A few years ago, Tonga also introduced a voluntary redundancy policy that resulted in a reduction of 20 per cent of its workforce.

### Policy rationale

Economic efficiency, which can be defined in various ways (Politt and Bouckaert 1999), but mainly in the form of 'doing more with less', is a crucial element behind the retrenchment policy. Producing the same or more output using reduced resources requires public service managers to take a critical look at the cost of production using benchmarks and other cost-controlling measures. Common practice in many countries involves the use of diagnostic measures to identify duplication of functions within and across departments in order to remove excess personnel.

According to the interim government, the objective is 'to reduce the size and cost of the civil service whilst improving the

Figure 3 Salaries and wages as a percentage of GDP



**Sources:** Australian Bureau of Statistics ([www.abs.gov.au](http://www.abs.gov.au)); Central Bank of Solomon Islands ([www.cbsi.com.sb](http://www.cbsi.com.sb)); International Monetary Fund International Financial Statistics ([www.imfstatistics.org/imf](http://www.imfstatistics.org/imf)); Reserve Bank of Vanuatu ([www.rbv.gov.vu](http://www.rbv.gov.vu)); Reserve Bank of Fiji ([www.reservebank.gov.fj](http://www.reservebank.gov.fj)); Personal correspondence with Budget Division, Samoa Ministry of Finance.



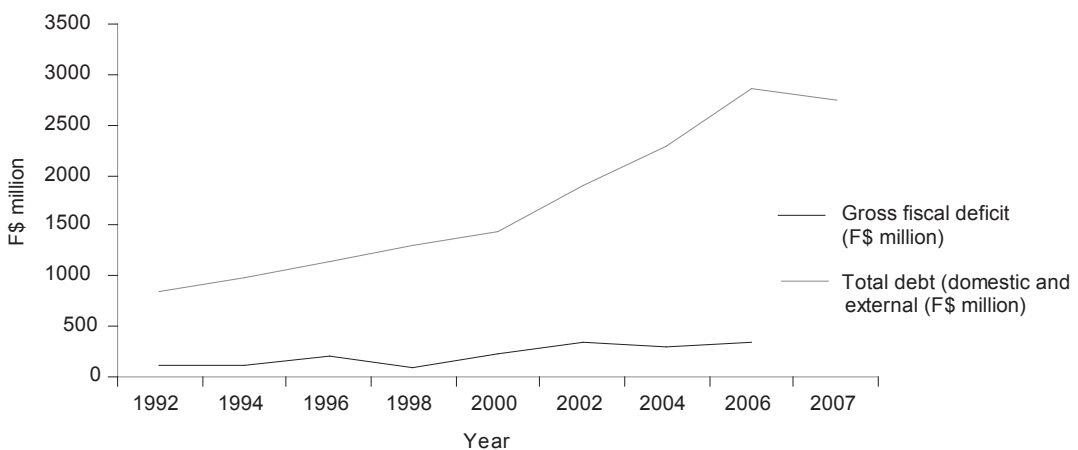
efficiency, quality and timeliness of service provided by the government' (Government of Fiji Islands 2007). Simply put, there is a need to do more with fewer resources without compromising the quality and standard of public services. In this way, according to the interim government, 'funds are made available for capital projects and other needy sectors like health, education and poverty alleviation' (Government of Fiji Islands 2007).

Apparently, the deteriorating economic conditions in the country are another factor compelling the interim government towards urgent reduction in the size of the civil service. Fiscal stability is perhaps one of the main concerns. Fiji is coping with a high level of government debt as a result of the expansionary fiscal policy adopted by the previous government to improve the country's economic performance after the political crisis of 2000 (Figure 4). Government investment in the form of infrastructure is

relatively low compared with the private sector (Figure 5). The gap is reduced when investment by public enterprises is taken into account, as indicated in Figure 5.

In essence, Figure 5 provides a timely reminder of the importance of the private sector as a driver of strong economic growth. Evidently, private investment has remained below expectations since the 2006 coup and, unfortunately for Fiji, it has been the case since 1970. Further, the economy contracted by 6.6 per cent in 2007 due to the poor performance in manufacturing, agriculture, fishing, forestry and building and construction activities (RBF 2008), and circumstances are predicted to worsen as a result of the current global financial crisis. Compounding matters, inflation in 2008 was estimated to average about 9 per cent as a result of soaring oil and food prices (Reserve Bank of Fiji 2008). The sharp inflation forced more than 40 per cent of the country's population to live below

Figure 4 Government fiscal deficit and total debt



Source: Reserve Bank of Fiji ([www.reservebank.gov.fj](http://www.reservebank.gov.fj)).



the poverty line, according to the Interim Finance Minister. These pressing economic conditions certainly pressured the current regime to implement substantial cuts to the government salaries and wages bill for economic resilience and sustainability.

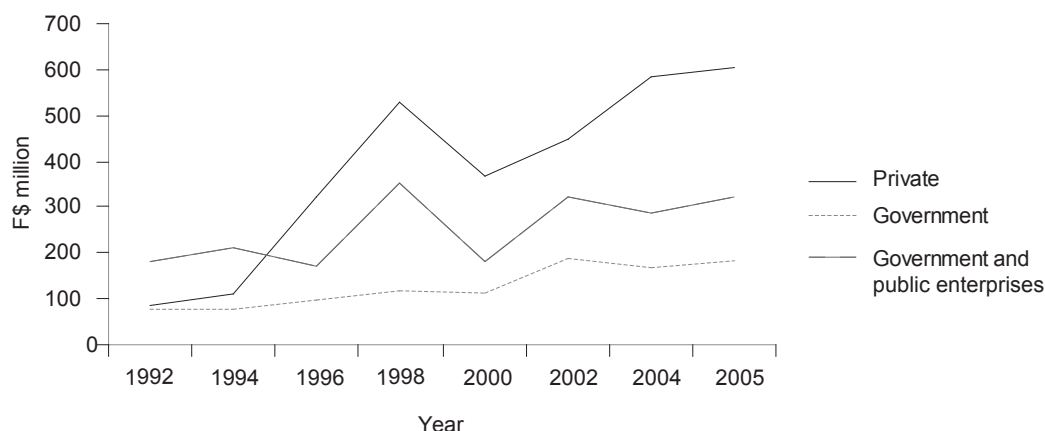
While economic issues are critical to the implementation of the policy, other issues should also be addressed, including the role of government and how it is performed—for example, is it market or bureaucratic oriented (Jackson 2009; Schiavo-Campo 1996). Obviously, governments that used the private sector as a mechanism for service delivery tend to have smaller workforces than those at the opposite end of the spectrum.

Political parties in Fiji tend to have different views on the role of government in the community. Since the inception of civil service reform in 1993 by the Soqosoqo ni Vakavulewa ni Taukei (SVT) administration, there has been a preference for a smaller

government—a view that is reflected in reforms in Australia and New Zealand, based on theory closely linked to public choice tenets. In hindsight, there was an intention to limit the role of government to the provision of public goods and to direct all commercial activities to the private sector through privatisation. When the Fiji Labor Party (FLP) government took power in 1999, however, the decision was reversed in favour of expansive government. Hence, public enterprises earmarked by the previous regime for privatisation were given the opportunity to restructure in accordance with private sector principles and practices. When the SDL took over from the FLP after the events of 2000, it appeared to resume what the SVT government had started; however, not much action was taken.

The contradictory perceptions of successive regimes on the role of government in the country perhaps contributed to the struggle over 'right-sizing' the civil service.

Figure 5 Government and private investment, 1992–2005



Source: Reserve Bank of Fiji ([www.reservebank.gov.fj](http://www.reservebank.gov.fj)).



With respect to the present regime, although it is determined to reduce the size of the civil service, the lack of clear direction on the scope of the reform and how the role of government is to be performed might not help the situation in the longer run. Countries that implemented substantial cuts to their civil workforce were more specific about the roles of their governments. In New Zealand, for instance, a smaller government that was responsible mainly for policy direction was favoured. Hence, policy operations were outsourced where possible and most commercial activities were directed to the private sector (Scott 2001).

### **Policy tools: redundancy**

The PSC is now responsible for reducing the civil workforce by 30 per cent rather than 10 per cent, as initially proposed in 2008. While the lower retirement age and other measures such as freezing recruitment are being used to reshape the civil service, it is evident that the bulk of the 30 per cent target will eventually come from redundancies. So far, the PSC has identified only 1,164 employees for retirement this year. The number of vacant positions on hold is not yet known, but it is presumed to be a lot less. This will give the interim administration no option but to introduce redundancy as the measure to ensure the 30 per cent target is within reach by 2011.

Not much has been revealed about the redundancy plan proposed to be introduced at the end of the year, including details of redundancies at the departmental level. This is understandable considering the current political climate and the unpleasantness associated with the idea. It is, however, also evident that civil servants are aware of its implementation and are prepared for the worst when the policy comes into effect. Despite the confidentiality surrounding the issue, the matter deserves scrutiny for the sake of sound policymaking and implementation.

Voluntary redundancy is not recommended. While it has some benefits, the costs are overwhelming. Experience abroad warrants such a conclusion (Nunberg and Nellis 1995). Public officials with extensive experience and academic credentials are normally the first to volunteer for redundancy, for many reasons, but mainly because of their ability to find employment elsewhere and to generate short-term financial gains.

Most of Fiji's respected civil servants would likely take advantage of the opportunity for these reasons; the pressing economic and political conditions facing the country would provide further motivation. This would leave behind those short of qualities to be competitive in the labour market. Tonga headed in that direction after its massive voluntary redundancies in 2006 (Amosa 2007).

Compulsory redundancy is the recommended option. Despite its drastic impact, it has positive implications for the long term. In the case of Fiji, there are several pivotal issues that deserve attention if compulsory redundancy is to have a positive impact. This is the first time since independence that Fiji's civil service has undertaken a massive redundancy exercise. Responsible agencies are therefore short of the kind of experience that counts in handling this complex policy—especially when experience abroad suggests that it is an extremely sensitive, distressing, emotional and legally expensive process if mistakes are made.

Trade unions in Fiji are aggressive and have the stamina to resist until the interests of their members are secured. To compound matters, racial discrimination between indigenous Fijians and Indo-Fijians has marred Fiji's civil service for many years. This puts managers in a dilemma in selecting which employees should be made redundant. Further, Fiji does not have a welfare system that supports the unemployed. The social





and psychological consequences of this massive redundancy could be devastating for those affected and the survivors.

Redundancy is a demoralising policy—for those losing their jobs and the survivors. Evidence from abroad highlights low morale—or the ‘survivor’s syndrome’—as a severe problem facing those remaining in the workforce (Appelbaum, Lavigne-Schmidt, Peychev and Shapiro 1999; Dupuis, Boucher and Clavel 1996). The symptoms normally take the form of high absenteeism and turnover and low productivity. These symptoms are caused mainly by ‘job insecurity, perceptions of unfairness, fear of change and loss of loyalty’ (Makawatsakul and Kleiner 2003:56). In this respect, the situation in Fiji could be severe if not properly managed. Civil servants’ morale has already diminished under the current administration. While the 5 per cent salary cut and the removal of the Partnership Agreements with the previous government were difficult decisions to accept, most civil servants have been hit hard by the fact that they are once again the victims of a political takeover that is not their fault. These factors, coupled with the militarisation of the civil service, the limited employment opportunities abroad and the public humiliation of civil servants through the media, have dampened the spirit of civil servants.

There is therefore a need for responsible authorities to adopt a well-planned, comprehensive and transparent approach. Some essential actions are highlighted here. The surviving managers in the civil service will need to be trained in how to break the news of redundancy to those affected and the type of advice that they will need to give to their surviving colleagues. The situation calls for responsible officials to approach the task sensitively and meticulously.

In essence, the process needs to be methodical, comprehensive and transparent, using constructive diagnostic measures

(job evaluation, functional review) to identify excessive personnel or ‘ghost workers’ (Schiavo-Campo 1996), who make insignificant contributions to a department’s mission. The task should be the responsibility of the departments rather than the PSC or other central agencies. Line departments are well versed in the specifics of their operations and hence are in a better position to determine which way cuts should be made. In addition, extensive and genuine consultation is critical. Wide collaboration and the use of empirical evidence to substantiate the discontinuation of positions have the credibility needed to gain the necessary support from within the civil service itself, the trade unions and other stakeholders.

In addition, where outsourcing causes redundancy, the option of allowing and assisting those affected to form an enterprise to supply the service tagged for outsourcing should be seriously considered. This arrangement has its own merits in mitigating the adverse impact of redundancy and builds resilience in the community. In particular, it secures employment and the service of experienced employees, it promotes private sector growth and it creates a positive impression of the process. The success of this model with the former Public Works Department in Samoa warrants attention. In the latter half of the 1990s, the Samoan government decided to outsource the operations of the department as part of its public sector reform. Employees affected were offered the opportunity to establish their own enterprise. In addition, the government provided assistance in the form of securing contractual work for 12 months to help the new company compete in the industry. Employees accepted the offer and their company has gone from strength to strength.

Timing is of the essence here, considering the unfavourable consequences of the policy and the unstable economic and political conditions the country is currently facing.



The three-year time frame endorsed by the government is a good decision—although a much longer period of five years would be preferable due to the economic and political uncertainties facing the country.

## The next move

The attempt by the interim government to reduce the size of the civil service as an essential component of its long-term plan to build an efficient and accountable civil service is timely and critical. The task is complicated and extremely challenging due to the issues discussed earlier; hence the journey will not be a smooth or short-term endeavour. That said, reducing the number of personnel is just one of the many changes that needs implementation in the quest for efficiency and effectiveness.

In particular, accountability for performance needs strengthening. This demands the reintroduction of performance appraisal for public officials. While an earlier attempt by the SDL government was scrapped, it is evident that it was not for feasibility reasons but mainly because of poor planning and the failure of responsible authorities to create an environment conducive to supporting the policy. Fortunately, the Chairman of the PSC is contemplating relaunching the initiative. Performance appraisal with appropriate rewards is critical to the quest for an accountable, efficient and effective civil service. The potential of the model rests on its capacity to identify performance targets and to compare real individual performance with expected results. If it can be implemented properly, it is the most transparent way of making civil officials efficient and effective.

Performance appraisal should, however, be supplemented with other measures. While its strength in terms of enhancing accountability for performance is widely

recognised, it does give rise to governance problems. In particular, junior officials can collude with superiors during the process, especially in small countries such as Fiji. Other factors such as cultural practices and racial discrimination also give effect to collusion. The effective use of external accountability mechanisms such as customer feedback surveys, peer reviews and whistleblowers should therefore also be considered.

## Conclusion

It is beyond contention that Fiji's civil service is overweight and needs urgent attention. The 'right-sizing' decision by the interim administration is therefore warranted. The task is, however, not easy and this is no surprise considering the feeble attempts by previous administrations to tackle the problem. Nonetheless, it is evident that the present government needs a lot of effort, commitment and planning to ensure that its attempt will not be in vain.

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