

Governance by Discretion

Civil Service Reform in Post-communist Hungary

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Abstract

This thesis analyses civil service reform and policy developments in Hungary since 1990 as an extreme case of the discrepancy between attempts to establish professional, de-politicised civil services and the persisting politicisation of personnel policy in post-communist central executives. At the theoretical level, it applies the insights of new institutionalist approaches to executive politics, in particular the body of so-called 'delegation studies' rooted in the new economics of organisations. The thesis develops four ideal types of personnel policy regimes that are distinguished on the basis of the concept of formal political discretion, which is defined as the extent to which the government of the day, or its ministers, has the possibility to exercise personnel policy authority and the extent to which the exercise of this authority is subject to specific procedural constraints. The thesis argues that a low degree of formal political discretion built into civil service legislation can enhance the informational role of ministerial bureaucracies in policy-making. However, governments do only have an incentive to establish or maintain a low degree of formal political discretion built into civil service legislation, if they have no problems of political trust towards the bureaucracy. The empirical analysis of civil service reform outcomes in Hungary reveals that three reforms since 1990 have led to the emergence of a personnel policy regime that allows governments to exercise a considerable degree of political discretion over personnel policy, in particular, the allocation of civil servants in managerial ranks. The analysis of civil service reform processes shows that the communist legacy of over-politicised personnel policy, the radical anti-communism of centre-right parties and four wholesale changes of government since 1990 have tended to reproduce severe problems of political trust in the relation between governments and the ministerial bureaucracy. The thesis shows that incoming governments have therefore continuously exercised political discretion over personnel policy, in particular, by recruiting (often politically affiliated) senior personnel from outside public administration. At the same time, successive governments have been unwilling to make a commitment to a de-politicised civil service system because of their distrust in the loyalty of bureaucrats associated with previous governments. Moreover, as the group of senior bureaucrats who seek a career in public administration has shrunk, the de-politicisation of the civil service has increasingly come to contradict the career interest of senior bureaucrats whose tenure is bound to that of the government and who commute between public administration, politics and the private sector. Setting Hungarian civil service reform and policy developments into a comparative post-communist perspective, the thesis concludes that the context of post-communist transformation tends to lock in a pattern of civil service governance characterised by high levels of political discretion.

Contents

List of Figures and Tables

Acknowledgement

1

Introduction

2

Political Discretion and Varieties of Personnel Policy Regimes: A Framework for the Comparative Analysis of Civil Service Systems

3

Expertise, Trust and Incentives: An Informational Rationale of Discretion in Civil Service Systems

4

Civil Service Reform Dynamics in Central and Eastern Europe after the Change of Regime: The Bumpy Road towards De-politicisation

5

The Institutionalisation of Political Discretion: Hungarian Civil Service Legislation Since 1990

6

Making Use of Political Discretion: The Personnel Policy Strategies of Hungarian Governments Since 1990

7

Getting on Track: The First Reform of the Civil Service in 1990/92

8

Getting Stuck: The Second Reform of the Civil Service in 1997

9

Getting Away with It: The Third Reform of the Civil Service in 2001

10

Conclusion

Appendix
References

List of Figures and Tables

Figures

Figure 2.1. Degrees of Formal Political Discretion over Personnel Policy

Figure 2.2. Possibility Frontier built into Personnel Policy Regimes

Figure 5.1. Distribution of Senior Civil Service Ranks: Ministry of Transport, 1994-2001

Figure 5.3. Personal Remuneration List: Ministry of Transport, 1994-2001

Tables

Table 2.1. Four Types of Personnel Policy Regimes and Potential Patterns of Politicisation

Table 3.1. Problems of Trust as Perceived by the Ministers of Incoming Governments

Table 3.2. The Choice of Incoming Governments' Personnel Policy Strategies

Table 3.3. The Determinants of Bureaucratic Informativeness

Table 3.4. Stability and Change of Personnel Policy Regimes

Table 4.1. Civil Service Reform Dynamics in Central and Eastern Europe after the Change of Regime

Table 5.1. Number of People Employed in the Public Sector, 1999-2001

Table 5.2. Distribution of Civil Servants by Employing Ministry

Table 5.3. Development of the Number of Civil Servants, 1999-2001

Table 5.4. The Distribution of Civil Servants according Rank in Selected Ministries

Table 5.5. Number of Basic Examinations Taken in Every Year since 1993

Table 5.6. Classification System for Higher Civil Servants between 1992 and 2001

Table 5.7. Classification System for the Senior Civil Service since 1992

Table 5.8. Classification System for Higher Civil Servants since 2001

Table 5.9. Classification System for the Senior Executive Service

Table 5.10. Ministry of Transport: Percentage of Staff on the Personal Remuneration List

Table 5.11. Application of the 40% rule for Heads of Departments

Table 6.1. Appointments of Members of Governments and State Secretaries for Every Year between May 1990 and December 2000

Table 6.2. Six Generations of State Secretaries (May 1990 - December 2000)

Table 6.3. Recruitment Strategy of the Antall Government: First Generation State Secretaries (May 1990 - November 1990)

Table 6.4. Recruitment Strategy of the Antall Government: Second Generation State Secretaries (December 1990 - April 1994)

Table 6.5.. State Secretaries' Career Path: Antall's Second Generation

Table 6.6. State Secretaries' Career Path: Antall's Legacy (May 1994)

Table 6.7. Recruitment Strategy of the Horn Government: First Generation State Secretaries (July 1994 - January 1995)

Table 6.8. State Secretaries' Career Path: Horn's First Generation

Table 6.9. Recruitment Strategy of the Horn Government: Second Generation State Secretaries (February 1995 – April 1998)

Table 6.10. State Secretaries' Career Path: Horn's Legacy (May 1998)

Table 6.11. Recruitment Strategy of the Orbán Government: First Generation State Secretaries (July 1998 - January 1999)

Table 6.12. State Secretaries' Career Path: Orbán's First Generation

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Chapter 1

Introduction

On 23 May 1990, József Antall was appointed the first democratic Prime Minister of Hungary after democratic elections since 1946. Already one week before, the Hungarian Parliament had adopted the Temporary Act on State Secretaries, which regulates the top two administrative ranks of the ministerial hierarchy, Administrative and Deputy State Secretaries, except their remuneration. In the spring of 1992, the Hungarian Parliament adopted the Act on the Legal Status of Civil Servants (henceforth Civil Service Act), which also refers to state secretaries as permanent career civil servants. Thus, within less than two years after the formation of the first democratic government, a new formal-legal framework had been put in place that separates the administrative from the political component of the central executive and establishes the 'legal minima' (Hesse 1998) for the development of a professional, de-politicised civil service in Hungary. Accordingly, the preamble of the Civil Service Act states that "[t]he precondition of democratic public administration generally esteemed by society is that public affairs be conducted by impartial public officials neutral to party politics, operating legitimately and possessing up-to-date special knowledge". Eventually, Hungary embarked on a path of continuous civil service reform. In 1997, this led to the amendment of the 1992 Civil Service Act and the adoption of the Act on the Legal Status of Members of the Government and State Secretaries, which substituted the regulations of the 1990 Temporary Act on State Secretaries. Moreover, the most recent civil service reform led to a revision of the Civil Service Act in summer 2001 and another amendment in the summer of 2002.

Although a new formal-legal framework governing the civil service had been in place by 1992, observers of Hungarian civil service developments argue that personnel policy at the central government level has continuously been subject to politicisation, i.e. executive politicians tend to determine the outcomes of personnel policy (György

1999; Körösnéyi 1996, 1997; Szente 1999; Vass 2001a). Politicisation tendencies have been most apparent in the senior ranks of the administrative hierarchy. For instance, Vass (2001b: 85-86) argues that [t]here is little doubt that administrative state secretaries are political appointees, with party-political considerations playing an important role in selection. (...) The political nature of their employment and the fact that they rely on the minister's goodwill obviously greatly limits the capacity of administrative state secretaries to represent neutral professionalism against political interventions [and to act] as a barrier to political interference with the departmental civil service". Hence, it appears that three civil service reforms since the change of regime and the adoption and revision of civil service laws have not led to the professionalisation and the de-politicisation of personnel policy in Hungary.

The Hungarian story of civil service development is not entirely unusual in Central and Eastern Europe.¹ Rather, Hungary is an 'extreme case' (Eckstein 1992) in that the discrepancy between attempts to establish a professional, de-politicised civil service and the continuing politicisation of personnel policy appears to be most evident. Political Science literature that concentrates on processes of democratisation and marketisation in Central and Eastern Europe, tends to regard the establishment of a professional, de-politicised civil service as a prerequisite for the success of the 'dual transformation' (Bartlett 1997) from one-party to democratic rule and from a state-planned to a market economy. Linz/Stepan (1997: 14), for instance, argue that a 'usable state apparatus' organised on the basis of 'rational-legal bureaucratic norms' is one of five major arenas that constitute a 'modern consolidated democracy'.² Similarly, to the extent that political economists emphasise the role of a 'developmental state' (Evans 1995) as a prerequisite for establishing the conditions for a market economy, they suggest that the internal design of the post-communist state has to aim at regulating coherent careers that are based on rigorous selection criteria to bring talent into the state administration (Amsden/Kochanowicz/Taylor 1994; Nelson 1994). In either case, the point of reference for the reform of the state is

¹ When speaking about Central and Eastern Europe I limit myself to Hungary, Poland, The Czech Republic, Slovakia, Romania, Bulgaria, Estonia, Latvia, Lithuania, Slovenia and Albania. Hence, I exclude the successor states of former Yugoslavia to the extent that they were involved in the Balkan War, and the CIS. I use the terms 'Central and Eastern Europe' and 'post-communist Europe' interchangeably.

a specific type of public administration that shares the features of a Weberian public bureaucracy including a permanent civil service that is staffed with trained experts, appointed on the basis of competitive examinations, whose members are protected from political dismissals, receive a regular salary and have some prospect of a career within the administration (Weber 1980).

However, one decade after the change of regime, the record of civil service reform in Central and Eastern Europe suggests that governments have had difficulties to even establish the 'legal minima' for the development of a professional civil service that is insulated from political interference. As Hesse (1998: 176) argues, "[w]ithout a legal framework, provided by a comprehensive civil service law. It will be impossible to attract an elite into public services. Confidence (...) will only be ensured if employment duties as well as rights are guaranteed and made enforceable". Yet, the Hungarian civil service reform record is exceptional in post-communist Europe in that it has adopted civil service legislation early after the change of regime and has subsequently embarked on a path of continuous reform. Otherwise, civil service developments in post-communist Europe have been subject to delays, incomplete reforms and failures to implement legislation (Nunberg 1999; Verheijen 1999b). In contrast to Hungary, most Central and Eastern European governments have adopted formal-legal frameworks governing the civil service only at the end of the 1990s and thereafter.³ Poland, Latvia and Lithuania had adopted civil service laws in the mid 1990s but failed to implement them and, therefore, adopted revised laws in 1998, 1999 and 2000 respectively (Torres-Bartyzel/Kacprowicz 1999; Vanagunas 1999; Wiatr 1996). Among the other countries that have adopted civil service laws, Estonia adopted an Act of Parliament in 1995, Bulgaria, Romania and Albania in 1999, Slovakia in 2001, The Czech Republic and Slovenia in 2002 (Bercík/Nemec 1999; Sootla 2002; Sootla/Roots 1999; Stremcki 2002; Velinova/Bozhidarova/Kolcheva 2001; Verheijen 1999c; Vidlakova 2001). However, Slovenia has only begun the

² The other arenas are civil society, a political society, the rule of law and an economic society.

³ I use the terms 'formal-legal frameworks governing the civil service or governing personnel policy', 'civil service legislation', 'civil service laws or Acts' interchangeably. In all cases, the terms refer to Acts of Parliament. When talking about secondary legislation, which complements civil service Acts, such as Government Decrees, Decisions, Resolutions or ministerial decrees, I make this explicit.

implementation of the civil service Act in June 2003 and The Czech Republic is planning to begin the implementation of its civil service Act in 2004.

However, like in Hungary, empirical research on civil service developments in Central and Eastern Europe has found little evidence that the adoption of civil service legislation spurs the creation of professional, de-politicised civil services. For instance, Verheijen (2000: 29) argues that "civil service laws have seldom been the expected catalysts for the stabilisation, depoliticisation and professionalisation of the central administration. Rather than being a starting point for the development of civil service policies, the adoption of laws has become an objective in itself. Apart from Hungary, none of the [European Union] candidate countries has come close to the development of civil service policy, in addition to the necessary legal framework". Similarly, the World Bank has sought to evaluate the performance of Central and Eastern European civil services in the context of European Union accession with reference to international best practice. It concludes that real progress is evident when it comes to "credible efforts to delineate the basic legal and institutional foundation for a professional, de-politicised civil service. [However, the] study's findings reinforce the impression from previous analyses (...) that administrative development in Central and Eastern Europe, has been incipient or intermittent [and that] considerable distance still needs to be travelled to achieve sound international practice" (Nunberg 2000: 7).

The discrepancy between the ostensible intention of civil service legislation and the practice of personnel policy has been especially evident with respect to the senior civil service. On this aspect, first research has found that, at the central government level, politico-administrative relations are characterised by 'instability', as incoming governments show little willingness to continue to work with the administrative staff that has served the predecessors in government. Verheijen/Rabrenovic (2001: 411) argue that "[t]he prevailing pattern in [post-communist] states is still one of the top echelons of the Civil Service changing with each elections, or, in worse cases, government re-shuffles". Similarly, Goetz/Wollmann (2001: 880) observe a 'persistent influence of party politics in the management of personnel policy' and the tendency of ministers to 'surround themselves with entourages of political advisors'.

Hence, political interference at the top of the civil service continues to contradict attempts to establish professional civil services insulated from politics. At the same time, Goetz/Wollmann (2001: 881) argue that there are signs of professionalisation in some key policy areas including fiscal and budgetary policy and the management of European Union accession. They contest that there is evidence of the emergence of so-called 'islands of excellence' in some key policy areas, but they hesitate to conclude that these islands will provoke a spill-over to the wider central administration (also Ágh 2002).

Goetz/Wollmann (2001) and Goetz (2001) put forward several contending images in order to come to grips with the puzzling empirical record of administrative developments including civil service reform and policy in Central and Eastern Europe. Accounts of administrative developments in Central and Eastern Europe had initially expected a gradual Westernisation of post-communist public bureaucracies including the emergence of a professional, de-politicised civil service (Hesse 1993; Hesse/Goetz 1993/4). However, more recent research on the 'state after communism' has suggested that public bureaucracies in post-communist Europe "have proved strikingly resistant to wholesale transformation, dashing notions that modern, 'western-style' administrations could be installed with minimal effort and maximal speed" (Nunberg 1999:265). Accordingly, Goetz/Wollmann (2001: 882-884) argue that, firstly, the administrative reform process in Central and Eastern Europe may still be an unfinished project and, thus, the process of Westernisation will continue, though we have to calculate with longer time horizons. Alternatively, they suggest that we might be witnessing the emergence of an entirely new type of central administration including a new type of civil service (see also Goetz 1995; Goetz/Margetts 1999). Still another scenario put forward by Goetz/Wollmann (2001) suggests that the institutionalisation of central administrations in Central and Eastern Europe will remain incomplete. Hence, we might expect the emergence of 'defective civil services', similar to O'Donnell's (1994) suggestion of 'delegative democracies' as a potential type of 'defective democracy'. Finally, Goetz (2001) argues that the outcomes of post-communist administrative developments of the last decade reflect pathologies similar to Southern European and Latin American experience leading

him to the suggestion that we might observe the 'Latinisation' of post-communist administrations.

At first sight, however, the brief survey of post-communist civil service developments suggests that there are considerable differences of timing civil service reform processes in Central and Eastern Europe. For instance, what accounts for the fast-track reforms in Hungary as opposed to the majority of Central and Eastern European countries, especially the lagging behind of The Czech Republic as a country with good records in economic and political reforms and the prospect of being first wave candidate for European Union accession? However, it also raises questions with respect to the content of the new formal-legal frameworks governing the civil service. In particular, the Hungarian development of civil service reform activism combined with persisting politicisation of personnel policy raises concerns as to what extent new civil service laws provide the institutional conditions for de-politicising personnel policy processes.

At first glance, the Hungarian civil service system that was established between 1990 and 1992 shares many features of a decentralised seniority-based closed career system well known from Western Europe. However, closer scrutiny reveals that the formal-legal frameworks governing the civil service include several discretionary instruments, which executive politicians may use in order to determine the outcomes of personnel policy processes. In the formal-legal frameworks that had been put in place by 1992, admission of new civil servants in non-managing positions is under the formal responsibility of the Administrative State Secretary as administrative head of the ministry. At the same time, the Administrative State Secretary's authority to admit non-managing civil servants is rather unrestricted, as candidates have to meet only general entry criteria, while a general recruitment procedure is neither properly formalised nor compulsory. Promotions are primarily seniority-based with a very limited possibility to accelerate promotions by means of a performance appraisal system, and lateral transfer requires the consent of civil servants to be transferred. The dismissal of individual civil servants is restricted, as it can only occur as a result of a disciplinary procedure or when a civil servant has been judged incapable of performing his or her work responsibilities, but in both cases the Administrative

State Secretary has to prove the case by means of confining procedures. Civil servants' professional and political activities are both restricted. Finally, civil servants' remuneration is mainly linked to a detailed classification system with clearly defined rights for supplementary pay. Hence, in so far as civil servants in non-managing positions are concerned in the civil service system that was established in 1992, it appears that executive politicians have no say when it comes to the recruitment, appointment, promotion, transfer, dismissal, or remuneration of civil servants.

However, one example may suffice to illustrate the discretionary powers of executive politicians in determining personnel policy outcomes after the first civil service reform had been enacted. The 1990 Temporary Act on State Secretaries grants decision-making authority for the admission and appointment of state secretaries exclusively to the government and its ministers. Formally, Administrative and Deputy State Secretaries are selected by the Prime Minister and the minister respectively, and candidates have to meet only general entry criteria such as a Hungarian citizenship or a university degree. State secretaries are appointed for an indefinite period, which suggests that they enjoy permanent tenure, but their appointment may be withdrawn at any time without giving reasons. As a consequence, governments and their ministers are almost entirely free in selecting and de-selecting their state secretaries. New governments may choose between replacing and continuing to work with 'inherited' state secretaries. They may recruit new appointees from the ministerial bureaucracy or from any other setting outside the ministerial bureaucracy including organs of public administration under government control, the private sector, academia or other backgrounds such as non-governmental organisations or interest groups. Moreover, governments may recruit new state secretaries from political parties and political institutions such as Parliament because the 1990 Temporary Act on State Secretaries merely requires appointees with a political background to resign from their political posts before taking on a position as state secretary.

Obviously, governments do not have to exercise the discretion over the allocation of state secretaries at their disposal, that is, the decisions referring to the recruitment,

appointment, promotion, transfer and dismissal of state secretaries, but they may choose to do so. Therefore, the rules governing the allocation of state secretaries to the ministerial organisation do not have the capacity to de-politicise personnel policy processes. Although a formal-legal framework is in place that defines state secretaries as permanent, professional civil servants, the institutional arrangements allow Hungarian governments and their ministers to fill the top positions in the ministerial hierarchy from inside and outside public administration at all times. In other words, the top of the civil service is essentially open and the institutional boundaries between politics and administration are highly permeable. As a result, if the de-politicisation of personnel policy in Hungary occurs, it cannot be attributed to the adoption of civil service legislation, but is the result of other factors that surround governments' personnel policy decisions.

The power of governments to appoint and dismiss senior officials is well known from studies of Western European senior civil services. For instance, the appointment and dismissal of both the German *politische Beamte* and the French *directeurs d'administration* and *directeurs de cabinet* is subject to the discretion of the government of the day (Goetz 1999; Rouban 1999). By contrast, the virtual absence of political interference into senior personnel policy decisions like in the UK is an exception rather than the rule in Western Europe (Page/Wright 1999). However, the general evidence reported in studies of political appointments and dismissals in Western European senior civil services also suggests that governments do not necessarily take full advantage of their discretionary powers. The country-based evidence reported from, for instance, the French and the German case indicates that many top officials are replaced after changes in government but most of the new appointees are recruited from senior civil service ranks rather than a non-public administration background such as academia, the private sector or even political parties (Bodiguel 1983; Derlien 1988; Elgie 2001).

After the change of regime, personnel policy in Hungary appeared to take the same course, when the first democratically elected government led by Prime Minister Antall replaced the overwhelming majority of senior officials inherited from the last socialist government with senior officials who had already worked in the ministerial

bureaucracy during the last government of the communist regime led by Prime Minister Németh. However, the initial personnel policy strategy of the Antall government was to remain an exception in post-communist Hungary because the Antall government itself began to change its personnel policy strategy already shortly after taking office. Many of the first generation state secretaries appointed in 1990 left the administration and were replaced with senior officials who had only been recruited by the Antall government into other senior positions or who had been directly recruited from other settings than the ministerial bureaucracy. Moreover, the more the parliamentary elections in 1994 approached, the more state secretaries were recruited who had unambiguously a political background, for instance, officials of one of the governing parties or members of parliament.

After the formation of the first democratic government in 1990, Hungary witnessed three wholesale changes in government that occurred after the parliamentary elections in 1994, 1998 and 2002. In 1994, a Socialist-Liberal coalition under Prime Minister Horn from the Hungarian Socialist Party, MSZP, took office. In 1998, the Horn government was replaced by a three party National-Christian-Conservative government led by Prime Minister Orbán from the Alliance of Young Democrats, Fidesz, and, after the parliamentary elections in 2002, another Socialist-Liberal coalition under the leadership of Prime Minister Medgyessy formed the government. All three changes in government reinforced the personnel policy patterns of the later Antall years. Already by 1998 when the Orbán government took office, it had become a pattern that a change in government would lead to a near complete substitution of all state secretaries in office, most of the new appointees would be recruited from other settings than public administration, and many of the new state secretaries would have a party political background. However, many of the new state secretaries would be returnees in the sense that they had worked in senior administrative ranks under governments of the same political colour after having bridged the out-of-office period in the private sector, academia or at a political party. Hence, notwithstanding the virtual lack of detailed studies of politicisation in Western European central administration, the evidence presented in this thesis suggests that the politicisation of personnel policy in Hungary differs both in quantity and quality.

This logic of personnel policy presented for state secretaries can be easily extended to other ranks of the civil service and other personnel policy domains than the allocation of civil servants to the ministerial organisation. For instance, the rules governing the allocation of senior civil servants, that is, Heads of Departments, their Deputies and Heads of Division, which make up the level three to five in the ministerial hierarchy, differ only marginally from the rules that govern state secretaries. As a result, the composition of the entire group of civil service managers is subject to the discretionary powers of governments and their ministers. Second, as mentioned above, allocation decisions that concern civil servants in non-managing ranks are subject to the discretion of the Administrative State Secretary as administrative head of the ministry rather than an independent civil service commission as can usually be found in Western Europe. Recall the quote from Vass (2001b: 85-86) above. Because the appointment of Administrative State Secretary may be politicised, Administrative State Secretaries are virtually unable to act "as a barrier to political interference with the departmental civil service". Hence, governments may politicise the allocation of higher and middle ranking civil servants indirectly, that is, through the Administrative State Secretary, but, again, they do not need to do so.

Thirdly, when looking at the remuneration system of the 1992 civil service system, it turns out that the standard remuneration system is paralleled by important discretionary schemes. For instance, the 1992 Civil Service Act grants ministers the right to define a 'personal remuneration' for civil servants displaying outstanding performance different from the standard remuneration system. In this case, the evaluation of 'outstanding performance' is subject to the judgement of the minister so that there is no specific restriction to apply this provision apart from the indirect constraint of limited ministerial budgets. Hence, like in the case of allocation decisions, Hungarian governments and their ministers may offset the entire standard remuneration system by invoking the personal remuneration clause, and they indeed did so. Until 2001 when the provision was deleted from the Act, ministers had increasingly made use of the personal remuneration clause provided in the Civil Service Act. Consequently, the civil service system that was established in Hungary in 1992 has the potential to function according to the principles of a seniority-based

closed career system but only as long as executive politicians do not take advantage of their discretionary instruments that complement the general system. This situation did not change after the enactment of the 1997 civil service reform, although it was based on a comprehensive Public Administration Reform Programme. Finally, the most recent reform that was enacted in 2001 and revised in 2002 introduced major changes to the formal-legal governance of the civil service, but ultimately it only established institutional arrangements for the de-politicisation of the remuneration system but not of the allocation system. Hence, at the time of writing, Hungarian governments and their ministers retain a considerable amount of discretionary power at their disposal, which they can but do not need to use to determine the outcomes of personnel policy.

Empirical research on administrative developments in post-communist Europe has so far provided several country-based surveys that open the black box of national civil service systems (Baker 2002; Verheijen 1999a) and country-based studies of emerging politico-administrative relations at the central executive level (Verheijen 2001). However, this research has paid curiously little attention to the precise nature of the authority relationship between executive politicians and civil servants as it arises from the new formal-legal frameworks governing the civil service and the kind of personnel policy processes that occur within these new formal-legal frameworks. This concerns especially the question as to what extent civil service legislation provides discretionary instruments that may be used by executive politicians to determine the outcomes of personnel policy, and why executive politicians choose to incorporate discretionary instruments into civil service legislation in the first place. Moreover, the claim that politico-administrative relations in Central and Eastern Europe are characterised by 'instability' (Verheijen/Rabrenovic 2001) or 'persistent party politicisation' (Goetz/Wollmann 2001) is usually not subjected to a thorough assessment of the quality and depth of politicisation.⁴ Hence, it has also remained puzzling how and why executive politicians make use of their discretionary instruments to determine personnel policy outcomes. This thesis takes issue with

⁴ Roots/Karotom (2002: 74) assess the aggregate turnover in the administration between 1991 and 1994. They reveal that during this period, "more than 73 percent of top officials, 45 percent of middle management, 35 percent of specialists and 33 percent of technical staff were changed". Szente (1999) assesses the turnover among Hungarian state secretaries in 1994 and 1998.

these questions. At the theoretical level, it applies the insights of new institutionalist approaches to executive politics, in particular the body of so-called 'delegation studies' (Pollack 2002) that analyses institutional arrangements for the political control of public bureaucracies on the basis of the new economics of organisations (Milgrom/Roberts 1992; Moe 1984). At the empirical level, the thesis assesses the civil service reform and policy developments in Hungary since 1990 as a case, in which the discrepancy between attempts to establish a professional, de-politicised civil service and persisting politicisation of personnel policy in post-communist Europe is most evident. The remainder of this Introduction outlines the main arguments raised in this thesis and presents the plan of campaign for the following Chapters.

What this Thesis Argues

At the theoretical level, this thesis argues in Chapter 2 that the extent to which civil service reform has the capacity to de-politicise personnel policy processes depends on the type of personnel policy regime that is established by formal-legal frameworks governing the civil service. A personnel policy regime can be understood as a set of institutional arrangements that structures the access to personnel policy instruments and the way they can be applied.⁵ Personnel policy regimes differ with respect to both the degree of formal political discretion and the impact they may have on particular patterns of politicisation. The concept of formal political discretion assumes that civil service legislation provides executive politicians with personnel policy instruments as one possible set of control measures they can apply to induce bureaucratic compliance with political objectives. One of the two strands of delegation studies, which will be discussed in Chapter 2, concentrates on the degree of policy-making discretion that is delegated by politician principals to their bureaucratic agents (Epstein/O'Halloran 1999; Huber/Shipan 2002). By contrast, the concept of formal political discretion serves to capture the extent to which civil service legislation grants executive politicians authority over personnel policy decisions, in particular decisions that concern the allocation and the remuneration of

civil servants, and the extent to which the exercise of this authority is subject to procedural constraints such as formalised standards and procedures. As a result, the degree of formal political discretion built into civil service legislation may range on a continuum from high to low.

Personnel policy regimes differ with respect to the degree of formal political discretion and, hence, the *extent* to which formal-legal institutional arrangements allow the politicisation of personnel policy processes. However, they also seek to take into account the impact they may have on the emergence of particular *patterns* of politicisation. In a 'de-politicised personnel policy regime', the institutional make up of the civil service makes it virtually impossible for executive politicians to interfere with civil service affairs and, hence, to politically determine the outcomes of personnel policy. Rather, although executive politicians are formally heading the civil service, personnel policy processes are under the authority of administrative actors, for instance, an independent civil service commission, and operate within a dense web of formalised standards and procedures to ensure the professionalism of the civil service. Hence, civil service reform does only have the capacity to directly prevent the politicisation of personnel policy, if a civil service reform Act formally institutionalises a de-politicised personnel policy regime.

By contrast, if a personnel policy regime allows the structured politicisation, the open politicisation, or the unbounded politicisation of personnel policy, the capacity of civil service legislation to de-politicise personnel policy processes gradually weakens, as each of these three regime types provides governments and their ministers with distinct sets of discretionary instruments that vary with respect to the extent and the way they can use them to determine the outcomes of personnel policy processes. First, a personnel policy regime that allows structured politicisation recognises that the institutional set up of the civil service allows executive politicians to influence the appointment and transfer of civil servants but not their admission to and their dismissal from the civil service nor their remuneration. Hence, political influence over personnel policy is constrained in the sense that its exercise is pre-

⁵ I define institutions in accordance with North (1990: 3) as "the rules of the game in a society or, more fundamentally, (...) the humanly devised constraints that shape human interaction".

structured by limiting political appointments to a pool of pre-selected candidates. By contrast, in a personnel policy regime that allows open politicisation, executive politicians have the discretion to determine the admission and the dismissal, the appointment and transfer, and - at least partially - the remuneration of civil servants, while they are only constrained by (minor) procedural constraints such as general entry criteria. Hence, although a civil service is functionally defined in public law, executive politicians retain the discretion to determine the composition of the civil service by recruiting appointees from inside and outside public administration. Finally, a personnel policy regime that allows unbounded politicisation poses no formal-legal barriers to the politicisation of personnel policy. If no formal-legal framework is in place like during the communist regime or in countries that have not yet adopted any civil service legislation, executive politicians are entirely unconstrained, if they seek to intervene into personnel policy processes. In the extreme case, bureaucrats may simultaneously hold political office, for instance, as a party functionary and, hence, the politicisation of personnel policy processes may be without any bounds.

Viewed from this perspective, Chapter 5 shows that the Hungarian civil service system had moved from a personnel policy regime that allows unbounded politicisation to an openly politicised regime by 1992. Until 2001, both the allocation and the remuneration regime remained in the category of open politicisation. Since 2001, when the third civil service reform was enacted, the Hungarian remuneration regime has become de-politicised, while the allocation regime has remained primarily in the category allowing open politicisation. The concepts of formal political discretion and personnel policy regime can also be used for the empirical analysis of personnel policy processes, that is, the extent to which and the way political discretion is exercised by governments and their ministers. In contrast to the development of formal-legal frameworks, Chapter 6 reveals that the patterns of personnel policy processes took an opposite path. Concentrating on state secretaries as the top two ranks in the ministerial hierarchy, the Antall government did by far not exploit the discretionary powers at its disposal when taking office in 1990 (see above). Rather, the strategy of the Antall government reflected a structured politicisation of personnel policy by recruiting the majority of state secretaries from

the ministerial bureaucracy. However, the tendency towards the open politicisation of personnel policy became increasingly evident during the later Antall years and reproduced itself between 1994 and 2002. The analysis of remuneration policy in the Ministry of Transport between 1994 and 2001 as an illustrative case study at the end of Chapter 5 reveals the same developmental path for the exercise of political discretion over the remuneration of civil servants. Since 2001, however, the institutional configuration of the remuneration policy has made political interference virtually impossible.

The presence of a variety of discretionary personnel policy instruments that may differ in the extent to which executive politicians can apply them in practice and the evidence that the use of these discretionary instruments varies across time and national settings raises finally the questions of why executive politicians exercise (or not) political discretion over personnel policy and why they choose (or not) to incorporate discretionary instruments into civil service legislation? Paraphrasing Gilligan/Krehbiel's (1987: 288) argument about the use of restrictive amendment procedures in the legislative decision-making process of the US Congress, this thesis argues that a low degree of formal political discretion built into civil service legislation can enhance the informational role of ministerial bureaucracies in policy-making. More precisely, a low degree of formal political discretion can encourage bureaucrats that seek to pursue a career in public administration to invest in the development of expertise or to share their expertise with governments because it safeguards bureaucrats' career expectations by credibly committing governments not to intervene into personnel policy and, hence, not to meddle with bureaucratic careers. As a result, governments can develop better-informed public policies, which reduce the uncertainty about the impact of public policies upon policy outcomes they are assumed to desire. However, governments will only have an incentive to establish or maintain a low degree of formal political discretion built into civil service legislation, and/or if they have no problems of political trust towards the bureaucracy, if they can (at least partially) overcome problems of political trust.

The motivation for studying discretionary instruments, which governments can use to determine the outcomes of personnel policy in light of the informational role of

ministerial bureaucracies in policy-making results from the implausibility of approaches that explain the institutions of de-politicised civil services with reference to politicians' problems of commitment towards constituent voters (Horn 1995). Regardless of the failure to address variation in (especially senior) civil service configurations when viewed through the lens of formal political discretion, the 'political commitment towards constituent voters explanation' ignores that ministerial bureaucrats, especially in the senior ranks, are much less concerned with the continuous implementation of once adopted public policies. Rather, the comparative public administration literature has long emphasised that senior bureaucrats in Western ministerial bureaucracies do typically have an important role in policy-making (Aberbach/Putnam/Rockman 1981), that is, they are primarily concerned with the 'production' of public policies rather than their implementation (Mayntz/Scharpf 1975). Moreover, since the writings of Weber (1980), comparative public administration literature has traditionally stressed the centrality of expertise in shaping the relationship between politicians and bureaucrats, whereas bureaucratic expertise is both an indispensable condition for politicians to govern and a major cause of problems of political control of public bureaucracies. Thus, this thesis suggests that it is much more plausible to formulate a theoretical explanation that recognises the centrality of information in determining institutional choices that - bearing in mind North's (1990: 3) definition of institutions - structure (an essential set of) the rules of the game between politicians and bureaucrats.

Taking into account the logic of informational theories of legislative choice (Krehbiel 1991), the theoretical explanation of the choice of higher or lower degrees of formal political discretion is constructed around a constellation, in which an incoming government has to decide whether or not to take advantage of expertise held by senior bureaucrats inherited from an outgoing government. Generally, governments and their ministers are assumed to be motivated by policy outcomes rather than policies themselves, which are chosen in the legislative process. Second, any incoming government is initially uncertain about the consequences of alternative public policies upon policy outcomes. By contrast, I assume that bureaucrats are motivated by career advancement and/or the prospect of retaining positions close to political power centres (cf. Dunleavy 1991). Moreover, I assume that bureaucrats that

are inherited from an outgoing government are policy specialists relative to an incoming government. As a consequence, an incoming government can benefit from taking advantage of existing bureaucratic expertise, if it chooses to work with inherited bureaucrats because this can enhance the prospect of developing well-informed policies.

However, an incoming government will only be willing to tap the expertise of inherited bureaucrats, if it can trust the bureaucrats in office and if it can credibly commit towards bureaucrats that it will not intervene into personnel policy. First, the extent to which an incoming government is facing a problem of political trust depends on (i) the past policy-making record of senior bureaucrats, i.e. the extent to which the policies pursued by the previous government differ from the goals of the incoming government, and on (ii) the career record of senior bureaucrats, i.e. the extent to which inherited bureaucrats owe their career (advancement) to the outgoing government. Second, bureaucrats that stay in office will only have an incentive to be informative, i.e. to share their expertise with the incoming government, if the government establishes or maintains a personnel system with a low degree of formal political discretion as a means to commit towards not meddling with bureaucratic careers and as a signal towards future governments that bureaucrats do not owe their career to the government of the day. However, if an incoming government can trust inherited bureaucrats or if it can mitigate problems of political trust, it has an incentive to set up or maintain a personnel system with a low degree of political discretion. As a consequence, bureaucrats in office can be informative because it can enhance their career prospects, and governments can enhance the prospect of developing well-informed public policies.

By contrast, if an incoming government is troubled by a problem of political trust towards senior bureaucrats, it will not want to rely on the expertise of inherited bureaucrats. As a consequence, it will prefer to replace inherited bureaucrats with trusted appointees. However, because trusted appointees owe their career/appointment to senior ranks to the government of the day, they can anticipate that they will only stay in office for as long as the government does. Therefore, trusted appointees will be informative regardless of the degree of formal political

discretion and, thus, governments have no need to restrict their possibilities to intervene into personnel policy in the first place. However, because governments will typically be unable to replace all inherited bureaucrats, they will also create a problem of bureaucratic informativeness with respect to bureaucrats that stay on from the previous government. The reason is that the lack of a personnel system with a low degree of formal political discretion undermines the incentive of remaining bureaucrats to seek career advancement and to be informative towards a new government. Governments could resolve this problem by enacting civil service legislation with a low degree of formal political discretion, but they will be reluctant to commit towards mistrusted bureaucrats. As a consequence, governments will prefer to retain the possibility to enhance trust towards the senior bureaucracy, but the informational role of the bureaucracy will be inferior relative to a personnel policy regime with a low degree of formal political discretion because, first, the incoming government does not take advantage of existing bureaucratic expertise and, second, it will have difficulties to elicit co-operation from remaining bureaucrats. However, this implies that personnel policy regimes with high degrees of formal political discretion are confronted with an inherent tension towards de-politicisation, but for as long as problems of political trust persist, governments will prefer to enhance trust towards the bureaucracy rather than enhancing its informational role in policy-making; given that government do not appreciate the advice of mistrusted bureaucrats.

However, the extent to which either of the two constellations arises, is heavily influenced by the personnel policy regime that is in place when a government takes office. If a de-politicised personnel policy regime is in place, problems of political trust will continuously tend to be low and they will only vary in accordance with the ideological positions of alternating government parties. As a result, governments will have an incentive to take advantage of existing bureaucratic expertise rather than demanding a replacement of inherited senior bureaucrats. At the same time, senior bureaucrats and those who strive for senior office will remain informative because it enhances their prospects of career advancement in the ministerial hierarchy. Hence, a de-politicised personnel policy regime tends to be stable once it has been institutionalised. By contrast, if a regime that allows unbounded politicisation is in

place and if governments do also exercise the discretion at hand, severe problems of political trust will arise whenever the government changes while the ideological positions of alternating government parties could reinforce the problem of trust. As a consequence, incoming governments will be reluctant to tap the expertise of inherited senior bureaucrats. Rather, the new government will seek to replace inherited senior bureaucrats due to a severe problem of political trust, and the new appointees will be informative because their time in office will effectively be bound to that of the government.

Consequently, in either case, the personnel policy regime that is in place when a new government takes office *tends* to reproduce the extent to which governments are confronted with problems of political trust, their personnel policy strategies and bureaucrats' incentive to be informative. By contrast, pressures towards the reform of a given degree of formal political discretion will only arise under particular conditions. Firstly, pressures towards a reform of a de-politicised personnel policy regime will primarily result in the wake of a polarisation of inter-party competition. Hence, an incoming government may have an incentive to initiate institutional reforms that increase the degree of formal political discretion because it feels unable to address problems of political trust. However, this move would be strongly opposed by the senior bureaucrats in office and in particular bureaucrats who are striving for senior office because it would undermine their career prospects.

By contrast, the impetus to change a personnel policy regime that allows governments to exercise a high degree of political discretion will primarily arise under three conditions. Firstly, the salience of the problem of political trust may decrease, for instance, as a result of patterns of inter-party competition that reduce the ideological and policy differences between incoming and outgoing governments. Secondly, incoming governments may have a chance to mitigate problems of political trust thanks to an opportunity to learn about the policy orientations of inherited bureaucrats before taking office. In both cases, governments will have an incentive to take advantage of existing bureaucratic expertise, but a non-replacement strategy will increase bureaucratic demand for government commitment to non-intervention into personnel policy, for bureaucrats would otherwise have little

incentive to be informative towards the new government and its ministers. However, given a rather minor problem of political trust, governments will have an incentive to initiate and support institutional reforms with de-politicising effects upon personnel policy. Finally, a personnel policy regime with a high degree of formal political discretion may change, if governments incur increasing costs resulting from a lack of performance incentives for bureaucrats that seek to pursue a career in public administration. As a result, governments may become more receptive towards the de-politicisation of personnel policy and initiate a civil service reform, but as long as severe problems of political trust persist, it is unlikely that these pressures lead to the establishment of major islands of de-politicised bureaucratic career paths.

These general propositions have implications for the course of civil service reforms in post-communist Europe. Before the change of regime, Central and Eastern European personnel systems had features of personnel policy regimes that allowed unbounded politicisation, in which especially the nomenclature system of the 'real-existing socialist administration' (König 1992) implied a penetration of the ministerial bureaucracy by the ruling communist party. Moreover, the first democratic elections after the change of regime brought to power governments that were either formed by communist successor parties or exclusively by parties of the former democratic opposition. As a consequence, this thesis argues in Chapter 4 that the only reasonable prospect for the initiation of a civil service reform with de-politicising effects upon personnel policy arose in countries, in which the first post-communist governments were formed by parties of the former democratic opposition that took office after a pacted transition. The reason is that in these cases, the Round Table Talks provided an opportunity for the members of the first post-communist government to learn about bureaucratic preferences and therefore to mitigate problems of political trust. As a result, these governments had an incentive to take advantage of the expertise of bureaucrats inherited from the communist regime and they were also willing to endorse ensuing bureaucratic demand for the de-politicisation of personnel policy. However, a civil service reform initiative could only succeed to the extent that the members of the government shared the same incentive towards de-politicisation, i.e. the preferences of 'veto players' at the level of the government converged (Tsebelis 2002).

By contrast, neither post-communist governments that were formed by communist successor parties after an imposed regime change nor governments comprising parties of the former democratic opposition that were formed after a regime collapse had the potential to set off enough pressures for the initiation of civil service reforms with de-politicising effects upon personnel policy. In the former scenario, the personnel policy dynamics of the communist regime effectively persisted, and hence a personnel policy regime that allows unbounded politicisation remained stable. By contrast, in the second scenario, severe problems of trust triggered an attempt of incoming governments to implement a major change of personnel in the bureaucracy, which however was limited in scope due to a lack of personnel alternatives. As a result, even when remaining bureaucrats voiced demand for the de-politicisation of personnel policy, these new governments were reluctant to make a commitment towards mistrusted bureaucrats inherited from the communist regime. As a consequence, I will conclude that Hungary and to a much lesser extent Poland were the only countries that had a reasonable prospect for the institutionalisation of a de-politicised personnel policy regime in the immediate period after the change of regime in Central and Eastern Europe. However, as I will show in Chapter 7, not even the Hungarian government could overcome the resistance of opposing groups within the governing parties in parliament.

In fact, Chapter 7 reveals that the history of Hungarian civil service reform dates back to the mid 1980s or in a broad interpretation even to institutional reforms that followed the economic reforms of the late 1960s to strengthen the professional skill of the Hungarian state administration. However, the initiation of a civil service reform gained momentum during the National Round Table Talks and especially after the second round of the parliamentary elections in 1990. In this context, senior bureaucrats pushed a civil service reform with de-politicising effects upon personnel policy, which was reinforced after the Antall government had chosen to recruit state secretaries and senior civil servants from the ministerial bureaucracy. However, although the government, especially Prime Minister Antall, supported a civil service reform that would have led to the establishment of a de-politicised personnel policy regime, the proponents of reform had lost the capacity to impose their will upon

opponents of reform in parliament by the end of 1990, i.e. approximately six months after the investiture of the first post-communist government. In particular, the anti-communist position of radical factions within the senior governing party, Hungarian Democratic Forum, generated demand for tough transitory rules and/or an open system for the allocation of civil servants to the ministerial organisation. Hence, the opponents of reform were unwilling to commit to a de-politicised civil service system because of a perceived distrust in the loyalty of bureaucrats inherited from the communist regime. As a consequence, opponents to a civil service reform with de-politicising effects were able to delay the enactment of reform and succeeded in amending the government proposal in favour of their own most preferred civil service system, which in turn led to the institutionalisation of a personnel policy regime that allows open politicisation.

Although the Antall government had changed its personnel policy strategy towards replacing many senior officials that were inherited from the communist regime since the turn of 1990/91 and although the investiture of the Horn government led to a large turnover in the senior bureaucracy, the establishment of a de-politicised civil service came back onto the government agenda as a key component of a comprehensive Public Administration Reform Programme in 1996. Chapter 8 shows that the reform was initiated and prepared by the same administrative reform entrepreneurs among the senior bureaucracy that had already prepared the first reform in 1990/92. They sought to complete 'their civil service reform project' and to correct dysfunctional developments such as the politicisation of personnel policy. Therefore, apart from an entrepreneurial spirit, the reformers can be conceptualised as agents of 'second tier bureaucrats' who had stayed on in the administration and had no incentive to seek career advancement as long as a high degree of formal political discretion persisted. However, the ensuing 1997 reform of the civil service is commonly regarded as a failure. The reasons were, first, that senior bureaucrats did not represent a unified interest in civil service reform because especially the state secretaries and senior civil servants that had been brought (back) in by the Socialist-Liberal government were effectively disinterested in the de-politicisation of personnel policy. Second and partly as a result, the two governing parties, the Hungarian Socialist Party and the liberal Alliance of Free Democrats, were ultimately

not interested in tying their hands in the exercise of political discretion over personnel policy. This disinterest was reinforced as a result of the changing balance of power within the governing coalition, especially the anticipated victory of the Socialists in the approaching 1998 parliamentary elections and the gradual weakening of the Liberals after 1996. As a consequence, the reform agents among the senior bureaucracy were only able to gain political support for a small scale institutional adjustment with virtually no impact on the degree of formal political discretion.

Finally, probably the most puzzling reform initiative from a theoretical point of view was pursued between 1998 and 2001, which is discussed in Chapter 9. First, the Orbán government had exercised more political discretion over personnel policy than its predecessors, and second, the reform was initiated and supported from the beginning to the end by a high-ranking member of the government, namely, the Minister heading the Prime Minister's Office, Stumpf. Although Minister Stumpf sought to realise a fundamental reform of the civil service system, he proposed only a partial de-politicisation of the civil service system when viewed through the lens of formal political discretion by trying to establish a personnel policy regime that allows structured politicisation for a small elite of senior officials, i.e. the members of a senior executive service. However, similar to 1997, the 2001 reform proposal represented an attempt to correct dysfunctional developments; mainly a loss of expertise, that is, a steady weakening of the informational role of the ministerial bureaucracy resulting from a lack of performance incentive for officials below the top three or so levels of the ministerial hierarchy. However, both the political interest of the senior governing party, Alliance of Young Democrats, and the career interests of senior bureaucrats that had only been recruited into the administration after the summer of 1998 contradicted the attempt to partially reduce the degree of formal political discretion. These opposing positions crystallised in the intervention of Prime Minister Orbán in the negotiations over the final draft of the civil service reform Act. As a consequence, a fundamental reform was enacted in 2001, but, from the point of view of political discretion, only the remuneration system was de-politicised. Moreover, the amendment of the Civil Service Act that was passed in the summer of 2002 shortly after the Medgyessy government had taken office in response to the

2001 amendment has hardly affected the possibilities to exercise political discretion over personnel policy.

Overall, the Hungarian story of civil service reform and policy since 1990, therefore, suggests that civil service reform activism does not necessarily lead to the emergence of a professional, de-politicised civil service and the de-politicisation of personnel policy. Moreover, although the Hungarian story indicates that post-communist politicians increasingly recognise the consequences of politicisation, they remain prisoners of the context of post-communist politics, which presents a number of obstacles towards the achievement of goals like the establishment of a professional, de-politicised civil service, that cannot easily be overcome. As a consequence, at least in the medium term, we can hardly expect the establishment of civil service systems that provide the institutional conditions for the de-politicisation of personnel policy in post-communist central executives unless the patterns of inter-party competition become less polarised and provide conditions that lower the salience of problems of political trust for incoming governments.

Outline of the Thesis

The development of the arguments in this thesis is divided in three parts. The first part establishes the theoretical foundations for the empirical analysis of the Hungarian case since 1990, which is undertaken in the second and the third part. Chapter 2 starts with a brief review of the main insights of the body of delegation studies and then develops the concept of formal political discretion and the typology of four personnel policy regimes as analytical tools for the comparative study of civil service systems and policy. Chapter 3 provides a theoretical discussion of the determinants of varying degrees of formal political discretion in parliamentary democracies. It begins with a critique of existing theories of choosing civil service institutions. Subsequently, it develops an informational rationale of choosing varying degrees of formal political discretion built into civil service legislation. Chapter 4 applies the insights of the theoretical model to the civil service reform dynamics in Central and Eastern Europe. It first discusses personnel policy dynamics and possible

causes of civil service reform pressure during the communist regime. Then, it turns to different scenarios that could occur in the immediate period after the change of regime and assesses their impact on the course of civil service reform in post-communist Europe. Finally, the Chapter assesses the developments in later periods and concludes with a discussion of determinants that may cause the choice of one of the four personnel policy regimes rather than merely a high or low degree of formal political discretion. The concluding discussion also includes the role of ideas in shaping institutional choices and the potential impact of European Union accession usually discussed under the heading of 'Europeanisation'.

The second part is divided into two Chapters. Chapter 5 assesses Hungarian civil service legislation that has been adopted since 1990. The Chapter begins with an assessment of the structure of the civil service and the size of different ranks of civil servants using empirical data from several ministries. Subsequently, the discussion turns to an assessment of civil service legislation on the basis of the concepts of formal political discretion and personnel policy regime. Finally, the Chapter provides a brief analysis of the practice of exercising political discretion in the domain of remuneration policy between 1994 and 2001, before a reform de-politicised the remuneration regime. Chapter 6 provides a longitudinal empirical analysis of the exercise of political discretion over the allocation of state secretaries to the ministerial organisation in post-communist Hungary. The Chapter combines quantitative and qualitative methods to determine how and why Hungarian governments have exercised political discretion in the decade after the change of regime. Moreover, the assessment of the use of discretionary instruments serves to identify the personnel policy strategies that have been pursued by different governments at the time of taking office and while being in office. Hence, Chapter 6 also establishes the bridge between personnel policy processes and civil service reform dynamics, as it can help to formulate expectations about the kind of civil service reform dynamics that have occurred since 1990.

Finally, the third part analyses the three major civil service reforms that have been enacted in 1990/92, 1997 and 2001/2 in Chapter 7 through 9 respectively. The analysis traces the origins of the reforms, the goals pursued by the reformers and the

negotiations that led eventually to the adoption or revision of civil service legislation. The analysis takes into account the political context of reforms and assesses the civil service reform processes in light of the informational theory of civil service reform and policy developed in Chapter 2 through 4. Finally, the Conclusion summarises the main results of the thesis and discusses the implications of the study for civil service developments in post-communist Europe.

Chapter 2

Political Discretion and Varieties of Personnel Policy Regimes: A Framework for the Comparative Analysis of Civil Service Systems

1. Introduction

This Chapter develops an analytical framework that can serve to assess how and to what extent formal-legal frameworks governing the civil service provide the institutional conditions for the de-politicisation of personnel policy. To this end, it applies the insights of new institutionalist approaches to executive politics, in particular, the body of so-called 'delegation studies' (Pollack 2002) that analyses institutional arrangements for the political control of public bureaucracies on the basis of the new economics of organisations (Milgrom/Roberts 1992; Moe 1984). Following a brief review of two generations of delegation studies in the first part of this Chapter, the second and the third part develop the concepts of formal political discretion and personnel policy regime as analytical tools to assess civil service legislation across countries and at different points in time. The second part adopts the perspective that civil service legislation defines the specific set of personnel policy instruments, which ministers can choose to apply as control measures and that the extent to which ministers can apply personnel policy instruments denotes the degree of formal political discretion.

The third part develops four types of personnel policy regimes that are distinguished with respect to the degree of formal political discretion and the impact they may have on particular patterns of politicisation. It takes the position that the typology of personnel policy regimes is a flexible enough instrument to assess the differences and similarities of formal-legal governance structures of civil services. Finally, the conclusion discusses the implications of the two concepts for the empirical

assessment of how discretion is exercised by executive politicians in personnel policy processes and, hence, identifies the capacity of different types of personnel policy regimes to de-politicise personnel policy processes. It argues that civil service reform does only have the capacity to prevent the politicisation of personnel policy, if the adopted civil service legislation formally institutionalises a so-called 'de-politicised personnel policy regime'. By contrast, if a personnel policy regime allows what will be defined as 'structured politicisation', 'open politicisation' or 'unbounded politicisation', the capacity of civil service legislation to de-politicise personnel policy processes gradually weakens.

2. Principals, Agents, and the Logic of Delegation between Politicians and Bureaucrats

Over the last two decades, a growing body of literature has emerged that studies institutional arrangements for political control of public bureaucracies on the basis of the new economics of organisation. The new economics of organisation, in particular transaction costs economics and agency theory, seeks to explain why and how individuals in the marketplace co-ordinate collective action by means of organisations (Milgrom/Roberts 1992; Moe 1984). Organisations are assumed to share the characteristic that one or more individuals - the principals - delegate authority to one or more agents, thereby entering into a contractual relationship with the agents, in the expectation that the agents will subsequently choose actions that produce outcomes desired by the principals. Hence, in organisations, the social benefits of collective action are assumed to be produced through hierarchical control and central authority as opposed to voluntary exchange and decentralised co-ordination in the marketplace. In transaction costs economics, the focus is on the business firm understood as a governance structure. It argues that business firms arise out of markets to economise on transaction costs such as measurement, bargaining or enforcement costs in order to arrive at enforceable contracts (Williamson 1975, 1985).⁶ In agency theory, the substantive focus is much the same. However, it is narrower in that its analytical perspective is explicitly directed at the principals'

⁶ Transaction costs can be defined as all those costs that are incurred in operating an economic system (North 1992; Williamson 1985).

decision problem of designing a contractual structure that can induce a consenting agent to take action in the principals' interests (Pratt/Zeckhauser 1985).

Strom (2000) applies the new economics of organisations, in particular agency theory, to the logic of delegation in liberal democracies. In general, Strom (2000) suggests that the institutions and the operations of liberal democracies can be understood as a chain of delegation and accountability with multiple links that ranges from voters to the ultimate policy-makers and back to voters.⁷ Comparing the logic of delegation in presidential and parliamentary democracies, Strom (2000: 269) argues that, in contrast to presidential democracy, parliamentary democracy is characterised by a 'singularity principle'. An "ideal typical parliamentary democracy (...) features a single chain of command, in which at each link a single principal delegates to one and only one agent (or several non-competing agents), and where each agent is accountable to one and only one principal". Hence, in an ideal typical parliamentary democracy, voters elect their representative in single member districts to a unicameral legislature.⁸ Members of parliament eventually delegate to the executive, ideally a prime minister who oversees an executive branch of ministries with non-overlapping jurisdictions. The chain of delegation continues from the prime minister to the heads of different executive departments, that is, individual cabinet ministers, and from cabinet ministers to civil servants. Conversely, agents in parliamentary democracies are accountable to a single principal. This differs from a presidential system in which agents may have multiple principals. For instance, voters typically elect multiple competing agents and civil servants on the other end of the delegation chain may have to report to the president and to one or several legislative chambers.⁹

⁷ Pollack (2002: 215) adds three more delegation stages, which have gained increasing relevance in the wake of administrative reforms over the last two decades. He mentions delegation from governments to private actors who deliver public services on their behalf, to 'non-majoritarian institutions' such as central banks, and to international institutions like the European Union (see also the contributions in the special issue by Thatcher/Stone Sweet 2002).

⁸ Strom (2000) argues that systems of government usually classified as semi-presidential such as the French Fifth Republic share features of parliamentary systems when analysed through the lens of agency theory, though they happen to have a powerful president. This argument de-emphasises the popular election of the president, but it takes into account the limited power of the president, when he does not command a legislative majority in parliament, that is, under conditions of *cohabitation* (see Duverger 1980; Elgie 1999).

⁹ The analysis of representative democracies on the basis of the principal agent framework implies that parliamentary and presidential systems are neither mutually exclusive nor exhaustive. Rather, as parliamentary systems feature a single chain of command, they represent one end on a continuum that

Western European democracies and the new democracies in Central and Eastern Europe are either of a parliamentary or a semi-presidential type. So far, however, few studies analyse the origin and impact of institutional arrangements that govern the relation between political principals and their bureaucratic agents in parliamentary democracies by applying the new economics of organisations.¹⁰ Moreover, with the exception of Horn (1995), there are no studies that pay systematic attention to the choice of civil service institutions in liberal democracies. Rather, the so-called delegation studies have mainly directed their attention to the US presidential system. We can distinguish two strands or generations of delegation studies. The first generation of research pays attention to the behaviour of bureaucratic agents, mainly in the form of US regulatory agencies, by assessing the impact of different control measures on bureaucratic decision-making. Ultimately, this research seeks to determine whether democratically elected politicians do effectively control their bureaucratic agents or whether delegation can be equated with an abdication of authority to the bureaucracy. The second generation of research directs its focus from the behaviour of bureaucratic agents to the delegation stage itself by assessing the impact of political context variables on politicians' choice of governance strategies. To this end, the research analyses the extent of policy-making discretion politicians delegate to executive agencies. The remainder of this part briefly summarises the main insights of the two generations of delegation studies as a toolkit for the development of an analytical framework that can serve to assess how and to what extent formal-legal frameworks governing the civil service provide the institutional conditions for the de-politicisation of personnel policy.

ranges to systems with multiple parallel chains of delegation and accountability on the other. Note also that from this perspective the Swiss political system with a collective executive that is not accountable to the legislature does not classify as a parliamentary system (Lane 2001; Lijphart 1992).

¹⁰ For exceptions, see Ramseyer/Rosenbluth (1993) who study political control of the Japanese bureaucracy, Moe/Caldwell (1994) who also broadly address civil service issues, Huber (2000), Huber/Lupia (2001) and Huber/Shipan (2002). In principle, Horn's (1995) transaction costs approach to institutional choice in the public sector is also compatible with parliamentary systems though at a very general level. I will discuss Horn (1995) in the next Chapter in more detail.

2.1. First Generation Delegation Studies: The Logic of Controlling Bureaucratic Decision-Making

First generation delegation studies analyse the impact of institutional arrangements as political control measures on bureaucratic decision-making. These studies are based on the assumptions of agency theory. Agency theory assumes that through delegation of authority, principals can draw efficiency gains from a division of labour with their agents. At the same time, principals always experience some reduction in welfare because they may suffer agency losses that result from the potential for opportunistic behaviour of agents (Kiewiet/McCubbins 1991).¹¹ Agency losses arise out of a natural conflict of interests and information asymmetries between principals and agents. Agents, once hired, are assumed to maximise their return subject to the constraints and incentives offered by the principals. Because the agents are viewed as self-interested, they are induced to pursue the principals' objectives only to the extent that the incentive structure of the contract renders such behaviour advantageous. Therefore, there is a natural conflict of interests between principals and agents. Information asymmetries accrue because the agents are assumed to possess and acquire information that is either unavailable to the principals or prohibitively costly to obtain. Given a natural conflict of interest, agents may regard it as beneficial to use this information strategically or simply to keep it hidden. Furthermore, principals can usually not observe without incurring costs whether the action taken by the agent is in his best interest.¹² (Arrow 1985) Therefore, the essence of principals' problem is to design an incentive structure such that the outcomes produced through the agents' efforts are the best the principals can achieve, given the choice to delegate in the first place. Yet, the measures principals can undertake to minimise the occurrence of agency losses are themselves costly and reduce the benefits the principals can draw from a division of labour with their agents (Kiewiet/McCubbins 1991).

¹¹ Agency losses can take two forms. When agents fail to act in the best interest of the principals, it takes the form of omission. By contrast, commission or sabotage result, when agents take positive action that contradicts the will or interest of the principals (Strom 2000: 270).

¹² These problems can also be called adverse selection problems and moral hazard problems or the problems of 'hidden information' and 'hidden action' (Arrow 1985). It is commonly argued that the problems of hidden information and hidden action are reinforced when principals delegate authority to multiple agents, as the principal will face more difficulties in evaluating the work performed by individual agents. Hence, multiple rational agents may have an incentive to engage in 'team shirking'.

In accordance with the assumptions of agency theory, first generation delegation studies have analysed different aspects of the agency relationship between legislators in the US Congress as political principals and the staff of executive agencies as bureaucratic agents.

- *Political principals possess powers of legislation, budget appropriation, personnel appointment, and rights to conduct public hearings and investigations, which they can use as ex post rewards and sanctions to correct agency behaviour.* Weingast/Moran (1983) and Calvert/Moran/Weingast (1987) argue that the availability of these constitutionally enshrined powers affects the incentives of bureaucratic decision-makers. The probability that improper behaviour will be detected and punished enters as a costs in bureaucrats' calculations of net benefits when contemplating to implement policies incompatible with legislators' interests.
- *Alternatively, political principals can write a variety of different administrative procedures ex ante into an Act in order to channel bureaucratic decision-making into the desired direction.* McCubbins/Noll/Weingast (1987, 1989) (*henceforth*, McNollgast) assess the role of administrative procedures formalised in the US Administrative Procedures Act. McNollgast (1987: 244) argue that "procedural requirements affect the institutional environment in which agencies make decisions and thereby limit an agency's range of feasible policy actions". Hence, the mechanisms are functional in the sense that they induce agency compliance by operating in accordance with the logic of 'structure-induced equilibrium' (Shepsle 1986, 1989). On the one hand, administrative procedures help legislators to overcome informational disadvantages when dealing with agencies by stipulating requirements to gather specific information and to report regularly to congressional committees. On the other, legislators can use administrative procedures to 'stack the deck', that is, they can enfranchise relevant constituents in agency decision-making, thereby assuring durability of agency responsiveness to the relevant groups' interests.

- *Political principals prefer to choose control strategies that minimise the costs of establishing and implementing them and maximise the effectiveness in inducing bureaucratic compliance.* McCubbins/Schwartz (1984) and McNollgast (1987, 1989) argue that legislators will prefer to rely on administrative procedures rather than reactive control measures. In particular ex post oversight directly performed by congressmen lacks teeth in order to induce bureaucratic compliance with legislative intent. Legislators depend on agencies for the provision of information, which strategic bureaucrats will not necessarily report upwards. At the same time, bureaucrats will hardly fear to be severely punished for their wrongdoing because disciplinary procedures are usually too cumbersome to pose an effective sanction at the disposal of legislators. Moreover, legislators incur opportunity costs resulting from time and energy which they could use for other purposes than overseeing executive agencies. Hence, on balance, ex post oversight creates costs for legislators rather than for agency personnel. By contrast, the use of administrative procedures shifts the costs of monitoring and reporting from congressmen to agency staff, the relevant interests groups and the courts. In particular the enfranchisement of relevant constituents sets up a 'fire alarm system' that, when set off by complaining groups, provides legislators with an opportunity to claim credit for correcting agency actions (McCubbins/Schwartz 1984).¹³ Lupia/McCubbins (1994) develop the latter argument further identifying several conditions under which legislators can sufficiently learn about bureaucratic actions rather than effectively abdicating their policy-making powers to the bureaucracy. Among the most important conditions, they argue that the fire alarm must have an incentive to provide 'true' information to legislators which requires overlapping preferences between legislators and the relevant groups, repeated interactions, or independent verification mechanisms.

¹³ Bawn (1997) further differentiates this argument. She argues that in particular US legislators who lack opportunities to exercise ex post oversight will favour ex ante procedural means of control. Hence, committee members are willing to delegate more discretion to the bureaucracy because they are better informed about area specific policy-making and because it is less costly for them to rely on ex post oversight than for members of the congressional floor.

First generation delegation studies conclude that political principals can indeed control administrative agencies and that agencies are generally more responsive when control mechanisms are extensive and more autonomous when administrative procedures are 'thin' and oversight is weak. In the end, however, political principals can still choose to delegate less policy-making authority, if they perceive a lack of ability to control bureaucratic agents.¹⁴

2.2. Second Generation Delegation Studies: The Logic of Delegating Policy-making Discretion to the Bureaucracy

Second generation delegation studies have explicitly paid attention to the delegation stage rather than the behaviour of bureaucratic agencies and analyse the impact of political context variables on political principals' delegation strategy. At the centre of these studies is the concept of discretion. Discretion is broadly defined as the amount of policy-making authority delegated by political principals to the bureaucratic agents minus the amount of procedural constraints relative to the amount of delegated authority to limit the bureaucracy's leeway (Epstein/O'Halloran 1999: 109). Assessing the content of legislative statutes, these studies have found that the amount of delegated discretion varies widely across time, policy areas, and political systems (Epstein/O'Halloran 1999; Huber/Shipan 2002). The central aim of second generation delegation studies is to identify the conditions under which political principals are willing to allocate more or less discretion to their bureaucratic agents. Typically, four aspects of the political context are advanced to explain the delegation decision of political principals in the political process (similarly, Pollack 2002).

- *Political principals delegate policy-making authority to the bureaucracy because they can benefit from bureaucratic expertise under conditions of informational uncertainty.* Problems of informational uncertainty result from politicians'

¹⁴ The hypotheses have been subjected to empirical tests with the most important general finding that control of administrative agencies by US congressmen does indeed occur (Wood/Waterman 1991). However, although the first generation studies have provided insights into why American legislation takes the shape it does, it has often proven difficult to conduct thorough empirical evaluations because of the lacking prediction of variation in the application of different control measures (Huber/Shipan 2000, 2002). Hence, some of the interpretative studies have found supporting evidence (Balla 1998;

difficulties to assess the nature of policy problems and the consequences of policy choices to resolve the respective problems. In particular, Gilligan/Krehbiel (1987, 1989) and Krehbiel (1991) show how legislators in the US Congress transfer authority to congressional committees by restricting the ability of the congressional floor to amend committee proposals. They argue that "restrictive procedures can encourage committees to gather information and can facilitate the adoption of informed policies that are jointly beneficial to the committee and [its] parent body" (Gilligan/Krehbiel 1987: 288). Accordingly, second generation delegation studies show that political principals can increase the benefits from delegation to the bureaucracy, the more they are confronted with uncertainties in a given policy area or the more they are lacking the 'legislative capacity' to write legislative statutes that contain detailed policy instructions (Bawn 1995; Epstein/O'Halloran 1994, 1999; Huber/Shipan 2002).

- *Political principals have an incentive to delegate policy-making authority rather than making policy themselves, if they are confronted with problems of credible commitment.* Political commitment problems result from a lack of exogenous enforcement mechanisms in politics. Politicians often find it difficult to guarantee their voters that the policies they adopt today will remain in place tomorrow, in particular after a legislative majority will have changed.¹⁵ The problem of commitment has received particular attention with respect to economic policy and market regulation. These studies argue that delegation of authority to an independent regulatory agency enables political principals to credibly commit to the durability of an enacted policy because the formal institutionalisation of discretion constrains the present and future enacting coalitions to change a once chosen policy (Horn/Shepsle 1989; Shepsle 1991).
- *Political principals can benefit from delegating policy-making authority to their bureaucratic agents under conditions of conflict of interests among multiple*

Spence 1999), while others have only received mixed support (e.g. Balla/Wright 2001). For an early critique of first generation delegation studies, see also Moe (1987).

¹⁵ Shepsle (1992) defines the non-correspondence between a present and a future enacting coalition as 'coalitional drift'. Moe (1989, 1990a, 1990b) similarly argues that political officials are constrained by

principals. In particular, McCubbins/Page (1987) argue that increasing conflict among US legislators creates difficulties to narrow down the scope of policy alternatives. As a result, conflicting legislators can overcome their internal decision-making problems by delegating policy-making discretion to bureaucratic agencies. Similarly, Huber/Shipan (2002: 11, emphasis in original) argue that the "*bargaining environment* (e.g. the existence of vetoes or bicameral conflict) in which [legislative] statutes are adopted", shapes the incentives of political principals to more or less micro-manage policy-making. They show that more 'veto players' (Tsebelis 1995, 2000) raise the obstacles to pass legislation. As a result, discretion delegated to bureaucratic agents cannot decline but increases, if the bargaining environment becomes more complex.

- *Finally, political principals have less incentive to delegate policy-making authority to their bureaucratic agents under conditions of policy conflict between politicians and bureaucrats.* For instance, Epstein/O'Halloran (1999) show that legislators in the US Congress reduce the amount of discretion delegated to executive agencies under conditions of divided government. Their argument is based on the assumption that the president appoints heads of agencies and thus divided government serves as an approximation for conflict of interests between principals and agents in the US presidential system of government. Similarly, Huber (2000) argues that in parliamentary systems ministers' benefits from delegation decrease as conflict between ministers and civil servants increases.

3. Comparing Civil Service Systems: The Degree of Formal Political Discretion Built into Civil Service Legislation

First and second generation delegation studies provide the toolkit to develop an analytical framework for the comparative assessment of civil service systems in parliamentary democracies prevailing in Central and Eastern Europe. Taking into account the ideal typical perspective upon parliamentary systems as suggested by Strom (2000), first generation delegation studies suggest that civil service legislation

'political uncertainty' which is isomorphic to the commitment problem. Political uncertainty means a situation when political officials are uncertain whether they have political power in the future.

defines the specific set of personnel policy instruments, which ministers can choose to apply as control measures in the day-to-day policy process in order to achieve the policy outcomes they desire. At the same time, personnel policy is but one possible control measure ministers can adopt in order to mitigate potential losses from agency and to (re-)align the incentives and preferences of civil servants.¹⁶ The majority of control instruments is defined by other sources of administrative and constitutional law or is subject to internal ministerial procedures regulated by ministerial decree. Hence, we have to bear in mind that politicians can choose between different control instruments, one of which is personnel policy.

Secondly, with reference to second generation delegation studies, we can argue that the perspective on civil service legislation as a means to provide and structure a set of personnel policy instruments ministers can apply in the policy process means that civil service legislation defines different degrees of formal political discretion. Hence, in contrast to the standard conceptualisation given by Epstein/O'Halloran (1999) (see above), I will assess the degree of political discretion as opposed to agency discretion. We can generally define formal political discretion over personnel policy as the *possibility* of a minister to determine the outcomes of personnel policy. This definition begs two questions. Firstly, where does formal political discretion apply, i.e. what are the domains in which political discretion can be exercised. Secondly, because civil service legislation is unlikely to assign political discretion in a uniform way across domains, different national institutional settings or across time, the second question refers to the extent to which political discretion can be exercised.

I will begin with the domains of personnel policy in which formal political discretion can be exercised and discuss its extent in order to provide a working definition of 'degrees of formal political discretion' further below. The relevant personnel policy domains are the allocation of civil servants in the administrative organisation and the determination of levels of remuneration for civil servants. Civil service management

¹⁶ As argued above, Calvert/Moran/Weingast (1987) refer to personnel appointments as ex post instruments of control, thereby trying to capture the possibility that politicians may use the threat of dismissal as a sanction against non-compliant officials. However, later studies tend to refer to appointment powers as ex ante means of control (Calvert/McCubbins/Weingast 1989;

systems are commonly characterised as 'internal labour markets' (Silberman 1993; Wise 1996). An internal labour market is defined as "an administrative unit (...) within which the pricing and allocation of labour is governed by a set of administrative rules and procedures" (Doeringer/Priore 1971: 1-2). Hence, both domains are central to the study of internal labour markets, and both are distinguished in that they tend to require a residual decision-maker (Milgom/Roberts 1992: 330). However, as will become clear in the discussion below, other aspects of civil service systems can be integrated into these two domains.

The measures to determine the allocation of civil servants in the administrative organisation are commonly referred to as the minister's powers of appointing civil servants. However, they equally apply to the promotion and lateral transfer of civil servants as well as the decision to admit new members of the civil service; provided the latter decision is separated from a positional appointment. From the perspective of first generation delegation studies, personnel appointments serve to overcome the conflict of interest between minister principals and civil servant agents (Lupia/McCubbins 2000). Yet once a match of preferences between ministers and civil servants has been achieved, the second problem of asymmetric information *should* be resolved, too. It should be resolved because, in principle, the match of preferences ensures that a self-interested civil servant will pursue actions that correspond to the desires of the minister prior to his decision to delegate a set of tasks to the civil servant. At the same time, the elimination of information asymmetries by means of personnel appointments rest on two assumptions. Firstly, the minister can exactly observe the preferences of the civil servant at the moment of selection and appointment (Calvert/McCubbins/Weingast 1989). Secondly, it assumes that neither the civil servant nor the minister change their preference during the course of their interaction. If this occurs, the minister incurs additional costs of both checking the action of the civil servant and taking corrective measures to re-align the civil servant's preferences with his own preferences. Hence, personnel appointments serve to mitigate the problems of conflict of interests and information asymmetries, but they cannot eliminate them. On the one hand, the application of agency theory

Hammond/Knott 1996; Lupia/McCubbins 2000). This perspective is much more in correspondence with conventional comparative public administration literature (Page 1992; Peters 2001).

implies the general existence of asymmetric information by way of assumption. On the other, one should take into account that the civil service is neither a unitary actor nor a collective actor of small size; hence, even if both problems were theoretically solved, there would remain the practical problem of its limited applicability.

Bearing in mind that, everything else being equal, the allocation of a civil servant to an administrative position is of limited effectiveness, the key to an understanding of the problem of formal political discretion are the distribution of decision-making authority and the procedural constraints upon its exercise. Sticking for the time being to the ideal perspective of a minister (rather than the government) as the principal of a civil servant, civil service legislation does usually not guarantee unilateral authority over appointment decisions to a minister. Rather, civil service legislation may set out a decision-making procedure to appoint civil servants in which the minister shares decision-making authority with other political actors, e.g. the Prime Minister, and/or administrative actors, e.g. a civil service commission. As a consequence, a minister will only be able to appoint a civil servant with matching preferences to the extent that other parties involved in the appointment procedure will share the same preferences. In other words, the more the preferences of the decision-makers diverge, the more difficult it is to align preferences between minister and appointed civil servant and, hence, to overcome problems of agency (Hammond/Hill 1993). This constellation is comparable to a problem of multiple principals, in which an agent may exploit disagreement between multiple preferences in her own favour (McCubbins/Noll/Weingast 1989).

Secondly, minister's powers to allocate civil servants may not only be restricted through the need to get involved in collective action, but also as a result of procedural constraints he has to follow prior to taking a decision. Civil service legislation may reduce the pool of eligible candidates a minister can appoint to internal candidates only rather than granting a free choice of candidates for appointment to a civil service position. Similarly, civil service legislation may oblige a minister to choose only those candidates who meet certain standards of qualification or experience. Moreover, obligations upon civil servants' political and professional activities may indirectly narrow a minister's freedom of choice. For

instance, if the simultaneous holding of party office or an occupation in the private sector are prohibited by law, a potential candidate may incur opportunity costs of foregoing the benefits of an activity outside the civil service (similarly, Huber 2000: 400). A decision to appoint a civil servant may also be constrained by the minister's lack of possibility to dismiss or even transfer a civil servant once she has been hired. Hence, a minister will be unable to re-align the civil servant's preference with his own one in case the preference of either parties changes over time (Hammond/Knott 1996). Finally, if a special formalised disciplinary procedure for civil servants has been put in place, a minister may either not be involved in the proceedings at all or he may have to follow a procedure that grants him little discretion and also gives the civil servant the right to appeal against the outcome of the decision. Consequently, even if a minister wields decision-making authority, the constraints upon its exercise may restrict the pool of eligible candidates he can choose from, and therefore, the possibilities to exercise political discretion are reduced.

The second domain of personnel policy over which a minister may be allowed to exercise political discretion refers to the determination of civil servant's levels of remuneration. In general, pay serves to impact on the motivation of employees to perform the best level of effort as desired by the principal. In this context, remuneration measures have the same purpose but they rather take on the form of positive (or negative) rewards ministers may use in the policy process. The characterisation of civil service employment systems as internal labour markets and the importance of varieties of social dialogues (Bosseart et al. 2001) for the determination of remuneration levels of members of the civil service is not conducive to the provision of formal political discretion. Firstly, in internal labour markets, wages attach to jobs rather than to individuals. Hence, civil service legislation does not define any residual decision-maker, as personnel policy outcomes are entirely determined by administrative rules. Secondly, the determination of pay levels either in form of collective bargaining or as a unilateral act of parliament does not leave any room for the adjustment of remuneration levels of individual civil servants. Therefore, we should expect that the rules stipulated in civil service legislation provide only few opportunities to exercise political discretion over the determination of an individual civil servant's wage level.

However, if a civil servant's wage level is not exclusively determined by the job classification, but also dependent on the civil servant's performance on the job, a minister may be authorised to 'adjust' a civil servant's wage. For instance, he may have the right to reward (good) performance of civil servants and grant a remuneration bonus to a civil servant. Moreover, because wages are attached to the job classification, a minister who can exercise a certain degree of political discretion over promotion decisions may reward a civil servant by means of promotion to a higher grade in the job classification. At the same time, like in the domain of personnel allocation, the minister's discretion to intervene into the determination of civil servants' remuneration level may be constrained by formal procedures or standards he has to meet prior to taking action. For instance, a standardised performance evaluation system with the right for civil servants to appeal against its outcomes and consequences highly restricts a minister's opportunity to adjust individual civil servants' remuneration levels.

In sum, civil service legislation can be analysed by assessing the specific set of personnel policy instruments as one among other instruments ministers can choose to apply in the day-to-day policy process in order to control civil servants. From this perspective, civil service legislation establishes institutional arrangements that determine varying levels of formal political discretion in the personnel policy domains of allocating civil servants to the administrative organisation and determining their levels of remuneration. Civil service legislation then serves both to enable and to constrain the exercise of political discretion on two key dimensions of both personnel policy domains. On the first dimension, it is simply a matter of *who* is authorised to take a personnel policy decision. For instance, is this the minister who can decide unilaterally, does he have to share the authority with other members of the government or with a body consisting of civil servants, or is a third party like an independent civil service commission responsible for the respective personnel policy decision. Hence, on the first dimension civil service legislation assigns varying degrees of decision-making authority over personnel policy to political and/or administrative institutions.

The second dimension refers to the restriction upon the exercise of this decision-making authority. These restrictions can be understood as procedural constraints. They include the existence of standards and formal procedures a minister or any other authorised (set of) actors has to follow before taking a personnel policy decision. Procedural constraints primarily serve to determine the size and nature of the pool of candidates a minister can choose from as well as they determine the rights of candidates potentially subject to the respective personnel policy decision. Moreover, a minister's decision-making authority may be further restricted by indirect constraints arising from civil servants' rights and duties upon their political and professional activities and upon the minister's ability to create vacancies for the allocation of civil servants by means of transfer and dismissal decisions in the first place.

Therefore, at the conceptual level, we can distinguish degrees of formal political discretion from high to low. Correspondingly, I define the degree of formal political discretion over personnel policy as the extent to which the government of the day, or its ministers, has the *possibility* to exercise personnel policy authority and the extent to which the exercise of this authority is subject to specific procedural constraints. Although US delegation studies do not make this distinction, I have emphasised the word 'possibility' because a high degree of formal political discretion does not mean that it is exercised in practice; rather it provides the means to do so.¹⁷ Therefore, after an assessment of the degree of formal political discretion inherent to civil service legislation, it is possible to move on to an assessment of the extent to which governments and their ministers have exercised the available political discretion in personnel policy processes.

In principle, delegation studies suggest that both the assignment of decision-making authority over personnel policy and the procedural constraints upon the exercise of this authority as defined in civil service legislation are two sides of the same coin. The delegation of decision-making authority then is the key variable, but it is the

¹⁷ Schnapp (2000: 29) recognises the distinction between the possibility to exercise political discretion and political discretion that is exercised in practice by defining what he calls 'formal politicisation' similar to the degree of formal political discretion as 'the possibility for the government of the day, or its ministers, to pick their top bureaucrats at will without major procedural obstacles'.

procedural constraints that complement and differentiate degrees of formal political discretion. It follows that as procedural constraints become less restrictive, the degree of formal political discretion increases. Therefore, I assume that civil service legislation that grants decision-making authority to members of the government and stipulates a minimum of or no procedural constraints is equivalent to the highest degree of formal political discretion. If a civil service commission is authorised to take personnel policy decisions, the same logic applies. The reason is that a minister may be able to exercise some kind of *indirect* political discretion, the less confining the procedural constraints on a personnel policy decision are. By contrast, the degree of formal political discretion is lowest, if personnel policy decisions are determined by non-political actors acting within a dense web of formalised standards and procedures or if decision are determined by administrative rules only, thereby eliminating any formal decision-maker in the implementation of personnel policy. Figure 2.1. summarises the discussion with an illustration of degrees of formal political discretion.

Figure 2.1. Degrees of Formal Political Discretion over Personnel Policy

Decision-making authority to determine the - allocation of civil servants within the administrative organization	Procedural Constraints upon the exercise of decision-making authority	Degree of Formal Political Discretion
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4. Four Types of Personnel Policy Regimes

Based on the concept of formal political discretion, it is possible to distinguish different types of personnel policy regimes. The term 'personnel policy regime' is appropriate because the common application in political science literature of different types of political regimes captures the aspects of institutional arrangements that structure the access to and the exercise of political power (Merkel 1999; O'Donnell/Schmitter 1986). Therefore, types of personnel policy regimes are conceived as institutional arrangements that structure the access to the specific set of personnel policy instruments and structure the way they are exercised. This perspective corresponds to the understanding that civil service legislation - or corresponding legislation, in case no civil service legislation has been adopted - consists of institutional arrangements that determine a degree of formal political discretion over personnel policy. These personnel policy regimes then differ with respect to the degree of formal political discretion and, hence, the extent to which formal-legal institutional arrangements allow the politicisation of personnel policy processes. However, the distinction between different types of personnel policy regimes also seeks to take into account the impact different sets of institutional arrangements may have on the emergence of particular patterns, which a potential politicisation of personnel policy processes may exhibit. The remainder of this part develops four ideal types of personnel policy regimes that can be distinguished on the basis of the two personnel policy domains and their institutional features as outlined above. The typology will be summarised in Table 2.1. below.

Before, however, one point of clarification has to be made. So far, the discussion has treated the civil service as if it consisted of one group of civil servants and, thus, it has ignored that civil service legislation usually distinguishes different categories or ranks of civil servants. Therefore, the degree of formal political discretion may differ from one group of civil servants to another and it is a matter of assessment whether and to what extent group- or rank-specific personnel policy regimes differ. Hence, it is important to note that the identification of a particular personnel policy regime does not necessarily refer to the entire group of senior civil servants let alone all civil

servants. Because an assessment of discretionary instruments built into civil service legislation directs attention primarily to the senior civil service, it is of interest to reveal the country-specific set of personnel policy regimes that govern the senior civil service and to assess its governance structure in relation to the wider civil service, especially the higher civil service. For the time being, I will present the typology as if the civil service consisted of one single undistinguished group of civil servants. However, from an analytical point of view, the concept of personnel policy regime can be applied for an assessment of the formal governance structure of the senior civil service as well as for others ranks of the civil service.

4.1. De-Politicised Personnel Policy Regimes

The degree of formal political discretion is lowest in personnel policy regimes that create the institution of a civil service in public law, define clear boundaries of the civil service and establish a distinct personnel management system with the following characteristics. Members of the government are formally the head of the civil service. However, in the domain of allocating civil servants to the administrative organisation, members of the government do not wield decision-making authority in neither the admission of new members to the civil service nor in the appointment of a civil servant to all positions functionally defined as civil service positions. Furthermore, members of the government are not authorised to determine or adjust individual civil servant's level of remuneration. Rather, personnel policy decisions in both domains are the result of civil service self-government and administrative rules that do not require a residual decision-maker in the day-to-day process of personnel policy-making.

At the same time, the implementation of personnel policy takes place within a dense web of formal procedures and standards that minimise opportunities for the exercise of indirect political discretion. Firstly, the admission of civil servants requires decision-makers to select candidates who meet a minimum set of criteria specified in legislation, in particular educational qualifications. Moreover, decision-makers have to follow a formalised recruitment procedure that allows for competition and grants

rejected applicants the right to appeal against the outcome of the recruitment process. Secondly, the decision to appoint civil servants to their respective position in the administrative hierarchy is either regulated by administrative rules through a system of promotion by seniority or requires the decision-making body to follow a formalised recruitment procedure inside the civil service, thereby limiting the pool of eligible candidates to internal applicants only. Thirdly, the level of remuneration of individual civil servants is either determined by administrative rules (job classification) only or requires the body authorised to adjust a civil servant's remuneration to follow a standardised performance evaluation procedure, which grants civil servants the right to appeal against the outcomes of the evaluation.

Furthermore, a personnel policy regime with lowest degrees of formal political discretion is distinct with respect to rights and duties of civil servants representing a context of additional though indirect procedural constraints for the exercise of indirect political discretion. Civil servants have the duty to explicitly demonstrate political neutrality and, hence, have neither minimum rights to pursue political activities nor are they in a position to demonstrate partisanship while performing their civil service job. Similarly, professional activities outside the civil service are prohibited except for certain artistic and intellectual activities. Finally, civil servants enjoy extensive protection against dismissal from the civil service as well as transfer from the position requires their consent.

In the domain of allocating civil servants this does not mean that members of the government have no influence over allocation decisions whatsoever. However, the decision to appoint civil servants, in particular, to the highest positions of the administrative organisation is effectively pre-determined by administrative rules or a body like a civil service commission. In the latter case, this body proposes - following an internal recruitment procedure - either a single or a small number of candidates to the political leadership who can eventually select among them and formally appoint them to the respective post. Hence, the admission of new members to the civil service is entirely removed from political decision-making authority, whereas selection and appointment procedures minimise the opportunity to exercise political discretion. At the same time, the political element in this type of personnel

policy regime is limited to formal leadership of members of the government over the civil service, which in turn may lead to some kind of informal anticipated reaction of the pre-selecting body in the day-to-day process of personnel policy to accommodate the preference of the political leadership.

We can label this set of institutional arrangements a 'de-politicised personnel policy regime'. The reference to the concept of politicisation sheds light on the potential impact of varying degrees of formal political discretion. In other words, because the degree of formal political discretion is lowest in this first type of personnel policy regimes, members of the government have little room to intervene into personnel policy and hence the potential for a politicisation of the civil service is very low. As a result, civil service legislation that establishes a de-politicised personnel policy regime does have the capacity to also de-politicise personnel policy processes. In the real world, we might argue that although the Parliament in the UK has not adopted a civil service Act, the senior civil service system approximates a de-politicised personnel policy regime most closely, especially when it comes to the exercise of political discretion (Kellner/Crowther-Hunt 1980; Rhodes 2001; Richards 1996).

4.2. Personnel Policy Regimes Allowing Structured Politicisation

The second type of personnel policy regimes displays a low to medium degree of formal political discretion. It differs from de-politicised regimes in three respects. Firstly, members of the government are authorised to appoint civil servants to their positions in the administrative hierarchy. At the same time, the exercise of this decision-making authority is constrained by explicitly limiting the pool of eligible appointees to internal candidates only, for instance, by stipulating a certain number of years an appointee has to be member of the civil service before becoming an eligible candidate. Hence, in principle, procedural constraints do not differ from the previous type in their implication that only internal candidates can be appointed to (especially senior) administrative office. Moreover, because the admission of new members to the civil service is subject to low levels of political discretion - as in the case of de-

politicised personnel policy regimes - members of government are confronted with an additional constraints upon the exercise of their appointment authority.

Secondly, whereas the membership of civil servants in the civil service is well protected, civil servants' positional appointment is not. In other words, members of the government can choose to transfer a civil servant without her consent but they cannot dismiss civil servants in order to create vacancies for new appointments. Thirdly, civil servants possess limited rights to political activities such as becoming party member which effectively allow them to openly take on political roles. On the other hand, civil servants are not allowed to simultaneously hold elected office or an official post in a political party. This feature complements the first three, as the possibility to exercise political discretion over the appointment and transfer of civil servants would practically be incompatible with high-level restrictions upon civil servants' rights to pursue political activities. As a consequence, this personnel policy regime selectively grants formal political discretion to members of government but generally maintains high levels of procedural constraints. Furthermore, remuneration levels remain beyond the reach of members of government and civil servants are obliged to forego alternative professional activities.

Consequently, we can distinguish this personnel policy regime from the former as one that allows 'structured or channelled politicisation'. This label takes into account that its institutional configuration grants political actors the opportunity to satisfy their short-term needs to mitigate agency problems by granting them rights to apply selected personnel policy instruments in the policy process. At the same time, the exercise of this discretion is highly restricted, in particular, because procedural constraints pre-structure the pool of eligible candidates. I suggest that the senior civil services of Germany and France represent two real-world cases that correspond largely to a personnel policy regime that allows structured politicisation (but see also my Conclusion below). Like in the British case, especially senior personnel policy processes tend to reflect a structured politicisation (Derlien 1988; Elgie 2001; Mayntz/Derlien 1989; Rouban 1999).

4.3. Personnel Policy Regimes Allowing Open Politicisation

The third ideal type of personnel policy regimes is characterised by medium to high levels of formal political discretion. It differs from the previous two in several respects. Firstly, civil service legislation does not only authorise members of government to appoint civil servants to their position, but also grants them decision-making authority in the admission of new members to the civil service. At the same time, procedural constraints for both the admission and the appointment of civil servants are soft. As regards the admission of new members to the civil service, entry criteria, in particular, minimum educational qualifications, are defined, but the absence of a formalised recruitment procedure allows decision-makers to 'tailor' job tenders or to entirely avoid the disclosure of vacancies in the civil service. Moreover, when it comes to the appointment of civil servants to their position, decision-makers are free in their choice between internal or external candidates. Hence, either appointment criteria are not defined at all or they are sufficiently open to include external candidates with the respective entry criteria in the pool of eligible candidates. As a consequence, the distinction between admission and appointment becomes blurred and nominal only.

Secondly, although a job classification has been established and wages are determined accordingly, i.e. by administrative rules, civil service legislation provides members of government with one or several mechanisms to 'adjust' an individual civil servant's level of remuneration. Moreover, procedural constraints upon the exercise of this discretion are weak, as the adjustment is not linked to a standardised performance evaluation system but depends on the subjective judgement of the authorised member of government and an appeal possibility for the civil servant is lacking. As a consequence, the mechanisms to 'adjust' individual civil servants' level of remuneration have the potential to (entirely) offset the administrative rules defined in civil service legislation as a standard procedure for the determination civil servants' wages.

Thirdly, members of government are less restricted in the exercise of decision-making authority by indirect constraints when compared to decision-makers in a

personnel policy regime that allows structured politicisation. On the one hand, this type of personnel policy regime also shares certain restrictions upon civil servants' political activities and a lacking protection of positional appointments, as transfers within public administration do not require a civil servant's consent. In contrast, however, civil servants are also allowed to pursue professional activities outside the civil service or the civil service legislation provides one or several exceptions to undermine the otherwise stipulated prohibition. In particular, civil servants are permitted to pursue alternative professional activities subject to the consent of members of government as the institution formally authorised as decision-maker in the personnel policy domain of determining civil servants' levels of remuneration. Finally, although the civil service legislation provides for permanent tenure, it includes one or several mechanisms for ministers to dismiss members of the civil service; possibly with few restrictions upon unilateral exercise of political discretion.

As a consequence, we can distinguish this personnel policy regime from the previous two by its lack to structure the potential politicisation of personnel policy and, hence, by the potential to allow 'open politicisation' of personnel policy processes. On the one hand, this personnel policy regime is established through civil service legislation in public law, it draws boundaries of the civil service and sets up a personnel management system that at first glance shares many features of the first two regime types outlined above. On the other, it tends to either assign considerable decision-making authority directly to members of the government or complements non-political personnel policy processes by means of one or several exceptions granting high levels of formal political discretion. Moreover, the lack or vagueness of procedural constraints increases the level of formal political discretion inherent to this type of personnel policy regime. As a result, for the outside observer, the potential politicisation of the civil service may be more of a hidden than an obvious nature. However, if we want to account for the potential impact of these institutional arrangements, we have to recognise that this type of personnel policy regime establishes a highly permeable boundary between politics and administration and allows governments, or their ministers, to openly politicise personnel policy processes by filling the (especially senior) administrative positions from above and from outside. In the real world, the civil service developments in Central and Eastern

Europe discussed briefly in Chapter 1 suggest that post-communist civil services may approximate this type of personnel policy regime both at the level of formal-legal governance structure and at the level of personnel policy processes.

4.4. Personnel Policy Regimes Allowing Unbounded Politicisation

Finally, a fourth personnel policy regime that displays highest levels of formal political discretion can be distinguished from the previous three types. At first glance, the key difference vis-a-vis the other three types of personnel policy regimes is its lack of a separate legal framework that establishes the institution of a civil service. Instead, administrative personnel is primarily regulated by labour legislation, which also applies to employees in the private sector. As a consequence, there is neither a limited scope of the civil service nor is there a personnel management system that applies uniformly across public administration employees. We are likely to see personnel management systems that apply to distinct administrative units and may differ from one unit to another. Hence, we might observe fragmented and incoherent personnel management systems.

Most important, these features have implications for the degree of formal political discretion because the employment relationship between the administrative unit and an employee is similar to private sector arrangements. Consequently, members of government as constitutionally defined heads of distinct administrative organisations are exclusive holders of decision-making authority over both personnel policy domains and the restrictions upon its exercise are effectively none due to the general lack of formalisation. Although, for instance, specific educational standards are defined in secondary legislation, these standards are neither compulsory nor enforceable. Put simple, employment is at will, subject to restrictions posed by labour legislation only. Moreover, decision-makers are not restricted by indirect constraints because civil servants are neither restricted by any obligations upon their political and/or professional activities nor do they enjoy any particular protection of their job. Instead, civil servants can simultaneously hold official posts in political parties, they

can be appointed or elected to office in other branches of the state, and, in principle, they can take on jobs in addition to their employment in public administration.

Therefore, we can distinguish this type of personnel policy regime from the other three as one that allows an 'unbounded politicisation', given the lack of any differentiation between politics and administration. Obviously, Central and Eastern European countries before adopting civil service legislation and those countries that have not yet adopted any legislation approximate this type of personnel policy regime. Moreover, in principle, there is no reason to omit the 'real-existing socialist administration' (König 1992) from this typology of personnel policy regimes because it approximates this ideal personnel policy regime quite closely both in institutional terms and in terms of personnel policy processes. Hence, we can argue that the personnel policy regime featuring the real-existing socialist administration represents the polar opposite type to the ideal de-politicised personnel policy regime outlined above. Table 2.1. summarises the key features of the four types of personnel policy regimes.

Table 2.1. Four Types of Personnel Policy Regimes and Potential Patterns of Politicisation

Regime Type	De-politicisation	Structured Politicisation	Open Politicisation	Unbounded Politicisation
Legal status	Special civil service legislation	Special civil service legislation	Special civil service legislation	No special civil service legislation
Authority over admissions	Administrative actors	Administrative actors	Members of government	Members of government
Constraints upon authority over admissions	Compulsory educational standards; Formal recruitment procedure including competitive examinations; Rejected candidates have right to appeal	Compulsory educational standards; Formal recruitment procedure including competitive examinations; Rejected candidates have right to appeal	Compulsory educational standards; No Formal recruitment procedure; No right to appeal	No compulsory educational standards; No Formal recruitment procedure; No right to appeal
Authority over appointments	Administrative actors	Members of government	Members of government	Members of government
Constraints upon Appointment Authority	Promotion by seniority or recruitment procedure internal to the civil service	Appointees must be recruited from inside the civil service; Certain number of years are required	No specific constraints apart from admission criteria	No specific constraints
Authority over remuneration	Administrative actors or no residual decision-maker	Administrative actors or no residual decision-maker	Administrative actors or no residual decision-maker, but members of government have authority to adjust remuneration levels.	Members of government
Constraints upon Remuneration Authority	If adjustment is possible, only on the basis of standardised performance evaluation; Civil servants have right to appeal	If adjustment is possible, only on the basis of standardised performance evaluation; Civil servants have right to appeal	No constraints upon adjustment; No right to appeal	No constraints upon remuneration authority; No right to appeal
Protection of civil service membership	Permanent tenure; Dismissal only in exceptional cases	Permanent tenure; Dismissal only in exceptional cases	Permanent tenure, but one or several exceptions to justify dismissal	Employment at will; Dismissal possible at all times without giving reasons
Protection of positional appointment	Transfer requires consent of civil servant	Transfer does not require consent of civil servant	Transfer does not require consent of civil servant	Transfer does not require consent of civil servant
Civil servants' political activities	Political activities are explicitly prohibited	Political activities are permitted, except simultaneous holding of political and elected office at central level	Political activities are permitted, except simultaneous holding of political and elected office at central level	Political activities are permitted, including simultaneous holding of political and elected office
Civil servants' professional activities	Other professional activities are explicitly prohibited	Other professional activities are explicitly prohibited	Other professional activities require consent of members of government or head of agency	Other professional activities are permitted
Degree of formal political discretion	<i>Lowest</i>	<i>Low to medium</i>	<i>Medium to high</i>	<i>Highest</i>

5. Discussion and Conclusion

This Chapter has developed the concepts of formal political discretion and personnel policy regimes based on the body of delegation studies as tools for the comparative analysis of civil service systems. Firstly, it is important to bear in mind that the degree of formal political discretion and, hence, the type of personnel policy regime may differ from one group of civil servants to another. Therefore, it is important to disentangle the structure of the civil service and to identify the group or rank specific personnel policy regime. For instance, above I suggested that the German senior civil service approximates a personnel policy regime that allows structured politicisation. However, at closer scrutiny, this statement does not apply to the entire senior civil service. Rather, we have to take into account that the governance structure of the highest state secretary position in the German ministerial hierarchy allows open politicisation because ministers are free to choose candidates from inside and outside the administration and the appointment does not require the approval of the Federal Civil Service Commission (Derlien 1988). Moreover, if we compare the prevailing governance structures of Western European civil service systems, we find that it is in fact only the senior civil service systems that differ when viewed through the lens of formal political discretion (see Page/Wright 1999). By contrast, the degree of formal political discretion for the wider, non-managing civil servants is generally low and the differences across Western Europe are negligible when viewed through the lens of formal political discretion (Auer et al 1996; Bossaert et al 2001). Hence, an assessment of civil service systems in Western Europe would probably reveal that senior civil service systems fall primarily into either the category of a personnel policy regime that allows structured or de-politicisation and a few important exceptions would fall into the category that allows open politicisation. In contrast to senior civil service systems, the wider civil service in Western Europe would fall into the category of de-politicised personnel policy regimes. In Central and Eastern Europe, by contrast, we are not in a position to draw such a general conclusion. Instead, the only general statement we can make at this point is that at the time of regime change a personnel policy regime that allows unbounded politicisation is the

starting point of institutional reforms and that the entire personnel system of public administration falls into the same category.

Secondly, there is an important implication for the study of personnel policy processes that results from the understanding of degrees of formal political discretion. As indicated above, a high degree of formal political discretion does not mean that governments exercise this discretion in practice. When looking at personnel policy regimes in Western Europe, it becomes obvious that the institutional basis does not necessarily equal personnel policy practice. For instance, like in Germany, the legal basis for the appointments of *directeur d'administration* and *directeur de cabinet* in France allows governments to openly politicise personnel policy for these top positions in the ministries. In practice, however, French governments tend to follow a personnel policy strategy of structured politicisation because the overwhelming majority of top level appointments is recruited from the senior civil service rather than outside public administration (Knapp/Wright 2001; Rouban 1999). Hence, from the perspective of the present discussion, the very top ranks of the French senior civil service combine features of a personnel policy regime that allows open politicisation and personnel policy processes that reflect a structured politicisation.

In general, governments that operate under personnel policy regimes with high degrees of formal political discretion have therefore more opportunities to apply personnel policy instruments in the day-to-day policy process than governments who operate under personnel policy regimes with low degrees of formal political discretion, but it does not necessarily mean that the former will eventually use their discretionary powers. Rather, a high degree of formal political discretion gives them the opportunity to exercise political discretion. As a result, we can understand the degree of formal political discretion as a possibility frontier for governments to use personnel policy instruments in the policy process and it is a matter of empirical investigation whether and to what extent governments do exercise formally granted political discretion over personnel policy (see Figure 2.2. the shaded area indicates that governments cannot exercise political discretion).

Figure 2.2. Possibility Frontier built into Personnel Policy Regimes

Political Discretion that can be exercised by governments	Personnel Policy Regime			
	De-politicisation	Structured politicisation	Bounded politicisation	Unbounded politicisation
De-politicisation				
Structured politicisation				
Bounded politicisation				
Unbounded politicisation				

Consequently, the typology of personnel policy regimes can also serve as an instrument to assess governments' personnel policy strategies, as it is possible to formulate patterns of personnel policy that may occur under different personnel policy regimes. However, this also implies that a de-politicised personnel policy

ity to prevent the politicisation of personnel policy regime allows the bounded politicisation of personnel to de-politicise personnel policy. The three regime types provides a set of discretionary instruments that governments can use them to determine the result, if a de-politicisation of the last three regime types, it can be concluded that has been adopted or has been implemented surround governments' personnel

of formal political discretion and governments to evaluate the civil service. If politicians have exercised their

regime is the only regime type that has the capacity to prevent the politicisation of personnel policy processes. By contrast, if a personnel policy regime allows the bounded politicisation, open politicisation or unbounded politicisation, the capacity of civil service legislation to prevent the politicisation of personnel policy processes gradually weakens, as each of these regime types provides governments and their ministers with distinct sets of discretionary instruments that vary with respect to the extent and the way the outcomes of personnel policy processes. As a personnel policy processes occurs in either of the last three regime types, it can be concluded that has been adopted or has been implemented surround governments' personnel policy decisions.

In sum, we can conclude that the concepts of personnel policy regime are flexible enough instruments to assess the extent to which executive systems and to assess the extent to which executive

legislation to directly de-politicise personnel policy processes is limited to cases, in which a de-politicised personnel policy regime has been established. The next Chapter turns to the development of a theoretical framework that serves to explain how and why governments and their ministers may choose to build higher or lower degrees of formal political discretion into the formal-legal frameworks governing the civil service.

Chapter 3

Expertise, Trust and Incentives: An Informational Rationale of Discretion in Civil Service Systems

1. Introduction

The discussion of second generation delegation studies at the beginning of the last Chapter suggests four variables that may cause governments to either reduce or increase the degree of formal political discretion built into civil service legislation. Firstly, governments may want to minimise the degree of formal political discretion in order to overcome

- problems of informational uncertainty;
- problems of credible commitment; and/or
- problems of conflict among multiple principals.

Alternatively, governments may prefer to maximise the degree of formal political discretion in order to overcome

- problems of policy conflict between political principals, i.e. governments and bureaucratic agents.

So far, the choice of civil service institutions, especially the choice of discretionary instruments built into civil service legislation has received relatively little attention in the literature on delegation and governance in liberal democracies. An exception is Horn's (1995) transaction costs approach to institutional choice in the public sector. Horn (1995) identifies legislators' problems of agency and problems of credible commitment towards constituent voters as the driving forces towards the establishment of what Horn (1995) calls modern merit civil services, which happen to share many features of a de-politicised personnel policy regime. This Chapter therefore begins with a discussion of Horn's (1995) approach to the choice of civil service institutions. It argues that the problem of commitment is a convincing reason

for legislators to minimise the degree of political discretion over personnel policy as long as we are addressing the governance structure of bureaucrats who are primarily concerned with the implementation of more or less clearly stated policy goals. By contrast, legislators' commitment problem appears to be at odds with the task profile of ministerial bureaucrats in higher and senior ranks who are mainly responsible for the 'production' of legislation rather than its implementation (Mayntz/Scharpf 1975). Therefore, the first part concludes that an emphasis on the commitment problem is implausible for explaining why political principals may have an incentive to forgo the possibility to intervene into personnel policy, in particular at the higher and senior level.

Contrary to Horn (1995), the second part of this Chapter develops an explanation that is based on the logic of informational theories of legislative choice. Hence, it places political principals' problems of uncertainty at the centre of analysis. The first section discusses a basic constellation of actors that arises in the executive of parliamentary democracies after a change in government. On the one hand, it emphasises incoming governments' problems of uncertainty about the consequences of policies they choose on outcomes they desire. On the other hand, it points to senior bureaucrats as policy specialists relative to the members of the new government. The second and the third section discuss the conditions under which incoming governments are able to tap the expertise of senior bureaucrats in office in order to reduce problems of uncertainty and their implications for the choice of higher or lower degrees of formal political discretion built into civil service legislation.

In a nutshell, I argue that incoming governments will only be able to take advantage of existing bureaucratic expertise, if they can trust the senior bureaucrats in office and if they can credibly commit towards bureaucrats that they will not intervene into personnel policy. However, this implies that governments have to establish or maintain personnel systems with low degrees of formal political discretion. By contrast, if incoming governments are troubled by a problem of political trust towards senior bureaucrats, they will not have an incentive to rely on the expertise of inherited senior bureaucrats. Moreover, if governments are unable to credibly commit towards non-intervention into personnel policy, bureaucrats that stay in office will

have no incentive to share their expertise with incoming governments. Both conditions are based on the logic of informational theories of legislative choice. The first condition is compatible with second generation delegation studies, which suggest that problems of policy conflict reduce political principals' incentive to delegate authority to bureaucratic agents. By contrast, the second condition builds on first generation delegation studies that tend to work with the assumptions of standard agency theory.

The last section of the second part discusses the impact of personnel policy regimes that are in place when governments take office on the nature of their problems of political trust, their personnel policy strategies and bureaucrats' incentive to be informative. The discussion concludes that status quo regimes develop strong reproductive effects upon the problems and actions that are taken by governments and bureaucrats. As a consequence, institutional reform pressures towards either a reduction or an increase of the degree of formal political discretion built into a personnel system will only occur in particular circumstances such as a polarisation of party competition or the inability of incoming governments to replace mistrusted bureaucrats. In addition, the change of an existing personnel policy regimes is conditional upon the absence of reform opponents with veto power, which implies that conflict among multiple principals has - contrary to the argument raised by second generation delegation studies - only an indirect effect upon the choice of personnel policy regimes.

2. De-politicising Modern Civil Services: Politicians' Response to Problems of Commitment towards Constituent Voters?

So far, the institutions of the civil service have received relatively little systematic attention in the study of delegation and governance in liberal democracies. The one exception is Horn's (1995) explanation of the 'modern merit civil service' in the context of his more general transaction costs theory of institutional choice in the

public sector.¹⁸ Horn (1995: 95-96) seeks 'to explain the characteristic features of the merit civil service', all of which are formal rules defined in legislation. Among the institutional arrangements, he includes, are:

- 'appointment by competitive examination and restrictions on dismissal',
- security of tenure,
- some protection of the internal labour market of the civil service against competition from the external labour market,
- a compensation in which pay is linked to a job classification,
- promotion on the basis of seniority,
- deferred compensation, that is, payment of officials is below marginal productivity in the early stages of their career and above productivity in later stages,
- a prominent role of pensions, and
- the administration of civil service rules by an independent regulatory agency, commonly known as some kind of civil service commission.

If translated into the typology of personnel policy regimes developed in the last Chapter, then Horn's (1995) modern merit civil service shares many features of a de-politicised personnel policy regime, in particular, if we take into account the strong emphasis he places on the restrictions upon political interference into personnel policy. Horn (1995) argues that these "civil service arrangements survive because they help enacting legislators solve the transaction problems they face, especially commitment and agency problems. In addressing the agency problem, the enacting legislature will look for arrangements that promote the selection of administrators who have the incentives to administer legislation in the way the enacting legislature intended. In addressing the commitment problem, the enacting legislature will also want administrative arrangements that explicitly limit the extent to which future legislatures can control administrative outcomes. If the merit civil service helps address the commitment problem, then it will always look less responsive to the current legislature, and the interests it represents, than some alternative institutional

¹⁸ In fact, Moe/Caldwell (1994) also analyse the civil service in presidential and parliamentary systems. However, they are much more concerned with building a general theory of bureaucratic structure, giving only brief and rather general attention to the civil service.

arrangement, like patronage. The merit civil service will be more responsive, however, to the interests represented at enactment (Horn 1995: 95)."

Horn (1995) contrasts the merit civil service with the patronage system and traces its origins with empirical reference to American civil service reforms between the late 19th century and the New Deal era. In fact, when viewed through the lens of the concepts of formal political discretion and personnel policy regime, the institutional features of the patronage system are very similar to a personnel policy regime that allows unbounded politicisation as it existed at the outset of the change of regime in Hungary and other Central and Eastern European countries. He argues that legislators have electoral incentives to overcome unstable, discriminatory and corrupt practices of public administration operations and management that are produced by the patronage system. Hence, in order to improve their electoral support, legislators look for institutional arrangements that credibly restrict future opportunities to 'abuse' their own positions for office trading and assure that legislation continues to be administered by appointed officials broadly sympathetic to the interests of the enacting coalitions. As a consequence, legislators find it beneficial to tie their hands by taking away their ability to hire and fire appointed administrative personnel and to delegate authority for the administration of personnel policy to an independent regulatory agency (Horn 1995: 101-103).¹⁹

Addressing the problem of commitment in particular by eliminating legislators' opportunities to appoint and dismiss administrators at will goes directly at the expense of their opportunity to contain the agency problem. From the perspective of trying to solve the commitment problem, non-compliance by administrators means that they fail to be responsive to the interests representing the enacting coalition of legislators. In other words, Horn (1995) suggests that the governance structure of the agent is supposed to 'produce' a type of civil servant that demonstrates a strong status

¹⁹ Horn illustrates legislators' incentive to assure the administration of legislation as desired by the enacting coalition by example of the Roosevelt administration. "More than 80 percent of the 250,000 government employees hired during Roosevelt's first term were exempted from the civil service. Roosevelt then introduced legislation to extend merit protection to his liberal appointees." Quoting Milkis (1987) he continues "that Roosevelt feared that the New Deal 'liberal era' might not outlast his administration, and that his extension of the merit system was directed at protecting New Deal policies

quo orientation in the implementation of legislation (unless the interests of the groups favoured by the enacting coalition change their preferences). Horn (1995: 106) argues that "the characteristic features of the merit system act together to reduce 'shirking' by administrators. This is achieved by strengthening hierarchical control and hence the influence of senior management in general and bureau heads in particular."

Horn advances two factors that ensure a status quo orientation of senior officials. Firstly, "administrators are assumed to want to maximise some combination of lifetime income and leisure, which implies that they have no policy preferences per se" (p. 10). As a consequence, senior officials may have a natural "preference for a quiet life and an aversion to controversy" (p. 107) and hence will avoid conflict with their political superior whenever they can. Moreover, continuous interaction between the bureau and client groups induces senior officials to be and remain responsive to their demand (rather than to a changing political leadership). Hence, the close and continuous relationship between interest groups and senior officials ensures that the implementation of policy remains status quo biased.

Secondly, Horn refers to Miller (1992) who argues that it is impossible to solve the agency problem within any hierarchical organisation by means of formal contractual and incentives systems unless the leaders of the organisation can elicit the co-operation of their subordinates. Accordingly, Horn (1995: 108-110) argues that senior officials will be unable to effectively perform their job, if they do not gain the co-operation of their subordinates. However, a preference of middle and lower ranks in the civil service for political neutrality resulting from the expectation to work for political leaderships of different parties during their career will cause them to favour the implementation of policy as intended in the original legislation.²⁰ Therefore, pressure from below and the necessity to achieve co-operation from subordinate staff

from the uncertainties of popular opinion and election results. ... [It] was one way to perpetuate the policies of his administration (1987: 447)."

²⁰ Horn (1995) does not explicitly define different ranks of civil servants. However, in accordance with conventional distinctions, I refer to senior ranks as civil servants in managing positions and higher ranks as civil servants whose career may lead to the senior ranks. Below, I will call these higher civil servants or higher ranking bureaucrats also as 'second tier bureaucrats'. By contrast, middle and lower ranks have only in exceptional cases the opportunity to reach the higher or senior ranks.

provide additional incentive for senior officials to implement legislation in a politically neutral way and responsive to the enacting coalition of legislators.

As a consequence, Horn's (1995) line of argumentation suggests that the burden of proof is partly shifted to the desired impact of a merit system governance structure on the middle and lower ranks of the civil service to exhibit political neutrality and status quo orientation in policy implementation. Horn (1995: 111) argues that a potential problem of agency is effectively addressed by "competition among officials for promotion that provides the best opportunity to influence their behaviour. Civil service rules regulate competition, just as the legal system regulates competition in the private sector." Four features of civil service rules stand out to provide incentives for civil servants to behave in the way desired by enacting legislators. Firstly, entry criteria based on educational qualifications, training and examination requirements serve to create a self-selecting mechanism and to sort out suitable from unsuitable candidates. Secondly, the classification system that assigns wages to jobs rather than individuals serves two purposes. As regards the features of deferred compensation during one's career plus a generous pension after the conclusion of one's career serve to discourage shirking because a civil servant foregoes higher income in later stages of the career if she gets caught. Similarly, Horn (1995) argues that a promotion system that allows competition for promotion to higher categories serves to select the most suitable civil servants to the top positions. Finally, security of tenure serves several purposes. It provides an incentive for civil servants to behave politically neutral given the expectation that they will serve many political leaders during their career. Conversely, Horn (1995: 109) suggests that failure to exhibit political neutrality damages their reputation as an able adviser and administrator of policy. This in turn undermines their prospect of gaining promotion to higher categories and senior posts. Moreover, security of tenure is intended to attract risk-averse individuals, who are assumed to be less inclined to shirk and who tend to favour a status quo oriented administration of policies. Finally, security of tenure to civil servants simultaneously serves to limit legislative influence and hence grants civil servants some degree of independence from legislators' intervention in the administration of policy.

Horn's (1995) argument is plausible as far as legislators' strategy to contain the agency problem is concerned. However, it is not when considering that legislators' problem of commitment towards constituent voters shall be the key variable that causes their incentive to forgo the possibility to intervene into personnel policy, i.e. to institutionalise a low degree of formal political discretion. Firstly, in his explanation, Horn (1995) effectively ignores that 'modern merit civil services' differ across countries with respect to the extent to which legislators may intervene into personnel policy processes. On the one hand, he makes restrictions upon the appointment and dismissal of senior officials a hallmark of his conceptualisation of the civil service arguing that "[t]ying legislators' hands will only leave constituents better off (...), if these [senior] officials are more likely than subsequent legislative coalitions to protect the interests represented at enactment" (Horn 1995: 106). On the other hand, Horn (1995: 109-111) recognises that this is not the case in some countries and he mentions the US and Germany as examples and argues that political appointments are generally of little relevance because politically appointed senior civil servants will not be able to pursue their (politically induced) policy preferences as a result of the need to establish a co-operative relation with their subordinates.²¹ This argument suggests that either the emphasis on hierarchical control by senior officials is contradictory or that legislators in countries like the US and Germany have (so far) made irrational decisions, as they cannot take advantage of improved commitment in relation to the electorate nor can they assert political control. Consequently, it appears questionable to what extent legislators' problem of commitment towards voters helps to explain the institutionalisation of low degrees of formal political discretion over personnel policy.

There is in fact no agreement in Political Science when and to what extent the ability to credibly commit towards voters is really a problem for politicians. Shepsle (1991: 250), one of the most active researchers on the aspect of credible commitment, for instance, argues that "both the inability of government to commit and its disabled capacity to uncommit (that is, the lack of flexibility) are serious problems". He goes

²¹ Horn argues that "[e]ven in the United States, politically appointed officials often appear to either end up supporting, or failing to change, the administrative behaviour of their subordinates. This appears to have much to do with the need of political appointees to elicit the co-operation of their subordinates" (Horn 1995: 110).

on that "governance (the capacity to commit to policies) and representation (the capacity to respond to majorities) are sometimes at odds and that institutional shortcomings in the latter respect have gotten much press and attracted the passions of reformers, but that the former constitutes (...) a worthy objective, too" (Shepsle 1991: 256). Correspondingly, I agree that politicians' ability to credibly commit to their decisions is an important problem in many policy areas, in particular, economic policy and market regulation. Conversely, I would argue that the civil service as a particular area of administrative policy is not necessarily subject to the commitment problem.

When discussing the problem of commitment in his theoretical framework, Horn (1995: 18) explicitly raises his concern with the problem of 'administrative tinkering'. "[T]he real threat to the durability of the enacting coalition's deal is that future legislators will undermine the value of the legislation by altering the way it is administered or enforced". From this point of view, it is clear that Horn (1995) is generally concerned with the implementation of policy and crucially with its continuous, faithful and predictable implementation. Continuity and predictability have been held in high esteem in the study of public administration at least since Weber's writings at the beginning of the 20th century. It is also a very reasonable assumption to expect politicians to benefit from addressing public outcry over corrupt street-level bureaucrats or clientelist practices in public service delivery and to tackle this problem by means of civil service policy.

By contrast, senior and higher civil servants in the ministerial bureaucracy are less concerned with the implementation of legislation. Rather, especially, studies of bureaucrats' role perceptions suggest that senior bureaucrats tend to take on important roles in policy formulation and, hence, they are 'producing' legislation (Aberbach et al. 1981). They tend to fulfil a staff function and their activities cannot be highly routinised, that is, they cannot be directed by generalised rules except to some extent in procedural terms. As a consequence, the distinction between goal setting and implementation becomes at best blurred. Horn's argument that institutional arrangements governing the senior and the higher civil service are crucial in ensuring politicians' credible commitment towards citizen voters then turns out to be highly

problematic. If the 'production' of legislation (Mayntz/Scharpf 1975) is the central concern of the upper ranks, then a goal such as 'durability of legislation' makes little sense. Moreover, Horn's (1995) attempt to induce them with a status quo preserving orientation may become dysfunctional, in particular, in the eyes of political officials who take office with an electoral mandate to change existing policies, that is, with a mandate to 'un-commit'.

Therefore, Horn's (1995) argument that the relation between his characteristic features of the modern merit civil service and politicians' problem of commitment may be plausible with respect to the lower and possibly middle ranks of the civil service or even heads of agencies that are primarily dealing with the implementation of clearly stated policy goals, for instance, directors of central banks. Moreover, note that the institutional configurations of Western civil services present a much more homogenous picture, if we look further down the hierarchy (see for instance, Bosseart et al. 2001). By contrast, it is less plausible why legislators should have an incentive to restrict their possibilities to exercise political discretion towards senior and higher ranking bureaucrats due to a problem of commitment towards constituent voters.

3. An Informational Rationale of Civil Service Reform: The Basic Explanatory Framework

3.1. Governments, Bureaucrats and Problems of Uncertainty

In contrast to Horn (1995), I suggest that the choice of civil service institutions that formalise restrictions upon the exercise of political discretion over personnel policy can be well explained with respect to politicians' problems of informational uncertainty. Horn (1995) also acknowledges that the institutional features of the merit civil service may have resulted out of a desire to 'improve the competence of administrative personnel', hence, to overcome problems of informational uncertainty. However, he dismisses this possibility arguing that "[t]hese considerations are likely to have played a role. It is, however, very difficult to distinguish clearly between a desire for "competence" and a desire to constrain legislators (and the "neutrality" implied by that)". Moreover, he goes on to say that "[i]f administrative competence is

the sole objective, then it is difficult to explain the precise nature of the restrictions imposed by civil service rules. Civil service employment arrangements are not common in the private sector. Private firms have an incentive to hire competent employees but few would (...) hire simply on the basis of ranking on examination boards. Nor would they prohibit hiring more than two people from the same family" (Horn 1995: 104). Contrary to this view, the remainder of this Chapter shows that governments' desire to overcome problems related to policy-making uncertainty are critical to understand why politicians should be willing to tie their hands towards civil service management. To this end, it develops an explanatory framework that is based on the logic of informational theories of legislative choice.

Informational theories of legislative choice direct their attention towards the impact of legislators' problems of informational uncertainty on the organisational design of legislatures. The key feature of informational theories is the assumption that legislators in games with incomplete information are fundamentally outcome-oriented. Policies and outcomes are regarded as distinct. Policies or laws are subject to legislative choice. By contrast, outcomes are assumed to be a consequence of policies upon their enactment and implementation. As a result, the essence of informational theories of legislative choice is that "legislators are initially uncertain about the relationship between policies (which they see and choose directly) and outcomes (which they can only forecast as a function of the policy under consideration and a random variable). (...) The outcome (consequences of the implemented policy) coincides with a legislator's expectation only to the extent that she has precise information about how a policy is transformed into a final outcome or, alternatively, how a law is implemented and its consequences are felt" (Krehbiel 1991: 67). This implies that the kind of incomplete information about the consequences of policies upon outcomes refers exclusively to policy information, that is, the technical aspects of a policy as opposed to political information, which concerns legislators' knowledge of other legislators' preferences.

Secondly, informational theories of legislative choice seek to capture that usually legislators have diverse skills, different expertise when it comes to policy-making or simply find different policy areas interesting. Hence, some legislators are assumed to

be better informed about the effects of policies upon outcomes than other legislators, but the assumption of asymmetric information implies - as in agency theory - that legislators with superior knowledge may have an incentive to use their information strategically in order to reach outcomes that are closest to their most preferred outcomes. As a consequence, the challenge of a group of legislators that is plagued with problems of incomplete information is to devise strategies that tap the diverse expertise of its members in a way that it minimises both the uncertainty associated with a policy under consideration and the distributional losses that may arise from expert legislators' strategic use of information at the expense of the majority.

The logic of informational theories of legislative choices as one variant of the new economics of organisations can be well transferred to the relationship between politicians and bureaucrats in parliamentary democracies. Again, I will restrict myself to parliamentary democracies because the new democracies in Central and Eastern Europe are either of a parliamentary or semi-presidential type. Consider a situation in which a government is replaced by another and has to consider whether or not to work with the senior bureaucrats, i.e. bureaucrats in managing ranks that are in office at the time of its investiture. On the one hand, it is probably no point of contention that every new government and its ministers in every parliamentary democracy is usually confronted with problems of uncertainty when it comes to the formulation of policies to solve corresponding policy problems. Governments usually take office with a set of policy goals that are formulated in party manifestos or governments have to develop legislation in order to respond to suddenly arising crisis situations. In either case, new governments can be assumed to be initially uncertain about the relationship between the policies they consider and choose and the outcomes, which they expect as a result of the enactment and implementation of the policy.

On the other hand, senior bureaucrats inherited from the previous government can unambiguously be labelled as policy specialists at least relative to the incoming government. Although the bureaucrats in office are unlikely to be able to reduce all uncertainty that surrounds the policy goals of the new government, they will inevitably have superior information about the details and ramifications of existing policies, which they have either prepared under the previous government or

administered on a continuous basis. Moreover, inherited bureaucrats possess important procedural knowledge about the way policies are formulated and how future policies can be administered simply due to their experience in office. In fact, the (relative) specialist label applies to all senior bureaucrats that are in office at the time of a new government's investiture regardless of their professional or career background. Hence, even without invoking the Weberian features of public bureaucracies, it is unquestionable that bureaucrats in office have superior technical and procedural information at the time of a new government's investiture, which puts them into a specialist position relative to the new government.²²

As a consequence, every new government has a natural interest in the specialist information of the bureaucrats that are in office at the time of its investiture.²³ However, I argue that new governments will only be able to take advantage of existing bureaucratic expertise, if they are able to solve two problems. The first problem is compatible with informational theories of legislative choice as well as with second generation delegation studies. It takes the perspective of the incoming government and refers to 'problems of policy conflict' between incoming government ministers and inherited senior bureaucrats (Huber/Shipan 2002). Below, I take a more conventional interpretation of this problem and label it governments' problem of political trust (see Page/Wright 1999). The second problem is more compatible with standard agency theory. From the perspective of senior bureaucrats, it refers to their incentive to share the information with the new government and to possibly invest in the development of further expertise in order to help alleviate the incoming government's problem of uncertainty. Hence, if bureaucrats have no incentive to be informative, governments have a problem of inducing bureaucratic informativeness. Below, I argue that governments can overcome the problem of bureaucratic informativeness, if they forgo the possibility to intervene into personnel policy, i.e. if they reduce the degree of formal political discretion over personnel policy.

²² Admittedly, this assumption does not explicitly take into account the insight of recent studies of West European core executives, which emphasise the importance of information and expertise in the area of political management or 'political craft' in the process of co-ordinating government policy (Hayward/Wright 2002; Goetz 1997; Peters/Rhodes/Wright 1999).

²³ Note for instance the British convention that the files of the outgoing minister are not passed on to new ministers. Kellner/Crowther-Hunt (1981) mention this as a major problem for new ministers to

3.2. Problems of Political Trust and the Choice of Personnel Policy Strategies

Informational theories make several general propositions with respect to the composition of specialist committees in legislatures.

- (i) A specialist committee member is less informative, the more extreme his preferences are relative to the preferences of a non-specialist legislators in the parent chamber.
- (ii) Even a so-called preference outlier in a committee may be more informative, if the costs of specialisation are low for the specialist committee members with extreme preferences, i.e. the preference outlier. Hence, non-specialist legislators of the parent chamber may rely on an outlier committee, if both the distributional losses and the informational losses that result from relying on an outlier committee offset the costs of setting up a committee of moderates.
- (iii) Committees that consist of specialist legislators with preferences from opposing sides of the political spectrum are collectively more informative for the non-specialist legislators of the parent chamber than committees that are composed of specialist legislators from one side only.

As a consequence, informational theories of legislative choice argue that legislators of the parent chamber will staff committees in a way that they have no extreme preferences, include legislators with preferences from different sides of the political spectrum and that the costs of specialisation are low because either of these strategies can enhance the informational position of the legislators collectively and keeps distributional losses low (Krehbiel 1991: 81-90).

Correspondingly, the first proposition of the informational logic of legislative choice suggests with respect to the relation between an incoming government and inherited senior bureaucrats that governments will only be able to take advantage of existing bureaucratic expertise, if senior bureaucrats' policy preferences are not extremely divergent from that of the incoming government. Hence, in accordance with second

effectively run their departments because it takes them several months to trace and understand the status quo policies let alone the procedural detail of a policy.

generation delegation studies, it suggests that the occurrence of policy conflict between politicians and bureaucrats will create distributional losses that undermine politicians' informational gains from delegating policy formulation tasks to inherited bureaucrats. As a consequence, an incoming government will have an incentive to replace an inherited bureaucrat with a candidate that is closer to its most preferred policy although this strategy implies that the incoming government forgoes potential gains to reduce uncertainty about the relationship between policies and outcomes by taking advantage of existing bureaucratic expertise.

This 'hard interpretation' raises the problematic question of determining senior bureaucrats' policy preferences. In legislative settings, legislators usually belong to a faction of a parliamentary party and hence their policy preferences are common knowledge to all legislators. By contrast, at the level of executive policy-making, an incoming government may often be entirely uncertain about the policy preferences of senior bureaucrats that are already in office.²⁴ In practice, the proposition means essentially that new ministers who are uncertain about the relation between policies and outcomes they want to pursue will be reluctant to take cues from senior bureaucrats who have the reputation of having entirely different policy convictions and political worldviews or whose orientations they do not know at all - given the possibility that senior bureaucrats use their superior knowledge strategically, misrepresent it or fail to share it all together. Consequently, new ministers will have to evaluate as to whether they expect inherited bureaucrats to aid the development of policies that aim at reaching outcomes they desire. Hence, a more conventional interpretation of this proposition suggests that incoming governments may have a problem of trusting the bureaucrats they inherit from the previous government irrespective of the true policy preferences of the bureaucrats.²⁵

²⁴ For instance, in their theoretical model of designing legislative statutes, Huber/Shipan (2002: 85) propose that "in all political systems, certain political actors stand at the apex of nearly every bureaucratic hierarchy and thus are privileged in their opportunities to influence policy implementation. (...) [W]e therefore assume that the preferences of these privileged political actors strongly influence the policy preferences of bureaucrats".²⁴ In fact, Huber/Shipan (2002) seem to ignore that their assumption solves the problem of a potential policy conflict between senior civil servants and ministers in the policy formulation stage.

²⁵ The qualification 'irrespective of their true policy preferences' is important because bureaucrats may be entirely indifferent between different policy preferences or they may not at all be opposed to the policy position of the incoming government. Yet, in practice it can happen that even the indifferent bureaucrat is pushed into one side of the political spectrum by an incoming government. Hence, at this

On the one hand, bureaucrats can themselves seek to alleviate this problem for incoming governments. For instance, in countries like Austria and Germany it is a common practice that bureaucrats are members of political parties, which enables them to signal their policy preferences to a new government (Liegl/Müller 1999).²⁶ On the other hand, new governments and their ministers will almost inevitably form some opinion about the possible policy orientations of the senior bureaucrats, which they inherit from outgoing governments. Two possible criteria to evaluate and estimate the policy orientations of senior bureaucrats in office refer to their career path and their past policy-making record.

First, the typology of personnel policy regimes developed in the last Chapter suggests that the personnel policy strategies of the previous government signal to an incoming government and its ministers to what extent senior bureaucrats can be associated with the policy preferences of the outgoing government. Provided that governments can exercise some political discretion over personnel policy, a new minister will associate a bureaucrat in office more with the policy preferences of the outgoing governments, if he was recruited from outside public administration directly into senior ranks than a career bureaucrat who has effectively been promoted to a more senior rank while the outgoing minister was in office. By contrast, a new minister will be relatively least concerned about the policy orientations of a senior bureaucrat, if governments have generally no possibility to exercise political discretion over personnel policy because in that case the senior bureaucrat is unlikely to owe his career to the outgoing minister. As a consequence, the personnel policy strategy of the outgoing government is a critical means for an incoming government and its ministers to evaluate the extent to which senior bureaucrat can be associated with its predecessor and hence the extent to which it feels prepared to trust the bureaucrats in office.

stage, it does not matter whether or not a given bureaucrat has a specific policy preference and if so, to what extent it matches the policy preference of a minister. Rather, because a minister is concerned with policies, he has to evaluate whether the bureaucrats in office qualify as an aid to reach his goals.

However, even if a bureaucrat owes his career to a minister of the outgoing government, the new minister will not necessarily perceive a serious problem of political trust. For instance, consider a change in government that has only been partial, but one or several ministers of the party that stays in government have been replaced. Under these conditions, a new minister will not be particularly troubled by the fact that the bureaucrat has been promoted or recruited by his predecessor, for the policy preferences of the incoming and the outgoing minister are likely to be very similar if not identical. Hence, an incoming government and its ministers will also take into account the party composition and the policy record of the previous government in order to evaluate the policy orientations of a bureaucrat on the basis of the policies he has drafted or helped to adopt. As a result, if the policy preferences of the incoming and the outgoing governments are convergent, new ministers will be more able to trust the senior bureaucrats in office than in case of divergent policy preferences.

In sum, it is reasonable to expect that any change in the political leadership of a ministry creates a certain degree of distrust of a new minister towards the senior bureaucrats that are in office. However, problems of political trust between the ministers of an incoming government and the senior bureaucrats inherited from the outgoing government increase the more the policy positions between incoming and outgoing government diverge and the more outgoing ministers have evidently exercised political discretion over personnel policy. Table 3.1. summarises the discussion and gives some clues about the intensity of incoming governments' problem of trust under different constellations.²⁷

²⁶ Also note that in Central and Eastern Europe, senior bureaucrats before the change of regime were members of the ruling communist party virtually without exception (Csanádi 1997). I will discuss the point in more detail in the next Chapter.

²⁷ Because the problem of trust is essentially a belief held by human beings, I suggest that the rankings in Table 3.1. should be interpreted as an approximation. Hence, it may be possible that different governments and their ministers interpret the same problem of trust as conceptualised in the Table differently.

Table 3.1. Problems of Trust as Perceived by the Ministers of Incoming Governments

		Personnel policy strategy of the outgoing government			
		<i>De-politicisation</i>	<i>Structured politicisation</i>	<i>Open politicisation</i>	<i>Unbounded politicisation</i>
Policy preferences of incoming and outgoing governments are	<i>Convergent</i>	Lowest	Low	Medium	Medium to high
	<i>Divergent</i>	Low to medium	Medium	High	Highest

As a consequence, incoming governments that are uncertain about the relationship between the policies they consider and the outcomes they seek, will be willing to rely on the expertise of senior bureaucrats they inherit from the outgoing government to the extent that they are able to trust the senior bureaucrats in office. Conversely, disregarding - for the moment - the possibility frontier to exercise political discretion established by personnel policy regimes, if an incoming government feels unable to trust the inherited senior bureaucrats, it will have an incentive to replace them with

on appointing trusted officials to key positions. This proposition is in so far relevant as governments may lack the possibility to implement sweeping changes in the bureaucracy, even if they wish to do so.²⁹ Secondly, in accordance with the second proposition, there may be special circumstances, under which incoming governments choose to work with the senior bureaucrats in office even if they perceive a severe problem of political trust. For instance, it is conceivable that an incoming government has no personnel alternative or that the costs, effort and time of training a new senior bureaucrat are too high relative to working with a rather mistrusted senior bureaucrat in office.³⁰

As a result, we are left with the dilemma that an incoming governments' problem of political trust tends to shape their personnel policy strategies, but governments may still (be forced to) do exactly the opposite. However, we may argue that, in executive settings, the latter two options are merely variants of the personnel policy strategy, which governments will choose under conditions of major problems of political trust. Hence, if incoming governments are troubled by severe problems of political trust towards inherited senior bureaucrats, they will try to replace them, but they may be limited in the extent to which they can do so. In sum, we cannot exactly determine the personnel policy strategy of incoming governments as a function of problems of political trust. However, we can still distinguish two scenarios that differ with respect to the intensity of incoming governments' perceived problem of political trust towards senior bureaucrats that are in office at the time of their investiture and the kind of personnel policy strategy they will try to choose. Table 3.2. summarises the discussion of the choice of incoming governments' personnel policy strategies.³¹

²⁹ We will see later that this applies especially to Central and Eastern Europe.

³⁰ There is the additional conceivable scenario that an incoming government is confronted with a comparably minor problem of political trust, but it still chooses to replace a senior bureaucrat in office. However, this appears to be a rather remote case because the incoming government would forgo the possibility to take advantage of existing bureaucratic expertise, while only marginally enhancing the degree of political trust towards senior bureaucrats.

³¹ For the time being, I will concentrate on the extreme cases of high and low problems of political trust. Below, I will also discuss the impact of intermediate problems of political trust.

Table 3.2. The Choice of Incoming Governments' Personnel Policy Strategies

Intensity of the Perceived Problem of Political Trust towards Inherited Senior Bureaucrats	
<i>Low</i>	<i>High</i>
Incoming governments will seek to work with inherited senior bureaucrats.	Incoming governments will seek to replace inherited senior bureaucrats, but the scope of replacements may be limited.

3.3. Bureaucrats' Incentive to be Informative and the Institutionalisation of Political Discretion

Regardless of its personnel policy strategy, an incoming government will generally not be able to take properly advantage of bureaucratic expertise unless bureaucrats have an incentive to share their superior information with the new governments. Informational theories of legislative choice propose that "restrictive amendment procedures can provide incentives for committees to specialise and to be informative" (Krehbiel 1991: 90). Krehbiel (1991) and Gilligan/Krehbiel (1987) try to suggest that it is practically impossible for a legislature to staff committees with legislators whose preferences are exactly representative of the parent chambers' preferences. Therefore, committees will not have an incentive to be informative to the parent chamber, unless they can reap a distributional gain from specialisation. However, in combination with the first proposition of informational theories of legislative choice mentioned above, this means that the legislators of the parent chamber have an incentive to use restrictive amendment procedures "as long as the preferences of the committee and the parent body are not extremely divergent" and hence the informational gains exceed the distributional losses from committing to a restrictive procedure (Gilligan/Krehbiel 1987: 288). This logic implies that, if legislators commit to restrictive procedural rules, informational gains from specialisation will entail distributional losses.

At the level of executive policy-making, it appears less appropriate to assume that senior bureaucrats are reaping distributional gains, if they manage to propose policies that shift the expected outcome closer to their most preferred outcome at the expense of the government. Firstly, I argued above that it is problematic to assign specific

policy preferences to bureaucrats. Secondly, notwithstanding an incoming government's problem of trust, which does not imply that bureaucrats are motivated by policy outcomes, it is questionable to what extent senior bureaucrats are unambiguously policy-seeking animals. Certainly, in every bureaucracy, one will find bureaucrats with and without policy preferences, politically committed bureaucrats and uncommitted ones who are ready to change their political dress whenever a new government takes office (cf. Campbell/Peters 1988, Aberbach/Rockman 1988). Hence, while bureaucrats are unlikely to be entirely indifferent towards policy outcomes, I suggest that bureaucrats are much more concerned with their personal career prospects than with the outcomes, which policies are intended to affect.

This perspective is compatible with standard agency theory, which assumes that agents are concerned with their levels of wage and effort, that is, an agent will only exert the level of effort desired by the principal to the extent that she is appropriately

demand a prospect of staying or getting close to political power centres. Therefore, governments have to evaluate to what extent they are confronted with a problem of bureaucratic informativeness. The informativeness of bureaucrats, however, depends fundamentally on the personnel policy strategy of incoming governments, and, as I will argue below, on the institutional arrangements governing the exercise of political discretion over personnel policy.

Consider first the extreme case that an incoming government has pursued a personnel policy strategy of unbounded politicisation, given the formal possibilities to do so, that is, a party official has effectively been assigned a patronage post in the top ranks of a ministry and hence nominally becomes a senior bureaucrat in office. Such a 'partisan amphibian' (Campbell 1988) in the senior ranks of a ministry is likely to be highly informative and does not require any special inducements because he knows that his job close to the centre of political power depends on the tenure of the government, while any future government will associate him closely with the government that has appointed him. In fact, the willingness to share information with the government and to invest in additional expertise may also pay off in the future career of this kind of partisan senior bureaucrat because it may promote his political career ambitions. At the same time, when taking office, the government has taken a clear position by maximising political trust towards the newly appointed senior bureaucrat while foregoing the possibility to take advantage of existing bureaucratic expertise.

Contrast this with a situation in which an incoming government wants to take advantage of existing bureaucratic expertise and hence no politically induced changes in the composition of the senior bureaucracy have been initiated. In this case, inherited bureaucrats will effectively fail to share their information with the new government and its ministers unless the government can credibly commit to the promise that it will not seek to minimise problems of political trust at some point in the future. The reason for senior bureaucrats concern is that every change in government creates at least a minimum level of distrust between them and the incoming government. Moreover, I argued above that under special circumstances incoming governments may want/have to work with inherited senior bureaucrats

although they perceive a severe problem of political trust simply because they are lacking alternatives, time and resources to replace existing staff. Therefore, new governments may merely 'postpone' their attempt to enhance trust towards senior bureaucrats whenever they do not replace senior bureaucrats at the time of taking office.

North/Weingast (1989: 1) who address this - isomorphic - problem with respect to economic growth in medieval societies argue that "[t]he more likely property rights are to be altered by the sovereign for his own benefit, the lower the expected returns from investment and the lower in turn the incentive to invest. A necessary condition for economic growth is that the sovereign or government, beyond establishing the relevant set of rights, establish a credible commitment to them". Accordingly, senior bureaucrats in office are aware that problems of political trust may provide governments with enough of an incentive to initiate changes in the senior ranks of the ministerial bureaucracy in the near future. Moreover, senior bureaucrats that gain promotion during the government's tenure are well aware that they will become subject to considerable distrust as long as governments are not committed to depoliticised personnel policy strategies. As a consequence, they will effectively fail to share their information with governments and their ministers unless governments are willing to commit that the senior jobs close to political power remain reserved for them.

If governments want to overcome a problem of bureaucratic informativeness, they can rely on formal and informal means to achieve credible commitment. Informal means of commitment like communicating political non-interference into personnel policy in order to shape the expectation among bureaucrats will often lack credibility because they bear the potential that governments and their ministers break their promise at a later stage. Consequently, if governments rely on informal means of commitment, the bureaucrats in office will anticipate the possibility that the government might deviate from its original position and thus bureaucrats will have less incentive to be informative in the first place. Miller (1992: 181) argues with respect to the design of organisations that "[c]entral to this signalling problem is the appropriate dispersion of political and property rights within the organisation".

Hence, from the perspective of organisational economics, "the leader has a central role in committing the organisation to what is in effect the "constitution" of the hierarchy - the allocation of generally accepted responsibilities, rules of the game, and property rights that provide the long-run incentives for investment in the firm" (Miller 1992: 217). Accordingly, similar to the use of restrictive amendment procedures in legislative settings, governments will only be able to achieve credible commitment towards senior bureaucrats by means of establishing formal institutional arrangements that reserve the senior ranks of the ministerial bureaucracy for senior bureaucrats in office and second tier bureaucrats who are striving for promotion to the top. However, this is equivalent to institutionalising a low degree of formal political discretion over personnel policy.

As a consequence, if governments want to take advantage of existing bureaucratic expertise, they have to institutionalise restrictions upon political interference into personnel policy, for instance, by delegating the management of personnel policy to an independent body such as a civil service commission. In other words, incoming governments have to reduce the degree of formal political discretion, if they want to take advantage of existing bureaucratic expertise, which, in turn, enables them to enhance the informational role of bureaucrats who seek to pursue a career in public administration in the process of policy formulation. Moreover, restrictions upon the exercise of political discretion over personnel policy also help bureaucrats to signal their willingness to work with any future government of any political colour. Conversely, if governments choose to commit towards bureaucrats in office they forego future opportunities to intervene into personnel policy and hence to enhance trust towards senior bureaucrats.

In sum, the incentive of senior bureaucrats to be informative depends on the personnel policy strategy of the incoming government and the rules governing the exercise of political discretion over personnel policy (see Table 3.3.). Provided governments have the formal-legal possibility to intervene into personnel policy, the more political discretion a government directly exercises at the time of taking office, the more intense the incentive of bureaucrats to share their information with the government and its ministers. Therefore, incoming governments are not required to

devise any further strategies to achieve bureaucratic informativeness, if they have exercised political discretion and hence newly appointed bureaucrats will be informative under conditions of high degrees of formal political discretion built into civil service legislation. By contrast, if governments have not exercised political discretion over personnel policy at the time of taking office, then the informativeness of higher-level bureaucrats will depend on the ability of new governments to credibly commit towards bureaucrats that they will not break their promises at a later stage and hence that they will not exercise political discretion. As a consequence, governments have to pursue institutional reforms that reduce the degree of formal political discretion or, if it is the status quo arrangement, they have to maintain a low degree of formal political discretion.

Table 3.3. The Determinants of Bureaucratic Informativeness

		Personnel Policy Strategy of Incoming Governments	
		<i>Work with Inherited Senior Bureaucrats</i>	<i>Replace Inherited Senior Bureaucrats with Trusted Appointees</i>
Degree of Formal Political Discretion Built into Civil Service Legislation	<i>Low</i>	Yes	Option is not available
	<i>High</i>	No	Yes

However, the logic of using restrictive amendment procedures in the US Congress outlined above suggests that governments will only have an incentive to establish or maintain a low degree of formal political discretion built into civil service legislation, if they are not confronted with a major problem of political trust towards senior bureaucrats in office. In other words, incoming governments have to strike a balance between the benefits that result from the informativeness of inherited bureaucrats and the costs of forgoing the possibility to enhance trust towards the bureaucracy in the future. As a result, we can distinguish two basic scenarios that will lead to the establishment of either a high or a low degree of formal political discretion built into civil service legislation.

Firstly, if incoming governments can trust the senior bureaucrats in office, they will seek to take advantage of their expertise (i.e. they will not replace them), and they will have an incentive to establish or maintain a low degree of formal political discretion. As a consequence, governments can enhance the informational role of bureaucrats who seek to pursue a career in public administration in the process of policy formulation. A low degree of formal political discretion encourages these bureaucrats to invest in the development of expertise or to share their expertise with governments because it safeguards bureaucratic career expectations by credibly committing governments not to intervene into personnel policy and hence not to meddle with bureaucratic careers. As a result, governments can develop better-informed policies, which reduce the uncertainty about the relationship between policies they choose and outcomes they desire.

Conversely, in the second scenario incoming governments cannot trust the senior bureaucrats in office. As a result, they will seek to replace them, and they will have an incentive to establish or maintain a high degree of formal political discretion. However, in this case, the trade-off between potential gains from bureaucratic informativeness and potential losses from forgoing the possibility to enhance political trust towards the senior bureaucracy will be more ambiguous when compared with the first scenario. On the one hand, new appointees will be informative regardless of the degree of formal political discretion and, thus, governments have no need to restrict their possibilities to intervene into personnel policy. On the other hand, however, I argued above that incoming governments will be unable to implement sweeping changes in the senior bureaucracy. As a result, they will have to work (at least) with some bureaucrats inherited from previous governments, but these inherited bureaucrats will fail to be informative unless the new government is willing to establish restrictions upon the exercise of political discretion over personnel policy. Informational theories of legislative choice suggest that under these circumstances, governments will have little incentive to establish or maintain a low degree of formal political discretion. The reason is simply that they would commit not to exercise political discretion towards mistrusted bureaucrats. As a consequence, incoming governments will prefer to retain possibilities for the reduction of problems of political trust rather than trying to enhance the

informational role of the ministerial bureaucracy in policy formulation. Moreover, the second scenario will create the peculiar constellation that only the new appointees of the incoming government will be informative. By contrast, bureaucrats who continue to stay in office when incoming governments are confronted with major problems of political trust, will have little incentive to be informative, while these new governments do not or cannot replace them as a result of conceivable constraints such as a lack of personnel alternatives or the costs of training a new appointee. However, the extent to which either of these two basic scenarios arises is heavily influenced by the personnel policy regime that is in place before a new government takes office.

3.4. Discussion: Stability and Change of Personnel Policy Regimes

Once a certain degree of formal political discretion has been established through legislation, it does not only affect bureaucrats' incentive to be informative but also develops its own impact on governments' problems of trust and their personnel policy strategies. Firstly, if governments cannot exercise virtually any discretion over personnel policy, as is the case in a de-politicised personnel policy regime, problems of political trust will continuously tend to be low and they will only vary in accordance to the ideological positions of alternating government parties. As a result, they will have an incentive to take advantage of existing bureaucratic expertise rather than demanding a replacement of inherited senior bureaucrats. At the same time, senior bureaucrats and those who strive for senior office will remain informative because it enhances their prospects of career advancement in the ministerial hierarchy. Hence, a de-politicised personnel policy regime tends to be stable once it has been institutionalised.

Contrast this with personnel systems with high degrees of formal political discretion like personnel policy regimes that allow open or unbounded politicisation. If governments do also exercise the discretion at hand, severe problems of political trust will arise whenever governments change while the ideological positions of alternating government parties could reinforce the problem of trust. As a

consequence, an incoming government will be reluctant to tap the expertise of inherited senior bureaucrats. Rather, the incoming government will seek to replace inherited senior bureaucrats due to a severe problem of political trust, the new appointees will be informative because their time in office will effectively be bound to that of the government, while remaining bureaucrats will fail to be informative due to a lack of government commitment to non-intervention into personnel policy. Hence, in either case, the personnel policy regime that is in place when a new government takes office *tends* to reproduce the degree to which governments are confronted with problems of political trust, their personnel policy strategies and bureaucrats' incentive to be informative.

At the same time, the stability of a status quo regime goes hand in hand with the existence of continuous pressures towards the adjustment of the degree of formal political discretion to day-to-day perceptions of governments and bureaucrats. Firstly, pressures towards the reform of a de-politicised personnel policy regime will exclusively result from changes in the way incoming governments perceive a problem of political trust vis-a-vis inherited senior bureaucrats. On the one hand, new governments will probably always find some reason to question the reliability of inherited bureaucrats given that every change in government sets off some distrust between new government politicians and old bureaucrats. As a result, because a de-politicised personnel policy regime minimises governments' possibilities to intervene into the composition of the senior bureaucracy, governments have more or less but every government has probably some desire to increase political influence over senior appointments. However, pressures towards a proper reform of a de-politicised personnel policy regime will primarily result, if a polarisation of inter-party competition translates into 'wholesale changes of government' (Mair 1997) that are characterised by large policy differences between incoming and outgoing governments. Under these circumstances, incoming governments will either seek ways and means to intervene into personnel policy despite a low degree of formal political discretion or they will initiate institutional reforms that increase the possibility to exercise political discretion over personnel policy to enhance trust towards the ministerial bureaucracy. However, this move would be strongly opposed

by the senior bureaucrats in office and in particular bureaucrats who are striving for senior office because it would undermine their career prospects.

By contrast, the impetus to change a personnel policy regime that allows governments to exercise a high degree of political discretion will primarily arise under three conditions. Above, I argued that, for practical reasons, incoming governments may have difficulties to replace all mistrusted bureaucrats. Hence, governments will inevitably have to work with a certain proportion of inherited bureaucrats, in particular, below the very top ranks. However, a non-replacement strategy triggers pressures for institutional reforms with de-politicising effects because bureaucrats would otherwise have little incentive to be informative towards new governments and their ministers. As a consequence, bureaucrats that have stayed in office would demand government commitment to non-intervention into personnel policy. This argument implies that civil service systems with high degrees of formal political discretion are constantly exposed to more or less but always to some kind of de-politicisation pressures that is mounted by bureaucrats that have stayed and seek to stay in office. However, the pressure towards the reform of a personnel system with high degrees of formal political discretion will increase, the less new governments choose to replace inherited bureaucrats.

As a consequence, governments have to strike a balance between the benefits of enhanced bureaucratic informativeness and the costs of forgoing the possibility to enhance political trust in the future. I argued above that governments are likely to remain reluctant to commit not to exercise political discretion towards mistrusted bureaucrats despite increasing bureaucratic demand for institutional reform. Therefore, it is only reasonable to expect that governments will take on board bureaucratic demand for the initiation of a civil service reform with de-politicising effects upon personnel policy, if the salience of problems of political trust as perceived by incoming governments happens to decrease, if incoming governments have some opportunity to mitigate (potentially severe) problems of political trust and/or if they perceive increasing costs resulting from a lack of bureaucratic informativeness despite severe problems of political trust.

First, even if an incoming government is confronted with senior bureaucrats who owe their career to an outgoing government, it is conceivable that problems of political trust decrease. As argued above, this scenario will occur, if changes of government are only partial or if they are not characterised by large policy differences between incoming and outgoing governments, for instance, as a result of a moderation of inter-party competition (cf. Sartori 1976). Consequently, incoming governments would be encouraged to take advantage of existing bureaucratic expertise and given bureaucratic demand for institutional reforms with de-politicising effects upon personnel policy and given a rather minor problem of political trust, incoming governments will become willing to forgo the possibility to intervene into personnel policy. Second, the same dynamics will be set off, if incoming governments have the ability to mitigate (potentially severe) problems of political trust, which depends essentially on an opportunity for governments to learn about the policy orientations of bureaucrats *before* taking office.³² Hence, this second scenario for lowering a high degree of formal political discretion is effectively a variant of the first one.

Third, perceived costs resulting from a lack of bureaucratic informativeness will simply result from a lack of co-operation between bureaucrats and politicians in policy-making. In the long run, such costs will typically take the form of a deteriorating policy-making capacity of the central government apparatus due to the departure of skilled personnel and the inability to attract talent into the administration, which contradicts governments' desire to reduce uncertainty about the relationship between policies and outcomes. As a consequence, governments may become more receptive towards bureaucratic demand for a de-politicisation of personnel policy and initiate a civil service reform. However, as long as problems of political trust persist, it is unlikely that this pressure will lead to the formal institutionalisation of significant islands of de-politicised bureaucratic career paths.

³² For instance, in France, many ministers take office with a career background in the senior civil service. Hence, when taking office, ministers do often have a good picture of the personnel in the ministerial departments (Birnbbaum 1982). By contrast, German *politische Beamte* in the top two positions of the ministries tend to be in regular contact with politicians of the opposition parties, for instance, in the different readings of the legislative process. As a result, after a change in government, inherited senior bureaucrats are often well known to new ministers (Goetz 1997, 1999). I will provide another example for Central and Eastern Europe in the next Chapter.

In addition, one might argue that incoming governments have an incentive to adopt civil service legislation with a low degree of political discretion *after* they have initiated changes in the senior bureaucracy. In the literature, this argument is usually raised in the context of governments' commitment problems referring to the incentive of the incumbent government to bind its successors (Thatcher/Stone-Sweet 2002). Accordingly, it is conceivable that an incumbent government seeks to safeguard public administration careers of trusted appointees that have replaced inherited bureaucrats. However, there are two reasons why this strategy will not be beneficial for incumbent governments. First, trusted bureaucrats that have been appointed to replace inherited bureaucrats will be informative regardless of the degree of formal political discretion. Hence, incumbent governments cannot enhance bureaucrats' incentive to be informative by tying their own hands towards trusted appointees. Moreover, if an incumbent government did so for the personal benefit of trusted bureaucrats, it can be expected that a succeeding government will have a strong incentive to initiate institutional changes to re-establish a high degree of formal political discretion in order to address a severe problem of political trust. Second and more importantly, because governments may not be able to implement large-scale personnel changes in the bureaucracy, they will not take on board the demand of remaining bureaucrats as long as they cannot trust them. As a result, the benefits that could possibly arise for the newly appointed senior bureaucrats after the next change in government are well offset by the arising loss of control over remaining bureaucrats in the short term due to inability to address problems of political trust while being the incumbent government.

However, even if the change of the degree of formal political discretion reaches the government agenda as part of a civil service reform proposal given the pressures to change and the incentives of the government in office to initiate change, it is not guaranteed that such reform will be enacted and implemented. The reason is that governments may not agree internally or that they may meet resistance in the legislature. For instance, regardless of the reform direction, it is conceivable that different ministers or different parties of a government coalition do not share the same incentives towards civil service reform. Under these conditions, Tsebelis' (2002) veto player theory suggests that institutional pressures will only materialise in

a change of an existing personnel policy regime, if none of the veto players prefers to stick to the status quo arrangement. However, even if all veto players prefer a departure from the status quo personnel policy regime, Tsebelis (2002) suggests that the outcome of the civil service reform process will reflect the ideal position of the veto player that is closest to the status quo arrangement. In other words, a lowest common denominator outcome will result. At the same time, Tsebelis (2002: 93) is unambiguous in that governments' agenda-setting powers in parliamentary democracy ensure that "every government *as long as it is in power* is able to impose its will on parliament (...) whether or not it controls a majority of legislative votes" (emphasis in original).³³

The last argument also sheds some light on the fourth political context factor put forward by second generation delegation studies, which suggests that conflict between multiple principals will reduce the degree of formal political discretion built into civil service legislation. It is clear that the number of political principals and the degree of conflict between them, i.e. the number of veto players and their ideological distance, matter for the change of an existing personnel policy regime. However, contrary to the standard argument raised in the delegation literature, the argument raised in this discussion suggests that the conflict among multiple principals has only an indirect effect upon the degree of formal political discretion written into civil service legislation. In other words, if there are many relevant political actors in the civil service reform process and if their incentives differ, it will be more difficult to change an existing civil service regime, but this does not tell us whether they prefer more or less possibilities to exercise political discretion. Table 3.4. summarises the discussion of this section.

³³ For Western democracies this assumption approximates the reality quite well. However, after the change of regime, Central and Eastern European democracies were characterised as 'over-parliamentarised' (Ágh 1997c), i.e. a comparably large influence of parliaments in the legislative process. Hence, while useful as a working assumption, it is required to be careful during the empirical analysis, in particular, when investigating Central and Eastern European cases.

Table 3.4. Stability and Change of Personnel Policy Regimes

Factors that affect stability and change of personnel policy regimes	Personnel Policy Regime/Degree of formal political discretion	
	Low	High
Governments' problems of political trust	Usually low unless the salience of the problem increases as a result of diverging policy preferences of alternating governments.	Usually high unless past governments did not exercise political discretion and/or unless the salience of the problem decreases as a result of converging policy preferences of alternating governments.
Governments' personnel policy strategy	Governments seek to work with inherited bureaucrats because of comparably low problems of trust, but also due to the formal-legal constraints upon the exercise of discretion.	Unless the salience of the problem of political trust decreases and/or unless governments have an opportunity to mitigate problems of trust, they will seek to replace as many mistrusted bureaucrats as possible, but practical reasons may limit the scope of replacements.
Bureaucrats' incentive to be informative	All bureaucrats share an incentive to be informative because they are aware that informativeness will pay off with career progression.	New appointees will be highly informative because their tenure is effectively bound to that of the government. By contrast, remaining bureaucrats will have little incentive to be informative because it may undermine their career prospects after the next change of government.
In-built tension	Governments will occasionally voice dissatisfaction over their inability to enhance political trust.	Remaining senior bureaucrats and especially those who seek promotion will voice dissatisfaction that they can only progress, if they take political sides.
Origins of reform	Increasing salience of problem of political trust resulting from diverging policy preferences of alternating governments.	Governments replace only few inherited bureaucrats because (i) the salience of the problem of political trust has decreased; and/or (ii) they have had an opportunity to mitigate problems of political trust. (iii) Governments incur increasing costs resulting from a lack of bureaucratic informativeness
Agents of reform	Governments	Remaining bureaucrats and, in the long term, possibly governments.
Obstacles of reform	(i) Bureaucratic opposition may increase costs of reform. (ii) Possible existence of veto players within government may prevent departure from the status quo.	(i) Governments will be reluctant to commit to reduced degree of formal political discretion as long as the problem of trust is perceived as too high. (ii) Possible existence of veto players within government may prevent change.

4. Conclusion

In conclusion, this Chapter has developed a theoretical framework that serves to explain why governments incorporate a higher or lower degree of formal political discretion into civil service legislation. Paraphrasing Gilligan/Krehbiel's (1987: 288) argument about the use of restrictive amendment procedures in the legislative decision-making process of the US Congress, we can conclude that a low degree of formal political discretion can enhance the informational role of ministerial bureaucrats in the process of policy formulation. A low degree of formal political discretion can encourage bureaucrats that seek to pursue a career in public administration to invest in the development of expertise or to share their expertise with governments because it safeguards bureaucrats' career expectations by credibly committing governments not to intervene into personnel policy and, hence, not to meddle with bureaucrats' careers. As a result, governments can develop better-informed public policies, which reduce the uncertainty about the impact of public policies upon policy outcomes they desire.

However, governments will only have an incentive to establish a low degree of formal political discretion, if they have no problems of political trust towards the bureaucracy or if they can (at least partially) overcome problems of political trust. By contrast, if governments are confronted with major problems of political trust, they will seek to replace inherited senior bureaucrats with trusted appointees. New appointees, in turn, will be informative regardless of the degree of formal political discretion built into civil service legislation and as a result, governments have no need to restrict their possibilities to intervene into personnel policy in the first place. At the same time, remaining bureaucrats, which a government has not been able to replace despite problems of political trust, will fail to be informative, while governments will have little incentive to solve the problem by reducing the degree of formal political discretion because they are reluctant to commit not to exercise political discretion towards mistrusted bureaucrats. Yet, in the long term, governments may respond to increasing costs resulting from a lack of bureaucratic

informativeness by initiating institutional reforms with partially de-politicising effects upon personnel policy.

Finally, I argued that the personnel policy regime that is in place when a government takes office tends to reproduce the degree to which governments are confronted with problems of political trust, their personnel policy strategies and bureaucrats' incentive to be informative. By contrast, the potential to change a given degree of formal political discretion will only arise, if particular circumstances alter the way incoming governments perceive problems of political trust towards inherited bureaucrats. In the next Chapter, I will discuss the implications of this conclusion for the course of civil service reform in post-communist Europe.

Chapter 4

Civil Service Reform Dynamics in Central and Eastern Europe after the Change of Regime: The Bumpy Road towards De-politicisation

1. Introduction

In Chapter 2, I argued that at the time when the first democratically elected governments were formed, Central and Eastern European personnel systems shared features of personnel policy regimes that allow unbounded politicisation. As a consequence, the discussion in the last Chapter suggests that unless the change of regime represents a 'critical juncture' (Ikenberry 1994; Thelen 1999) that triggers fundamental institutional change, personnel policy regimes that allow unbounded politicisation have a good chance to persist in post-communist Europe. Moreover, even when a government is willing to 'break the stalemate' as suggested by Verheijen/Rabrenovic (1999), i.e. when a government is willing or forced to work with inherited bureaucrats, although it may doubt their reliability, the theoretical discussion in the last Chapter suggests that a civil service reform with de-politicising effects upon personnel policy is unlikely to get on course. The reason is that although this kind of personnel policy strategy will increase bureaucratic demand for minimising possibilities of political intervention into personnel policy, governments will be reluctant to endorse the enactment of civil service legislation with a low degree of formal political discretion because it implies that they would commit towards mistrusted bureaucrats. Therefore, the prospects of de-politicisation in post-communist Europe appear to be gloomy.

However, this general scenario ignores that the first democratic elections after the change of regime do not need to lead to the investiture of governments that are severely troubled by problems of political trust. Firstly, if a communist (successor) party wins the first democratic elections, it is more plausible to assume that the first

government was not particularly worried about the reliability of senior bureaucrats in office. Consequently, governments formed by communist successor parties should be willing to adopt civil service legislation with a low degree of formal political discretion, provided bureaucrats voice demand for institutional reforms in the first place. Secondly, it is conceivable that first governments formed by parties of the former democratic opposition have an opportunity to (at least partially) overcome problems of political trust towards senior bureaucrats inherited from the last communist government. In this case, governments should be ready to take advantage of existing bureaucratic expertise and they should also be less reluctant to pass civil service legislation with a low degree of formal political discretion in order to enhance the informational role of the ministerial bureaucracy in policy formulation. Finally, there is the longer-term perspective, that is, even if personnel policy regimes that allow unbounded politicisation persist for some time after the change of regime, governments of any political colour may perceive increasing costs resulting from a lack of informativeness of bureaucrats that have continuously stayed in office. As a result, governments may become less reluctant to endorse bureaucratic demand for institutional reforms possibly leading to de-politicised islands within their civil service systems.

Therefore, the discussion in this Chapter begins with an analysis of three different scenarios for the course of civil service reform dynamics in the immediate period after the change of regime in post-communist Europe. Subsequently, the discussion turns to the civil service reform dynamics that may occur in later periods. The first part of this Chapter briefly outlines the personnel policy dynamics and the potential pressures for institutional reform during the communist regime and how they differ from democratic regimes. The second part of this Chapter discusses three different scenarios that could arise after the change of regime and their impact on the direction of civil service reform, that is, in our case whether institutional reforms tend to reduce or maintain the high degree of formal political discretion over personnel policy that has been inherited from the communist regime. The first section discusses the scenario that the first democratically elected governments can well trust the senior bureaucrats in office, and that they therefore choose to take advantage of their expertise, i.e. they do not replace them. I suggest that this scenario applies to

governments that were formed by communist successor parties. However, I will argue that, in the context of regime change, this scenario produces only very minor pressures towards civil service reform. Instead, it can be better understood as a continuation of the pre-transition scenario. The second section turns to the scenario that new governments cannot trust the senior bureaucrats in office, and that they therefore try to replace them. This scenario applies primarily to governments that were formed by parties of the democratic opposition. Again, I will argue that in this scenario only minor pressures towards institutional reform arise. Finally, the third section discusses the scenario that the first democratically elected governments are able to (at least partially) overcome problems of political trust towards senior bureaucrats, and that therefore they try to take advantage of their expertise, i.e. they choose rather not to replace them. I suggest that this scenario applies, if parties of the democratic opposition form the first elected government after a pacted transition. I will argue that this scenario creates the only reasonable prospect of establishing formal-legal frameworks that de-politicise personnel policy. However, the road to de-politicisation is plastered with obstacles. The final two sections of this Chapter account for the dynamics that occur in subsequent periods and the impact of other factors such as the prospect of accession to the European Union. Moreover, they derive several conclusions as to which of the four personnel policy regimes is likely to emerge under different scenarios. I will show that both the personnel policy dynamics of later periods and the role of external factors will increase demand for a civil service reform with de-politicising effects, but that these pressures may at best lead to a very partial de-politicisation of personnel policy regimes.

2. Personnel Policy and Civil Service Reform at the Eve of Regime Change: The Status Quo

In Chapter 2, I argued that, at the time of regime change, the personnel systems of Central and Eastern European public administrations exhibited primarily features of personnel policy regimes that allow unbounded politicisation. This type of personnel policy regime was stable in the sense that it reproduced the same kinds of personnel policy dynamics. One party rule ensured that effectively no change in government could occur. As a result, whenever the composition of government changed, new

ministers were hardly troubled by problems of political trust. On the one hand, the policy preferences of new ministers were identical or at least very similar to that of their predecessors. On the other hand, the bureaucratic career path to senior ranking positions in the ministry made sure that incoming ministers did not have to have doubts about the political reliability of senior bureaucrats in office.

Firstly, although professional and managerial qualifications had gradually gained importance for the selection and promotion of senior bureaucrats especially since the late 1970s, political and ideological reliability remained dominant criteria until the eve of regime change (Balázs 1993). Secondly, the inclusion of senior positions in the ministerial hierarchy into the nomenclature system implied that senior bureaucrats were effectively selected by the communist party organisation or their appointment was at least approved by the party (König 1992). Thirdly, a common feature of the nomenclature system was the interweaving of individual career paths in the party, the state administration and/or the economy (Kornai 1992: 39). For senior bureaucrats, this meant that young administrators would enter on the bottom ranks of a ministry and seek promotion to the lowest managing ranks. At least at this point, they were expected to join the communist party, which would give them an opportunity to work in the party headquarters to acquire 'political craft' (Goetz 1997). Eventually, they would be appointed to positions in the ministries as senior bureaucrats. For instance, Csanádi (1997: 15) shows for the case of Hungary that 100% of the bureaucrats in the top three positions below the minister and 70-90% of the lower ranking managers in the ministerial hierarchy were party members.

As a consequence, one party rule and the compulsory rather than optional exercise of political discretion over the allocation of senior bureaucrats to the ministerial organisation ensured that new ministers were not confronted with problems of political trust. Hence, new ministers had an incentive to rely on the expertise of the senior bureaucrats in office rather than replacing them. This does not mean that changes in the composition of governments would not entail changes in the senior bureaucracy. Rather, there was no need for new ministers to use their discretionary powers in order to bring senior bureaucrats in line with their policy preferences.

At the same time, bureaucrats were aware that career progression depended on their ability to signal political commitment to the party, for instance, by means of becoming member of the communist party. Moreover, the power monopoly of the communist party and the interweaving of political and bureaucratic career paths meant that senior bureaucrats and those who strove for senior ranks had an incentive to be informative towards the government and its ministers at all times because failure to do so would have halted their career at an early stage. Conversely, politically non-committed bureaucrats (to the extent that they existed) had no prospects of gaining promotion to senior positions close to political power centres. Therefore, these politically non-committed bureaucrats had much to gain from a disentanglement of political and bureaucratic career paths. Hence, if any pressures for the reform of the socialist personnel system had ever been voiced, they would have emerged from politically non-committed bureaucrats in lower ranking managing positions or below, who could not gain promotion to senior ranks as long as the communist career system continued to exist.

In democratic regimes with regular alternation of political parties in governments, low problems of political trust and the desire to tap existing bureaucratic expertise tend to lead towards pressures for institutional reforms that imply government commitment to low degrees of formal political discretion. By contrast, in communist regimes, one party rule and the specific structure of senior bureaucrats' career path ensured that governments did not have to worry about neither problems of political trust and problems of bureaucratic informativeness and hence no or only marginal pressures for institutional reforms arose. However, the introduction of multi-party competition after the change of regime inevitably destroyed the cosy relationship between politicians and bureaucrats in Central and Eastern Europe or the 'politicised village life' of the communist regime, as I argued elsewhere (Meyer-Sahling 2001a). At the same time, it represented the status quo that shaped the way the first democratically elected governments perceived problems of political trust towards senior bureaucrats, their personnel policy strategies and the resulting incentives of bureaucrats to be informative towards democratically elected governments.

3. Personnel Policy and Civil Service Reform after the Change of Regime

Before we turn to the civil service reform dynamics that will occur under different scenarios, let us briefly begin by trying to appreciate the nature of governments' problems of uncertainty at the outset of the transformation process. Central and Eastern European 'triple transitions' (Offe 1991) implied for the first democratically elected governments that there was in fact no misreading about the tasks that were on their policy-making agenda. However, in practice the policy-making tasks went much further than the establishment of constitutional democracy, a market economy and the consolidation of the nation state. Rather, it is worth highlighting that the transformation essentially required a massive, large scale change of virtually each and every policy area because established policies had either lost their functionality or their legitimacy in the eyes of citizens and policy-makers after the end of communist rule (Offe 1995).

Therefore, Elster et al. (1998: 18) suggest that

"the items on the post-communist agenda have in common that they can be largely accomplished by legislation, including the law-making activities with which constitutional assemblies and the parties to international treaties are concerned. But there are also many changes, widely considered as urgently required, which cannot be, or not fully, accomplished by legislative means alone. This pertains to social, economic and cultural initiatives of citizens which new laws may facilitate and encourage but do not determine their outcomes. At any rate, the warning seems to be in place that transformation and systemic change is something that is only to a limited extent a matter of law making. Cultural patterns, identities and legacies, associative practices that help or hinder the solution of collective goods problems, and the vigor with which entrepreneurial and other economic interests are pursued among those determinants of change that cannot easily legislated into - or out of - being".

In other words, new democratically elected governments were confronted with the challenge of drafting vast amounts of legislation that was supposed to affect fundamental policy reversals. However, the complexity of the tasks involved and the inability to anticipate the consequences of policies upon outcomes implied that new governments were heavily confronted with problems of incomplete information or policy-making uncertainty (Wiesenthal 1996). On the other hand, bureaucrats that were in office at the time of regime change were policy specialists relative to the new governments because they had knowledge, which new governments were lacking, especially, when they were formed by parties of the former democratic opposition. Western as well as Eastern scholars and in particular politicians from the democratic opposition (see below) emphasised the politicised or 'trained incompetence' (König 1999) of the communist bureaucracy. However, it is unquestionable that regardless of their career background and their political commitment to the communist party, the mere experience of bureaucrats in office provided them with superior knowledge about the details and the history of the existing policies and circumstances in different policy areas. As a consequence, notwithstanding the assumption that every incoming government is puzzled by problems of policy-making uncertainty, one of the key governance challenges for the first democratically elected governments was to devise strategies that would reduce their uncertainty about the relationship between policies and outcomes they desire.

3.1. Scenario I: Sticking with the Old Guard

The first scenario concerns the first democratically elected governments that were not troubled by problems of political trust and that chose not to replace the senior bureaucrats in office. In other words, the governments sought to take advantage of existing bureaucratic expertise by sticking with the old guard of senior bureaucrats that had already served in the top positions before the change of regime. In the real world, the most suitable candidates for this scenario are the countries, in which communist successor parties formed the government after the first democratic elections. Hence, Romania, Bulgaria and Albania approximate this scenario most closely.

In these countries, governments did not have to worry much about the reliability of senior bureaucrats in office for the last government of the communist regime was effectively formed by the same political party. On the one hand, even if the policy preferences of the new government differed from the last communist government, for instance, because the post-communist government was formed by reform minded communists, the shift in policy preferences was not as large as if a new party or a new coalition of parties would have taken office. Moreover, the communist party had previously selected the senior bureaucrats in office on the basis of their political reliability. Hence, there was no reason for these governments to initiate politically motivated changes in the composition of the senior bureaucracy. Quite to the contrary, the career path and past policy records of the senior bureaucrats in office represented the luxurious situation that new governments could simultaneously maximise political trust and the prospects of reducing policy-making uncertainty.

The basic theoretical model developed in the last Chapter suggests that under these conditions, bureaucrats will only be informative, if governments are willing to commit to non-intervention into personnel policy and hence to pursue institutional reforms, which establish a civil service system with low degrees of formal political discretion. However, this chain of events was unlikely to occur in these Central and Eastern European cases directly after the change of regime. Firstly, the senior bureaucrats in office had strong incentives to be informative towards a government that was formed by the communist successor party. The reason is that senior bureaucrats explicitly owed their career to the party that had already ruled during the communist regime. Hence, at least to the extent that senior bureaucrats had made their way through the party headquarters or even if they had not done so, but owed their appointment to the communist party, they were aware that a future change in government would probably terminate their time in office even if the government had adopted civil service legislation with a low degree of formal political discretion because a future non-communist government would associate them with both the communist party and the communist regime more generally. As a result, the senior bureaucrats that were kept in office by a government formed by a communist successor party did not need any special inducements to be informative.

On the other hand, the demand for the adoption of civil service legislation that curtails governments' possibilities to exercise political discretion arose from bureaucrats in lower managing ranks or young administrators who were striving for promotion to senior ranks. With or without past political commitment, these second tier bureaucrats had at least not been close to political power and the communist party before the change of regime. Therefore, they had much to lose, if the personnel policy regime allowing unbounded politicisation persisted. The reason is that even if a career stop-over in the party headquarters and party membership were no longer a requirement for reaching ministerial top jobs, promotion to the senior ranks implied for second tier bureaucrats that future governments would associate them with the communist party. Hence, promotion to the senior ranks entailed the risk that one's career is terminated after the next change in government. For instance, a survey in the Bulgarian state administration concluded that "[t]he objective of the administration is the preservation of the status quo. Civil servants are in a constant fear of change, there is an absence of cohesion and team spirit and a lack of joint objectives. (...) This generally leads to a situation where most civil servants prefer to take a 'defensive position' and attempts to perform their work by taking minimum risks thus avoiding responsibility for any conceivable error" (quoted in: Bozhidarova/Kolcheva/Velinova 1999: 8). As a consequence, after the change of regime, second tier bureaucrats had in fact no longer an incentive to be informative towards a government formed by a communist successor party. Instead, they tended to be defensive in their policy-making approach unless personnel policy would be de-politicised.

However, the demand of second tier bureaucrats for de-politicisation could not translate into strong enough pressures to establish a de-politicised personnel policy regime. Firstly, because the incentive structure of top tier senior bureaucrats and second tier bureaucrats differed, bureaucrats did not present a homogeneous preference over institutional reforms. Secondly, second tier bureaucrats were confronted with the strategic disadvantage that they were not in the influential policy-making posts close to political power, which were instead occupied by senior bureaucrats who were either indifferent or opposed towards institutional reforms with

de-politicising effects. Finally, second tier bureaucrat had to overcome a collective action problem, if they wanted to make their demand for institutional reform heard (cf. Dunleavy 1991). Hence, they either needed an agent among the senior bureaucrats or conceivably among politicians who would promote their cause or they needed to rely on the thrust of public service unions, which themselves underwent a process of transformation. As a consequence, if a communist successor party formed the first post-communist government, it can be expected that only very minor pressures towards civil service reform with de-politicising effects arose, which were unlikely to gather support in the political arena. Rather, the personnel policy dynamics of the communist regime tended to persist after the change of regime to democratic rule because no effective change in the partisan composition of government occurred and therefore civil service reform pressures were only marginally stronger than before the change of regime.

3.2. Scenario II: Getting rid of the Old Guard

The second scenario refers to governments that were heavily plagued by problems of political trust and that, therefore, tried to replace the senior bureaucrats inherited from the communist regime. Hence, these governments did not want to or could not tap the expertise of old guard bureaucrats. In the real world, the most suitable candidates for this case were the first democratically elected governments that were formed by parties of the democratic opposition. Hence, at first glance, Poland, Hungary, Czechoslovakia, the Baltic States, and Slovenia fit this scenario most closely, although I will differentiate this diverse group further below.

In these cases, the new governments were severely troubled by problems of political trust because the change in government was embedded in a change of regime. Firstly, the governments formed by parties of the democratic opposition did not merely associate the inherited senior bureaucrats with the policies of the outgoing government but with the policies of the former non-democratic regime. Hence, the policy differences between the outgoing and the incoming government could not be larger than they were in these cases. Secondly, the career path of the senior

bureaucrats in office suggested that they had been both co-opted by and that they had actively co-operated with the former communist ruling party. Moreover, the unity of political and bureaucratic elite during the communist regime suggested to the members of the new governments that former senior bureaucrats were to be held responsible for the performance crisis of the communist regimes, too. Hence, they were regarded as both party politicised and incompetent. Therefore, from the point of view of political trust, the new government formed by parties of the democratic opposition had little incentive to listen to the knowledge held by senior bureaucrats that were in office at the time of regime change. Instead, they sought to replace the senior bureaucrats inherited from the communist regime with 'new bureaucrats' that promised to be both competent and trustworthy, i.e. unrelated to the communist regime.

As a result, the central problems for governments that were formed by parties of the democratic opposition effectively concerned the scope of replacements and the tricky question of who shall actually fill the vacancies in the senior ranks of the ministries (Nikolova 1998). Firstly, because a new government can impossibly replace an entire state bureaucracy, it became a practical imperative that changes at the top had to be selective. In accordance with the third proposition of informational theories of legislative choice discussed above, this suggests that these new governments could at least change strategically important positions in order to alter the composition of policy orientations held by the senior bureaucracy. Thus, taking into account that decision-making processes in hierarchical organisations are difficult to control, ministers could enhance the control over ministerial policy-making by appointing trusted bureaucrats to key positions (cf. Hammond 1986, 1996).

Secondly, the over-politicised nature of the real-existing socialist administration implied that new governments had difficulties finding bureaucrats at the central government level that promised to combine expertise and a career that was not owed to the communist party unless they would dig deep into the administration. Hence, governments formed by parties of the democratic opposition were confronted both with a problem of political trust towards inherited senior bureaucrats and a second problem concerning the small supply of bureaucrats that could fill the vacancies in

the senior ranks. As a consequence, it was virtually unavoidable for the new governments to recruit a new guard of senior bureaucrats from outside public administration, in particular academia and the oppositional movement, both of which promised to combine expertise and no connection to the communist regime.³⁴ However, this implied that, technically spoken, severe problems of political trust for incoming governments and the lack of personnel alternatives inside public administration reproduced the same (over-politicised) personnel policy dynamics that had prevailed during the communist regime.

The theoretical model developed in the last Chapter suggests that under these conditions senior bureaucrats will have an incentive to share their expertise with the new government and, therefore, governments are not required to establish specific institutional arrangements that imply a reduction of the degree of formal political discretion. However, while newly recruited bureaucrats will certainly always have an incentive to be informative, their position towards institutional reforms also depends on their career aspirations, in particular the extent to which they seek to pursue a career in public administration. In practice, it is reasonable to believe that some of the new appointees became converted career bureaucrats, but the number of new appointees that sought a career in politics rather than public administration or that sought to return to academia or similar settings was probably as large as the first group. Yet, the group of converted career bureaucrats must still be regarded as trustees of the new governments and their ministers and hence they shared their problem of political trust towards the lower ranks in the ministries or the remaining senior bureaucrats of the communist regime. Hence, the group of converted career bureaucrats could hardly become a major proponent of civil service reform for they shared the suspicion of the new government towards the remaining bureaucracy.

As a consequence, the problem of bureaucratic informativeness concerned again second tier bureaucrats who feared that promotion to senior ranks under the first democratically elected government alongside the recruitment of (in many cases

³⁴ These appointees can be assumed to have held technical expertise. At the same time, they lacked administrative expertise, which was included in the last Chapter as one of the determinants that turn bureaucrats in office into specialists relative to incoming governments.

politically) faithful bureaucrats to senior ranks would threaten their career prospects after a future change in government. However, in addition to the three obstacles to promoting their cause, second tier bureaucrats were also confronted by a lack of incentive of the new governments to support civil service reforms with de-politicising effects. The reason is that new governments formed by parties of the democratic opposition did not only share a general distrust towards the administration, above we also suggested that they were practically limited in their effort to replace bureaucrats that were associated with the communist regime. Hence, if the new governments had endorsed the demand for institutional reforms, they would have committed not to exercise political discretion over personnel policy even though the bureaucracy was still partially staffed with mistrusted bureaucrats. As a consequence, new governments were confronted with a problem of informativeness of second tier bureaucrats and remaining inherited senior bureaucrats, but they had no incentive to alleviate the problem.³⁵ In other words, although the pressures towards the initiation of civil service reform were relatively greater than in the first scenario, they remained minor and it can be expected that they did not make it onto the government agenda.

3.3. Scenario III: From Pact to De-politicisation?

The last scenario concerns governments that were troubled by problem of political trust but they still tried to work with the old guard of senior bureaucrats. Hence, the new governments sought to take advantage of existing bureaucratic expertise. In the basic theoretical model, I suggested that governments may want to take advantage of existing bureaucratic expertise because they have a chance to at least partially overcome problems of political trust. Therefore, the most suitable candidates for this scenario are governments formed by parties of the democratic opposition that were able to lower the salience of their problem of political trust due to an opportunity to learn about the policy orientations of the senior bureaucrats in office.

³⁵ In Hood 's (2001) words, the result of this scenario is a 'low trust poker game' between politicians and bureaucrats, in which both sides take the position that the other side is cheating.

The most obvious setting where politicians of the democratic opposition and senior bureaucrats of the former regime could meet were the Round Table Talks. On the one hand, politicians of the democratic opposition had the opportunity to learn about bureaucrats' policy orientations and on other hand, bureaucrats had an opportunity to signal their orientations towards the politicians that might form the government after the first democratic elections. However, while Round Table Talks were initiated in all countries except Romania, the most appropriate setting for this scenario arose during the kind of pacted transitions in Hungary and Poland. In these countries, the Round Table Talks lasted longer than in countries like Czechoslovakia where the communist regime collapsed within a few weeks (Merkel 1999).³⁶ Moreover, pacted transitions were effectively negotiated between softliners of the communist regime and moderate opposition forces (Colomer 1995; Colomer/Pascual 1994), which reduced the ideological gap between alternating governments at the time of regime change. Finally, it can be argued that the Round Table Talks represented quasi-governing-coalitions of the ruling communist party and parties of the democratic opposition that were formed across the centre of the emerging party systems. Hence, from the point of view of the theoretical discussion in the last Chapter, pacted transitions can also be understood as two partial changes of government from one party rule to the Round Table Talks and from the Round Table Talks to the investiture of the first democratically elected governments, which happened to be formed by parties of the democratic opposition. As a consequence, governments in countries that underwent a pacted transition had an opportunity to alleviate their problems of political trust during the negotiated transition, which enabled them to take advantage of the expertise held by inherited senior bureaucrats.

However, this is not to say that no changes among senior bureaucrats occurred. Rather, senior bureaucrats that had simultaneously held political positions in the communist party were unlikely to qualify for a senior post under the new government. Moreover, the demise of the communist regime and the investiture of a government formed by parties of the democratic opposition must have inevitably led to one or another resignation among senior bureaucrats. However, the essence of a

³⁶ The Round Table Talks during Bulgaria's 'regime controlled transition' are of even less relevance in this scenario because the communist party won the first elections.

non-replacement strategy under this scenario refers to the reactive use of political discretion by the new government. In other words, these new governments did not actively initiate the replacement of senior bureaucrats but recruited a limited number of former second tier bureaucrats from inside the ministerial bureaucracy in response to the emergence of vacancies in the senior ranks.

Secondly, the approach to work with the inherited bureaucrats even under conditions of generally high problems of trust is based on the condition that politicians of the democratic opposition had an opportunity to learn about senior bureaucrats' policy orientations. However, this condition could only be met by a minority of politicians, which had actively participated in the Round Table Talks. Consequently, the personnel policy strategy was not stable because ministers who had not participated in the Round Table Talks had to be much more suspicious towards inherited senior bureaucrats. Moreover, members of the parliamentary factions or politicians outside parliament did often not share the same experience as only a minority of government politicians had been participant at the Round Table Talks. As a consequence, this strategy had only the potential to be stable to the extent that either all politicians shared the same confidence towards senior bureaucrats or that confident politicians had control over suspicious politicians.

Given a particular balance between confident and suspicious politicians, the basic theoretical model suggests that bureaucrats will be more informative towards the new government the more they have exercised political discretion. Hence, in this scenario, senior bureaucrats should be less informative unless the government was willing to commit not to exercise political discretion over personnel policy. The reasons are, firstly, that senior bureaucrats were entirely aware that the new government had a problem of political trust and that they had stayed in office from the grace of confident politicians. Hence, senior bureaucrats in office feared that the purges of the senior ranks were simply postponed to the near future. Moreover, the senior bureaucrats in office had to fear that future governments would associate them with the present government the longer the present government waited with institutional reforms that implied a reduction of the degree of formal political discretion. Hence, the senior bureaucrats in office faced a dilemma in that non-informativeness would

lead to their dismissal, while informativeness may threaten their future career in public administration. By contrast, second tier bureaucrats had the same incentive structure than under the previous scenarios. Consequently, regardless of the incentive dilemma of senior bureaucrats, it is clear from this discussion that bureaucrats would be united in their demand for rapid institutional reforms that lowered the degree of formal political discretion.

The question then is whether these new governments will endorse bureaucratic wishes for institutional reform. On the one hand, these governments will not have forgotten that they inherited the bureaucracy from the communist regime, which had over-politicised personnel policy. As a result, a constellation arises that is similar to the one discussed in the second scenario. Because the problem of political trust is generally high, these governments will fail to subscribe to civil service reforms because of the fear that the policy orientations of the inherited bureaucrats may ultimately be too far outlying, which implies that governments would not engage in civil service reform efforts. Alternatively, governments may simply adopt a 'wait and see approach' and postpone the initiation of civil service reform until they feel prepared to wholly trust the inherited senior bureaucrats. Hence, civil service reform could occur but only in the near future.³⁷

On the other hand, these governments had a clear incentive to commit to de-politicising reforms because they were relatively less puzzled by problems of political trust than governments in the second scenario and because it was a necessary condition to tap the expertise held by bureaucrats in office. Hence, given the confidence of at least some politicians, civil service reform dynamics will take off right after the change of regime and the investiture of a new government. However, confident politicians within government will only be able to enact institutional reforms with de-politicising effects, if they are able to overcome the potential opposition of politicians in government that are suspicious towards inherited bureaucrats. In other words, exactly because not every member of the government may have had the luxury of learning about bureaucratic preferences at the Round

³⁷ For instance, the Mazowiecki government in Poland was in fact hardly able to initiate a reform because it had been formed after the semi-democratic elections in 1989.

Table Talks, the proponents of civil service reform are confronted with obstacles that result from the veto potential of opposing politicians within and outside government. Consequently, even though it can be expected that these governments have actively pursued the introduction of a de-politicised civil service, it remains an open question whether opposing forces within the political system were present and to what extent these governments were able to overcome their veto potential. Table 4.1. summarises the three scenarios of civil service reform dynamics that may occur after a change of regime in Central and Eastern Europe.

Table 4.1. Civil Service Reform Dynamics in Central and Eastern Europe after the Change of Regime

	I. Scenario	II. Scenario	III. Scenario
Mode of Transition	Imposed or regime controlled	Regime collapse	Pacted transition
Government after first democratic elections	Communist successor party	Parties of the democratic opposition	Parties of the democratic opposition
Problem of Political Trust	Lowest	Highest	Intermediate
Personnel Policy Strategy	Government will not initiate replacement of senior bureaucrats in office, although a few changes may occur.	Government will initiate as many replacements as possible, but the scope of replacements is limited for practical reasons. Vacancies will be filled with outside recruits and to a lesser extent internal candidates.	Government will initiate very few replacements. Vacancies that arise due to resignations will be filled with second tier bureaucrats.
Agents of Civil service reform pressures	Second tier bureaucrats because they want to enhance their career prospects.	Second tier bureaucrats and remaining senior bureaucrats because they want to enhance and/or protect their career.	Second tier bureaucrats and new generation of senior bureaucrats because they want to enhance and/or protect their career.
Obstacles to civil service reform	Senior Bureaucrats and governments have no incentive to initiate reform. No reform dynamics occur.	Newly appointed senior bureaucrats and governments have little incentive to initiate reform. In particular, governments will not want to commit to mistrusted bureaucrats. No or very few reform dynamics occur.	Governments may be reluctant to commit to mistrusted bureaucrats and possible veto players within or outside government may prevent change. Major reform dynamics will occur.
Countries	Bulgaria, Romania, Albania	Czech Republic and Slovakia, Baltic States, Slovenia	Hungary, Poland

3.4. Civil Service Reform Dynamics in Later Periods

So far, this Chapter has suggested that directly after the change of regime, the road to de-politicisation of the civil service in Central and Eastern Europe poses many obstacles. The question, therefore, is whether the conditions for the establishment of a de-politicised civil service improve in subsequent periods, i.e. after subsequent changes in government. In the last Chapter, I argued that the personnel policy regimes that are in place when a government takes office tend to develop strong reproductive mechanisms. Although a change of regime upsets the dynamics that prevailed during the communist regime, the discussion in this Chapter has suggested that a departure from the status quo will be difficult to achieve. Moreover, the scenario, which leads to the emergence of stronger de-politicisation pressures does arise under exceptional circumstances that are bound to the period of regime change, i.e. governments formed by parties of the democratic opposition that take office after a pacted transition.

As a consequence, the discussion suggests that, as time goes on, in particular the second scenario is most likely to occur, unless a low degree of formal political discretion has been formally institutionalised shortly after the change of regime. Consider first the possibility that a communist successor party is replaced by a government that is formed by parties of the democratic opposition after the second elections. Obviously, the most likely scenario is that the dynamics of the second scenario will ensue for the new government will be confronted with major problems of political trust but has no special opportunity to learn about senior bureaucrats' policy orientations. Alternatively, consider the option that a government formed by parties of the democratic opposition is replaced by other parties that had been either in opposition before the change of regime or that have been newly formed thereafter. Again, the most likely scenario is that the second scenario will reproduce itself, although it will matter to what extent the incoming and the outgoing government are ideologically opposed to each other.

Finally, consider the possibility that a communist successor party replaces a government that was formed by parties of the democratic opposition. Under these circumstances, the dynamics are more complicated. In brief, the government formed by a communist successor party will not trust the senior bureaucrats that were brought in by the first government and less so the senior bureaucrats that were promoted to senior ranks. Hence, the degree of distrust towards the senior bureaucrats in office depends effectively on the extent to which the first government has exercised political discretion. At the same time, a government formed by a communist successor party will always find some bureaucrats in lower ranks that had been in office before the change of regime and hence that can be well trusted. This means that this kind of government does not distrust the bureaucracy per se, and that there are still opportunities to recruit lower ranking bureaucrats into senior office. As a result, if the second government is formed by a communist successor party, alone or in coalition, it will replace more senior bureaucrats, the more political discretion had been exercised by the first government. Second, if the first government has been able to implement sweeping changes in the bureaucracy, it can be expected that a government formed by a communist successor party has less opportunity to recruit its senior bureaucrats from inside the administration. At the same time and bearing in mind that many senior bureaucrats left the administration during or when the first post-communist government had taken office, more of these senior bureaucrats that had been in office before the change of regime will (be available to) return with the communist successor party to government.

As a consequence, there is a strong tendency that the second scenario will reproduce itself in later periods, unless the immediate post-transition period has led to the adoption of civil service legislation that de-politicises personnel policy. However, this conclusion hinges on the assumption that the patterns of inter-party competition remain polarised and that subsequent changes in government are wholesale rather than partial. Moreover, even if a high degree of formal political discretion built into civil service legislation persists, it is still conceivable that, in the long run, governments become increasingly puzzled by costs resulting from the lack of bureaucratic informativeness, which may undermine the policy-making capacity of the central government apparatus. Hence, governments may develop an incentive to

pursue a civil service reform with de-politicising effects upon personnel policy, although severe problems of political trust reproduce themselves. Under these circumstances, however, it is unlikely that governments will be ready to significantly lower the degree of formal political discretion, but that they would pursue a partial de-politicisation, for instance, for the lower ranks or for certain elements of the senior civil service only. This leads us to the final point: Can we, in light of the typology of personnel policy regimes, determine more precisely the outcomes of civil service reforms?

3.5. What Kind of Personnel Policy Regime for Central and Eastern Europe?

So far, the discussion has concentrated on civil service reform dynamics with respect to two kinds of institutional reform directions. Either pressures towards de-politicisation may be strong or they may be minor if not absent. This raises the question whether it is possible to determine the outcomes of civil service reform more precisely, in particular with respect to the typology of personnel policy regimes developed in Chapter 2. If we begin with the scenario that is most conducive for the de-politicisation of personnel policy, it is unlikely that a fully fledged de-politicised personnel policy regime will be written into civil service legislation. The reason is that even if governments have a strong incentive to support a de-politicising reform and even if they are able to overcome potential veto players, they will not have forgotten that they have inherited the bureaucracy from the communist regime. Hence, the remaining suspicion towards senior bureaucrats and second tier bureaucrats will make them reluctant to forgo all their personnel powers right after the change of regime. Instead, it appears most likely that these governments will at least retain some discretion over the allocation of the senior ranks, that is, the most likely compromise will lead to a personnel policy regime that allows structured politicisation. At the same time, a personnel policy regime that allows structured politicisation has a good chance of appeasing second tier bureaucrats because it effectively reserves senior posts in the ministerial bureaucracy for them. However, this also implies that the establishment of a civil service system that exhibits features of a de-politicised personnel policy regime is the least likely outcome of reform.

Contrast this with the first two scenarios. We argued that only minor pressures towards civil service reform will be present and that governments have little incentive to endorse the wishes of second tier bureaucrats for de-politicisation. In general, this suggests that a personnel system with the features of a personnel policy regime that allows unbounded politicisation will persist, and for the immediate post-transition period, this is the most likely outcome. However, given the demand of second tier bureaucrats and given the possibility that governments perceive increasing costs from a lack of bureaucratic informativeness, it is conceivable that reforms in later periods will lead to reforms that partially de-politicise personnel policy, for instance, for the lower ranks of the civil service or parts of the senior civil service. If this is the case, we should witness the emergence of hybrid personnel policy regimes, in which, for instance, particular groups of the senior civil service are subject to personnel policy regimes that allow structured or even de-politicisation. However, any such attempt to partially de-politicise personnel policy will be highly contentious because it contradicts the incentive of members of governments or other politicians to retain a high degree of formal political discretion under conditions of severe problems of political trust.

Moreover, given the fact that the personnel policy dynamics are embedded in a transition from one-party rule to constitutional multi-party democracy, it is conceivable that the regime change sets off a 'paradigm change' (Hall 1993) when it comes to the re-organisation of public administration. In particular, the objective to bring politics and public administration under the rule of law has implications for the legal status of administrative personnel. The legal perspective suggests that because the state is responsible to ensure that public administration operations are performed in accordance with the principles of enshrined in the constitution and administrative law, civil servants fulfil the special role of exercising public authority on behalf of the state. In a constitutional democracy, the state is therefore required to provide conditions that enable civil servants to effectively execute their tasks and to establish mechanisms of control and accountability in order to prevent the abuse of state power (Cardona 2000; SIGMA 1999: 20-23). Consequently, the introduction of constitutional democracy in Central and Eastern Europe *should* be followed by the

adoption of civil service legislation, which grants a public law status to administrative personnel, distinguishes the civil service from other forms of employment, and defines the rights and duties of both civil servants and the state.

In the present discussion, this suggests that the governments that have been elected into office after the change of regime may support the 'idea of a professional civil service' as an essential component of a constitutional democracy. However, a generally positive approach of government politicians towards civil service reform does not imply that legislation is adopted that also restricts their possibilities to exercise political discretion over personnel policy. Therefore, it is conceivable that the new governments in Central and Eastern Europe take on board the idea of a professional civil service, but without establishing institutional arrangements that have the capacity for de-politicising personnel policy, in particular, with respect to the senior and higher ranks of the bureaucracy - a point that is usually not recognised in the discussions surrounding civil service reforms in Central and Eastern Europe. This implies that if civil service legislation is adopted in the absence of de-politicisation incentives and pressures, civil service systems are likely to share the features of personnel policy regimes that allow open politicisation because the restrictions upon the exercise of political discretion may be kept at a marginal level. Moreover, it can be expected that because ideas usually take longer to trickle down in the policy process, a civil service reform-*light* will not be initiated in the first period after the change of regime.

In addition to the (limited) 'power of ideas', there is a growing literature that assesses the impact of European integration on institutional change at the domestic level (Börzel/Risse 2000; Goetz/Hix 2000; Radaelli 1999). It argues that as much as the upward delegation of policy functions to the European Union (henceforth *EU*) follows the logic of different mechanisms of integration (Scharpf 1994), the downward impact of European integration on national administration creates different 'mechanisms of Europeanisation' (Knill/Lehmkuhl 1999). For instance, in areas of positive integration the EU legislative activities lead to a prescription of "a concrete institutional model for domestic compliance, which leaves a comparably low level of room for adaptation in the light of the domestic institutional context"

(Knill/Lehmkuhl 1999: 4). Yet other mechanisms of Europeanisation have merely indirect effects. For example, they influence the institutional set up of national administrations as a result of changing opportunity structures for national actors or the beliefs of domestic actors. Whether or not either of these mechanisms of Europeanisation occur in Central and Eastern Europe, however, still depends on the 'goodness of fit' (Knill/Lehmkuhl 1999) and the existence of some 'facilitating factors' like actors or institutional arrangements that respond to adaptive pressures and allow a response respectively (Börzel/Risse 2000: 1-2).

As a consequence, administrative reforms in Central and Eastern Europe as the result of 'anticipated Europeanisation' (Lippert et al. 2001) *may be* at best selective, i.e. in areas subject to mechanisms of positive integration. However, the not-yet-realised-EU-membership of Central and Eastern European countries is likely to reduce the pre-accession enforcement capacity of the EU in these areas. Within the jurisdiction of the EU Treaties, the European Court of Justice guarantees the enforcement of EU-policies, if a member state fails to meet the obligations arising from EU legislative activities. In policy areas that are subject to the mechanism of positive integration, this implies the quasi-enforcement of institutional arrangements associated with these policies. By contrast, in Central and Eastern Europe, institutional reforms in the areas of positive integration will only be properly subject to enforcement by the European Court of Justice after their accession to the EU. At the same time, wherever the EU requires the 'adjustment of administrative structures' in order to build the administrative capacity necessary for the implementation of the *acquis communautaire*, the EU has to rely on the candidate countries in adapting the institutional set-up of their public administrations before accession to the EU resulting from its lack of legal competencies in this field.

Given the lack of well probed enforcement mechanisms, the EU's impact upon the institutional reorganisation of Central and Eastern European public administrations has been extended by adding the 'dimensions of conditionality and a negotiating process' (Grabbe 2001). Among the different mechanisms of EU-influence Grabbe (2001: 1021) suggests that the most important one is "the EU's gate-keeping role in determining when each candidate can progress to the next stage towards accession".

In other words, the enforcement of institutional adaptation towards EU-compatibility of Central and Eastern European public administration is supposed to be ensured by the EU's sanctioning power to keep the gates closed and hence to postpone East enlargement, if candidate countries fail to fulfil the adaptation conditions. As a result, common wisdom suggests that the successful completion of the transformation of Central and Eastern European administrations is just a matter of time. In fact, even the problem of timing is essentially resolved, as Central and Eastern European countries will pursue administrative reforms with maximum speed in order to meet the conditions for EU-accession, given the will to join the EU in the first place.

However, the problem is that in the area of national governance, the EU has stipulated only very general requirements to be met by candidate countries given its limited legal competence in the area. The criteria stated at the Copenhagen Summit in 1993 and the Madrid Summit in 1995 primarily referred to the establishment and consolidation of institutions of democracy and ensuring the functioning of a market economy. By contrast, the issue of public administration was only addressed with reference to the need to the 'adjustment of their administrative structures' (Fournier 1998: 112). In various reports, the European Commission has eventually sought to specify the requirements for administrative adjustment including the need to create a professional and impartial civil service as a precondition to eventually meet the obligations that arise from EU membership. To this end, the Commission demands from Central and Eastern European governments to adopt civil service legislation that creates a professional civil service that is separated from politics and whose remuneration levels are aligned with private sector wages (Fournier 1998). However, while the Commission requires candidate countries to legally define a functional differentiation between politics and administration, it does not make specific stipulations with respect to the degree of formal political discretion built into civil service legislation.

Without going into the details of the Europeanisation Eastern Style debate (e.g. Grabbe 2001; Schimmelfennig/Sedelmeier 2002), we can therefore draw four general conclusions with respect to the prospects of Europeanising Central and Eastern European civil services. Firstly, EU conditionality criteria have only emerged on the

agenda of Central and Eastern European policy-makers during the mid/late 1990s. This is particularly true for the requirements that concern the civil service. As a result, if any pressures towards the initiation of civil service reform have emerged from EU conditionality they could only arise towards the end of the 1990s. Secondly, the EU conditionality criteria do effectively not go beyond the stipulation that a civil service defined in public law shall be established. Hence, Central and Eastern European governments are in fact free to choose to what extent they want to retain the discretion to intervene into personnel policy as long as they pass a law that establishes a functional differentiation between politics and administration. Thirdly, the perspective that executive actors, especially senior bureaucrats, are strengthened as a result of EU accession negotiations (Goetz 2000) does not imply that additional pressure towards the institutionalisation of a low degree of formal political discretion emerges, because these senior bureaucrats may have joined the senior ranks only after the last change in government and hence on a party ticket. Rather, governments may even have less incentive to reduce the degree of formal political discretion because it would undermine political leverage upon EU-accession negotiations. Finally, it is also not very plausible to expect that the diffusion of norms and beliefs resulting from 'framing integration' (Knill/Lehmkuhl 1999) strengthens the pressure towards the adoption of civil service legislation with a low degree of formal political discretion, although it may nurture a reform 'discourse' to legitimise institutional reforms (Schmidt 2002). The reason is that, like in the case of ideas discussed above, changing norms and beliefs will trickle down only slowly and hence take some time to translate into institutional reform pressures. In addition, they can also not be expected to easily offset the 'hard incentives' of governments and senior bureaucrats, especially when they are trusted appointees of the government of the day. As a consequence, there is good reason to believe that the striking wave of civil service reforms in Central and Eastern Europe since the end of the 1990s mentioned in the Chapter 1 can be attributed to EU conditionality criteria (Dimitrova 2003). At the same time, the discussion in this Chapter suggests that these reforms do hardly have the potential to go further than establishing personnel policy regimes that allow open politicisation.

4. Conclusion

This Chapter has suggested that the road towards the de-politicisation of Central and Eastern European civil services is a bumpy one. All three scenarios that may arise directly after the change of regime give rise to more or less bureaucratic demand for institutional reforms. In the first two scenarios, institutional reform pressures were effectively mounted by second tier bureaucrats. However, because their incentives did not coincide with senior bureaucrats' incentives and because governments formed by either communist successor parties or parties of the democratic opposition after a regime collapse did not have an incentive to engage in civil service reform with de-politicising effects, the pressures were unlikely to translate into the initiation of civil service reforms.

As a consequence, the only reasonable prospect for the de-politicisation of the civil service arises, if parties of the democratic opposition form the first democratically elected government whose members have participated in the Round Table Talks of a pacted transition and if these politicians are able to control suspicious forces within and outside government. Under these conditions, the new governments are able to mitigate problems of political trust, which enables them to take advantage of the expertise of senior bureaucrats in office. The strategy to rely on inherited senior bureaucrats however leads to the emergence of unified bureaucratic demand for the de-politicisation of personnel policy. As a result, governments will pursue civil service reform efforts and they will be able to realise the de-politicisation of personnel policy to the extent that they overcome the potential veto power of reform opponents (see Table 4.1.). The first government in Hungary and to a lesser extent the first government in Poland are the only ones in the region that come closest to this scenario, but as I will show in Chapter 7, not even the Hungarian government could overcome the resistance of opposing groups in parliament. As a consequence, directly after the change of regime, the road to de-politicisation of the civil service in Central and Eastern Europe has posed too many obstacles to lead to rapid and successful reforms.

In addition, the discussion has shown that the prospects of de-politicisation do not necessarily improve when times goes on. Rather, subsequent periods tend to reproduce personnel policy and civil service reform dynamics that stabilise high degrees of formal political discretion. However, conceivable reform pressures may emanate from the desire to reconcile civil service governance with the doctrine of constitutional government. Moreover, some reform leverage will be mounted by external pressures namely the requirements for institutional adaptation that result from EU accession. Both the power of ideas and EU conditionality criteria may provide an incentive for Central and Eastern European governments to initiate and pass civil service Acts. However, in the discussion, we concluded that these Acts are unlikely to incorporate low degrees of formal political discretion. It results that unless patterns of party competition become less polarised and patterns of government formation provide conditions that lower the salience of problems of political trust for incoming governments, in the medium term, civil services in Central and Eastern Europe will tend towards personnel policy regimes that allow open politicisation.

Chapter 5

The Institutionalisation of Political Discretion: Hungarian Civil Service Legislation between 1990 and 2001

1. Introduction

Hungary held its first democratic elections in March and April 1990. Between 1990 and 2001, the Hungarian Parliament passed six Acts that defined and amended the formal-legal governance structure of the civil service. Still in May 1990, shortly before the investiture of the first democratic government, Parliament adopted the Temporary Act on State Secretaries that regulated the allocation of the top two ranks in the ministerial hierarchy. In the spring of 1992, Parliament adopted the Act on the Legal Status of Civil Servants (henceforth *Civil Service Act*) including state secretaries. Hence, until 1992, central government employees except state secretaries continued to be regulated by the Labour Code of 1967 that made no distinction between employees in public administration and other employees. The 1992 Civil Service Act covers the central state administration, their regional and local agencies, de-concentrated agencies with nation-wide authority and several non-governmental agencies. Moreover, the Civil Service Act includes employees of local self-governments and public corporations like the Secretariat of the Hungarian Academy of Science and until 1998 the social security organs. In 1997, the Hungarian Parliament adopted the Act on the Legal Status of Members of the Government and State Secretaries which substituted the 1990 Act on State Secretaries. Moreover, the 1992 Civil Service Act was amended in autumn 1997. Finally, in June 2001 and in May 2002 Parliament passed two more amendments of the Civil Service Act.

The limited scope of the Civil Service Act implies that public sector employment in Hungary has been differentiated since 1990. This is reflected in the adoption of legislation for other groups of public sector employees at the time of enacting the first Civil Service Act and in subsequent years. In 1992, the Hungarian Parliament

passed the Act on the Legal Status of Public Servants covering public employees who serve the interest of the public or exercise communal work, for instance, employees in the educational, health or cultural sectors. Moreover, in 1992, the Hungarian Parliament adopted a new Labour Code to regulate private sector employment. In subsequent years, Parliament passed the Attorneys' Act (1994) applying to prosecutors and other officials in the attorney's office, the Act on Public Employees in Uniform (1996) including members of the Hungarian Army, the Customs Guard, the Police, etc. and two Acts on Judges and Employees at the Judiciary (1997).

As a consequence, civil servants make up a small proportion of general government employment. The civil service as a proportion of public sector employees has marginally increased from about 12% in 1992 to around 14% in 2001, which is equivalent to more or less exactly 100.000 civil servants (see Table 5.1. at the end of the Introduction). The scope of the Civil Service Act, however, implies that civil servants employed at central government ministries have represented only a small proportion of all employees covered by the Civil Service Act. It reached an all time low in 1997 with 6455 civil servants and grew by 16% until the end of 2000, when 7455 civil servants were employed in the ministries excluding the Prime Minister's Office (Table 5.2.). Since the coming into force of the first Act in 1992, civil servants have been employed in either 12, 13 or 14 ministries and the Prime Minister's Office. However, the number of civil servants employed per ministry has varied considerably all through the 1990s. In 1999, the Ministry of Foreign Affairs employed 21 times more civil servants than the Ministry of Youth and Sports, the smallest ministry. Moreover, the staff trajectory of different ministries has taken very different directions. On the one hand, the Ministry of Economic Affairs and its predecessors shrank by 45% between 1994 and 2000. On the other, the Ministries of Cultural Heritage, Education and Youth and Sports as the successor ministries of the Ministry of Culture and Education grew by 62% between 1993 and 2000.³⁸

This Chapter analyses the formal-legal frameworks that have governed the exercise of political discretion in so far as they have concerned the civil servants employed in central government ministries, hence, a small subset of the entire civil service. The

emphasis will be placed on institutional arrangements that apply directly and indirectly to categories of civil servants that together make up the senior civil service. Accordingly, the first part of this Chapter outlines the structure and the size of the civil service and define the boundaries and internal structure of the Hungarian senior civil service as it has evolved since 1990. The second and third part turn to the discussion of the legal frameworks and the way they regulate the exercise of political discretion by governments and their ministers. The second part discusses the personnel policy domain of allocating civil servants to the ministerial organisation and the third part discusses the domain of determining their levels of remuneration.

The Chapter argues that the institutional reforms since 1990 have led to the emergence of a hybrid personnel policy regime. On the one hand, I will conclude that the allocation regime has continuously retained the potential for the open politicisation of personnel policy, although there have been small differences from one rank of civil servants to another. By contrast, the remuneration regime has gradually moved from a personnel policy regime that allows unbounded politicisation between 1990 and 1992 towards a de-politicised personnel policy regime that has been formalised in the 2001 amendment of the Civil Service Act. As a consequence, governments have gradually forgone the possibility to apply discretionary instruments in the domain of setting civil servants' remuneration levels but not in the domain of allocating civil servants. The last section of part three therefore provides a short discussion of the application of political discretion in the domain of remuneration policy in order to identify the extent to which governments and their ministers have taken advantage of their formally granted powers. By contrast, an in depth discussion of how governments have exercised political discretion in the allocation of civil servants follows in the next Chapter.

³⁸ The reorganisation efforts of the central government apparatus will be discussed in the next Chapter.

Table 5.1. Number of People Employed in the Public Sector, 1999-2001 (Source: Prime Minister's Office 2002: 53)

	1999	2000	2001	% 2001
People employed in budgetary institutions				
According to legal categorisation:				
Civil servants	108100	109800	109800	13.9
Public employees	569300	557500	550800	70.9
In service at the armed organs	87300	86400	86900	11.0
Court, prosecutors' office	11200	11400	11700	1.5
Individuals employed in public work	23800	26300	29100	3.7
Total	799700	791400	788300	100
By function				
Public Administration, defence, social security	282800	277900	277500	35.2
Education	234300	232900	232400	29.5
Health, social welfare	198300	194700	192900	24.5
Other	60500	59600	56400	7.2
Individuals employed in public work	23800	26300	29100	3.7
Total	799700	791400	788300	100

Table 5.2. Distribution of Civil Servants by Employing Ministry (Source: Ministry of Interior)

	1993	1994	1996	1997	1998	1999	2000	% in 2001	Mean
Interior	594	569	549	526	648	640	538	7.2	580.6
Health						309	335	4.5	387.3
Welfare	438	477	427	344	381				
Agriculture	478	495	440	437	451	608	727	9.8	519.4
Economic Affairs						805	755	10.1	846.8*
International	424								
Economic Affairs									
Industry & Trade	652	1369	1087	1005	677				
Defence	120	124	111	135	131	143	191	2.6	136.4
Justice	315	267	335	318	283	297	321	4.3	305.1
Environment	383	374	381	370	464	454	528	7.1	422
Transport	389	337	342	342	301	331	378	5.1	345.7
Foreign Affairs	1633	1618	1745	1578	1772	1835	1887	25.3	1724
Cultural Heritage						241	253	3.4	247
Education						458	653	8.6	555.5
Youth & Sport						89	117	1.6	103
Culture & Education	630	696	584	506	551				593.4
Finance	579	569	591	572	620	576	520	7.0	575.3
Social & Family Affairs						324	252	3.4	268.23
Labour	237	225	236	286	318				
<i>Mean</i>	528.6	593.3	569	534.9	549.8	507.9	532.5		545.1
Total	6872	7120	6828	6419	6597	7110	7455	100	6914.4

*) For 1993, the number of civil servants that was employed in the Ministry of Industry and Trade and in the Ministry of International Economic Affairs were added together.

2. The Structure and Size of the Civil Service

The evolution of the formal structure of the Hungarian senior civil service since 1990 has closely followed the evolution of the internal structure of executive branch ministries. Ministers stand at the apex of the ministerial organisation. They represent the political leadership of the ministry and the link between executive branch ministries and the Government. In Hungary, the Government consists of the Prime

Minister, the Ministers heading various branches of the state administration falling in their respective scopes of competency, Ministers without portfolio and since 1998 a Minister heading the Prime Minister's Office. The Prime Minister is the only member of the Government who is elected by Parliament, for in the selection of the Government, the Parliament only votes on the Prime Minister and the government programme. Conversely, the Prime Minister is the only member of Government who is accountable to Parliament. Like in Spain and Germany, the Hungarian Prime Minister can only be removed by a constructive vote of no-confidence.³⁹ The Prime Minister proposes the appointment and dismissal of Ministers to the President, who is himself elected by Parliament. Conversely, Ministers are accountable to the Prime Minister and not to Parliament.⁴⁰

Ministers are assisted in their work by a Political State Secretary, an Administrative State Secretary, a French-style ministerial cabinet and a communication unit that is responsible for the relations between the ministry and the media. Departments are the main working units of the ministry, although larger departments are usually divided into several divisions or sections. Departments with similar policy responsibilities are grouped together under the responsibility of Deputy State Secretaries, while departments with ministerial management responsibilities are directly subordinated to the Administrative State Secretary. As a result, the Administrative State Secretary is the crucial link between the political leadership represented by the Minister and the departments as the main organisational units of the ministries. The number of Deputy State Secretaries as intermediate links between the Minister and the ministerial departments varied during the 1990s between three and six per ministry, although the average number increased slightly from 3.2 in the early 1990s to 4.3 per ministry in 2000. However, as I will show in more detail in the next Chapter, there is no direct relationship between the size of a ministry and the number of appointed Deputy State

³⁹ In 1989, the National Round Table Talks had provided for explicit ministerial accountability by granting Parliament the right to table a motion of no-confidence against individual ministers. However, the provision was deleted in the 1990 wave of constitutional amendments. At the same time, the constructive vote of no-confidence against the Prime Minister was introduced and hence strengthened the Prime Minister both vis-a-vis his ministers and Parliament (Körösi 1999: 161).

⁴⁰ From the point of view of delegation studies, the Hungarian constitution formalises rather neatly the principles of singularity and indirect delegation as features of Strom's (2000) ideal typical parliamentary system of government.

Secretaries, since for instance the small Ministry of Youth and Sports has employed six Deputy State Secretaries since its creation in 1999.

The ranks of different state secretaries were introduced in the 1990 Act on State Secretaries in the context of the transformation of the central government apparatus. Political State Secretaries belong to the political leadership of the ministry. They are political appointments of the government and may deputise for the Minister both in Government meetings - though without voting rights - and in the plenary of Parliament. By contrast, Administrative State Secretaries are formally responsible for managing the organisation and the professional affairs of the ministry. They may deputise for the Minister only in the absence of the Political State Secretary, but they may not speak on the floor of Parliament. Moreover, the Act on State Secretaries established the rank of Deputy State Secretary as being responsible for the management of ministerial departments that cover a particular policy area within the jurisdiction of the ministry. Hence, the 1990 Act on State Secretary formalised a functional division between the administrative and the political leadership of a ministry. The 1997 Act on the Legal Status of Members of the Government and State Secretaries did not introduce any changes to the structure of the two top ministerial positions.

Between 1990 and 1992, ministries distinguished internally between 'managers' and 'employees', but there was no formal distinction between the heads of ministerial units and their staff, as all employees of the branch ministries continued to be governed by the 1967 Labour Code.⁴¹ Hence, between 1990 and 1992, the senior civil service effectively lacked a formal institutional definition, although it is appropriate to refer for that period to Administrative State Secretaries, Deputy State Secretaries (henceforth, *state secretaries*) and managers of organisational units as the senior officials of executive branch ministries.

The 1992 Civil Service Act defined the ranks within the ministerial hierarchy. Below the Administrative and Deputy State Secretaries who are included in the scope of the

⁴¹ See the top rows in Table 5.5., which includes data for the Ministry of Interior before the adoption of the Civil Service Act.

Civil Service Act, the 1992 Act differentiated the staff of ministerial units into four general categories of civil servants distinguished on the basis of their educational qualifications and their functional responsibilities. Civil servants of category I (henceforth, *higher civil servants*) comprise officials with a university degree. Middle ranking civil servants of category II have completed secondary school and lower ranking civil servants of category III and IV are referred to as administrators and blue-collar workers respectively. The 2001 amendment of the Civil Service Act excluded lower ranking civil servants from the scope of the Act and subjected them to the Labour Code.

Moreover, the 1992 Civil Service Act formalises a category of senior civil servants defined as higher civil servants who are leaders of organisational units. The Act refers to senior civil servants as Heads of Departments, their Deputies and Heads of Divisions. Hence, in accordance with the typical structure of a ministerial organisation outlined above, these ranks are the levels three, four and five in the ministerial hierarchy. However, in practice, the rank of senior civil servant was also granted to Ministers' chiefs of staff and/or their personal secretaries. As a result, according to the 1992 Civil Service Act, the senior civil service consisted of state secretaries and senior civil servants as all those ranks that are in managing positions in the ministry.⁴²

Except for state secretaries, the Government of Hungary only provides data that distinguishes between different ranks of the civil servants for the entire civil service. Table 5.3. shows the distribution of civil servants according to their rank in all institutions covered by the Civil Service Act. According to an internal document of the Ministry of Interior, 9.7% of all employees covered by the Civil Service Act were ranked as senior civil servants in 2000, excluding state secretaries. However, data collected from the Ministry of Transport for the period from 1994 to 2001, the Ministry of Environment from 1998 to 2000 and from the Ministry of Interior from 1990 to 2000 suggests that higher civil servants make up around 50% of the

⁴² It is important to note that I distinguish between the senior civil service as a group of managers and senior civil servants as a subset of this group. Interestingly, in the Hungarian documents, senior civil servants continue to be labelled 'managers' like before the change of regime.

ministerial civil servants and that their proportion has slightly increased during the 1990s (see Table 5.4.). On the other hands, the proportion of middle ranks remained stable at 15-20% in the Ministries of Transport and Environment, while the proportion of lower ranks has continuously decreased during the 1990s.

Table 5.3. Development of the Number of Civil Servants, 1999-2001 (Source: Prime Minister's Office 2002: 54)

	I. Class	II. Class	III. Class	IV. Class	Total
1999					
Central Public Administration	28564	25436	5888	4988	64876
Non-governmental bodies	829	475	88	299	1691
Local municipalities	11396	20742	3856	5371	41365
Public bodies	65	56	26	4	151
Other	60	91	13	2	166
Total	40914	46800	9871	10664	108249
2000					
Central Public Administration	30370	26078	5531	4674	66653
Non-governmental bodies	869	465	79	291	1704
Local municipalities	12310	21603	3849	5226	42988
Public bodies	78	63	24	4	169
Other	73	145	11	3	232
Total	43700	48354	9494	10198	111746
2001					
Central Public Administration	32885	27532			60417
Non-governmental bodies	1005	493			1498
Local municipalities	13965	24129			38094
Public bodies	69	70			139
Other	76	136			212
Total	48000	52360			100360

Table 5.4. The Distribution of Civil Servants according Rank in Selected Ministries (Source: Ministries of Interior, Environment and Transport)

Year	Senior	%	I	%	II	%	III	%	IV	%	Total
Ministry of Interior*											
1990	203	32.1	430	67.9			.	.	.	.	633
1991	95	17.1	459	82.9			.	.	.	.	554
1992	70	12.4	494	87.6			.	.	.	.	564
1993	71	12.4	349	61.1			140	24.5	11	1.9	571
1994	71	12.9	331	59.9			139	25.2	11	1.9	552
1995	79	15.8	283	56.7			127	25.5	10	2.0	499
1996	81	16.1	285	56.7			127	25.2	10	1.9	503
1997	79	16.8	285	60.5			100	21.2	7	1.5	471
1998	77	16.1	302	63.2			94	19.7	5	1.0	478
1999	77	14.7	356	67.9			86	16.4	5	1.0	524
2000	98	18.6	356	67.4			71	13.4	3	0.6	528
Mean**	79.1	15.4	318.4	61.7			110.5	21.4	7.75	1.5	515.6
Ministry of Transport											
1994	53	16.1	125	37.9	58	17.6	35	10.6	59	17.9	330
1995	61	19.1	125	39.1	52	16.3	36	11.3	46	14.4	320
1996	61	19.3	124	39.2	51	16.1	37	11.7	43	13.6	316
1997	57	18.3	130	41.7	52	16.7	31	9.9	42	13.5	312
1998	60	17.6	145	42.5	60	17.6	31	9.1	45	13.2	341
1999	69	20.5	135	40.1	66	19.6	27	8.0	40	11.9	337
2000	76	21.5	148	41.8	61	17.2	29	8.2	40	11.3	354
Mean	62.4	18.9	133.1	40.3	57.1	17.3	32.3	9.8	45	13.7	330
Ministry of Environment											
1998	70	22.9	147	48.2	46	15.1	26	8.5	16	5.2	305
1999	72	23.7	150	49.3	46	15.1	24	7.9	12	3.9	304
2000	75	20.4	197	53.5	52	14.1	32	8.7	12	3.3	368
Mean	72.3	22.3	164.7	50.4	48	14.8	27.3	8.4	13.3	4.2	325.7

*) Higher civil servants and middle ranks are grouped together.

**) Means calculated for 1993 to 2000

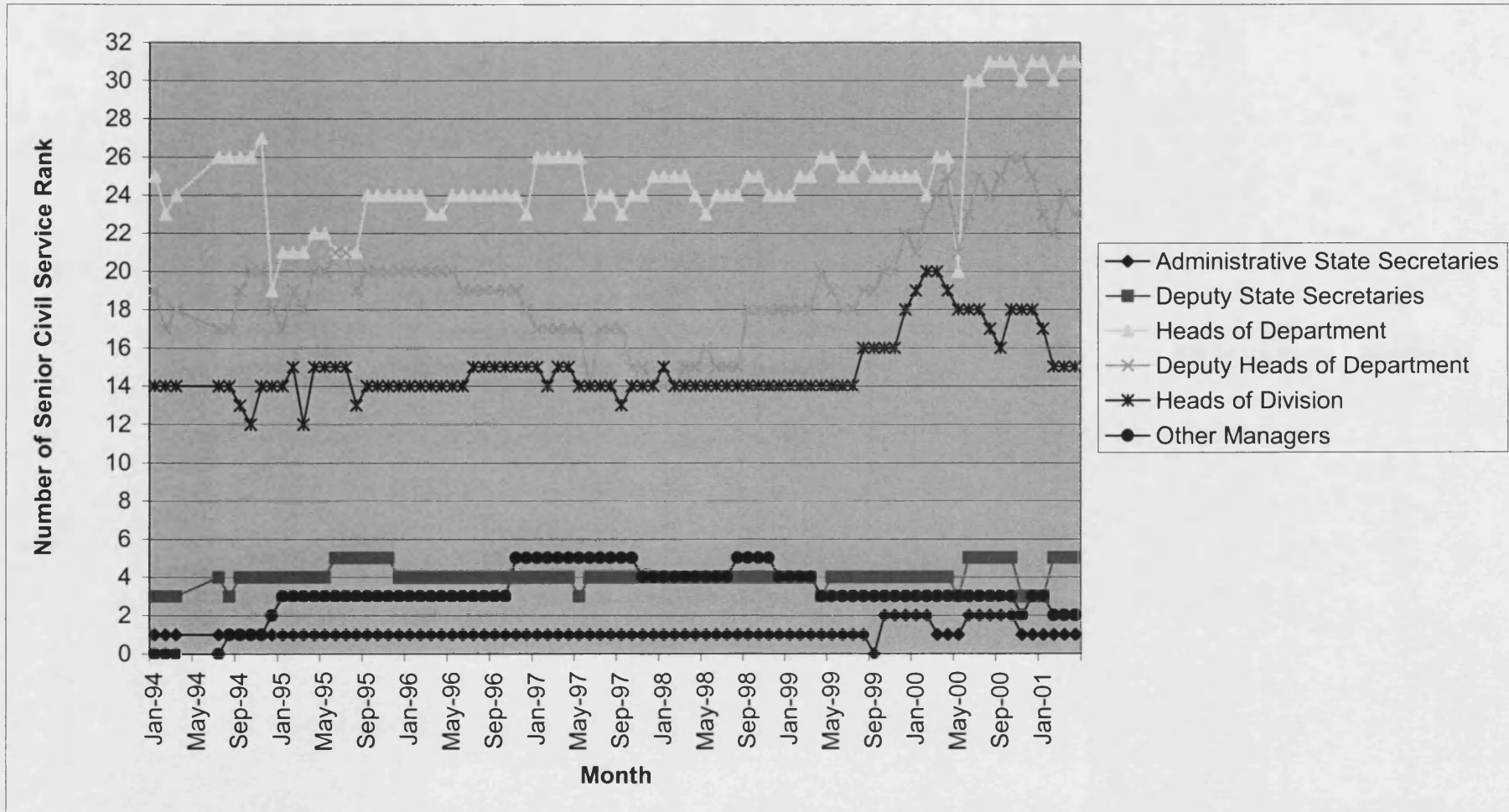
Moreover, Table 5.4. suggests that around 15-20% of the ministerial civil servants were ranked as senior civil servants (excluding state secretaries). The proportion of senior civil servants in the three ministries is inversely related to the overall size of the ministry and thus, it appears to be reasonable to assume that the proportion of

senior civil servants is higher in small ministries and lower in large ministries. On the other hand, recall the example of the Ministry of Youth and Sports above, which suggests that the relationship between the size of the ministry and the proportion of senior civil servants is at best ambiguous. Therefore, we can only estimate that a proportion of 15-20% is equivalent to 1000-1400 senior civil servants that have been employed in central government ministries at any point during the 1990s. However, in all three ministries the proportion of senior civil servants per ministry increased towards the late 1990s. In 1994, the mean proportion of senior civil servants in the Ministries of Transport and Interior was at 14.5%. This value rose to 20.05% in 2000.

Finally, Figure 5.1. shows the distribution of ranks among senior civil servants as they were placed on the payroll of the Ministry of Transport between 1994 and April 2001.⁴³ First, it shows the gradual increase in the number of senior civil servants during the 1990s, especially since 1999. Second, it clearly confirms the centrality of departments as basic working units in the ministries, for Heads of Departments represent the largest group of senior civil servants accounting for approximately 40% of the senior civil servants. Conversely, Deputy Heads of Departments are only occasionally appointed and only some departments may be further divided into smaller divisions led by a Head of Division.

⁴³ Occasionally, there are two Administrative State Secretaries shown and five or six Deputy State Secretaries. These specific values result from personnel changes when the outgoing official continued to be on the payroll for a maximum of six months.

Figure 5.1. Distribution of Senior Civil Service Ranks: Ministry of Transport, 1994-2001



The amendments of the Civil Service Act in 1997 and 2001 have further differentiated the structure of the civil service, especially the senior civil service. Firstly, the 1997 amendment formalised the power of Ministers to establish ministerial cabinets. Accordingly, it defined 'ministerial advisors' and 'political advisors' as particular groups of higher civil servants working in ministerial cabinets. Ministerial advisors are simply defined by their workplace in the ministerial secretariat or cabinet, while political advisors are defined as performing functions directly related to the activities of the Minister. Advisors are included within the scope of the senior civil service for they are responsible for strategic and partly co-ordinating functions within the ministry.

Structures equivalent to ministerial cabinets had already existed before 1997 as Ministers tended to establish directly subordinated advisory units in the ministries. The heads of these units were variously labelled chief of staff or chief of secretariat. However, there was no uniform method of ranking chiefs of cabinets. For instance, the Ministry of Defence tended to rank chiefs of staff as Deputy State Secretaries, and the ministry of Welfare did so in 1993 and 1994. By contrast, most ministries ranked chiefs of cabinets or ministerial secretariats as senior civil servants. However, after the enactment of the 1997 amendment, the chief of cabinet in the Ministry of Interior for example continued to be ranked as a senior civil servant and it is only since the end of 1998 that ministries rank political advisors, ministerial advisors and senior civil servants separately. Between July 1998 and April 2001, the Ministry of Transport employed two to seven political advisors, between 1998 and 2000, the Ministry of Interior employed either five or six advisors, and the Ministry of Environment employed five advisors in 2000. Hence, all three ministries employed more or less the same number of advisors since 1998, although it has been reported during personal interviews that, in some ministries, more than ten advisors worked in ministerial cabinets.

Finally, the 2001 amendment has created a Senior Executive Service as an entirely new group of civil servants. It is defined as a 'corps of experts specifically dealing with global governmental questions, the efficiency of operating the budget, the

effectiveness of activities related to European integration, the elevation of management and control, and the preparation of strategic administrative decisions'. Moreover, it is stated explicitly that members of the senior executive service perform 'various ad hoc tasks set forth by the Prime Minister (or acting on his behalf, the Minister leading the Prime Minister's Office)'. The members of the senior executive service are selected from the group of state secretaries, senior civil servants and other higher civil servants that may apply given the functional definition of the Senior Executive Service. Hence, the creation of the senior executive service further differentiates the senior civil service, but it only affects the size of the senior civil service, if higher civil servants (who are otherwise outside the scope of the senior civil service) become members of the senior executive service. Finally, the 2001 amendment states that the size of the senior executive service may not exceed 300 members. All of these positions were filled by early 2002.

In sum, the Hungarian civil service has continuously been differentiated since 1990/92. The senior civil service as a subgroup of the ministerial civil service consists of all those civil servants that hold managing positions and/or strategic planning positions in central government ministries. Therefore, since 2001, the Hungarian senior civil service comprises Administrative and Deputy State Secretaries, senior civil servants, advisors and members of the senior executive service as categories of civil servants. The next two parts analyse the formal-legal frameworks that have governed the Hungarian civil service since 1990 to identify the extent to which governments and their Ministers wield discretionary powers over the determination of personnel policy outcomes. Because senior civil servants and advisors are effectively ranked as special groups of higher civil servants, I will include a discussion of the possibilities for the exercise of political discretion inherent to the formal-legal frameworks that apply to higher civil servants. By contrast, unless necessary, I will not discuss specific provisions that apply to lower and middle ranking civil servants.

3.The Allocation Regime: Varieties of Regimes that Allow Open Politicisation

This part assesses the formal-legal rules that govern the personnel policy domain of allocating civil servants to the ministerial organisation. It argues that a personnel policy regime that grants governments the possibility to openly politicise the allocation of civil servants has increasingly stabilised in Hungary since 1990. This argument is unambiguous with respect to state secretaries and political advisors, but rather ambiguous when considering the other members of the senior civil service. However, I will argue that the institutional basis of allocating higher civil servants continues to provide enough opportunities for governments to exercise *indirect* political discretion. Governments are likely to have more interest in taking advantage of indirect means to exercise political discretion the higher the vacant position in the ministerial hierarchy. Hence, the exercise of indirect political discretion that allows governments to openly politicise the allocation of civil servants to the ministerial organisation tends to be most relevant for senior level positions. In addition, the discussion shows that the creation of the senior executive service in 2001 has led to the establishment of several provisions that point towards the emergence of a personnel policy regime that allows structured politicisation for a subset of the senior executive staff. However, I will conclude that the establishment of the senior executive service does ultimately not undermine the possibility of governments to openly politicise the allocation of civil servants to the ministerial organisation. The discussion begins with the allocation regime for state secretaries. It then turns to the higher civil service and ultimately discusses the allocation regime for senior civil servants, advisors and the senior executive service.

3.1. State Secretaries: An Unambiguous Case for Open Politicisation

Since 1990, the rules governing the allocation of state secretaries to ministerial top positions have continuously corresponded to a personnel policy regime that allows open politicisation. According to the 1990 Temporary Act on State Secretaries,

Administrative State Secretaries are appointed by the President upon the proposal of the Prime Minister who has to consult the relevant Minister. By contrast, Deputy State Secretaries are appointed by the Minister upon the proposal of the Administrative State Secretary. In either case, there is no explicit recruitment procedure for state secretaries and their selection is only constrained by general entry criteria such as holding a Hungarian citizenship and the requirement to have a university degree. The 1997 Act on the Legal Status of Members of the Government and State Secretaries added the requirement for state secretaries to pass a special public administration examination within one year of their appointment. The special examination is regulated by a Government Decree that has come into force in 1998. It emphasises legal knowledge and assesses civil servants in areas such as European Union law, Hungarian constitutional law, the workings of public administration, its modernisation, the budget process and an optional topic chosen from a list of 47 topics. Hence, the educational criteria for entry of state secretaries have been tightened since 1990, but they do not pose a serious constraint upon the selection of candidates, as it effectively assesses whether or not a new state secretary has become acquainted with his job responsibilities in the area of legal knowledge within one year after his appointment. As a result, governments can recruit state secretaries from inside the ministerial organisation, another administrative agency or from any social or political sector outside public administration.

Both kinds of state secretaries are appointed for an indefinite period but their appointment may be withdrawn at any time without giving reasons. Hence, the Act on State Secretary makes no distinction between admitting state secretaries to the civil service and appointing them to their position, while posing no restrictions upon transfer and dismissal to create vacancies in either case. However, since 1997, state secretaries receive a severance pay of up to three months' salary upon dismissal. The 1990 Act restricts state secretaries' rights to pursue political and professional activities. They may become member of a political party but may not hold any official post in the party nor may they appear in public on its behalf. State secretaries may also run as candidates for elections at the central government level but must resign from the civil service in case they are elected to office. Moreover, they have to resign from their post, if they are appointed member of the government. At the same

time, government can appoint state secretaries who have previously pursued a political career, for the appointee can resign from his post right before taking office and hence may continue to play an important though informal political role. Finally, the 1990 Act stipulates that state secretaries are not allowed to pursue alternative professional activities outside public administration. Consequently, in the domain of allocation, the personnel policy regime for state secretaries allows governments to pursue a strategy of open politicisation. On the one hand, the allocation regime is clearly distinguished from a personnel policy regime that allows unbounded politicisation because governments are unable to select candidates who want to simultaneously hold political office or pursue a private sector career. On the other, governments are not restricted in recruiting state secretaries from either the central government apparatus or elsewhere. I will devote the entire next Chapter to an analysis of governments' personnel policy strategies with respect to state secretary ranks in order to see the extent to which governments have used their discretionary powers.

3.2. Higher Civil Servants: Potential for Open Politicisation through Indirect Political Discretion

In the first part, I showed that senior civil servants since 1992 and advisors since 1997 are classified as special higher civil servants. Therefore, I will begin the analysis with the allocation regime of the higher civil service and ultimately turn to senior civil servants, advisors and the senior executive service. The analysis shows that in 1992 the allocation regime has moved from a personnel policy regime that allows unbounded politicisation to a regime that allows open politicisation. However, although the reforms in 1997 and especially in 2001 have both tightened procedural constraints for the allocation of higher civil servants, governments have retained important opportunities to exercise indirect political discretion and are able to openly politicise the allocation of civil servants.

Before 1992, the personnel policy domain of allocating both managers and staff of ministerial units exhibited all the features of a personnel policy regime that allows unbounded politicisation. Because there was no separate legal basis for ministerial

employees as civil servants, no formal admission procedure for ministerial employees existed. Employees were directly recruited and appointed by the ministry to their position and employment was formalised in a contract with individual ministries. Consequently, between 1990 and 1992, Ministers retained the formal authority to take all allocation decisions because the Hungarian constitution defined Ministers as heads of executive branch ministries. At the same time, procedural constraints were entirely self-imposed. For instance, it was customary practice that managers of ministerial units hold a university degree, but in the end this educational standard remained optional. Moreover, Ministers were free to unilaterally initiate the transfer or dismissal of managers and employees in the ministries. Finally, Ministers were not confronted with any indirect constraints, for, in principle, all ministerial staff other than state secretaries had unlimited rights to pursue political activities and alternative professional activities.

The 1992 Civil Service Act formally institutionalised an allocation regime for higher civil servants that allows open politicisation, although it shifted the authority for taking allocation decisions from the Minister to the Administrative State Secretary as the entity exercising employer's rights in the ministry. The main reasons why a formal governance structure that assigns decision-making authority to an administrative actor should be classified as a personnel policy regime allowing open politicisation is the unrestricted opportunity for Ministers to exercise *indirect* political discretion over personnel policy decisions. At least until the enactment of the 2001 amendment of the Civil Service Act, Administrative State Secretaries were quite unrestricted in the exercise of their powers. New civil servants had to meet the same general entry criteria like state secretaries, the educational qualification required for their rank as mentioned above, and they had to pass a basic examination within one year after their appointment to the civil service. The basic examination is regulated in a Government Decree adopted in 1993. It assesses primarily legal knowledge about the organisation and procedures of Hungarian public administration. In Table 5.5., it can be seen that, by 2000, many civil servants had taken a basic examination. However, although the majority of civil servants is reported to work in central government ministries, the data does not differentiate among the institutions subject to the scope of the Civil Service Act. The Civil

Service Act also established a general recruitment procedure, but it was neither compulsory nor properly formalised. The 1997 amendment of the Civil Service Act stipulated that ministries *shall* report vacancies of non-managing civil servants to the Ministry of Interior to be disclosed in its Officials Gazette, unless they are filled within 15 days. However, the attempted centralisation of advertising vacancies did not challenge the Administrative State Secretaries' formal recruitment powers because firstly they were able to manipulate the 15 days' deadline and secondly the procedure was not compulsory but optional. By contrast, the 2001 amendment of the Civil Service Act has introduced several restrictions upon the Administrative State Secretaries' recruitment powers. The amendment has stipulated further entry criteria such as foreign language skills. Moreover, it is now compulsory to report vacancies to the Ministry of Interior and to disclose them in its Official Gazette, although the fifteen days' period to fill a vacancy with an internal candidate has been retained. Finally, the 2001 Act formalises open competition for entry. The procedure stipulates detailed prescriptions for advertising a vacancy and includes the possibility of rejected candidates to appeal against the outcomes of the recruitment process.

Table 5.5. Number of Basic Examinations Taken in Every Year since 1993 (Source: Hungarian Institute of Public Administration)

1993	1994	1995	1996	1997	1998	1999	2000	2001*	Total
674	3417	3606	658	796	829	1046	1153	612*	12791

* only the first six months of 2001

As a result, Ministers lost unilateral, unrestricted authority over the recruitment and appointment of civil servants to ministerial units in 1992 with the enactment of the Civil Service Act. However, Ministers retained the opportunity to exercise *indirect* political discretion over allocation decisions. As shown above, governments are confronted with very soft constraints when it comes to the selection of Administrative State Secretaries. Therefore, Ministers have effectively the opportunity to exercise political discretion *through* their Administrative State Secretary if deemed necessary. This possibility is especially relevant because between 1992 and 2001 Administrative State Secretaries were quite unconstrained when taking recruitment decisions.

On the one hand, we might argue that the relevance of indirect political discretion depends on an analysis of governments' personnel policy strategies. If governments tend not to take advantage of their far-reaching discretionary powers to appoint Administrative State Secretaries, then, the exercise of indirect political discretion through the Administrative State Secretaries will be less relevant. Therefore, the possibility to openly (but indirectly) politicise the allocation of civil servants to the ministry may be considered to be conditional upon governments' personnel policy strategy. On the other hand, it is important to note that it is unlikely from an institutionalist point of view that an Administrative State Secretary would resist a specific recruitment desire of his Minister. Ministers have the possibility to dismiss a state secretary at all times without giving reasons, which implies that a defiant state secretary would put his career at risk. It results that the restrictions upon the open politicisation of the allocation of senior civil servants are so minimal that it is most appropriate to speak about a personnel policy regime that allows open politicisation.

At the same time, the allocation regime for civil servants has been clearly distinguished from a personnel policy regime that allows unbounded politicisation since 1992, when the Civil Service Act defined the same restrictions upon civil servants' political activities as for state secretaries. Since 2001, the possibilities to exercise indirect political discretion have been reduced due to the formalisation of the recruitment procedure. In principle, however, Ministers can continue to exercise indirect political discretion, if job advertisements are tailored in a way that allows Administrative State Secretaries to exercise rather unrestricted authority over recruitment decisions. Hence, the allocation regime for civil servants continues to allow for open politicisation of recruitment decisions. In fact, possibilities for the open politicisation of recruitment decisions remain in place unless a non-political and veritably de-politicised institution is decisive in the recruitment process.⁴⁴ The institutional arrangement commonly chosen in Western democracies is a civil service commission. So far, the discussion of the Hungarian case implies that personnel

⁴⁴ Because the government retains the formal leadership over the civil service in a de-politicised personnel policy regime, it has always veto powers over personnel policy decisions, but it effectively loses agenda setting powers. Hence, in this case, I refer to agenda-setting powers when I mean decisive.

management has been almost exclusively decentralised since 1990. The Ministry of Interior has had several civil service related functions such as the administration of the civil service records, the preparation of civil service reforms and the supervision of the legality of the personnel management, but the Civil Service Department in the Ministry of Interior has gained only a minimal set of functions in the area of personnel management. However, even if the Civil Service Acts had established a civil service commission with decisive decision-making rights, it would have not directly led to the establishment of a de-politicised allocation regime. Regardless of whether allocation decisions are taken by a decentralised or a centralised authority, the necessary condition for the minimisation of indirect formal political discretion are procedural constraints that ultimately restrict any kind of political intervention into the allocation of civil servants to a minimum.

This conclusion is reinforced, if we consider the nature of indirect constraints resulting from the rules governing the dismissal of civil servants. The 1992 Civil Service Act stipulates that an appointment to the civil service is for an indefinite period and that fixed term appointments apply only in exceptional circumstances. Conversely, the (involuntary) dismissal of individual civil servants is restricted, as it can only occur as a result of a disciplinary procedure, or when a civil servant has been judged incapable of performing his or her work responsibilities. In both cases the Administrative State Secretary has to prove the case by means of tight procedures. For instance, between 1992 and 2001, the Ministry of Environment dismissed one civil servant (a senior civil servant) as a result of disciplinary process in 1999, which may serve to illustrate the difficulty in applying this procedure. Similarly, mass work force cuts in the civil service have to be authorised by Parliament or the Government and require the involvement of civil service unions in a cumbersome procedure.

However, the 1992 Civil Service Act established several provisions that undermine civil servants' right to permanent tenure. Firstly, it created options for Ministers to unilaterally dismiss groups of civil servants of all categories by means of different kinds of ministerial re-organisation and restructuring, for instance, if an administrative agency or unit is dissolved without legal successor, if the activities of

an administrative agency is terminated, and in the case of reorganising a ministry. It is primarily the latter option of re-organisation that provided Ministers with nearly complete discretion to dismiss civil servants because Ministers' right to reorganise the internal structure of their ministry is explicitly included in the Hungarian Constitution. The only significant change that was introduced in 1997 concerned the right of civil servants to a severance pay that ranges from one month's salary for civil servants with a minimum of three years of civil service employment to a maximum of eight months' salary after more than twenty years in the civil service. By contrast, the 2001 amendments of the Civil Service Act did not alter the rules governing the dismissal of civil servants.

An interesting example of the re-organisation clause at work occurred in 1998 in relation to the Ministry of Environment and the Ministry of Agriculture. After the change in government in 1998, the departments responsible for regional development were transferred from the Ministry of Environment to the Ministry of Agriculture affecting 125 civil servants and senior civil servants, and one Deputy State Secretary. As a result of the reorganisation, six senior civil servants and twelve higher and middle ranks were dismissed. However, they appealed to the courts against their dismissal arguing that the reorganisation did not alter their work responsibilities. The courts ruled eventually in favour of the civil servants, which would not have occurred, if the reorganisation had altered the responsibilities of the affected departments. This example illustrates that Ministers have been well aware of the reorganisation clause. While they have not been able to apply it to their own advantage in the case of the reorganisation of the regional development units, they have been able to successfully apply the provision in other cases all through the 1990s.

In sum, the formal-legal rules governing the allocation of civil servants in the ministry that has been in place since 1992 have sufficient features that allow them to be characterised as a regime that allows open politicisation. However, it is reasonable to argue that the potential for open politicisation of the higher civil service is of little relevance in personnel policy processes for within the ministerial organisation higher civil servants are located rather far away from the political leadership. Hence, in case

of higher civil servants, Ministers are likely to take advantage of their discretionary powers only in exceptional cases.

3.3. Senior Civil Servants: Restricted Potential for Open Politicisation

The rules governing the allocation of senior civil servants combine features of the allocation regime of both higher civil servants and state secretaries, and thus also exhibit the features of a regime that allows open politicisation. Senior civil servants are higher civil servants who are assigned to their managing position by the Minister for an indefinite period but their assignment may be withdrawn at any time without giving reasons. In case of senior civil servants, however, admission to the ranks of the higher civil service and appointment to the respective leadership position are only *nominally* distinct. Admission to and dismissal from the civil service follow the standards and procedures of higher civil servants outlined above.⁴⁵ Hence, Ministers have the opportunity to exercise indirect political discretion. By contrast, the unilateral discretion of Ministers to appoint/assign heads of ministerial units is only subject to the requirement that senior civil servants must pass a special examination (see above) within one year after their appointment. Hence, the rules that govern the appointment of senior civil servants to their leadership position are the same as in the case of state secretaries.

Furthermore, it is important to note that the assignment procedure allows Ministers to choose higher civil servants irrespective of the time they have spent in the civil service. Hence, the institutional arrangements governing the admission and assignment of senior civil servants can effectively be performed in a single act and Ministers are confronted with few constraints in choosing a candidate from inside the ministry, another administrative agency or from anywhere outside public administration. We argued above that the possibilities for exercising indirect political discretion become more relevant the higher the appointment of a civil servants is located in the ministerial hierarchy. Accordingly, it is reasonable to argue that the

⁴⁵ The 2001 Civil Service Act has explicitly tightened the recruitment procedure Heads of Departments, as outside recruits have to undergo the formalised recruitment procedure of higher civil

opportunity to exercise indirect political discretion is especially important when it comes to the selection of senior civil servants as heads of ministerial units.

Similarly, the withdrawal of senior civil servants' assignments is unconstrained, too, and their transfer to other administrative agencies subject to the scope of the Civil Service Act does not require their consent. Rather than being reclassified as a higher civil servant after their senior assignment has been withdrawn, however, senior civil servants like all other civil servants can take advantage of a provision in the 1992 Labour Code that grants the possibility of negotiating a compensation for a resignation upon mutual consent. However, Ministers do not have to offer a 'soft dismissal' to a senior civil servant, for they have the right to transfer a senior civil servant to administer the archives of the ministry or an attached institution.⁴⁶ Hence, it is very much in the interest of the senior civil servant to be co-operative and to offer his resignation upon mutual consent in combination with a freely negotiated severance pay. Finally, indirect constraints resulting from senior civil servants' rights to pursue political activities do not differ from the limited rights defined for non-managing civil servants and state secretaries. By contrast, in case of professional activities, the Act stipulates that senior civil servants cannot pursue alternative business activities except for being appointed to the executive boards of state-owned enterprises. In particular the Ministers of economic ministries have considerable latitude to recruit senior civil servants that are or can gain (various) lucrative membership(s) of executive boards of state-owned enterprises. Consequently, the admission and appointment of managers was subject to the possibility of unbounded politicisation until 1992. Since the introduction of the 1992 Civil Service Act, Ministers have had the possibility to openly politicise the allocation of senior civil servants to ministerial departments and divisions.

servants outlined above. Interestingly, the 2001 Act does not address Deputy Heads of Departments and Heads of Divisions.

⁴⁶ It has apparently happened several times that a senior civil servant has been transferred to administer the archives. However, interviewees tended to use this example with a good dose of cynicism in order to illustrate the discretionary powers of Ministers.

3.4. Advisors: Formalising the Unrestricted Use of Political Appointments

The rules governing the allocation of ministerial and political advisors combine features of the allocation regime for senior civil servants and state secretaries, and thus in either case the allocation regime allows open politicisation. Firstly, ministerial advisors are higher civil servants who are assigned to their position by the Administrative State Secretary. Their assignment is for an indefinite term and can be withdrawn at any time without giving a justification. By contrast, 'political advisors' are explicitly appointed by the Minister for the period of the Minister's assignment only. In either case, the assignment of advisors is virtually unconstrained because candidates have to meet the same entry criteria as higher civil servants. In addition, they are required to demonstrate three to five years of professional experience 'inside or outside' the administration, which, however, can hardly be considered a serious constraint upon the selection of a particular candidate. In fact, it only means that Ministers cannot employ persons as advisors who have just graduated from university. As a result, political advisors are explicitly political appointments, whereas the allocation of ministerial advisors is subject to the same degree of indirect discretion as for other higher civil servants. However, in contrast to the bulk of the higher civil service, the opportunity to exercise indirect political discretion is much more relevant, as ministerial advisors work close to the Minister.

3.5. The Senior Executive Service: The Prime Minister's New Squad

The allocation regime for the senior executive service, which has been established in 2001, combines features of personnel policy regimes that allow open and structured politicisation. At the recruitment stage, the 2001 amendment of the Civil Service Act set up a formal governance structure of the senior executive service that allows open politicisation. Members of the senior executive service are appointed by the Prime Minister following a recommendation of the Administrative State Secretary of the parent ministry and a recruitment procedure administered by the Prime Minister's Office. Moreover, it is subject to the discretion of the Prime Minister to appoint members of the senior executive service to ministerial posts. In principle, all higher

civil servants and state secretaries are eligible for membership in the Senior Executive Service. However, formally, applicants have to meet (i) the criteria of the functional definition of senior executive staff, and (ii) the conditions for the specific membership positions as advertised by the Prime Minister's Office. Moreover, the Act does not state whether the application for membership is restricted to internal candidates or generally candidates that have already served in public administration for a certain time. Instead, the Act states that the standards and procedures for the recruitment of senior executive staff shall be subject to a Government Decree, which, however, has still not been adopted. Moreover, the 2001 Act provides for the establishment of a unit in the Prime Minister's Office, which is headed by a Deputy State Secretary responsible for the management of the senior executive service. However, the staffing of this unit is subject to the exercise of a good deal of indirect political discretion and it has in fact no particular decision-making authority. Therefore, it is the Prime Minister who is formally authorised to take recruitment decisions, while procedural constraints have effectively remained undefined. Consequently, the Prime Minister formally has the opportunity to openly politicise the recruitment process of the senior executive service and it is quite possible that new recruits to the civil service are directly recruited into the senior executive service.

On the other hand, the 2001 amendment has restricted the opportunities for the dismissal of members of the senior executive service. Members of the senior executive service are appointed for an indefinite term and can only be dismissed in accordance with the general rules of dismissal outlined above with the exception of ministerial re-organisation. Hence, the constraints upon the dismissal are much stricter than for state secretaries but also more effective than for higher and senior civil servants, since the re-organisation option does not apply. Members of the senior executive service can be transferred at any time without requiring their consent and failure to accept a new position is a reason to dismiss the person from the civil service. If a member of the senior executive service is not assigned to any position, he is put into a stand-by position for a maximum of five years. Hence, members of the senior executive service do not enjoy positional security but their membership in the corps is protected. This means that members of the senior executive service are

essentially not left out in the cold if their appointment is revoked. Rather, the stand-by provision is similar in kind to an early retirement provision found in Germany or France. Consequently, although the rules that govern the dismissal of members of the senior executive service do not provide for permanent tenure, they point in the direction of a personnel policy regime that allows structured politicisation.

One year later, the rules governing the senior executive service were modified. These were the only significant changes that were introduced in the 2002 amendment. However, the 2002 arrangements continue to combine features of personnel policy regimes that allow structured and open politicisation, although it reinforces the features that point in the direction of structured politicisation. According to the 2002 amendment, state secretaries and heads of the office of Ministers without portfolio are automatically appointed by the Prime Minister as members of the senior executive service. By contrast, other civil servants are only eligible for membership in the senior executive service after at least five years of experience in public administration. As a consequence, the recruitment of currently more or less one third of the senior executive service is subject to open politicisation, while the rules governing the recruitment of the other two thirds correspond more closely to a personnel policy regime that allows structured politicisation because eligibility for the senior executive service is effectively limited to candidates from inside public administration. At the same time, however, the 2002 amendment reduced the period of guaranteed tenure after an assignment is revoked to two years. Hence, when compared with the governance structure that was established in 2001, the membership in the senior executive service has become less protected and it may be argued that the rights of the members of the senior executive service tend towards a generous severance payment of a two years' salary rather than a right towards permanent tenure.

As a consequence, we have to conclude that the recruitment and the dismissal from the senior executive service are less subject to the potential exercise of political discretion than the allocation of the other ranks of the senior civil service because, at least for parts of the senior executive service, the rules governing their recruitment and dismissal point in the direction of a personnel policy regime that allows the

structured politicisation. However, we have to bear in mind that the rules governing the senior executive service do ultimately not undermine the possibility of Ministers to fill the positions in the senior bureaucracy by following a personnel policy strategy of open politicisation. The essence of a personnel policy regime that allows structured politicisation is that ministers are restricted in the choice of appointees to senior ranks in the ministerial hierarchy. By contrast, the rules governing the Hungarian senior executive service do not restrict the possibility of Ministers to choose appointees. Rather, they restrict the access to an elite corps of civil servants that is granted particular rights such as a higher level of membership protection and, as we will see below, a higher level of remuneration.

We can therefore conclude that in the personnel policy domain of allocating civil servants to the ministerial organisation, the Hungarian allocation regime has continuously allowed open politicisation for state secretaries since 1990 and for all other ranks of civil servants since 1992. State Secretaries and political advisors are the most clear cut cases in that the allocation regime approximates most closely a personnel policy regime that allows open politicisation except that neither of the two ranks is allowed to pursue alternative professional activities. By contrast, the allocation regime for senior civil servants is more ambiguous. In fact, the definition of senior civil servants as higher civil servants who are assigned leadership positions in the ministries suggests a personnel policy regime that allows structured politicisation in that higher career civil servants are promoted to senior positions. However, we argued that the allocation of higher civil servants provides ministers with the possibility of exercising indirect political discretion. Because the possibilities for the exercise of indirect political discretion have been far-reaching since 1992, we concluded that the higher civil service has itself been susceptible to open politicisation. As a result, the restrictions upon the open politicisation of the allocation of senior civil servants are so minimal that it is most appropriate to speak about a personnel policy regime that allows open politicisation. In principle, the same conclusion applies to higher civil servants, but it is unlikely that Ministers display great interest in the allocation of non-managing civil servants. Finally, the rules governing the admission to and the dismissal from the senior executive service combine features of personnel policy regimes that allow open and structured

politicisation. However, although one might argue that the 2001 reform and its 2002 revision have laid the foundations for an allocation regime that allows structured politicisation, we concluded that the rules governing the entry to and the exit from the senior executive service do ultimately not undermine the possibility of Ministers to openly politicise the allocation of civil servants to the ministerial organisation. As a consequence, the discussion has shown that an allocation regime that allows open politicisation has been a rather stable formal structure since 1990/92 and this conclusion applies above all to the allocation of members of the senior civil service to the ministerial organisation.

4. The Remuneration Regime: The Long Road towards De-Politicisation

This part assesses the formal-legal rules that govern the personnel policy domain of determining civil servants' levels of remuneration. I will argue that the institutional reforms between 1992 and 2001 have gradually institutionalised a de-politicised remuneration regime. Since 1990, the rules that have governed the personnel policy domain of setting civil servants' remuneration levels have only marginally differed between the higher and the senior civil service. Therefore, I will discuss the evolution of the remuneration regime across time (rather than ranks) starting with the immediate post-transition period in 1990 and then evaluating the 1992 Civil Service Act and its amendments in 1997 and 2001. For each period, I will identify the general policy instruments provided for in the remuneration regime and the (few) particularities for different ranks of the civil service.

4.1. 1990-1992: Remuneration By the Grace of Ministers

Between 1990 and 1992, the remuneration regime exhibited all the features of a personnel policy regime that allows unbounded politicisation. There were no separate formal-legal rules that governed the remuneration setting of either ministerial employees or state secretaries, since the 1990 Act on State Secretaries only regulated the domain of allocating state secretaries except the provision that state secretaries are not allowed to pursue alternative professional activities. As a result, Ministers

had formally unlimited possibilities of exercising political discretion over levels of remuneration. The remuneration regime differed from one ministry to another and the actual levels of remuneration heavily depended on the budgetary situation of the individual ministries.

For instance, in the Ministry of Transport a classification system was established that distinguished staff on the basis of educational qualification, length of service in the ministry, their workload and their job responsibility. At the same time, the Minister was formally free to adjust an individual employee's salary, if he wanted to reward good performance. In practice, however, the management of the remuneration system and the adjustment of individual employees' salaries was under the responsibility of the Administrative State Secretary, while the Minister took interest only in the case of managers and state secretaries. Moreover, it should be mentioned that the ministerial employees except state secretaries were free to pursue professional activities outside the ministry, which provided them with an opportunity to draw an additional income.

4.2. 1992-1997: Running on Two Tracks: The Standardised Remuneration Regime and its Exceptions

In 1992, the Civil Service Act established a hybrid remuneration regime that stayed effectively in place until 2001. On the one hand, remuneration levels were determined by a mixture of a system of career advancement based on seniority and a system of performance based incentives to enhance civil servants' remuneration levels. This standardised remuneration regime granted Ministers virtually no possibilities to exercise any political discretion. On the other hand, the 1992 Act included an important exception to the standardised remuneration regime that granted Ministers almost unlimited political discretion and had the potential to offset the workings of the entire standardised remuneration regime. Therefore, the remuneration regime that was in force from 1992 to 1997 was primarily characterised by the possibility for the open politicisation of remuneration policy.

The 1992 Act established a classification system that differentiated higher civil servants in nine grades and 17 salary groups (see Table 5.6.).⁴⁷ The base remuneration of civil servants could easily be calculated by multiplying a remuneration base that is annually fixed in the Budget Act with incremental multipliers associated with each salary group. Between 1992 and 2001, the multipliers for higher civil servants ranged from 1.25 for trainees at the bottom of the scale to 3.4 for specialised senior councillors at the top of the scale. State secretaries and senior civil servants were considered as separate grades in the remuneration regime, but the logic of calculating their base remuneration functioned in the same way (Table 5.7.). Between 1992 and 2001, the multipliers ranged from 3.5 for Heads of Divisions to 5.5 for Administrative State Secretaries. The progression of multipliers was almost perfectly linear from the entry rank of trainee to the very top rank of Administrative State Secretary. In addition, all ranks of civil servants employed in the central government ministries as opposed to other groups of civil servants covered by the scope of the Civil Service Act, were also entitled to a bonus pay of 50% of their basic salary.⁴⁸

⁴⁷ Middle ranks were classified in seven grades and 15 salary groups and until 2001 both lower ranks were classified in one grade and seven salary groups.

⁴⁸ During the first three years after enactment, i.e. until the end of 1995, supplementary pay was still subject to transitional rules which fixed the amount at 10% of civil servants basic salary.

Table 5.6. Classification System for Higher Civil Servants between 1992 and 2001

Denomination of payroll placement	Salary Grade	Duration of civil service employment (year)	Multiplier
Trainee	1	0-1	1.25
Drafter II	2	1-3	1.55
	3	3-5	1.65
Drafter I	4	5-7	2
	5	7-9	2.1
Secretary II	6	9-11	2.35
	7	11-13	2.5
Secretary I	8	13-15	2.6
	9	15-17	2.65
Councillor II	10	17-19	2.8
	11	19-21	2.85
Councillor I	12	21-23	2.9
	13	23-25	2.95
Senior Councillor	14	25-29	3.1
	15	29-33	3.2
Specialised Senior Councillor	16	33-37	3.3
	17	>37	3.4

Table 5.7. Classification System for the Senior Civil Service since 1992

Rank	Multiplier between 1992 and 2001	Multiplier since 2001
Administrative State Secretaries	5.5	9
Deputy State Secretaries	5	8.5
Heads of Departments	4.5	8
Deputy Heads of Departments	4	7.5
Heads of Divisions	3.5	7
Political Advisors	Personal Remuneration	Personal Remuneration
Ministerial Advisors	As (Deputy) Heads of Departments	As (Deputy) Heads of Departments

Senior civil servants and state secretaries were allocated to the classification system as a result of their assignment to managing positions. By contrast, higher civil servants were allocated to the classification system in accordance with the system of career advancement which was effectively governed by seniority-based promotions. Between 1992 and 2001, higher civil servants could expect a promotion every four to six years and a pay raise every one to four years given the distinction of grades into one, two or three salary groups. A civil servant had to pass a performance appraisal conducted by the Administrative State Secretary, whenever he was promoted. The performance appraisal was of a general kind. It assessed a civil servant on a five point scale in 12 subject areas ranging from professional knowledge or sense of responsibility to ability to maintain work related contacts or work organisation. Outstanding results in the performance evaluation entitled civil servants to 'jump' into the highest salary group of the next classification grade. Hence, there existed a very limited possibility to accelerate promotions by means of a performance appraisal system. By contrast, an insufficient result in the performance appraisal could slow down the automatic promotion by a maximum of one year. At the same time, the 1992 Act granted civil servants the right to appeal against personnel policy decisions, but this did not include a right to appeal against the outcomes of a performance appraisal.

In principle, Ministers were therefore not able to influence the remuneration levels of senior civil servants and state secretaries once they had been appointed to their managing position. At the same time, it was common practice in the early 1990s that Ministers would nominally create additional managing positions in the ministries in order to increase the remuneration level of individual civil servants by means of appointing them to quasi-management positions. This practice is well reflected in the gradual increase of the number of senior civil servants during the 1990s, discussed in part 1. However, this was but one option to adjust remuneration levels, as we will see below. By contrast, in case of higher civil servants, Ministers were able to exercise the same kind of indirect political discretion as in the domain of allocating higher civil servants, because the rules of the performance evaluation system hardly posed major constraints upon Administrative State Secretaries. On the other hand, however, the rules for career advancement implied that promotions could only marginally be

speeded up by means of the performance evaluation system because it was taken only once every few years and a civil servants could, on average, only bypass one salary group. Therefore, seniority rules were the dominant principle of career advancement for higher civil servants and Ministers had only very little opportunity to influence higher civil servants' career path.

In addition, the 1992 Act established several standardised performance incentives for higher civil servants. First, higher civil servants who had served in public administration for a certain number of years and who have received outstanding results in the performance appraisal could be awarded different kinds of honorary titles by the Administrative State Secretary to increase their remuneration level. Second, civil servants receive bonus pay, if they have been able to provide an official proof of foreign language skills and, until 2001, after having passed a special examination. Because the different kinds of performance incentives were all linked to clear standards such as time spent in office or examinations taken, these measures did not allow Ministers to adjust civil servants' remuneration levels.

On the other hand, the 1992 Act defined one significant exception to the standardised determination of civil servants' remuneration levels. It granted Ministers the right to define a 'personal remuneration' for civil servants 'displaying outstanding performance' different from the rules governing the general remuneration system. In this case, the evaluation of 'outstanding performance' was based on the subjective judgement of the Minister so that there were no procedural constraints in the application of this provision. Moreover, there was no limit as to what proportion of ministerial civil servants could be awarded 'personal remuneration'. An additional loophole to increase the income of non-managing and senior civil servants resulted from the incompatibility rules for other professional activities. As mentioned above, senior civil servants could, for instance, be appointed members to supervisory boards of state owned companies, which could provide a significant additional source of income. As a consequence, the 1992 Civil Service Act effectively established a hybrid remuneration regime. On the one hand, a standardised remuneration regime was established that minimised Ministers' opportunities to exercise political discretion. On the other hand, the personal remuneration clause provided Ministers

with an unrestricted possibility to offset the entire standardised remuneration regime and therefore it is most appropriate to classify the remuneration regime between 1992 and 1997 as a regime that allows open politicisation. In fact, the difference to a remuneration regime that allows unbounded politicisation could only be attributed to the limits upon civil servants alternative professional activities, although even these restrictions were rather soft.

4.3. 1997 - 2001: Staying on Two Tracks: The Standardised Remuneration Regime and more Exceptions

The 1997 amendment of the Civil Service Act retained the standardised remuneration regime, especially the classification system and the rules governing the career advancement of civil servants. At the same time, the amendment introduced an additional supplement to the standardised remuneration regime for the senior civil service ranging from 10% for Heads of Division to 65% for Administrative State Secretaries. All members of the senior civil service were entitled to this kind of statutory supplement on appointment to senior positions in the civil service. Therefore, Ministers had no possibilities to exercise political discretion over this new provision. However, several changes were incorporated into the Act that effectively granted Ministers' additional possibilities to adjust the remuneration levels of the higher and the senior civil service.

On the one hand, the 1997 amendment restricted Ministers' possibilities to grant a 'personal remuneration' to state secretaries and Heads of Department. By contrast, the Administrative State Secretary was authorised to grant a personal remuneration for all other civil servants. The Act stated that personal salaries were charged to the payroll budget of the ministry, thereby creating an indirect though rather soft constraint though the limited ministerial personnel budgets. Moreover, the Act stipulated that no more than 20% of the ministerial staff may be subject to the personal remuneration clause. At the same time, the definition of 'outstanding performance' remained subject to the subjective evaluation of Ministers and Administrative State Secretaries. As a result, Minister's opportunities for the exercise of direct political discretion had been reduced to the senior civil service only, but a

considerable room for the exercise of indirect political discretion through the Administrative State Secretary remained in place. Moreover, it is very doubtful to what extent a limitation to 20% of the ministerial staff can be regarded as a proper restriction upon the scope of the personal remuneration clause for one fifth of the ministry was indeed a very large proportion. Therefore, we can conclude that the institutional changes to the personal remuneration clause did not have any substantial effect on the degree of political discretion Ministers can exercise in setting civil servants' remuneration levels.

On the other, the 1997 Act widened the application of the performance evaluation system to the adjustment of rank-specific levels of remuneration. The Administrative State Secretary was given the power to either raise or lower the salary of higher civil servants, Deputy Heads of Departments and Heads of Divisions by 20% upon outstanding or insufficient performance as judged in the performance appraisal. On the other hand, Ministers could raise but not lower the remuneration of state secretaries and heads of departments by up to 40% dependent upon outstanding performance, based on their personal judgement. As a result, Ministers had the discretion to use the performance oriented bonus pay as a means to adjust the remuneration levels of the senior civil service, while they could exercise indirect political discretion in the case of higher civil servants. However, the difference between the personal remuneration clause and the 40/20% clause must be regarded as minimal because in practice it made no difference whether a Minister lifted the remuneration base of a senior civil servant by up to 40% upon his personal judgement or whether he invoked the personal remuneration clause. Hence, the formal restrictions upon the application of the personal remuneration clause discussed above and the introduction of the 40/20% rule neutralised each other and retained the previously present possibilities for Ministers to exercise political discretion.

At the same time, the combination of introducing ceilings for ministerial personnel budgets on the one hand and introducing the performance related scheme and retaining the personal remuneration clause on the other, had the impact of creating hidden competition among civil servants in the ministries. In practice, an

Administrative State Secretary had to lower the remuneration levels of some civil servants by means of the performance appraisal in order to be able to increase the wage of other civil servants on the basis of either the 'personal remuneration' provision or the 40/20% rule. Alternatively, Administrative State Secretaries had to make additional personnel budgetary means available for instance by retaining positions in the ministry as vacant. At this point it is therefore important to recall the recruitment procedure introduced in 1997 (see above). Because it was not compulsory for ministries to report their vacancies or disclose them in their own official gazettes, they were able to make savings from retaining vacancies in the ministries to be redistributed among the employees of the ministries.

Finally, the 1997 amendment integrated ministerial and political advisors into the existing hybrid remuneration regime. Both types of advisors were classified in one of the two highest grades of the higher civil service. However, ministerial advisors received the salary of Heads of Departments or Deputy Heads of Departments and political advisors were subject to the personal remuneration clause. As a consequence, the 1997 amendment of the Civil Service Act retained most of the hybrid remuneration regime for both the higher and the senior civil service that had been established in 1992. However, the changes that were introduced did effectively increase Ministers' possibilities to exercise political discretion over civil servants' remuneration levels because the 40/20% rule must be considered as a new, alternative mechanism to exercise political discretion in setting remuneration levels. In sum, the 1997 amendment of the Civil Service Act introduced several changes to the 1992 remuneration regime, but in effect, it did not change the hybrid nature of the remuneration regime as the standardised regime continued to coexist with exceptional non-standardised provisions such as the personal remuneration clause and the newly introduced 40/20% rule.

4.4. Since 2001: Formalising a De-politicised Remuneration Regime

The amendment of the Civil Service Act in 2001 led to a complete overhaul of the remuneration regime. On the one hand, the classification system was substantially

modified and, on the other, all policy instruments that had granted Ministers the right to exercise direct or indirect political discretion in the domain of setting civil servants' remuneration levels were effectively removed from the Act. Firstly, the personal remuneration clause was eliminated from the Act. As a result, Ministers lost the crucial instrument to exercise political discretion in the domain of setting civil servants' remuneration levels. Secondly, the amendment altered the connection between the performance evaluation system and the system of career advancement. It has become compulsory for higher civil servants both to pass the performance appraisal with a mark of at least 'suitable' in order to be eligible for promotion to a higher grade, and to pass a special examination within three years of admission to the civil service. As a result, it is no longer possible to jump into a higher salary group by means of an outstanding performance appraisal or enhance one's remuneration base by means of passing a special examination.

Thirdly, the performance evaluation system has been considerably modified in order to use it for the performance related adjustment of rank determined wages. The 2001 Act stipulates that civil servants' performance is evaluated annually on the basis of specific performance requirements discussed and passed to the respective civil servant in advance for the current year. The performance evaluation is undertaken by the Minister in case of state secretaries and heads of departments, while Administrative State Secretaries are responsible for the performance evaluation of all other civil servants. Based on the outcome of the performance evaluation, civil servants' remuneration can be either raised or lowered by 20%. At the same time, the highly discretionary 40/20% rule of the 1997 Act was removed from the Act. Moreover, civil servants have been granted the right to seek legal redress against the results of the performance evaluation. These provisions apply to all ranks of civil servants except political advisors.

Consequently, the potential for the use of the performance evaluation system to exercise direct or indirect political discretion has been practically removed because both Ministers and Administrative State Secretaries have to commit ex ante to performance criteria. These criteria can eventually be assessed and in case of disagreement, civil servants have the right to turn to an external referee, i.e. the

courts, to enforce the claims arising from the ex ante defined performance criteria. At the same time, the role of the seniority principle has been reduced and the performance principle has been strengthened because an increase of civil servants' remuneration by 20% following a successful performance appraisal implies that a civil servant can effectively bypass one grade or several salary groups at once. However, because it is very difficult to exercise some kind of indirect political discretion in the course of a performance evaluation, we can conclude in 2001, Ministers have in fact lost the possibility to exercise indirect political discretion through the Administrative State Secretary. The only effective means of exercising discretion has been retained by the failure of the Act to define the coefficients for successful or unsuccessful performance evaluation. In other words, unless a Government Decree comes into force that clearly defines the coefficients, Ministers or Administrative State Secretaries will remain effectively free in setting a performance bonus at 5,10 or 20%, if a civil servant achieves results 'above expectation'. The 2001 amendment has therefore virtually eliminated all the instruments that previously allowed Ministers to exercise political discretion in the domain of setting civil servants' remuneration.

At the same time, the 2001 amendment reformed the classification system for the higher and the senior civil service (Table 5.8.). In case of the higher civil service, the Act has retained the number of 17 salary groups, but it has reduced the number of grades to six.⁴⁹ Moreover, it changed the multipliers associated with each salary group. Since 2001, the trainee grade stands at 2.1 and the top grade of senior councillor at 6.0. Most interestingly, the progression from one salary group to another is no longer linear. According to the new classification, higher civil servants double their multiplier after eight years of service, i.e. the multiplier increases by 0.26 per annum. In the second stage of the career, between year eight and year sixteen in service, the per annum increase is at an average of 0.11. By contrast, after year sixteen the increase of the multiplier falls to 0.04 annually. Hence, the new classification system rewards higher civil servants especially in the early stages of their career.

⁴⁹ Middle ranks were classified in seven grades and 15 salary groups and until 2001 both lower ranks were classified in one grade and seven salary groups.

Table 5.8. Classification System for Higher Civil Servants since 2001

Denomination of payroll placement	Salary Grade	Duration of civil service employment (year)	Multiplier
Trainee	1	0-1	2.1
Drafter	2	1-2	3
	3	2-3	3.2
Councillor	4	3-4	3.5
	5	4-6	3.7
	6	6-8	3.9
Chief Councillor	7	8-10	4.2
	8	10-12	4.4
	9	12-14	4.6
	10	14-16	4.8
Senior Councillor	11	16-19	5.1
	12	19-22	5.2
	13	22-25	5.3
Senior Chief Councillor	14	25-29	5.6
	15	29-33	5.7
	16	22-37	5.8
	17	>37	6

Table 5.9. Classification System for the Senior Executive Service

Rank	Multiplier and Bonus
Administrative State Secretaries	+100%
Deputy State Secretaries	+50%
Heads of Departments	+25%
Senior Executive Service	13

The amendment has also lifted the multipliers for the senior civil service that range now from seven for Heads of Divisions to nine for Administrative State Secretaries (see Table 5.7. again). Moreover, the 2001 amendment introduced a separate classification system for the senior executive service (Table 5.9.). The base remuneration of all members of the senior executive service is calculated with a

multiplier of thirteen and in addition they receive a managerial bonus according to their rank in the ministry that ranges from 25% for Heads of Departments to 100% for Administrative State Secretaries. This means that the base remuneration of an Administrative State Secretary who, since 2002, is automatically a member of the senior executive service is effectively the product of the remuneration base set in the annual Budget Act and the factor 26, which is 12.4 times the remuneration base of the lowest higher civil service grade. Moreover, if an Administrative State Secretary receives a performance evaluation that is 'above expectation', then the multiplier to calculate his remuneration base will increase up to 31.2. As a consequence, the 2001 amendment re-organised the former hybrid remuneration regime into an unambiguous case of de-politicisation, in which remuneration levels are exclusively determined by the classification system, while the allocation of civil servants to the classification system is subject to the seniority based system of career advancement and further adjustment of civil servants' rank specific pay is the result of a densely regulated performance evaluation scheme with virtually no opportunities for the exercise of political discretion.

4.5. Remuneration Policy in a Hybrid Remuneration Regime: The Art of Circumventing the Standardised Remuneration System until 2001

The gradual de-politicisation of the remuneration regime implies that Ministers have lost the ability to intervene into the personnel policy domain of setting civil servants' levels of remuneration. However, the fact that Ministers could exercise political discretion for more than 10 years after transition does not mean that they have also done so in practice. Hence, it is quite possible that the policy instruments that involve the use of political discretion have either not been applied at all or have only been applied in exceptional cases rather than systematically. This section briefly discusses the main features of remuneration policy and assess its relationship to the remuneration regime as defined in legislation. The discussion will conclude that Ministers of Hungarian governments did indeed take advantage of the discretionary powers provided in the hybrid remuneration regime as it existed between 1992 and 2001. Moreover, the use of discretionary instruments did increase until the enactment of the de-politicising amendment of the Civil Service Act in 2001 and reached a

scope that was sufficiently large to conclude that Ministers systematically used their discretionary instruments systematically rather than in exceptional cases.

It proved very difficult to gather data on the remuneration policy of different governments or ministries. Therefore, I will only provide some brief illustrations with data received from the Ministry of Transport for the period from 1994 to 2001. The Ministry of Transport is an especially relevant case for assessment. Between 1990 and 1999, the Ministry of Transport was usually cited by interviewees, together with the Ministry of Justice, as the 'most stable and the least politicised ministry' of the government.⁵⁰ Therefore, the Ministry of Transport represents an 'extreme case' (Eckstein 1992) for the empirical analysis of personnel policy processes in the Hungarian government, that is, we can assume that the remuneration policy in the Ministry of Transport is most likely to exhibit the least use of instruments that involve the exercise of political discretion. Conversely, we can conclude that if direct and indirect political discretion has been exercised in remuneration policy of the Ministry of Transport, then other ministries are very likely to have used these discretionary instruments as well.

Table 5.10. and Figure 5.2. below show the proportion of different ranks of civil servants that were on the personal remuneration list of the Minister. The most important message of Table 5.10. is the fact that Ministers did indeed take advantage of the possibility to grant a personal remuneration to civil servants. However, Table 5.10. and Figure 5.2. contain additional interesting results. First, although Ministers could take advantage of the personal remuneration list since 1992, the Minister of Transport did so for the first time in July 1995.⁵¹ Secondly, overall, the application of the personal remuneration clause has continuously increased. However, the development is mainly characterised by two major leaps in August/September 1998

⁵⁰ The situation changed in the Ministry of Transport with the departure of the Administrative State Secretary in October 1999 and especially the replacement of the Minister in June 2000 (see also next Chapter).

⁵¹ The timing coincides actually with the coming into effect of the so-called Bokros austerity programme of 1995. Although the Bokros package included a staff reduction programme, it did not include nominal remuneration cuts. Yet, the real wage decrease in 1995/1996 of up to 15% is likely to have impacted upon the real wage level of civil servants. The personal remuneration list provided a possibility for ministers to counteract the financial impact of the Bokros package on the civil servants' remuneration levels.

and in June/July 2000. The first change coincides more or less with the change in government in July 1998 and half of the higher civil servants that were paid a personal remuneration held a political advisor status. The second change coincides with a government reshuffle that led to the appointment of a new Minister of Transport and a new Administrative State Secretary in June 2000. In the summer of 2000, the number of senior civil servants subject to the personal remuneration clause doubled in two months. As a consequence, there is strong reason to believe that the personal remuneration clause was indeed an instrument to exercise political discretion. Moreover, we have to bear in mind that the Ministry of Transport had been an extreme case until the turn of 1999/2000. Hence, the substantial increases in the application of the personal remuneration clause after the summer of 1998 and the summer of 2000 give an indication of how the personal remuneration clause was probably used in the years between 1992 and 2001 in other ministries.

Figure 5.2. Personal Remuneration List: Ministry of Transport, 1994-2001

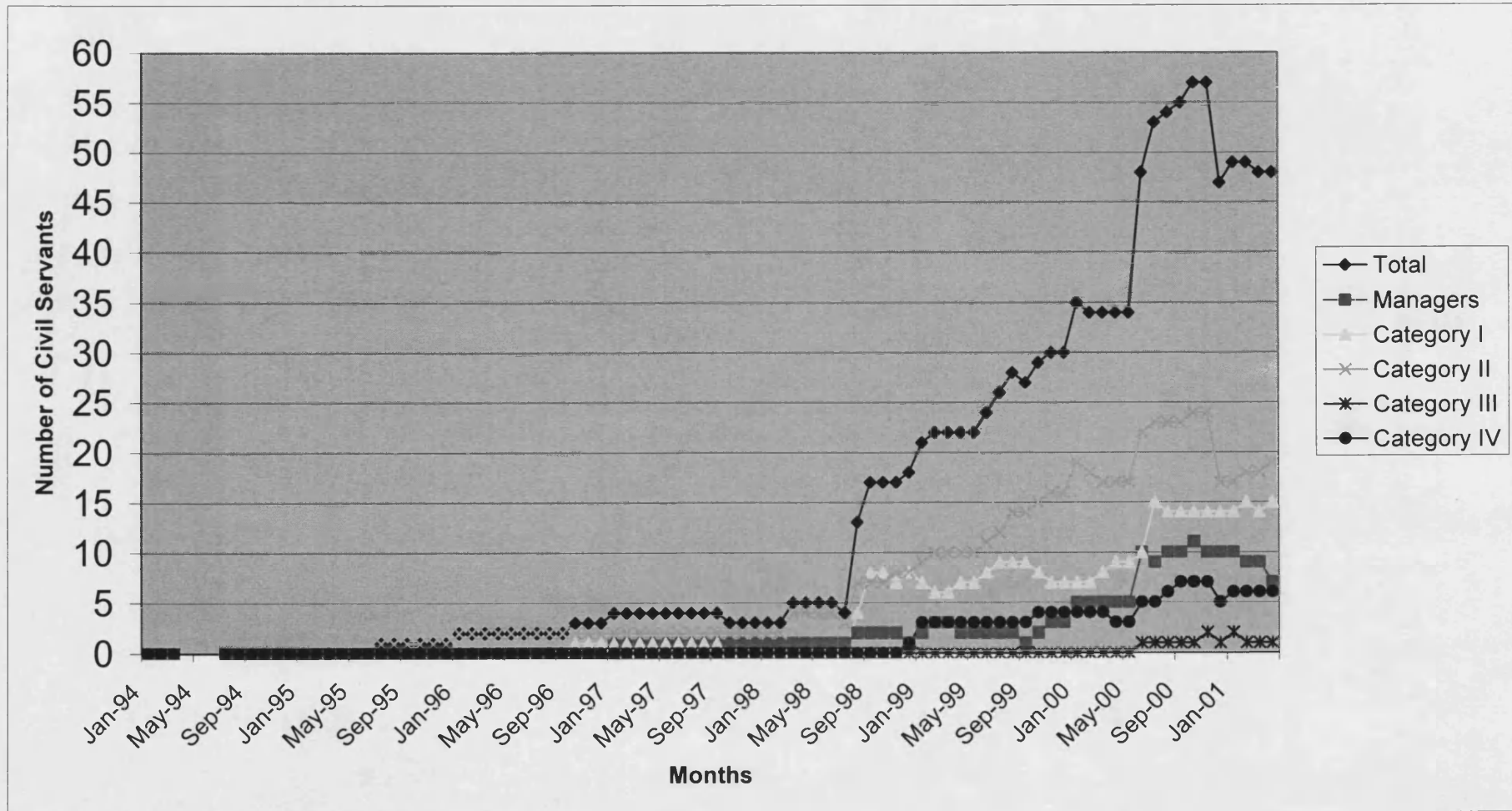


Table 5.10. Ministry of Transport: Percentage of Staff on the Personal Remuneration List

Year	Total	Managers	Higher Civil Servants	Middle Ranks	Administrators	Blue-collar Workers
Jan 1994	0	0	0	0	0	0
Jan 1995	0	0	0	0	0	0
July 1995	0.30	0	0	1.89	0	0
Jan 1996	0.62	0	0	4	0	0
Jan 1997	1.26	1.47	0.82	3.85	0	0
Jan 1998	0.96	1.59	0	3.92	0	0
Jan 1999	6.18	3.08	5	15.25	0	6.82
Jan 2000	10.23	6.76	5.15	28.79	0	10
Oct 2000	15.62	12.94	9.86	35.29	3.57	16.67
Jan 2001	13.73	12.99	9.46	27.87	6.90	14.63

Thirdly, Table 5.10. and the Figure 5.2. illustrate that middle ranking civil servants had continuously represented the largest share of civil servants who were paid a personal remuneration. While this may be unexpected at first glance, it is in fact not surprising at all. Because the standardised remuneration regime did not allow the allocation of civil servants without a university degree as higher or senior civil servants and because the standardised remuneration level was significantly lower for middle ranks, Ministers used the personal remuneration clause to circumvent the standardised remuneration regime. As a result, civil servants without a university degree but with important (effectively informal) management functions in the ministry and often with advisory tasks to the Minister were paid a personal remuneration by the Minister. At the same time, we have to take into account that Ministers could also refer to the 40/20% rule in order to raise senior civil servants' salaries, hence, there was in fact no major need to keep senior civil servants on the personal remuneration list of the Minister. Finally, Table 5.10. and Figure 5.2. show that the proportion of civil servants (all ranks) never exceeded 16% with the maximum being 15.6% in October 2000. This implies that the institutional change that was introduced in 1997, namely the restriction of the personal remuneration clause to a maximum of 20% of the staff in the ministry had no impact on the remuneration policy processes in the ministry. This finding corroborates the argument raised above that the restriction of the personal remuneration clause to 20%

of the ministerial civil servants introduced in 1997 was effectively no restriction upon Ministers' discretion.

Finally, it is matter of concern to what extent Ministers have taken advantage of the 40/20% rule that was introduced in 1997. Transport Ministers have started to grant performance related bonus pay right after the 1997 amendment came into force. However, until the summer of 1998, when the government changed, the Heads of Departments were granted between 5% and 20% bonus pay. By contrast, the full scale of paying out a remuneration bonus up to 40% was only used after the summer of 1998. Table 5.11. shows the values for Heads of Departments in the 1999 as a representative year. The proportions in column 1 demonstrate that all Department Heads except one received a performance related remuneration bonus and four out of five Department Heads received a bonus of 20% or higher. However, the most important message of Table 5.11. is certainly that the exercise of political discretion in setting managers' remuneration levels was not an exception but very much the rule.

Table 5.11. Application of the 40% rule for Heads of Departments, values for 1999, adjusted for 12 months

Percentage of Heads of Departments	Percentage of Remuneration Increase
0.68	100
1.03	105
6.16	110
11.99	115
20.55	120
20.55	125
10.27	130
8.22	135
4.11	138
16.44	140
Average Increase	125.8

The discussion in this section is by no means conclusive, as it has only provided illustrative data from the Ministry of Transport. However, we argued that the Ministry of Transport is an extreme case in that it was usually described by

interviewees as one of two ministries that were characterised by stability and low levels of politicisation. Therefore, I argued that the Ministry of Transport is a useful case to test the exercise of political discretion until it was removed in 2001 amendment of the Civil Service Act because if we find the systematic exercise of political discretion in the least likely case of the Ministry of Transport, we can assume that the remuneration policy of other ministries exhibits at least similar levels of politicisation. The discussion in this section has demonstrated that, firstly, Transport Ministers took advantage of the policy instruments that allow the unrestricted exercise of political discretion and, secondly, that the exercise of this discretion was not an exception but very much the rule. As a consequence, there is good reason to believe that between 1992 and 2001, Ministers did indeed systematically exercise political discretion in the personnel policy domain of determining civil servants' levels of remuneration.

5. Conclusion

In conclusion, this Chapter has analysed the formal-legal frameworks governing the ministerial civil service in Hungary between 1990 and 2001 from the point of view of formal political discretion. The analysis has shown that the institutional reforms since 1990 have led to the emergence of a hybrid personnel policy regime. On the one hand, the allocation regime has continuously allowed open politicisation for state secretaries since 1990 and for all other ranks of civil servants since 1992, which implies that the civil service legislation that was adopted and revised had little capacity for de-politicising personnel policy processes in so far as the allocation of civil servants is concerned. State Secretaries and political advisors are the most clear cut cases in that the allocation regime approximates most closely a personnel policy regime that allows open politicisation. By contrast, the allocation regime for senior civil servants, ministerial advisors, and higher civil servants is more ambiguous. However, I argued that the allocation regime for these categories of civil servants is primarily characterised by providing ministers with possibilities to exercise indirect political discretion, making it susceptible to open politicisation. Moreover, I argued that the exercise of indirect discretion becomes more relevant, the higher the

appointment of a civil servant is located in the ministerial hierarchy. Finally, I argued that the rules governing the senior executive service combine features of allocation regimes that allow open and structured politicisation. However, although the restrictions upon the recruitment and dismissal of parts of the senior executive service indicate an institutional choice that points in the direction of a personnel policy regime that allows structured politicisation, I argued that the establishment of a separate senior executive service has ultimately not undermined the possibility of Ministers to openly politicise the allocation of civil servants to the ministerial organisation.

By contrast, I showed that the remuneration regime has gradually moved from a personnel policy regime that allows unbounded politicisation between 1990 and 1992 and a regime that allows open politicisation between 1992 and 2001 to a depoliticised personnel policy regime since the 2001 amendment of the Civil Service Act. Since 1992, the formal-legal rules governing the remuneration of civil servants have only marginally differentiated between different ranks of civil servants. Hence, governments have gradually forgone the possibility to apply discretionary instruments in the domain of setting remuneration levels of all ranks of civil servants. Moreover, the discussion of remuneration policy in the 'crucial' Ministry of Transport between 1994 and 2001 suggested that Ministers did systematically take advantage of their discretion to set civil servants' remuneration levels and that they did so increasingly until the discretionary powers were deleted from the Act in 2001. However, since the enactment of the 2001 amendment, it is no longer possible for Ministers to directly determine the outcomes of remuneration policy, for the attempt to politically adjust the remuneration levels of individual civil servants is only possible by means of exercising political discretion in the area of allocating civil servants to the ministerial organisation, for instance, by assigning a civil servant to a position as a senior civil servant. The next Chapter will assess in more detail how governments have exercised political discretion specifically over the allocation of state secretaries since 1990.

Chapter 6

Making Use of Political Discretion: The Personnel Policy Strategies of Hungarian Governments Since 1990

1. Introduction

The purpose of this Chapter is to assess the extent to which Hungarian governments have used the discretionary instruments at their disposal in order to determine the allocation of civil servants to the ministerial organisation. The investigation of personnel policy processes concentrates on the allocation of state secretaries between 1990 and 2000. In the last Chapter, I argued that the allocation regime for state secretaries resembles a personnel policy regime that allows open politicisation. Therefore, an analysis of governments' personnel policy strategies serves to identify to what extent Hungarian governments ultimately used the discretionary powers written into the 1990 Act on State Secretaries and its 1997 successor Act. In principle, it is conceivable that Hungarian governments did not exercise political discretion over the allocation of state secretaries at all, they took advantage of the comparably high degree of formal political discretion all through the 1990s, or they did so at some points in time but not at others. Hence, the analysis of personnel policy strategies serves to assess to what extent formal-legal frameworks for the conduct of personnel policy correspond to the actual processes of personnel policy.

Moreover, in Chapter 3, I argued that governments choose personnel policy strategies in light of the degree to which they can trust senior bureaucrats who are inherited from outgoing governments. Problems of political trust, I argued, derive from (i) the degree to which incoming governments associate the career path of inherited senior bureaucrats with discretionary decisions taken by outgoing governments, and (ii) the degree to which the policy preferences of incoming and outgoing governments differ. In the present context, it is methodologically problematic to assess the impact of differing policy preferences between incoming and outgoing governments on the

choice of governments' personnel policy strategies because I am assessing Hungary as a single case. Moreover, no data was available to compare governments' policy specific preferences across time on a left-right continuum. However, an assessment of the Hungarian party system as it has evolved since the end of communist rule will provide clues as to whether changes in government had the potential to reinforce or mitigate problems of political trust of incoming governments towards the senior bureaucrats inherited from outgoing governments.

Therefore, this Chapter is divided in four parts. The first part distinguishes three kinds of personnel policy strategies, which governments could choose given the formal-legal frameworks governing the allocation of state secretaries to the ministerial organisation. The second part identifies the four governments that have governed Hungary since 1990. Subsequently, I will briefly discuss the extent to which the pattern of inter-party competition as it evolved since the late 1980s, has had the potential to influence governments' choice of personnel policy strategies. The remaining parts of this Chapter turn to the analysis of governments' personnel policy strategies since 1990. The third part introduces the population of state secretaries that was appointed to central government ministries during the period under investigation. Subsequently, it provides a comparative assessment of the extent to which incoming governments either replaced or retained state secretaries inherited from outgoing governments. The fourth part discusses in more detail the personnel policy strategies of the three governments that were in office between 1990 and 2000 and derives several tentative conclusions for the period since 2000. Moreover, the analysis in the fourth part seeks to provide an explanation of the key features of each government's personnel policy strategy. It therefore discusses the career background of state secretaries in order to explore the extent to which the career path of state secretaries had the potential to shape incoming governments' problems of political trust and, thus, influenced governments' personnel policy strategies. In addition, the discussion in the fourth part seeks to identify the conditions under which governments recruit new appointees from either the ministerial bureaucracy or from elsewhere.

2. How to Make Use of Political Discretion: Three Kinds of Personnel Policy Strategies

Since the adoption of the Temporary Act on State Secretaries in May 1990, the rules governing the allocation of state secretaries to the ministerial organisation have exhibited primarily features of a personnel policy regime that allows open or unstructured politicisation. This implies that Hungarian governments have had considerable latitude in determining the composition of the senior bureaucracy. In brief, governments and their ministers can replace state secretaries with new appointees at any time without giving reasons. At the same time, the choice of a new appointee is only marginally limited, i.e. a new state secretary has to hold a university degree and may not pursue alternative business activities nor hold a post in a political party or any other branch of the state. Consequently, if Hungarian governments want to replace state secretaries, they can recruit new appointees from various backgrounds. Firstly, they may recruit state secretaries from the ministerial bureaucracy and thus they may promote or transfer state secretaries. In fact, neither the 1990 Act on State Secretaries nor its 1997 successor Act provide rules that govern the formal promotion and transfer of state secretaries. However, whenever a new state secretary is appointed, who has held a position within the same ministry, we can consider this a *de facto* promotion. Alternatively, if a state secretary has been promoted from another ministry, we can call this a lateral promotion and if he has held the same rank in another ministry, we can speak about a transfer of a state secretary.

Secondly, governments and their ministers may recruit state secretaries from other settings than the ministerial bureaucracy. 'Other settings' refer to other organs of public administration under government control including offices that are clearly outside the core structure of the ministries but within their wider jurisdiction. In addition, the broad group of 'other settings' covers for instance the private sector, academia, or other backgrounds such as non-governmental organisations or interest groups. Moreover, it includes the possibility of recruiting new state secretaries from political parties and political institutions such as Parliament. However, the formal-

legal basis of personnel policy requires appointees with a political background to resign from their political posts before taking on their position as state secretary.

As a result, when choosing a personnel policy strategy, governments make effectively two choices: first, they have to decide whether or not to replace the state secretary in office. Second, if they choose to replace a state secretary, they have to decide whether to select a new appointee from the ministerial bureaucracy or some other setting. In accordance with the typology of personnel policy regimes, a combination of the two choices translates into three basic personnel policy strategies that are available to Hungarian governments when it comes to the allocation of state secretaries to the ministerial organisation. Firstly, governments can retain the state secretaries inherited from the previous government and hence do not replace state secretaries in office. If vacancies arise at the time of government change or at other points in time, for instance, due to the retirement of a state secretary or if governments choose to establish a new state secretary position, they could promote a new state secretary from among the ministerial bureaucrats. Hence, even if governments are 'forced' to effectively exercise political discretion given their legal role in appointing state secretaries, they could select new state secretaries from among the inherited state secretaries or senior civil servants. I will call this a *de facto de-politicised personnel policy strategy*.

Alternatively, governments may choose to replace state secretaries that have been inherited from the previous government. If they do so, and if they recruit the new state secretaries from the ministerial bureaucracy either by (lateral) promotion or transfer, then governments exercise limited or structured political discretion over the allocation of state secretaries. Hence, I will speak about a personnel policy strategy of structured politicisation. Finally, if governments choose to replace state secretaries that have already served the previous government and if they recruit new appointees from the other settings mentioned above, then governments maximise the use of political discretion at their disposal. I will refer to this strategy as a personnel policy strategy of open politicisation. As a result, we can distinguish three kinds of strategies that have been available to Hungarian governments since 1990, which

differ with respect to the degree to which governments exercise political discretion over the allocation of state secretaries to the ministerial organisation.

3. Governments and Party System in Hungary since 1990

Since the first democratic elections in March/April 1990, Hungary has been governed by four governments that differed in their partisan composition. In brief, the Hungarian transition from communist to democratic rule gained momentum when the Oppositional Round Table Talks were set up in March 1989 and especially after the National Round Table Talks between the ruling MSZMP, representatives of the parties of the democratic opposition and the so-called third side, for instance, the trade unions, were convened in May 1989. The round table negotiations paved the way for the first wave of constitutional amendments in the autumn of 1989 and the scheduling of the first democratic elections since 1946 for March 1990. The 1990 elections brought to government a three party coalition formed by parties of the former democratic opposition: the Hungarian Democratic Forum, MDF, the Independent Smallholder Party, FKGP, and the Christian Democratic People's Party, KDNP. The government was led by Prime Minister József Antall from the senior coalition party MDF who replaced the last socialist Prime Minister Miklós Németh. In December 1993, Péter Boross from the MDF was elected Prime Minister after the death of the first Prime Minister Antall. Although the Boross government was formally a new government, the change of Prime Minister did not affect the partisan composition of the government and thus I will consider the period from 1990 to 1994 as one period.

In July 1994, the Antall/Boross government was replaced by a two party coalition that was formed by the successor party of the Hungarian Socialist Workers' Party, MSZMP, the Hungarian Socialist Party, MSZP, and the Alliance of Free Democrats, SZDSZ. It was led by Prime Minister Gyula Horn from the MSZP, who had been the last Minister of Foreign Affairs under the Németh government before the change of regime. The 1998 national elections again led to a change in government when the Horn government was replaced by a three party coalition of the Alliance of Young

Democrats, Fidesz, the FKGP and the MDF. Victor Orbán from the Fidesz was elected Prime Minister of the third government. Finally, after the 2002 elections, the Orbán government was replaced by another MSZP/SZDSZ coalition under Prime Minister Medgyessy, who had been the last Deputy Prime Minister before the change of regime.

The development of the Hungarian party system since the end of communist rule suggest that all four changes in government had the potential to reinforce rather than mitigate problems of political trust between incoming and outgoing governments. Since its formation, the Hungarian party system has moved on from a tripolar to a bipolar structure of party competition. Historically, the pattern of inter-party competition is dominated by a socio-cultural cleavage that divides the political class between 'Christian, national, and collectivist authoritarians on one side and secular, cosmopolitan, and libertarian individualists on the other' (Kitschelt et al 1999: 234-239, Markowski 1997). During the First (1990-94) and the Second (1994-98) Parliament, the national conservative MDF and two historical parties, the agrarian FKGP and the Christian catholic KDNP, represented the centre-right of this political division. On the other side, the socialist MSZP together with the two liberal parties SZDSZ and Fidesz, stood on the centre-left of the party system. Between 1987, when the MDF was formed as the first party of the democratic opposition and approximately 1992, a communist/anti-communist cleavage that concerned the question of how to deal with the communist past divided the MSZP from the other five parties. However, since 1992, this 'ideological regime divide' has no longer cut across the dominant socio-cultural cleavage. Rather, the rapprochement of the MSZP and the SZDSZ after 1991/92 and the gradual change in the ideological profile of the Fidesz from a radical liberal to a liberal conservative party between 1993 and approximately 1997 has reinforced the socio-cultural divide (see also the next Chapters for more detail).⁵²

⁵² The programmatic change of the Fidesz is also expressed in the change of party label to Fidesz-Hungarian Civic Party, Fidesz-MPP. However, throughout the text, I will stick to the party label 'Fidesz'.

The 1998 and the 2002 elections brought about two minor changes in that the KDNP failed to clear the 5% electoral threshold in 1998, while the extreme right wing MIÉP gained parliamentary representation. However, the MIÉP had already formed a parliamentary party during the First Parliament after a faction of radical populist right wing MPs had split from the MDF. Finally, in 2002, both the FKGP and the MIÉP dropped out of parliament and hence only four parties, the MSZP and the SZDSZ from the centre-left and the Fidesz and the MDF from the centre-right, have been represented in the Fourth Parliament. As a result, the Hungarian party system was effectively formed before the change of regime rather than after, since the same parties have clustered around political fault-lines that had already been relevant at the National Round Table Talks in 1989 (Ágh 2001). Moreover, the party system has been very stable from the beginning, but especially since 1992, when a bipolar structure of inter-party competition around a dominant socio-cultural cleavage, reinforced by a communist/anti-communist cleavage, became entrenched.⁵³ At the same time, all changes of the party systems since 1992 have either been 'temporary' or 'restricted' in their impact (cf. Smith 1989). Regardless of the precise left-right position of individual parties on particular policy issues since 1990, we can therefore conclude that four wholesale changes in government between centre-right and centre-left coalitions have had the potential to reinforce the degree to which incoming governments were troubled by problems of political trust towards senior bureaucrats inherited from outgoing governments. This is particularly the case for Administrative and Deputy State Secretaries who perform tasks as senior bureaucrats in the highest two ranks in the ministerial hierarchy close to the political leadership and hence are most likely to be subject to governments' incentive to exercise political discretion over personnel policy.

In addition to the impact of the pattern of inter-party competition on governments' personnel policy strategies, Chapter 3 suggested that incoming governments will tend to replace senior bureaucrats, the more evidently they owe their career to the

⁵³ This is not to say that other political divisions are irrelevant. For instance, Körösi (1999) distinguishes an urban/rural cleavage, which is here subsumed in the socio-cultural cleavage. Moreover, while not entirely absent, the social class cleavage is of less importance in structuring the Hungarian party system like in other Central and Eastern European countries except the Czech Republic (Batory 2000, Kitschelt et al 1999).

outgoing government, although incoming governments may be limited in the scope of replacements they can implement. Furthermore, if incoming governments have an opportunity to learn about bureaucratic preferences, for instance, during the Round Table Talks of Hungary's pacted transition, they may mitigate problems of political trust and hence may choose to work with senior bureaucrats inherited from the previous government. Therefore, apart from merely identifying the extent to which Hungarian governments have used the discretionary instruments at their disposal, the remainder of this Chapter explores the relation between the career path of state secretaries and governments' personnel policy strategies, in particular, the extent to which governments replace state secretaries who owe their career to an outgoing government and work with state secretaries who cannot be associated with the exercise of political discretion by outgoing governments. Finally, the discussion seeks to identify the conditions under which governments choose a personnel policy strategy of either structured politicisation or open politicisation. In other words, it seeks to shed light on governments' choice to recruit state secretaries from the ministerial bureaucracy or from other settings than the ministerial bureaucracy. The analysis comprises the period from 1990 and 2000. Hence, it covers only two and half out of four years of the Orbán government and effectively excludes the most recent developments that have occurred after the 2002 change in government. However, in the conclusion, I will also refer to the post-2000 developments.

4. Appointment and Replacement Strategies between 1990 and 2000

The analysis of personnel policy strategies in Hungary between 1990 and 2000 is based on data gathered from the Hungarian Political Yearbooks that have been published annually since 1989 and the so-called Government Almanachs of the Antall and the Horn government published in 1994 and 1998 (Kajdi/Marinovich/Müller 1994; Kiss/Tóth/Müller/Lóránt 1998). Both sources contain the parent ministry of state secretaries, their date of appointment and their date of dismissal. The Government Almanachs also contain short one-page curriculum vitae of state secretaries and ministers of the first two governments, which have been used to investigate state secretaries' career path. The data has been

complemented with information from the Public Administration Almanachs of 1996 and 2000, which list most personnel in managing ranks that were employed in public administration in the respective years (Kiss/Nyéki/Latkóczy/Kodela/Galambos 1997; Stumpf/Bártfai 1999). The Public Administration Almanach provides some career information of civil servants and state secretaries, although it is much more basic than in case of the Government Almanach and at least in case of state secretaries not every appointee is included. Therefore, the analysis of the Orbán government could only be done on the basis of sample data, while I could gather data of almost the entire population of state secretaries that were appointed under the Antall and Horn governments. Finally, between June 2000 and September 2001, I conducted approximately 80 interviews with ministers, state secretaries, senior civil servants and academics in Hungary, many of whom I have been able to interview several times. Although many of these interviews dealt with the civil service reform dynamics since the 1980s, which will be subject to analysis in the next Chapters, all of them dealt at least indirectly with the background of ministers' personnel policy decisions.

Between May 1990 and December 2000, 68 Administrative State Secretaries and 247 Deputy State Secretaries were formally registered as appointments to central government ministries including the Prime Minister's Office. The number of Administrative State Secretaries in office at a certain point of time usually varied with the number of ministries including the Prime Minister's Office (Table 6.1.). The Antall government inherited from the last socialist government led by Prime Minister Németh twelve ministries, the Secretariat of the Council of Ministers and the National Planning Office. The most visible of the governmental reorganisations that were implemented by the Antall government was the merging of the National Planning Office into the Ministry of Finance. As a result, the Antall government began its work with thirteen ministries and a Prime Minister's Office as the successor of the former Secretariat of the Council of Ministers. In 1994, the Horn government merged the Ministries of Industry and Trade and International Economic Relations into a single Ministry of Industry and Trade, thereby reducing the number of ministries to twelve plus the Prime Minister's Office.

Table 6.1. Appointments of Members of Governments and State Secretaries for Every Year between May 1990 and December 2000

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
<i>Ministers and Prime Ministers</i>	16	3	0	8	13	4	6	0	15	1	8	74
<i>Administrative State Secretaries</i>	15	5	2	6	9	3	3	0	13	5	9	70
<i>Deputy State Secretaries</i>	49	19	9	17	27	18	16	8	43	14	26	246
<i>All State Secretaries</i>	64	24	11	23	36	21	19	8	56	19	35	316

Finally, in 1998/99, Orbán government increased the number of ministries to fourteen plus the Prime Minister's Office for the Ministry of Culture and Education was effectively split into three ministries. After the formation of the government, the two Ministries of National Heritage and the Education were established. Six months later in January 1999, a Ministry of Youth and Sports was established. Youth and sports issues had previously been dealt with by a department in the Ministry of Culture and Education and a secretariat in the Prime Minister's Office. In Table 6.1., the values for the number of Administrative State Secretaries in office in December of every year between 1990 and 2000 differ from the number of ministries because in the years 1991, 1992, 1995 and 2000, one or even two Administrative State Secretaries had left their position but a replacement had not been appointed before the end of the year.

Neither the 1990 Act on State Secretaries nor the 1997 Act on the Legal Status of Members of the Government and State Secretaries specify the number of Deputy State Secretaries per ministry. As a result, the average number of Deputy State Secretaries in office in December of every year between 1990 and 2000 varied across ministries and time. The average number of appointed Deputy State Secretaries gradually increased from 3.2 to 4.3 per ministry or roughly one third. At the same time, differences between ministries persisted during the 1990s. For instance, between 1990 and early 1992, there was only one Deputy State Secretary in the Ministry of Defence, while most ministries had four appointed Deputy State Secretaries. By contrast, during the Orbán government, the number of Deputy State Secretaries in office varied between six in several ministries and three in the Ministry of Health. Since May 2002 when the Medgyessy government took office, the number

of ministries was kept at fifteen including the Prime Minister's Office despite several reorganisations and the establishment of a new Ministry of Communication and Informatics. Most of these ministries are staffed with six Deputy State Secretaries and hence the number of state secretaries appointed at one time in central government ministries has remained more or less unaltered after the most recent change in government.

In the remainder of this part, I will first assess the appointment/replacement strategies of the three governments that ruled between 1990 and 2000 from a comparative point of view. At this stage, this analysis serves to provide an overview over personnel policy processes since 1990. Moreover, an assessment of governments' appointment strategies will enable us to draw a basic distinction between a de-politicised personnel policy strategy and personnel policy strategies of either structured or open politicisation. Hence, if incoming governments have replaced the majority of state secretaries inherited from their predecessors when taking office, then we can exclude the possibility that Hungarian governments pursued de-politicised personnel policy strategies in the 1990s. Table 6.2. shows that although all three changes in government differed in the extent to which inherited state secretaries were replaced and new state secretaries were appointed, it can generally be stated that every change in government triggered nearly a complete substitution of personnel in the top two ranks of the ministerial bureaucracy. Table 6.2. distinguishes state secretaries that were appointed between 1990 and 2000 into six generations or two generations per government. The first generation of appointees includes all state secretaries that were appointed within six months after a change in government. I assume that these appointments can quite unambiguously be related to changes in the partisan composition of government and hence demonstrate the purposeful exercise of political discretion by incoming governments.

Before the change of regime, Hungarian ministries were headed by a Minister, one or two State Secretaries and three to eight Deputy Ministers who were responsible for managing specific policy areas. At the eve of the 1990 national elections, the central government ministries or ministry-like structures were staffed with 18 State Secretaries and 56 Deputy Ministers excluding the Council of Ministers. In 1990, all

of the Administrative and Deputy State Secretaries were formally newly appointed by the Antall government due to the adoption of the Act on State Secretaries. However, the Antall government took over the State Secretary in the Ministry of Foreign Affairs, Somogyi, that had already served under the last socialist government led by Prime Minister Németh so that in real terms the proportion of newly appointed Administrative State Secretaries amounts to less than 100%. Similarly, in real terms, the proportion of newly appointed Deputy State Secretaries is lower because five Deputy Ministers of the Németh government were re-appointed by the Antall government. For instance, in the Ministry of Transport, two of the four first generation Deputy State Secretaries had been Deputy Ministers under the Németh government.

Table 6.2. Six Generations of State Secretaries (May 1990 - December 2000)

<i>Government</i>	<i>Administrative State Secretaries</i>		<i>Deputy State Secretaries</i>		<i>All State Secretaries</i>	
<ul style="list-style-type: none"> • <i>Number of state secretaries appointed within six months after government investiture</i> • <i>Proportion of newly appointed state secretaries in office six months after government investiture</i> 						
<i>Antall's First Generation</i>	14	100.0	48	100.0	62	100.0
<i>Horn's First Generation</i>	9	69.2	29	57.9	38	63.6
<i>Orbán's First Generation</i>	13	86.7	45	71.4	58	79.1
<i>Total of First Generation</i>	36	85.7	122	76.4	158	80.8
<ul style="list-style-type: none"> • <i>Number of state secretaries appointed during a government's term</i> • <i>Proportion of second generation state secretaries</i> 						
<i>Antall's Second Generation</i>	14	50	49	50.1	63	50.4
<i>Horn's Second Generation</i>	7	43.8	42	59.2	49	56.3
<i>Orbán's Second Generation</i>	11	45.8	34	43.0	45	43.7
<i>Total of Second Generation</i>	32	47.1	125	50.6	157	49.8
Total of First & Second Generation	68		247		315	

Both changes in government in 1994 and 1998 produced a major turnover among state secretaries. In 1994, the Horn government appointed new Administrative State Secretaries to all ministries except the Ministries of Transport, Labour, Justice and Environment. In 1998, the Orbán government took over only two of possible thirteen Administrative State Secretaries that had served under the Horn government. These were Administrative State Secretaries who had already been appointed by the Antall government in the Ministries of Transport and Labour, Gyurkovics and Pulay. The Administrative State Secretary in the Ministry of Environment had been replaced in 1995 by the Horn government. It was only the Administrative State Secretary in the Ministry of Justice that had originally been appointed by the Antall government in 1993 but was not taken over by the Orbán government. Moreover, all Administrative State Secretaries that were appointed during the Horn government were replaced. The fact that only the two Administrative State Secretaries in the Ministries of Transport and Labour 'survived' the 1998 change in government indicates that, at least among the very top rank, it, therefore, mattered to whom state secretaries owed their appointment to the apex of the ministerial hierarchy. Finally, it is worth adding that the most recent change in government in 2002 led the replacement of 12 out of 15 Administrative State Secretaries. Although he had been transferred to the Ministry of Health during the Orbán government, Administrative State Secretary Pulay is one of the three remaining Administrative State Secretaries. Moreover, the other two remaining Administrative State Secretaries had been the only Administrative State Secretaries in office in the sprint of 2002 who had already served in other top positions during the Horn years.

At the same time, both the Horn and the Orbán governments replaced fewer Deputy State Secretaries than Administrative State Secretaries. However, there were considerable differences between ministries. For instance, in 1994, the Ministry of Defence changed all four Deputy State Secretaries that had been inherited from the outgoing Antall government right after the investiture of the Horn government. Similarly, after the reorganisation of the Ministry of Culture and Education into three new ministries, the Orbán government kept only one out of five Deputy State Secretaries in office, but appointed fourteen new ones to the three ministries that

inherited the policy responsibilities of the Ministry of Culture and Education. At the same time, no changes at the level of Deputy State Secretaries were initiated in 1998 in the Ministry of Transport.

Table 6.2. takes six months as a cut off point to distinguish between first and second generation state secretaries. Six months takes into account that a new political leadership has a few months to evaluate whether or not it wants to work with an 'inherited' state secretary. Moreover, six months as a cut off point was a pragmatic choice to take into account the new appointments that were made to the newly established Ministry of Youth and Sports in January 1999, i.e. six months after the Orbán government took office in July 1998. In fact, 35 out of 36 first generation Administrative State Secretaries were appointed within two months after the investiture of the new government and the only (nominal) exception is the first Administrative State Secretary that was appointed to the Ministry of Youth and Sports in January 1999. Moreover, excluding the six Deputy State Secretaries that were appointed to the Ministry of Youth and Sports in January 1999, 94 out of 122 first generation Deputy State Secretaries were appointed within two months rather than six. As a result, Table 6.2. shows that governments have indeed taken advantage of their discretionary powers to replace inherited state secretaries when taking office. These findings suggest that we can effectively exclude the possibility that Hungarian governments have pursued de-politicised personnel policy strategies since 1990.

In addition, Table 6.2. reveals that all three governments appointed a remarkable proportion of approximately one half of all state secretaries during their term in office. Second generation appointees include state secretaries that were appointed after more than six months after a change in government but before the next elections. On the one hand, this simply suggests that the chair of a state secretary is highly unstable. Bearing in mind that the Orbán government had only been in office for 30 months in December 2000, state secretary appointments were indeed not long lasting. For instance, the average time Administrative and Deputy State Secretaries stayed in office between 1990 and 2000 stands at 24.1 months and 26.4 months respectively. The time spent in office is only marginally longer than that of ministers who stayed in office for an average of 23.6 months during the same period. At the

same time, there were considerable differences between individual state secretaries and between state secretaries of different ministries. For instance, only one Deputy State Secretary in the Prime Minister's Office and one in the Ministry of Interior, i.e. two out of 62 state secretaries who were initially appointed by Antall, were still in office in December 2000. By contrast, the longest serving Administrative State Secretary was initially appointed by the Antall government to the Ministry of Transport and stayed in office until October 1999. On the other hand, the large degree of turnover among Administrative State Secretaries during a government's term in office and the tendency of new governments to replace almost all Administrative State Secretaries that were appointed by the previous government meant that, for instance, in 1998 several Administrative State Secretaries were replaced who had only been in office for a few months. For instance, the last Administrative State Secretary of the Horn years in the Ministry of Foreign Affairs was appointed in March 1998 and stayed in office for only four months.

Moreover, when considering the differences between ministries, it turns out that only the Administrative State Secretaries in the Prime Minister's Office and the Ministry of Interior were never replaced during a governments' term in office. By contrast, ten Administrative State Secretaries in the Ministry of Economic Affairs and its predecessor ministries stayed in office for an average of merely 13.5 months. Finally, among Deputy State Secretaries, the differences between ministries were not as large as among Administrative State Secretaries, but they still ranged from an average of 21 months in the Ministry of Culture and Education and its successor ministries to 43 months in the Ministry of Transport. The large proportion of second generation appointments is somewhat surprising because one would expect that new governments take advantage of their discretionary appointment powers to replace old and appoint new state secretaries when they take office and not on a continuous basis. However, as we will see in the next section by analysing governments successively, new governments tended at least to reshuffle almost the entire team of state secretaries at the time of their investiture, but they sought to shape the composition of the state secretary ranks on a continuous basis according to their desires. As a consequence, the almost complete substitution of the group of state secretaries followed a more gradual path that lasted all through a government's term

in office. To illustrate this claim, I will direct my attention to the recruitment practice of the three governments that were in office between 1990 and 2000. Moreover, I will explore the relationship between state secretaries' career paths and the appointment strategies of the three governments. I will begin the assessment with an in depth discussion of the personnel policy strategies of the Antall and the Horn government. At the end, I will discuss the Orbán government and briefly refer to the Medgyessy government and derive conclusions that identify the key features of senior personnel policy in Hungary since 1990.

5. Recruitment Strategies between 1990 and 2000

5.1. The Delayed Take-over: Personnel Policy during the Antall Government

Between 1990 and 1994, the personnel policy strategy of the Antall government gradually shifted from a strategy of structured politicisation to a strategy of open politicisation. As shown above, in 1990, the Antall government replaced the overwhelming majority of top tier bureaucrats of the last socialist government, but it filled the vacancies primarily with former State Secretaries, Deputy Ministers and managing officials of the ministerial bureaucracy of the Németh government. However, between 1991 and 1994, most of these first generation state secretaries were replaced with appointees who had not worked in government before the change of regime. By the time the second national elections took place in spring 1994, most of the state secretaries in office had been recruited to the ministries after the Antall government had taken office. Hence, the Antall government gradually increased the exercise of political discretion over the allocation of states secretaries, which led to a delayed take-over of the senior bureaucracy by the governing parties after the end of 1990.

Between May and November 1990, 56 out of 62 first generation state secretaries were newly appointed by the Antall government. However, Table 6.3. shows that the Antall government recruited 12 out of 14 Administrative State Secretaries including the former State Secretary from the Ministry of Foreign Affairs, Somogyi, and more

than one half of all Deputy State Secretaries from the ministerial bureaucracy. At first glance, this is surprising in so far as the ideological differences between an incoming and an outgoing government should be largest when a change in government is embedded in a change of regime. Moreover, the over-politicised nature of personnel policy during the communist regime suggests that a new government should be highly suspicious towards the inherited senior bureaucrats for they clearly owe their career advancement to the communist party. However, I will show that the circumstances of the 1990 regime change in Hungary allowed the Antall government to mainly recruit their new state secretaries from the ministerial bureaucracy including the most senior ranks rather than turning to the recruitment of outsiders.

Table 6.3. Recruitment Strategy of the Antall Government: First Generation State Secretaries (May 1990-November 1990)

		Total	Inside	Outside	Promotions	Transfers & lateral Promotions	Other Public Administration	Academia	Politics	Private Sector	Other Background
<i>Missing: 1 Deputy State Secretary</i>											
<i>Administrative State Sec.</i>	Numb.	14	12	2	9	3	2				
	%	100	85.7	14.3	64.3	21.4	14.3				
<i>Deputy State Secretaries</i>	Numb.	47	26	21	22	4	6	10	1	1	3
	%	100	55.3	44.7	46.8	8.5	12.8	21.3	2.2	2.2	6.4
<i>All State Secretaries</i>	Numb.	61	38	23	31	7	8	10	1	1	3
	%	100	62.3	37.7	50.8	11.5	13.1	16.4	1.6	1.6	4.9

Among Administrative State Secretaries, the Antall government transferred the former State Secretary of the Council of Ministers, Kiss, to the Administrative State Secretary post in the Ministry of Environment. Moreover, two lateral promotions concerned the former Deputy Minister, Martonyi, from the Council of Ministers who was appointed Administrative State Secretary in the reorganised Ministry of International Economic Relations and the former Deputy Head of Department, Kajdi, from the Ministry of Justice to the apex of the Prime Minister's Office. At the same time, two thirds of the new Administrative State Secretaries had already worked in the same ministry during the Németh government. However, the career path of these new appointees differed considerably.

First, four of the internally promoted Administrative State Secretaries had held a position as Deputy Minister at the eve of the 1990 elections, but all of them had only been appointed to their posts after Németh had been appointed Prime Minister in November 1988. Németh's personnel policy strategy had already significantly deviated from that of his predecessors. In fact, half of all Deputy Ministers that were in office in early 1990 and four out of five State Secretaries had only been appointed during the Németh years. Németh tended to rely on bureaucrats that were affiliated to the reformist circles of the communist party or he recruited professionals from other settings especially academia who could demonstrate much less political commitment. For instance, the Administrative State Secretaries in the Ministries of Interior and Culture & Education appointed by Antall in 1990, Verebelyi and Manhercz, had both been Deputy Ministers under Németh. However, they had pursued a career in academia and had only been 'invited' by Németh in 1989 as senior officials to prepare reform policies and when the change of regime became increasingly likely, to prepare transition related reforms in the respective policy sectors.

Second, four of the internally promoted new Administrative State Secretaries had previously been in senior official ranks during the Németh years. On the one hand, these managers had pursued their entire career in the ministerial bureaucracy. For instance, the first Administrative State Secretary in the Ministry of Transport, Gyurkovics, had worked in the same ministry since 1968. On the other hand, the first

Administrative State Secretary in the Ministry of Welfare, Jávör, is an example of a senior official who had long been on the payroll of the ministry but took on responsibilities within the core structure of the ministry only in 1989 when the Round Table Talks began. During the 1980s, Jávör had been in charge of the so-called health reform secretariat within the jurisdiction of the then Ministry of Health. However, there was virtually no interaction between both institutions until the National Round Table Talks were convened. At that time, Jávör was 'invited' to represent the Ministry of Health and the MSZMP at the round table negotiations to pave the way for a health reform after the first democratic elections. Finally, although two Administrative State Secretaries are formally registered as recruited from other organs of public administration, both of them had been employed in institutions that were within the wider jurisdiction of the ministries, for instance, the first Administrative State Secretary in the Ministry of Defence was a high ranking officer in the Hungarian Army.

As a result, none of Antall's first generation Administrative State Secretaries was recruited from a background that was entirely unrelated to their new parent ministry. However, only the Administrative State Secretaries in the Ministries of Transport, Welfare, Interior and in the Prime Minister's Office stayed in office until the change in government in 1994. The Administrative State Secretary in the Ministry of International Economic Relations, Martonyi, was transferred to the Ministry of Foreign Affairs, and hence stayed in the administration. Among the other nine cases, the Administrative State Secretary in the Ministry of Agriculture died in early 1991. By contrast, the remaining eight first generation Administrative State Secretaries left the administration and the majority were replaced within one year of their appointment. In most cases, these Administrative State Secretaries eventually became managers of private sector companies. Hence, there is no clear cut relationship between the career path of the first generation Administrative State Secretaries and their replacement before mid 1994. However, it is instructive that three of the 'survivors' had been career bureaucrats who had previously held a position as a senior official and not in the top two ranks during the Németh government. The exception is Verebelyi from the Ministry of Interior who, however, had previously pursued a

career in academia and hence was less associated with the Németh government or any previous governments of the communist regime.⁵⁴

With respect to first generation Deputy State Secretaries, the recruitment strategy somewhat differs from that of Administrative State Secretaries, while the pattern of eventually replacing first generation Deputy State Secretaries between 1991 and 1994 is very similar. Firstly, the largest proportion of newly appointed Deputy State Secretaries was again promoted within the same ministries. To give an example, in the wake of the merger of the Ministry of Finance and the National Planning Office, the first Minister of Finance, Rabár, appointed two Deputy State Secretaries who had previously been Heads of Department in the Ministry of Finance and two Heads of Department from the National Planning Office. Secondly, among the group of transfers and lateral promotions there are two odd cases because they include two de facto demotions of former State Secretaries to positions as Deputy State Secretaries. In 1990, two State Secretaries from the Ministry of Environment and former Ministry of Trade, Baráth and Gombocz, became Deputy State Secretaries in the respective ministries, but both of them left the ministries within two years after their appointment.

At the same time, slightly less than half of the first generation Deputy State Secretaries were not recruited from the ministerial bureaucracy but from other settings. Many of these new recruits came from other organs of public administration. In some cases, these include offices or research institutes that belonged to the parent ministry of the new Deputy State Secretaries. In others, the new appointees had not been in touch with their new ministry, as one Deputy State Secretaries in the Ministry of Interior demonstrates who was recruited from the Hungarian National Bank. However, the largest group of 'outsiders' was recruited from universities or research institutes that were either in the periphery of the central government or under the roof of the Hungarian Academy of Science. For instance, the first Minister of Industry and Trade, Bod, who had himself worked as an economist in one of the Budapest

⁵⁴ Moreover, it is interesting to note that Verebelyi was the only 'surviving' Administrative State Secretary who had also been a member of the Hungarian Socialist Workers' Party, MSZMP. However, after his appointment in 1990, he suspended his membership.

economic research institutes, recruited one Deputy State Secretary from among the senior officials of the Ministry of Justice and three new appointees from different economic research institutes in Budapest. Similarly, the Minister of Welfare, Surján, asked two university professors to initiate the social policy reforms of the first government. At the same time, the private sector and interest groups are virtually missing in the list of possible career backgrounds of new state secretaries. This is not surprising because at the time of transition, the Hungarian private sector was still very small and interest groups that could be associated with the new centre-right government had not been formed.

Finally, the Ministry of Welfare also provides a good example for the recruitment of Deputy State Secretaries who unambiguously had some political background. In general, I have taken a very 'soft' approach to classifying new appointees as political. I have only included cases where the activities of the state secretary suggest a clear political affiliation, for instance, if state secretaries held political positions before, if they had worked for a party before, if the recruitment process suggests clearly political considerations or if the state secretary has eventually taken on a political post. At the same time, it is out of question that close observers of Hungarian politics would have little difficulties to name many more appointees who can be quite unambiguously associated with a particular political party and who owe their appointment exclusively to party political considerations. However, I have kept a soft line that may not capture all political appointees but those who can be more or less easily verified.

In the Ministry of Welfare, for instance, the first Deputy State Secretary for health policy was a practitioner recruited from among the influential group of doctors within the MDF. The MDF parliamentary group urged Antall and Surján to appoint one of its representatives (who had not been elected MP) because the MDF felt underrepresented in the health policy sector where the Minister came from the junior coalition party KDNP and the Administrative State Secretary, Jávör, from the wider environment of the former ministry. After the first appointee of 1990 left the ministry after less than one year, the pattern of recruiting a new Deputy State Secretary for health policy repeated itself in 1991. However, although it may be tempting to

generally associate state secretaries recruited from outside the ministerial bureaucracy and wider public administration with political parties, considerations of political representation or mere patronage were an exception among first generation appointees rather than a rule.

In sum, the recruitment of Antall's first generation of Administrative State Secretaries fits quite unambiguously a personnel policy strategy of structured politicisation. By contrast, the recruitment of Deputy State Secretaries was subject to the exercise of more political discretion, but it still has as many features of a strategy of structured politicisation as of an openly politicised personnel policy strategy. At the same time, around 70% of the first generation state secretaries were replaced before the change in government in 1994. At first glance, Table 6.4. suggests that 13 out of 14 second generation Administrative State Secretaries but less than 50% of the second generation Deputy State Secretaries were recruited from the ministerial bureaucracy. Hence, according to Table 6.4., the recruitment pattern of second generation state secretaries was similar to that of first generation state secretaries.

However, Table 6.4. conceals especially for Administrative State Secretaries that the 8 out of 13 appointees that were technically promoted, were not inherited bureaucrats from the Németh government (see Table 6.5.). Rather, second generation Administrative State Secretaries had entered the administration in 1990 or shortly after and were initially appointed as senior civil servants or Deputy State Secretaries. When the first generation of Administrative State Secretaries resigned or was forced to leave, these recruits were de facto promoted to the apex of the ministerial hierarchy. For instance, the second Administrative State Secretary in the Ministry of Agriculture, Raskó, had worked at various international organisations including the World Bank before returning to Hungary and entering the Ministry in March 1991. Three months later in June 1991, he was appointed Administrative State Secretary. Similarly, the Administrative State Secretaries in the Ministries of Culture & Education and Defence had worked in academia before 1990 and 1991 respectively when they were first appointed as Deputy State Secretaries. In 1991 and 1993, both were appointed Administrative State Secretaries. The proportion of Deputy State Secretaries that was not inherited from the Németh government and initially

appointed as senior civil servants during the Antall government is much lower. However, among this group of technically promoted Deputy State Secretaries were also two chiefs of ministerial cabinets who were formally in senior civil servant ranks but in practice were clearly political appointments.

Table 6.4. Recruitment Strategy of the Antall Government: Second Generation State Secretaries (December 1990-April 1994)

<i>Missing: 1 Deputy State Secretary</i>		Total	Inside	Outside	Promotions	Transfers & lateral Promotions	Other Public Administration	Academia	Politics	Private Sector	Other Background
Administrative State Sec.	Numb.	14	13	1	10	3			1		
	%	100	92.8	7.2	71.4	21.4			7.1		
Deputy State Secretaries	Numb.	48	21	27	16	5	8	8	5	1	5
	%	100	43.7	56.3	33.3	10.4	16.7	16.7	10.4	2.1	10.4
All State Secretaries	Numb.	62	34	28	26	8	8	8	6	1	5
	%	100	54.8	45.2	41.9	12.9	12.9	12.9	9.7	1.6	8.1

Table 6.5. State Secretaries' Career Path: Antall's Second Generation

<i>Missing: 1 Deputy State Secretary</i>		Top two ranks under Németh	Senior officials under Németh	New under Antall	Total
Administrative State Secretaries	Numb.	1	4	9	14
	%	7.1	28.6	64.3	100
Deputy State Secretaries	Numb.	1	15	32	48
	%	2.1	31.3	66.6	100
All State Secretaries	Numb.	2	19	41	62
	%	3.2	30.7	66.1	100

Generally, Table 6.4. shows that the second key difference between first and second generation state secretaries is the higher proportion of Deputy State Secretaries with a political background. For instance, in May 1993, the MDF politician Szűcs resigned his seat in parliament and became a Deputy State Secretary in the Ministry of Industry and Trade. Similarly, in addition to the cases mentioned above, another Deputy State Secretary in the Ministry of Welfare had been a member and activist of the MDF since 1988. After 1993, he officially dealt with social crises programmes, but in practice he could begin to prepare the social policy programme of the MDF for the upcoming national elections from within the ministry. Moreover, several second generation state secretaries ran as candidates of the centre-right parties, especially the MDF, in the parliamentary elections in 1994. For instance, the Deputy State Secretary in the Ministry of Culture and Education, Dobos, took over a vacant seat in parliament already in September 1993 and her colleague, Fekete, was elected Member of Parliament in 1994.

Consequently, at closer scrutiny, the personnel policy strategies for the first and the second generation of state secretaries clearly differ in that most of the second generation appointees were not inherited from the Németh government and that many more appointees with party political backgrounds were appointed to state secretary ranks. Hence, with respect to second generation appointees, the personnel policy strategy of the Antall government has primarily features of an openly politicised strategy. Although approximately one quarter of all second generation state secretaries did not last in their post until the 1994 elections, the continuous use of political discretion fundamentally altered the composition of the top two ranks in the ministerial hierarchy within 3 years (see Table 6.6.). At the eve of the 1994 parliamentary elections, state secretaries that had served as Deputy Ministers during the Németh government had become a tiny minority. At the same time, the proportion of state secretaries that had been in managing ranks below the Deputy Minister during the Németh years had shrunk only slightly. In contrast, state secretaries that had only been recruited by the Antall government to the administration had begun to represent more than half of all state secretaries that were in office in mid 1994. This development raises two broader questions. First, why did

Prime Minister Antall and the ministers of his government initially chose to work mainly with senior officials who were inherited from the Németh government but what explains the influx of outsiders among Deputy State Secretaries. Second, what accounts for the change in personnel policy strategy from the first to the second generation state secretaries and to what extent it is possible to locate the change during the four years of the Antall/Boross government.

Table 6.6. State Secretaries' Career Path: Antall's Legacy (May 1994)

		Top two ranks under Németh	Senior officials under Németh	New under Antall	Total
<i>Missing: 1 Deputy State Secretary</i>					
Administrative State Secretaries	Numb.	2	4	8	14
	%	14.3	28.6	57.1	100
Deputy State Secretaries	Numb.	3	22	25	50
	%	6.0	44.0	50.0	100
All State Secretaries	Numb.	5	26	33	64
	%	7.8	40.6	51.6	100

The main reason for the initially 'friendly take over' of the senior bureaucracy by the Antall government after the change of regime can be found in the peculiar circumstances that preceded the formation of the first democratically elected government in May 1990. At the time of their appointment in May/June 1990, most of the new Administrative State Secretaries were in fact well known to the new Prime Minister Antall and to a lesser extent to the new ministers. Many of them had represented the ministries in the National Round Table Talks since spring 1989 and hence had been able to signal to the representatives of the parties of the democratic opposition that they were supporting the change of regime and the policy changes that were involved. Hence, the Antall government did clearly have an opportunity to learn about the policy preferences and orientations of the senior bureaucrats it inherited from the Németh government. Moreover, both Németh's personnel policy strategy and his policy record made it much easier for the members of the Antall government to work with inherited State Secretaries and Deputy Ministers. On the one hand, political hard-liners among senior bureaucrats had effectively been forced to leave the administration during the Németh years, while reform oriented officials had been brought into the administration, for instance from academia. On the other hand, the Németh government pursued far-reaching economic reforms that sought to pave the way for the establishment of a market economy. Hence, many of the top two senior bureaucrats of the outgoing Németh government had in fact demonstrated their willingness to co-operate with a government that would seek to realise the objectives of the 'dual transformation'.

Furthermore, Antall was clear in his position that it is impossible to replace the entire Hungarian bureaucracy after the change of regime. Instead, because Hungary is a small country with a small elite, it was imperative to continue to work with those senior bureaucrats that were expert staff but had not held formal positions in the MSZMP in order to make the far-reaching reform ambitions of the first post-communist government work. Consequently, Antall was less worried about a lack of loyalty of inherited senior bureaucrats but he also saw no viable alternative to working with senior bureaucrats that had already served under the Németh government. This position was by and large supported by the ministers of the Antall

government, regardless of the political party they represented. On the other side, the main opposition against the replacement of state secretaries with senior bureaucrats of the Németh government came from Members of Parliament and forces within the extra-parliamentary organisation of the governing parties. Especially, MPs were often not aware of the severity of policy-making uncertainty in government and, in most case, had not had the luxury of meeting Németh's senior bureaucrats at the round table negotiations. Consequently, pressure towards the replacement of inherited senior bureaucrats was primarily mounted by suspicious members of the parliamentary factions outside the government. Moreover, although the parliamentary elections in 1990 had brought about a convincing victory of the MDF, not all ambitious party activists had managed to get a seat in parliament. As a result, dissatisfied party activists pressed for both the representation of their interests and access to government offices.

Secondly, the rationale behind the recruitment of first generation state secretaries from other settings than the ministerial bureaucracy are quite diverse. On the one hand, new ministers felt simply unable to recruit new state secretaries from the ministerial hierarchy because senior officials preferred to leave the administration to work in the emerging private sector, but the new ministers did not know capable officials in the lower managing ranks who could fill the vacancies. On the other hand, the first generation of ministers had only entered the political scene shortly before or during the period of regime change as representatives of the MDF or one of its coalition partners. None of the first generation Ministers had previously worked in a government ministry close to political power centres. Hence, especially in the absence of personnel alternatives within the ministerial organisation they turned to people from their own professional environment or sought the advice of academics who had a reputation of expertise in their field. Moreover, many of the state secretaries and senior officials that were recruited from other settings than the ministerial bureaucracy in the first years after transition had effectively not been able to work in the ministries before 1990 because they did not want to demonstrate political commitment to the communist party, which had been necessary for career advancement before 1989/90. Hence, the change of regime and the investiture of a

government formed by parties of the democratic opposition opened a door for this type of professional to work in the senior ranks of a ministry.

In addition, it is worth mentioning that the recruitment of academics to senior ranks in the ministries was greatly encouraged by the members of the new government because they could often contribute specific expertise to the solution of policy problems that only arose due to the transition to market-cum-democracy. At the same time, career bureaucrats who continued to stay in office after the change of regime did not view the recruitment of academics with major suspicion unless established bureaucrats considered the new state secretaries as political appointees.⁵⁵ On the other hand, however, we have to mention that in addition to former State Secretaries and Deputy Ministers, the Antall government tended to replace especially first generation Deputy State Secretaries that had been recruited from other settings still before mid 1994. As I showed above, in some cases, these Deputy State Secretaries were promoted to Administrative State Secretary positions but the by far larger proportion left the administration and went back to academia within a short period. Although the reasons for this short time in office are diverse, one of the often-raised arguments has been the inability of new recruits to adapt to the working requirements and style in senior positions of the ministerial bureaucracy mainly as a result of a lack of apprenticeship in public administration, in other words, a lack of administrative expertise.

Finally, it is difficult to set a clear date for the change of strategy to recruit state secretaries. However, we might consider the appointment of the second Administrative State Secretary in the Ministry of Industry and Trade in December 1990 as an early turning point towards more open politicisation of senior personnel policy. In autumn 1990, the Antall government faced its first severe political crisis when taxi drivers demonstrated against the liberalisation and ensuing increase of petrol prices. Shortly after the taxi-driver blockade, the first Administrative State

⁵⁵ Interestingly, career bureaucrats who stayed in office after 1990 tended to blame Political State Secretaries as 'political commissars'. The position of Political State Secretary was only created in May 1990 and belonged to the political leadership of the ministry. Yet, often times, career bureaucrats interpreted the split of the former State Secretary into an Administrative and a Political State Secretary as the creation of a political commissar in disguise.

Secretary, Auth, who had been a Deputy Minister during the Németh years, resigned and chose to take on a position in the private sector. On the one hand, the resignation resulted from financial considerations as the emerging private sector provided the prospect of salaries many times higher than employment in public administration. On the other hand, the transition to a market economy created a situation in which top officials in ministries like the Ministry of Industry and Trade had to close down state owned enterprises and had to dismiss executives who had previously been their colleagues and partners in the day-to-day work between government and industrial enterprises.

Hence, after half a year into the first government's term in office many first generation state secretaries felt increasingly uneasy with the (partly unpleasant) obligations of their job and attracted by the opportunities in the emerging private sector. As a consequence, together with situational pressures created by public unrest following an unpopular government decision, the first Administrative State Secretary, Auth, resigned in December 1990. His replacement, however, was not recruited from the ministerial civil service, but from MDF circles. In fact, a similar constellation occurred as in the Ministry of Welfare in May 1990 mentioned above. Because the State Secretaries and the Minister were almost without exception economists, the group of engineers within the MDF pushed Antall to propose a candidate with a background in engineering to Minister Bod in order to better represent the interests of the MDF and the engineers in economic and industrial policy.

Moreover, in the wake of the decision to liberalise petrol prices, not only Members of Parliament but also ministers became increasingly worried that professional arguments tended to systematically prevail over their political objectives. Prime Minister Antall sought to diffuse suspicion of MPs and the growing unease of several ministers. However, first generation ministers were not only lacking experience in government or senior administrative positions, but the governing parties were also lacking any infrastructure to get significant specialist support for development of policies from outside the ministries. As a result, ministers were almost exclusively dependent on their ministerial staff in the policy-making process. In addition, in

summer 1990, Antall had set up a Meeting of Administrative State Secretaries convened on a weekly basis by the Administrative State Secretary of the Prime Minister's Office as a professional filter for Government Meetings. Hence, only government proposals that would be cleared on professional grounds would be submitted to the weekly cabinet meetings.⁵⁶ For instance, the decision to liberalise the petrol prices had essentially been taken by the Administrative State Secretaries in the Ministries of Finance and Industry and Trade in the preparation of a Meeting of Administrative State Secretaries. As a consequence, ministers felt occasionally held at the short leash by state secretaries who had been inherited from the Németh government.

As a result, the suspicion of MPs and the occasional perception of ministers to face a 'government by state secretaries' tended to create pressures towards the substitution of state secretaries who had been employed in top positions under the Németh government with appointees from other settings whose career had not been promoted by the MSZMP. In this context, it becomes somewhat understandable that, after the end of the honeymoon period for the Antall government in autumn 1990, the strategy to recruit state secretaries to some extent, and the strategy to recruit and appoint Deputy State Secretaries more evidently, became more and more subject to the exercise of political discretion. In other words, the option to keep the inherited bureaucrats in office or to merely reshuffle them was only a viable strategy in the short term. Eventually, suspicion towards inherited top bureaucrats was too strong to prevent a shift towards filling state secretary positions from the top and from outside with political considerations gaining growing influence.

5.2. 'Let Competence Govern'? The Partial Return of Németh's Senior Officials during the Horn Government

Four year of personnel policy until 1994 also represented the legacy of the Antall government for the MSZP/SZDSZ government that took office in July 1994. As

⁵⁶ For instance, the adoption of the 1991 compensation Acts was delayed because state secretaries were opposed to the radical re-privatisation stance of the small coalition partner FKGP on the professional ground that the Hungarian economy and in particular the agricultural sector would not be able to cope with the implementation of a policy close to the FKGP position.

indicated above, the change in government in 1994 triggered an almost complete substitution of personnel in the state secretary ranks. After three months, the incoming Horn government had already replaced 10 out of 14 Administrative State Secretaries and 23 out of 52 Deputy State Secretary. However, in the years that followed, the Horn government replaced one more Administrative State Secretary and 16 more Deputy State Secretary inherited from the Antall government. As a result, by 1998, three quarters of both inherited Administrative and Deputy State Secretaries had been replaced by the Horn government. Among these replaced state secretaries, new recruits of the Antall years and (may be surprisingly) Deputy Ministers who had become state secretaries under Antall had to leave in larger proportions than senior officials who had effectively been promoted by Antall. Furthermore, although the bulk of the state secretaries inherited from the Antall government were replaced shortly after the change in government, these figures also suggest that the Horn government pursued a gradual personnel policy strategy similar to that of the Antall government. And indeed, Table 6.2. above showed already that the Horn government appointed less state secretaries in the six months after the change in government than in the time until the 1998 elections.

Table 6.7. shows that most first generation state secretaries appointed by the Horn government were recruited from other settings than the ministerial bureaucracy. However, the most striking feature of the recruitment strategy pursued by the Horn government is the return of state secretaries who had served during the Németh government or during the Németh and early Antall years (see Table 6.8.). In fact, out of 36 state secretaries appointed by the Horn government within six months after its investiture and whose career path is known, 13 had originally been first generation secretaries of the Antall government and 5 more state secretaries had served in top posts until the Antall government took office in 1990. Hence, the dominant role of a successor party of the communist party in government after the second elections almost led to the re-establishment of the status quo ante in the top ranks of the ministerial bureaucracy. In fact, the appointment of second generation state secretaries reinforced this trend because state secretaries inherited from the Antall government were often replaced with appointees who had gathered experience in senior positions of the administration before 1990 but had left the administration

during the Antall years. As a result, the Horn government recruited the majority of state secretaries from other settings than the ministerial bureaucracy but most of these state secretaries were not at all new faces in the administration.

Table 6.7. Recruitment Strategy of the Horn Government: First Generation State Secretaries (July 1994-January 1995)

<i>Missing: 1 Administrative and 1 Deputy State Secretary</i>		Total	Inside	Outside	Promotions	Transfers & lateral Promotions	Other Public Administration	Academia	Politics	Private Sector	Other Background
<i>Administrative State Sec.</i>	Numb.	8	2	6	2	0			1	4	1
	%	100	25.0	75.0	25.0	0			12.5	50.0	12.5
<i>Deputy State Secretaries</i>	Numb.	28	7	21	4	3	7	2	2	7	3
	%	100	25.0	75.0	14.3	10.7	25.0	7.1	7.1	25.0	10.7
<i>All State Secretaries</i>	Numb.	36	9	27	6	3	7	2	3	11	4
	%	100	25.0	75.0	16.7	8.3	19.4	5.6	8.3	30.6	11.1

Table 6.8. State Secretaries' Career Path: Horn's First Generation

<i>Missing: 1 Administrative and 1 Deputy State Secretary</i>		New under Horn	In office under Németh	In office under Németh and early Antall	In office since Németh	In office since Antall	Total
<i>Administrative State Sec.</i>	Numb.		1	5		2*	8
	%		12.5	62.5		25.0	100
<i>Deputy State Secretaries</i>	Numb.	10	4	7	7		28
	%	35.7	14.3	25.0	25.0		100
<i>All State Secretaries</i>	Numb.	10	5	12	7	2	36
	%	27.8	13.9	33.3	19.4	5.6	100

*) Both Administrative State Secretaries had been in senior official and Deputy Minister ranks under Németh (and before). They returned as Deputy State Secretaries during the Antall government within seven months and two years respectively.

If we look first at Administrative State Secretaries, we find that the new Administrative State Secretary in the Ministry of Industry and Trade, Dunai, had been a former State Secretary and Deputy Minister in the Németh government. Secondly, the two State Secretaries who had served in the Németh government and who had initially been taken over by the Antall government in 1990, Somogyi and Kiss, were re-appointed as Administrative State Secretaries in the Ministry of Foreign Affairs and the Prime Minister's Office. Thirdly, the Administrative State Secretaries in the Ministry of Finance, Draskovics, and the Ministry of Culture and Education, Honti, had served as Deputy State Secretary between 1990 and 1991 and the former had previously worked as senior official in the 1980s in the same ministry. None of these new appointees had worked as a party official before 1994, and none of them pursued a political career after the change in government in 1998. The exception may be the new Administrative State Secretary in the SZDSZ-led Ministry of Culture and Education, Honti. After 1991, she had been recruited by the Mayor of Budapest, Demsky, from the SZDSZ to a high-level position in the administration of the capital Budapest. By contrast, the other four examples who were appointed in MSZP-led Ministries, had bridged the three to four years since 1990/91 in the private sector and returned in 1994 as Administrative State Secretaries. Moreover, without exceptions, these newly appointed Administrative State Secretaries have to be regarded as representatives of the 'late Kádárist technocrats' (Szalai 1998) who had gained growing influence over government management since the early 1980s and had begun to dominate the MSZMP in the late 1980s. Hence, due to their career background all these recruits of the Horn government may well be regarded as close to the government parties.

Furthermore, the result that two Administrative State Secretaries appointed by the incoming Horn government in 1994 must be technically classified as promotions does not undermine the argument of the previous paragraph. In fact, by 1994 neither of the promoted Administrative State Secretaries had served in the ministerial bureaucracy without interruption for more than three years but all of them had served in top ministerial posts during the 1980s. Firstly, the new Administrative State Secretaries in the Ministry of Interior, Zsuffa, had been a high ranking official in the

Secretariat of the Council of Ministers since the 1970s. In 1990, he left the administration and served for two years at the Constitutional Court before he was recruited to the Ministry of Interior as Deputy State Secretary. Hence, after the transfer of the first Administrative State Secretary in the Ministry of Interior, Verebelyi, to the Prime Minister's Office as Government Commissioner for Public Administration Reform, he was promoted to the top administrative post of the ministry. A similar pattern applies to the Administrative State Secretary of the Ministry of Agriculture, Szerdahelyi, who had served as a Deputy Minister in the National Planning Office until 1990 and was recruited to the Ministry of Agriculture at the end of 1992.⁵⁷ Hence, the entire set of Administrative State Secretaries that was appointed in 1994 shared a rather similar profile.

For Deputy State Secretaries the 1994 recruitment strategy hardly differs from that of Administrative State Secretaries. Several ministries witnessed the return of former Deputy Ministers from the Németh years and Deputy State Secretaries or senior officials of the first Antall year. Moreover, many of the new Deputy State Secretaries had been brought back from the private sector, although the proportion of Deputy State Secretaries that has been recruited from other settings like other organs of public administration or academia was larger than in case of Administrative State Secretaries. For instance, all of the (rather few) Deputy State Secretaries appointed in the Ministries of Interior and Transport that were both under the leadership of the SZDSZ, were recruited from among long serving senior civil servants or from institutions within the jurisdiction of the ministries, notably the National Police Force and the National Customs Guard in the Ministry of Interior. By contrast, the large number of new Deputy State Secretaries in the third ministry under the leadership of the SZDSZ, the Ministry of Culture and Education, were exclusively recruited from academia, the cultural sector and the national press and media. Moreover, in contrast to the MSZP Ministers, all three SZDSZ Ministers were confronted with pressures from the SZDSZ parliamentary group to avoid the promotion of senior civil servants, as they were associated with the political views of the MSZP, i.e. their coalition

⁵⁷ However, although the recruitment pattern of both Zsuffa and Szerdahelyi looks very similar, it must be qualified that Szerdahelyi left the government in 1995 but returned in 1998 with the Orbán government. By contrast, Zsuffa was dismissed in 1998 and returned with the Medgyessy government in 2002 as Administrative State Secretary of the Prime Minister's Office.

partner. However, the pressure led only to the departure of the Administrative State Secretary in the Ministry of Interior, Verebelyi, already two months after the government investiture in 1994 (see above). Hence, at first glance, the recruited Deputy State Secretaries in the SZDSZ-led ministries cannot be as clearly associated with a political background or affiliation as the recruits in the MSZP ministries. Yet, in particular the example of the Ministry of Culture and Education suggests that in addition to the Administrative State Secretary, Deputy State Secretaries were recruited from elite sectors, in which the SZDSZ drew proportionally higher political support and was well connected, notably, the cultural and academic intellectuals from the capital city Budapest.

Apart from the large proportion of returnees from the Németh and the early Antall years to the administration during the Horn government, the second striking feature is the large proportion of new appointments made between 1995 and 1998 or more precisely in 1995 and 1996 (Table 6.9.). Firstly, many of Horn's first generation state secretaries, especially Deputy State Secretaries who had been brought back in 1994, left the administration within a short time and tended to return mainly to the private sector. At the same time, the largest proportions of new appointees were either career civil servants who had been in office since Németh without interruption or newcomers who had never worked in the administration before. For instance, the second and the third(!) Administrative State Secretaries in the Ministry of Welfare and the Ministry of Industry and Trade that were appointed during the Horn years, Pordán and Gilyán respectively, had served in various ministries since the early and mid 1980s. Similarly, all of the second generation Deputy State Secretaries in the economics ministries had either been brought in from the private sector or they had served in the ministries without interruptions, though in many cases the latter group of senior civil servants also held membership on executive boards of state owned enterprises.

Table 6.9. Recruitment Strategy of the Horn Government: Second Generation State Secretaries (February 1995 - April 1998)

		Total	Inside	Outside	Promotions	Transfers & lateral Promotions	Other Public Administration	Academia	Politics	Private Sector	Other Background
<i>Missing: 3 Deputy State Secretaries</i>											
Administrative State Sec.	Numb.	7	5	2	4	1				2	
	%	100	71.4	28.6	57.1	14.3				28.6	
Deputy State Secretaries	Numb.	39	20	19	15	5	6	4	3	4	2
	%	100	51.3	48.7	38.5	12.8	15.4	10.3	7.7	10.3	5.1
All State Secretaries	Numb.	46	25	21	19	6	6	4	3	6	2
	%	100	54.0	46.0	41.3	13.0	13.0	8.7	6.5	13.0	4.3

Finally, many interviewees pointed out that the second generation of state secretaries appointed by the Horn government were no longer just professionals who had taken their apprenticeship during the 1980s but were clearly politically affiliated. This claim proved difficult to verify, as the proportion of state secretaries with political backgrounds is not higher than during the Antall government (see Table 6.7. and 6.9.). However, apart from the Ministry of Culture and Education mentioned above and the rather obvious connection between state secretaries who returned with the Socialist to office between 1994 and 1998, it is evident that the borders between political and administrative posts in government had become even more permeable than before 1994. For instance, the office carousel in the Ministry of Industry of Trade represents a specific but instructive example. The first Minister in 1994, Pál, had been one of the last two State Secretaries in the Ministry of Industry until 1990. The first Administrative State Secretary, Dunai, had been State Secretary in the Ministry of Trade at the same time. When Pál resigned in 1995, Dunai succeeded him as Minister of Industry and Trade, while the new Administrative State Secretary, Fazakas, had been in the rank of a Deputy Minister in the Secretary of International Economic Relations. In 1996, Dunai resigned from his post and was succeeded by the Administrative State Secretary Fazakas, who in 1998 became MSZP Member of Parliament. This pattern of 'promotion' was unique during the Horn government, but it is very familiar to the communist regime where a distinction between political and administrative posts did not exist.

In sum, the personnel policy strategy of the Horn government does clearly reflect patterns of open politicisation when it comes to the appointment and recruitment of first generation state secretaries. This conclusion applies less to second generation state secretaries. Ultimately, however, we have to bear in mind that slightly less than one half of all state secretaries that were in office at the eve of the elections in 1998 had served in some position during the Antall years (see Table 6.10.). At the same time, there were only 2 out of 69 state secretaries who had entered the administration between 1990 and 1994 and who had gained a promotion during the Horn government. On the other hand, more than half of all state secretaries had either been newly recruited by the Horn government or they had already been in office during the

Németh government and possibly the early Antall government but not in the later Antall years. Hence, more than half of all state secretaries in office in 1998 owed their career exclusively to the exercise of political discretion by the Horn government. As a result, two questions arise with respect to the Horn government. First, regardless of the high level of turnover among state secretaries initiated by the incoming Horn government, what explains the partial return of officials who had served before 1990/91. Second, to what extent can we account for the shift towards the recruitment of second generation state secretaries from the ministerial bureaucracy relative to first generation state secretaries.

Table 6.10. State Secretaries' Career Path: Horn's Legacy (May 1998)

		New under Horn	In office under Németh	In office under Németh and early Antall	In office since Németh	In office since Antall	Total
<i>Missing: 2 Deputy State Secretaries</i>							
<i>Administrative State Sec.</i>	Numb.	1	1	4	5	2*	13
	%	7.7	7.7	30.8	38.5	15.4	100
<i>Deputy State Secretaries</i>	Numb.	13	7	8	19	7	54
	%	24.1	13.0	14.8	35.2	13.0	100
<i>All State Secretaries</i>	Numb.	14	8	12	24	9	67
	%	20.9	11.9	17.9	35.8	13.4	100

***) One of the Administrative State Secretaries had been a senior official under Németh (and before). He returned as Deputy State Secretaries in February 1991.**

The strategy of the MSZP ministers to replace the state secretaries inherited from the Antall government with people who had already worked in the administration during the 1980s and possibly the early Antall years can be well explained with reference to the election campaign of the MSZP. In the 1994 elections the MSZP managed to become the largest party with the slogan 'Let Competence Govern'. As Markus (1999b: 148) argues, "[t]he vote contained a twofold message: a refusal of ideologically determined policy-making (...) and moderate support for Westernisation. The voters were not interested in making the time-trip back into the twenties and thirties; a shorter trip into the late eighties had greater appeal. The well-known faces and familiar style of the ex-Communists offered a sense of stability and security, after the turmoil of the first post-89 government and its policies". Accordingly, the MSZP did not only promise a 'government by experts', but more precisely a government of those experts that had handed over the country 'in good order', i.e. the Németh government in spring 1990 (Bozóki 1997: 78). However, Bozóki (1997) also suggests that when asked to return to government by the MSZP, many experts of the Németh years declined the offer and we might add that many of those who did return, did ultimately not like to stay for a long time. Therefore, the changes among state secretaries that were initiated in summer and autumn 1994 were not merely a reaction to the politicising tendencies of the later Antall years. Rather, the 1994 personnel policy strategy of the MSZP fits into the wider picture of the party's identity at the time and its electoral campaign in 1994 to bring expertise back into government.

This perspective does obviously not apply to the small coalition partner SZDSZ that was in charge of three ministries. In fact, the personnel policy strategy of the SZDSZ and its ministers was rather incoherent. Before taking office the leaders of the SZDSZ had agreed that in principle the new ministers should be unconstrained by party guidelines in the selection of senior personnel in order to be able to react to the senior official appointments that had been made during the Antall years. At the same time, it became policy of the SZDSZ that firstly the professional leadership of the ministries should be respected and secondly that no political officeholders should be appointed to formally administrative positions. However, from the outset, SZDSZ

ministers shared the perception of ministers during the Antall government that they were overly dependent on the ministerial staff in the policy-making process. Like their predecessors from the centre-right government, SZDSZ ministers were lacking both experience in government and an organisation outside government that could support them in their policy-making efforts.

In practice, however, SZDSZ ministers tried to solve the twin problem of expertise and control in ministerial policy-making in different ways. Culture and Education Minister Fodor replaced all state secretaries in his ministry within six months after taking office because many of the inherited state secretaries had been politically affiliated to the MDF and hence were not considered trustworthy by the new Minister. At their place, he appointed trusted professionals from outside the administration to prepare and supervise the reforms he intended to pursue in the cultural field and in higher and public education. Similarly, his successor Magyar who was appointed in January 1996 implemented sweeping personnel changes at the top of the Ministry. Although the change from Fodor to Magyar meant the replacement of one SZDSZ Minister with another, Magyar changed most state secretaries shortly after taking office. During the first one and a half years, Fodor had hardly been able to implement any of the SZDSZ reforms in culture and education. Rather, the Bokros austerity programme had forced Fodor to implement heavy budgetary cuts in both policy areas, e.g. the introduction of tuition fees for university students. As a result, Magyar felt essentially forced to change many of the senior officials in order to kick off a fresh start with a new team of state secretaries because the state secretaries in office were effectively discredited in the multi-actor policy community governed by the Ministry of Culture and Education. Hence, he had to find appointees that were accepted by outside interests, e.g. the universities, and who promised to accelerate the reforms given that he had only two years left until the next elections.

By contrast, except for Administrative State Secretary Verebelyi, Interior Minister Kuncze initially relied on inherited state secretaries and senior civil servants because he had made it his policy to respect the professional leadership of the ministries. However, this friendly policy towards the ministerial senior personnel was enforced

due to a lack of an appropriate pool of area specific experts close to the SZDSZ and Kuncze. Hence, in contrast to the MSZP ministers, Kuncze was essentially lacking the luxury of bringing back any experts from outside public administration. Moreover, in contrast to his colleagues Fodor and Magyar, Kuncze could not tap the backbone of SZDSZ support in cultural and academic institutions. Hence, the rationale of Kuncze's personnel policy strategy shares many features of Antall's personnel policy strategy in 1990. Although Kuncze was initially respected by state secretaries and senior civil servants, his main problem quickly became the leadership of the National Police Force. As a result of the 1994 Act on the reform of the police, it was planned to separate the police from the direct supervision of the Interior Minister. To this end, Kuncze appointed a Deputy State Secretary responsible for police affairs. Yet, because the then President of the National Police, Pinter (who also became Kuncze's successor in 1998), was opposed to the new institutional arrangements, he regularly circumvented Kuncze by communicating directly but informally to Prime Minister Horn. As a consequence, Kuncze and his chief of staff were constantly suffering a lack of control over police affairs. For instance, the first serious political defeat of Interior Minister Kuncze in the government occurred at the beginning of 1995 as a result of Prime Minister Horn's decision to go ahead with the construction of new headquarters for the National Police after Kuncze, who was supported by Finance Minister Békesi, had originally rejected the request of Police President Pinter.⁵⁸ Hence, Kuncze's respect for the established officials of the Ministry of Interior and the institutions under its jurisdiction began to backfire shortly after he had taken office. However, the problem of handling the police affairs in the Ministry of Interior is a somewhat extreme example of a general governance constraint perceived by ministers.

Contrast the starting conditions of SZDSZ ministers with that of MSZP ministers. In principle, MSZP ministers shared the dependence on the senior staff in their ministries. However, MSZP ministers were much less puzzled by this constraint. Firstly, they had the possibility to rely to some extent on the expertise of the

⁵⁸ Pinter was only dismissed in November 1996 (see above). At that point, he had also lost the confidence of Prime Minister Horn. Hence, although Kuncze could have dismissed Pinter at an earlier stage, he would have faced considerable opposition from the MSZP, in particular Prime Minister Horn.

organisational infrastructure of the Socialist party (cf. Ágh 1995). Secondly, all(!) MSZP Ministers had gained experience in the administration or in government before 1990. As a result, the average MSZP Minister could rely on his knowledge of administrative processes and some outside support. Thirdly, MSZP Ministers could take advantage of their knowledge of the professional community in their policy sector. In most cases, MSZP Ministers knew the professional capabilities and preferences as well as the political orientations of the senior staff inside the administration, and they knew a pool of professionals outside administration, who had worked with them in the ministries before 1990.⁵⁹ For instance, in the economic and social policy ministries, most Ministers had known their senior staff already since their graduate training because the universities in Budapest had virtually held a monopoly in supplying economists for the respective ministries before the transition.⁶⁰

As a consequence, MSZP Ministers had a very 'pragmatic' approach towards policy-making in their ministries. On the one hand, they were aware of the limited capacity to control and co-ordinate policies in a hierarchically organised ministry, and hence they were quite aware of their dependence on the ministerial staff. On the other hand, they effectively applied senior personnel policy as a strategic instrument to manage affairs in their policy sectors. To this end, they could draw from the large pool of trusted and known professionals inside and outside the administration and pursue a strategy of allocating (their) experts to established or emerging policy problems rather than allocating policy problems to organisational structures in the ministries. However, the differences between SZDSZ and MSZP ministers also shed some light on the development of personnel policy strategies during the Horn government. On the one hand, SZDSZ ministers retained inherited state secretaries unless they could take advantage of personnel alternatives outside the ministerial bureaucracy. On the

⁵⁹ Recall Antall's position in 1990: Hungary is a small country with a small elite. This argument goes into the same direction but adds that members of this small elite also know each other.

⁶⁰ We might say that until the change of regime and probably for most of the first decade after the change of regime, the large majority of senior officials and politicians had been supplied by the four big universities of Budapest, the University of Economics, formerly Karl-Marx University, the Eötvös Lóránd University (ELTE), the Faculty of Law and the Technical University (Műszaki) training mainly engineers. Consequently, it can be quite well assumed that the political and administrative elite knew each other pretty well. However, although many members of the parties of the democratic

other hand, MSZP ministers did initially implement a strategy of 'brining their experts back'. However, as time went on, they could take a much more flexible approach by also tapping the expertise of senior officials within the ministerial bureaucracy whose political and policy orientations they knew from their past experience in government. Hence, MSZP ministers were effectively in the position of looking for the best fit in the ministries.

5.3. Towards the Consolidation of Senior Personnel Policy? The Reproduction of Past Strategies during the Orbán Government and Beyond

As in 1994 when the four years of personnel policy under the Antall/Boross government represented the starting point for the Horn government, the four years of personnel policy under the MSZP/SZDSZ coalition became the starting point for the Orbán government in 1998. Although the data basis is much less complete, we can still conclude that many of the features that were generated by the personnel policy strategies of the later Antall years and the early Horn government were reproduced between 1998 and 2000 by the Orbán government. Firstly, as shown above, the change in government in 1998 triggered almost a complete substitution of the personnel that were appointed to state secretary positions. Among Administrative State Secretaries all Horn appointees were dismissed within a three months and only the Administrative State Secretaries in the Ministries of Transport and Labour that had already been appointed by Antall in 1990 and 1993 respectively were kept in office. Among Deputy State Secretaries the picture hardly differs. By 2000, 26 out of 30 Deputy State Secretaries that had been newly recruited during the Horn government or that been in office during the Németh years and possibly the first Antall years, were replaced. The proportion of Deputy State Secretaries that were in office without interruption since Németh or since Antall was a good deal lower, but, ultimately, we have to acknowledge that four out of five Deputy State Secretaries that had been in office at the eve of the 1998 elections were replaced by the end of 2000. Hence, the strategy of replacing the inherited state secretaries did not only take the

opposition had their cradle in the same university, they were obviously much less connected to the governing elite.

same direction than under the Horn and the Antall government, it went much further than in the previous years.

Secondly, as in 1994 when the Horn government took office, the change in government in 1998 triggered a similar trend towards the partial return of state secretaries and senior civil servants who had served during the Antall government. Most of these returning state secretaries had belonged to Antall's second generation appointees (see Table 6.11. and 6.12.). The Administrative State Secretaries in the Ministries of Economic Affairs, Health, Foreign Affairs, and the Prime Minister's Office had all held Deputy State Secretary positions at the end of the Antall government. Moreover, the Administrative State Secretary appointed to the Ministry of Education, Szemkeö, had been a Head of Department between 1992 and 1994 and had served as an acting Deputy State Secretary in the last year of the Antall government. These five appointees had bridged the period between 1994 and 1998 in diverse settings including academia, the private sector and in one case as an ambassador. All of them had maintained close relations to the centre-right parties, in particular the Fidesz who had gained the dominant position on the centre-right between 1994 and 1998. Hence, although the Fidesz had substituted the MDF as the senior coalition party, the return of a centre-right government led to the partial return of the set of state secretaries that had already served the first centre-right government between 1990 and 1994. The same trend applies to the second generation of Administrative State Secretaries that were recruited by the Orbán government in 1999 and 2000.

Table 6.11. Recruitment Strategy of the Orbán Government: First Generation State Secretaries (July 1998 - January 1999)

<i>Missing: 1 Administrative and 18 Deputy State Secretaries</i>		Total	Inside	Outside	Promotions	Transfers & lateral Promotions	Other Public Administration	Academia	Politics	Private Sector	Other Background
<i>Administrative State Sec.</i>	Numb.	12	2	10	2	0	2		5	2	1
	%	100	16.7	83.3	16.7	0	16.7		41.7	16.7	8.3
<i>Deputy State Secretaries</i>	Numb.	27	8	19	3	5	3	2	1	7	6
	%	100	29.6	70.4	11.1	18.5	11.1	7.4	3.7	25.9	22.2
<i>All State Secretaries</i>	Numb.	39	10	29	5	5	5	2	6	9	7
	%	100	25.6	74.4	12.8	12.8	12.8	5.1	15.4	23.1	17.9

Table 6.12. State Secretaries' Career Path: Orbán's First Generation

<i>Missing: 1 Administrative and 18 Deputy State Secretaries</i>		New under Orbán	In Office during Antall and incl. early Horn	In office since Németh	In office since Antall	In office since Horn	Total
<i>Administrative State Sec.</i>	Numb.	5	5	2			12
	%	41.7	41.7	16.7			100
<i>Deputy State Secretaries</i>	Numb.	12	7	3	4	1	27
	%	44.4	25.9	11.1	14.8	3.7	100
<i>All State Secretaries</i>	Numb.	17	12	5	4	1	39
	%	43.6	30.8	12.8	10.3	2.5	100

Thirdly, similar to the second generation recruitment of state secretaries during the Antall government, the Orbán government appointed at least three Administrative State Secretaries who were unambiguously associated with either the Fidesz or the small coalition partner FKGP. The Administrative State Secretary in the FKGP-led Ministry of Defence, Wachslér, was a Fidesz party official who had competed with Prime Minister Orbán for the presidency of the Fidesz in the mid 1990s. Moreover, the Administrative State Secretary in the Ministry of Youth and Sports, Wootsch, appointed in January 1999, had been a Fidesz official who had been appointed as Political State Secretary in the Prime Minister's Office in July 1998. Thirdly, the Administrative State Secretary in the Ministry of Agriculture, Tamás, under the leadership of the FKGP Minister, Torgyán, had been elected member of parliament in 1998 but resigned from his seat in order to take the position in the ministry. Finally, one might want to add to this list the Administrative State Secretary in the Ministry of Education, Szemkeő (see above), who was appointed Political State Secretary in the Ministry of Social and Family Affairs in June 2000. Hence, comparable to the recruitment strategy during the later Antall years, the Orbán government filled the top positions in the ministries from above by recruiting political officials or close affiliates of the centre-right governing parties.

Finally, comparable to the Horn government in 1994, the Orbán government promoted only two Administrative State Secretaries from the ministerial bureaucracy. For instance, the new Minister of Finance, Járai, who had been a Deputy Minister in the Finance Ministry under Németh, promoted the Deputy State Secretary and career civil servant, Csaba László, from the Ministry of Finance to the Administrative State Secretary post. However, László resigned after one year and, interesting enough, was appointed Minister of Finance in 2002 when the Medgyessy government took office. In 1999, László was replaced by Naszvadi who had spent a few years in a public opinion research institute close to the centre-right parties after he had been dismissed as a Deputy State Secretary in the Ministry in 1995 when MSZP Minister Bokros took office. Moreover, in addition to the Administrative State Secretary who had served as Hungarian ambassador to Greece, the Minister of Interior, Pinter, recruited a high ranking official from the National Police Force. The recruitment of state

secretaries from institutions within the jurisdiction of the Ministry of Interior had been a familiar pattern all through the 1990s. Yet, it is important to bear in mind that Minister Pinter had been President of the National Police from 1991 to 1996 and hence recruited a candidate from a setting that was well known to him.

For Deputy State Secretaries, the recruitment strategy during the first two and half years of the Orbán government hardly differed from that of Administrative State Secretaries. The Orbán government recruited fewer Deputy State Secretaries from the ministerial bureaucracy, but tended to choose its new appointees more from other settings. Moreover, a smaller proportion of Deputy State Secretaries that was appointed in 1998 and thereafter had gathered experience in the ministries during the Antall years or before. Hence, whereas many Deputy State Secretaries that were appointed between 1994 and 1998 had been recruited from the ministries or had been known faces in the ministries, the Orbán government recruited many more entirely new faces into Deputy State Secretary positions.

Finally, as indicated in Table 6.2. above, the Orbán government had already appointed almost as many second generation state secretaries in the two years until December 2000 as the Horn government had appointed in the three and a half years until the spring of 1998. This suggests that the Orbán government used the political discretion over the allocation of state secretaries like the Antall government to continuously shape the composition of the senior bureaucracy. At the same time, the Deputy State Secretaries that were recruited in 1999 and 2000 shared a background similar to the first generation of appointees that was recruited in 1998, that is, the majority was new to the administration. A telling example of the continuous exercise of political discretion at a maximum possible level can be found in the Ministry of Transport. After 1990, the Ministry of Transport had been the most stable of all ministries and in 1998 when the Fidesz took responsibility of the ministry, no changes at all were undertaken. However, in the summer of 1999, the Minister of Transport, Katona, recruited a new Deputy State Secretary who had previously not been in the ranks of the ministry. Shortly after, one of the long serving Deputy State Secretaries left the ministry. In October 1999, the Administrative State Secretary, Gyurkovics, who had been in office since 1990 went into early retirement due to

disagreement over the working style and the division of labour between the political leadership and the professional staff of the ministry. In June 2000, Minister Katona was dismissed and the new Minister, Nógrádi, brought with him a new Administrative State Secretary and two new Deputy State Secretaries. In January 2001, after the political leadership had changed again in October 2000, another two new Deputy State Secretaries were appointed and one of the June appointees was dismissed. As a result, while two of the long serving Deputy State Secretaries stayed in office during the period of personnel instability, the other state secretaries were substituted twice within one and a half years.

This raises finally the question of how can we account for the trend that the personnel policy features of the later Antall and the early Horn years were reinforced during the first two and a half years of the Orbán government. Firstly, the Fidesz and its political allies regarded the Horn government essentially as a reincarnation of a pre-transition socialist government, especially due to the appointment of the same faces to the helm of government and administration. Bearing in mind also that the communist/anti-communist cleavage had come to reinforce the dominant socio-cultural cleavage since the early/mid 1990s, the members of the Orbán government felt entirely unprepared to work with state secretaries and to a good extent senior civil servants who had co-operated with the Horn government. As a result, in 1998, from the point of view of the Orbán government, it was virtually impossible to trust the state secretaries in office in 1998 and hence none of them qualified for an appointment to the top ranks in the ministries. At the same time, the discussion has shown that state secretaries who had been in office without interruption since the Németh years were slightly less likely to fall victim to the exercise of political discretion by the Orbán government.

Secondly, similar to the parties that formed the Antall government and also similar to the SZDSZ between 1994 and 1998, the ministers of the Orbán government entered the government with a twin problem of a lack of experience in government and suspicion towards senior officials who had served the Horn government and, generally, lower managing ranks who had often stayed in office since the 1980s and earlier. For instance, data collected from the Ministries of Environment and

Transport suggests that, in 1998, higher civil servants and many lower ranking senior civil servants who were somewhat beyond the practical reach of political discretion had been in office for an average of 22 and 23 years respectively. By contrast, only a tiny minority like the Minister of Foreign Affairs, Martonyi, and the Minister of Finance, Járαι, had previously gathered experience in government.

At the same time, in contrast to the Antall government, the Orbán government had the benefit of being the *second centre-right government* that took office *eight years after transition* to democracy. As a consequence, the Orbán government did not have to pursue a similarly gradual personnel policy strategy like the Antall government. Rather, the new ministers could implement the personnel policy strategy of the later Antall years at the time of taking office by re-activating state secretaries who had gathered experience in government in the early 1990s and by relying on a far larger pool of potential appointees in other sectors of society for the Fidesz had put a lot of effort into establishing networks in society while being an opposition party (see Fricz 1999). Hence, first, the Orbán government did not have to wait with replacements when taking office and, second, it did not have the constraint that no personnel alternatives were available in other settings than the ministerial bureaucracy.⁶¹ As a result, there was no need for the Orbán government to follow a delayed take-over of the administration as the Antall government had done. Instead, right after taking office, the personnel policy features of both the later Antall and the early Horn year were more than reproduced.

By way of conclusion, it may be worth summarising the features of personnel policy that have evolved since the change of regime by referring to the most recent change in government in 2002. In fact, the last change in government has set off virtually the same personnel policy processes than the government changes in 1994 and in particular in 1998. Although it may be too early to judge the most recent developments, at first glance, the personnel policy strategies of the MSZP and the SZDSZ have exhibited very familiar features. Firstly, the large majority of inherited

⁶¹ Although it is commonly argued that the FKGP had even more appetite for state secretarial positions than the Fidesz, the data does not confirm this, as the recruitment and appointment patterns for both coalition partners hardly differ.

state secretaries was replaced within a few months after the investiture of the new government. Secondly, to the extent that state secretaries were retained by the new government, these tended to be appointees who had already been in office before 1998. Thirdly, the largest proportion of new appointees has been recruited from other settings than the ministerial bureaucracy. Fourthly, many of the new appointees were already appointed in state secretary or senior positions during the Horn years, were replaced by the Orbán government and have returned in 2002 with the MSZP/SZDSZ coalition. Moreover, after 2002, the tendency that state secretaries return after bridging several years in academia or the private sector also applies to the SZDSZ ministries. Finally, a considerable proportion of state secretaries with political backgrounds has been recruited into the top ranks of the ministries. For instance, several new state secretaries had been working for one of the new governing parties in various functions, which indicates that a new 'bridge' that was less commonly taken by state secretaries before 2002 has been built over the last few years. As a consequence, the most recent developments since 2002 suggest that, by 1998, senior personnel policy in Hungary had already undergone a process of partial consolidation.

6. Discussion and Conclusion

This Chapter has demonstrated that, since 1990, Hungarian governments have continuously taken advantage of the discretionary personnel policy instruments at their disposal in order to determine the allocation of state secretaries to the ministerial organisation. Between 1990 and 2000, three changes in governments in 1990, 1994 and 1998 tended to produce almost a complete substitution of the state secretaries that an incoming government inherited from an outgoing government. Moreover, all three governments that were in office between 1990 and 2000 tended to use their political discretion to shape the composition of the senior bureaucracy during the term in office and not only after their investiture. Secondly, all three governments tended pursue a personnel policy strategy of open politicisation in that they recruited new state secretaries from other settings than the ministerial bureaucracy. However, the initial recruitment strategy of the Antall government in

1990 can be regarded as an exception in that the majority of newly appointed state secretaries had previously pursued a career in the ministerial bureaucracy. Moreover, to a lesser extent the latter feature applies to the second generation of state secretaries that were appointed by the Horn government between 1995 and 1998. By contrast, the later Antall years, the early Horn years and the Orbán years witnessed primarily an influx of outsiders who were directly appointed to state secretary positions. As a consequence, overall all three governments exercised the maximum degree of political discretion they could exercise given the formal possibility frontier that was established in the 1990 Act on State Secretaries and the 1997 Act on the Legal Status of Members of the Governments and State Secretaries.

However, in addition to these two core components of governments' personnel policy strategies, the discussion revealed that both the Horn and the Orbán government recruited many state secretaries who had previously been in office under governments of the same political colour. The Horn government relied on many state secretaries who had served during the Németh government and in several cases the early Antall years. Similarly, the Orbán government brought back many officials that had belonged to the second generation of state secretaries appointed by the Antall government. Meanwhile, these state secretaries had bridged the period between two governments of the same political colour in other settings such as the private sector or academia. Fourthly, beginning with the second generation of state secretaries appointed by the Antall government, all governments relied more heavily on state secretaries who could be quite unambiguously related to party political backgrounds.

In addition, the Chapter explored the relationship between governments' personnel policy strategies and governments' problems of political trust, in particular state secretaries' career record. It would be exaggerated to state that there is a perfect correlation between the extent to which state secretaries owe their career to the exercise of political discretion by one government and the likelihood that they are replaced by the next government. However, the discussion has demonstrated that an incoming government tends to replace especially state secretaries who have only been recruited into the administration by the outgoing government. By contrast, state secretaries who have already served a government of the same political colour in the

same position in the past or state secretaries who have served a government of the same political colour in a senior civil servant position, are more likely to be retained by an incoming government. Bearing also in mind that the bipolar pattern of inter-party competition in Hungary has tended to reinforce problems of political trust of incoming governments towards state secretaries in office, we can therefore conclude that the use of political discretion has reproduced severe problems of political trust for incoming governments, which have then shaped their personnel policy strategies. The exception, in which an incoming government did not exercise full political discretion over the allocation of state secretaries despite nominally severe problems of trust, concerns the appointment of first generation state secretaries during the Antall government. However, in accordance with the theoretical discussion of Chapter 3 and 4, this Chapter could demonstrate that Hungary's pacted transition and especially the Round Table Talks provided a setting where members of the Antall government could learn about the preferences and orientations of senior bureaucrats who had served during the Németh government.

The latter finding is also important in so far as the analysis of personnel policy strategies in Hungary was more conducive for an assessment of the impact of state secretaries' career path than their policy-making records on governments' problems of political trust and hence on their choice of personnel policy strategies. The reason is that the Hungarian party system has been relatively stable during the period of analysis. At the same time, the variation in state secretaries' career records has provided enough variation to assess their impact on governments' personnel policy strategies. Because the development of the Hungarian party system has only provided the opportunity to research the case that a change of government has the potential to reinforce incoming governments' problems of political trust but not the opposite case, i.e. a change of government has the potential to lower the salience of problems of political trust for an incoming government, it is therefore much more problematic to draw conclusions with respect to the impact of policy or ideological differences between incoming and outgoing governments on the choice of incoming governments' personnel policy strategy.

However, Chapter 4 suggested that the Round Table Talks between softliners of the communist regime and moderate forces of the democratic opposition during Central and Eastern European pacted transitions could also be conceptualised as a chain of two partial changes of government from one party rule to the Round Table Talks and from the Round Table Talks to the investiture of the first democratically elected government, which happened to be formed by parties of the former democratic opposition. As a consequence, the ideological and policy differences between incoming and outgoing governments were much more moderate when compared to one wholesale change of government from a socialist government to a centre-right government formed by parties of the democratic opposition. It is therefore reasonable to expect that incoming governments, which have an opportunity to learn about bureaucratic policy orientations before taking office in a setting like a pacted transition and incoming governments, which have only minor problems of political trust due to comparably small ideological and policy differences from their predecessors in government, have a very similar incentive towards the choice of personnel policy strategies. As a consequence, the initial personnel policy strategy of the Antall government can shed also some but still inconclusive light on the theoretical proposition that the ideological and policy differences between incoming and outgoing governments matter for the choice of an incoming government's personnel policy strategy.

Moreover, the analysis has sought to identify the conditions under which governments recruit new state secretaries from outside public administration rather than the ministerial bureaucracy. The recruitment strategies of the Antall and the Orbán government as well as of the SZDSZ Ministers during the Horn government demonstrated that parties of the former democratic opposition did often have difficulties to find trusted appointees within the ministerial bureaucracy but less so in other settings outside public administration, unless they had an opportunity to mitigate problems of political trust before taking office like the Antall government had. An openly politicised personnel policy strategy may therefore be the only available strategy for governments that are formed by parties of the former democratic opposition; at least for some time after the change of regime. By contrast, the personnel policy strategies that were pursued by MSZP Ministers between 1994

and 1998 suggest that a government formed by a communist successor party has a much larger supply of trusted appointees who can be recruited from the lower managing ranks of the ministerial bureaucracy as well as many social sectors outside public administration. Hence, if governments seek to replace inherited senior officials due to a major problem of political trust, for communist successor parties, an openly politicised personnel policy strategy may be regarded as a choice by convenience, which implies the appointment of both outsiders and senior officials from the ministerial bureaucracy, rather than by default as is the case for parties of the former democratic opposition.

Finally, the discussion in this Chapter raises several expectations with respect to the nature of civil service reform dynamics in Hungary after the change of regime. In Chapter 3, I suggested that governments' personnel policy strategies are important in determining whether or not bureaucrats demand institutional reforms with de-politicising effects upon personnel policy. Hence, an analysis of governments' personnel policy strategies can tell us already much about the course of civil service reform that has been pursued after the change of regime. In Hungary, which had entered the post-communist era without specific formal-legal frameworks that govern personnel policy, governments should have been exposed to civil service reform pressures from bureaucrats when they sought to work with senior bureaucrats that were inherited from outgoing governments. Conversely, when governments pursued personnel policy strategies that implied a far-reaching use of political discretion, then pressures for civil service reform should have been rather soft.

As a consequence, the personnel policy strategy pursued by the Antall government right after its formation suggests that the Antall government should have started its political life with pressures for de-politicising civil service reforms mounted by the new state secretaries and senior civil servants in lower managing ranks. Moreover, the opportunities to at least partially overcome problems of political trust towards inherited senior bureaucrats suggests that the Antall government should have been ready to endorse bureaucratic demand and hence to initiate and support a civil service reform with de-politicising effects upon personnel policy. By contrast, the personnel policy strategy of the Antall government pursued with respect to second generation

state secretaries suggests that the pressures for institutional reforms should have decreased until the 1994 elections and that the incentive of the Antall government to reduce the degree of formal political discretion built into civil service legislation should have gradually faded away. However, we know from the last Chapter that the Act on State Secretary that was adopted in 1990 did not lead to the establishment of a de-politicised personnel policy regime for state secretaries, which is somewhat surprising in light of the initial personnel policy strategy of the Antall government. By contrast, the establishment of a personnel policy regime that allows open politicisation in the 1992 civil service Act appears more consistent with the personnel policy strategy of the Antall government after the turn of 1990/91.

Secondly, the personnel policy strategies of open politicisation pursued by both the Horn and especially the Orbán governments suggests that no major pressures towards the de-politicisation of personnel policy should have arisen. However, as we know from the last Chapter, Hungary pursued two more civil service reforms during the Horn and the Orbán government. At the same time, we concluded in the last Chapter that both reforms in 1997 and 2001/2002 did not or hardly reduce the degree of formal political discretion in so far as the allocation regime was concerned and thus the outcomes of reform correspond to the expectations that arise from the problems of political trust and the senior personnel policy strategies of the Horn and the Orbán government. The next three Chapters will analyse the background of the civil service reforms since 1990.

Chapter 7

Getting on Track: The First Reform of the Civil Service in 1990/92

1. Introduction⁶²

In the last Chapter, I concluded that the initial personnel policy strategy of the Antall government in 1990 had the potential to generate unified bureaucratic demand for the establishment of a de-politicised civil service system. The main reason is that the Antall government chose to recruit its new senior officials primarily from among the career bureaucrats of the ministerial bureaucracy who had already served in the ministries during the communist regime. Moreover, the Round Table Talks accompanying Hungary's pacted transition provided the Antall government with an opportunity to mitigate problems of political trust towards senior bureaucrats that were inherited from the last socialist government led by Prime Minister Németh. As a consequence, I suggested that the Antall government could have had an incentive to accommodate bureaucratic demand for a civil service reform with de-politicising effects upon personnel policy, which would clarify the career expectations of bureaucrats that sought a career in public administration and enable the Antall government to take advantage of existing bureaucratic expertise. The analysis in this chapter will discuss both the origin of the first civil service reform in Hungary after the change of regime as well as the constellation of actors and their positions in the civil service reform process.

The first part will show that civil service reform in Hungary did not suddenly reach the agenda after the change of regime. Instead, the first Hungarian reform in 1990/92 has a much longer history. In a broad interpretation, it originates in the institutional reforms such as the founding of the National School of Public Administration in 1977 that accompanied and followed the economic reforms of the late 1960s to

⁶² This Chapter is a revised version of an article published in the *Journal of European Public Policy* (Meyer-Sahling 2001b).

strengthen the professional skills of the Hungarian state administration. In a more narrow interpretation, the history of the first civil service reform dates back to the early and mid 1980s when first attempts to prepare a Civil Service Act and to introduce a civil service career system were made.

Before the change of regime, civil service reform had become an important issue on the administrative reform agenda as well as strong proponents of reform had emerged such as the trade unions and academics from the National School of Public Administration. However, opponents of civil service reform, in particular, the Ministry of Finance on budgetary grounds and senior bureaucrats on the basis of the personal career interests, were twice able to halt the reform process in the 1980s. The constellation changed during the Németh government when academics from the National School of Public Administration were appointed to high-ranking positions in the Ministry of Interior. Moreover, during the National Round Table Talks, senior and higher-ranking bureaucrats turned from being opponents of reform to being strong supporters of civil service reforms with de-politicising effects upon personnel policy. By contrast, representatives of the parties of the democratic opposition were reluctant to endorse a fast-track reform unless the senior and higher-ranking bureaucrats had proven their loyalty to the democratic regime. Hence, the discussion will show that although the parties of the democratic opposition recognised the need to rely on the expertise of bureaucrats in office already during the period of regime change, their representatives were (still) too worried about the potential emergence of problems of political trust towards the bureaucracy and, therefore, the proper initiation of a civil service reform was postponed until after the formation of the first democratically elected government.

The second part of this chapter will discuss the civil service reform dynamics that occurred after the change of regime. It will show that the transformation to constitutional democracy, the consensus among the new political elite on following Western European examples, the pragmatism of members of the government, especially the new Prime Minister Antall, and the dynamics of Hungary's pacted transition fostered a fast-track civil service reform right after the change of regime in accordance with the position represented by senior and higher ranking bureaucrats. In

the language of Kingdon (1995), the regime change in 1990 opened a 'window of opportunity' for the supporters of de-politicising civil service reform efforts. However, the window of opportunity remained open for a short time after the second round elections in 1990 only. In this period the proponents of reform, in particular, Prime Minister Antall, were able to gain support for the Act on State Secretaries, but they were prevented by a lack of time from institutionalising a low degree of formal political discretion right at the time of government investiture.

By contrast, after the autumn of 1990, the proponents of a de-politicising civil service reform in government lost the capacity to impose their will upon opponents of reform in parliament. In particular the anti-communist position of radical factions within the senior governing party, MDF, generated political demand for tough transitory rules and/or an open system for the allocation of civil servants to the ministerial organisation. Hence, the opponents of civil service reform were unwilling to commit to a de-politicised civil service system because of a perceived distrust in the loyalty of bureaucrats inherited from the communist regime. As a consequence, the opponents to a civil service reform with de-politicising effects were first able to delay the enactment of reform and ultimately succeeded in amending the government proposal in favour of their own, most preferred civil service system, which led to the establishment of a personnel policy regime that allows open politicisation.

2. Reform Attempts before the Change of Regime: The Origins of the First Civil Service Reform

2.1. First Reform Attempts in the 1980s

The first initiative to reform the personnel system of the state administration was essentially triggered by an article written by Lajos Lôrincz in 1982. His ideas were taken up and promoted by the sectoral trade union, and eventually reached the government agenda. The reform proposal failed, however, because of resistance from both the Ministry of Finance and senior and higher ranking bureaucrats. Lôrincz (1982), at that time an academic at the National School of Public Administration (NSPA), suggests that the modernisation of the Hungarian state administration

requires a professionalisation of the administrative personnel system by means of introducing a closed career system based on merit and separated from politics. During the period of communist rule, the state administrative personnel was governed by the Labour Code. The best known feature of state administrative personnel under communism was the existence and predominance of the nomenclature or cadre list. In this system, selection and "appointment to top-level positions of state administration was subject to the recommendation or approval of the party committee corresponding to the given level" (Balázs 1993: 55). A so-called triple requirement was applied to promote and appoint personnel to leading positions in the administration. These were academic and professional qualifications, personal suitability to the respective leadership position, and political reliability.

The latter criteria dominated the selection of administrative personnel until the early 1970s. But when the economic reforms of the late 1960s took root the political leadership increasingly accepted that the administrative organisation cannot adequately perform without an unprofessional staff, and professional and managerial requirements gained relevance in managing administrative personnel (György 1999; Lôrincz 1983). One of the reform steps taken to improve the professional skills of the state administration was the founding of the NSPA in 1977. Prior to 1982, research at the NSPA had begun to emphasise the study of the Hungarian public administration system of the day in comparison to the inter-war period and Western models of public administration. Until the take-over of the communists in 1948, the historical development of the Hungarian civil service shared many features of European developments more generally (Raadschelders/Rutgers 1996). Since the end of the 19th century a closed career system had evolved that was by and large protected from political interference and dominated by the recruitment of law graduates (Lôrincz 1985a). Although no unified Civil Service Act was enacted, this development was completed during the inter-war period when government decrees for the regulation of different aspects of personnel policy were adopted (György 1999). In this context, the NSPA circle around Lôrincz became the main advocate of a modernisation of the personnel system of the Hungarian state administration combining Hungarian traditions from before the Second World War and the experience of Western European countries.

Moreover, in the late 1970s, the public service union had initiated a research project on the Hungarian personnel system, which led to the publication of a collection of essays that analysed the structure and processes of personnel policy from an interdisciplinary perspective (Fonyó 1980). However, as Lôrincz (1983: 373) argues, the "results of the investigation of facts (...) were not properly appreciated" until academics from the NSPA drew conclusions with respect to the possible reform direction of the personnel system in the Hungarian state administration. They argued that the personnel system of the day was not conducive to enhancing the professional skill of officials in the state administration (Illisz 1983; Lôrincz 1982, 1983). On the one hand, several professionalisation measures had been adopted for the state administration during the 1970s. For instance, the NSPA had been envisaged as an (additional) feeder institution for the education and training of administrative experts and a system of educational standards had been developed to strengthen the merit element of ministerial personnel policy (Szamel 1980). Moreover, detailed job classifications had been established for individual organs of the state administration to regulate the remuneration of state administrative personnel up to the level of Heads of Departments (Lôkkös 1980).

However, at that time, a successful career of higher and senior level bureaucrats still involved a high degree of mobility between industry, academia, societal organisations such as trade unions, public administration and - especially at later stages of the career, the party apparatus (see also below). For instance, the remuneration of officials that had worked in public administration for a long time without interruption was consistently lower than the remuneration of officials that had often changed their working places, which in turn encouraged a high degree of mobility between institutions of different sectors (Bánáti 1980; Kulcsár 1980). Moreover, in a typical career, officials continued and finished their university studies while being employed in public administration rather than being recruited into public administration after the completion of their studies. Finally, Lôrincz (1983) criticised the high degree of discretion involved in determining individual careers. Although he could not explicitly challenge the exercise of political discretion by the ruling communist party, he argued that "we cannot speak about a career-system since to its essence belongs

the fact that the career should be planned in advance and mainly independent of the benevolence or malevolence, of the discretion of the superiors and other leaders. The career - if the employee fulfils the condition - is not subject to bargain and deliberation, it is not a possibility (in Hungary it is today only a possibility!) but an indisputable right" (Lôrincz 1983: 377).

Therefore, Lôrincz and other academics of the NSPA concluded that the professionalisation of the Hungarian personnel system requires the introduction of a closed career system that is formalised in law and minimises possibilities for the exercise of discretion by administrative and political leadership of the state administrative organisations as well as the party apparatus. However, it remained virtually a taboo until the change of regime in 1989/1990 to adopt a formal-legal framework for the governance of state administrative personnel because it would have granted a privileged status to employees of the state administration. Although the Kádár-regime pursued a soft interpretation of Marxist-Leninist ideology, it remained official policy that administrative personnel should not enjoy a status or salary that would elevate them over other employees, in particular workers and peasants (cf. Lôrincz 1998). Therefore, Lôrincz (1985b, 1988) and colleagues circumvent this constraint by introducing their suggestions under the heading of 'modernisation' rather than emphasising the need to pursue a wholesale civil service reform including the adoption of legislation.

The reference to 'modernisation of public administration' coincided with the emergence of a modernisation rhetoric more generally during the same period. As Bozóki (1997: 62) argues, "in the late 1980s, the reform rhetoric [emphasised] catching up with Europe and modernisation successfully defeated the arguments of hard-line politicians trying to avert change". The ideology of modernisation during the 1980s reflects a development from early to late Kádárism in Hungary. By that time, "the Hungarian political leadership [had] allowed more technocrats into the power circles than any other communist party in the Soviet bloc. The regime was flexible enough to co-opt technocrats, experts, degree-holders, intellectuals into its ranks, so the communist party increasingly became the mass party of intellectuals and technocrats while remaining the 'vanguard party' for the workers" (Bozóki 2001:

183). As a consequence, the hope of administrative reformers around Lôrincz at the NSPA was that an emphasis on the modernisation of the personnel system would provide sufficient leverage to establish a merit based closed career system in the Hungarian state administration.

Although Lôrincz himself did not personally push his suggestions into the political debates of the day, they were taken up by journalists and promoted by the public service union. The public service union had long criticised the low wage levels of employees in the state administration as an impediment to a professionalisation of public administration. Moreover, it had continuously searched for modernisation options in the West in order to cope with the impact of economic reforms. The inability to justify an increase of wage levels as long as administrative employees are governed by the generally applicable Labour Code, and the search for modernisation strategies caused the public service union to increasingly advocate the introduction of a closed career system in public administration. The advocacy of the public service union brought Lôrincz' proposal to the attention of government officials and reached the government agenda in 1985. However, the discussions came to an abrupt end in the same year when the Ministry of Finance vetoed the financial implications of a possible reform of the personnel system broadly along academics' and union's suggestions due to a heavily burdened public budget. Hence, in addition to ideological reservations, financial pressures undermined the possible success of the first civil service reform attempt. A second attempt by the public service union to introduce a reform of the administrative personnel system in 1987 failed practically for the same reasons.

In addition, senior and higher ranking state bureaucrats only partially supported the suggested modernisation project, as it contradicted their personal career interests. Despite the failed attempt to reform the administrative personnel system, the processes of personnel policy increasingly reflected professionalisation tendencies since the late 1970s. Balázs (1993), for instance, argues that at the end of the 1980s the personnel system increasingly shared features of a career system comparable to Western European public administrations. Young state administrators were primarily recruited and appointed to the bottom positions of the administrative hierarchy on the

basis of their professional skills and eventually pursued a career in public administration. Yet, the criteria of political reliability did not disappear. It rather seems that the internal changes of the ruling Hungarian Socialist Workers' Party (MSZMP) during the 1970s and in particular the 1980s favoured a combination of political and professional qualifications. For instance, Szalai (1998) argues that 'late-Kádárist technocrats' increasingly gained influence in the MSZMP during the 1980s. This group emphasised a set of liberal, pragmatic and technocratic values, had gone through Hungary's best educational institutions and had acquired highest professional skills. In this context, a career pattern evolved that led to the entry of young administrators at the bottom of the state bureaucracy, and their promotion to the lowest ranks of the managing positions of the ministries. At least at this point of their career, these young high-flyers were expected to join the party, which would give them the opportunity to work in the party headquarters and to acquire more 'political craft' (Goetz 1997).⁶³ Eventually, they would be appointed to top positions in the ministries such as Head of Department or Deputy Minister.

Consequently, the personnel system of the Hungarian public administration had already evolved towards a specific late-socialist type of career system that integrates career steps in the ruling party and the state administration as a result of an increasingly perceived need to professionalise and modernise both institutions. It is obvious that under these conditions large parts of the bureaucracy were opposed to the introduction of an encompassing career system that is separated from politics and reduces the discretion of senior officials, the government and the ruling communist party. Such an institutional arrangement would have undermined the career prospects of the generation of officials that was at the top of the ministries, currently took their apprenticeship in the party headquarters, or was close to joining it. Hence, the most influential group of senior bureaucrats had no interest in a major change of the system, in particular the allocation system, as long as the one party state would continue to exist. Their support would be limited to those elements of the proposals that foster the professionalisation of both the early stages of the career of future higher ranks and generally the lower and middle ranks of the state bureaucracy.

⁶³ Goetz (1997) develops this term for the German federal executive, but it also nicely applies to the present context.

2.2. The Németh Government and the Negotiations at the Round Table Talks

This situation changed significantly after Grósz replaced Kádár as First Secretary of the MSZMP in May 1988 and in particular after the appointment of Németh as Prime Minister in November 1988. The new First Secretary Grósz represented the faction of technocrats within the MSZMP that backed economic reforms but saw no need to change the political system. Grósz had selected Németh in the expectation that Németh would implement the economic reforms necessary to stabilise the growing crisis of the Hungarian economy in the late 1980s. However, Németh increasingly asserted the independence of his government from the influence of the MSZMP leadership and shifted towards the radical reform factions that supported the change of both the economic and the political system (Romsics 1999: 428).⁶⁴ When it became increasingly obvious that the political system would change, i.e. after the formation of the Oppositional Roundtable in March 1989, Németh also started to include more rigorous reform attempts in the realm of public administration next to the economic reforms of that period. In this context, several academics of the NSPA were appointed to ministerial positions in May 1989 and could pursue their reform agenda from within the government and the state administration.

One of the main decisions was to appoint Imre Verebélyi, an academic from the NSPA, as Deputy Minister in the Ministry of Interior. Verebélyi's task was to prepare the reform of public administration, in particular the reintroduction of local self-government. The units headed by Verebélyi were granted a high degree of autonomy in preparing administrative reform proposals that would aim at creating the 'best and most effective institutional arrangements for Hungary'. Verebélyi recruited around 30 persons among trustworthy state bureaucrats and his university colleagues; among them a young academic from the NSPA to head the unit in the Ministry of Interior that was supposed to prepare the reform of the public sector employment system. Hence, the academics from the NSPA gained a strong institutional position to pursue

⁶⁴ By autumn of 1989, the Németh government had essentially become a 'caretaker government' that prepared the change of the political and the economic system (Bihari 1991: 34).

their reform agenda over the future shape of what was to become a civil service. Moreover, the continuity of personnel helped to maintain the strong informal connections between the new unit in the Ministry of Interior and respective trade unions that advocated essentially the same kind of civil service system.

After the start of the National Round Table Talks in June 1989 between the MSZMP, the representatives of opposition parties, and the organisations making up what was referred to as the 'third side' (e.g. the trade unions), the Németh government began to prepare two 'baskets' of reform proposals to facilitate the political and economic transition. In one 'basket' there were ready made reform Acts that would only require the approval of a new, democratically elected parliament. The second 'basket' was filled with concept Acts that consisted of guidelines and main principles of the possible new reforms. The National Round Table Talks themselves consisted of several committees that prepared agreements for the reform of the governance of the future political, economic and social system. Although there was a committee for public administration reform, headed by Deputy Minister Verebélyi from the Ministry of Interior, this committee primarily dealt with issues of local government reform, while the reforms of the central government and the personnel system were left to the decision of the first democratically elected government.

However, the department in the Ministry of Interior that dealt with the reform of public sector employment began its preparations for the drafting of an encompassing public service Act that would not only include state administrative personnel but future public sector personnel in general. The result of these efforts entered the basket consisting of concept Acts. Hence, further thinking was required but the main principles of a future encompassing public service Act were already put on paper. In their conceptual approach to a future public service Act, the department of the Ministry of Interior followed closely the discussions and propositions of the two reform attempts pursued during the 1980s. Hence, the concept Act corresponded to the views of the academics from the NSPA and the unions that sought to introduce a closed career system independent of political interference and operating on the basis of merit principles.

During the National Round Table Talks, these efforts were also supported by senior and higher ranking state bureaucrats. With the prospect of regime change looming, bureaucrats in managing positions were aware that the specific late-socialist career path outlined above would inevitably disappear. At the same time, a future alternation of political parties in government could de-stabilise their positions unless they were protected by law. Moreover, in the wake of the growing distance between the MSZMP leadership and the government, the Németh government had further reduced the impact of political criteria on selecting top officials since the beginning of 1989. In 1989, non-party members could gain promotion to the lower managing ranks of the ministerial bureaucracy and only the very top positions in the ministries were foreclosed to non-party members. The Németh government also began to sideline the generation of top officials who was taking their apprenticeship in the headquarters of the MSZMP. The appointment of Verebélyi to the Deputy Minister position in the Ministry of Interior serves as a case in point.

The change of personnel policy strategy by the Németh government and the anticipated separation between political and administrative career paths created a generation of 'disappointed top officials' already before the change of regime had been institutionalised. Senior bureaucrats who were about to return from the party headquarters to the top ranks of the ministerial bureaucracy had to witness simultaneously a sudden end of their career prospects and an emerging marginalisation of their influence over government policy. By contrast, the changing pattern of personnel policy created a 'great opportunity' for the succeeding generation of senior bureaucrats that had gained promotion to lower management positions in the ministries in 1988/89 and higher ranking bureaucrats who strove for promotion in the future. In particular, bureaucrats that had maintained an image of expertise and competence without joining the party expected to benefit from an institutional change of the personnel system. As a consequence, senior and higher ranking bureaucrats essentially turned from being opponents to civil service reform in the 1980s to major supporters of reform during the National Round Table Talks in 1989.

In principle, the diverse group of bureaucrats, the academics of the NSPA, and the sectoral unions were in a favourable position to conclude the reform of the civil

service already before the first democratic elections. The academics of the NSPA had been appointed to key positions in the Ministry of Interior, the unions were respected 'third side' partners at the National Round Table Talks and in many cases senior and higher ranking bureaucrats from the ministries represented the MSZMP in its committees. However, one of the main reasons not to continue the reform discussions about a possible civil service draft Act was a division at the National Round Table Talks between the modernising wings of the MSZMP, mainly represented by ministerial bureaucrats, and parties of the democratic opposition. Although the parties of the democratic opposition shared many elements of the modernisation doctrine, in particular the objective of 'catching up with Europe', they generally hesitated to support reform proposals that would aim primarily at modernisation without due consideration of their implications for political democracy.

With respect to a Civil Service Act, this meant that the parties of the democratic opposition were opposed to stabilising the bureaucracy before being able to see whether or not 'old' state bureaucrats would serve the 'new' political power holders. On the one hand, the representatives of the opposition parties shared the view that the reforms implied by political and economic transition require the de-politicisation and parallel professionalisation of administrative personnel. On the other hand, they feared that the institutionalisation of an independent civil service before the change of regime would undermine their possibilities to ensure the success of the transformation because they would forego the possibility to steer the bureaucracy towards their ends without having checked upon the loyalty of its personnel in the first place. Therefore, the discussion about the timing and the shape of a Civil Service Act was postponed until after the first democratic elections because it was considered as a reform project that emphasises modernisation without sufficiently taking into account issues of democratisation. This, at that time still low profile, controversy already signalled the main divisions that would emerge after the elections in 1990.

In sum, it would be exaggerated to describe the outcomes of the civil service reform process during the Németh government and the Round Table Talks as a reform failure. Rather, the appointment of Németh as Prime Minister opened the door for a

new attempt to initiate and prepare a civil service reform. In contrast to the two reform attempts in the 1980s, the constellation of reform proponents and opponents had changed. Reform proponents like the academics from the NSPA had gained access to government authority and opponents like top bureaucrats had turned into proponents of reform. Moreover, the ideological and programmatic climate of the pre-transition period had become more favourable to the proponents of civil service reform. On the other hand, the parties of the democratic opposition cannot unambiguously be classified as opponents of civil service reform. Rather, both their concern for the loyalty of administrative personnel and their argument that the enactment of a civil service reform requires the legitimacy of a democratically elected government were recognised by other participants of the Round Table Talks. At the same time, it appears reasonable to argue that representatives of the Ministry of Finance were not actively drawn into the discussion because civil service reform efforts remained in the preparatory stage of conceptual deliberations. As a consequence, the civil service reform discussions during the Németh government and the Round Table Talks primarily sought to pave the way for the anticipated completion of reform shortly after the first democratic elections.

3. Negotiating the First Civil Service Reform after the Change of Regime: Trapped in Transition Politics

3.1. The 1990 Temporary Act on State Secretaries

The first democratic elections in spring 1990 brought to government the centre-right coalition led by the Hungarian Democratic Forum (MDF). Before the work on the civil service law was continued, it was first the Act on State Secretaries that was passed in May 1990 by the new parliament. This Act was passed with little controversy, although the main political divisions between a 'moderate' group within the governing parties including the members of the government on the one hand, and 'radical' groups within the governing parties in Parliament and the opposition on the other that would eventually shape the negotiations over the Civil Service Act became already apparent. The Act was initiated, drafted and passed by Parliament within a

period of five to six weeks and it can hardly be separated from the actual personnel decisions taken at that time.⁶⁵

The initiative to define the status of state secretaries was explicitly taken by the designated Prime Minister József Antall. After the second elections on 8 April, it became apparent that Antall would lead a coalition of centre-right parties as Prime Minister. In accordance with the position of the parties of the democratic opposition at the National Round Table Talks, the designated government was granted the discretion to shape the central government apparatus according to its own goals. Antall approached two senior bureaucrats from the Ministry of Justice to assist his efforts to re-organise the central government and to select appropriate candidates for the professional management of the ministries. Both the then Deputy Minister Bogdán and the Deputy Head of Department Kajdi had represented the MSZMP in different committees at the National Round Table Talks and Antall appointed both to Administrative State Secretary positions in the Ministry of Justice and the Prime Minister's Office respectively. Hence, although the shape of the Act on State Secretaries cannot be separated from the reform discussion of the 1980s and in particular the founding moments of the new democratic regime, it originated almost exclusively within an actor triangle dominated by the designated Prime Minister Antall.

The importance of Antall's evaluation of the status quo and his vision for the reorganisation of government generally and senior personnel policy more specifically cannot be underestimated. He strongly advocated the creation of a government in which political leadership and professional management of the ministries are strictly separated. These views were primarily shaped by factors like the Hungarian past and the experience of his own father who had been a member of the Independent Smallholder Party during the Horthy era.⁶⁶ Furthermore, Antall was known to have extensive knowledge of the institutional architecture of Western European democracies and sought to follow the patterns of Western European governmental

⁶⁵ See Sándor/Kodola (1992) for details of government decrees and state secretary remuneration prior to 1992.

⁶⁶ Miklós Horthy was Regent of Hungary from 1920 to 1944.

systems where possible. Therefore, Antall held the position that a separation of political and administrative spheres would not only bring Hungary back to continental European models of public administration, it would unquestionably be the best arrangement to create conditions for effective governance.

Antall's normative views were combined with pragmatism in the sense that he represented a moderate strand in the range of different opinions about the treatment of state administrative personnel after the change of regime. He argued that it is impossible to fully 'cleanse' the Hungarian bureaucracy. Instead, because Hungary is a small country with a small elite, it is imperative to continue to work with those senior bureaucrats of the former administration that are expert staff but have not held formal positions in the MSZMP in order to make the far-reaching reform ambitions of the first government work.⁶⁷ Therefore, having worked in the bureaucracy before 1990 or having been member of the MSZMP was not regarded as a criterion of exclusion, but expertise, experience and the ability to show loyalty to the new government became the criteria of selection.

Antall decided to adapt the former ministerial structure to his own objectives. Until May 1990, the Hungarian ministries were headed by a Minister, one or two State Secretaries and three to eight Deputy Minister who were responsible for managing specific policy areas. In the new structure, the position of State Secretary was divided into two positions: on the one hand, the Political State Secretary who would be a political appointment but who would not have any role in managing the internal affairs of the ministry. On the other hand, the Administrative State Secretary who would be responsible for the professional management of the ministry. Thirdly, the Deputy Minister was transformed into a Deputy State Secretary position responsible for the management of specific policy areas and was made subordinate to the Administrative State Secretary only. Antall and his advisors regarded the role of Deputy State Secretaries as necessary in order to be able to cope with the continued merging of ministries that had begun in the early 1980s. Hence, at that time, the establishment of the position of Deputy State Secretary was regarded as a somewhat

⁶⁷ This argument has also been made among Hungarian academics. For instance, Balázs (1992) argues in favour of the need to retain experienced expert staff in the administration.

transitional arrangement. At the same time, there was no major thinking about the implications of different appointment procedures and criteria. The Act was classified as temporary from the outset. Antall and his advisors regarded it as sufficient for the circumstances of the day and in particular the lack of time that a formal separation of political and administrative positions and a definition of their functions had been created. Therefore, the revision of the Act was considered as an integral part of the wider civil service reform that was to become a priority item of the Antall government's legislative agenda (Verebélyi 1993).

The draft Act was introduced by the MDF parliamentary leadership to Parliament in its opening session (2 May 1990). The discussion that followed was mainly driven by normative arguments about the virtues and need to separate politics from administration and to develop a de-politicised and professional public bureaucracy. On the one hand, political parties in parliament shared Antall's view that the establishment of a professional bureaucracy requires its de-politicisation. On the other hand, in particular the standpoint of the parties of the former democratic opposition was driven by their rejection of an over-politicised administration and the nomenclature system under the socialist regime era. No major disagreement over the shape and content of the Act emerged. Rather MPs aimed at committing the designated government to a practice of selecting experts to the ministries and not to politicise the top positions of the ministries. The matter of disagreement, though marginal, was rather about the question of whether any former party member and generally former member of the state administration could be trustworthy or whether Antall's moderate and pragmatist approach would be acceptable. In this respect, the debate was a continuation of the arguments raised at the National Round Table Talks and a first indicator of conflicts that emerged during the later discussion of the Civil Service Act.

As shown in the last Chapter, there is little doubt that Antall eventually selected senior personnel on the basis of his words and that Antall implemented his pragmatic evaluation of the status quo and his vision of the future shape and functioning of Hungarian public administration. Furthermore, Antall was less suspicious about the loyalty of former senior and higher ranking bureaucrats. As outlined above, many

high-ranking state bureaucrats from the ministries had represented the MSZMP at the National Round Table Talks. However, they were either not member of the MSZMP and regarded themselves as experts in their policy field or they supported the radical reformist faction of the MSZMP and hence favoured the change of political regime. Moreover, during the National Round Table Talks, Antall and his partners from the parties of the democratic opposition had the opportunity to assess the willingness of senior and higher ranking bureaucrats to co-operate with a new government composed of parties of the former democratic opposition. Consequently, the fears that a democratic government would be confronted with a lack of bureaucratic loyalty were diffused already before the investiture of the Antall government.

Antall in consultation with his advisors, therefore, decided to choose the new Administrative State Secretaries and many Deputy State Secretaries from the group of high-ranking bureaucrats he had encountered in the National Round Table Talks. On the one hand, it met his motivation to set up a central government administration staffed with loyal experts. On the other hand, it represented a good opportunity for Antall to signal to state administrative personnel that the new government wants to co-operate and respect the expert position of the 'inherited' administration. In many cases, Antall proposed the candidates for the new administrative leadership of the ministries to his Ministers. The recruitment of academics to some ministries was appreciated from the standpoint of bringing additional much needed expertise to public administration in order to facilitate the political and economic transformation of the country. By contrast, the recruitment of (the very few) Deputy State Secretaries with a political background was regarded as a short-term deviation from the norm that was only reluctantly respected by Antall due to the internal politics of the governing parties. As indicated in the last Chapter, these cases usually originated in the demand of the parliamentary factions of the governing parties.

In sum, the Act on State Secretaries was initiated, drafted and passed by Parliament within a period of six weeks. On the one hand, it is a piece of legislation that was deemed necessary in order to formally institutionalise the change of regime in 1990. On the other hand, it cannot be de-coupled from the reform discussion at the National Round Table Talks and the reform attempts of the 1980s. The designated Prime

Minister Antall was both the initiator and chief architect of the Act on State Secretaries, which, however, also reflected the position of senior and higher-ranking bureaucrats who were known to him since the Round Table Talks. Based on his evaluation of other - past and present - governmental systems, Antall assumed that a professional bureaucracy requires a clear separation between political and professional leadership in the ministries. Moreover, Antall's pragmatic perspective on the nature of appropriate conditions for the successful implementation of the political and economic transformation and his confidence that former senior and higher ranking bureaucrats will be loyal to the new democratically elected government shaped both his personnel policy strategy and his approach to the design of the Act. At the same time, Antall's authority to take the decision over the structure and personnel of the central government apparatus was uncontested by members of the designated coalition of governing parties. Hence, to a large extent Antall's personnel policy strategy and his position on the future shape and personnel of the central government were simply formalised in the Act. The appointment of Administrative State Secretaries required the consent of both the Prime Minister and the Minister and although Antall also had a word in the appointment of several Deputy State Secretaries, it was unquestionable that Deputy State Secretaries would be important policy managers supporting primarily the Minister. Therefore their appointment was formally granted to Ministers. However, the Act on State Secretaries was regarded as temporary from the outset and it was assumed that procedural details would be added in combination with the enactment of a Civil Service Act that was on top of the agenda for the time after the investiture of the new government.

3.2. Brokering the Civil Service Act

The preparation of the Civil Service Act began again in July/August 1990, i.e. just two months after the new government had taken office. In the context of the structural and functional reorganisation of the government, Antall assigned the responsibility over public administration reform to the Ministry of Interior to continue the work that had begun during the Németh era. This is best demonstrated by the appointment of the former Deputy Minister, Verebélyi, to the position of

Administrative State Secretary in the Ministry of Interior. The granting of responsibility over civil service reform to the Ministry of Interior, however, was not uncontested, as the newly established Ministry of Labour that was responsible for the Labour Code could equally claim responsibility over civil service affairs.

While the first item on the priority list of the Ministry of Interior was the preparation of the Act on local self-government, the staff in the Ministry of Labour prepared a draft Act for the establishment of a uniform public service including civil servants, and submitted it to other ministries for internal negotiations shortly after the investiture of the new government. However, Antall quickly intervened from above to terminate further deliberations of the draft Act proposed by the Ministry of Labour. In particular the Administrative State Secretary in the Ministry of Interior, Verebélyi, was strongly opposed to the proposal of the Ministry of Labour. Instead, he had expected that the department established in 1989 in the Ministry of Interior would retain responsibility for the development of an Act that would create a uniform public service.

The controversy between the Ministry of Labour and the Ministry of Interior arose rather over prospective institutional responsibilities than over the content of the proposed public service Act itself. Verebélyi was able to gain political support for his conception from the Interior Minister Horváth, and in particular Prime Minister Antall. From the outset, Antall had envisaged to transform the Ministry of Interior from a 'police ministry' into a 'public administration ministry' and accepted that civil service reform is a key component of administrative reform. Moreover, Antall sought to take advantage of the expert staff that had been appointed to the ministry in early 1989 and whose views on administrative reform he knew and accepted from the discussions at the National Round Table Talks.

As indicated above, an encompassing public administration reform was also among the high priority issues on Antall's legislative agenda. Therefore, he favoured the delegation of responsibility over public administration reform issues including civil service affairs to a strong and politically sympathetic ministry. The Ministry of Interior was headed by Balázs Horváth, a close affiliate of Antall who also became

Deputy Prime Minister after the investiture of the Antall government, while the Ministry of Labour was led by an FKGP-Minister. As a result, the decision to exclude the Ministry of Labour from civil service reform management also provided Antall with an opportunity to retain political control over the entire public administration reform agenda. At the same time, a compromise with the Ministry of Labour and the coalition partner FKGP was reached, providing that a public service Act excluding civil servants at central and local administration would be prepared by the Ministry of Labour.

Hence, the choice between a differentiated and a uniform public service in favour of the former was primarily a by-product of the authoritative decision by Prime Minister Antall to balance the institutional and political claims of different central government ministries and the internal dynamics of the government coalition. By contrast, substantive arguments over the implications of either conception of public sector employment management did only arise at later stages of the reform process, notably during the negotiations of the civil service and the public service Acts in parliament. A second by-product of the exclusive assignment of responsibility over civil service management authority to the Ministry of Interior was the marginalisation of the Ministry of Labour as an additional interested participant in the reform negotiations inside government, which eventually contributed to accelerated negotiations of the civil service draft Act at the executive level.

After the Act on local self-government was passed by Parliament in July 1990, the Civil Service Act became the next major priority of the Ministry of Interior, and it became a pressing issue because local self-governments had been created and elections were scheduled for autumn, but their employees were still lacking a legal status. The first civil service draft Act was written within a short period in August 1990 and after short discussion it was submitted to Parliament in September 1990 marked 'urgent'. Legislation marked 'urgent' usually takes about three to four months to pass Parliament, but in the case of the Civil Service Act, the process took almost two years. Meanwhile a lengthy discussion took place on the floor of Parliament and in the committees, leading to the withdrawal of the draft Act by the government in

December 1991 and a re-submission to parliament shortly after. The Act was finally adopted on 31 March 1992.

Meanwhile the discussion about the structure and shape of the Act continued practically at all levels, as it became quickly obvious that the adoption of the Act would take longer than initially anticipated. Hence, the pattern of preparing the Act within a very short time span and the intention to pass it as quickly as possible was very similar to that of the Act on State Secretary in April/May 1990. However, by the autumn of 1990 the government had lost its capacity to gather support for a Civil Service Act without granting major compromises to alternative views held by members of the governing coalition parties in parliament. As a consequence, it became impossible both to induce a fast-track agreement over the Civil Service Act and to reach a reform outcome as desired by the government and the senior officials in the Ministry of Interior.

During the negotiations of the Civil Service Act several interests emerged and two main conflict areas arose that were broadly discussed under the heading of more or less flexibility, which is somewhat equivalent to the concept of degrees of formal political discretion.⁶⁸ One controversy referred to the shape of the future remuneration system. It was mainly debated by top bureaucrats at the level of administrative co-ordination. The second controversy took place in Parliament and its committees between the top bureaucrats of the Ministry of Interior, the government and 'moderate' groups of the governing parties on the one hand, and 'radical' groups of the governing parties and the opposition on the other. It concerned primarily the rules for allocating personnel in the administration and the transitory rules for admitting former state bureaucrats to the 'new' civil service.

On the end of 'minimum flexibility' stood the Ministry of Interior including the specialists in the newly formed Civil Service Department⁶⁹ and Administrative State Secretary, Verebélyi. The views of the Ministry of Interior coincided with the main

⁶⁸ In the remainder of this Chapter, I shall stick to the terminology used in the negotiations by the participants.

⁶⁹ The word by word translation of the Department was and today still is 'Public Service Department'.

interests of the civil service trade unions. These protagonists of reform were either from or at least closely connected to the NSPA. However, it must be stressed that there was no longer a consensus among academics about what would be the most suitable institutional arrangements for the future civil service system. For instance, an alternative view suggested that economic transformation, in particular privatisation and its implications for ministerial management, require more flexible institutional arrangements that make possible the dismissal of personnel from the respective institutions. Hence, although the establishment of a civil service operating on the basis of merit was strongly supported, the permanent tenure was called into question - at least for a transitional period - by a minority of academics who, however, held no official position in the Ministry of Interior or the unions.

These two camps essentially advocated a rather centralised closed career system, a uniform and transparent remuneration system in which pay is linked to promotion, and a civil service commission that would have major impact on personnel management decisions, in particular recruitment policy and the promotion and appointment of civil servants. The main purpose of this system would be to create stability and a public bureaucracy based on expertise, de-politicised but loyal to the government of day (Verebelyi 1992). Moreover, the Ministry of Interior shared Antall's view discussed above that any kind of past and present party membership should not lead to an exclusion from the civil service.

3.2.1. Exit, Pay and Loyalty? Negotiations inside Government

The controversy over the shape of the remuneration system arose between the Ministry of Interior on the one hand, and the Ministry of Finance and several line ministries on the other. Line ministries had already started to set up and reform their ministerial pay systems right after the investiture of the new government in May 1990. As a result, the remuneration systems and above all the wage levels of ministerial staff differed from one ministry to another. 'Richer ministries' like the economic ministries paid much higher salaries than 'poorer ministries' like for instance the Ministry of Culture and Education. Moreover, due to the lack of legal

basis and the practice of paying salaries from the overall ministerial budget, no limits as to the maximum or the minimum wage level existed after the new government had taken office. As a consequence, several line ministries became initially opposed to the principles and the implications of remuneration system proposed by the Ministry of Interior, in particular, the determination of remuneration levels almost exclusively on the basis of seniority rules. However, during the negotiations at the inter-ministerial level and at the Meeting of Administrative State Secretaries that was established as a professional filter for government meetings, views other than the one initially propagated by the Ministry of Interior were denounced as being 'conservative' and contrary to the 'European mainstream'. Hence, opposition to the proposal of the Ministry of Interior faded already during the pre-government decision-making stages.

The Ministries of Finance, Industry and Trade and International Economic Relations were the only ministries that could sustain their opposition. They were mainly opposed to the uniformity of the remuneration system that was supposed to be created by the proposal of the Ministry of Interior. Put simply, in particular the senior staff of the economic ministries argued that 'more important' and 'more highly qualified personnel' needs to be granted higher pay. As a consequence, the economics ministries supported a payment system that granted more flexibility in adjusting pay to performance and educational criteria. Moreover, they favoured the introduction of bonus payments and more flexible incompatibility rules, as the complete restriction on any business activities of senior civil servants would be untenable for their senior civil servants. For instance, although the remuneration system was rather uncontested during the later discussion in parliament, the second Minister of Finance, Kupa (appointed in December 1990), had to defend the introduction of soft incompatibility rules in a parliamentary plenary debate. Speaking practically on behalf of his senior officials, Kupa claimed that tough restrictions upon alternative business activities would trigger a wave of resignations of senior officials whose expertise is much needed for the success of the economic transformation.

At the same time, the Ministry of Finance continued its pre-1990 opposition to the financial implications of the Civil Service Act. The Ministry of Interior had proposed

that ministerial personnel pay should be uniform across the ministries, but as no civil servant should receive a lower salary than before, all salaries should be lifted to the highest level at that time. It is obvious that this created support for the original proposal among those ministries that were supposed to receive higher salaries while the ministries like Finance, Industry and Trade, and International Economic Relations were strongly opposed to what they perceived as 'negative egalitarianism'. Under these conditions, the compromise over the payment system in the law is understandable. On the one hand, the Ministry of Interior prevailed with the introduction of the general structure of the civil service remuneration system that would provide the basic building blocks for the future development of a uniform remuneration system. On the other, the economic ministries prevailed in relaxing incompatibility rules, introducing general supplement payment for all central government civil servants in contrast to all other civil servants, and in particular the establishment of a 'personal remuneration list of the minister'. Moreover, in order to relax the financial burdens for the budget the Ministry of Finance agreed to the compromise that the wage increases for civil servants should be paid in stages over three years, hence, civil servants would only receive 100% of the their formally determined pay by 1995 (see also Zsuffa 1998).

Although the government and the political parties in parliament expressed an interest in the remuneration system, in particular the incompatibility rules as mentioned above, the conflict over rules relating to remuneration were primarily resolved at the administrative level of co-ordination. At the same time, neither the transitory rules of the Act nor the allocation system proposed by the Ministry of Interior were of relevance in the inter-ministerial negotiations because the state secretaries and managing bureaucrats in the ministries all supported the creation of a stable public administration that would grant few possibilities for political intervention into decisions of appointment and dismissal of civil servants. Senior and higher ranking bureaucrats agreed that the Act should stipulate only merit based conditions on the nominal admission of the existing staff into the new civil service. For instance, it was generally accepted that existing staff had to pass a public administration examination within a transitional period of several years as proposed by the Ministry of Interior.

Conversely, only the failure to pass such examination should lead to the dismissal of existing staff rather than their attitudes towards the former communist regime.

In a Government Meeting in September 1990, the Head of Department of the Civil Service Department presented the draft Civil Service Act to the Government on behalf of Interior Minister Horváth, and the proposal passed the Government Meeting without opposition or any major questions. Prime Minister Antall himself concluded that the Civil Service Act as proposed was a significant step forward in the creation of a professional and effective public administration, was rooted in Hungarian history and would bring Hungary back into the European mainstream. Hence, Antall maintained the position he had adopted for the Act on State Secretaries and, at the time of submitting the civil service draft Act to Parliament, this perspective was shared by the other members of government. Moreover, Antall respected the compromise reached among top bureaucrats and between them and the Ministry of Finance over the remuneration system as a temporary arrangement that takes into account the budgetary circumstances of the day and the wage developments set off in the emerging private sector by the transition to a market economy.

In sum, the negotiations inside government were characterised by consensus as regards the general need to define the legal status of civil servants in a parliamentary Act. Moreover, it was uncontroversial that the adoption of a Civil Service Act should aim at the stabilisation of public administration and the creation of favourable conditions for the professionalisation of its personnel by means of institutionalising the merit principle and minimising possibilities for political interference into personnel policy. At the same time, the Civil Service Act was prepared in an as short time as the Act on State Secretaries. Hence, the subsequent revision of the Civil Service Act and the integration of the Act on State Secretaries were already anticipated by the officials in the Ministry of Interior at the time when the Act was submitted to parliament.

By contrast, the main issue of debate inside government concerned the disagreement among ministries and top bureaucrats over the rules that determine civil servants' levels of remuneration and the budgetary implications of the Civil Service Act.

Although the negotiations over the remuneration system appear to be paradigmatic for bureaucratic self-interest, the suggested solutions, e.g. Ministers' personal remuneration list and soft incompatibility rules, meant the institutionalisation of high levels of political discretion. However, firstly, the proposed institutional arrangements were considered as transitional from the outset, and, secondly, senior bureaucrats did not expect to be dependent on political favours in order to secure a higher wage level because they could easily earn higher wages in the private sector. Hence, the suggested solutions provided a means to accommodate the budgetary concerns raised by the Ministry of Finance and the dynamic wage developments in the private sector rather than meeting conceivable concern of politicians to grant flexible wages to like-minded bureaucrats. Finally, during the negotiations inside government, Antall who remained firmly in control of his ministers supported, the proposed allocation system and accepted the compromise that was reached among top bureaucrats over the remuneration system. As a consequence, controversial debate over the shape of the proposed civil service system only started again after the draft Act had been submitted to parliamentary debate and scrutiny in the committees.

3.2.2. Coalition Building inside Parliament

During the debates in the plenary of Parliament and in the parliamentary committees, the main concerns of political parties were related to transitory rules of the Act and the degree of flexibility of the rules governing the allocation of personnel in the administration. Antall and the senior officials of the Ministry of Interior had the support of the moderate-pragmatic wing of the MDF in Parliament and the small coalition partners KDNP and - to a lesser extent - the FKGP. Moreover, the government proposal gained support from the parliamentary group of the MSZP. On the other end of the debate were those parliamentary forces that favoured tough transitory rules, more flexible civil service arrangements, and/or that did not perceive any pressure to adopt quickly a Civil Service Act. The most important among them were the 'radical-populist' wing of the MDF and to a lesser extent the 'conservative' wing of the MDF. On the opposition side, the SZDSZ, supported by the Fidesz, was the major force advocating greater flexibility written into the Civil Service Act.

Hence, the division over the draft Civil Service Act cut across both the largest party of the governing coalition and the opposition parties.

The senior governing party MDF was founded in 1987 by populist writers and intellectuals as a political movement rather than a political party. Although the MDF adopted the broader image of a 'rightist-centrist *people's party*' (Körösi 1999: 36, italics in original), it became the main representative of the centre-right in the First Parliament. As briefly discussed in the last chapter, between its formation in the late 1980s and late 1992, the Hungarian party system reflected a tripolar pattern of inter-party competition. Historically, the party system is primarily structured by a socio-cultural cleavage, which Márkus (1999a: 73) describes as an "identity-based cleavage of traditionalism versus Westernisation, a product of the contradictions in Hungarian state-formation and nation-building under the pressure of exogenous modernisation in a semi-peripheral buffer zone". The 'traditionalist' centre-right is characterised by its historically rooted anxiety about the 'destiny problems of Hungarian nationhood' that go back to the lost war of independence in 1848/49, the ensuing Austrian-Hungarian Compromise in 1867, and the 'traumatic experience' of the 1920 Trianon peace treaty as a result of which Hungary lost two thirds of its historical territory. Moreover, the populist intellectuals who founded the MDF carried on basic ideas of 'plebian (peasant) radicalism' and agrarian reform as a means of 'elevating the peasantry into the body of the nation' (Márkus 1999a: 74).

After becoming the senior coalition party, the MDF continued to keep several political currents: a moderate-pragmatic, a conservative and a radical-populist right, under its roof. With the beginning of the Round Table Talks, the evolution of the MDF was strongly shaped by Antall who was the main representative of a liberal-conservative, pragmatic political orientation. Antall "tried to combine the West European ideal of a German style Christian Democracy with the moderate Hungarian "national-Christian course" tradition of István Bethlen of the twenties"(Márkus 1999a: 74).⁷⁰ Hence, on the one hand, Antall sought to foster the integration of Hungary into the family of capitalist democracies and in particular the European Communities and NATO as pillars of Western integration instead of a searching a

'third road for Hungary'. On the other hand, Antall stood for the continuity of the so-called 'gentlemanly Hungary', rather than for the values of the populist component of the traditionalist right. The notion of 'gentlemanly Hungary' refers to the tradition of nationalist elite democracy type of the pre-and in particular post-World War One period that combined a quest for the restoration of historical Hungary under the leadership of the aristocracy. This included a strong role for a permanent civil service, as also advocated by Antall after the transition to democracy in 1990 (Márkus 1999a: 70, 1999b: 144).

Antall was critical of the populist component of the traditionalist political pole. The radical-populist wing of the political right was represented by István Csurka who left the MDF in 1993 with 12 MPs to form the radical right Hungarian Justice and Life Party (MIÉP) after having lost a bid for the MDF presidency against Antall. Szócs (1998: 1100) describes the MIEP as a type of 'hangover party', which argue that "the post-communist transition has been *betrayed* by the current elites [and that] there was no actual regime change" (italics in original). Hence, the successor party of the radical-populist wing within the MDF combined ideas of the radical traditionalist pole with radical anti-communism. As regards the deliberations about the Civil Service Act, the anti-communism of the radical-populist group implied that it favoured the 'thorough cleansing' of the state administration after Hungary's transition to democracy. Consequently, strong opposition to the civil service draft Act as proposed by the government was not merely a matter of detail. Rather, there was a general, fundamental opposition to the introduction of a law at all unless the administration was 'cleansed' from all former connections to the MSZMP and unless remaining state bureaucrats had proven their support to the new regime.

This policy was also supported by the more conservative currents within the MDF represented for instance by figures like Sándor Lezsák who later became party president of the MDF. After the local government elections in autumn 1990, Lezsák had agreed with members of the conservative platform of the MDF that his home district of Lakitelek should serve as a model for Hungary. He intended to dismiss all employees in one act and to re-employ the next day those who were clearly

⁷⁰ István Bethlen was Prime Minister from 1921 to 1931.

unconnected to the former communist regime. This proposition was strongly opposed by the specialists in the Ministry of Interior and the government. The Ministry eventually took legal action against the local self-government of Lakitelek and the courts ruled against the practice of the 'Lakitelek model'. As a consequence, there was little interest among the conservative and the radical-populist groups within the MDF in finding a quick agreement over the civil service draft Act. Rather, they considered the transitory rules of the government proposal as an incomplete 'change of regime policy towards public administration'.

At the same time, Antall had the support of the two small coalition partners for the civil service reform as drafted by the Ministry of Interior. Both the KDNP and the FKGP are historical parties that were re-founded in 1989 and 1988 respectively. After the 1990 elections, the KDNP was the smallest party in parliament with just over 5% of the seats. In contrast to the other parties of the centre-right, the KDNP defined itself as a '*Weltanschauungs*'-party deeply rooted in the Catholic subcultural milieu (Enyedi 1996). However, during the years in government, the KDNP remained a silent coalition partner of the MDF as well as a loyal supporter of the government in parliamentary voting (Bihari 1991). By contrast, the support of the FKGP for government policies was more ambivalent. The FKGP was a party of rural areas and of the peasantry mainly in the southern and eastern plains of Hungary. It effectively campaigned on a single issue, that is, the re-privatisation of landed property and the restoration of the 1947 land ownership relations in order to re-establish small scale private farming. As a consequence, the FKGP support for government policy in parliament was somewhat conditional upon the rapid re-privatisation and compensation for losses incurred during the communist era. Because a hard-line faction of the FKGP regarded the 1991 compensation Acts as insufficient, a group of nine MPs around the later President of the FKGP, Torgyán, left the coalition in February 1992, thereby reducing the voting majority of the governing coalition in parliament still before the adoption of the Civil Service Act in March (Körösnéyi 1999). However, Antall's perspective upon public administration reform and in particular civil service reform remained unchallenged by the both the KDNP and the remaining so-called 'Smallholders 36'.

Despite the support of the small coalition partners, the government was confronted with difficulties in building a winning coalition for its proposal in the legislature, as two important factions of the senior governing party were opposed to the civil service draft Act. Moreover, the government was essentially unable to build a cross-party coalition with the parties of the opposition. Firstly, although the MSZP supported the civil service draft Act, it was not acceptable as a partner of the governing parties for negotiation and co-operation. As a result of the low turnover of administrative personnel after May 1990 and the pattern of recruiting senior bureaucrats from the ministerial bureaucracy, the MSZP continued to have strong support within the administration. Moreover, although the trade unions underwent a process of re-organisation and hence were lacking major action capabilities, a close relationship between them and the MSZP was continued. Hence, the MSZP strategy was mainly driven by their interest in representing a specific constituency that would benefit from the new Civil Service Act as proposed by the Ministry of Interior. Finally, the transformation of the former socialist state party MSZMP into the MSZP that was dominated by late-Kádárist technocrats who campaigned on an 'ideology of modernisation' (Bozóki 1997), made them natural supporters of a civil service reform along the lines discussed during the 1980 reform attempts. However, it has to be emphasised that the MSZP did not play a major role in the negotiation process. First, it had only 8,6% of the seats in parliament, although their votes could have played a crucial role in building a majority for the civil service draft Act. Second, given the initially tripolar structure of the party system after the change of regime, Ágh (1997a: 430) argues that "for 2 years the HSP [i.e. the MSZP] was forced into a political ghetto". As a result, the other five parliamentary parties sought to avoid any kind of co-operation with the MSZP inside or outside parliament.

Secondly, the government could not expect the co-operation of the SZDSZ as the then largest party of the opposition in the civil service reform negotiations. During the Round Table Talks and the First Parliament the SZDSZ was the main representative of the 'Westernisation pole' or the centre-left in the Hungarian party system. The 'Western universalist urbanist tradition' (Márkus 1999a: 74) has its roots in the late 18th century standing for radical liberal political values and Hungary's radical socio-cultural adjustment to the West and the pursuit of catching-up

modernisation as the central goal of political life. Contrary to the parties on the centre-right, the SZDSZ as well as the small opposition party Fidesz in the first three years after transition, considered the question of Hungarian minorities living abroad as a human rights problem. Although the MSZP had become the third representative of the Westernisation pole after its foundation in autumn 1989, the SZDSZ that had grown out of the democratic opposition shared the suspicion of the conservative and the radical-populist factions within the MDF towards the state bureaucracy as having been a natural ally of the former ruling party, MSZMP. Moreover, the liberal attitudes of SZDSZ politicians led them to favour more flexible and performance-oriented arrangements for the governance of the civil service rather than rigid seniority based rules. At the same time, the SZDSZ agreed with the moderate-pragmatic wing of the MDF that it is desirable to 'join Europe' with respect to the kind of public administration system, but they nonetheless favoured more flexible institutional solutions. As a consequence, suspicion towards the state administration and the liberal values of the SZDSZ, and the unavailability of the MSZP as an acceptable partner for co-operation led to further complications for the government to bridge the divisions in parliament and to a seek cross-party coalition.

However, the failure to pass the civil service draft Act shortly after its submission to parliament in September 1990 cannot exclusively be attributed to the diverging positions of political parties and their factions upon the civil service reform course as developed by the Ministry of Interior and supported by the Government. In fact, the viewpoints of the different parties and factions was known to all relevant participants of the civil service reform process at least since the National Round Table Talks in the summer and autumn of 1989. Moreover, as the adoption of the Act on State Secretaries indicates, Antall was able to impose his position upon the dissenting factions of the MDF in Parliament in the spring of 1990. The comparably smooth adoption of the Act on State Secretaries is even more striking when taking into account that Antall combined the reform Act with a personnel policy strategy that brought former top bureaucrats to the apex of the ministries, some of which had been former MSZMP members. Therefore, the failure of the government to build a parliamentary majority for its position as formalised in the civil service draft Act can

only be explained with reference to the change in political climate in the autumn of 1990 and the resulting change in the balance of forces within the MDF.

It is reasonable to argue that the autumn of 1990 was an important turning point for the life and functioning of the first government. On the one hand, the defecting factions of the governing coalitions, i.e. the later splits of the MDF and the FKPG, did not topple the government and Prime Minister Antall remained the strong figure of the MDF; partly because the Prime Minister can only be removed by a constructive vote of no-confidence. On the other, Antall and the moderate-pragmatic wing around him faced increasing difficulties in gaining loyal support for his policies in parliament. After the investiture of the government at the end of May, Antall had asked for a period of grace of one hundred days to develop a comprehensive government programme. However, by September the government had essentially not managed to develop such programme in particular in order to alleviate the severe problems of the economy. Instead, it carried on a campaign of the 'change of regime', fixed ever newer deadlines for its completion and extended its campaign to ever newer social sub-systems. For instance, the government initiated the replacement of numerous directors of state owned enterprises, directors of universities, the (nominally independent) print and television media and leading figures of cultural institutions. Moreover, the government sought to use its influence to establish a kind of 'official historical/national ideology', which combined ideas of the 1920s elitist right and the traditionalist, populist right. As a result of this 'national conservative challenge' (Ágh 1991) and the so-called 'spring cleaning', "the government became entangled in political *trench warfare* with almost the entire society" (Bihari 1991: 36, italics in original).

As a response, the liberal parties SZDSZ and Fidesz embarked on a radical opposition strategy and joined forces with the national press which heavily criticised the policy of the government. Before the formation of the government, the MDF and the SZDSZ had agreed a 'pact' that the SZDSZ would be granted access to several high-level state offices in exchange for supporting constitutional changes to strengthen the government vis-a-vis the legislature. For instance, as a result of the 'pact' the SZDSZ politician Göncz was elected President of the Republic. However,

the attempt to set off a style of consensual politics between the two strongest parties on the centre-right and the centre-left collapsed within a few months. Instead, by late summer, the SZDSZ had embarked on a radical opposition strategy vis-a-vis the rhetoric and policies of the government led by Antall.

In this context, the Antall government faced its first severe political crisis when the taxi drivers demonstrated against the liberalisation and ensuing increase of gasoline prices at the end of October. Public unrest and a crushing defeat in the local government elections in November led to a 'spectacular weakening of the MDF' (Ágh 1992) and the loss of the hegemonic position it had initially held on the centre-right of the Hungarian party system. As a consequence, Ágh (1994: 21-23) argues that the Hungarian party system began to exhibit the "permanent marks of a polarised pluralism which [was] alleviated or resolved by the changing order of moderate pluralism", for instance, the attempt to marginalise the MSZP. Thirdly, although the MSZP became the main representative party of the Western oriented pole by the end of the First Parliament, shortly after the transition to democracy, the other five parties were unified in their fundamental opposition towards the MSZP as the heir of the former socialist state party MSZMP. As a result, the continuously low showing in public opinion polls and the political polarisation after autumn 1990 both made it increasingly difficult for the Antall government to appease the radical-populist and the conservative wings of the MDF in parliament and to forge cross-party coalitions with either of the opposition parties.

To a good extent, the changing balance of forces within the MDF crystallised in the negotiations of the civil service draft Act. Firstly, both the conservative and the radical-populist factions of the MDF increasingly demanded the implementation of a 'change of regime policy' towards public administration, i.e. complete cleansing of the administration from all elements suspected of having co-operated with the former state party, MSZMP. Yet, as a result of the failure to implement the Lakitelek model, neither of the two factions felt committed to speed up the negotiations of the civil service draft Act in parliament. Secondly, the increasing influence of the radical-populist and the conservative MDF wings put pressure on Antall and his ministers to select senior personnel that had not previously co-operated with the MSZMP.

However, Antall stood by his original position towards the civil service reform and senior personnel policy and sought to diffuse suspicion of MPs and the growing unease of several ministers in his cabinet towards the inherited senior bureaucrats.

As a result of the party political polarisation and the weakening of the MDF since the early autumn of 1990, the balance of forces within the senior governing party MDF changed. This in turn undermined Antall's capacity to impose his civil service reform position on the dissenting MDF factions in parliament. In other words, the radical-populist and the conservative factions had not changed their position vis-a-vis a civil service reform between early 1990 and late 1991. Rather, the political constellation of the day gave rise to the opponents of a fast-track civil service reform and laid bare the general division within the senior governing party MDF as well as the division over the issue of civil service reform. Moreover, the radical opposition strategy of the SZDSZ towards the government policies including its opposition towards the proposed civil service reform, made it practically impossible for the Government to build cross-party coalitions in Parliament. The strong divisions inside the main governing party, MDF, and the radical opposition of the SZDSZ towards the Civil Service Act are the main reasons why it was impossible to reach a fast agreement on the floor of parliament and why the government was forced to withdraw the proposed Act in December 1991.

The second draft Act submitted to Parliament in early 1992 again created major debate, as more than 200 amendments introduced by the parliamentary committees indicate. During the discussions in the parliamentary committees, it was mainly the state secretaries and the senior civil servants of the Ministry of Interior who came to defend the government proposal. In fact, that served as another illustration of the suspicion of MPs that bureaucrats were pursuing a civil service reform that was in their own interest and that ministers were essentially unable to counter-balance the influence of state secretaries in the policy-making process. By the time the government proposal was submitted to voting in the parliamentary plenary session, the senior bureaucrats from the Ministry of Interior had been able to broker a compromise between the opponents and the proponents of civil service reform that was able to gain enough support from among the parties of the governing coalition.

The main argument that finally convinced the opposing camps in the committees not to further delay the adoption of a Civil Service Act was the prospect to bring Hungary back in line with the European systems of public administration rather than opting for a 'Hungarian *Sonderweg*'. Hence, despite strong opposition to the reform proposal, the government and in particular the top bureaucrats of the Ministry of Interior were ultimately able to gain support for the general principles of their proposed allocation system.

However, the compromise made by the Act's opponents in following European mainstream models of public administration rather than entirely rejecting the adoption of a Civil Service Act, had been traded off for a second major compromise with respect to the kind of allocation system that was written into the Civil Service Act. For instance, restrictions on ministers' power to assign senior civil servants to managing positions and to withdraw their assignment were taken out of the draft Act, options for the dismissal of civil servants upon different kinds of re-organisation measures were introduced without limiting ministers' power to do so. Moreover, the kind of civil service commission originally suggested by the Ministry of Interior did not find support among MPs. As a result, the authority to take allocation decisions in the ministries was not assigned to an independent civil service commission but continued to stay with either the ministers or the Administrative State Secretaries as administrative heads of the ministries. Yet, the high degree of formal political discretion over the appointment and dismissal of state secretaries implied that Ministers retained considerable latitude to indirectly influence allocation decisions further down the ministerial hierarchy if they regarded this as necessary. The main reason for this solution was that a civil service commission was regarded as limiting the needs of ministers, and that MPs and the government could not agree on the appointment of a capable president of the commission that had minimal affiliation to the former communist regime.

As a result, the original version proposed by the Ministry of Interior and the final version that became law differed in many respects, but the general principles of a career system were left in place. The compromise solution chosen in the parliamentary committees created the possibility to effectively offset the career

system of the civil service, if Ministers take advantage of their discretionary powers that were granted to them as additional instruments of exercising personnel policy. Given the opposition of the Ministry of Interior and in particular the reluctance of Antall to adopt far-reaching transitory rules, the opponents of the civil service reform sought to establish the freedom for governments to implement a 'change of regime policy towards public administration' at some point in the future. Hence, in exchange for the lack of tough transitory rules, opponents were successful in their attempt to include an allocation system that gives them the political discretion to 'cleanse' the administration *from within* the adopted civil service system. On the other hand, the senior bureaucrats in the Ministry of Interior concluded that the adoption of the Civil Service Act was a progress when compared to the status quo ante. In particular, they reckoned that the establishment of the principles of a career system for both the allocation and the remuneration of civil servants as well as the definition of the status of civil servants as neutral, party political independent and professional is the first step towards the establishment of a Western-type civil service system in the near future. Hence, although civil service reform had remained incomplete from the point of view of the senior bureaucrats in the Ministry of Interior, they expected that the revision of the adopted civil service system would soon bring about their most desired institutional solution.

4. Conclusion

Civil service reform had been an important issue on the administrative reform agenda for almost a decade before the change of regime. Strong proponents of reform had emerged such as the trade unions and academics from the NSPA who were eventually appointed to positions in the Ministry of Interior during the Németh government and retained their position after the change of regime. During the National Round Table Talks, senior and higher ranking bureaucrats had turned from being opponents to strong supporters of civil service reform and became crucial in promoting reform efforts that would lead to the de-politicisation of personnel policy. After the formation of the first democratically elected government in May 1990, senior and higher ranking bureaucrats and their main advocates in the Ministry of

Interior gained the support of the governing parties, in particular Prime Minister Antall, for the initiation of a fast-track reform that would establish a civil service system that corresponds by and large to a de-politicised personnel policy regime for all ranks of the civil service. These core proponents of reform assumed that the far-reaching de-politicisation of the civil service system, especially the allocation system, is a necessary condition to establish a professional, de-politicised civil service and to bring Hungary back into the European mainstream as well as to re-connect the system of public administration to Hungarian historical roots. Moreover, the proposed solution provided an opportunity for Prime Minister Antall to signal to the administration that a government that is composed of parties of the former democratic opposition seeks the co-operation with the 'inherited' administrative personnel rather than pursuing a tough cleansing of public administration.

On the other side of the debate stood the conservative and the radical-populist wings of the MDF. These core opponents of civil service reform accepted a fast-track reform only under the condition that either tough transitory rules were included or that the allocation system is sufficiently open to grant future governments the freedom to implement a change of regime policy towards public administration staff from within the adopted civil service system. Hence, the core opponents of civil service reform favoured either no reform at all or a kind of civil service system that would by and large correspond to a personnel policy regime that allows open politicisation. The opponents assumed that a failure to thoroughly cleanse public administration from all those elements that had previously co-operated with the MSZMP would undermine the successful implementation of the government's policy programme as well as the successful completion of the transition to democracy more generally. However, the desire to follow Western European models of public administration in combination with the formula of opening up the allocation system in exchange for voting in favour of the government proposal in parliament created enough support for the adoption of the first Civil Service Act in March 1992.

In addition, the adoption of the proposed Civil Service Act shortly after its submission to parliament was complicated by the changing balance of forces within the governing coalition and the radical opposition strategy pursued by the SZDSZ

after the autumn of 1990. On the one hand, the change in political climate, i.e. the tendency towards polarised pluralism after 1990, made it difficult for the government to appease dissenting factions of the governing coalition in parliament. On the other hand, the loss of popularity of the government coalition boosted the efforts of the largest opposition party SZDSZ to attack the government. As a consequence, when compared to the first half year after the second round elections, the government had difficulties both in imposing its will upon members of parliament and in building cross-party coalitions with the opposition. Therefore, the government was constrained in its effort to change the institutional basis of personnel policy from the arrangements inherited from the socialist administration. In other words, the government was unable to move the inherited over-politicised personnel policy regime substantially in the direction of de-politicisation because the most preferred solution of the core opponents was closer to the institutional status quo in 1990 and 1991.

Chapter 8

Getting Stuck: The Second Reform of the Civil Service in 1997

1. Introduction

In Chapter 6, I concluded that the initiation of the 1997 civil service reform is rather surprising in light of the personnel policy strategy pursued by the Horn government. The Horn government had replaced a large proportion of inherited senior bureaucrats with appointees that were recruited from other settings than the ministerial bureaucracy, although many of these new appointees had previously worked in senior positions of the administration. Therefore, especially the initial personnel policy strategy of the Horn government suggests that no or only minor civil service reform pressures should have arisen from the bureaucracy and, as a result, the government would have no need to restrict formal-legal possibilities to intervene into personnel policy. However, the conceivable exception to this scenario, mentioned in Chapter 4, is that the remaining 'second tier bureaucrats' are able to find an agent among senior bureaucrats or politicians who would promote their cause for a civil service reform with de-politicising effects upon personnel policy. To a great extent, this happened after the Horn government took office in 1994, but it ultimately did not lead to a major institutional change of the Hungarian civil service system when viewed through the lens of formal political discretion.

At first sight, the second wave of civil service reform enacted in 1997 was a continuation of the first reform wave in 1990/1992 rather than an entirely new reform project. The initiative for further civil service reform originated in the argument raised by senior bureaucrats of the Ministry of Interior, in particular Administrative State Secretary Verebélyi, and academics from the NSPA and the Hungarian Institute of Public Administration, that the 1990/92 civil service reform was incomplete. As argued in the last Chapter, in 1990/1992, the reform minded senior bureaucrats of the Ministry of Interior had sought to implement a civil service system that corresponds

by and large to a de-politicised personnel policy regime. These key proponents of civil service reform sought to take advantage of an *apparently* favourable political climate that arose in July 1994 with the formation of the Socialist-Liberal government standing for an 'ideology of modernisation' and Westernisation (Bozóki 1997; Márkus 1999a).

Three months after the investiture of the new government, the chief architect of the 1992 Civil Service Act, Verebélyi, was transferred from the Ministry of Interior to the Prime Minister's Office to head the newly established office of Government Commissioner for the Modernisation of Public Administration. Within two years, the office of the Government Commissioner developed a comprehensive Public Administration Reform Programme that presented a detailed strategy for the complete institutional overhaul of the central and local government structures and the civil service in the near future. However, although the political conditions to complete the post-transition civil service reform project appeared to be favourable after 1994 and although the second reform wave was based on a comprehensive reform programme, hardly any of the proposed institutional reform measures found their way into the revised civil service legislation of 1997. As a consequence, the 1997 reform of the civil service is commonly regarded as a reform failure.

This Chapter traces the origin and the negotiations of the 1997 civil service reform and identifies the causes of its failure. Firstly, it takes the position senior bureaucrats did not represent a unified interest in civil service reform because especially the state secretaries and senior civil servants that had been brought (back) in by the MSZP were effectively disinterested in the de-politicisation of personnel policy. Secondly, the two governing parties, MSZP and SZDSZ, were ultimately not interested in tying their hands to exercise political discretion over personnel policy either. Although they were hesitant supporters of a package of radical reform measures in the initial period of their preparation, they increasingly lost interest in a far-reaching civil service reform as a result of an anticipated victory of the MSZP in the approaching 1998 elections and the gradual political weakening of the SZDSZ after 1996. As a consequence, the reform proponents around Government Commissioner Verebélyi were only able to gain support for a small scale institutional adjustment of the

1990/92 civil service system with virtually no impact on the degree of formal political discretion. The discussion in this Chapter initially discusses in detail the origins of the 1996 Public Administration Reform Programme. Then, the discussion turns to the negotiations that led to the adoption of the Act on the Legal Status of Members of the Government and State Secretaries and the amendment of the Civil Service Act in June and October 1997 respectively.

2. The Origins of the Public Administration Reform Programme

2.1. The Re-organisation of Civil Service Reform Management System

In May 1994, the MSZP had won a landslide victory in the national elections winning 33% of the votes and 54% of the seats in parliament thanks to the electoral systems, which disproportionately favours the large parties. Although the MSZP could have formed a single party government, it opted for a coalition with the second largest party, the SZDSZ that had won 19.7% of the votes and 17.9% of the seats in parliament. Hence, together the MSZP and the SZDSZ held a 72.9% majority in the parliament. After the investiture of the government in July 1994, the new Prime Minister Horn appointed the president of the SZDSZ Kuncze as Minister of Interior. As a result, the Civil Service Department in the Ministry of Interior responsible for the management of the civil service and the development of further reform strategies was under the political leadership of the junior coalition partner SZDSZ.

Seven weeks after its investiture, i.e. on 31 August 1994, the Government therefore established a new position of Government Commissioner for the Modernisation of Public Administration. The position of Government Commissioner was a new type of position in the Prime Minister's Office responsible for the temporary strategic management of particular policy areas that cut across ministerial boundaries. Government Commissioners were appointed by and accountable to the Prime Minister on behalf of the Government and they were classified as Administrative State Secretaries rather than as Political State Secretaries. The task of the new Government Commissioner was to develop a comprehensive programme of public administration reform that promotes 'efficient and lawful operations of the public

administration, [and simplifies] the public administration' (Government Decree 112 of 1994). To this end, the Government Commissioner was supposed to co-operate with the Ministry of Interior, the Ministry of Finance and the newly established Deregulation Council convened by the Ministry of Finance.

Prime Minister Horn selected the Administrative State Secretary in the Ministry of Interior, Verebéli, for the position of Government Commissioner. At the same time, Interior Minister Kuncze appointed István Zsuffa, the Deputy State Secretary in the Ministry of Interior responsible for legislation since 1991 as Verebéli's successor to the position of Administrative State Secretary.⁷¹ The new Government Commissioner Verebéli set up a small Department within the Prime Minister's Office that would assist his efforts to evaluate the reform attempts of the previous government and to develop a public administration reform programme for the years to come. To this end, Verebéli selected István Balász, a former director of the NSPA and first Director of the Hungarian Institute of Public Administration after 1990 as his Deputy and head of administrative reform department. As a result, former academics from the NSPA were transferred from the Ministry of Interior to the Prime Minister's Office.⁷²

The reorganisation and the personnel changes in August/September 1994 are primarily the result of the new coalition constellation in government that cut across the Ministry of Interior and the Prime Minister's Office. Firstly, Interior Minister Kuncze did initially not want to change senior personnel in the Ministry of Interior. Rather, he sought to demonstrate his respect for the professional leadership as being separated from the political leadership. On the one hand, Kuncze assumed that he will only be able to reach his general reform goals, if he relies on the expertise of the senior staff and their experience in managing the policy areas in the jurisdiction of the Ministry of Interior. On the other hand, he expected that if he indicates his

⁷¹ Between 1978 and 1990, Zsuffa had been a Head of Department and Government advisor in the Council of Ministers, the predecessor of the Prime Minister's Office and before joining the Ministry of Interior, he had worked for one year at the newly established Constitutional Court.

⁷² The first Head of the Civil Service Department who had been recruited from the NSPA in 1989 had already left the ministry at the end of 1991.

willingness to co-operate with the 'inherited' senior staff, then the state secretaries and senior civil servants will themselves respect his policy agenda.

However, after a few weeks in office, Kuncze was increasingly exposed to pressures from the SZDSZ parliamentary faction to change the Administrative State Secretary Verebélyi. SZDSZ MPs feared that the strong figure of Verebélyi would undermine the prospects of realising SZDSZ policies in the Ministry of Interior. As discussed in the last Chapter, during the Antall government it was common that state secretaries would report and defend legislative proposals on behalf of the government in the parliamentary committees. For instance, with respect to Verebélyi who had previously pursued a career in academia, SZDSZ MPs were critical that he would continue to 'lecture' the elected MPs what kind of policy worked and what not.

Moreover, the SZDSZ MPs identified Verebélyi with the interests of the MSZP and in particular the bureaucracy itself, although he had served the full term as Administrative State Secretary during the centre-right Antall government. On the one hand, Verebélyi had been member of the MSZMP before the change of regime and had since only suspended his party membership in the MSZP. Hence, SZDSZ MPs were suspicious that Verebélyi would become a political counterweight to Minister Kuncze within the coalition. On the other hand, the role of Verebélyi during the first wave of administrative reforms in the early 1990s raised concerns among SZDSZ MPs that Verebélyi represents primarily the interests of the civil service. By 1994, Verebélyi had essentially acquired a highly recognised status as the 'father of Hungarian public administration reform', but the MPs of the SZDSZ were suspicious of his entrepreneurial status and the true interests he is pursuing. Because Kuncze increasingly began to share the views of the SZDSZ MPs after the discussion of the government programme and its implications for the Ministry of Interior, Kuncze gave finally in to the pressures of MPs. As a result, Kuncze decided to appoint Zsuffa to the position of Administrative State Secretary as a compromise solution, that is, a compromise between respecting the professional leadership of the Ministry and addressing a lack of political trust as voiced by members of the SZDSZS faction in parliament.

Secondly, as I will discuss in more detail below, the MSZP was originally not particularly committed to civil service reform. However, the appointment of an SZDSZ politician to the Ministry of Interior resulted in the MSZP's loss of political control over the policies under the responsibility of the Ministry of Interior. From the point of view of the MSZP, the critical policies were not civil service reform and management. Rather, the MSZP cared most about control over the National Police, local government affairs, and the territorial administration, in particular the county administration, which had been (re-)established in 1994 before the change of government and which was under the control of the central government. As a consequence, the MSZP succeeded in the coalition negotiations that the government would set up some kind of alternative unit for public administration affairs in the Prime Minister's Office that would be under the leadership of Prime Minister Horn. At the same time, the MSZP was not able to do the same for National Police affairs because in the negotiations for the formation of the government, the SZDSZ had made it a condition that it would gain control over the National Police.

In this context, the departure of Verebélyi from the Ministry of Interior became increasingly apparent. On the one hand, the dismissal or resignation would have meant the loss of a proven expert in public administration affairs. On the other hand, the anticipated change at the top of the Ministry of Interior initiated by the SZDSZ supplied Prime Minister Horn with a natural choice for the position to be created in the Prime Minister's Office. As a result, Verebélyi who was personally most interested in pursuing further work in the area of administrative reform and strategy was appointed to a position basically tailor-made for him as Government Commissioner for the Modernisation of Public Administration. At the same time, however, the appointment of Verebélyi as an outstanding expert with a high reputation in the politico-administrative system was an optimal solution for Horn to meet his demand for enhanced political control over public administration affairs under conditions of coalition government.

As a result, in contrast to Antall's initiative in 1990 to intervene into the conflict between the Ministries of Interior and Labour, the 1994 re-organisation of the central government implied that responsibility over future civil service reform activities was

both politically and administratively shared. The establishment of the position of Government Commissioner in the Prime Minister's Office responsible for the more limited task of administrative reform became a vehicle for Prime Minister Horn and the MSZP to exercise a certain level of influence over public administration affairs and stay well informed about public administration developments. Moreover, the appointment as Government Commissioner for the Modernisation of Public Administration meant for Verebéli that he would be in a strong position to pursue his reform ambitions from near the centre of government power, i.e. under the direct leadership of the Prime Minister. Finally, the establishment of a quasi-competing institution in the Prime Minister's Office was not completely at the expense of the Ministry of Interior. Rather, it weakened the political and 'administrative' role of the Ministry of Interior in public administration affairs because it created an institutional check for the ministerial staff and Interior Minister Kuncze.

2.2. Revision & Completion: Verebéli's Reform Agenda

The reform agenda for an overhaul of the entire government organisation within the years to come consisted of five major items.

- The review of public administration responsibilities with an aim at deregulating and enhancing the efficiency of administrative activities.
- The renewal of governance at the central state administration in order to enhance the co-ordination capacity of the central government apparatus.
- The upgrading of the local self-government system mainly to improve the economic basis of local self-government.
- The reform of the territorial state administration aiming at rationalising the functional differentiation across tiers of government.
- The reform of the public administration personnel system in order to enhance the quality and recognition of the civil service.

Hence, the reform of the civil service was but one item of the public administration reform agenda. However, from the point of view of Government Commissioner Verebéli, the reform of the civil service, in particular the senior civil service, cut

across the other four reform items and it was therefore one of the crucial tasks in order to accomplish the desired modernisation of Hungarian public administration. Although the guidelines for the modernisation of public administration to be developed were intended to set the reform agenda for several years, Verebélyi regarded in particular civil service reform as one of those reform items to be accomplished before the next regular elections in 1998. The Public Administration Reform Programme that was presented to the Government in summer 1996 including its civil service reform component was primarily a technocratic development of Government Commissioner Verebélyi and his Deputy Balász. On the one hand, Verebélyi - as well as Balász - maintained their previous position discussed in the last Chapter that the establishment of a professional civil service requires the de-politicisation of personnel policy, in particular senior personnel policy. On the other, the proposed civil service reform direction was largely driven by their assessment of the civil service developments since the transition to democracy in 1990 and in particular since the implementation of the Civil Service Act in 1992.

Firstly, as indicated in the last Chapter, Verebélyi as well as his Deputy Balász considered the 1990/92 reform as incomplete. In 1990, they and their fellow academics from the NSPA had expected that the transition to democracy provided the conditions to establish a de-politicised civil service system operating on the basis of merit principles. Several elements of what they considered to be essential for the establishment of a professional civil service had not been incorporated into neither the Act on State Secretaries nor the Civil Service Act. In particular, they criticised the possibilities for members of the government to politicise personnel policy through the backdoor. In other words, although a civil service based on the principles of professionalism and neutrality had been adopted, the Act provided a considerable number of exceptions that granted ministers to exercise discretion to politicise personnel policy. For instance, they were critical of the several exceptions that effectively offset the principle of permanent tenure and the potential that soft incompatibility criteria would undermine the public interest orientation of the civil service. In particular, however, they considered incomplete the institutional basis of senior personnel policy, as they had failed both to establish an independent civil

service commission and effective restrictions upon the exercise of political discretion over the appointment and dismissal of senior civil servants and state secretaries.

Secondly, Verebélyi and his Deputy Balász had the ambition to correct dysfunctional developments in the civil service that had become apparent during the negotiations and after the implementation of the 1992 Civil Service Act. In the domain of allocating civil servants, Verebélyi sought to develop institutional solutions that serve to stabilise the civil service, in particular the senior civil service. As discussed in Chapter 6, the positions of state secretaries remained unstable administrative posts all though the term of the Antall government, and the closer the elections in 1994 came, the more did ministers tend to appoint state secretaries that had a political background in the governing parties. Furthermore, after the investiture of the centre-left government coalition, it had become apparent that the change in government had triggered the large scale replacement of state secretaries and also many Heads of Departments. From the point of view of Verebélyi and Balász, the instability and emerging politicisation was a highly undesirable development that required correction.

Finally, in the area of civil servants' remuneration, Verebélyi and Balász were concerned about the increasing difference between pay levels in the civil service and in the private sector. Since the transition to democracy in 1990, civil service pay had steadily fallen behind when compared to pay in the private sector. This development affected in particular young entrants with university degrees and managing civil servants. Therefore, a reform of the remuneration system had to simultaneously address both issues. On the one hand, he had to gain support for an increase of civil servants' actual wage levels. On the other, the rules determining these wage levels had to be adjusted in order to enhance the salary position of young entrants to the civil servants and in order to retain highly qualified staff in the top ranks. Hence, it had become apparent that the 1992 classification system as the main basis of determining civil servants' levels of remuneration needed an overhaul already two years after the beginning of its implementation. As a result, Verebélyi viewed the establishment of the office of Government Commissioner for public administration reform and his assignment to the post as an opportunity to complete the reforms that

had been launched under his auspices in 1989 and as a vehicle to correct dysfunctional developments that had become apparent over the recent past. However, Verebélyi had also learned from the experience in 1990/92 that any civil service reform proposal requires the high-level political commitment and disciplined support of the governing parties.

2.3. *The Political Context for Reform*

At first glance, the formation of the Socialist-Liberal coalition suggested favourable conditions for the successful completion of civil service reform. Firstly, by 1994, the MSZP and the SZDSZ had become the sole representatives of the Western-oriented pole or the centre-left of the Hungarian party system (Márkus 1999b). In August 1991, György Konrád, a writer and member of the SZDSZ, had initiated the formation of the Democratic Charter as a movement of liberal, social-liberal and socialist intellectuals and groups in order to demonstrate popular discontent with the national-conservative radicalisation of the MDF-led government and the centre-right parties in parliament. The activism of the Democratic Charter led to a slow rapprochement of the SZDSZ and the MSZP and by early 1992 a social-liberal platform was formed within the SZDSZ. As a result, the MSZP - further boosted by good results in parliamentary by-elections - managed to escape from political ghettoization during 1992 (Ágh 1995). At the turn of 1992/93, the Fidesz responded by moving its programmatic appeal towards the right of the political spectrum as a liberal party with national commitment because it remained reluctant towards any co-operation with the MSZP. As a consequence, Verebélyi could reasonably expect that a civil service reform, which promised a 'radical adjustment' towards Western or European patterns of public administration, would find the support of the new governing coalition because a similar formula had already been crucial in brokering the 1992 Civil Service Act.

Secondly, there was good reason to assume that the record of the SZDSZ as an opponent of civil service reform in the previous reform round would not pose a major problem in a coalition with the MSZP. In principle, the MSZP appeared to be a

potential supporter of civil service reform along Verebélyi's old and new approach. The MSZP consisted basically of the reform-oriented wings of the former ruling state party, MSZMP, that had already supported the reform and modernisation of the civil service during the Németh government and the Round Table Talks. Moreover, the MSZP had supported both the principles of the Act on State Secretaries in the spring of 1990 and the 1992 Civil Service Act. In particular, the disproportionately high electoral support for the MSZP within the ranks of the civil service promised to be a formidable instrument to push civil service reform including an increase of civil service salaries. At the same time, Verebélyi was aware that the SZDSZ had consistently been among the opponents of civil service reform. It had argued on the basis of its radical liberal ideology that a modern civil service requires more flexible and performance oriented elements and hence tended to contradict the institutional solutions Verebélyi had proposed for the stabilisation of the civil service. Moreover, the SZDSZ' rejection of previous civil service reform had been rooted in their opposition to the over-politicised socialist administration and hence the failure to adopt tougher transitory rules. However, the formation of a government coalition between the MSZP as the successor party of the MSZMP and the SZDSZ suggested that the SZDSZ' anti-communist rhetoric and approach to institutional reform would be a matter of the past. Hence, Verebélyi expected that completion of the civil service reform would not meet intense opposition from the SZDSZ.

Finally, notwithstanding the ambiguous political conditions for civil service reform, the formation of the Socialist-Liberal coalition promised that a reform project that would find the support of the government would not be derailed in the parliamentary stage. In contrast to the MDF-led government, the new government had more than a two thirds majority in parliament. Moreover, in contrast to the experience of the 1992 Civil Service Act, it seemed unlikely that parts of the parliamentary factions of the governing coalition would threaten to defect in parliamentary voting, although the MSZP consisted of several, very different factions.

However, although at first glance the formation of the Socialist-Liberal coalition promised generally favourable conditions for the successful completion of the civil service reform project, the investiture of the new government also sent several quite

ambiguous signals to the Government Commissioner and his staff. Verebélyi could somewhat hope that the electoral campaign of the MSZP would positively feed back into the reform of the civil service. In the 1994 elections the MSZP managed to become the largest party with the slogan 'Let Competence Govern', which suggested that institutional reforms aiming at the professionalisation of the bureaucracy would be welcome. On the other hand, however, we argued in Chapter 6 that the MSZP's promise to establish a 'government by experts' meant in practice the replacement of Antall's senior bureaucrats and the partial return of senior officials who had already served the Németh government. Hence, the large-scale turnover of senior personnel created suspicion as to whether a stabilisation and a de-politicisation of the top administrative ranks would be a realistic scenario for the future. The personnel policy strategy of the SZDSZ and its ministers was similarly ambiguous. The SZDSZ stood for a policy that the professional leadership of the ministries should be respected. While Minister of Transport Lotz and Interior Minister Kuncze pursued this policy, Culture and Education Minister Fodor replaced the entire set of state secretaries in his ministry. As a result, the general SZDSZ position as a governing party appears to be favourable in a coalition with the MSZP, but the personnel policy strategy of its Ministers partially contradicted these plans.

Apart from the ambiguous personnel policy strategies of the new governing parties, the main point of concern for the Government Commissioner was the lack of a clear interest in civil service reform. In contrast to the MDF-led government and in particular the first Prime Minister Antall, neither the MSZP, the SZDSZ nor any of their leading politicians were strongly committed to civil service reform. The only points of connection between the government programme and civil service reform could be found in the ambition of the new government to enhance the efficiency of the public administration and the goal to establish a closer co-operation between government and the social interest representing groups in policy-making and implementation. However, the goal to increase government efficiency was mainly a product of the neo-liberal-monetarist views of the SZDSZ and the liberal-technocratic wing in the MSZP who sought to slim down the state and to reduce the costs of government operation while enhancing the quality of government output.

Hence, it was doubtful to what extent costly reform elements would find the support of the coalition.

By contrast, the goal to improve the co-operation between government and interest groups was well suited to (re-)elevate the status of the civil service unions in public administration policy, in particular, personnel management. For instance, in 1993, Verebélyi had already successfully gained the backing of the Government for an informal co-operation between the Government and the civil service unions which provided a starting point for the formalisation of civil service union participation in administrative policy-making. Moreover, the close connection between the civil service unions and the 'popular-left wing' of the MSZP promised to create some leverage upon the government to complete the modernisation of the civil service and to adjust civil service pay levels to the private sector, although at that time it was the liberal-technocratic wing that was in a stronger position within the MSZP. The resulting key problem for the successful completion of the civil service reform project was the lack of explicit interest of the governing parties and any of its leading politicians in civil service reform. As a consequence, Verebélyi's goal to complete the civil service reform along the lines discussed since the late 1980s was dependent on his ability to create a political interest in civil service reform and to build political support for his plans in the government coalition.

2.4 Linking Senior Civil Service Reform and the Co-ordination Capacity of Government

Verebélyi found the solution in linking civil service reform and in particular senior civil service reform to one of the other items on the reform agenda: the goal to enhance the co-ordinating capacity of the central government apparatus. Initially, i.e. after the Socialist-Liberal government took office, it appeared rather unlikely that organisational structures for the improvement of cross-governmental co-ordination capacity around the Prime Minister and a strong Prime Minister's Office could easily be implemented before the next national elections scheduled for 1998. However, during the period of developing the Public Administration Reform Programme, the issue of government co-ordination became a problem that had to be dealt with sooner

rather than later. As a consequence, the prospect of successfully linking civil service reform to building governmental co-ordination capacity gradually improved until the adoption of the Public Administration Reform Programme as a Government Decree in October 1996.

The co-ordination and strategic planning of government policy had been a continuous problem since the investiture of the Antall government in the spring of 1990. Until the change of regime, the preparation of policy guidelines and the co-ordination of government policy was primarily the responsibility of the headquarters of the MSZMP, which essentially mirrored the ministerial structure of the central government. By contrast, the ministries focused in their work on policy implementation. Moreover, the Secretariat of the Council of Ministers merely performed a secretarial or administrative role for the government as a whole and hence was neither a major co-ordinating structure nor a support structure for the Prime Minister to engage in strategic planning of government policy. As a consequence, the headquarters of the MSZMP provided the integrating force of government operations.

During the Round Table Talks, the parties of the democratic opposition unanimously rejected the monocratic socialist style in favour of a more collegial and collective style of executive governance. Initially, this perspective was reflected in the first wave of constitutional changes in the autumn of 1989 when much emphasis was put on cabinet government and ministerial responsibility as opposed to prime ministerial government. As discussed in the last Chapter, the second wave of constitutional changes enacted in May 1990 already created the institutional conditions for a German style 'Chancellor democracy', in particular through the introduction of the constructive vote of no-confidence. Moreover, the Government reduced the number of ministries by means of different kinds of re-organisation, but at the same time, Antall also set off a quasi-centralisation of the government despite his initial support for collegiality. Ágh (2002: 12-13) notes that "the reduction of the number of the ministries is somewhat misleading, since it has been compensated with the increasing number of ministries of other kinds [located in the Prime Minister's Office as units under the responsibility of Ministers without Portfolio]. Also the number of Political

State Secretaries - and other high officials - tended to increase in the PMO [i.e. the Prime Minister's Office] and in most cases they turned to be more influential and important decision-makers than the ministers themselves". As a consequence, the early Antall years witnessed a centralisation of government functions, but they did not create conditions for effective co-ordination nor for the strategic planning of government policy.⁷³

Although the tendency towards government fragmentation was known to the governing parties MSZP and SZDSZ in 1994, the new government did initially not take any steps towards building a centre for strategic policy planning and co-ordination around a strong Prime Minister and a supporting Prime Minister's Office. Rather, it opted for a "weak prime minister with a strong team" (Lengyel 1995: 47). Firstly, both the MSZP and the SZDSZ had publicly rejected the central executive governance structures established by Antall. Instead, they had promised to return to a more collegial style of governing based in particular on the idea of 'government by experts'. Secondly, Prime Minister Horn was the pivotal figure in the MSZP at that time as much as he was merely a compromise candidate for the Prime Ministership. Hence, Horn did not have the power to dominate other power centres within the MSZP.

After its transformation in 1989 and its 'partial consolidation' (Ágh 1995) during the First Parliament, the MSZP had maintained a comparably large national organisation and a disciplined membership, but also retained a diverse set of interests under its roof. Among the most relevant factions, the 'radical modernisers' around Finance Minister László Békesi mainly advocated neo-liberal monetarist policies and represented the business elite of Hungarian and international companies within the MSZP. This group was much closer to the SZDSZ in economic policy terms than to the 'popular left' wing of the MSZP around Sándor Nagy, which represented more traditional social and economic policies and maintained close contacts to the trade

⁷³ For instance, the establishment of an Economic Policy unit in July 1990 headed by the Political State Secretary Matolcsy led to continuous conflict with the Minister of Finance Rabár and his successor Kupa until the dissolution of the unit and the dismissal of Matolcsy at the end of 1991. Furthermore, the disintegration of the governing parties MDF and FKGP since 1992 and later the illness of Prime Minister Antall further weakened the coherence of government operations.

unions. Although the third group of 'nationalist left' interests that had formerly been organised around Imre Pozsgay and Mátyás Szűrös had lost much of its influence after 1990, it remained a power centre that could not entirely be ignored by the party leadership. Since his election as President of the MSZP in 1990, Horn had held a pivotal position within the MSZP because he was able to balance the two most important groups with the MSZP, the liberal-technocratic and popular left wing.

Moreover, Horn was able to bridge the division between the popular left wing of the MSZP and the liberal SZDSZ. For the MSZP, it was beneficial to enter an oversized coalition with the SZDSZ, although it had gained an absolute majority of seats in parliament. Firstly, the MSZP had only won one third of the popular vote. Secondly it needed the participation of the SZDSZ as one of the key parties of the democratic opposition in order to gain credibility in the national and international political field as a recognised and fully transformed party that had emerged from the former socialist state party. Thirdly, the liberal technocrats of the MSZP pressed for a coalition with the SZDSZ in order to strengthen their political weight in the government (Bozóki 1997: 82). However, in order to avoid becoming a passenger in a car driven by the MSZP, the SZDSZ demanded procedural and programmatic guarantees from the MSZP in exchange for entering a government coalition. To this end, the two parties set up the Coalition Council for Mutual Agreement, which aimed at smoothing out political and policy differences and effectively formalised a veto-power for the SZDSZ inside government. Moreover, the Minister of Interior Kuncze became officially the Deputy Prime Minister rather than Finance Minister Békesi (Racz/Kukorelli 1995). Therefore, at the time when the Socialist-Liberal government took office in 1994, Verebélyi had the clear support of Prime Minister Horn to set up a strong centre of government around the Prime Minister and the Prime Minister's Office, but the MSZP internal dynamics and the coalition constellation essentially prevented its potential establishment in the short run.

However, during the first one and a half years in office, it became obvious that the postponement of tackling the problem of co-ordinating government policy may lead to co-ordination failures of the government. Although different power centres existed (and competed) within the government and within the parliamentary factions of the

governing parties, the governing parties were much better able to deal with their political differences than with the more administrative co-ordination of government policy. For instance, Ágh (1996: 23-25) argues for the years 1994 and 1995 that "conflicts did *not necessarily* originate in political or personnel debates between the coalition partners, but simply sprang from the difficulty in governmental structures and from lack of co-ordination" (my emphasis). As a consequence, the establishment of an institutional structure capable of co-ordinating government policy became a far more salient issue on the administrative reform agenda than initially anticipated.

Moreover, during the government's term in office, Prime Minister Horn gradually strengthened his power position in the government. Firstly, during the first six months in office, the government witnessed a continuous power struggles between Horn and Békesi. After the resignation of Békesi in February 1995, Horn appointed Bokros as Finance Minister. In contrast to Békesi, Bokros had no strong power basis within the MSZP and hence was more dependent on Prime Minister Horn (Greskovits 2001). Moreover, the implementation of the Bokros austerity programme increased the loyalty of the SZDSZ to the government, as Prime Minister Horn successfully played the role of keeping in check the popular-left wing of the MSZP while backing liberal economic policies advocated by the SZDSZ. Hence, in addition to the substantial problem of co-ordinating government policy, Verebélyi could also rely on the strengthened political role of Prime Minister Horn.

Accordingly, in the negotiations with other ministries and members of the governing parties Government Commissioner Verebélyi began to explore to what extent the role of the Prime Minister in Government could be strengthened and to what extent the Prime Minister's Office could be transformed into a strong German-type Chancellery. To this end, he discussed in particular the suitability of setting up a prime ministerial cabinet in the Prime Minister's Office to perform strategic planning functions. Moreover, he explored the option of establishing ministries' desks that mirror the ministerial structure in order to enhance the co-ordination capacity of the government and to appoint a politician in ministerial rank to the apex of the Prime Minister's Office. In his negotiations with the line ministries and members of the government, the Government Commissioner could gain only partial support for his initial

propositions. Both the SZDSZ and the line ministerial staff opposed in particular the establishment of a mirror structure in the Prime Minister's Office because it would raise too many bad memories of the socialist era and would lead to an unnecessary duplication of functions in government respectively. Moreover, the SZDSZ indicated that it would not support the appointment of a minister as head of the Prime Minister's Office. At the same time, members of the government supported the idea to set up a prime ministerial cabinet but only to the extent that Ministers may themselves set up ministerial cabinets. Hence, they were opposed to exclusively strengthening the Prime Minister.

As a result, Verebéliyi had the support of Prime Minister Horn to centralise the co-ordination of government policy in order to enhance executive capacity. However, the coalition arithmetic and the institutional self-interest of line ministries only allowed him to propose merely a partial centralisation of government operations around the Prime Minister and a strong supporting Prime Minister's Office. As a result, the Public Administration Reform Programme eventually incorporated several measures that fostered a 'gradual' centralisation of government co-ordination in the Prime Minister's Office. The establishment of a mirror structure in the Prime Minister's Office was rejected, but the Prime Minister was given the opportunity to further strengthen the units that deal with cross-governmental policy co-ordination, and to set up a cabinet for the sake of improving strategic planning and providing advice to the Prime Minister. Moreover, the idea of appointing a Minister as the head of the Prime Minister's Office was incorporated into the Reform Programme as an option to be explored further, that is, in practice, discussion was postponed until the preparation of legislation could begin. At the same time, the Reform Programme included the ministers' right to appoint a small number of advisors who would have a separate legal status as members of ministerial cabinets and were appointed for only as long as the Minister was in office.

However, the failure to gain full support for the institutionalisation of prime ministerial government around a strong Prime Minister's Office also provided Verebéliyi with an opportunity to build a bridge between the problems of government co-ordination and civil service reform in particular senior civil service reform.

Instead of establishing organisational structures that reflect the strong role of the Prime Minister, Verebélyi suggested the enhanced involvement of the Prime Minister and the Prime Minister's Office in appointing, dismissing and providing further training for senior civil servants and state secretaries in order to enhance the governmental unity of the senior civil service and to reduce the inclination of senior ministerial officials towards sectoral separatism. A senior civil service under the leadership of the Prime Minister was considered to provide the necessary glue for executive governance that had been missing since that transition to democracy in 1990. At the same time, Verebélyi could expect that the solution to centralise senior civil service management will raise the interest of Prime Minister Horn in supporting his civil service reform plans, in particular the professionalisation and the de-politicisation of the senior civil service.

Based on his experience during the Antall government, Verebélyi assumed that it was beneficial for the professionalisation of the senior civil service, if the authority over senior personnel policy was vested in the Prime Minister. When Antall was Prime Minister, he had consistently advocated a separation between the political and the professional leadership of the ministries. Hence, the assumption was that because the Prime Minister is constitutionally responsible for the government as a whole, he would be inclined to advocate the de-politicisation of the managing civil service in order to enhance its position as a staff of experts that guarantees well-informed policies. By contrast, for Ministers the assumption was that they tended to strive for ministerial autonomy and that they could enhance their autonomy by using their political discretion over senior personnel policy. Hence, political discretion in the hands of ministers would inevitably create pressures towards politicisation, in particular under conditions of coalition government. Therefore, Verebélyi essentially made up a package that sought to link the centralisation of government co-ordination to the reform of the managing ranks of the civil service. This in turn did provoke some interest of Prime Minister Horn who supported the reform of the managing civil service as a component of centralising government affairs more generally. At the same time, there was considerably more uncertainty as to whether the loyalty of the SZDSZ to the Prime Minister Horn would go sufficiently far to endorse this alternative mechanism of government centralisation.

In addition, Verebéliyi was well aware that an assignment of discretion over senior personnel policy to the Prime Minister was insufficient to guarantee the professionalisation and the de-politicisation of the managing civil service. Verebéliyi therefore incorporated measures into the Public Administration Reform Programme, which he had already personally promoted during the first civil service reform and which sought to de-politicise personnel policy. Firstly, he revived the proposal to establish a 'Public Administration and Civil Service Commission'. In contrast to the original concept proposed in 1990 that such Commission would be headed by the Minister of Interior, the Public Administration Reform Programme suggested that the Prime Minister on behalf of the Government should formally preside over the Commission, whereas the Ministry of Interior should exercise secretarial tasks only. Moreover, the tasks of the Commission would concern primarily the senior civil servants and state secretaries, that is, their appointment, transfer and dismissal, as well as their training obligations. By contrast, line ministries would retain authority to manage all other civil servants, i.e. non-managing civil servants, though with the support of the Ministry of Interior.

Secondly, in addition to the establishment of ministerial cabinets, Verebéliyi included a number of proposals to take into account the increased need for political control by ministers and the possibility to de-politicise personnel policy by means of functional re-organisation. For instance, the Reform Programme suggested that the political role of the Political State Secretary should be strengthened and that the appointment of more than just one Political State Secretary per ministry should be considered. By contrast, Administrative State Secretaries should be enjoined from speaking in government meetings on behalf of the Minister and their role in elaborating ministerial policy should be scaled down. Rather, Administrative State Secretaries should emphasise the co-ordination of Ministers' sectoral policy and the senior level control of generic administrative tasks that support the professional organisation of the ministry. The Reform Programme also suggested that the position of Deputy State Secretary should be eliminated and that larger ministerial departments of a Directorate General kind should be established instead. In connection to this point, the Government Commissioner proposed that new Heads of Department or Heads

Directorates General should be recruited by means of a formalised procedure and open competition. They should eventually be appointed for a fixed term that exceeds the governments' term and should only be dismissed in exceptional cases. Finally, Verebélyi suggested in the Reform Programme the introduction of a stand-by clause for senior personnel whose appointment had been revoked. This kind of reserve system should be administered by the Prime Minister's Office and would grant managing civil servants continuous pay for one year after their dismissal unless a new position had been found for them. If, by contrast, no alternative position can be found for the candidate, he or she should receive a severance pay when dismissed from the civil service.

Verebélyi took the propositions for the reform of the managing civil service as a basis for the completion of wider civil service reform and the correction of dysfunctional developments that had become apparent over the previous years. Firstly, with respect to the allocation system, the Reform Programme suggested to apply basically the same principles that were proposed for the senior civil service. Hence, recruitment should be formalised to allow open competition for entry into the civil service and a new classification system and a revised performance appraisal should enhance the career prospects of young entries and well performing civil servants. Moreover, dismissal of civil servants should be restricted further, dismissed candidates should be held in a stand-by position for at least one year and if no position could be found for them, they should receive severance pay like senior civil servants and state secretaries. Secondly, with respect to the problem of low remuneration levels, the Reform Programme proposed to use the savings derived from the staff reductions of 17.2% that were part of the Bokros austerity plan implemented in the 1995 Budget Act for an increase of civil servants' wages. Hence, rather than making entirely new resources available for the increase of civil servants' wages, the Reform Programme suggested an implicit reshuffling of budgetary resources, i.e. to use the savings from a large scale work force cut.

Finally, in combination with the wage increases, it was suggested for the reform of the remuneration system to modify (and simplify) the classification system and to increase the compression ratio between higher and lower ranks in order to enhance

the incentives for young entrants and for managing civil servants. Moreover, the reform programme proposed to introduce a performance related bonus pay of +/-20% for senior civil servants and state secretaries. This measure was proposed both in order to be able to pay competitive wages to managing civil servants and in order to take into account the position of the SZDSZ and the liberal-technocratic wing of the MSZP. Similarly, in order to strengthen performance incentives for non-managing civil servants, the reform programme suggested to establish additional honorary titles for well performing civil servants. Finally, the reform programme suggested to incorporate the 1993 agreement between the Government and civil service unions over mechanisms of interest reconciliation and participation in administrative policy-making. Hence, the reform programme also sought to take into account the position of the popular-left wing of the MSZP.

As a result, from the perspective of members of the government and top civil servants, the Public Administration Reform Programme essentially offered a compromise involving the centralisation of government co-ordination and the de-politicisation of senior personnel policy. However, the connection between the issues of government co-ordination and senior civil service reform can be well understood as the outcome of the failure to find support for a straight forward centralisation of government co-ordination around the Prime Minister and a strong Prime Minister's Office as well as the need to build political, in particular, prime ministerial support for the reform of the senior civil service. As a result, for the adoption of the package in the Reform Programme by the Government, the office of the Government Commissioner was essentially counting on the interest and support of Prime Minister Horn. Prime ministerial support was also considered as crucial for the overall success of the civil service reform proposal because Verebélyi was aware that the government internal support of the SZDSZ was limited and that the reluctance of the line ministries to endorse a centralisation of government affairs had the potential to derail the reform plans.⁷⁴

⁷⁴ Verebélyi certainly expected that the implementation of some of the propositions made in the Reform Programme would take until after the next national elections scheduled for spring 1998. For instance, it was not expected that the reorganisation of ministerial departments into large Directorates General and hence the abolishment of the position of Deputy State Secretary would be realised before the upcoming elections.

Verebélyi presented the Reform Programme eventually as a coherent conceptual approach to the Government including the aspects that were surrounded by considerable uncertainty as regards their political support. However, at the government level, there was in fact no debate about the Reform Programme before the adoption of the Reform Programme as a Government Decree in October 1996. Rather, the adoption was merely a formality that sought to delegate the tasks for the realisation of the draft amendments of the respective Acts to the different line ministries. Hence, at the time of accepting the Reform Programme, it was already clear that the negotiations of the civil service reform would continue and that the key decisions had not been taken but were still lying ahead. However, despite the existence of obstacles and the nature of the Reform Programme as a mere guideline document, Verebélyi expected that at least the legal basis for the reform of the civil service would be established before the elections in 1998.

3. Getting Stuck: The Failure to Pass the Civil Service Reform before the Upcoming Elections

The Government Decree delegated the tasks for the preparation of the draft Acts to the line ministries in accordance with the formal division of competencies at central government level. The preparation of the revision of the Act State Secretaries including the preparation of Government Decisions for the re-organisation of the Prime Minister's Office was assigned to the Ministry of Justice and the Prime Minister's Office. By contrast, the preparation of the amendment of the Civil Service Act was delegated to the Civil Service Department in the Ministry of Interior, though in consultation with the Prime Minister's Office. Hence, after the development of the Reform Programme, the role of the Government Commissioner in realising the revision of civil service legislation was effectively downgraded to one of consultation and advice to the responsible ministries on the basis of the Public Administration Reform Programme.

Both Acts were submitted to Parliament in the spring of 1997. The Act on the Legal Status of Members of the Government and State Secretaries was adopted in June

1997, the amendment to the Civil Service Act was passed in October 1997, i.e. one year after the passing of the Government Decree by the Government. The negotiations over the final shape of the draft Acts took exclusively place inside the Government. Notwithstanding the rejection of the draft Acts by the opposition parties, the parliamentary factions did - in accordance with the original expectation - not pose an additional obstacle to pass the reform. However, neither of the two Acts met the high expectations that had been raised in the Public Administration Reform Programme. The Act on the Legal Status of Members of the Government and State Secretaries hardly changed the institutional basis of allocating state secretaries to the ministerial organisation. By contrast, the 1997 amendment Civil Service Act introduced a few changes to both the remuneration and the allocation system established in 1992. These legal changes did not decrease the degree of formal political discretion and hence did not alter ministers' possibilities to interfere into personnel policy. As a consequence, the 1997 civil service reform is usually regarded as a reform failure because the reform legislation introduced only minor changes, although a coherent and far-reaching reform programme had been designed.

The failure to reform the civil service was the result of both a political and administrative co-ordination failure at the central government level and a growing disinterest of the key actors in a radical reform with de-politicising effects. This failure occurred in the context of an anticipated election victory of the MSZP in the year before the 1998 national elections and a gradual weakening of the SZDSZ, which threatened its political survival. As a result, both governing parties, their Ministers, senior bureaucrats who had been brought (back) into the administration since 1994, and the staff of the Ministry of Interior, i.e. key actors of civil service reform, either became opponents of Verebélyi's Reform Programme or their disinterest in reform was reinforced. By contrast, Verebélyi and his Deputy Balász essentially became the last and only proponents of a reform (they had themselves proposed), but they were lacking the capacity to influence the reform of the civil service towards their desired direction. Consequently, although revised civil service legislation was adopted in 1997, few of the propositions raised in the Reform Programme found their way into the Acts.

3.1. The Changing Balance of Power within the Coalition after Autumn 1996

The adoption of the Public Administration Reform Programme as a Government Decree in October 1996 more or less coincides with the beginning of the gradual loss of popularity of the SZDSZ until the national elections in April 1998. Conversely, during the same period, the MSZP continuously rose on the popularity scale and, by the autumn of 1997, it could reasonably expect to win an absolute majority at the 1998 national elections. Moreover, the period from the autumn of 1996 until the spring of 1998 witnessed the increasing political weakening of the President of the SZDSZ and Minister of Interior Kuncze and the parallel strengthening of the President of the MSZP and Prime Minister Horn within the MSZP and the coalition. As a consequence, the change in the balance of power within the coalition and the closeness of the national elections affected both the coalition dynamics and the strategies of the relevant civil service reform players.

As indicated above, in 1994, Horn was rather a compromise candidate for the Prime Ministership than a dominating force within the MSZP and the coalition. He could strengthen his position when the first Finance Minister Békesi was replaced by Bokros. Moreover, the implementation of the Bokros Package in 1995 increased the loyalty of the SZDSZ to Prime Minister Horn because Horn appeared to guarantee that the popular left wing of the MSZP could be held in check. However, the spectacular weakening of the SZDSZ was set off in autumn 1996 as a result of political scandals and concerns over public safety. Firstly, in September 1996, the so-called Tocsik scandal was revealed, which accused the governing parties of channelling large sums of success fees in the privatisation process to its own supporters. Moreover, in the case of the Tocsik scandal, the governing parties were blamed of having received large donations out of the success fees that were paid to the Tocsik law firm for brokering a privatisation deal between a local government entity and a private firm. Because these allegations were mainly directed at the SZDSZ, the SZDSZ faced increasing difficulties to maintain its credibility in the eyes of the electorate.

Secondly, in November 1996, the leadership of the National Police and the headquarters of several cities including Budapest were dismissed as a result of a growing number of street murders and bomb assassinations. Ágh (1997b: 25) argues that "the low level of public safety had a negative impact on the public mood and on the evaluation of government performance". Although the personnel changes in November 1996 aimed at demonstrating a commitment to improving the state of domestic security, it was again the SZDSZ, in particular Minister Kuncze, who was blamed for the failure to provide public safety because police affairs were lying within the jurisdiction of the Ministry of Interior. As a consequence, both the Tocsik scandal and the salience of public safety issue reduced the popularity of the government. However, it was in particular the SZDSZ that lost credibility in the eyes of the electorate. By contrast, the MSZP was better able to diffuse the criticisms and instead to claim credit for the economic situation which gradually improved since the middle of 1996 and especially in 1997.

The weakness of the SZDSZ and the rise of the MSZP are well illustrated in the public opinion polls of the period from summer 1996 until the eve of the national elections in April 1998. During 1996, the SZDSZ fell from 10-12% at the beginning of the year to 7-8% at the end of 1996. From the beginning of 1997 until the elections in 1998, the SZDSZ continuously hovered at 5-6% in the popularity index. As a result, the SZDSZ was seriously beginning to fight for political survival from the beginning of 1997 onwards, as it was threatened not to pass 5% threshold that is necessary to gain parliamentary representation. By contrast, the MSZP fell from 18-19% at the beginning of the 1996 to 12% at the beginning of 1997. However, from the spring 1997 until the elections in April 1998, the MSZP climbed gradually to 21-22% in the popularity index (Závecz 1997, 1998, 1999). During the whole period, roughly 40-50% of the voters remained undecided and hence, the MSZP was enjoying the support of approximately 40% of the decided voters and managed to overtake both the FKGP and the Fidesz in the public opinion surveys. Taking also into account the mixed electoral system in Hungary, which strongly favours the large parties, the MSZP could reasonably expect to win the national elections in April 1998 and possibly to even win an absolute majority of seats in parliament. As a

consequence, the MSZP appeared to become gradually less dependent upon the continuation of a coalition with the SZDSZ after the 1998 elections. Although both parties indicated early that they considered the other party as a potential coalition partner, "it [was] certainly not a favourable perspective for the SZDSZ that the MSZP could achieve an absolute majority by itself in 1998" (Ágh 1998: 23).

The change in the balance of power within the coalition and between the Presidents of the two governing parties, Horn and Kuncze, fed back into the political and administrative operations of the government and affected the strategies of the relevant players of the civil service reform game. Firstly, the attempt to increase civil servants' wages was essentially vetoed by the SZDSZ, though with the tacit support of the liberal-technocratic wing of the MSZP. Secondly, the partial centralisation of government co-ordination was either rejected by the SZDSZ who enjoyed the support of the line ministries, or a postponement of institutional reform was agreed. Thirdly, the proposed reform of both the civil service system proper met the combined opposition-cum-disinterest of Prime Minister Horn, the Ministers of both governing parties, a sizeable group of senior bureaucrats, and the Civil Service Department. As a consequence, the Act on the Legal Status of Members of the Government and State Secretaries as well as the amendment of the Civil Service Act incorporated only a lowest common denominator outcome that reflects the intersection of the interests and strategies that prevailed in 1997 among the relevant civil service reform players.

3.2. The Failure to Agree an Increase of Civil Servants' Wages

The attempt to increase civil servants' wage levels was essentially vetoed by the SZDSZ and the liberal-technocratic wing of the MSZP, in particular the political leadership and the senior bureaucrats of the economics ministries. As a radical-liberal party, the SZDSZ was ideologically strongly committed to downsizing the public sector, reducing tax burdens, maintaining budgetary stability, and increasing the cost efficiency of the public sector. As a consequence of this position, the SZDSZ did not endorse the reshuffling of savings resulting from the 1995 Bokros austerity

programme as suggested in the Reform Programme in order to increase civil servants' wages.⁷⁵

Moreover, the civil service did not belong to electoral strongholds of the SZDSZ either. Hence, the SZDSZ did not feel any specific electoral commitment to increase the wages of civil servants. Instead, the SZDSZ leadership considered it a matter of principle that, in a context of its severe political weakness, it must signal to the electorate that the course of restrictive economic policy will be retained. Therefore, it propagated that the savings of the Bokros austerity programme should be passed on to the citizen taxpayers rather than increasing wages in the public sector. The MSZP did in fact not explicitly argue against or in favour of wage increases because the MSZP was itself divided over the issue. On the one hand, the liberal-technocratic wing within the MSZP and in particular the political leadership and the top bureaucrats of the Ministry of Finance supported the SZDSZ position. Moreover, they feared together with the SZDSZ that an increase of public sector employees' wages more generally would signal the abandonment of a policy of budgetary discipline before the elections, which had just been put in place in 1995.

At the same time, it was consensus among the officials of the economics ministries that the wage levels of senior civil servants and state secretaries needed to be raised in order to reduce the growing gap between top civil servants' pay and pay in the private sector. On the other hand, both civil servants' wage increases and an enhanced participation of civil service unions in administrative policy-making were important issues for the popular-left wing of the MSZP. However, as discussed above, the formation of a coalition with the SZDSZ had strengthened the liberal-technocratic wing within the MSZP at the expense of the popular-left wing. As a consequence, the SZDSZ and the liberal-technocratic wing within the MSZP were able to prevent the

⁷⁵ The so-called Bokros Package, that is, the revised 1995 Budget Act, was effectively a belated shock therapy to manage the transformation of the Hungarian economy, in particular, to restore macro-economic and budget balance and to regain the confidence of the international financial markets. As a result of the implemented budget cuts, the economy stagnated for nearly one year, inflation rose and real wages fell by 12% within one year.

reshuffling of budgetary resources before the national elections for the sake of increasing civil servants' wages.⁷⁶

3.3. The Failure to Agree the Reform of the Central Government Apparatus

Like the attempt to increase civil servants' wage levels, the changing balance of power within the coalition and the expected outcomes of the approaching elections fed back into the negotiations of the partial centralisation of government co-ordination. As the junior partner of the MSZP in an oversized government coalition, the SZDSZ maintained its original position and hence had no interest in supporting a centralisation of government co-ordination and an exclusive strengthening of strategic planning capacity in the Prime Minister's Office. Rather, the SZDSZ sought to keep procedural guarantees in the government coalition to prevent the dominance of the MSZP. Moreover, as a result of the decline in popularity, the SZDSZ interpreted any reforms that imply the centralisation of government affairs as a sign of political weakness.

By contrast, Prime Minister Horn and the MSZP more generally had lost their interest in looking for major compromises with the SZDSZ. Rather, they anticipated an electoral victory in 1998 and hence were willing to postpone major reform activities until after the elections. Finally, both the MSZP and the SZDSZ were aware that the proposition to centralise the co-ordination of government policy was contested within the administration, i.e. in particular the line ministerial staff disliked

⁷⁶ Moreover, the MSZP did not link the negotiations during 1997 to a promise to raise civil servants' wages after the elections in spring 1998. Instead, the MSZP convened an informal meeting of two of its Political State Secretaries with leaders of the civil service unions at the end of 1997 shortly after the Civil Service Act had been passed and declared again that because the budgetary situation has not yet sufficiently stabilised since the 1995 Bokros package, no wage increases can be offered or promised to the civil service before the elections in 1998. At the same time, the two Political State Secretaries urged the civil service unions to support the MSZP at the elections. This peculiar strategy of non-commitment plus gentle pressure can be explained with reference to the opinion polls that gave the MSZP a comfortable lead at the turn of 1997/98. In other words, the MSZP expected either that the average civil servant tends to be loyal MSZP voters or that it would not be dependent upon the civil service vote in the 1998 elections. In the hindsight, observers of the 1997/98 period argued that the failure to at least promise an improvement of public sector employees' including civil servants' wage levels and working conditions cost the MSZP around 100.000 votes. Given the outcome of the 1998 elections, this strategy was among the decisive campaign failures of the MSZP.

the prospect of a strengthened Prime Minister's Office. Hence, the SZDSZ enjoyed some tacit support from the administration in its opposition to the centralisation plans suggested in the Reform Programme, whereas it would not have been beneficial for the MSZP to initiate controversial discussions under the present coalition constellation.

As a result, the negotiations over the reform of the system of executive governance led either to the postponement of reform activities or to the rejection of proposals by the SZDSZ. Firstly, as indicated above, the attempt to establish a mirror structure of the ministries with the Prime Minister's Office had already fallen in the preparatory stage of the Public Administration Reform Programme. Secondly, the upgrading of the departments in the Prime Minister's Office that deal with cross-governmental co-ordination could have been implemented on the basis of a Government Decision, and hence did not require an Act of Parliament. However, because the SZDSZ recognised the need to improve cross-governmental co-ordination capacities, the coalition partners agreed that the organisational reforms to enhance government co-ordination would be postponed rather than rejected and that alternative mechanisms would be explored. Thirdly, for the same reasons, the ministers and the parliamentary leadership of the SZDSZ rejected the proposal to shift powers to appoint, transfer and dismiss senior civil servants to the Prime Minister and to assign senior personnel management functions to the Prime Minister's Office. In all three cases, the SZDSZ leadership could rely on the tacit co-operation of the line ministries, which sought to prevent a shift of power to the Prime Minister's Office.

Fourthly, the coalition partners agreed a compromise over the suggestion to appoint a Minister as head of the Prime Minister's Office. The SZDSZ accepted that the possibility to appoint a politician in ministerial rank to the Prime Minister's Office should be incorporated into the legislation, but it was agreed that the status quo would not be changed at least until after the 1998 elections. Hence, the Prime Minister's Office would continue to be led by an Administrative State Secretary. Apart from her reluctance to allow an accumulation of government power around the Prime Minister, the SZDSZ also rejected the consequences of adding another MSZP minister with voting rights to the cabinet. Finally, the line ministers and the Prime

Minister followed the compromise solution over the establishment of cabinet structures in the Prime Minister's Office and the line ministries that was suggested in the Reform Programme. Hence, on the one hand, the Prime Minister was given improved resources to plan government-wide policy and, on the other, the line Ministers were granted the right to set up ministerial cabinets to enhance the planning and co-ordination capacities within their own policy sectors. Moreover, a compromise was reached that the number of (prime)ministerial cabinet members would be determined in a Government Decree and that the Prime Minister would be granted the right to appoint twice as many cabinet advisors as the line ministers.

As a consequence, the package over the reform of the system of executive governance and senior civil service reform proposed by Verebélyi in the Reform Programme quickly unravelled during the preparation of the draft legislation. Moreover, the failure to reach an agreement over the problem of government co-ordination combined with the expected victory at the national elections virtually eliminated Prime Minister Horn's interest in pushing civil service reform efforts in the short term. Hence, the political conditions for the completion of civil service reform had reverted back to the status quo ante, i.e. the period after the 1994 elections when Verebélyi had identified the key obstacle to successful reform in the lack of political interest of the governing parties and any leading politician. However, although the centralisation of the senior personnel policy had become an important component of government reform more generally, it would be wrong to argue that, after the adoption of the Government Decree, the success of civil service reform hinged exclusively upon the establishment of a senior executive service managed from the Prime Minister's Office. Rather, the failure to gain support for the centralisation of senior personnel policy contributed to Prime Minister Horn's growing disinterest in civil service reform issues. After the adoption of the Government Decree, the preparatory process inside government had been set off and hence the drafting of legislation on the basis of the Reform Programme had already been delegated to the line ministries. Thus, despite the absence of prime ministerial interest in the issue, there was still a reasonable expectation that the government would be able to submit a far-reaching reform proposal on the basis of the principles of professionalisation and stabilisation to parliamentary voting before the 1998

elections. Moreover, as argued above, the MSZP claimed that it had set up a 'government by experts' after taking office in 1994. Correspondingly, MSZP Ministers had appointed 'their experts' to the top positions in the ministries, many of whom had already held high-ranking posts before 1990/91. In principle, the MSZP was therefore in the luxurious position that - in accordance with the Reform Programme - it could stabilise a professional civil service by adopting civil service legislation that would protect senior civil servants and state secretaries from dismissal on political grounds.

3.4. The Politics of Disinterest: The Failure to Co-ordinate the Civil Service Reform

Although the general conditions for the realisation of the civil service reform plans still appeared somewhat favourable, neither the MSZP nor the SZDSZ nor the top bureaucrats pushed during the preparation of the draft Acts for institutional arrangements that would have reduced the possibilities of ministers to exercise political discretion over the allocation and the remuneration of civil servants, in particular managing civil servants. Moreover, the Civil Service Department in the Ministry of Interior that was formally responsible for drafting the amendment of the Civil Service Act no longer advocated reform measures that would have de-politicised the personnel policy domain of allocating civil servants to the ministerial organisation. Hence, during the negotiations of the 1997 civil service reform, Government Commissioner Verebélyi and his Deputy Balász were effectively standing alone in their pursuit of a civil service system that corresponds to a de-politicised personnel policy regime.

Firstly, apart from the delicate dynamics of the pre-election period, Ministers of both parties became gradually less interested in changing the status quo arrangements for the allocation of senior civil servants and state secretaries - though for different reasons. Especially SZDSZ ministers increasingly shared the perception of Ministers during the Antall government that they are overly dependent on the ministerial staff in the policy-making process. As discussed in Chapter 6, SZDSZ Ministers were lacking both experiences in government and an organisation outside government that

could support them in their policy-making efforts. At the same time, they were continuously struggling to exercise control and political leadership over their ministerial staff. Consequently, during their term in office, SZDSZ Ministers became gradually less willing to surrender their discretion over senior personnel policy in the short term, as a stabilisation of the senior positions would have reinforced their dependence on the managing civil servants.

In principle, MSZP Ministers shared the dependence on the senior staff in their ministries. However, MSZP Ministers were much less puzzled by this constraint. They had the possibility to rely to some extent on the expertise of the organisational infrastructure of the Socialist party, they had gained experience in the administration or in government before 1990, and they could take advantage of their knowledge of the professional community in their policy sector including the ministerial bureaucracy. As a consequence, MSZP Ministers had little interest in tying their personnel policy hands. Rather, they appreciated the possibility that they could draw from the large pool of trusted and known professional inside and outside the administration and to pursue a governance strategy of allocating (their) experts to established or emerging policy problems rather than allocating policy problems to organisational structures in the Ministries. This approach, however, contradicted the establishment institutional arrangements that would have restricted the possibility to intervene into personnel policy, including the possibility to recruit officials from other settings than the ministerial bureaucracy.

The other main reason why the MSZP did not demonstrate any enthusiasm in radical reforms lied in the lack of bureaucratic demand to pursue a civil service reform that would have de-politicised personnel policy. Although many senior officials who had already been in office before and shortly after 1990 had returned in 1994 and thereafter, the corps of senior civil servants and state secretaries became gradually less cohesive when compared to the time of regime change. Rather, there were at least two major groups of senior officials and one minor third group. The senior bureaucrats of the first group perceived themselves as professionals, experts and clearly as career bureaucrats. This was the group of senior bureaucrats that had stayed continuously in office since the late 1980s and hence had served under the Németh

government, the Antall government, and since 1994 under the Horn government. Although this group was gradually shrinking during the 1990s as a result of the continuous political intervention into personnel policy, especially in the state secretary ranks, it remained the largest group of senior officials until the change of government in 1998, but it had lost much of the influence it had still wielded in the early 1990s. These senior officials held a similar position to senior officials in general during the Round Table Talks and in the early days of the Antall government. Hence, they clearly supported the proposals made in the Reform Programme because the continuous politicisation of personnel policy undermined their prospects for career advancement within the administration. At the same time, this group of senior officials showed few if any signs of non-co-operation with the Horn government given the expectation that a civil service reform was on course, their experience with a socialist government from before 1990, and certainly the expectation that the MSZP would stay in office after the upcoming national elections.

By contrast, the majority of state secretaries and senior civil servants that was appointed after the change in government in 1994 had been in high-ranking ministerial positions during the later 1980s and the early days of the Antall government. The members of this second group had worked in the private sector or academia in the meantime and returned with the MSZP's victory at the 1994 elections. These new appointees perceived themselves much more as part of the government than the civil service. They were no longer career bureaucrats but they cannot be considered as partisan convicts either. Rather, they stood in the tradition of the Németh government considering governing a professional task and not necessarily a political task (cf. Sárközy 1996). From their point of view, the change of regime and the period of the centre-right government between 1990 and 1994 'interrupted' especially the project of rationally and professionally turning around the Hungarian economy, as political ideology had 'interfered' with economic policy-making. Consequently, the returning group of senior officials was committed to the MSZP by default, that is, as a response to what they regarded as ideological policy-making under the Antall government, because a government with the MSZP promised that the economic transformation project would be completed (Bozóki 2001).

This perspective implied that the group of returning senior officials was not committed to the civil service nor was it exclusively committed to the MSZP. They were mainly committed to completing the economic transformation project, which they had kicked off at the end of the 1980s, and, in the extreme, they would prefer a return to the private sector after the completion of their project rather than pursuing a career in the administration.⁷⁷ As a consequence, this group of senior officials had relatively little sympathy for the senior civil service reform propositions made by Verebélyi in the Reform Programme. Instead, they demanded an adjustment of their wage levels to comparable private sector wages in order to retain some incentive to work on a project basis for the government though formally as members of the civil service. Moreover, they demanded some equivalent to an unemployment insurance or a 'project completion reward' in order to bridge the period between a job in government and a job in the private sector either because they would have finished the project or because they would have had to resign due to the return of a 'non-professional government'. Hence, although these senior officials were not particularly committed to the civil service, they were not entirely indifferent towards its reform. On the one hand, they could not gain anything from the establishment of restrictions upon career mobility between the government ministries and the private sector, but, on the other hand, they favoured some reduction of risk against political dismissal.

In Chapter 6, we discussed the claim that, after 1995/96, the MSZP tended to appoint increasingly senior civil servants and state secretaries who were neither career civil servants nor project-oriented returnees but who were unambiguously entering the administration on an MSZP ticket. This claim has proven difficult to verify by assessing state secretaries' career path. Therefore, I will add the incentive structure of this group of politically committed senior bureaucrats as a rather hypothetical group. The senior officials of this smaller, third group had gathered either no or little

⁷⁷ This project-based, highly flexible approach to senior personnel policy is well illustrated in the appointment of a Deputy State Secretary responsible for the preparation of the health reform in the Ministry of Finance in October 1997, i.e. six months before the elections. The appointment was explicitly driven by project specific needs, here, the preparation of the health reform for the time after the elections. Furthermore, the decision demonstrates the expectation of the political and professional leadership in the Ministry of Finance that they would continue their term after the 1998 elections.

experience in the administration before 1990, but they had continuously been affiliated to the MSZP, for instance, by working directly for the party organisation or having held official posts in the former youth organisation of the MSZMP, KISZ. In contrast to the former two groups of senior officials, these senior officials considered the appointment to managing positions in the ministries as a necessary step in their political career. Hence, they could leave their mark in a particular policy area, which would eventually benefit their political career prospects. Moreover, they could gain some government craft in analogy to the concept of 'political craft' (Goetz 1997), which would pay off in later stages of their career, i.e. when they become Political State Secretary or Minister. To some extent, this career path had already been visible during the Antall government, when several state secretaries took over vacant seats in Parliament in 1993 or were elected MP in 1994. As shown in Chapter 6, during the Socialist-Liberal coalition there were two examples of Administrative State Secretaries who were appointed Minister. Hence, the pace of promotion on this career path is not pre-determined. However, like the group of project-oriented returnees, the ambitious junior politicians had little interest in Verebelyi's senior civil service reform because they preferred wage increases and severance pay instead of a stabilisation of their position as career civil servants in government.

As a result, during 1997, a situation was evolving that was characterised by growing disinterest of the governing parties and a large proportion of senior bureaucrats in supporting Verebelyi's civil service reform plans, especially the stabilisation of the senior civil service. This is not to say that Verebelyi's senior civil service reform met outright opposition. In principle, the SZDSZ, the MSZP and the diverse group of state secretaries and senior civil servants were positive towards a modernisation of the civil service including the establishment of a senior civil service that operates on the basis of merit. However, this generally positive evaluation of Verebelyi's reform proposal contradicted the interests of both the governing parties and parts of the senior officials at that particular point in time. It was simply not considered expedient for any of the players to go ahead with a kind of senior civil service reform suggested by Verebelyi in the Reform Programme. Moreover, the peculiar coalition

Finally, it is a good example for the MSZP's approach to policy-making, i.e. experts are allocated to both established or emerging policy problems.

constellation during the year before the 1998 national elections reinforced the impression that the time for a fundamental reform has not come yet.

In this context, also the Civil Service Department in the Ministry of Interior lost its enthusiasm to initiate far-reaching changes to the existing civil service system, and hence turned from being a proponent of the Reform Programme in principle to an opponent in the actual negotiations of the civil service reform Act. Firstly, as a result of his political weakness, Interior Minister Kuncze became explicitly defensive in his approach to civil service reform. Although he recognised the direction of the Reform Programme, he deliberately sought to diffuse controversial issues and to minimise the potential for an attack by the MSZP and Prime Minister Horn. Therefore, Kuncze instructed the Civil Service Department to prepare a Civil Service Act that would not lead to the introduction of major new elements to the existing civil service system because Kuncze feared that even if the MSZP in principle supported elements of the proposed reform, the mere attraction of attention as a result of debate could be damaging for him and the SZDSZ. Therefore, any changes were supposed to be within the scope of the existing system, and proposed changes were required to keep the need for debate low.

Secondly, the Civil Service Department was itself hesitant to prepare major reform initiatives. The political weakness of Interior Minister Kuncze, the low profile of civil service reform issues at that time, and the prospect of being perhaps soon under the political leadership of a minister from another party meant for the senior staff of the Civil Service Department that reform efforts should be kept at a minimum level. For instance, the Civil Service Department was well aware that the preparation of a radical overhaul of the existing civil service system shortly before the elections for a weak minister at the top would associate the department with the present political leadership. Therefore, the senior personnel of the Civil Service Department did not want to put at risk the trust of any potential new political leadership in its willingness to co-operate with the new leadership.

Finally, the civil service department did not show any major intention to co-operate with the Prime Minister's Office in particular the office of the Government

Commissioner. Rather, the coalition constellation and the government re-organisation in 1994 had cost the Civil Service Department much of the institutional influence it had held under the Antall government. In 1996/97, the Civil Service Department could effectively exploit the political conditions to re-gain parts of the territory it had lost to the Prime Minister's Office because it had the lead in preparing the amendment for the Civil Service Act. Consequently, the Civil Service Department effectively became an opponent to the civil service reform plans that were proposed in the Reform Programme. It took on board many of the criticisms of the line ministries, the hesitant, ambivalent positions of the governing parties and the reluctance of parts of the senior bureaucracy in order to establish its opposing stance vis-a-vis the office of the Government Commissioner. For instance, the Civil Service Department prevented the centralised compulsory disclosure of vacancies in the civil service in its own official journal as had been proposed in the Reform Programme. Although the Civil Service Department could have strengthened its institutional role in government, it could gain more from advocating the interests of the line ministries and hence to form a coalition against the Government Commissioner. In exchange the Civil Service Department was assigned the responsibility over the administration of the reserve system, although the system was considerably scaled down.⁷⁸ Furthermore, the Civil Service Department effectively blocked any attempts by the Government Commissioner to begin the reform of the classification system.

As a consequence, the scope for revising the 1990 Act on State Secretaries and amending the 1992 Civil Service Act became very small. The only relevant change of the rules governing the allocation of state secretaries to the ministerial organisation concerned the requirement of state secretaries to pass a special examination within one year after their appointment. However, this legal change was simply taken over from the 1992 Civil Service Act, which set this requirement for senior civil servants. After the Act on the Legal Status of Members of the Government and State Secretaries was submitted to Parliament, these non-changes did not cause any debate among government and opposition parties, as the main point of attack referred to the

⁷⁸ The Reform Programme had proposed such system firstly for senior officials rather than all civil servants, and secondly to be administered in the Prime Minister's Office rather than the Ministry of Interior.

gradual centralisation of government operations expressed primarily in the possibility to appoint a Minister as head of the Prime Minister's Office. However, due to the overwhelming majority of the governing parties in Parliament, the government could even afford the rejection of the proposal by many of the SZDSZ MPs.

Similarly, the amendment of the 1992 Civil Service Act reflected a lowest common denominator of what was acceptable to the coalition partners and demanded by the senior bureaucrats at the time of preparing the draft Act. For instance, the reform of the senior civil service including the establishment of a Civil Service Commission fell all together, and none of the proposed changes were included in the draft Act. By contrast, the centralised compulsory disclosure of vacancies was introduced for non-managing instead of managing civil servants, the administration was assigned to the Ministry of Interior instead of the Prime Minister's Office and the provision became only applicable when line ministries could not fill a formal vacancy within three weeks. As a result, the only substantial change that was included and met the support of all participants was the introduction of cabinets for Ministers and the Prime Minister and the establishment of a separate position of advisors to distinguish members of cabinets as formal political appointments from other civil servants. With respect to the reform of the remuneration system, the only significant changes that found approval were the introduction of a performance-oriented bonus for senior civil servants and state secretaries and the establishment of a severance pay for civil servants who were dismissed depending on their length of employment and their rank, both of which happened to reflect quite closely the preferences of the state secretaries and senior civil servants who had only been appointed after 1994, especially, to positions in the economics ministries. As a consequence, the legislation that was enacted in 1997 was effectively transformed from originally being a radical civil service reform programme to a small-scale change that tried to fix the most pressing dysfunctionalities of the day.

4. Conclusion

In conclusion, the civil service reform of 1997 was a continuation of the first reform wave in 1990/1992 rather than an entirely new reform project. It originated in the ambition of Government Commissioner Verebélyi to complete the 1990/92 civil service reform and to correct dysfunctional developments that had become apparent in the later Antall years and after the Horn government had taken office in 1994. However, the 1997 reform of the civil service effectively became a reform failure. Although the political conditions to complete the post-transition civil service reform project appeared to be favourable after the Socialist-Liberal coalition took office in 1994 and although the second reform wave was based on the comprehensive Public Administration Reform Programme, hardly any of the proposed institutional reform measures found eventually their way into the civil service legislation adopted in 1997. Instead, the Reform Programme got stuck as a result of changing short term interests of key actors of civil service reform and changing strategies in the pre-election coalition dynamics. In particular, Prime Minister Horn and the Ministers of both governing parties, a sizeable group of senior civil servants and state secretaries and the Civil Service Department in the Ministry of Interior either became opponents of Verebélyi's Reform Programme or their disinterest in reform was reinforced. By contrast, Government Commissioner Verebélyi and his Deputy Balász became the last proponents of a civil service reform that would have stabilised and de-politicised ministerial personnel policy. Consequently, the 1997 civil service reform generated all but a small-scale amendment at the margin that sought to fix the most pressing dysfunctional developments of the day, but this had virtually no impact on the degree of formal political discretion built into civil service legislation. Yet, Government Commissioner Verebélyi and his staff as well as many of the opposing and/or disinterested participants of the 1996/97 reform process expected that another attempt to complete the civil service reform project would be launched after the 1998 national elections - most probably under the leadership of the MSZP.

Chapter 9

Getting Away with It: The Third Reform of the Civil Service in 2001

1. Introduction

Contrary to the expectation of many observers, in the national elections in May 1998, the Socialist-Liberal coalition was replaced by a three party centre-right coalition under the leadership of Prime Minister Orbán from the Fidesz. Although the MSZP won the largest share of the popular vote, the FIDESZ became the strongest parliamentary party with 29.5% of the popular vote and 38.3% of the seats in Parliament as opposed to the MSZP with 32.9% of the popular vote and 34.7% of the parliamentary seats. The Fidesz had fought the national elections in an electoral alliance with the MDF, which gained 2.8% of the popular vote and 4.4% of the seats in Parliament. The Fidesz-MDF alliance formed a government coalition with the FKGP, which had won 13.2% of the vote and 12.4% of the parliamentary seats. In July, Victor Orbán from the Fidesz was elected Prime Minister of the new government.

The discussion of personnel policy during the Orbán government between 1998 and 2000 in Chapter 6 suggested that no major pressures to change the existing personnel policy regime should have arisen. The Orbán government had replaced more state secretaries of the Horn government than both the Horn and the Antall government had replaced when they took office in 1994 and 1990 respectively. Moreover, the Orbán government took maximum advantage of the degree of political discretion written into civil service legislation by recruiting more new state secretaries from other settings than the ministerial bureaucracy than both its predecessor governments. Finally, many of the new state secretaries were undoubtedly politically affiliated to the centre-right coalition. As a consequence, the analysis in Chapter 3 suggested that pressures towards the de-politicisation of personnel policy would only arise to the extent that remaining senior and higher civil servants were able to mount demand for

the reform of the civil service. At the same time, if these second tier bureaucrats were able to voice their demand, then the (new) members of the senior bureaucracy and especially the government would prevent the realisation of a civil service reform with de-politicising effects.

Contrary to this expectation and contrary to the 1997 reform and to a lesser extent the 1990/92 reform, the 2001 reform was clearly a politically initiated reform of the civil service. The ambition to pursue a radical civil service reform was primarily a brainchild of the new Minister heading the Prime Minister's Office, Stumpf and the agenda for the 2001 reform was already set in the government programme. However, closer scrutiny will reveal that the process that led to the adoption of the third civil service reform in 2001 shares many features of the scenario outlined above. Accordingly, after briefly discussing the reform agenda and the new constellation of key reform actors that arose after the 1998 elections, the Chapter reveals that the political ambition for civil service reform can be well traced to the poor performance incentive of second tier bureaucrats, the difficulties in attracting and retaining highly skilled officials and their impact on the policy-making capacity of the central government apparatus. This encouraged Minister Stumpf to initiate a far-reaching reform project including a partial de-politicisation of personnel policy. However, although the proposal for the third civil service reform enjoyed high level political support, the discussion shows that both the political interest of the senior governing party Fidesz and the career interest of the senior bureaucrats that had only been recruited into the administration after the summer of 1998 contradicted the attempt to partially reduce the degree of formal political discretion over personnel policy. These opposing positions crystallised in Prime Minister Orbán intervention into the negotiation process and the ensuing failure to endorse a partial de-politicisation of the civil service. As a consequence, the 2001 reform did only lead to the de-politicisation of the remuneration regime but not of the allocation regime. Finally, the 2001 reform underwent its first revision shortly after the Socialist-Liberal government led by Prime Minister Medgyessy took office in the spring of 2002. The Chapter will therefore briefly take issue with the origins of the 2002 amendment of the Civil Service Act at the end of the analysis of the 2001 reform.

2. Sowing the Seeds of Conflict: The Government Programme and the Re-organisation of Civil Service Reform Management

The agenda for the third civil service reform in 2001 was effectively set in the government programme in 1998. The government programme of the new centre-right coalition outlined the objectives of civil service reform in the context of the ambition to improve the efficiency of the state apparatus. The government programme placed great emphasis on the constitutional position of the Prime Minister as the only member of government elected by and accountable to Parliament. It made the criticism that although constitutional reforms had been realised shortly after the change of regime, the Prime Minister had not yet been endowed with the resources necessary to exercise his constitutional responsibility for the performance of the government. Therefore, the new government sought to transform the Prime Minister's Office into a 'strategic director and central co-ordinator of government activity', for instance, by establishing a portfolio referential system in the Prime Minister's Office. Moreover, the government announced measures to enhance the operational efficiency of the line ministries. In particular, it sought to revise the functional division of responsibilities between the line ministries, to apply preliminary efficiency studies in policy-making and to use modern management methods to improve the standards of professionalism within the ministries.

In this context, the government programme emphasised the central role of the civil service in delivering good and efficient government and criticised the inability of the institutional and financial conditions in place at the time of taking office to accomplish these goals. Therefore, the government felt committed 'to elevating the prestige of the public administration'. Moreover, the government programme put forward four objectives to be developed and implemented during its term in office in order to enhance the performance of the civil service.

- (i) to make 'the civil service career attractive to talented young professionals'.
- (ii) to strengthen performance based elements in public administration by making civil servants' 'salaries more flexible and differentiated, based on performance'.

- (iii) to establish 'an adequate training system' and to ensure that civil servants are well trained, 'dedicated to their work and spend their life in public administration'.
- (iv) to take measures against corruption in public administration. To this end, the government programme suggested to establish a 'new investigative agency to pursue crimes committed by those employed in the agencies of law enforcement', to establish a system for the 'compulsory property declarations of employees in certain public service positions', and to draw up a Code of Ethics for civil servants.

At first glance, both the ambition to enhance the prestige of the civil service and the general goals of civil service reform may be interpreted as an attempt to depart from the status quo personnel policy regime and to establish a formal-legal framework that strengthens professional criteria in determining the outcomes of personnel policy at the expense of political discretion. However, the discussion of personnel policy regimes in Chapter 2 suggests that the four general goals are not sufficiently specified to warrant the expectation that the planned reform would lead to a reduction of the degree of formal political discretion. Although an 'adequate training system' may be linked to professionalisation attempts, it does not have direct implications for the extent to which governments can exercise political discretion over the recruitment and appointment of civil servants. Similarly, the establishment of an investigative agency to prevent the occurrence of corruption does not imply that the staff of such an agency would be de-politicised in the first place. Finally, the discussion in the last Chapters suggests that performance criteria to determine civil servants' remuneration levels or the establishment of a particular career path does not mean that personnel policy will be less subject to the exercise of political discretion by governments and their ministers. Hence, none of the general civil service reform goals stated in the government programme implied that a successful reform will lead to a change of the degree of formal political discretion over personnel policy.

When taking office, the new Prime Minister Orbán from the Fidesz appointed Sándor Pinter as Minister of Interior and István Stumpf as Minister heading the Prime Minister's Office. Although Pinter was neither Fidesz member nor Member of

Parliament, the Fidesz was responsible for the nomination of a candidate for the Ministry of Interior. As a result, in contrast to the Socialist-Liberal government, the Civil Service Department in the Ministry of Interior was again under the leadership of the senior governing party. However, Minister Stumpf also established a Political State Secretariat for Public Administration and Regional Policy in the Prime Minister's Office initially headed by Balsay and after 1999 by Mikes, both from the Fidesz. At the same time, the Office of the Government Commissioner for the Modernisation for Public Administration was dissolved. Verebélyi was offered the Directorship of the Hungarian Institute of Public Administration, while the staff of the office including his former Deputy Balázs was integrated into the new Political State Secretariat. With respect to public administration issues, the Political State Secretariat was responsible for the strategic and developmental concept of public administration, the co-ordination of public administration policy tasks arising from European integration and international assistance programmes, and the design of principles for human resource policy in public administration including a uniform public service. Moreover, it became responsible for the management and transfer of central government senior civil servants on stand-by in the reserve system. As a consequence, the formal responsibility of civil service reform issues remained shared between the Prime Minister's Office and the Ministry of Interior, although the Ministers Pinter and Stumpf and the Political State Secretary Mikes came all (at least nominally) from the same party as the Prime Minister.

The retention of public administration affairs in the Prime Minister's Office originated primarily in the political priority shift of the Ministry of Interior and the objective of the Fidesz to fundamentally reform the system of executive governance as outlined above. Firstly, the revelation of the Tocsik scandal in the autumn of 1996 had placed the issue of corruption in public administration onto the political agenda. Until the elections in the spring of 1998, other minor cases had reinforced the public perception that corruption is widespread at all levels of public administration, which increasingly undermined the prestige of the civil service in the eyes of the public. Hence, the problem of corruption in public administration had continuously gained political salience and became a major issue at the 1998 national elections (Fricz 1999). Therefore, Prime Minister Orbán selected the former President of the National

Police until 1996, Pinter, as Minister of Interior. Moreover, Pinter replaced Administrative State Secretary Zsuffa with a former high-ranking official from the National Police Force, Felkai. Finally, Pinter brought the police back under direct ministerial supervision, as he abolished the Deputy State Secretary position responsible for police affairs in the Ministry of Interior. Hence, both the re-organisation and the personnel changes indicated a shift in political priority of the Ministry of Interior.

At the same time, the Civil Service Department was deliberately kept in the Ministry of Interior and its scope of responsibilities including civil service reform management was not changed. The designated Interior Minister Pinter had demanded this arrangement during the preparation of the government programme. Firstly, he as much as the senior officials of the ministry wanted to prevent the impression that the Ministry had been re-transformed from a 'Ministry of public administration' as originally envisaged by Antall to a 'Ministry of police' like during the socialist era. Secondly, the government had considered measures to bring public sector employees under a more unified legal framework at the time of writing the government programme. Hence, Pinter also sought to retain the Civil Service Department including responsibility of civil service reform affairs in the Ministry of Interior in order to increase their leverage upon the revision of the public sector employment laws, in particular, the position of employees of the police force in the new legislation.

Secondly, after taking office, the government quickly began to implement the new approach to executive governance around the Prime Minister and a strong Prime Minister's Office. In fact, the new government pushed the centralisation of the central government machinery further than Verebélyi had proposed in the 1996 Public Administration Reform Programme. In particular, Minister Stumpf drew on the experience of Ministers and state secretaries who had served during the Antall government and had pursued intensive research in the years leading to the 1998 elections. He concluded that the co-ordination failures of the first two governments and the tendency towards sectoral separatism can only be overcome, if the Prime Minister can take advantage of organisational and personnel resources that allow

both the effective co-ordination of government policy and the development of government policy strategies under his leadership (Stumpf 1999). As a result, the Prime Minister's Office was transformed into the 'strategic director and central co-ordinator of government activities' as outlined in the government programme with the following organisational features.

- The establishment of a cabinet responsible for direct advice to the Prime Minister;
- A politician in the rank of a minister heading the Prime Minister's Office;
- The establishment of Political State Secretariats responsible of the strategic planning and management of government policy including the Secretariat for Regional Policy and Public Administration;
- The establishment of Minister's Desks or mirror structures responsible for the co-ordination and supervision of government policy; and
- The inclusion of several government agencies like the Government Control Office or the Public Procurement Office into the organisational structures of the Prime Minister's Office.

Prime Minister Orbán had received the backing for the re-organisation of the Prime Minister's Office before the investiture of his government because, unlike his predecessor Horn, he had no serious competitors inside the Fidesz and he could reach a compromise with FKGP President Torgyán. Firstly, although the Fidesz had gradually become the largest party of the centre-right between 1994 and 1998, the party continued to be under the leadership of a small circle of politicians that had founded the Fidesz in 1988. When the Fidesz began its gradual move towards the conservative right of the party system after 1993 (see also below, last section), some of the leading figures of the first hour, for instance, Fodor, left the party and joined the SZDSZ. After 1994, the leading circle of the Fidesz retained its dominant position because none of the joining factions was able and willing to challenge the established leadership. In 1996, the MDF split when the Hungarian People's Party, MDNP, was formed by the moderate wing of the MDF, while the rump MDF represented the former conservative wing of the MDF. From the outset, the MDNP was a close ally of the Fidesz, while the MDF could only gain parliamentary representation in 1998 due to an electoral alliance with the Fidesz. Moreover, in

1997, the KDNP disintegrated when radical populist sections within the KDNP seized the leadership of the party. As result, the moderate wing of the KDNP founded the Christian Democratic Alliance, KDSZ, which later gained seats in parliament because some of its leading politicians ran on the Fidesz party list. However, the lack of a coherent ideological profile of the new allies of the Fidesz, the absence of any charismatic figure among the affiliated MPs and the circumstances that the Fidesz benefited from the disintegration of other centre-right parties stabilised rather than challenged the predominant position of the leading Fidesz circle, in particular Orbán. Therefore, in contrast to both Antall and Horn, Orbán did at no point face a serious competitor within his own party.

Moreover, the Fidesz could gain the approval for the re-organisation of the central government apparatus from the coalition partner FKGP in exchange for government offices, for instance, the appointment of an FKGP politician as Minister for the EU-PHARE programme, and in particular a political 'division of territories' within the central government. In contrast to the Antall government and to some extent the Horn government, the new government opted for a conception of 'single-coloured line ministries'. This means that the Minister and the Political State Secretary for a given ministry were chosen from the same party. Moreover, it was agreed that the Prime Minister would not interfere with organisational and personnel decisions of the FKGP ministries and would respect the leadership of the FKGP in its policy sectors. This arrangement was beneficial for the FKGP because all through the 1990s, it had effectively remained a single-issue party that was mainly representing the interests of the small-scale agrarian sector. As a result, the FKGP politicians Torgyán and Pepó were appointed as Ministers of Agriculture and Environment respectively and apart from regional policy issues that had come under the jurisdiction of the Ministry of Agriculture in 1998, the Fidesz's influence over FKGP territory was minimised.⁷⁹ At the same time, contentious issues between the Fidesz and the FKGP were mainly resolved at the top leadership level in informal coalition talks between Prime Minister Orbán and FKGP President Torgyán.

⁷⁹ In addition, the FKGP politician János Szabó became Minister of Defence. The arrangement at the top of the Ministry of Defence differed from the other two FKGP ministries in that a party official of the Fidesz was appointed as Administrative State Secretaries.

The 1998 re-organisation significantly enhanced the role of the Prime Minister's Office in government policy planning and co-ordination.⁸⁰ For instance, the modification of the government's standing orders made the Minister of the Prime Minister's Office the convenor of the weekly meeting of Administrative State Secretaries and formally included the heads of the mirror structures as full participants of this last filter before the government meetings. Hence, the co-ordination of government policy became centralised as policy proposals that originated in the line ministries were channelled through the Prime Minister's Office before reaching the government agenda. At the same time, the re-organisation of the Prime Minister's Office sought to strengthen its character as a key driving force in developing policy strategies for the government as a whole.

In this context, Minister Stumpf justified the retention of the public administration unit in the Prime Minister's Office as an element of his new approach to executive governance to develop strategies in the area of public administration reform including civil service reform. First, similar to Verebélyi's proposal in the 1996 public administration reform programme, Stumpf had in mind a senior civil service under the leadership of the Prime Minister and managed by the Prime Minister's Office as a complementary factor to integrate central government operations and to overcome problems of sectoral separatism. Second, Stumpf had the ambition to initiate and develop a reform of the civil service more generally that would fundamentally alter the career structure of the civil service and align the remuneration levels of civil servants closer with private sector wages in order to attract more talent into the administration and in order to enhance the policy-making capacity of the central government apparatus. Moreover, from the outset, Stumpf was aware that the achievement of these goals would require a clarification of career expectations among higher and senior civil servants including a clarification of the boundaries between senior ranks that should be within the reach of political

⁸⁰ Ágh (2001: 163) argues that "[a]together, the new PMO, the 'flagship' of central Government, has transformed the workings of executive power beyond recognition. It has acted within the incumbent Government like a super-ministry, managing the control and co-ordination of the major policy-making processes of individual ministries".

discretion and other ranks that should be more subject to professional rather than political rationality criteria.

However, the duplication of civil service reform responsibilities in the Ministry of Interior and the Prime Minister's Office signalled the emergence of a conflict between two ministries and their political leadership over the direction of reform and especially over the responsibility to prepare the reform already at the time of government formation in 1998. On the one hand, the compromise between the Fidesz and the FKGP over the establishment of distinct political territories at the central government level facilitated the re-organisation of the executive governance system centralised in a strong Prime Minister's Office. This, in turn, served to justify Minister Stumpf's desire to retain a department responsible for strategic public administration issues including human resource policy within the jurisdiction of the Prime Minister's Office, which was crucial in order to retain the institutional resources to approach the reform of the civil service as key component of the new approach to executive governance. On the other hand, Interior Minister Pinter could justify his desire to retain responsibility over civil service reform issues in the context of an anticipated attempt to unify the public service by emphasising the identity of the Ministry of Interior as a ministry for public administration rather than a ministry of police. As a result, although the general civil service reform goals of both ministries and their political leadership were not incompatible, they implied different emphases of reform. However, especially the duplication of civil service reform authority sowed the seeds of conflict that would arise during the preparation of the reform proposal.

3. Negotiating the 2001 Reform

The negotiations of the third civil service reform that was enacted in 2001 can be divided into three stages. Firstly, between the summer of 1998 and the summer of 1999, there were rather modest reform activities, although the reform agenda gradually widened. During this period the Ministry of Interior was in charge of preparing the reform of the civil service. Secondly, between the summer of 1999 and

the autumn of 2000, the Ministry of Interior and the Prime Minister's Office competed over the responsibility of civil service reform management, which led to continuous conflict that was carried into the cabinet. However, the Ministry of Interior remained formally responsible for the preparation of the reform.

Finally, the third period lasted from the autumn of 2000 until June 2001. During this period, the civil service reform was realised under the leadership of the Prime Minister's Office, although with participation of the Ministry of Interior and the involvement of Prime Minister Orbán. The main point of contention concerned differences between the proposal of the Prime Minister's Office and the position of Prime Minister Orbán over the rules that determine the composition of the senior executive service as a new elite corps. The discussion begins with the origins of reform proposed by the Prime Minister's Office in the first two periods. Then, it turns to the negotiations that led to the adoption of the amendment of the Civil Service Act in 2001. The discussion shows that the proposal of the Prime Minister's Office to establish a senior executive service that would have exhibited features of a personnel policy regime that allows structured politicisation, contradicted the political interest of the Fidesz and the career interests of senior appointees that were recruited during the Orbán government in the wake of a personnel policy strategy of open politicisation.

3.1. Competing Proposals: The Conflict between the Ministry of Interior and the Prime Minister's Office

During the first year in office, the Prime Minister's Office concentrated its activities upon the internal re-organisation and the structural and procedural mechanisms that link the line ministries to the Prime Minister's Office. As a result, after the investiture of the Fidesz-led government, the government decided to delegate the first tasks towards the preparation of a civil service reform proposal to the Ministry of Interior in September 1998, though in consultation with the Prime Minister's Office. Prime Minister Orbán justified this decision with respect to the potential work overload that could arise in the Prime Minister's Office. Initially, the Civil Service Department had to deal primarily with the continuous implementation of civil servants' basic

examinations, continued its efforts to develop a special examination procedure and elaborated a concept for further training of civil servants.

Moreover, the Civil Service Department began the conceptual work for the establishment of a uniform public service including civil servants. To this end, the Civil Service Department convened a Public Administration Co-ordination Committee to bring together the views and suggestions of representatives of public administration institutions whose employees were governed by other legal frameworks. In addition, the senior officials of the Political State Secretariat in the Prime Minister's Office participated in the preparation of a reform concept in the Public Administration Co-ordination Committee. As a result of the deliberations, the reform agenda gradually widened during the first year of the Orbán government. For instance, in April 1999, the development of a training strategy of senior civil servants was formally included into the reform deliberations, and in May 1999, another Government Decree delegated the tasks to revise the performance evaluation system and to develop a code of ethics for the civil service. Thus, during the first year of the Orbán government, the reform agenda evolved gradually in accordance with the general goals stated in the government programme.

During this period, the Civil Service Department did not attempt to prepare a fundamental reform of the civil service system. Although the political constellation had changed after the 1998 elections, it maintained a position similar to that held during the preparation of the 1997 reform and proposed only incremental reform measures that were by and large compatible with the existing civil service system. In the domain of determining civil servants' levels of remuneration, the Civil Service Department did not consider a modification of the classification system. Rather, it sought to adjust the incentives of civil servants by introducing additional honorary titles and by shortening the number of years civil servants have to spend in public administration in order to be eligible for an honorary title. This approach was justified as more flexible and as rooted in Hungarian administrative history, since honorary titles had been a major performance and career incentive for Hungarian civil servants during the inter-war period. Moreover, the Civil Service Department did not propose alternative mechanisms for the recruitment and selection of civil

servants and hence it did not challenge the high degree of formal political discretion built into existing civil service legislation. Instead, following the discussions in the Public Administration Co-ordination Committee the Civil Service Department intended to unify parts of the legal frameworks governing public sector employees. For instance, it was attempted to integrate the Civil Service Act and the Act on uniformed personnel into one single Act and to introduce different Chapters for different groups of employees.

As a consequence, the initiative to ultimately prepare a large scale reform of the civil service originated in the Prime Minister's Office, in particular in the close co-operation between Minister Stumpf and the Political State Secretariat for Public Administration and Regional Policy. As mentioned above, Minister Stumpf placed great emphasis on the implications of the civil service reform, especially the reform of the senior civil service, to enhance the coherence and policy-making capacity of the central government apparatus. As a result, the Head of Department for public administration affairs in the Prime Minister's Office, Balázs, began to prepare guidelines for a far-reaching reform of the civil service that would link the re-organisation of the central government apparatus and the reform goals of the government programme in the summer of 1999 independent from the Ministry of Interior.

Balázs regarded the 1997 amendment of the Civil Service Act as a major reform failure because hardly any of the propositions developed in the 1996 Public Administration Reform Programme had been incorporated into the amendment. Hence, the new reform initiative taken by the Fidesz-led government provided an opportunity to complete civil service related elements of the reform programme that had already been elaborated before 1998. According to Balázs, dysfunctional developments in the civil service that had already been apparent after the change in government in 1994, had become more serious by 1998. The 1997 reform had addressed neither the problem of an increasing wage gap between the civil service and comparable private sector wages nor the problem of instability and politicisation of the senior civil service. As a result, the 1997 reform had done virtually nothing to prevent the deterioration of the situation in the civil service.

First, after the Bokros austerity programme of 1995 and the failure to increase civil servants' wages in 1997, civil servants' wage levels had further fallen behind private sector wages, which had begun to increase at much larger rates since 1996 than wages in the civil service. The problem of relatively low wage levels concerned in particular the senior civil service, which could gain many times higher wages in comparable jobs in the private sector. Moreover, the heavy emphasis on the seniority principle and the rigid classification system implied that civil servants could only slowly improve their wage position when pursuing a career in the civil service. As a result, especially young university graduates lacked an incentive to pursue a career in the civil service and to enter the civil service in the first place. Consequently, the central government administration was increasingly exposed to a brain drain at the top and the inability to attract new talent into the administration.

Second, the personnel policy strategy of the Orbán government in 1998 had exacerbated this problem. Although both changes in government in 1994 and 1998 had witnessed the partial return of state secretaries and senior civil servants that had previously held senior positions in the administration, both changes in government had also demonstrated that the head of the administration tended to be guillotined whenever governments change. This policy prevented the development of institutional expertise and memory in the administration and, according to the administrative policy makers in the Prime Minister's Office, it began to have a negative impact on the professional capacity of the central government administration. The approach of the Orbán government to personnel policy that a 'young bureaucrat is a good bureaucrat', reinforced this problem (see also below). Regardless of the learning capacity of the senior appointees that had been new to the administration, it implied that ministries were managed by officials who lacked experience in administration and who had to take their apprenticeship at the top of the ministries.

At the same time, lower ranking managers and higher civil servants were increasingly de-motivated by their deteriorating wage position, the lack of incentive to perform well and to gain promotion in the ministerial hierarchy and the lack of political

commitment towards the establishment of a professional civil service. In principle, except a small minority of career state secretaries and senior civil servants, lower ranking senior civil servants and higher civil servants could effectively choose between two strategies when performing their job. Either they could seek promotion by means of demonstrating good performance and probably some commitment to the government's cause, which however would undermine their prospect to stay in office after the next change in government because their career progression and their policy record would be associated with that of the outgoing government. Alternatively, lower ranking managers and higher civil servants could try to keep a low profile, minimise debate and controversy over their tasks and hence seek to stay in their position in exchange for job security.

As a result, by 1998 or shortly after, a basic two class system had evolved in the central government ministries. On the one hand, the majority of state secretaries and many senior civil servants had been brought back or newly into the administration by the Orbán government. These appointees enjoyed the trust and support of the government and its ministers and they were in the driving seats when it came to policy-making in the ministries. Moreover, most of these appointees had no stakes in the de-politicisation of personnel policy because they could not expect that their career in the administration would depend on the formal-legal basis of personnel policy apart from benefits that could arise from new procedures that govern the compensation at the time of their dismissal. Rather, they had an incentive to co-operate as well as possible with the government because their positions in the ministries would effectively depend on the performance of the government and the results in the next national elections.

On the other hand, the group of officials in lower ranking managing ranks and in higher civil service ranks who had mostly been employed by the ministries for a long time and who still made up the largest proportion of the overall ministerial civil service had to adopt a defensive and receiving approach to policy-making. They had no incentive to demonstrate major willingness to co-operate with the new government or to show any initiative in the policy-making process because it would have enhanced their career prospects only in the short term. Moreover, this second

class of officials had little incentive to voice its dissatisfaction with the civil service policy of the government because it could have raised the impression of disloyalty and opposition to the new government. However, lower ranking managers and higher civil servants could have gained much from a civil service reform as it had been proposed by Verebélyi in 1990/92 and then in 1996 in the Public Administration Reform Programme because it would have effectively de-politicised career paths, clarified the expectations about their career prospects and enhanced their wage position as employees of the state administration.

Senior civil servants in lower ranking managing positions and higher civil servants were at no point actively involved in the civil service reform process. However, Balázs recognised this dilemma in the central government ministries and considered it as necessary to create conditions that would promote professionalism in the civil service, incentives to invest in the development of expertise and to demonstrate initiative in the ministerial policy-making process. Balázs criticised the propositions developed by the Ministry of Interior on the ground that, like in 1997, they would not address the challenges and hence not serve to alleviate the problems of the Hungarian civil service. Moreover, Balázs could be sure about the support of Minister Stumpf who had initiated an independent reform proposal of the Prime Minister's Office in the first place and who was aware that the success of his plans to enhance the central government policy-making capacity would hinge on a radical approach to civil service reform. Therefore, the Prime Minister's Office began to prepare a fundamental overhaul of the existing civil service system in the summer of 1999 in order to restructure the remuneration system and to develop a conception that would at least partially stabilise the senior civil service.

In the domain of determining civil servants' levels of remuneration, the proposal of the Prime Minister's Office sought to lift the multipliers for civil servants in their early career stage in order to attract young talent into the administration and for senior civil servants and states secretaries in order to prevent the departure of managing staff to the private sector. To this end, it was proposed to distinguish the career structure into three stages. In the first eight to ten years, young graduates would enter the civil service, gain promotions every one or two years and receive

remuneration increase far above the average annual remuneration increase. For instance, according to one of the first proposals in the Prime Minister's Office, young higher civil servants would have doubled their remuneration basis within 4 years. By contrast, in the second and the third career stage, the average annual remuneration increase would be much lower than in the first stage. However, at the end of the career, a higher civil servant would finally receive a large remuneration increase in order to be able to reach higher pension levels. In addition, it was proposed to almost double the existing multipliers for senior civil servants and state secretaries. As a result, the classification system for higher civil servants was supposed to become twice as steep as the existing system that had been adopted in 1992.

This structure of the classification system was justified with respect to the expectation that the most able civil servants would gain an appointment as senior civil servant after approximately eight years and hence would be able to triple their remuneration basis within eight years. On the other hand, civil servants who would fail to reach the senior ranks within ten or more years would have to make a choice between job security and the prospect of a generous pension at the end of one's career, and lower remuneration increases in their second and third career stages. As a result, the reform of the classification system aimed at both the attraction of young university graduates into the administration and the retention of senior officials in the top administrative positions.

Moreover, it was proposed to substitute both the highly discretionary personal remuneration list of ministers and the similarly discretionary 40/20% performance bonus scheme with a fully fledged performance evaluation system would serve to introduce the performance principle into civil service remuneration. Balázs reckoned that the establishment of a coherent, transparent and de-politicised remuneration system would only be possible, if the remuneration levels in the civil service would be aligned to remuneration levels in the private sector. The exercise of political discretion resulted primarily from the large turnover rates in the ministries, which exposed the formally established internal labour market of the civil service to the competitive pressures of the external labour markets. Hence, ministers were practically forced to adjust civil servants' remuneration levels the higher the

discrepancy between the internal and the external labour market and the larger the turnover in the ministry. This rationale implies that ministers were themselves the cause of pressure to the exercise of political discretion over the adjustment of remuneration levels the more they replaced officials in the ministries. At the same time, this means that the politicisation of the remuneration system is a secondary problem that can only be solved by either stabilising the civil service or by setting remuneration levels for the civil service that are competitive vis-a-vis the private sector. As it turned out, the final draft of the civil service reform proposal opted for the second option.

By contrast, in the domain of allocating civil servants to the ministerial organisation, the Prime Minister's Office proposed the establishment of a two-tier system. On the one hand, it sought to specify the recruitment procedure for civil servants in order to strengthen merit based criteria in the initial selection of civil servants. This proposition included both higher and middle ranking civil servants as well as senior civil servants. Moreover, it proposed the creation of a permanent and professional senior executive service. On the other hand, the Prime Minister's Office did not touch the existing institutional basis of allocating state secretaries to the ministerial organisation that granted ministers a high degree of discretion in the selection and appointment of state secretaries. This would have required a revision of the 1997 Act on the Legal Status of Members of the Government and State Secretaries and, in addition, it was considered politically impossible to impose restrictions upon the exercise of discretion to recruit, appoint and dismiss state secretaries.

Hence, in general, the proposal for the reform of the senior civil service reflected a compromise between the government's interest in retaining political discretion over personnel policy and the simultaneous need towards de-politicisation of personnel policy in order to strengthen the expertise basis of the administration. Both the members of the government and the new appointees to senior ranking positions had little interest in tying the government's hands over senior personnel policy affairs. Ministers of the Orbán government, Political State Secretaries that dealt with ministerial policy-making processes and many of the new Administrative and Deputy State Secretaries that had already been in office during the Antall years, had to deal

with the implications of civil servants' low level of motivation on a daily basis. However, rather than identifying the cause of the problem in the incentive structure of the civil service system, most members of the government and newly appointed state secretaries tended to interpret the defensive approach of the ministerial staff as opposition to the centre-right government and another prove that the administration is by and large sympathetic to the Socialists, and hence, not trustworthy. Hence, there was little prospect that members of the government and newly appointed state secretaries would support a change of the status quo of the allocation system in so far as the exercise political discretion was concerned.

Therefore, it was envisaged that a senior executive service that is limited in scope would create an island of comparably non-politicised and professional experts at the top of the ministries. This senior executive service would be separate from the bulk senior civil service, access would be densely regulated by standards and procedures that prevent the politicisation of this new professional corps, and its elite status would be reflected in remuneration levels above the top senior civil service levels. Moreover, membership in the senior executive service would be protected by restricting governments' possibilities to either dismiss senior executive staff or effectively force them to resign as was possible under the existing regime. At the same time, governments would be free to transfer and appoint members of the senior executive service to senior positions in the ministries and non-appointed staff would remain in a stand-by position and on the payroll of the government.

As a result, the senior executive service as initially proposed by the Prime Minister's Office implied the attempt to establish a personnel policy regime that allows structured politicisation to a limited number of senior civil servants and state secretaries in the central government ministries. This did not mean that Ministers were confronted with new restrictions upon the extent to which and the way they could exercise political discretion over the allocation of senior officials to the ministries. Ministers could still recruit officials from the ministerial bureaucracy or from any other setting and shape the composition of the senior bureaucracy in accordance with their desires. At the same time, the Prime Minister's Office expected that senior officials who would have a reputation of being selected on the basis of

merit would be less exposed to the pressures of political dismissal and if so, they would not be left out in the cold. Moreover, they expected that the senior executive service would create an important career incentive for civil servants in the ministries as well as new recruits who would otherwise be deterred from seeking promotion due to a too high risk of political dismissal. This approach differed from previous proposals that had usually advocated more or less the complete de-politicisation of the senior civil service. Accordingly, the Prime Minister's Office claimed that its proposal would finally lead to the establishment of a viable career system for the Hungarian civil service, in which civil servants could enter the administration as university graduates and could (quickly) raise through ranks to the most senior positions without having to fear their replacement after a change in government. Moreover, the Prime Minister's Office de-emphasised the need to unify public sector employment. Although it was recognised that a uniform public service could contribute towards the coherence of government, the Prime Minister's Office claimed that a permanent and highly professional senior executive service would be more conducive towards reaching this objective.

In the autumn of 1999, the proposal of the Prime Minister's Office was discussed for the first time at a government meeting. However, the discussion of the proposal generated major controversy between the leadership of Prime Minister's Office and the Ministry of Interior over the allocation of responsibility to prepare the civil service reform. Hence, in contrast to the constellations during the Antall and the Horn government, the conflict over the assignment of civil service reform responsibilities arose between two ministries that were led by ministers of the same political party. The proposals of the Ministry of Interior and the Prime Minister's Office were not entirely incompatible. They differed in the extent to which they sought to reform the existing civil service system and they proposed different instruments to achieve government coherence and an enhanced incentive structure for civil servants, but it was conceivable to integrate both proposals into one joint proposal. However, during the discussion of the reform proposals at the cabinet meetings, Interior Minister Pinter had sought to transform the question of functional responsibility over civil service reform into a confidence question. Because the Ministry of Interior was formally responsible for civil service affairs and because the

Ministry of Interior had initially been assigned authority over the preparation of a reform proposal, an assignment of functional responsibility to the Prime Minister's Office would be equivalent to the withdrawal of confidence from the Ministry of Interior and its political leadership by the government. As a result, in January 2000, Orbán confirmed the original division of labour between the Ministry of Interior and the Prime Minister's Office in order to prevent a cabinet crisis over the civil service reform issue.

The decision to confirm the original division of labour between both ministries, however, did not resolve the conflict inside the government. Because the Prime Minister's Office remained involved in the preparation of the reform through the government meetings, in the Public Administration Co-ordination Committee and through collaboration with the Civil Service Department of the Ministry of Interior, the competition sharpened after January 2000. The nature of the division between both ministries remained the same. On the one hand, the Prime Minister's Office sought to gain support for its large scale reform proposal. On the other hand, the Ministry of Interior was reluctant to take on board the propositions of the Prime Minister's Office and sought to secure its leadership over the reform preparations. As in the negotiations of the 1997 reform, the Ministry of Interior began to question the proposal of the Prime Minister's Office by incorporating the criticism of line ministries. For instance, the establishment of a senior executive service under the leadership of the Prime Minister and managed by the Prime Minister's Office implied a centralisation of personnel policy which was not appreciated by many line ministries. Similarly, the Ministry of Interior was hesitant to endorse a far-reaching reform of the classification system. For instance, the proposal of the Ministry of Interior would have implied additional expenditures for civil servants' wages of 20 billion HUF, which was seven times less than the figure that was proposed by the Prime Minister's Office. As a result of the inability to co-operate and the inability to agree on the content of civil service reform, Prime Minister Orbán decided in the summer of 2000 to exclude the Prime Minister's Office from further reform preparations.

However, in September 2000, the Prime Minister's Office pursued a final attempt to gain support from Orbán by preparing a note for the Prime Minister that compared the implications of the civil service reforms proposed by the Prime Minister's Office and the Ministry of Interior. As a result, Orbán reversed his decision in October 2000 and delegated the responsibility for the development of reform guidelines to the Prime Minister's Office, while the Ministry of Interior became responsible for writing the draft Act on the basis of the Prime Minister's Office's guidelines. This process of finalising and writing the draft amendment of the Civil Service Act was speeded up by an ad hoc committee for inter-ministerial co-ordination and occasional involvement of Prime Minister Orbán. The ad hoc committee consisted of the heads of the two departments in the Ministry of Interior and the Prime Minister's Office, the two Administrative State Secretaries and the two Ministers, Stumpf and Pinter. Hence, the intervention of Prime Minister Orbán hierarchically induced the co-operation of the Ministry of Interior and the Prime Minister's Office. However, eventually, it also laid bare the difficulties to reconcile the political interests and the personnel policy strategy of the Fidesz-led government and the initial proposal of the Prime Minister's Office.

3.2. *The Limits of De-politicisation*

The intervention of Prime Minister Orbán in favour of the proposal of the Prime Minister's Office and his position in the subsequent negotiations over the final shape of the civil service reform Act can be best understood with reference to the political interests of the Fidesz and the career interests of the senior appointees that had only been brought into the administration by the Orbán government. During the 1990s, the Fidesz moved its ideological profile from a radical liberal anti-communist youth movement to a liberal conservative anti-communist party. The Fidesz was founded in 1988 by university students and started its political life close to the SZDSZ. Hence, it was initially one of the parties that represented the Western-oriented pole in the Hungarian party system. During the slow rapprochement of the SZDSZ and the MSZP after the formation of the Democratic Charter, the Fidesz maintained its uncompromising stance towards the MSZP and shifted towards the right of the party

system as a liberal party with national commitments. The transformation of the Fidesz from a radical liberal anti-communist to a liberal conservative anti-communist party became most apparent after the weak showing in the 1994 elections and in particular the implementation of the Bokros package in 1995. Markus (1999b: 151) argues that "the introduction of the [Bokros] stabilisation package shifted the fundamental cleavage in Hungarian politics away from that originally formulated in cultural terms and towards a pre-class socio-economic commodification cleavage. The formal centrality of the cultural divide in party politics, [remained], however, persistent. "Class struggle" [became] dressed up as Kulturkampf."

Correspondingly, the Fidesz, like its competitors on the political right, increasingly denounced the economic policies of the Socialist-Liberal government as anti-national because they would aim at an adjustment to the world market dominated by multinational companies without taking into account the far-reaching effects on society, in particular the Hungarian middle class. Instead, the Fidesz toned down its free market rhetoric and placed greater emphasis on the social responsibility of the state, the need to adopt social and economic policies that support and strengthen the Hungarian middle class (Körösenyi 1999). The Fidesz indicated its ideological change by renaming the party as Fidesz-Hungarian Civic Party in 1995 (for the sake of convenience, I will continue to refer to 'Fidesz' rather than Fidesz-MPP). Moreover, in 1996, Fidesz published a new manifesto 'For a Civic Hungary', in which it provided its own definition of 'Hungarianess' distinguishing "between the 'national interest' (the interest of all Hungarians, wherever they live) and the 'interest of the state' (i.e. of the citizens of Hungary)" (Batory 2002: 18).

At the time of taking office in 1998, the civil service reform goals that were formulated in the government programme already broadly reflected the ideological turn of the Fidesz. The general goal to enhance the prestige of the civil service reflects both the changing role of the state advocated by the Fidesz and the standpoint that the civil service was a major representative of the Hungarian middle class whose social status and standard of living had severely deteriorated during the Socialist-Liberal government. Moreover, the promise to pursue measures that promote the status of the civil service was a formidable opportunity to exploit the failure of the

MSZP-SZDSZ government to deliver a 'civil service friendly policy' between 1994 and 1998. The MSZP had traditionally drawn disproportionately high electoral support from civil servants, whereas the Fidesz was essentially lacking a basis in the civil service.

Therefore, after the 1998 elections had turned the Fidesz into the leading party of the centre right, the Fidesz was in a position to signal its support for a strong civil service as a representative of the Hungarian middle class and to enhance the recognition of the Fidesz among civil servants at the direct expense of the MSZP. Moreover, against this background, the proposal of the Prime Minister's Office offered more political benefits than the propositions that had originated in the Ministry of Interior. In particular, the considerable remuneration increases for civil servants in the year before the 2002 national elections proposed by the Prime Minister's Office promised to be a means to signal the Fidesz commitment to the Hungarian civil service.

Secondly, the Fidesz remained particularly committed to promoting the lot of the young generation, which was, for instance, reflected in the creation of a Ministry of Youth and Sports in January 1999. Moreover, the Fidesz continued to connect youth policy to its uncompromising anti-communist position. Both in 1992 and in 1997, the Fidesz had rejected the civil service reform proposals because it criticised the failure to implement a rigorous change of regime policy vis-a-vis public administration. However, the Fidesz stood for a radical position, i.e. the change of regime vis-a-vis public administration would only be completed when the pre-1990 generation of administrative personnel that had been socialised under and into the socialist type administration dominated by the MSZMP, were replaced by a new generation of administrators. As a result, the Fidesz propagated the need to recruit the young generation that was naturally unaffiliated with the socialist past. The government programme had already included the goal to promote a career in the civil service that is attractive for the young professionals and therefore, the reform of the career structure could serve as a Fidesz-specific means to implement a change of regime policy towards public administration and to build a future basis within the administration. Consequently, the radical change of the classification system

proposed by the Prime Minister's Office met the political interest of the Fidesz because it benefited in particular civil servants in their early career stages.

Thirdly, the anti-communist position of the Fidesz had heavily shaped the personnel policy strategy of the government in 1998 and thereafter. The Fidesz regarded the Horn government essentially as a reincarnation of a pre-transition socialist government, especially due to the partial return of many senior officials that had already been in office during the Németh government. Bearing in mind again that the communist/anti-communist cleavage had come to reinforce the dominant socio-cultural cleavage since the early/mid 1990s, the members of the Orbán government felt entirely unprepared to work with state secretaries and to a great extent senior civil servants who had co-operated with the Horn government. As a result, in 1998, from the point of view of the Orbán government, it was virtually impossible to trust the senior bureaucrats in office in 1998 and hence none of them qualified for an appointment to the top ranks in the ministries. At the same time, the Orbán government re-activated many state secretaries who had gathered experience in administration in the early 1990s and recruited a large number of appointees who had previously not worked in the administration. Because many of these new appointees were in their thirties, the Fidesz was accused of following a strategy that 'a young bureaucrat is a good bureaucrat'.

However, a by-product of this approach was the difficulty to reconcile the personnel policy strategy of the Fidesz with the proposition of the Prime Minister's Office to establish a separate senior executive service that would be subject to the exercise of less political discretion than the senior civil service hitherto. During the inter-ministerial negotiations after October 2000, Orbán had made clear that it shall be a prerogative of the government to determine the criteria for the selection of members of this new elite corps. This position results primarily from Orbán's demand that the access to the senior executive service should be open to the senior appointees that had only been recruited into the administration after the summer of 1998. Hence, Orbán rejected the plan to gradually fill the positions of the senior executive service or to formalise particular entry criteria such as a certain number of years spent in the civil service in the Act.

Furthermore, there is good reason to believe that the majority of state secretaries and senior civil servants that had been recruited by the Orbán government supported Orbán's perspective to keep the access to the senior executive service open for at least some time to come. State secretaries and senior civil servants of other ministries had not been participant in the inter-ministerial negotiations between the Prime Minister's Office and the Ministry of Interior, but it is inconceivable that they had not voiced their position towards the establishment of a body of super-bureaucrats during the one and a half years that led to the adoption of the 2001 Civil Service Act. As a result, it was practically impossible for the Prime Minister's Office to stick to its original reform proposal, which would have implied a reduction of the degree of formal political discretion over personnel policy to the extent that the senior executive service was concerned.

Given Orbán's position towards the future composition of the senior executive service, the Ministry of Interior and the Prime Minister's Office agreed that the Civil Service Act should contain provisions for the adoption of a Government Decree that regulates the admission to the senior executive service. At the time of negotiating and writing the Civil Service Act, the representatives of the Prime Minister's Office did not regard this low level of restrictions upon the possible future exercise of political discretion as a failure or defeat of their proposal because they expected that the Government Decree would establish the same set of institutional arrangements, which they had originally envisaged for the Civil Service Act. However, after the adoption of the Act in late May 2001, it turned out that Orbán selected a new Deputy State Secretary, thereby effectively sidelining both Stumpf and Balázs, to prepare the Decree and that the criteria for the selection and recruitment of members of the senior executive service became much less restrictive than originally planned by the Prime Minister's Office.

In addition, in the meetings between the Prime Minister's Office and the Ministry of Interior, thorny questions were resolved on the spot and attempts were made to reconcile the reform proposals of both ministries. For instance, provisions were included that extended the scope of the Civil Service Act to uniformed public sector

employees by allowing senior officials of the police access to the senior executive service. Moreover, the initial resistance of line ministries to vest the authority of the appointment and management of the senior executive service by the Prime Minister and the Prime Minister's Office could be overcome because the Administrative State Secretaries of the line ministries were given the right to recommend candidates for recruitment to the Prime Minister's Office. Hence, the negotiations between the Prime Minister's Office and the Ministry of Interior were constructive after Prime Minister Orbán had effectively enforced the co-operation of the two ministries.

At the same time, the two ministries and the Fidesz more generally did not encounter any objections from the coalition partners MDF and FKGP. With respect to the MDF, this consensus derives from the close political co-operation between the Fidesz and the MDF at the electoral level, as both parties formed an electoral coalition with joint candidates for national elections in several districts, which established a kind of dependence of the MDF on the Fidesz for electoral survival. The FKGP, by contrast, played only a minor role in the final preparation of the Civil Service draft Act. Until autumn 2000, the FKGP had no stakes in civil service reform because the main division was about the assignment of functional authority to either the Ministry of Interior or the Prime Minister's Office and the compromise between the Fidesz and the FKGP in 1998 implied that the FKGP would refrain from political intervention into the 'Fidesz-territory' unless major political disagreement arises.

By the winter of 2000/2001, however, the FKGP had essentially lost its political action capabilities to potentially oppose the Fidesz' civil service reform project because the FKGP was internally deeply divided. In February 2001, the FKGP President and Minister of Agriculture, Torgyán, had to resign over budget irregularities in the Ministry of Agriculture and the Political State Secretary, Szabadi, was charged for corruption. In January, a small group of FKGP MPs had already split from the parliamentary faction of the FKGP to form an independent group and was eventually joined by other FKGP MPs. This group was supported by the Minister of Environment, Turi-Kovács. Moreover, Imre Boros, Minister without portfolio for PHARE affairs and interim Minister of Agriculture left the FKGP. As a result, the internal conflicts of the junior coalition partner paralysed potential opposition inside

the government and facilitated the adoption of the draft Act in parliament, as independent MPs supported the government. Moreover, in parliament, the Fidesz could usually also rely on the votes of the extreme right wing MIEP. Under other conditions, it is likely that at least the FKGP would have been reluctant to endorse issues like the prime ministerial right to appoint and transfer senior executive staff because it would have undermined the autonomy of FKGP ministers over their ministries.

As a result, the draft act was eventually submitted to the government and, in March 2001, it was submitted to Parliament. The amendment of the Civil Service Act was adopted at the end of May 2001 with the votes of the governing parties in parliament and against heavy criticism of the opposition parties. First, the SZDSZ maintained its position of the previous years. It rejected the substantial pay increase both for programmatic and electoral reasons. As a party favouring a policy of low tax burdens, it argued that the budget surplus should be passed on to the electorate by reducing tax levels rather than raising civil servants' wages. Moreover, the SZDSZ enjoyed too little electoral support within the administration in order to justify pay increases explicitly for the civil service on electoral grounds, which anyway tend to benefit the incumbent parties and not the opposition parties. Second, being a small party that is unlikely to become a senior government party, the SZDSZ was opposed to the centralising elements and the elements for strengthening political control as they had done during the Horn government.

The MSZP primarily rejected the legislative proposal because of the arrangements governing the creation of a senior executive service. At the same time, they had difficulties to find viable arguments against other elements of the reform. On programmatic grounds the MSZP was still not committed to civil service reform. However, the MSZP became electorally trapped with respect to the wage increases in the civil service and the public sector more generally. On the one hand, the MSZP continued to have a much stronger electoral base in the administration than the Fidesz, but had failed to implement wage increases while being in government. Because the Fidesz sought to implement wage increase for the civil service, the Fidesz could benefit from this policy at the expense of the MSZP. Moreover, the civil

service unions were only opposed to the pay related elements of the civil service reform to the extent that they concerned the much higher remuneration increases for senior and higher ranks in comparison to lower and middle ranks. Hence, the opposition of the MSZP risked a conflict with the civil service unions. Therefore, MSZP opposition in parliament could only target details of the pay reform such as an uneven distribution of wage increases for civil servants; an argument in which the MSZP finally gained support from the civil service unions. Yet, with its opposition to the civil service reform in general, the MSZP somewhat risked to further alienate civil servants at future elections.

Finally, the MSZP did not object to the creation of a senior executive service as a matter of principle, but it was opposed to the weak procedural constraints for the appointment of senior executive staff. Moreover, it was opposed to a stand-by clause that would grant five years continuous pay to senior executive staff whose assignment had been invoked. The MSZP argued that this gives the Fidesz-led government the opportunity to politically co-opt the higher levels of the civil service. Moreover, the MSZP was concerned that it would be forced to pay and care for many appointees of the Orbán government because, at that time, it could reasonably expect to return to government at least at some point in the future. Therefore, both the MSZP and the civil service unions argued that the senior executive service should be filled gradually with a maximum of 100 members per year. Moreover, they advocated the arrangement that only long serving civil servants, i.e. after five years of service, should be eligible for recruitment, as this would prove the party political neutrality of senior executive staff.

In the spring of 2002, when the MSZP and the SZDSZ won the national elections by a small margin and formed a governing coalition under the leadership of Prime Minister Medgyessy, it became one of the first decisions of the new government to quickly revise the rules governing the senior executive service. The key issue concerned the five year stand-by clause for members of the senior executive service whose assignment the Medgyessy government wanted to revoke because it obliged the government to continuously pay a high salary for at least some officials who were clearly associated with the former governing parties. When the Civil Service Act was

amended shortly after the investiture of the Medgyessy government, a new stand-by clause of two years was therefore introduced still before the positional assignment of inherited members of the senior executive service was revoked. This two year stand-by clause provides an interesting compromise. On the one hand, it recognises the obligation to pay a salary to some inherited members of the senior executive service for two years. On the other hand and quite in accordance with the 1997 reform process, it reflects the interest of new state secretaries who gained an automatic appointment to the senior executive service in the 2002 amendment to draw a severance pay in case of political dismissal after a future change of government. At the same time, however, the Medgyessy government decided to introduce more restrictive eligibility criteria for other civil servants who seek membership in the senior executive service. In other words, as a governing party, the MSZP has only partially modified the rules governing the senior executive service in accordance with the criticism it had raised during the debate of the 2001 amendment in Parliament.

4. Conclusion

In conclusion, this Chapter has shown that, in contrast to the first two major civil service reforms in 1990/92 and 1997, the 2001 reform of the civil service was clearly a politically initiated project. The reform reflected primarily in the ambition of Minister Stumpf to enhance the coherence and the policy-making capacity of the central government apparatus and was already spelled out in the government programme in 1998. However, the political ambition for reform originated to a good extent in the poor performance incentive of senior and higher ranking career civil servants and its negative impact on the policy-making capacity of the central government apparatus. As a consequence, Minister Stumpf and the senior officials in the Prime Minister's Office prepared a fundamental civil service reform, which, however, implied only a partial de-politicisation of the civil service system when viewed through the lens of political discretion by trying to establish a personnel policy regime that allows structured politicisation for a small elite of senior officials, namely the members of a senior executive service.

However, both the political interest of the senior governing party, Fidesz, and the career interest of the state secretaries and senior civil servants that had only been recruited into the administration after summer 1998 contradicted the attempt to partially reduce the degree of formal political discretion. These opposing positions crystallised in the intervention of Prime Minister Orbán in the negotiations of the final draft of the Civil Service Act. As a consequence, a fundamental reform was enacted in 2001, but, from the point of view of political discretion, only the remuneration system was de-politicised.

Chapter 10

Conclusion

In the Introductory Chapter of this thesis, I identified the discrepancy between attempts to establish professional, de-politicised civil services and continuing politicisation of personnel policy as one of the major puzzles of post-communist civil service developments. Having completed the journey across civil service reform and policy developments in post-communist Hungary, we can derive two major conclusions. Firstly, assuming that civil service reforms have led to the enactment of civil service legislation, the Hungarian case suggests that the above mentioned discrepancy has resulted from the adoption of civil service legislation that incorporates discretionary instruments, which governments and their ministers can use and have also used to determine the outcomes of personnel policy. Secondly, in Chapter 4, I argued that Hungary differs from other countries in post-communist Europe in that it had the most favourable conditions for embarking on a civil service reform that could support the de-politicisation of personnel policy. The analysis of civil service reform and policy developments in Hungary therefore suggests that the context of post-communist politics does not provide conditions that are particularly conducive for the de-politicisation of personnel policy and the establishment of civil service systems that have the capacity to prevent a potential politicisation of personnel policy. This Conclusion briefly summarises the main findings of the empirical analysis and puts the Hungarian developments in a comparative post-communist perspective.

In fact, Chapter 7 showed that the conditions for the establishment of a professional, de-politicised civil service in Hungary appeared to be even more favourable than the theoretical discussion had suggested. In Hungary, civil service reform did not come on to the agenda all of a sudden after the change of regime. Rather, it had been an important issue on the administrative reform agenda for nearly one decade before the change of regime and strong proponents of reform had emerged. They included the trade unions, but also academics from the National School of Public Administration, who were eventually appointed to key positions in the Ministry of Interior during the

Németh government (1988-1990) and retained their positions following the first free elections and the investiture of the Antall government. Moreover, senior and higher-ranking bureaucrats, who turned from being opponents prior to 1989 to being strong supporters of civil service reform thereafter, were crucial in promoting reform efforts, in particular, during the Round Table Talks of 1989. As a consequence, much of the conceptual and theoretical preparations that was necessary for the initiation of a civil service reform right after the change of regime had already been completed and individuals with the appropriate skill, determination and experience, in particular Administrative State Secretary Verebélyi, held senior ranking positions in the administration to support the reform efforts of the first post-communist government led by Prime Minister Antall. However, despite these favourable starting conditions, the initiation and preparation of Hungary's civil service reform right after the first democratic elections cannot merely be regarded as a continuation of previous reform activities. Rather, it was conditional upon the incentive of the new Prime Minister Antall to work with the senior and higher-ranking bureaucrats who had already been in office during the Németh government.

At first glance, the change of government that was embedded in a change of regime and the 'over-politicised personnel policy' (Goetz/Wollmann 2001) practice of the communist regime suggested that the Antall government was confronted with serious problems of political trust when taking office in May 1990. However, I showed that, shortly after taking office, the Németh government increasingly dissociated itself from the ruling communist party, MSZMP, and effectively became an 'interim government' (Linz/Stepan 1996). In this context, it began to break with the over-politicised personnel policy practice of the past by promoting reform-minded bureaucrats and by recruiting academics into the senior ranks of the state administration to prepare the policy reforms for the time after the change of regime. Moreover, I argued that the new government and especially Prime Minister Antall were able to mitigate problems of political trust in relation to senior and higher-ranking bureaucrats who had been in office during the last socialist government because they had an opportunity to learn about bureaucratic policy orientations during the Round Table Talks of Hungary's pacted transition. At the same time, the Round Table Talks provided a setting for senior bureaucrats to demonstrate their

willingness to co-operate with future, democratically elected governments. Finally, Antall recognised already during the Round Table Talks the need to work with bureaucrats who had begun their career at some point during the communist period, for their expertise would be indispensable for the success of the radical policy changes that were involved in the transformation process.

As a consequence, Chapter 6 demonstrated that, after taking office, Prime Minister Antall sought to work primarily with senior and higher-ranking bureaucrats who were effectively inherited from the communist regime. Although a large majority of bureaucrats in the most senior ranks were replaced, Antall's strategy to recruit most first generation state secretaries from the lower managing ranks of the ministerial bureaucracy can be considered as an attempt to take advantage of existing bureaucratic expertise. Consequently, the appointment of Administrative State Secretaries like Verebélyi but also Kajdi and Bogdan who prepared the Temporary Act on State Secretaries, and hence the continuation of previous reform activities, was only made possible by the particular circumstances that accompanied Hungary's transition to democracy.

In this context, Antall initiated first the preparation of the Temporary Act on State Secretaries and, shortly, after a far-reaching civil service reform that aimed at de-politicising personnel policy. These reforms, however, also reflected the career interests of senior and higher-ranking bureaucrats, who feared that future changes in government would undermine their career prospects in public administration. Moreover, the consensus among the members of the government and the senior bureaucracy was reinforced by their view that the transition to democracy requires the establishment of a professional civil service that is politically neutral and independent from political interference as well as their desire to follow Western European models of public administration.

However, the Antall government did ultimately not succeed in enacting the proposed civil service reform due to the emerging veto power of dissenting factions within the governing parties. In particular, the radical factions within the senior governing party, MDF, perceived major problems of political trust, as many of them had not had an

opportunity to alleviate these problems during the Round Table Talks, and more importantly, because their radical anti-communist position dramatically reinforced the perceived ideological and policy differences between former socialist governments and the first post-communist government. As a result, the radical MDF factions did not expect that the expertise of inherited bureaucrats would facilitate the preparation and implementation of the government's programme. Rather, they advocated far-reaching personnel changes in the ministerial bureaucracy, but the radical MDF factions had little direct influence over decisions to shape the composition of the ministerial bureaucracy, as they were underrepresented in the cabinet. As a consequence, these opponents of a fast-track de-politicisation of the Hungarian civil service were reluctant to commit towards the non-intervention into personnel policy because of a perceived distrust in the loyalty of bureaucrats who were inherited from the communist regime. Instead, they demanded tough transitory rules and/or an open system of allocation of civil servants to the ministerial organisation in order to enhance trust in relation to the ministerial bureaucracy at some point in the future.

Although Prime Minister Antall was initially well in command of both his cabinet and the factions of the governing parties in Parliament, he lost the capacity to impose the government's will upon parliament approximately six months after taking office, i.e. when the first major political crisis in the autumn of 1990 ended the honeymoon period of the new government. The main argument that finally convinced the opposing camps in parliament to support the government proposal, and not to further delay the adoption of civil service legislation, was the prospect of bringing Hungary back in line with European systems of public administration rather than opting for a Hungarian *Sonderweg*. However, the formal-legal framework that was adopted in the spring of 1992 incorporated a variety of discretionary instruments, which governments and their ministers could use to determine the outcomes of personnel policy, and, as I showed in Chapter 6, the Antall government and its successor governments have also done so.

Accordingly, I argued in Chapter 5 that Hungary's civil service system moved from a personnel policy regime that allows unbounded politicisation, which is characterised

first and foremost by the absence of specific civil service legislation, to a regime that allows open politicisation. In a personnel policy regime that allows open politicisation, the government of the day, or its ministers, has the authority to take decisions that concern the admission and dismissal, the appointment and transfer, and the remuneration of civil servants, while the exercise of this authority is subject to only minor procedural constraints such as general entry criteria. As a result, the government has the discretion to determine the composition and remuneration of the civil service by recruiting appointees from inside and outside public administration and by adjusting the remuneration levels of individual civil servants subject to few or no restrictions. In other words, although a civil service is functionally defined in public law, the boundaries between politics and administration remain highly permeable.

This conclusion applied especially to Administrative and Deputy State Secretaries at the apex of the ministerial bureaucracy whose allocation continued to be governed by the Temporary Act on State Secretaries. However, I argued that the allocation of senior civil servants, that is Heads of Departments, their Deputies and Heads of Divisions, and in fact the entire non-managing civil service became subject to the exercise of indirect political discretion. In the Hungarian context, indirect political discretion refers to the possibility of Ministers to exercise political discretion over personnel policy through the Administrative State Secretary, for an Administrative State Secretary is hardly constrained in taking personnel policy decisions, but his appointment is itself subject to potential open politicisation. Therefore, I concluded in Chapter 5 that the allocation of the entire senior civil service became subject to the potential open politicisation of personnel policy processes. In fact, the same conclusion applied to the wider non-managing civil service, but I argued that that ministers are unlikely to display a great interest in the management of civil servants below the managerial ranks. Moreover, although the 1992 Civil Service Act established a remuneration system, in which civil servants' pay was linked to a detailed classification system with clearly defined rights for supplementary pay, the analysis revealed that the standardised remuneration system coexisted with important discretionary schemes. In particular, the so-called personal remuneration list of Ministers, which applied to all ranks of civil servants in the same way, had the

potential to offset the entire standardised remuneration system. Consequently, I argued that the formal-legal framework governing the Hungarian civil service after the 1990/92 reform did not have the capacity to prevent a politicisation of personnel policy in neither the domain of allocating civil servants to the ministerial organisation nor in the domain of setting their levels of remuneration.

However, in Chapter 4, I argued that no other country in post-communist Europe had similarly favourable conditions for the completion of a civil service reform that would have provided the institutional conditions for an early de-politicisation of personnel policy processes. While the attempted civil service reform (partially) failed only in the last stage of the reform process, that is, due to the veto power of opposing factions within the governing parties in parliament, I argued that the other countries, with the exception of Poland, had little prospect of even reaching the stage of successfully initiating a civil service reform. Indeed, Poland had similar starting conditions than Hungary, for Poland's mode of transition to democracy also classifies as a pacted transition. However, regardless of any potential civil service activities before the change of regime, for instance, Poland was exceptional in communist Europe in that it was the only country that had adopted legislation in 1982 that was more or less comparable to civil service legislation, the first post-communist government led by Prime Minister Mazowiecki had much less favourable starting conditions than the Antall government in Hungary.

On the one hand, the Polish Round Table Talks are likely to have provided a setting where representatives of the democratic opposition could gauge the reliability of inherited senior bureaucrats, while bureaucrats could signal their willingness to cooperate with the new government, which eventually encouraged the Mazowiecki government to work primarily with inherited senior bureaucrats.⁸¹ On the other hand, however, we have to take into account that the Mazowiecki government was formed after the semi-democratic elections of 1989 and that it had to co-govern with President Jaruzelski from the communist party. Hence, the political context of the Mazowiecki government corresponded much more closely to that of the Németh

⁸¹ These insights originate from personal conversations with Radek Zubek from the London School of Economics, Department of Government.

government in Hungary, which was effectively lacking the legitimacy and the political capacity to initiate a far-reaching reform of public administration without the consent of the parties of the democratic opposition outside government. However, in Hungary, the window of opportunity remained open for a very short time after the change of regime, which implies that the protracted nature of the Polish transition and the ensuing government instability in the period after 1991 may have prevented the initiation of more ambitious civil service reform efforts until the mid 1990s (cf. Wiatr 1996).

By contrast, in Chapter 4, I argued that the other post-communist countries entered the immediate post-transition period with conditions that were even less conducive to the initiation and completion of a civil service reform with de-politicising effects upon personnel policy. Firstly, governments that took office in countries that underwent a transition by regime collapse such as Czechoslovakia but also the Baltic State, although they tend to be classified as transitions through state independence, did not have an opportunity to mitigate problems of political trust before taking office. Hence, although these first post-communist governments appear to have had difficulties to find alternative personnel for the senior ranks of the bureaucracy (e.g. Vanagunas 1999 for the three Baltic States), they initiated changes in the ministerial bureaucracy to the extent that they could. Moreover, even if the establishment of a professional, de-politicised civil service had become an issue in political discourse, the analysis of Hungarian civil service reform developments suggests that the new governments, which were exclusively formed by parties or movements of the former democratic opposition, would have hardly embarked on a de-politicisation of the civil service. The reason is that - bearing in mind the position of the radical MDF factions in parliament during the first Hungarian civil service reform - they would have been reluctant to commit to a mistrusted bureaucracy not to intervene into personnel policy.

By contrast, countries such as Bulgaria or Romania who had undergone an imposed regime change, which led to the formation of governments by communist successor parties after the first free elections, did not provide conditions that were conducive for the establishment of a professional, de-politicised civil service either. Although it

is much more difficult to set the Hungarian case in comparison to these countries, the literature suggests little reason to expect the initiation of a civil service reform. As Verheijen (1999c: 96) argues for the first post-communist government in Bulgaria led by Prime Minister Lukanov from the Bulgarian Socialist Party, "[t]here was a natural coalition between remaining old administrative cadres and politicians from the re-named Communist Party, based on political loyalty and the need for both politicians and civil servants to 'survive' under the new conditions". In other words, in countries ruled by communist successor parties in the immediate post-transition period, the over-politicised personnel policy dynamics of the pre-transition period were most likely to persist.

Consequently, the analysis of civil service reform developments in Hungary suggests that the only reasonable prospect for the de-politicisation of the civil service arises, if parties of the democratic opposition form the first democratically elected government whose members have participated in the Round Table Talks of a pacted transition and if these politicians are able to control suspicious forces within and outside government. The first government in Hungary was the only one in post-communist Europe that came close to this scenario, but it was unable to overcome the resistance of opposing groups in parliament, and therefore it can ultimately only be attributed to the desire of the new political and administrative elites to follow Western European models of public administration that the first civil service reform did not fail all together. As a consequence, we can conclude quite in accordance with the insights of the transition literature that the mode of transition and the initial constellation of actors after the first free elections have mattered a lot for the civil service reform trajectories in post-communist Europe. However, in terms of reform outcomes, the analysis leads to the conclusion that, directly after the change of regime, the road to the establishment of professional, de-politicised civil services in post-communist Europe posed too many obstacles to ultimately lead to a rapid de-politicisation of personnel policy and the establishment of formal-legal frameworks that provided the institutional conditions to prevent the politicisation of personnel policy processes.

In Chapter 4, I also argued that the prospects of establishing professional, de-politicised civil service in post-communist Europe do not improve as time goes on.

First, if, after a change of government, a government formed by a communist successor party is replaced with a government formed by parties of the former democratic opposition, it can be expected that more or less the same dynamics ensue, which other countries experienced earlier after a transition by regime collapse. Second, if a government formed by parties of the former democratic opposition is replaced with a government formed by other parties of the former democratic opposition or newly formed parties, again similar dynamics can be expected unless the ideological and policy differences between both governments are comparably minor, which would reduce the salience of governments' problems of political trust in relation to the ministerial bureaucracy. Third, I argued that the prospects are not more promising either, if a government formed by parties of the democratic opposition is replaced by a government that is formed by a communist successor party. Although a communist successor party is likely to be less troubled by problems of political trust because it will know a comparably large proportion of ministerial bureaucrats from the pre-transition period, it will still have an incentive to respond to the politicisation tendencies of its predecessor in government. Moreover, there is good reason to assume that a communist successor party will mind that some or many ministerial bureaucrats had chosen to co-operate with the previous government. As a consequence, I argued that personnel policy processes will also be politicised like in the first two cases above and that it cannot be expected that major civil service reform activities will ensue.

In fact, the analysis of the second and the third Hungarian civil service reform in Chapter 8 and 9 did again show that the conditions for a successful civil service reform in Hungary appeared to be better than suggested in the theoretical discussion. However, it also helped to clarify why it is hard to expect that the prospects of de-politicisation improve in later periods. Bearing in mind the delicate circumstances that led to his transfer from the Ministry of Interior to the Prime Minister's Office in 1994, the appointment of Verebélyi as Government Commissioner for the Modernisation of Public Administration and the investiture of the Socialist-Liberal government did initially promise to be the formula to finally establish a professional, de-politicised civil service in Hungary. First, located in the Prime Minister's Office and directly answerable to Prime Minister Horn, the reformers around Verebélyi

appeared to have gained more institutional leverage over the course of reform. Moreover, the establishment of the office of the Government Commissioner provided the mandate to prepare a comprehensive public administration reform programme rather than an piecemeal reform that would only lead to incremental changes at the margins of the existing civil service system. Finally, the formation of the Socialist-Liberal government that stood for an ideology of modernisation and Westernisation and the more than two thirds majority of the governing parties in parliament promised to represent the political conditions necessary for a successful completion of a reform that had not reached its objectives in 1992 and for the correction of 'dysfunctional developments' that had increasingly become apparent since 1992 such as the politicisation of personnel policy and the deteriorating wage levels of civil servants relative to private sector employees.

However, as it turned out, the reform proposal got stuck in the coalition dynamics before the 1998 national elections, and it contradicted both the personnel policy incentives of the governing parties and the career interests of senior officials who had only been brought back into the administration in 1994 and thereafter. First, the Horn government had replaced a large proportion of senior officials that had been recruited and promoted by the Antall government, in particular state secretaries, unless these officials had voluntarily resigned when the government took office in the summer of 1994. In their place, the government tended to appoint senior officials who had been recruited from other settings than the ministerial bureaucracy. The MSZP took advantage of its legacy as the former communist state party by bringing back officials who had already gathered experience in senior positions before 1990 and by recruiting new senior officials from various backgrounds of its wide-reaching social networks. Similarly, to the extent that the junior coalition partner SZDSZ sought to replace inherited senior officials, it tended to recruit personnel from social sectors, in which the party was well anchored. As a consequence, the two governing parties had effectively no interest in changing the status quo. Moreover, the new appointees who had only been recruited into the administration in 1994 or thereafter had nothing to gain from the de-politicisation of the senior civil service. However, they supported the elements of the civil service proposal that aimed at adjusting their wage levels to

comparably private sector wages and at providing some kind of insurance against political dismissal, given the possibility of future changes of government.

The disinterest of the governing parties in a far-reaching civil service reform was reinforced by the peculiar coalition dynamics in the period before the 1998 national elections, which resulted from the anticipated election victory of the MSZP and the gradual weakening of the SZDSZ. In this context, the SZDSZ did no longer advocate anything else but incremental policy change, while the MSZP could reasonably lean back and wait with a possible reform until after the upcoming elections. As a result, the ambitious civil service reform proposal that was outlined in the Public Administration Reform Programme of 1996 was transformed into a small-scale institutional adjustment of the status quo that would aim at alleviating the most pressing problems of the day. However, this implied that the existing discretionary instruments to politically determine personnel policy outcomes were left untouched. Rather, additional discretionary instruments were introduced such as the possibility for Ministers to set up ministerial cabinets, to grant civil servants a performance-related bonus payment as judged by Ministers and the right to severance pay in case of political dismissal.

Consequently, the second reform of the Hungarian civil service suggests that the investiture of a government formed by a communist successor party, alone or in coalition with other parties, does indeed not improve the prospects of establishing a de-politicised civil service in post-communist countries. The reason is that although a government of this type can be assumed to have less problems of political trust in relation to the ministerial bureaucracy when compared to parties of the former democratic opposition, attempts to establish institutional mechanisms that restrict the open politicisation of personnel policy contradict the desire to allow affiliated officials to commute between public administration, the private sector and even politics.

Moreover, the Hungarian case suggests that a communist successor party may be much less concerned with the consequences of politicising personnel policy processes. In Chapter 2, I argued that restrictions upon political interference into

personnel policy, i.e. a low degree of formal political discretion, serve as institutional mechanisms that can enhance the informational role of ministerial bureaucracies in the process of policy formulation and development. Conversely, in the absence of such restrictions, bureaucrats who seek to pursue a career in public administration will have less incentive to share their expertise with the government, to invest in the development of expertise, and, we might add, to enter the administration as a career civil servant in the first place. If a government can exercise a considerable degree of political discretion, a bureaucrat will have to demonstrate some political commitment to the government's cause in order to gain a promotion or to stay in the senior ranks. Moreover, even if a bureaucrat is promoted on the basis of his performance, a future government will have difficulties to trust the bureaucrats because his career progression will be associated with the exercise of political discretion by a previous government. As a consequence, I argued that a high degree of formal political discretion as well as the subsequent exercise of political discretion can enhance trust between governments and bureaucrats, but it can also be expected that it will have negative repercussions for the expertise basis of the ministerial bureaucracy, for governments will almost inevitably have to work with inherited bureaucrats below the very top ranks who have no incentive to perform well.

In Chapter 8, I argued that it was a major concern of the Public Administration Reform Programme to strengthen the professional capacity of the civil service. Moreover, the reformers around Verebéli had identified the politicisation of personnel policy as one of the major obstacles for improving the expertise basis of the central government apparatus. However, the personnel policy approach of the MSZP suggests that a government formed by a communist successor party may perceive less of a need to establish restrictions upon the exercise of political discretion to enhance the informational role of the ministerial bureaucracy; at least for quite some time after the change of regime. Rather, as the former state party, a communist successor party can typically rely on extensive networks of professionals from various sectors in society. As a result, it may have the luxury of at least partially substituting the loss of expertise within the ministerial bureaucracy by tapping the expertise of affiliated professionals, who may have even gathered experience in the administration before 1990.

This leads us finally to the third reform of the Hungarian civil service that was discussed in Chapter 9. Like the previous reform, the third reform did initially also seem to benefit from favourable conditions in which it was initiated. First, the broad outlines of the civil service reform were already presented in the government programme, which indicated political commitment to the completion of the reform. Second, the reform was eventually initiated and supported from the beginning to the end by the Minister heading the Prime Minister's Office, Stumpf. After taking office, Stumpf re-organised the central government apparatus in order to enhance the co-ordination capacity of the government. In this context, Stumpf and the reformers in the Prime Minister's Office also advocated civil service reform measures such as a fundamental revision of the career and remuneration system to attract young talent into the administration and to retain highly skilled personnel in the managerial ranks. Hence, the reform proposal stood well in the tradition of the 1996 Public Administration Reform Programme. In addition, they proposed the establishment of a senior executive service under the leadership of the Prime Minister to enhance the policy-making capacity of the central government and to better integrate government operations.

On the one hand, the reform proposal did not touch the existing institutional basis of allocating state secretaries and senior civil servants to the ministerial organisation, as it was politically undesired to impose across-the-board restrictions upon the exercise of political discretion to recruit, appoint and dismiss senior officials. Hence, it was still possible to fill positions in the ministerial bureaucracy in accordance with personnel policy strategies of open politicisation. However, the innovative element of the reform was the proposal to combine the existing type of personnel policy regime with institutional arrangements that point in the direction of a regime that allows structured politicisation. In a personnel policy regime that allows structured politicisation, governments and their ministers can influence the appointment and transfer of civil servants but not their admission to and their dismissal from the civil service nor their levels of remuneration. Therefore, I argued in Chapter 2 that the potential politicisation of personnel policy processes is structured in the sense that the pool of eligible candidates that may be appointed to by the government to

administrative positions is limited to internal candidates only. In particular, the attempt to establish a senior executive service as a separate elite corps of top civil servants who have already gathered experience in administration, are selected on the basis of merit, and enjoy privileges such as higher levels of both remuneration and job protection, aimed at providing an incentive for high-flyers to pursue a career in public administration.

However, notwithstanding the conflict between the Ministry of Interior and the Prime Minister's Office over the allocation of reform management authority, Chapter 9 showed that the reform proposal contradicted the interests of both the Fidesz and the senior officials who had only been recruited in the summer of 1998 and thereafter. First, in Chapter 6, I argued that the Orbán government had even less incentive to work with inherited senior bureaucrats when taking office in the summer of 1998 than the Horn government. The large majority of inherited state secretaries had been recruited and/or promoted by the Horn government and many of them had already held senior positions before 1990 but not in the later Antall years. Moreover, the wholesale change of government in 1998, the continuous polarisation of inter-party competition and especially the radical anti-communist position of the governing parties reinforced the perception of the members of the Orbán government that the Horn government was essentially a reincarnation of a pre-transition socialist government. As a consequence, the Orbán government initiated sweeping changes in the senior ranks of the ministerial bureaucracy and brought in trusted appointees from outside public administration, many of whom had already been in office in the later years of the Antall government. Moreover, in particular the Fidesz relied heavily on the recruitment of senior officials from its growing social network, many of whom were young in accordance with the legacy of the Fidesz as a radical, anti-communist youth movement. However, the by-product of this approach was the difficulty to reconcile the personnel policy strategy of the Fidesz with the proposal of the Prime Minister's Office because it would have excluded most of the new appointees of the Orbán government from eligibility for the senior executive service.

As a consequence, the 2001 reform did not lead to the establishment of an island of partially de-politicised bureaucratic career paths. Although elements of the formal-

legal framework such as a higher level of protection from political dismissal point in the direction of a personnel policy regime that allows structured politicisation, the possibility to admit officials to the senior executive service has in effect become a new discretionary instrument at the disposal of the government, especially the Prime Minister. Moreover, the revision of the senior executive service provision in 2002 by the Medgyessy government has hardly affected this conclusion because the introduction of additional entry criteria for civil servants other than state secretaries has been offset by reducing the level of protection from political dismissal from the senior executive service. Consequently, more than one decade since the change of regime and three major civil service reforms have led to the emergence of a personnel policy regime that continues to allow governments and their ministers to openly politicise the allocation of civil servants to the ministerial organisation, which is particularly relevant for civil servants in managerial ranks.

By contrast, the 2001 reform succeeded in de-politicising the domain of setting civil servants' levels of remuneration because the discretionary instruments to politically determine the outcomes of remuneration policy have been deleted from the Act. However, the analysis of the three major reforms since 1990 also suggested that the rules governing the remuneration of civil servants were only indirectly affected by problems of political trust. During the negotiations of the first reform, senior bureaucrats, especially from the economics ministries, effectively demanded the incorporation of institutional mechanisms that would allow the adjustment of their wage levels to comparable private sector wages. An adjustment to private sector wages would have been difficult to achieve, if civil servants' wages had been exclusively determined by the classification system. This would have created a degree of wage equality in the internal labour market of the civil service that was not mirrored in the external labour market, especially if one bears in mind that senior officials in the economics ministries had much more highly paid employment alternatives outside public administration than senior officials in the Ministry of Culture and Education. Hence, the incorporation of discretionary instruments into civil service legislation to determine the outcomes of remuneration policy was primarily the result of senior bureaucrats' personal interest.

In addition, the Ministry of Finance was opposed to proposals that would have led to across-the-board increases of civil servants' remuneration levels due to the budgetary implications. Finally, I argued in Chapter 9 that governments' personnel policy strategies have affected the use of political discretion to determine the outcomes of remuneration policy. The reason is that the tendency of new governments to replace inherited senior officials with appointees who are primarily recruited from other settings than the ministerial bureaucracy exposes the internal labour market of the civil service to competitive pressures from the relevant external labour market. As a result, the Hungarian case suggests that, in post-communist settings, a de-politicisation of the remuneration system is only possible, if civil servants' wage levels are brought in line with comparable private sector wages. Accordingly, I concluded in Chapter 9 that the de-politicisation of the remuneration regime in 2001 can primarily be attributed to the enormous remuneration increases that were implied by the reform and the favourable budgetary situation at the time of the reform negotiations.

By contrast, in so far as the allocation regime is concerned, the third reform by and large confirmed the earlier finding that the prospects of establishing a civil service system that is independent from political interference do not necessarily improve as time goes on. In Hungary, problems of political trust in the relation between governments and senior bureaucrats have been reproduced from one election to another. Moreover, the case of the Orbán government suggests that the radical anti-communism of parties of the former democratic opposition reinforces problems of trust because governments formed by this type of parties tend to associate virtually the entire ministerial bureaucracy with the communist past. As a result, governments that are formed by parties of the former democratic opposition have little incentive to recruit their senior officials from the ministerial bureaucracy but tend to turn to their own, emerging social networks. Bearing in mind that the communist/anti-communist cleavage is one of two cleavages that has had most impact on the political dynamics in post-communist Europe (Elster et al. 1998; Kitschelt et al. 1999), the Hungarian case therefore suggests that it can hardly be expected that governments formed by

parties of the former democratic opposition will support civil service reform proposals that go beyond a personnel policy regime that allows open politicisation.⁸²

At the same time, the original intentions of the 2001 reform indicates that post-communist governments are beginning to recognise that the continuous politicisation of personnel policy may have negative effects on the expertise basis of the ministerial bureaucracy, in particular below the very top ranks. Moreover, the 2001 reform demonstrates that governments are searching for creative solutions to enhance the informational role of the ministerial bureaucracy, while retaining the possibility to staff the bureaucracy with trusted appointees. While the most recent major reform of the Hungarian civil service has shown the difficulty in reconciling both goals, it also suggests that the story of civil service reform in post-communist Europe is still far from coming to an end.

⁸² Elster et al. (1998: 249) refer to the second key cleavage as an identity cleavage that divides "the population into members of the titular nation and religious, linguistic, and ethnic majorities of various kinds". At the same time, they emphasise the weakness of the socio-economic class cleavage in post-communist Europe.

Appendix

Interviews in Hungary

September 1999 and September 2002 (underlined on tape)

- Ágh, Attila. Professor of Political Science at University of Economics and Public Administration, Budapest. *19 June 2000.*
- Akar, László. Political State Secretary in the Ministry of Finance, 1994-1998. *21 June 2000. August 2000. 13 June 2001.*
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