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DEVELOPMENT OPPORTUNITIES OF THE HUMAN RESOURCE MANAGEMENT IN THE HUNGARIAN PUBLIC ADMINISTRATION BASED ON THE NEW GOVERNMENT ADMINISTRATION ACT

Abstract: The development direction of public administration staff policy was clearly declared in the different administration development strategic documents (Magyary Zoltán Public Administration Development Program 11.0; Magyary Zoltán Public Administration Development Program 12.0; Public Administration and Public Service Development Strategy 2014-2020) after 2010 in Hungary. The new neo-Wéberian state concept identified as a primary goal the provision of predictable, stable and continuously progressed career path and also the enforce of efficiency and good performance of the administrative staff. Furthermore the position was placed in the middle of human resource management (HRM).

Although roll-based HRM is a feature of the position-based system of public administration, as the high level of centralization was ruling in Hungarian public administration, the administration model was still graded as close-to-carrier-based system. The operation of the public administration is determined by the legal environment in all aspects. It is also true in the human resource management, especially in the carrier-based systems, which are characterized by a high level of centralization. There is a funny phrase, like what is not regulated in the public administration that is even doesn't exist. But also research results point at the phenomenon, that public administration employers are mostly focusing on those HRM activities, which are required by the legislation (e.g. performance assessment, competencies management, job tendering and selection, providing cafeteria benefits etc.).

The new government administration act (2018/CXXV. act) meant a very important milestone in the reform of staff policy in public administration. The new regulation changed many rules of HR processes and functions and we can state that freedom of the employees had been significantly increased in HRM decision making. Related to this, the question arises that can the new government administration act contribute to reach the level of strategic-based human resource management in public administration, or it may conserve its administration-based focus. I am looking for the answers to these questions in my study.

Keywords: strategic human resource management, paradigm shift, public administration, government administration, Kit.

INTRODUCTION

The development direction of public administration staff policy was clearly declared in different administration development strategic documents (Magyary Zoltán Public Administration Development Program 11.0; Magyary Zoltán Public Administration Development Program 12.0; Public Administration and Public Service Development Strategy

2014-2020) after 2010 in Hungary. The Government has recognized that thinking about public administration lately was all about renewal of legislation, and regulation-centred approach overshadowed the strategic approach and development. The key question of human resource management is the appropriate capability of the employer: what level of HR policy do the government and some employers as part of it practise (MP 11.0, pp. 43-44). The new, neo-Weberian state understanding has set its goal as combining carrier principle as a factor of predictability, with efficiency and performance values as factors of flexibility (MP 12.0, p. 60). In addition, another important change was that the government now focused on the job instead of the individual and rank.

Personnel related activities do not only consist of performing HR functions, but also of harmonizing, regulating and developing them in a structured way. The reason behind is that public administration is not only a group of administrative bodies within which these activities are performed, but a system of organizations which shall work on a unified and harmonized basis, which also contains systematic management of HR functions. The model of a service state requires complete implementation of strategic, integrated human resource management and career model as well (PAPSDS, p. 61).

In case we have a high level look at the history of human resource management, we can distinguish between four phases based on the Peretti model (Bakacsi et al., 2000). The first phase is the so-called Personal Administration (from the 18th century till the 1950s). This phase is characterized by basic labour administration (employment contracts, holiday administration, salary payment, administration of social matters). In the second phase, called Personal Management (from 1950s till mid-1980s), human resource management is already a full-right organizational unit. Conscious selection and development and spreading of fringe incentives feature this phase. Human Resource Management was being formed from the 1980s, where senior management did not only think about employees as cost factors any more, but as necessary resources on whose performance the company's success depends. From the 1990s we can talk about the fourth phase, Strategic Human Resource Management. Companies realized that in order to maintain competitiveness, strategic thinking and systematic approach is inevitable, through which human functions and processes have to be developed.

In case we examine in which Human Resource Management phase Hungarian public administration lies at the moment, then based on researches we can say that it is in a transitional phase between Personal and Human Resource Management, as can be seen on the figure below.



Figure 1: Development phase of Human Resource Management of Hungarian public administration

Source: Szakács, 2014a, pp. 17-20 own editing

This transitional period is visible from the studies from the below facts (Szakács, 2014a, pp. 19-20):

- Activities are mainly administrative and bureaucratic in nature
- Functional organizational units and experts have follower attitude
- Ad hoc existence of strategic point of view and strategic thinking
- Performed HR functions follow mainly solutions set out in legislation, and these are not connected to each other.

Legislation has to be emphasised from the above listing as an outside factor having important impact on an organization's human resource management. All areas of public administration are always regulated by the law in effect. Funnily they say that things that are not regulated by the law within public administration, are non-existent. Thus the characteristics of the legislation have a high impact on the room for organizational HR policy (Szakács, 2014a, p. 20).

In case we have a look at the rules of employment policy within the Hungarian public administration, we can see that although after 2010 there were a lot of forks and merges in employment acts, the government's employment policy has maintained its strong centralization in operating HR functions. Accordingly – although in various respects greater freedom has been granted to the employers by the government in the past few years – employment policy of our public administration has reserved to be characterised as a rather closed system model.

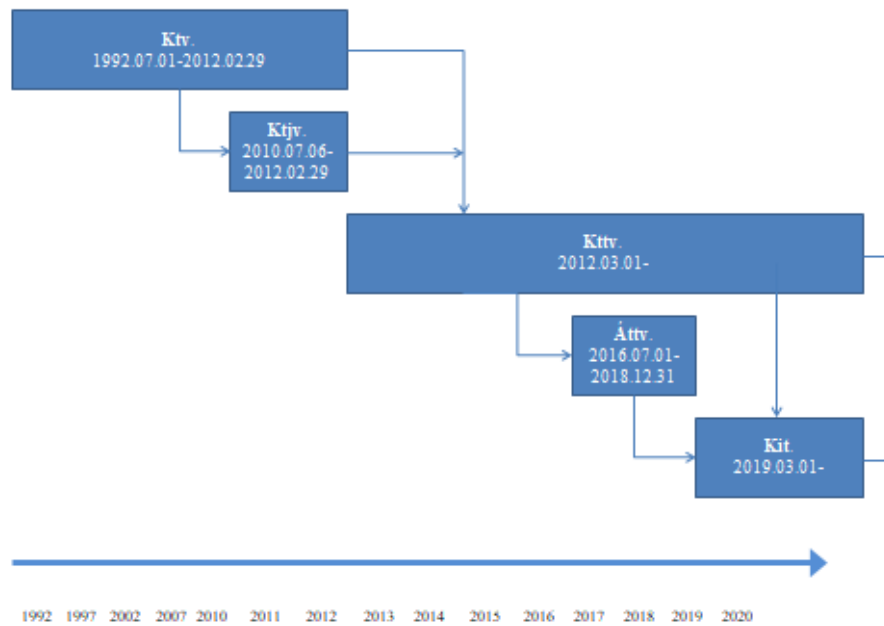


Figure 2: Changes in rules of employment policy in Hungarian public administration (1992-2019)
Source: own editing.

The full names of the acts in the figure above are:

- Ktv. (1992. évi XXIII. törvény a köztisztviselők jogállásáról),
- Ktjv. (2010. évi LVIII. törvény a kormánytisztviselők jogállásáról),
- Kttv. (2011. évi CXCIX. törvény a közszolgálati tisztviselők jogállásáról),
- Áttv. (2016. évi LII. törvény az állami tisztviselők jogállásáról),
- Kit. (2018. évi CXXV. törvény a kormányzati igazgatásról).

The new government administration act (2018/CXXV. act) meant a very important milestone in the reform of staff policy in public administration. The new regulation changed many rules of HR processes and functions and we can state that freedom of the employees had been significantly increased in HRM decision making. Related to this, the question arises if the new government administration act can contribute to reach the level of strategic-based human resource management in public administration, or it may conserve its administration-based focus. I am looking for the answers to these questions in the next.

The main body of my research relies primarily on the comparison of the HR functional models set out in two regulations (Kttv., and Kit.). Due to the volume limits set out for this study I do not have the opportunity to examine all HR processes and functions, thus I will describe the following topics: strategic planning and staff management, recruitment and selection, training and development, individual performance evaluation, remuneration and promotion. Related to the HR functions I examine if the changes in regulation increased or decreased the ability of employers to make decisions freely, or it was left unchanged.

1. STRATEGIC PLANNING AND STAFF MANAGEMENT

One of the main prerequisites of implementing strategy based, integrated human resource management is that the government of the state is characterised by a hierarchical system of strategic plans, to which all public administration organizations can relate to with their own professional strategy, and upon which documentation system the human resource strategy of these organizations can be built (Szakács, 2014b, p. 26). In Hungary – as depicted by below figure – there is an established system of strategic planning which is regulated on top level. This includes all levels of strategic planning starting from the individual institutions up till nation strategies.

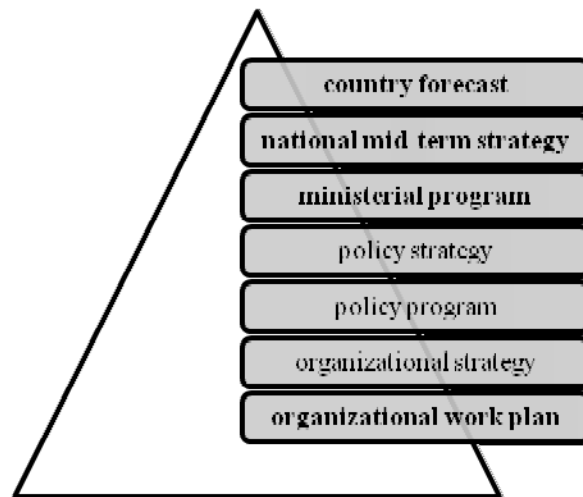


Figure 3: Hierarchy of governmental strategic documents
 Source: based on 38/2012. (III.12.) Korm. rendelet 8. § and 11. § own editing

On the figure, documents written with bold letter are compulsory documents, while the need for the preparation of other documents depends on the responsible person in charge. As we can see, every organization must have the so called organizational work plan, which contains the organizational goals for a year and the short term strategy of human resources (Krauss, 2017, p. 199). However, this phenomenon does not lead us automatically to the lack of organizational strategy. Professional strategies within the organization (HR, finance, IT, communications etc.) could be built upon organizational work plans, but researches prove that within public administration it is rare to find any functional strategies.

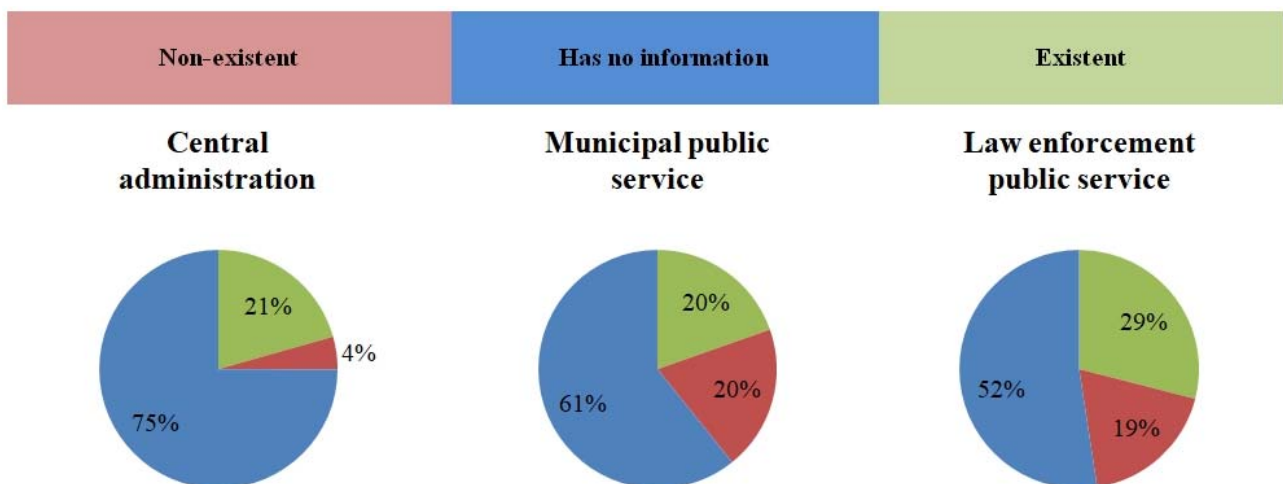


Figure 4: Existence of HR strategies within public administration
 Source: Krauss, 2014, p 14.

It can be clearly seen from the figure above, that the majority of the members of the target groups of the research in 2013 do not have information if their organization has any HR strategy. Only few were sure that their organization does not have such functional strategy. As it is a basic prerequisite for HR strategies to become successful that these are published widely within the organization and that they reach all employees, we can make the assumption that in case employees do not know about the existence of any HR strategy, they do not even exist. If we take this assumption forward, we can say that 80% of the organizations within public administration do not have any HR strategy. Without this in place, it is highly probable that planning and operation of HR processes and functions are based on following regulations and acting on ad hoc basis.

One example for the above mentioned possibilities can be organizational staff planning, which has gone through significant changes in the past years.

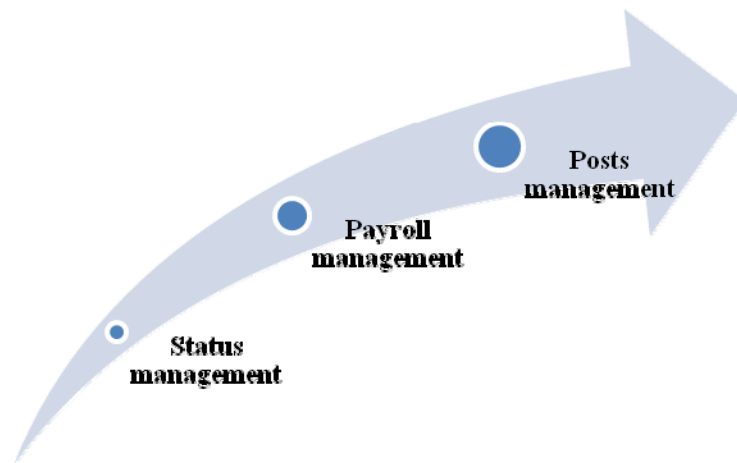


Figure 5: Historical development of manpower management
Source: own editing

Up till the 31st of December 2014, so called status management was typical within public administration. In practice, this meant that the government set out in regulations the number of statuses each organization could have to fulfil their functions. Organizations could fill up these statuses, but they could also decide not to hire anyone for some of the statuses. This phase was followed from 1st of January 2015 the so called payroll management, which was in force till 28th of February 2019. Main characteristic of this phase was that the number of open statuses was not specified for the organizations, but based on the overall payroll at their disposal, organizations could decide themselves how many employees they employed. It is important to emphasize that both status management and payroll management phases, the remuneration system in public administration was very inflexible, thus employers had limited number of opportunities to define salaries. Significant change was brought though by the Kit. law coming into effect. In addition to the increased freedom of employers to define salaries, it also introduced the so called posts management in staff management. In case of posts management, similarly to status management, the government defines by law how many posts an organization has. An important difference is that in case an organization cannot or does not fill the posts at its disposal within 6 months, then the empty ones will get lost for the organization and they will get transferred into a central repository. From here, the organization can only receive the post back if the government approves the request.

2. RECRUITMENT AND SELECTION

In terms of recruitment and selection, both Kttv. and Kit. outlines only the framework. Based on the framework, each organization can decide if they want to fill the open positions with invitation or with application procedure. However, in case an organization decides to proceed with application procedure, they can only hire a person that applied for the job and fits the prerequisites of the application.

To foster recruitment, the human resources centre maintains a recruitment database, to which employers have free access. It has to be noted though that based on general experience the efficiency of using the central recruitment database is quite low, the job portal of public administration (www.kozigallas.gov.hu) is more effective, but best is advertising on privately owned job portals. It is important to mention related to the latter that based on government decision, every public administration job posting is considered as government communication, which has to be approved in writing by the National Communication Bureau in advance. This approval procedure can prolong the recruitment process significantly.

In the field of selection, both Kttv. and Kit. laws provide major freedom for the employers. Although there is a possibility to request human resource centre to perform the selection process (they use the selection tools of personal interview, competency test and assessment centre), general experience is that organizations prefer to run selection process with their own techniques at their own discretion.

3. TRAINING AND DEVELOPMENT

It is a general expectation from civil servants that they perform their jobs more and more efficiently and professionally. When we make our opinion about a public organization (how good or bad the service is that they provide), we always comment on the employees working there. However, the way a person performs his or her tasks is largely defined by his or her knowledge, how qualified he or she is. In order to provide high quality service, it is inevitable to continuously develop employees (in service training), refresh their existing knowledge, help them acquire new skills and

competencies (György, Hazafi Eds., 2018, pp. 142-143). In alignment with this, there is a complex system of trainings and various administration exams existent in public administration.

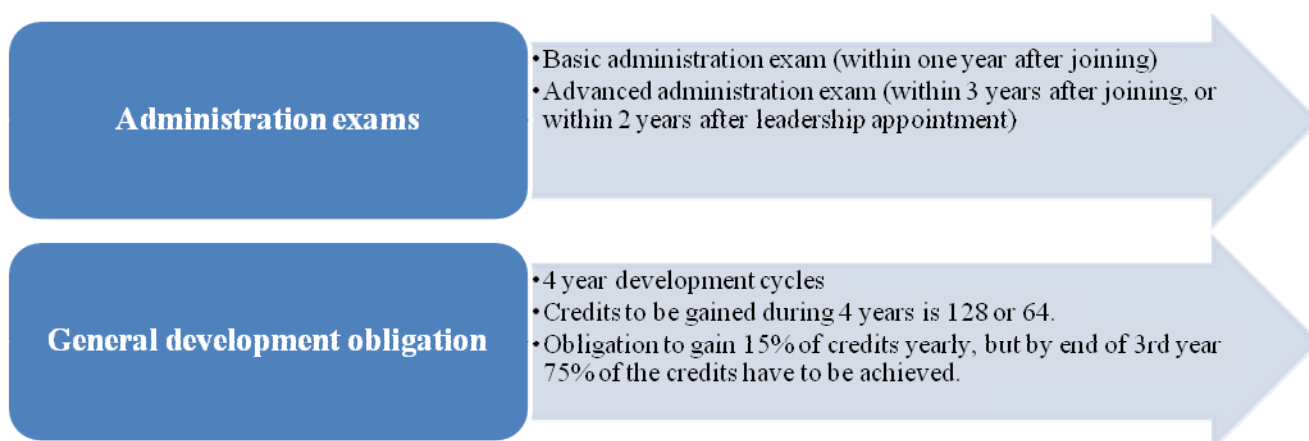


Figure 6: Mandatory trainings and exams as per Kttv.
Source: Based on Kttv. and 173/2012. Korm. rendelet own editing

Rules regulated by Kttv define that those joining public administration have to pass a basic administration exam within one year of joining, and within 3 years (within 2 years for leaders) they need to pass the advanced administration exam. The aim of the basic administration exam is to ensure that employees joining public administration with different qualifications gain the necessary basic knowledge in relation with the tasks they need to perform. The aim of the advanced administration exam is to ensure that graduated employees gain such public administration knowledge that allow them to prepare for and make public power decisions lawfully – which are in line with the aims of public administration and using the assets of public administration efficiently. The basic administration exam can be considered as a so called path exam, missing the obligation to pass it before the target date implies the automatic cessation of employment. Advanced administration exam is a so called career exam, which is fundamental for progression (Szabó, Szakács Eds., 2016, p. 169).

Generic development of civil servants is defined in 4-year cycles. Graduated employees have to gain 128 points within 4 years, while those having secondary educational certificate have to have 64. It mandatory to obtain at least 15% of the prescribed points yearly, but by the end of the third year employees must complete 75% of their obligation for the whole cycle. Development programmes have a wide variety, among them we can find public administration development programmes as well as professional and competency development trainings, just as leadership programmes (Szabó, Szakács Eds., 2016, p. 61, pp. 166-167). Organizations also have the possibility to include their own trainings to the development programme, but only 25% of the credits can be collected from internal (organizational) trainings during one cycle. Although there are no regulated sanctions if one misses to oblige with this development liability, but the employer can do so at its own discretion.

Kit. law predicts significant changes in the development system of civil servants. One of the most important modifications is that centrally specified path and career exams will cease to exist, but the employer can still decide to stick to them. In addition, another important change is that significance of central development programmes will decline within the development system, while the ratio of organizations' own trainings will increase to 50-50% from the previous ratio of 75-25%. Moreover, the 4-year cycles will be abolished, and we expect that the responsibility to define the yearly development obligations of the staff will be transferred to the employer.

4. INDIVIDUAL PERFORMANCE EVALUATION

In Hungary, evaluation of civil servants' individual performance has a century of tradition. Based on Western examples, the first government regulated evaluation system was implemented in 1884. Since then, some kind of simplified employee evaluation system has almost always been in use (Szabó, Szakács Eds., 2016, p 192). The government first attempted to implement the current modern evaluation system in the beginning of 2000s. After multiple unsuccessful attempts (2002 TÉ, 2007 ETÉ) finally the TÉR system implemented in 2013 was the one that rooted and got incorporated to practice.

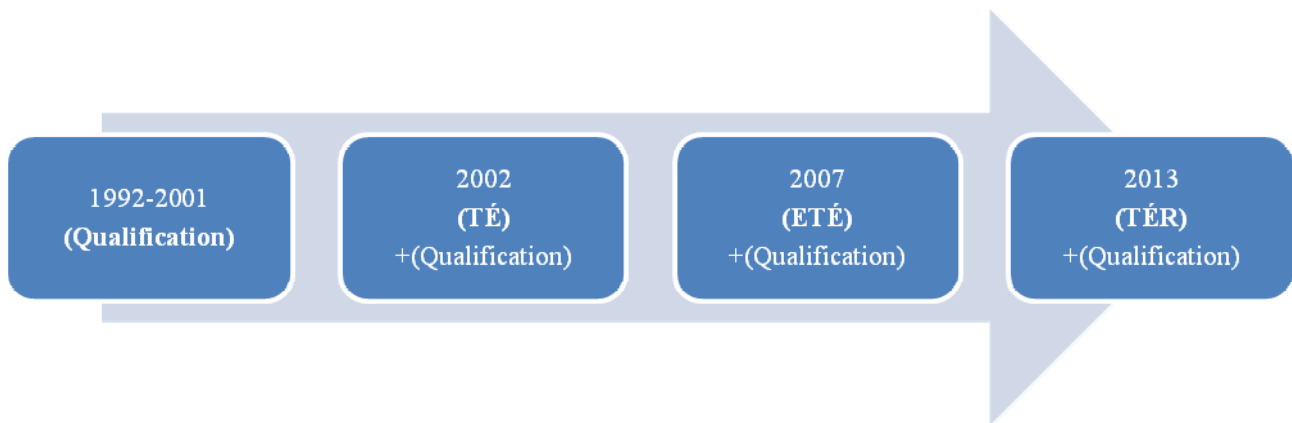


Figure 7: Development of individual performance evaluation within public administration
Source: own editing

The most important characteristics of the TÉR system introduced in 2013 is that it prescribes mandatory evaluation of all civil servants every 6 months. The evaluation has mandatory and recommended elements to it. Mandatory elements consist of two sections, one of them being the so called job based individual performance requirements (3-4 pieces), the other being centrally prescribed so called competency based professional attitude requisites (14 for subordinates, 15 for leaders). Utilization of recommended elements depend on each organization's own decision, but the experience so far is that organizations do not use these, but only the mandatory ones. Although based on the evaluation results the salaries could be diverted by the employer both to positive or negative direction and they could also pay premium, most important characteristic of TÉR system is that – unlike its predecessor (ETÉ), which was premium-based – it is development-based and securing competencies to be developed lie in the centre of it.

Based on Kit. regulation, the mandatory characteristic of performance evaluation will cease to exist, the employer can now decide on formalizing any evaluation within the organization. At the same time, employers can still divert salaries based on evaluation results and they can pay out premiums too. Currently we do not have any information if the methodology or other components would significantly change, in my opinion we do not need to expect that. However the risk of organizations not having enough funds to divert salaries based on performance evaluation results or paying out premiums to the employees could jeopardize the existence of a formal evaluation system, and employers might decide not to use it at all. We should not forget about the fact that during job classification and the so called smartening of posts, employers have already informally taken into consideration the individual performance of their employees and thus they might have placed them into superior classification, which means that performance based diversion of salaries would be double recognition of individuals, and that is unnecessary from professional point of view.

5. REMUNERATION AND PROMOTION

In terms of remuneration and promotion Kttv. is very inflexible, it prescribes the utilization of central rules. In definition of salaries, qualification (secondary or higher education) of the civil servant joining, work experience, place of employer in public administration hierarchy and some individual competencies – like language exam, professional qualifications – are the ones that count. Definition of some factors influencing salaries happen based on legislation, employers do not really have a say in the process of defining it and they can first 'divert' it in the year after the employee joins public service. Promotion also happens according to automatism under Kttv. which happens automatically when the defined number of years in service pass (every 1, 2, 3 or 4 years). Although employers have the opportunity to speed up or slow down promotion based on performance evaluation, but as per experience using these tools is not wide-spread in public administration.

Table 1: Salary system of I. classification grade of Kttv. (Higher education graduates)

Name of the grade	Pay grade	Timeframe of public service (years)	Multiplier
Intern	1	0-1	3,1
Drafter	2	1-2	3,2
	3	2-3	3,3
Counsellor	4	3-4	3,5
	5	4-6	3,7
	6	6-8	3,9
Lead counsellor	7	8-10	4,2
	8	10-12	4,4
	9	12-14	4,6
	10	14-16	4,8
Principal counsellor	11	16-19	5,1
	12	19-22	5,2
	13	22-25	5,3
Chief counsellor	14	25-29	5,6
	15	29-33	5,7
	16	33-37	5,8
	17	more than 37	6,0

Source: Kttv. 1. appendix own editing

Table 2: Salary table for ministries, government main bureaus and central bureaus as per Kit.

Salary table for ministries		
Name of the grade	Lower limit of salary	Upper limit of salary
Government counsellor	250.000 Ft	500.000 Ft
Lead government counsellor	350.000 Ft	650.000 Ft
Principal government counsellor	400.000 Ft	750.000 Ft
Chief counsellor	600.000 Ft	1.500.000 Ft
Head of unit	700.000 Ft	1.400.000 Ft
Head of department	800.000 Ft	1.500.000 Ft
Deputy state secretary	1.300.000 Ft	1.650.000 Ft
State secretary for administration	1.500.000 Ft	1.900.000 Ft

Salary table for government main bureaus and central bureaus		
Name of the grade	Lower limit of salary	Upper limit of salary
Counsellor	200.000 Ft	350.000 Ft
Lead counsellor	300.000 Ft	500.000 Ft
Principal counsellor I.	400.000 Ft	600.000 Ft
Principal counsellor II.	450.000 Ft	700.000 Ft
Chief counsellor	500.000 Ft	1.200.000 Ft
Head of unit	400.000 Ft	1.100.000 Ft
Head of department	550.000 Ft	1.300.000 Ft

Source: Kit. 1. appendix own editing

Kit. is based on completely different principles in many respects than Kttv. One of the most important novelty is that except for government departments, the law terminates classification of civil servants based on qualification (secondary education vs higher education), and it leaves behind the differences in salaries between them as well. Moreover, it discontinues the automatic promotional system based on years in service. In the end, employers will now have the responsibility to define qualifications required for jobs, defining the salary of the civil servant employed in the post, and also the opportunity of defining career paths within the organization.

6. SUMMARY

Kit. has significantly transformed the practice of government staff policy that was in use for more than a quarter of decade. Although we can observe that in case of some HR functions central regulation has strengthened (e.g. staff management), in case of some others there is no change in merit (e.g. recruitment and selection), we are witnesses of paradigm shift on some key areas. The change obviously targets to increase self-sufficiency of organizations and

employers. This can be observed in case of individual performance management, career paths and promotion system, as well as in the area of trainings and development or salary definition.

Greater freedom of employers imply greater responsibility though. Individual performance evaluation system being optional poses the risk that employers will not evaluate their employees formally. Another hazard of utilizing the formal performance evaluation system as defined by Kttv. is that from development focused evaluation there could be a shift towards rewarding evaluation system, which decreases the linkage of evaluation to other HR functions. Changing learning and development approach can become a double-edged weapon as well. On one hand it provides a good opportunity for the employer to be able to develop the targeted competencies related to their own activities, though on the other hand free and flexible definition of development requirements has the risk that number of systematic trainings will decline due to financial challenges or in lack of professional resources. Self-sufficiency guaranteed by Kit. in the field of human resource management provides a great opportunity for the organizations to define their own career paths that are most aligned to their organizational goals, and to build their own remuneration system within the flexible framework. Although missing these tasks on senior management level makes promotion and remuneration system impenetrable for the civil servants, which can have a serious negative impact on their performance and loyalty.

Based on the new regulation we can say that in the new system of public administration human resource management the role of conscious human resource management will increase significantly. However missing some crucial activities will soon lead to decreasing commitment and satisfaction, while the quality of work will also decline. Although in theory utilization of strategy based integrated human resource management model can deal with this challenge, the current development level of our human resource management system in public administration means that it requires significant commitment from each organization's senior management and organizational development.

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