

The influence of neomanagerialism on reform of the Chilean civil service

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Abstract

This paper assesses the influence of the New Public Management paradigm on the reform process of the Chilean civil service. I follow Peter Hall's three approaches to study the role of public ideas in economic policymaking. I add a fourth: the idea-centered approach, which seeks to explain neomanagerialism on its own merits as a cohesive and significant public idea. The state-centered approach shows the constraints that civil service institutions pose for the proposals of reform: the high number of political appointments is the most important obstacle remaining for the development of a career civil service. The economist-centered approach clarifies the influence of Chilean technocrats in framing the paradigm within the country's context. Lastly, the coalition-centered approach explains the politics of reform. I show that labor-management cooperation was essential for the advancement of a performance-based compensation system, which is a key neomanagerial feature. The study concludes that, while maintaining the fundamental tenets of neomanagerialism, the final national result confirms the existence of divergent reform strategies. © 2002 Information Age Publishing Inc. All rights reserved.

Introduction

The goal of this paper is to show the influence of the New Public Management (NPM) paradigm on reform of the Chilean civil service during former President Eduardo Frei's administration (1994–2000). This exercise is useful for two reasons. First, by focusing on civil service reform, it raises issues about NPM's politics of implementation. In fact,

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neomanagerial programs usually face their most severe constraints when trying to reform civil service systems. There is no other bureaucratic issue with such a high potential for conflict than threatening civil servants' job security. Second, this paper characterizes the case of reform in a country often mentioned as a model for developing nations.

I use a modified version of Peter Hall's framework to study the role of public ideas in economic policymaking (Hall, 1989, 8–13). The public choice and new institutional economic roots of NPM justify its consideration as an economic idea. For the purpose of this paper the NPM paradigm, or neomanagerialism, refers to a set of policies and practices developed in the first world, regarding the study and exercise of managerial activities within bureaucracies.

Hall considers three approaches to explain policy outcomes. First, the coalition-centered approach focuses on how political authorities mobilize actors in order to implement a set of policies. I will discuss the politics of reform of the Chilean civil service and the final outcome that resulted from the interaction of the different political actors. Later in the paper it will be possible to assess how far policies are already enacted with respect to technocrats' proposals.

The economist-centered approach gives a leading policymaking role to professional economists and their expert advice. They are often called technocrats because of their emphasis on pure policies and their disdain for politics. Chilean technocrats are the main actors who frame neomanagerialism to fit national conditions. According to this approach, their influence and prestige among political officials is key for explaining the advancement of this paradigm.

Finally, the state-centered approach focuses on how the receptiveness to new economic ideas is influenced by the institutional configuration of the state and its prior experience with related policies. The key actors here are civil servants. In this case, the small state inherited from General Augusto Pinochet's dictatorship, low public wages relative to private ones and limited career expectations, shape the constraints and possibilities that confront neomanagerial attempts at reforming the civil service.

In addition to Hall's three approaches, an idea-centered dimension refers to a public idea on its own merits. As Max Weber points out, human conduct is driven by material interests and not ideas, but ideas frame the paths along which interests influence action (Weber, 1958, 280).

The proposed theoretical framework is merely functional. Hall's three dimensions are useful because they consider the role of actors, the relevance of institutional history, and the decisiveness of politics. The addition of an idea-centered approach completes the scheme to fully capture the Chilean case of public management reform.

This paper makes two propositions. First, it argues that the absence of downsizing issues and fiscal problems in Chile, as well as the development of a cooperative scheme between government and the public sector union, made possible the advancement of a key aspect of neomanagerial civil service reform: a compensation system based at least in part on individual performance. Second, this paper claims that the basic internal coherence of NPM as stated by its proponents may be an important factor to help understand its apparent communicational success.

I start by analyzing this idea-centered approach, and then in turn Hall's three approaches.

I neither claim the superiority of any of these approaches nor advocate the existence of a final model to study public ideas.

The idea-centered approach applied to neomanagerialism

The idea-centered approach suggests that the more cohesively a public idea is presented, the more likely it is to be implemented. Cohesiveness is not necessarily a matter of theoretical soundness, but of perception among policymakers. This section shows that even though NPM has neoliberal roots, it has been adopted by governments equally from the left and the right. In fact, experience shows that NPM's full implementation is not a matter of ideological preference, but of political and institutional constraints which can be particularly troublesome for civil service reform. The Chilean case shows that even though the final outcomes of reform differ from NPM proposals, policymakers still consider the paradigm a first best.

NPM cannot be understood outside the context of the severe fiscal crises in which it was born. This explains why some social democratic governments adopted NPM as a way to improve the unit costs and quality of public services and to do more with less. Such events marked the loss of its ideological content and its birth as a paradigm or administrative philosophy.

NPM's worldwide acceptance is not due to its theoretical soundness but to its communicational success. It is not a scientific theory of administration since it has not passed empirical tests. This is beside the point. As Hood and Jackson argue, rather than looking at administrative doctrines as true or false, the connection between argument and acceptance should be studied on its own. In this way, the impact of an administrative doctrine is a function of its credibility and not necessarily of its validity: "what makes for winning administrative doctrines is *rhetorical power*: the standing of the proponent and the packaging of the argument" (Hood and Jackson, 1991, 10).

To Hood and Jackson, NPM is a philosophy in the sense of being a group of doctrines that are relatively coherent in terms of the justifications offered for them (Hood and Jackson, 1991, 12–14). Nevertheless, they acknowledge the open debate about the existence of a single NPM or several versions of NPM (Hood and Jackson, 1991, 178). I would argue that even though there are divergent versions of NPM according to each country's institutional features, the NPM paradigm is essentially unique. Following Aucoin (1990), NPM can be roughly characterized by the following recommendations: 1) a shift from policy to management; 2) a shift from aggregation to disaggregation (disaggregated budgets and internal competition); 3) a shift from planning and public service welfare to a stress in cost-cutting and labor discipline; 4) a shift from process to output; and, 5) a divorce of provision from production (privatizations and contracting out) (quoted by Hood and Jackson, 1991, 178).

These basic principles remain even as countries adopt divergent strategies for the modernization of the public sector. Each national strategy is the result of differences in macro-variables such as the political system, competition among political parties, and administrative culture (Löffler, 1996, 15). The fact that the application of this set of principles differs from one country to another does not imply a rejection of the paradigm by policymakers, but rather

an adaptation of the paradigm to specific institutional constraints. This trait actually enhances the worldwide diffusion of neomanagerialism because different experiences allow policymakers in developing countries like Chile to compare alternative strategies that share the same basic principles.

Civil service reform is central to the NPM paradigm for several reasons. First, it is the main mechanism available to policymakers to shrink the state and reduce fiscal deficits. Second, flexibility in the reformed civil service (reduced and meritocratic) is seen as key for managers to succeed in public agencies. Third, performance measurement is a crucial issue for principal-agent and transaction costs models, upon which NPM is theoretically based. Under the new performance contracts, people become accountable for outputs. Accountability is no longer diffuse in the organization, but well defined for both managers and workers. Finally, the political management of NPM's advancement found its first real obstacle not in left-wing governments but within civil services themselves, which rejected downsizing and any attempt to weaken job stability and security. In the United States, for instance, massive layoffs generated opposition that endangered the continuity of the National Performance Review (Kettl, 1995, 10). Therefore, civil service reform can serve as a litmus test for NPM as a whole.

I will analyze in more detail NPM's recommendations regarding human resources management in three critical areas: the civil service system, performance measurement, and decentralization of authority.

With respect to the civil service, NPM's accepted view calls for a flexible system in which managers enjoy freedom to recruit, promote, and fire according to seasonal needs of their agencies. This is New Zealand's case. The political constraints on NPM's implementation soon called for an unorthodox approach in which a career civil service should be accepted as a necessary evil. Under this scheme, only the advancement *à la Weber* of a professional and meritocratic civil service was left to NPM.

Indeed, according to the Inter American Development Bank (IADB), a professional civil service is necessary to improve the efficacy of the state, strengthen the autonomy of the public sector in relation to corporate interests, and eliminate any kind of discrimination (Banco Interamericano de Desarrollo n.d., 10). To this end, the IADB promotes performance measurement systems, autonomy from corporate interests, and the consolidation of career civil services.

The World Bank also advocates meritocratic recruitment and promotion. However, it gives particular importance to the context in which reforms are applied. For example, the mandarin system (a closed-entry, hierarchical scheme with highly competitive entrance requirements) and the open recruitment system, two opposite systems of personnel management, are considered appropriate according to the country and the circumstances. Similarly, the World Bank indicates that job security in the civil service has worked in some contexts, but not in many others (World Bank, 1997, 94). The Bank argues that meritocratic recruitment and promotion restrain political patronage and attract and retain more capable staff. A merit system also increases public service prestige by enhancing motivation (World Bank, 1997, 92–93). Entrance examinations and academic qualifications are suggested as primary filters. Clear specification of objectives, criteria for promotion and rewards for outstanding long-term service are also encouraged.

Performance measurement—the second critical issue—is the mechanism that shifts the focus from regulations to results. This component of civil service reform is indispensable according to all of NPM's advocates. Both the IADB and the Organization for Economic Cooperation and Development (OECD) support projects measuring individual and organizational performance as criteria for promoting career civil servants (Helgason, 1998, 40). Performance measurement is necessary to make managers accountable for meeting objectives and specific benchmarks rather than the whims of political officials, and free them from rigid career systems.

The most relevant difficulty with performance measurement is the definition of appropriate outputs or results as parameters for performance. While in the private sector profits represent the ultimate benchmark, in the public sector there are variables that simply cannot be measured. In fact, it is not possible to define safely what an educated child is or what constitutes public order (Wilson, 1990, 570). This difficulty underlines a real difference between the public and the private sector.

Finally, with respect to the decentralization of authority, a clear contradiction of NPM regarding human resources is its promotion of management while at the same time keeping policy decision making highly centralized (see Aucoin, 1995; quoted by Shields and Evans, 1998, 74). For instance, the National Performance Review proposes decentralization by using Total Quality Management (TQM) techniques while it simultaneously sponsors centralization of reengineering processes (Kettl, 1995, 48). Osborne and Gaebler advocate TQM to give workers the tools to change the systems that are the source of their problems (Osborne and Gaebler, 1993, 156–60), whereas Barzelay argues that to accomplish the goal of being accountable for good performance, line agency executives should have the tools to do so and, therefore, need centralization (Barzelay, 1992, 97–9).

Reformers in New Zealand radically decentralized authority. If public agency heads were to be more accountable for output, then they should have greater discretion over financial and human resources. With respect to the latter, managers were granted freedom to impose whatever employment conditions and managerial practices they thought necessary to achieve their performance targets. Under this scheme, legal protections for civil service careers were removed, as well as the uniform pay scale (Scott et al., 1997, 366). Key concepts of New Zealand's experience have been "let the managers manage" and "making managers manage."

However, many of the disadvantages of centralized authority highlighted by NPM in the bureaucratic model are not supported by empirical analysis. For example, hierarchies and formalization do not prevent public agencies from performing effectively. According to a study conducted by Wolf (1997), the most significant variable in improving performance, even more than the centralization or decentralization of authority, is autonomy from direct political control. Wolf argues that the source of this idea is not the Reinventing Government (REGO) movement, but the Weberian bureaucratic model itself developed by academics long ago: Luther Gulick, Robert Merton, Phillip Selznick, Chester Barnard; and more recently by James Q. Wilson (Wolf, 1997, 364–80).

In summary, NPM is a strong and cohesive public idea, even though it lacks theoretical soundness and empirical value. Despite its neoliberal origin, it has been a communicational success.

The coalition-centered approach

As discussed in the previous section, reform of the civil service is likely to produce numerous difficulties and opposition from civil servants. The politics of reform, therefore, is particularly important. This section analyzes how NPM civil service reform proposals were politically implemented in Chile. According to Hall's coalition-centered approach, reformers need to build a network of supporters and convince, or at least neutralize, opponents. To convince, they use ideas. To neutralize, reformers can just ignore opponents if they are few, or offer benefits in exchange for acquiescence if they are many and vocal.

Important supporters of economic reform in Latin America reside in the United States. Indeed, dissemination of neoliberalism through structural adjustment programs has been clearly organized in Washington. The so-called Washington Consensus was defined as a set of policies that Latin American countries should implement. Among these policies were fiscal deficit control and interest and exchange rates determined by markets, trade liberalization, privatization, and deregulation. (Williamson, 1990).

Although the Washington Consensus initially ignored public administration in its reform package, the second generation of reforms includes this area (Burki and Perry, 1998, 7). In this field the World Bank and the IADB have played a key role, guided by practical examples from OECD countries.

In many Latin American countries, the role of international organizations is not limited to the definition of the neomanagerial paradigm and its promotion. These organizations also provide financial resources and know-how. They have filled the lack of capacity to undertake policy research and design reform projects.

In some instances, NPM is advocated as a complement to structural adjustment programs adopted in Latin America. The IADB, for example, points out that after implementing the prescriptions of the Washington Consensus or the first generation of reform, many countries realized that the smooth functioning of the markets and the consolidation of democracy could be put at risk by traditional institutional structures and obsolete managerial models (Banco Interamericano de Desarrollo, n.d., 6). As a consequence, most Latin American countries have followed, to some degree, NPM model proposals such as strategic planning exercises, performance measurement, and so forth. The element that usually creates controversy and leads to differing strategies is the degree of marketization of the public sector (Burki and Perry, 1998, 135–6).

Chile has served as a model for international organizations not only for its early implementation of structural adjustment policies, but also for being in the neomanagerial vanguard in Latin America (Burki and Perry, 1998, 132–3).

Aside from selling companies and privatizing the social security network, public administration reform in Chile was insubstantial during the military government (1973–1990). Nor has it been a cornerstone program under democracy. Nevertheless, public management reform acquired increasing importance during the administration of President Eduardo Frei (1994–2000). In the case of civil service reform, the executive has been the main actor. In fact, Congress has had little involvement so far, and most of the changes were negotiated between political officials and civil servants.

In 1995, Frei created an Inter-Ministry Committee on Public Management Modernization,

which encompasses five ministries. This arrangement enhanced the government policy of modernization and generated significant advancements. The committee followed a gradualist strategy of reform, adopting successively different components of a new evaluation system that has only recently included individual performance. For a detailed account of initiatives and projects implemented during President Frei's government see Chile, Comité Interministerial de Modernización de la Gestión Pública (2000).

A key element that distinguishes the Chilean case from other experiences of civil service reform is that neither former President Patricio Aylwin's nor President Frei's administration implemented massive layoffs. As a consequence, the fear of downsizing that is characteristic of many neomanagerial reforms worldwide has been unimportant in Chile. The potential number of losers from public management reform remained low.

A 1997 survey of civil servants revealed that the public management reform process was evaluated positively. Only 6.3% of the sample said the modernization process was useless or unneeded, whereas 45.9% said the process should be decidedly promoted, and 44.7% said the process should be promoted, but carefully. Civil servants perceived this process would increase organizational efficacy and efficiency in the use of resources. Modernization was also associated with better salaries, incorporation of modern technology, and higher prestige for those working in the public sector (Wormald, 1997, 13).

The most difficult component of public management reform that directly affected Chilean civil servants was the performance-based determination of wages. Civil servants viewed this reform as problematic and refused to cooperate. They demanded active participation in the modernization process through a new scheme of consultation and negotiation. Particularly important has been the role of the civil service union. During Pinochet's dictatorship, Chile's public administration was not only severely purged (even the civil servant leader Tucapel Jiménez was assassinated in 1983 by agents of the military regime's secret police), but its union rights were also suppressed. The restoration of such rights under democracy has made possible an increasing degree of workers' organization. The Asociación Nacional de Empleados Fiscales (ANEF, the civil service union) nowadays enjoys relative autonomy from the government.

The idea of building union-management partnerships is, in fact, present in the different sources of the NPM paradigm. This feature, however, is not constitutive of NPM but only an appendix regarding political implementation. The World Bank, for instance, mentions that to avoid political obstacles to reform, some governments have consulted extensively with public servants to find politically acceptable solutions (World Bank, 1997).

The United States National Partnership Council already has its parallel in Chile with the creation of a government-public sector union's strategic alliance. The popularity of this recipe has two aspects. On one hand, participation could actually increase the commitment of public servants. On the other, it represents the only politically feasible way to push forward the reform process.

In November 1995, a preliminary agreement was reached between the executive and the ANEF to improve the internal evaluation system. During 1997, a technical commission representing both sides worked to elaborate a public servants integral development plan. In October 1997, a formal agreement between the ANEF and the central government was signed (Chile, Acuerdo Gobierno-Asociación Nacional de Empleados Fiscales, 1997). New condi-

tions were set for a two-year period ending on December 31, 1999. A similar agreement was recently signed for the period 2000–01.

The 1997 agreement included a school bonus for workers whose earnings were less than US\$400 per month, a special bonus for those working in extreme locations, and a 10% increase for social benefit funds. Despite this, additional increases are often mentioned as a priority due to the decline in real wages that affected the public sector during the 1980s. The disparity between private and public sector wages is still enormous, particularly at higher levels. Civil servants consider higher wages as a matter of social justice. Claudio Orrego, former director of the Chilean Office of Public Management Modernization, pointed this out to me as a recurrent claim in his contacts with civil servants.

As mentioned previously, the most innovative and probably the most controversial modification to the compensation system was the introduction of wages linked to performance. As in many other countries, most Chilean public sector staff were paid according to a wage scale. Originally, this system established rigid relative compensations that in practice tied salaries exclusively to seniority. Instead of replacing the wage scale system, President Frei's government chose to promote the proper application of each agency's individual evaluation system. In addition to seniority, two innovative components were included to determine compensations: individual and institutional performance. These are also used for budget allocation purposes and to encourage public agencies to improve service quality and use funds efficiently.

The scheme that finally prevailed is specified in the 1997 worker-government agreement that included a new evaluation system. Clear goals are established through the negotiation of annual performance commitments, and bonuses are tied to the accomplishment of these commitments. Thus in 1999, besides a 5% annual wage increase for all public servants, a quarterly modernization bonus was included with institutional and individual components. Staff in public agencies who accomplished 90% of the organization's commitments received an additional 3% wage increase that year. Staff ranked in the top third of each of these agencies were granted another 4% wage increase, the second third received a 2% increase, and the bottom third obtained no increase.

With respect to training, President Frei agreed to modernize the training system by doubling its resources. Up to 1% of the public sector's wage bill would be allocated to training (Frei, 1997, 32). The agreement also allowed the creation of training committees in one-third of public agencies. The 1997 ANEF-government agreement also included new opportunities for training, as well as more relevant training programs for public servants. As a result, 14,000 public servants received scholarships for graduate studies over the next three years. Additionally, a scholarship fund for staff who received the modernization bonus and have good academic records has been available since March 1999.

In summary, with the 1997 and 1999 agreements the Chilean government ensured the neutrality of the public servants union with regard to its personnel policy. In fact, this consultation and negotiation scheme was restricted only to personnel policy. Once some labor conditions were met, civil servants have not questioned the government's overall NPM policy, which can be interpreted as an endorsement. The political feasibility of reform was reinforced by the two elements discussed above: massive layoffs were not necessary and the gradualist approach that focused discussion on specific issues. Overall, the government has

been able to implement a crucial NPM proposal: a compensation system based on performance.

Chilean technocrats from an economist-centered approach

Since Pinochet's dictatorship, reliance on technocrats for economic policy making has been constant. They have increasingly displaced traditional politicians and bureaucrats not only in the economic areas of government, but also in social and political arenas. Technocrats have learned how to maneuver in a political environment more easily than traditional politicians have acquired technical expertise.

In Chile, technocrats have helped political officials perform their policy design duties. Nevertheless, they are not part of the career civil service, and they usually leave the public sector when their bosses are removed. Technocrats are often trained in economics. The American in-and-out system to staff government top posts with noncareer civil servants is similar. Chilean governments have recruited many in-and-outers educated in the United States and in Europe for high-ranking positions in the public sector. In-and-outers can best be defined by what they are not: they are not politicians and they are not bureaucrats (Hecló, 1988, 37).

During the '90s, the key actors in framing and adapting NPM's proposals to the national context were also Chilean technocrats. Their policies were in accordance with the NPM paradigm, and their exclusive concern has been how to adjust this new managerial technology to a different context rather than the formulation of alternative proposals.

Chile's reliance on foreign sources for policy design is reflected in international seminars organized in the country's capital, Santiago, and in missions of public sector officials to developed countries. Chilean technocrats made several visits to the United States to learn from the experience of the National Performance Review, such as the International Seminar on Reinventing Government that took place in Washington D.C. in January 1999. Also, Chile was accepted in 1997 as an observer country in the Public Management group of the OECD.

With respect to NPM, the favorite OECD country for Chilean technocrats is New Zealand. Besides being a worldwide model for public management reform, there has been intense interest in the role of New Zealand's public managers. In 1998, a group of Chilean public sector authorities and private sector leaders visited New Zealand to learn about the Commission on Public Service experience first hand. Afterward, an intense debate was held in Chile regarding the possibility of implementing a similar system.

Despite this close attention to the New Zealand case, few proposals are present in the Chilean policy debate regarding the recruitment of civil servants. The World Bank's recommendation of encouraging merit over political connections is acknowledged by Chilean technocrats, who propose lowering the number of political appointments. However, no formal measures have so far been taken.

A compensation system based exclusively on performance is strongly advocated by NPM. The World Bank suggests a mixed system in which performance and seniority determines salaries. In Chile, proposals for improving the compensation scale system are similar to the

World Bank's recommendations. They include bonuses tied to performance and increasing wages relatively more at the highest levels.

The main obstacle with regard to human resource management for REGO's reformers is the inflexibility of the system that makes hiring, promoting, and firing difficult. These problems are also present in Chile, with the rigidity of the compensation scale system being a particularly serious problem. Solutions discussed in the national arena vary from enforcement to elimination of the existing system.

A former minister under President Aylwin (1990–94), Edgardo Boeninger, believes the problem with the scale system is that if it establishes salaries high enough to capture top level professionals, it ends up being too expensive since increases also need to be applied to workers at lower levels. Boeninger advocates bonuses for high level posts that would not constitute part of the formal salary structure (Boeninger, 1995, 183).

In the same direction, Eugenio Lahera, an advisor to the Chilean Presidency's General Secretariat, supports a bonus scheme tied to good performance (Laera, 1993, 32). He thinks the scale system makes no sense because it offers similar rewards for very different kinds of work. Lahera proposes differentiating situations within the public sector rather than adopting a holistic approach to the personnel system.

Former Chief of the Chilean Office of Modernization and current Director of the Budget Office, Mario Marcel, argues that it is not necessary to eliminate the compensation scale system, but rather to apply it properly. According to Marcel, it is not true that public sector staff are immovable. The problem, he says, is that managers do not use the existing mechanisms available to avoid opposition among civil servants (Marcel, 1993, 92).

A third element strongly advocated by NPM regarding public servants is training. In fact, there is consensus among Chilean public managers that training is a fundamental instrument for change. In a 1996 survey, 72% of public managers said that training is a key element needed to modernize the public sector (Chile, Ministerio Secretaría General de la Presidencia, 1996, 29). However, it is possible to note differences in the content and target groups of the training programs proposed by those sources. REGO gives priority to the area of information technology, while in Chile training in managerial skills and the principles of the new paradigm receive more attention.

In contrast to recruitment, compensation systems, and training, the issue of the decentralization of authority is scarcely mentioned in the national debate. In addition, there is a total absence of teamwork and total quality management proposals. Academic Carlos Vignolo highlights these issues. He explains that bureaucracies should be oriented toward clients and teamwork, becoming more decentralized and flexible in adapting to new situations. The notion that the public sector is incapable of implementing these new human resource technologies is a big mistake, he says. Chile will pay in the future if these ideas are not put into practice soon (Vignolo et al., 1993, 65).

In summary, technocrats are key actors in the design of government policies in Chile. Many of them are economists, and those who are not at least speak their language. Policymakers seem to have a good understanding of both the paradigm and the national context in which it is applied.

The Chilean civil service from a state-centered approach

The study of the influence of neomanagerialism from a state-centered approach is supposed to consider the current institutional configuration of the Chilean civil service, as well as its past experiences with similar reforms. This section provides the institutional framework under which the national version of neomanagerialism operates. The framework represents the constraints and possibilities that reformers need to take into account both when designing policy and evaluating its political feasibility.

During the military government, the total number of civil servants went down from around 305,000 people in 1973 to approximately 130,000 in the 1990s (Precht, 1991, 38). (The number of civil servants has remained around 130,000 since democracy was restored in 1990, although there has been a slight recent increase.) This reduction of over 50% took place through massive layoffs and the privatization of public companies. The process of downsizing was possible in the unique context of a military dictatorship which had total discretion. As a result, the current Chilean civil service is small. Chile's total population was estimated by the World Bank as 14 million in 1995, and its labor force as 6 million (World Bank, 1997, 221). Hence, civil servants represent only 2.16% of the labor force. It should be noted that this figure excludes the armed forces and autonomous public organizations such as the Central Bank and the Office of the Comptroller. As already mentioned, the two democratic governments since 1990 have not seen the modernization process as a downsizing task even though fears about layoffs were present (Wormald, 1997, 15). Instead, the key issues to be solved were two: the rigidity of the compensation system and the excessive number of political appointments as an important source of patronage.

With regard to compensation, since the economic crisis of the 1980s there has been an increasing gap in the wages of middle- to high-level professionals working in the private sector in comparison to the public sector throughout Latin America (Boeninger, 1995, 183). However, so far as less-qualified administrative positions are concerned, Chilean public employees use political pressure to obtain salaries comparable to private workers in addition to their tenured positions. As previously mentioned, real wages for civil servants have improved considerably during the last decade in exchange for acceptance of a performance component in the compensation system. However, the income gap with respect to the private sector still exists, and civil service demands for wage improvements continue to be made.

With respect to patronage, an important piece of legislation concerning the civil service was passed at the end of the military dictatorship, which limited the ability of future democratic governments to make political appointments. Although a law promulgated in 1986 recognized several civil servant rights (Chile, Ley 18.575, 1986), its actual application took definitive form in 1989 via a second law passed three months before the first presidential election in twenty years (Chile, Ley 18.834, 1989). The latter, known as the Administrative Statute, created a career civil service that limited the historically high amount of resources used for patronage and made civil servants more autonomous from political officials. This law was one of the *leyes de amarre*: a set of laws promulgated at the end of Pinochet's regime to limit presidential discretion in democracy.

As a result, the official number of presidential appointments is currently estimated at 3,061 positions, which include ministers, undersecretaries, prefects, governors, public agency

heads and high officers, and ambassadors (Rajevic et al., 2000, 26). Because there is large discretion in hiring nonpermanent advisors, the number could easily increase to 6,000 positions. According to the Administrative Statute, the career civil service ladder—composed of auxiliary staff, clerical staff, technicians, professionals, and directives—ends at the managerial level below the positions appointed by the President (Chile, Ley 18.834, 1989, Art. 6). However, in practice, it ends below a body of external advisors: the technocrats. Career staff can access positions that are, at most, in fourth or fifth place in the chain of command. Such a situation creates a dichotomy between high-ranking civil servants (including political officials and technocrats) and the vast majority of the permanent career staff. Because of the extremely high dependence of public managers on political appointments, and the role of technocrats, career staff are not included by political officials in substantive policy discussion. Referring to the United States' civil service, Hugh Hecló says that this situation has the potential for disgruntlement, backbiting, and sometimes even sabotage (Hecló, 1988, 44). This can also explain civil servants' level of morale and self-esteem. According to a 1997 survey of civil servants, their degree of labor satisfaction is moderate. Within the sample, 15.7% were little or not at all satisfied, 45.7% fairly satisfied, and 38.6% very satisfied (Wormald, 1997, *passim*).

Institutional and individual performance measurements have also indirectly reduced the incentives for depending on the patronage system. Political officials increasingly invest in good performance rather than in patronage to survive. Performance measurement could be one of the reasons for the improvement of bureaucratic processes in Chile. Indeed, the business elite claim that time spent dealing with the government has significantly fallen, and is low compared to other countries. In 1999, Chile ranked 8th best in these terms among 59 countries (World Economic Forum, 1999). It is likely that this improvement results from the many public management experiments practiced in Chile over the last five years, such as the new performance evaluation system. These changes are particularly important with regard to operations in which the business community participates (initiation of businesses, customs processes, and taxes). Such improvements make sense for a government interested in enhancing the general competitiveness of the country.

Despite the advances discussed above, the compensation system and high number of political appointments remain key institutional issues that still need to be addressed by the reform process. Higher wages is naturally the main demand of organized civil servants. The government's response is to include gradual increases but, at the same time, to introduce a compensation system based on performance. Reducing the number of political appointments would enhance career civil servants' morale and interest by increasing the possibility of promotion within the institution. This, in turn, could have a significant impact on improving performance. However, the reality is that there has not been a strong demand to solve this problem nor a decisive will on the government's part to do it.

Conclusions

This study evaluates the influence of NPM on the civil service modernization process in Chile. It analyzes the role of public ideas in policymaking by using a four-dimensional

approach. The inclusion of an idea-centered discussion, in addition to the original three dimensions of Peter Hall's approach, allows for the identification of NPM's neoliberal roots, which have been obscured by the fact that governments of various ideologies have advocated the paradigm.

I argue that the NPM paradigm is a cohesive public idea in its communicational dimension, despite being theoretically unsound on several grounds. The paradigm is not undermined by academic criticism because academics and policymakers coexist at different levels. Its framework as a management tool neutralizes criticism on ideological grounds. Moreover, in the field of ideas there is no alternative paradigm that can compete with NPM.

Civil service reform is central for NPM's advancement since the paradigm's survival as a whole depends on civil servants' compliance. Downsizing and the imposition of open recruitment systems are seen as threatening projects. The Chilean case shows that performance measurement can be implemented if civil servants are offered important benefits in exchange.

The influence of NPM's main proposals in Chile is clear. However, their application has been adapted to the local context. Chilean policymakers have concentrated on increasing morale as well as improving real wages, the compensation scale system, and training. Technocrats have had significant influence in framing the paradigm in accordance to the country's context. While maintaining the fundamental tenets of neomanagerialism, the final national result is innovative, confirming the existence of divergent strategies of modernization already observed among OECD countries.

However, there is one proposal which has not advanced in Chile: the reduction in the number of political appointments. This situation affects career civil servants' professional expectations and morale. Nevertheless, it is important to recognize that this is a complex political problem, and that no government hoping to continue in power can be expected to tackle it voluntarily.

The gradualist Chilean approach to reform seems to be working. This low profile strategy plus the government-union's agreement explain the political success of the most fundamental change in the Chilean civil service: the establishment of a compensation system based on institutional and individual performance.

It remains to be seen if the new government of President Ricardo Lagos (2000–2006) gives a decisive impulse to reform, continues President Frei's gradualist approach, or remains relatively inactive as it seems to be a year and a half after its inauguration.

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