

The impact of the global economic crisis on public administration

The slowdown in economic activity due to the economic crisis has reduced government revenues, thus impacting employment and working conditions in public administration. A new ILO report prepared for the November 2010 session of its Governing Body recommends that governments engage in social dialogue when seeking measures to counter the downturn. This would help to ensure that such measures find wide support and reduce the risk of social unrest, say Elizabeth Tinoco, Director of the ILO's Sectoral Activities Department, and Carlos Carrión-Crespo, Specialist in Public Services, in an interview with ILO Online.

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What was the impact of the crisis on public sector employment?

Elizabeth Tinoco: First of all, let me say that many social, political and economic factors influence public administration employment, so that not every fluctuation in employment, wages and working conditions is attributable to the economic downturn. However, losses in taxes on sales, incomes, corporate earnings, capital gains and property, together with increased expenditures on stimulus packages and social protection, have reduced governments' fiscal and political options. This is why the downturn has increasingly affected public employment working conditions during 2010 and in a different way in each country, according to the nature of its linkages to the global economy.

Can you tell us more about these national and regional differences?

Elizabeth Tinoco: The evidence available shows that employment in public administration has been most reduced in the United States and Europe. In Europe, the impact was felt more heavily in eight countries that reduced employment by 172,000 in the year ending June 2010. In the United States, total employment in public administration fell below pre-recession levels for the first time in July 2010, and local governments reduced employment by 143,000 in the third quarter of 2010.

The evidence available for Asia and the Pacific and for Latin America suggests that employment in public administration showed a tendency to rise. However, some countries in these regions have reduced or plan to reduce employment in public administration partly because the crisis has slowed down important private economic sectors.

How did the crisis affect salaries and working conditions in the sector?

Carlos Carrión-Crespo: In Europe, salaries in public administration have risen at a slower pace than in the private sector since before the economic crisis, including under negotiated collective agreements. However, workers in some countries in and outside Europe received wage increases. The ratio of public to private wages in Europe is closely related to the share of public employment in these economies. Since 2008, workers in public administration in some European countries have seen their wages reduced, mostly as part of fiscal consolidation packages coordinated with international institutions or in preparation of bond auctions. Many of these packages have also included changes in the retirement age and in pension entitlements.

Were women more affected than men?

Carlos Carrión-Crespo: Regional trends are quite different. While employment reductions in Europe have affected more women than men, the opposite occurred in Asia and the Pacific. While 17 of 33 European countries reduced female employment in public administration, only 12 reduced male employment.

The report says that social dialogue is key to ensure wide support for measures to counter the downturn. Could you expand on why this is so?

Elizabeth Tinoco: Social dialogue has been instrumental in the development of these measures in some countries, but in others the lack of dialogue has caused extended social unrest as recent events show. Where social dialogue has functioned in securing agreement on managing reductions in public sector pay and benefits, labour unrest can be limited or eliminated altogether.

How do you see the future of public administration?

Carlos Carrión-Crespo: The outlook for the sector remains mixed. On the one hand, exit strategies continue to argue for a reduction in public administration employment in Europe. On the other hand, public sector employers in several countries including Argentina, Brazil, India, Japan and Peru expect to see a positive change in total employment during the third quarter of 2010 as compared to the second quarter. Governments of countries not affected by the slowdown in the previous quarters are not yet safe from future shocks. These governments could benefit from strategies of social dialogue, social protection and employment creation.