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Page  
1/4

## 1. General reform agenda: Need for new types of HR units?

The above question is posed in the Medium Term Priorities guiding the work during the Danish presidency. The background for the question is that most public administrations in the EU member states are undergoing or are facing large scale changes and reforms in order to meet the challenges posed by the economic crisis and financial constraints. This calls for an effective and performing public administration where organisational design, work methods, and tasks are evaluated and rethought.

From an HR-perspective the following questions move to the forefront:

- How do we design and implement new efficient HR organisations?
- How can work processes be made more efficient?
- How do we reduce expenses and time spent by HR units (e.g. by digitalising relevant work flows, by defining clear task splits between different organisational units etc.)?
- How do we maintain and even improve quality in HR services with tighter budgets?

The purpose of this subtheme under the Danish Presidency has been to explore how these questions have been answered throughout Europe and, more generally, how to optimise the organisational design of HR-units in order for them to become truly value-adding contributors in public administrations that are faced by the need for reforms and financial cutbacks.

### **Work methods**

During the Danish presidency the subtheme has been addressed through the presentation of a number of cases and discussion of key questions. The findings are summarised in this paper that describes trends, tendencies and perspectives concerning the role and organisation of HR units in performing organisations.

## 2. Tendencies in Europe: What type of HR unit?

During HRWG1 and HRWG2 a number of cases were presented in order to provide different perspectives on the organisation of HR units.

### **HRWG1: Reforming organisational design of HR units**

At HRWG1 the focus was on the background and incentives that lead to the design and implementation of new types of HR units, that is, why and how was the specific design selected, and what are the expected outcomes and effects of the new HR unit.

Cases presented were:

*The Danish Ministry of Finance – Efficient administration merging HR units*

Reorganisation and merging of services related to HR and Finance etc. with the aim of obtaining an efficient administration that deliver services of a high quality.

*The Netherlands – Compact Government:*

Harmonising employment conditions and pooling HR-services for civil servants working in the Netherlands into a limited number of shared service centres in 2012.

*Danish Ministry of Foreign Affairs – HR Partnering:*

Introducing a closer cooperation between the central HR unit and the managers in order to secure in-depth knowledge of the work and practical challenges faced by local departments.

### **HRWG2: Design, implementation and outcome of new types of HR units**

At HRWG2 the focus was directed towards the implementation and outcomes of the different new types of HR units. Two national cases addressed this matter:

*Danish Ministry of Environment: Centralising Human Resource Management*

Optimising work flows by digitalising administrative processes.

*Finland: Government Finance and HR Reform – Palkeet SSC for Finance and HR*

Reducing costs, improving productivity and taking an active role in developing HR and financial services.

*European Commission: What type of HR unit? It depends*

Fit-for-purpose HR focusing on organisational design, managers' role and outcome thinking.

### **Tendencies**

There seems to be a strong tendency towards the centralization of HR units in European countries. The aim is to obtain a more efficient HR function by uniting a critical mass of competencies in one entity and thereby also securing a full utilization of the capacity.

A second trend visible in some countries is the decision to delegate more responsibility concerning people management to line managers. This poses challenges in terms of the need to secure a clear task split between middle managers and HR.

A third trend that can be detected in some countries is the introduction of models for partnering between HR and business units. This is due to the fact that when HR units are merged to larger entities and thereby removed from the daily operations, the risk arises that HR consultants achieve less in-depth knowledge of the business and people in the local units and thereby become less capable to support line managers.

### **Advantages of larger HR units**

Merging HR functions to larger units opens the possibility to make joint prioritisations and investments, for example through digitalization of relevant processes that can lead to a higher degree of self service for employees, managers and local HR units leading – again – to further gains and savings.

Mergers also unite a critical mass of competencies allowing a higher degree of specialisation of HR skills in the HR unit, leading to a higher quality in services. Uniting a critical mass also secures a better or even full utilisation of resources as the HR-specialists cover a larger number of organisational entities with their services and expertise.

### **Obstacles and challenges when establishing larger HR units**

Obstacles and challenges associated with merging HR units are – among other aspects – an abundance of various collective and local agreements leading to highly complicated administration. Ideally, agreements, policies and strategies should be harmonised at some level.

When merging HR units employees are to be transferred from local units. However, in some cases institutions tend to keep some of their (perhaps best) employees in their institutions in order to still have competencies at their disposal. The total pool of competencies is then weakened giving rise to complaints about the level and quality of services from the shared services centre.

Removing most or all HR competencies from the local units, however, poses the risk that local shadow functions arise, and that joint strategies and policies are disregarded.

### 3. Conclusions: HR units fit-for-purpose

The question for this subtheme as posed in the Medium Term Priorities can consequently be answered the following way:

*Do we need new types of HR units?*

Yes, in most cases. The general reform agenda leave public administrations with tighter budgets and calls for a more effective and performing organisation. This includes HR units.

*What type of HR unit can support the general reform agenda?*

The HR unit must be adapted with a view both to what the organisation is today and what it should become. The successful implementation of a new organisational design depends on the alignment with the organisations starting point and current strengths.

*How does a new and redesigned HR unit become a value-adding contributor to the general reform agenda?*

For managers and employees financial constraints are not core arguments for the reorganisation of HR units – but providing them with services of higher quality is! It is therefore important to find a balance between centralising and decentralising. An essential task when choosing the organisational design of a new HR unit is to identify an equilibrium point where the unit, on the one hand, is able to maintain or even improve quality in production and delivery of services although budgets have been tightened, while on the other hand not becoming too centralized and detached from the rest of the organisation.

