

**University of London**

**Managing Civil Service Reform in Thailand, 1980-1999:  
Analytic Narratives**

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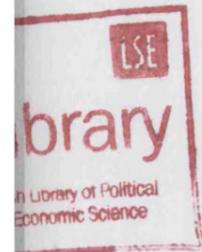
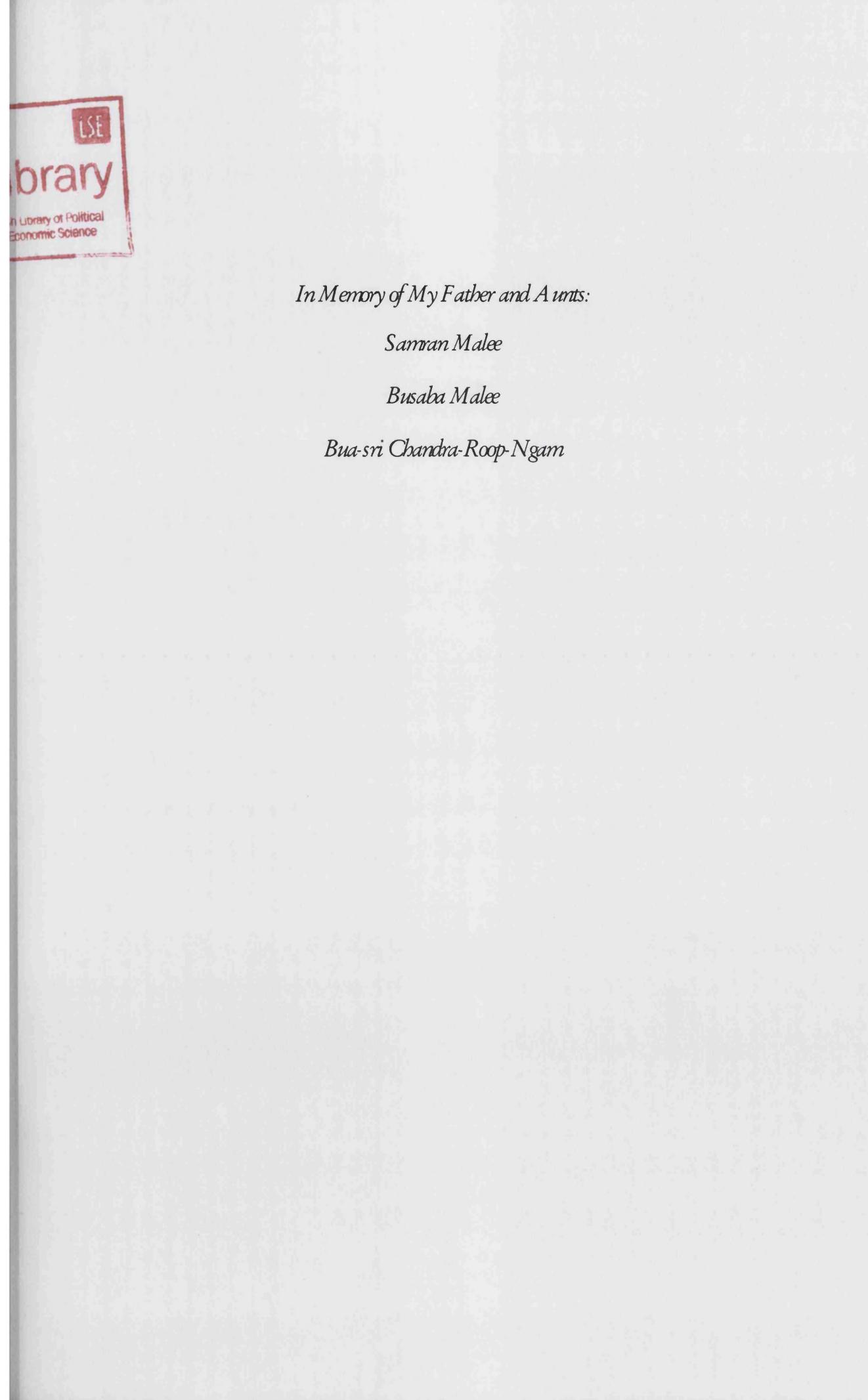
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*In Memory of My Father and Aunts:*

*Samran Malee*

*Busaba Malee*

*Bua-sri Chandra-Roop-Ngam*

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## Abstract

The thesis seeks to explain change and stability in 'civil service policy' in Thailand between 1980 and 1999, by focusing on two issue areas relating to public sector human resource management: civil service downsizing and civil service pension reform. The thesis departs from the institutionalist research tradition, which explains administrative change using the concept of 'administrative reform capacity'. It argues that the static view of reform capacity advocated by institutionalists including Knill's ideal type constellations of administrative reform capacity needs to be re-conceptualised if it is to be analytically useful in accounting for variations in the trajectories and outcomes of civil service policy reform in Thailand across twenty-year period of this study and between case studies. To advance Knill's concept, the thesis take into account the processual view of public management policy change to develop a more flexible institutional processualist theoretical compass. The thesis adopts an 'analytic narrative instrumental case study' research design, which can accommodate inquiries from both institutional and processual research traditions.

Drawing on evidence from two narrative case studies, this thesis develops process understanding and explanations for the dynamics of civil service policy making by shedding light on the analytical components of reform process: agenda setting, alternative specification and decision making. It argues that a combination of institutional and processual factors shape these processes, which results in variations in trajectories and outcomes in different episodes within the two case studies. Based on the narrative evidence, the thesis re-interprets the three main elements of Knill's concept of reform capacity - strength of executive leadership, entrenchment of administrative arrangement and political influence of the bureaucracy. It argues that for 'reform capacity' to explain public management policy change, the relationships between the three elements and between them and the dynamics contexts and situations faced by reformers need to be taken into account. The thesis elaborates two general approaches to civil service reform - the technobureaucratic and the political - and their dualities, which can be found in the principal reform actors, reform issues, reform process and mechanisms. It is the tensions between these elements and the reform context that affects the trajectories and outcomes of reform in Thailand - limited piecemeal public management policy change.

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## Abbreviations and Acronyms

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
BIBF	Bangkok International Banking Facility
BOB	Bureau of the Budget
BOCD	Bureau of Organisation and Classification Development
BOT	Bank of Thailand
CCS	Committee on Citizen and Customer Services
CCSD	Committee on Civil Service Delivery
CDA	Constitution Drafting Assembly
CGD	Comptroller's General Department
C-Level	Common Level
CPF	Central Provident Fund
CSARC	Civil Service and Administrative Reform Committee
CSC	Civil Service Commission
CSMPC	Civil Service Manpower Policy Committee
CSO	Cabinet's Secretariat Office
CSRC	Civil Service Reform Committee (Banharn)
DB	Defined Benefit
DC	Defined Contribution
DDC	Democracy Development Commitee
FFDC	Fully Funded Defined Contribution
FPO	Fiscal Policy Office
GDP	Gross Domestic Product
GPF	Government Pension Fund
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
LDP	Letter of Development Policy
LOI	Letter of Intent
MDC	Ministerial Manpower Development Committee
MOF	Ministry of Finance

NESDB	National Economics and Development Board
NGOs	Non Government Organisations
NPKC	National Peace Keeping Council
OCSC	Office of the Civil Service Commission
OECD	Organisation for Economic Cooperation and Development
PAYG	Pay As You Go
PC	Position Classification
PMSO	Prime Minister's Secretariat Office
R&D	Research and Development
SADC	State Administration Development Committee
SAL	Structural Adjustment Loan
SIF	Social Investment Fund
SIP	Social Investment Programme
SSF	Social Security Fund
TDRI	Thailand Development Research Institute
UNDP	United Nations Development Programme
VAT	Value added tax
WTO	World Trade Organisation

## A Note on Thai Names

In referring to Thais in the text, I use given names, as it is common among Thais to officially address other people as such. Most Thai and international readers alike are likely to be familiar with the first names of prominent figures such as Prime Ministers, and military and civilian leaders in the country. It is also a matter of convenience to address them by their given names since many Thais have a very long surname. However, I use surnames to refer to Thai authors on whose works I am drawing. In bibliographic references including footnotes, their surnames appear first, with a comma between surname and given name.

# **Part I**

## **Researching Public Management Policy Change**

# Chapter 1

## Public Management Policy Change: A Theoretical and Methodological Compass

### Overview

For more than half a century, successive Thai governments have battled against a rising tide of bureaucracy and bureaucratic inefficiency. Several largely unsuccessful attempts to reform the Civil Service have been made since the 1950s. Despite the most recent more far-reaching reforms, over the period as a whole only limited change has been achieved. This thesis aims to explain why public management policy reform in Thailand has been incremental and only achieved limited, piecemeal change, and what explains the variation in reform trajectories and outcomes across the last two decades of the twentieth century, and across areas within public management policy. These are the empirical and historical questions which this thesis answers.

Public management policy change can be conceived as changes in government wide institutional rules and organisational routines, which aim to guide, motivate and control public service organisations (Barzelay, 2001).<sup>1</sup> This covers the principal areas of government administration including expenditure planning and financial management, civil service and labour relations, procurement, organisation and method, as well as audit and evaluation. The term 'civil service policy' used in this thesis refers to a sub-domain of public management policy.

The thesis examines two cases of change within civil service policy in Thailand between 1980 and 1999, with particular focus on civil service human resource management (HRM). The first case involves downsizing the Civil Service, which is defined in this thesis as deliberate measures that aim to control the expansion of and/or reduce the size of the Civil Service. This involves such input-driven measures as containing the growth of the Civil

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<sup>1</sup> Similar definitions of public management policy can be founded in Halligan (2002) who sees public management policy as the introduction of a range of reforms that affect most aspects of the functioning of a civil service or public sector or both; and in Pollitt and Bouchaert's (2000) classification of 'what trajectory' for public management reform comprising components of reform such as personnel, finance, organisation and performance management.

Service by way of employment freezing, reducing head counts and cutting personnel costs which have become popular tools for increasing efficiency in the civil service worldwide. It also involves a strategic approach dealing with the redefinition of the roles of the Civil Service, which would lead to restructuring and increasing efficiency in the civil service.<sup>2</sup> The second case is reforming Civil Service pensions, which refers to the attempt to change the Civil Service pension system and its administration with the aim of reducing state's responsibility for providing pensions for retired government personnel and to improve the system and process of Civil Service pension management.

Defining civil service downsizing and reforming civil service pensions as part of HRM is consistent with a functional approach to human resource management.<sup>3</sup> Furthermore, policy making for these two issues took place in the institutional venues dealing with HRM in the public sector. Functionally, this thesis follows Beer, Spector, Lawrence, Mills and Walton (1985) and defines HRM as subsuming four human resource policy areas: employee influence, human resource flow, reward systems and work systems. Downsizing is defined as part of HRM because it is an intentional set of HR activities usually involving reductions in personnel and the improvement of work processes,<sup>4</sup> which is a particular strategy to increase organisational efficiency and productivity (Jones, 1998). Such a definition is directly concerned with human resource flow and work systems. Reforming civil service pensions falls under the province of 'reward systems' as defined by the functional view of HRM. McClune (1997) argues that the development and adoption of a remuneration policy and pay package in which pensions are normally included involves people interface and organisational responsibility because it affects individuals with their 'baggage' of attitude, perceptions and willingness to co-operate or conform. Institutionally, downsizing the Thai

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<sup>2</sup> The definition of downsizing used in this thesis is similar to that of McCourt (2001) and practical definitions that can be found in the literature on public employment reform advocated by World Bank experts including Nunberg (1989). This is how the term is understood and used in the Thai Civil Service.

<sup>3</sup> For the functional view of HRM see also Storey (1995), Anthony, Perrewe and Kacmar (1996), Rosenbloom (1985) and Shafritz, Hyde and Rosenbloom (1981).

<sup>4</sup> Many scholars explicitly define downsizing as part of strategic HRM. Jones (1998) surveyed HR tools for downsizing including normal attrition, hiring freezes, transfers to other in-house positions or other agencies, buyouts and involuntary reductions in the workforce. Doherty (1997) argues that downsizing is an HRM challenge as organisations need to remain effective and efficient in order to survive. The same view is shared by Hendry and Pettigrew (1992) who argue that HRM should operationally and strategically linked to such policy as downsizing which proactively address

Civil Service and reforming civil service pensions can also be defined as part of the HRM policy domain. As will be seen in chapter two, both reform initiatives were developed and implemented in civil service policy making institutions mainly within the Office of the Civil Service Commission, and the Ministry of Finance, particularly its Comptroller General's Department. These central co-ordinating agencies are the institutional venues where Civil Service HRM policy are developed and managed. Because of their functional relevance and institutional locations, downsizing the civil service and reforming civil service pensions can be defined as part of HRM.

This chapter aims to provide the theoretical compass for the thesis by reviewing the seminal literature related to public policy and public management change. It will discuss two major approaches, institutionalist and processualist, which have been widely accepted and used to explain change in these areas. One of the most convincing institutionist approaches is Knill's concept of administrative reform capacity as an explanation for public management change. This will be examined critically and used as a theoretical platform for the thesis. Knill's institutionalist view of reform capacity and a processualist approach will together form a conceptual 'compass' that guides the explanations for limited and incremental civil service policy change in Thailand. On the methodological side, the chapter develops an instrumental case study as a research design that is consistent with the chosen theoretical framework. The chapter ends with an outline of the structure of this thesis.

## 1.1 An Institutionalist View of Public (Management) Policy Change

One of the central institutionalist explanations for change in public policy and public management policy is what I term 'reform capacity'. This argument is widely accepted within the institutionalist tradition (Weaver and Rockman, 1993; Hall and Taylor, 1996; March and Olsen, 1989). It focuses on how institutional arrangements promote or constrain 'reform capacity' - the opportunity or risk for public policy change in general and public management reform in particular. The term 'reform capacity' is conceived by scholars within institutionalism as 'government capabilities' and 'administrative reform capacity'. The two concepts are built upon the same idea that 'institutions matter' and that institutional

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conditions for continuous change. The explicit relation between HRM and change at the strategic

arrangements constrain opportunities for change and reform. Scholars who apply the concept of 'government capability' tend to examine how macro political institutions or 'architecture' affect the performance of government in various areas of public policy,<sup>5</sup> while those who deal with public management reform capacity focus narrowly on how institutional arrangements provide an opportunity or risk for public management reform and administrative change. Although there is no marked conceptual difference between 'government capability' and 'administrative reform capacity' they will be reviewed separately.

### 1.1.1 Government Capabilities and Public Policy Change

At the forefront of the 'government capability' approach to public policy change are Weaver and Rockman (1993).<sup>6</sup> Their general model of government capabilities addresses the question 'what is it that enhances or detracts from a government's ability to perform specific tasks?' Such ability usually involves innovating and imposing losses on the public sector. As the basic hypothesis is that political institutions shape the process through which decisions are made and implemented, and that these in turn influence government capabilities, the line of inquiry involves the examination of the effects of differences in institutional arrangements on governmental effectiveness, how differences in political institutions result in different government capabilities for innovating and imposing losses through public policy.

In short, according to this institutionalist line of research, government policymaking capabilities are influenced by basic structural differences. These differences pose institutional constraints that encourage or discourage certain types of attributes of decision making processes. These attributes enable or deter the emergence of policymaking capabilities that influence governments' ability to make strategic policy choices that influence, but not necessarily determine, the policy outcome. Weaver and Rockman (1993) argue that treating 'government capability' as an explanatory variable enables a generalisation to be made about public policy change: 'one can think of a government's capabilities as a pattern of

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level including workforce management is also founded in the work of Tyson (1995).

<sup>5</sup> Good accounts on 'institutions matter' can be found in Weaver and Rockman (1993). Contributors to this volume examine the influence of institutions in various sectoral policies including energy, pensions, industry, trade, the environment, cleavage, military and nuclear weapons.

<sup>6</sup> Despite the broad consensus that institutions matter, there is a wide variety of institutional theories with a greater or lesser degree of conceptual overlap which are part of a vigorous ongoing debate. For the most comprehensive account of institutional theory in political science see Peters (1999).

performance across many policy areas over time. A government's performance in innovating and imposing losses may be more or less consistent across policy areas'.

The capabilities of Thai governments have been a subject of institutionalist inquiry over the last forty years. Two convincing arguments have emerged: the 'bureaucratic polity' and 'strong state hypotheses' (Riggs, 1996; Girling, 1981; Laothamatas, 1992b and 1994; Siroos, 1985; Donner and Ramsay, 1993, 1999; Unger, 1998; and MacIntyre, 2003). The bureaucratic polity hypothesis accounts for Thai government capability by focusing on the structure of political decision making within Thai state. Riggs' classic study (1966), which provided a platform for John Girling (1981), characterised the governance of the Thai state as a bureaucratic polity – a political system where power and prestige were located within the bureaucracy rather than in extra-bureaucratic forces or political parties under parliamentary rules. Riggs also pointed out the dispersal of overlapping government functions among several government departments and agencies, which weakened coherent policymaking and implementation but provided more employment opportunities for civil servants.

The most recent work on Thai government capabilities as related to the structure of policy decision making is by MacIntyre (2003) who analysed the impact of institutions on effective governance in four South-East Asian countries including Thailand. His thesis, which focuses on the degree of dispersal of decision-making power, is that likely patterns of governance are based on the institutional characteristics of the country's political system, what he calls its 'national political architecture'.<sup>7</sup> MacIntyre identifies Thailand's national political architecture as highly fragmented, which produces a pattern of debilitating policy rigidity. With multiple weak political parties and up to six parties in a governing coalition, there are a very high number of veto players; control over policy is dispersed to a 'quite extraordinary level'. As a result policy responses are often severely delayed and diluted.

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<sup>7</sup> He argues that countries whose national political architecture produces highly centralised decision making structures are susceptible to very changeable patterns of policy management. Countries with a highly fragmented decision-making structure are susceptible to an inflexible or rigid pattern of policy making. The more power is institutionally fragmented among separate decision makers, the harder it is to reach agreement to alter the policy status quo. Fragmented power promotes policy stability and concentrated power promotes flexibility. National political architecture, which either severely centralises or severely fragments decision-making, is likely to produce seriously problematic patterns of governance. Using the concept of veto players, he argues that countries with multiple political parties and coalition government have a fragmented decision-making structure and that the number of political parties increases the degree of fragmentation.

Thai government capability has also been explained by scholars who argue that Thailand can be identified as 'strong state' (Laothamatas, 1992b and 1994; Siroros, 1987; Donner and Ramsay, 1993, 1999).<sup>8</sup> Using cases of macro-economic policy making, the Thai state has been seen as autonomous, operational and effective in bringing about economic development and growth, a role that contributed to the creation of the 'Asian economic miracle' (Warr and Nidhiprabha, 1996; Siamwalla, 1997). Some academics extend the strong state hypothesis to explain how state actors predominate over social organisations in sectoral policy making processes including trade and industrial policies. Siroros (1985), for example, pointed out in her detailed study of automobile industry policy making that Thai bureaucrats form one of the most important pillars in a 'triple alliance model of policy making process'; the other two pillars being domestic business and multinational companies. Similarly, Unger (1998) found the same pattern in his analysis of the financial and textile sectors as well as the development of heavy industry and transportation infrastructure in Thailand. He examined the impact of Thai social organisations on the country's institutions and their political and economic outcomes and built his argument on the concept of 'social capital', which strengthened state capacity in policy making.

However, most recent scholars agree that the bureaucratic polity mode of governance and particularly the autonomy of bureaucratic actors in formulating public policy has been transformed since the 1980s into a more democratic mode where extra-bureaucratic forces have increasingly influenced public policy making. The recognition of non-bureaucratic forces can be traced back to the refined version of Rigg's classic bureaucratic polity by Girling (1981) who studied political change in Thailand before Prem's administration. Ramsay (1987) argues that the business and middle class have, since the 1980s, shared political power and that the country's governance has 'moved beyond the bureaucratic polity'. A similar account has been provided by Suriyamongkol and Guyot (1986) and Suriyamongkol (1988) who argue that the governance of Thailand has changed fundamentally and the 'free run of the bureaucracy has been checked and held at bay by a variety of newly developed as well as some older, extra-bureaucratic forces'.

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<sup>8</sup> For the concept of the 'strong state' see Migdal (1994). For the related concept of embedded autonomy see Evans (1995). Despite some controversy over its classification, Thailand has generally been classified as a 'strong state'. For an alternative see the argument for the bifurcated nature of the Thai State in Pongsudthirak (2001).

The transformation of the bureaucratic polity under conditions of competitive extra-bureaucratic forces can be clearly seen in economic and industrial policy making. Laothamatas (1992) in his seminal work on business associations argues that 'Thailand has ceased to be a bureaucratic polity – in the realm of economic matters at least. This is so because organised business has formed politically effective extra-bureaucratic groups and the policy of the government is no longer determined solely by the bureaucratic elite'. Accordingly these organised business associations- the Thai Chamber of Commerce, the Thai Bankers Association and the Federation of Thai Industries – are no longer just a tool for governments in implementing economic and industrial polices, but participate in and influence the policy making process. This led Laothamatas to argue that the political economy of Thailand has entered a new phase of 'liberal corporatism', which is characterised by a 'high degree of autonomy and spontaneity, and by the central role of private groups in the creation and operation of their representative associations, as well as systems of government-group interest mediation'.

So far the bureaucratic polity paradigm and its transformation since 1980s has been examined and most clearly seen in economic and industrial policy areas. While fully accepting the transition of governance mode, most writers and advocates of polity change in Thailand have reservations about whether such a transition has taken place in other policy areas, particularly those in which intra-bureaucratic forces remain intact and resilient and non bureaucratic forces have not succeeded in penetrating a close knit policy-making structure. Yee (2003) has argued that examining different 'issue areas' other than economic and industrial issues can add more insight into changing governance modes across issue areas within the Thai political system, concluding that multiple and changing governance modes emerge across issue areas.<sup>9</sup> Such policy areas may include military and security policy and civil service or public management policy. This thesis examines the public management policy issue area which has so far been missing from the scholarly debate about changing

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<sup>9</sup> Yee (2003) argues that democratisation has contributed to the emergence of multiple and changing governance modes across issue areas within political systems. Drawing on the existing literature on governance change in Thailand and looking at different issues areas ranging from military policy, macro economic policy, business policy to social policy, he argues that multiple and changing governance modes occurred successively, cyclically and/or simultaneously across issue areas. Different modes of governance resulted from variations in the accessibility of different issue areas, different levels of political participation across issue areas and variations in policy penetration by global/transnational actors across issue areas.

polity in Thailand. This provides an opportunity to investigate how the conservative intra-bureaucratic forces of civil service policy institutions operated under conditions of democratisation and increasing opportunities and pressures for elected politicians to interfere in the Civil Service, as will be seen in the narrative chapters. Placing the public management policy issue area against the backdrop of the democratisation process, albeit implicitly, can provide better understanding of the trajectories and outcomes of public management policy change between 1980 and 1999. Having reviewed the work on government capabilities, I will now examine how ‘public management reform capacity’ emerges in the institutionalist research tradition.

### 1.1.2 Public Management Reform Capacity

The institutionalist concept of ‘government capabilities’ for public policy change has been extended by public administration and public management scholars to explain public management and administrative reform (Pollitt and Bouckært, 2000; Hood, 2000a, 2000b, 2001, 2002; Knill, 1999; Borwornwattana, 1994, 2000). Like those who advocate ‘government capabilities’, some public administration and management scholars emphasise the influence of the institutional characteristics of existing political and administrative systems on public management change.

In their chapter “Many Houses: Types of Politico-Administrative Regime”, part of their comparative study of reforms in ten democratic OECD countries,<sup>10</sup> based on studies of the structural, cultural and functional aspects of institutions, Pollitt and Bouckært (2000) identify five key features of public administration systems that can differentiate the direction, focus and scope of public management reform. These different institutional features, which provide ‘administrative reform capacity’ include the state structure, the nature of the executive government, the relationship between ministers and mandarins, the administrative culture and the diversity of policy advice. From their study, Pollitt and Bouckært comment that some regimes, especially Anglo-Saxon ones, are more open to public sector management change than others, such as Germany and the Scandinavian countries.

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<sup>10</sup> These countries are Australia, Canada, Finland, France, Germany, Netherlands, New Zealand, Sweden, the U.K. and the U.S.A.

Public management reform capacity can be seen as embedded in what has been called the ‘public service bargain’ [PSB] – defined by Hood (2001) as ‘any explicit or implicit understanding between (senior) public servants and other actors in a political system over their duties and entitlements relating to responsibility, autonomy and political identity, and expressed in convention or formal law or a mixture of both’ (Hood, 2000a, 2000b, 2001, 2002)). According to Hood (2001), some types of bargain are ‘reform capacity rich’ and others have a ‘reform capacity deficit’. In this respect, public service reform in general can be explained in terms of the different types of public service bargain in the civil service *status quo* before reform because the type of bargain heavily shapes public service reform action or inaction.<sup>11</sup> The variety of “structural patterns of reform can be explained in large part by the way that PSBs have varied historically, providing different jumping off points to the reform era.” (Hood, 2000 a).

The literature on ‘public management reform capacity’ in Thailand is limited.<sup>12</sup> Bowornwathana (1994, 2000) has examined the impact of political institutions on Thai administrative reform efforts arguing that the characteristics of coalition governments which have governed Thailand for a long period should be taken into consideration when making

<sup>11</sup> Hood, who has developed the concept of the ‘Public Service Bargain’ building on the strength of the ‘historical institutionalist’ and ‘strategic-interaction’ approaches, distinguishes between three types of bargain, systemic, pragmatic and hybrid. In systemic bargains, public servants are trustees rather than agents acting for the collective good of the state and/or society and have autonomous status. In pragmatic bargains they are agents, their roles, duties and relationships the result of negotiation between elected politicians and the civil service. Hybrid bargains are mixtures of these two elements and vary considerably. Many bargains are hybrid, with different PSBs applying to different parts or levels of public service. A further variable is the number of parties or principals actors involved in the bargain. Hood shows that particular types of PSBs in which reform capacity is embedded provide opportunities and risks for public management reform. Pragmatic bargains are likely to be more readily changed than systemic ones. Hood’s ‘reform tortoises’, where reform is slow and limited, tend to be cases where the pre-existing PSB created low motive and/or low opportunity for politicians to remodel top-level bureaucratic structures whereas the ‘reform hares’ tended to have the opposite characteristics. Systemic PSBs offer less opportunity to politicians for civil service reform than pragmatic PSBs. Reform is still possible but more difficult. Pre-existing PSBs that give substantial opportunities for politicians to control senior bureaucratic appointments offer politicians lower motivation to change the system than those that traditionally restricted or eliminated politicians ability to shape the process. Reform risks arise from the ‘cheating opportunities’ possible within the type of public service bargain in existence and constrain reform capacity. These cheating risks increase in multi-party bargains, what Hood has called ‘*menage a trois*’:

<sup>12</sup> The reform capacity of the Thai Civil Service for public management policy change is understudied. Most studies have been derived from such sources as crude observations, sporadic criticism made by a few politicians and civil servants, and prescriptions from the international lending

sense of administrative reform. Less has been said about the impact of coalition governments except that fragmented coalition governments tend to constrain the trajectories and outcomes of civil service reform, leading to public management policy stability rather than change. Central to Bowornwattana's studies of civil service reform in Thailand is the influence of politician-bureaucrat relations on public management reform (Bowornwattana, 1988, 1996a, 1996b).<sup>13</sup> He argues that administrative reform is an arena where politicians and bureaucrats compete to control the civil service through the mechanism of personnel appointments and transfers, and the creation of new government agencies. Administrative reform is therefore a political instrument for managing the relationship between politicians and bureaucrats.

The impact of politician-administrator relations on administrative reform trajectories and outcomes has been studied by Unger (2003) who explores 'accountability reform' in Thailand during the 1990s.<sup>14</sup> He argues that state elites, characterised by a fusion of politicians and bureaucrats, played an active part in Thai politics and policy making with few demands from non-state groups for resources or accountability. Unger argues that 'the country's agents were in fact its principals and bureaucrats were not merely policy executors. They managed intra-elites and policymaking. The fusion between the two groups inhibited their reform capacity and led reformers to bypass parties and politicians at the stage of reform enactment.

So far this chapter has provided the theoretical contours of an institutionalist view of reform capacity, identified in general as 'government capabilities' and specifically as 'public management reform capacity'. However, none of the institutionalist views of reform capacity reviewed above has developed an analytical concept that provides a general model for the systematic study of the impact of national administrative reform capacity on public management policy change that can be tested against the reality of civil service reform in countries other than Western European and Anglo-Saxon democracies.

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institutions such as the World Bank and the International Monetary Fund. A systematic detailed case study has not yet been conducted.

<sup>13</sup> Although Bowornwattana provides a good point of departure to study the politics of civil service reform in Thailand, most of his studies are broad and episodic observations.

<sup>14</sup> Accountability reform is identified as a combination of managerial and transparency reform (Unger 2003).

Pollitt and Boukaert (2000), even though their work is based on ten countries admit that 'it would be difficult to generalise the impact of politico-administrative features on public management reform because these features and their relations operate in a complex way'. Hood's public service bargain, despite being a promising concept for explaining structural opportunity for public service reform, is narrowly focused on specific patterns of relationship between politicians and bureaucrats. This is because the structural and institutional arrangements not 'reform capacity' *per se* are the central concern of their work though they have interesting and important things to say about it, which can be related to reform capacity.

To move the discussion forward, I will now turn to one of the key contributors to the scholarly discussion of public management reform capacity, Christoph Knill. Knill's conceptualisation of 'administrative reform capacity' departs from other institutionalist views of reform capacity. Unlike other studies, which have sought to explain specific public management reforms in particular countries, Knill's concept of ideal types serves as a means to understanding differences and similarities across actual administrative systems and can be used in the same way as Weber's concept of rational bureaucracy. Knill follows Peters (1996) in using Weber's logic to argue that ideal types have the virtue of providing a standard against which real world systems can be compared and potential differences explained. Classifying the countries under investigation using his ideal types provides a general comparative model, which can be applied to other bureaucracies. The next section will review Knill's ideal type constellations of administrative reform capacity, which will be used as a basis for advancing the argument on the influence of public management reform capacity on public management policy change.

### 1.1.3 Knill's Administrative Reform Capacity Ideals and Thailand Case as a Puzzle

The concept of administrative reform capacity, which has some degree of affinity with other institutionalists' accounts of 'government capabilities' and 'public management reform capacity' as reviewed above, has been developed and advanced by Knill (1999). He argues that the level of administrative reform capacity explains different patterns of administrative development. Knill proposes two 'ideal type constellations' of administrative reform capacity. These are *autonomous administrations* where the capacity for administrative reform is low, with administrative change being restricted to incremental self-adaptations by the

bureaucracy, and *instrumental administrations* with high potential for substantially changing existing administrative arrangements.

Knill identifies three categories, which determine reform capacity, a general capacity for executive leadership; the institutional entrenchment of administrative structures and procedures; and the influence of the bureaucracy on policymaking. The general reform capacity of executive leadership is associated with the political system, the government's ability to enact reform and the strength of executive leadership. The degree of institutional entrenchment of administrative structures affects the ability to impose reform from above. The degree of entrenchment is determined by legal and formal requirements and the comprehensiveness and fragmentation of administrative structures. The influence of the bureaucracy on policy making is the extent to which administrative actors can shape policy formulation and implementation in their interests.

Using these categories Knill defines an *autonomous* bureaucracy as one where there is weak executive leadership, high institutional entrenchment of administrative structures and procedures, and a powerful influence on the formulation and implementation of policy. An *instrumental* bureaucracy faces strong executive leadership, is weakly entrenched and has limited influence on policy making. Autonomous administrations can hardly be changed from outside by deliberate political reform attempts, though they are not entirely immune from outside pressures. Limited reform capacity does not result in rigidity, but administrative change comes mainly from self-adaptation and takes place within existing traditions and principles. It tends to be incremental and patchy rather than radical and far reaching. Instrumental bureaucracies have a high potential for transformation from outside and fundamental change is more likely. The form and scope of change lies with political leaders rather than the administration.

Using Knill's framework, Thailand can be characterised as an autonomous administration (Painter, 2004). The Thai Civil Service closely fits Knill's definition of a unified autonomous bureaucracy; a powerful, centralised bureaucracy that provided continuity of expertise and authority against a background of political instability. The Thai legal code, based on the French model, gives substantial legal authority and independence to permanent civil servants, resulting in a highly entrenched administrative structure. The autonomy of the Thai Civil Service has been strengthened by relatively weak executive leadership caused by institutional weaknesses in the system of political control. The presence

of multiple weak political parties and coalition governments with up to six parties disperses decision making widely. Furthermore, many governments lacked a clear programme and cabinet decisions tended to formalise decisions already taken elsewhere. Decision-making processes often reflected bureaucratic status demands in the form of large unmanageable committees. The presence of both senior civil servants and politicians on these committees reflected the high status and power of the bureaucracy in policy making. With these characteristics, according to Knill, Thailand has limited reform capacity.

If Knill's ideal types of administrative reform capacity are correct, we would expect to see limited change and little non-incremental reform in Thai civil service policy. Public management policy change would largely come from self-adaptation and not be radical. On first examination Thailand seems to fit Knill's pattern as there was a long period of stability rather than change in the Civil Service human resource policy between 1980 and 1999. But on closer scrutiny, and especially if we consider public management reform in Thailand as a series of episodes involving discrete reform policy cycles, as this thesis proposes, Knill's ideal types are not consistent with the historical evidence. In Thailand a long period of overall limited administrative change was punctuated by some episodes of more far-reaching change. There were also differences in trajectories and outcomes between two different sub-domains of Civil Service human resource management policy namely downsizing the Civil Service and Civil Service pension reform. Such variety in civil service reform trajectories and outcomes in Thailand across the period of study and between cases is puzzling.

The Thai historical evidence suggests that it is difficult to use Knill's ideal types to account for variations in the trajectories and outcomes of change over a long period of study and between two different sub-domains of Civil Service human resource management. These difficulties raise two 'intellectual problems': how can we have both stability and change in Thai Civil Service policy when Knill's ideal types of autonomous and instrumental administrations provide a constant administrative reform capacity?; and how can the same reform capacity explain different trajectories and outcomes in two different sub-domains of Civil Service human resource management policy? The intellectual problems arise because Knill's reform capacity tends to be static. He does not seem to suggest that reform capacity changes.<sup>15</sup> Nor does he consider how the inter-relationship between the three categories

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<sup>15</sup> As most institutionalists believe, institutions do change. Even Pollitt and Boukaert (2000) who adopt the static view of public management reform capacity in their analysis accepted that, 'it would

characterising his ideal types affects administrative reform capacity. Knill's ideal type constellations, therefore, do not seem to apply, or at least apply fully, to the recent history of administrative reform in Thailand.

The theoretical problem embedded in Knill's institutionalist ideal type administrative reform requires a search for a better causal understanding of public management reform. In the next section, I will examine an emerging but promising approach to explaining public management policy change, which helps overcoming Knill's static view of administrative reform capacity. This approach views reform trajectories and outcomes from a dynamic processual approach, which I now turn to.

## 1.2 A Processualist View of Public Management Policy Change

One of the central arguments of the processualist view of public (management) policy making is that policy [and organisational] choices are made collectively and shaped by the context of choice – processes and wider organisational and institutional settings (Cyert and March, 1992; Cohen, March and Olsen, 1972; Alison and Zelikow, 1999; Lindblom, 1990). Its focus is on the dynamic of choice making processes. This approach has strong roots in behavioural theory of organisational [and policy] choices, which are taken directly from the work of Cyert and March (1992). The influence of processual view of policy choices appears in seminal works in political science literature including Cohen, March and Olsen (1972) Alison and Zelikow (1999), Lindblom (1990), Kingdon (1995) and Baumgartner and Jones (1993).<sup>16</sup>

Recently, the processual approach has gained attention of public management scholars who investigate public management reform (Barzelay, 2003; Halligan, 2002, Campbell and Halligan, 1992). Many studies of the origins and outcomes of public management reform place considerable emphasis on 'process variables' – they investigate the different sources of reform, the nature of responses of government and bureaucracies to

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be misleading to think of politico-administrative systems as some kind of unchanging bedrock to which every reform must adapt itself or fail. Every element of institutional features is subject to change, though at different speeds'.

<sup>16</sup> See also the work of Hirschman (1963), March (1994) March and Olsen (1989), Feldman (1989a, 1989b, 2000), Feldman and Pentlands (2003), Hall (1992), Hall and Taylor (1996), Perrow (1986) and Lane (1990)

demand for transformation, and reform implementation. Drawing on process model of public policy change, the processual approach to public management reform seeks to obtain a process understanding of some or all aspects of public [management] policy making and change (Barzelay, 2003). While acknowledging that the seminal works in this area are extensive and some works are built on prior developments by others, and that so far there have been relatively few processual studies of Thailand,<sup>17</sup> I will concentrate on examining Kingdon's (1995) process model of public policy making and change and the related work of Baumgartner and Jones (1993), as well as Barzelay's extension of this model to analyse public management policy change since Kingdon and Barzelay form the backbone of analysis in this thesis.

Kingdon's multiple stream models, which is essentially a modified 'garbage can model' of decision making and was built upon previous work of the behavioural school of politics,<sup>18</sup> focuses on two parallel pre-decision processes: agenda setting and alternative

<sup>17</sup> Works that share some but not all elements of a processual approach include those of Painter (2004), Bowornwattana (1996) and Brewer (2003). Painter (2004) has studied the origin and trajectory of administrative reforms in general in Thailand in the 1990s arguing that they evolved incrementally. Though comprehensive administrative reform was on the agenda of successive governments, their commitment was half-hearted. He regards senior officials in the central co-ordinating agencies as the main 'reform champions', but reform was slow and piecemeal as the bulk of the bureaucracy resisted change. Lack of control by politicians and resistance by the largely autonomous bureaucracy produced "stalled negotiated reform, verging on gridlock". However, a combination of the Asian economic crisis, the new 1997 Constitution and the election victory of Thaksin Sinawatra's Thai Rak Thai Party have given reform a new impetus. Attempts to explain the processes of structural reforms have been carried out by Bowornwathana (1996a, 1996b). He traced the processes of reform in Ministry of Education (MOE) and Office of the Secretariat of the Prime Minister (OSPM) against the backdrop of the competition between government politicians who wanted to create new organisations, and bureaucrats in the MOE, OSPM, and the Office of the Civil Service Commission. Another broadly processualist explanation of Thai administrative reform is provided by Brewer (2003). He argues that in the 1990s Thailand appeared to undergo a paradigm shift that resulted in fundamental reform of the key institutions of state governance and substantially reformed public services. He enumerates the multi-causal explanations, mainly contextual factors, for such a transformation which was facilitated by changes within Thai society over the past decade.

<sup>18</sup> Kingdon's study of agenda setting in American politics was heavily influenced by the attention and search model explaining the decision making process in terms of the allocation of attention and search. March and Olsen (1989) and March (1994) argue that attention is a scarce resource and that decision making takes place when opportunities, choices, problems, solutions and people receive sustained attention from the top of the executive. Problems and solutions are often ambiguous, and alternatives, consequences and preferences tend to be incompletely known. An 'ecology of attention', who attends to what and when, needs to be incorporated in decision making analysis. Change is likely to occur when there is sufficient attention paid to the issue. But change is also determined by satisfying search rules. Once there has been sustained attention change is also determined by the nature of the search done to find a solution.

specification. Agenda setting determines which issues or problems are dealt with by decision makers; alternative specification determines which solutions should be considered when decisions are to be made. Kingdon argues that there are three streams, problems, policy and politics and that when the three combine there is a window of opportunity in which policy change can take place.

Kingdon explains the public policy change process by modelling the temporal structure of policy issue through its 'career progression' from the 'systemic agenda' to the 'government policy agenda' and decisional agenda<sup>19</sup>. According to Kingdon, such progression usually occurs as the consequence of 'focusing events' such as natural disaster, epidemic, riot or a major shift in public mood. Such events help open a window of opportunity for major policy change by allowing the three streams of problems, politics and policy to converge moving the policy issue from the government policy agenda to the decisional agenda. Kingdon argues that in bringing all three streams together and enabling policy change to occur, policy entrepreneurs play an important role.

Closely related to Kingdon's model is the concept of punctuated equilibrium proposed by Baumgartner and Jones (1993). This model theorises that long periods of policy stability are punctuated by abrupt changes when either the policy image or institutional venue changes. Policy image is defined as public perception of policy problems. Institution venue refers to the structure within which policy making takes place. The image venue interaction causes disequilibrium which leads to policy change. Unlike Kingdon's streams model, Baumgartner and Jones's model of agenda setting is developed primarily to explain major shifts in policy direction rather than discrete policy choices. Hence a major policy shift is normally the result of a flow of decisions rather than the discrete event (Barzelay, 2001). According to Baumgartner and Jones, change in policy direction can be described in terms of disequilibrium and partial equilibrium. In a disequilibrium situation, the potential for changes in policy direction is high and *vice versa* in the partial equilibrium situation.

Building on the processual model of public policy making (Kingdon, 1995; Baumgartner and Jones, 1993) and organisational learning (Levitt and March, 1988), Barzelay (2001) develops an explanatory framework for public management policy change that accounts for different reform outcomes between a group of 'benchmark cases', the U.K., Australia, and New Zealand, and other cases, Germany and Sweden. Barzelay's systematic

comparative analysis of case evidence in the existing literature, in dialogue with his chosen theoretical ideas, allows him to generalise about public management policy change. He concludes that public management policy change is explained by a sequence of disequilibrium and partial equilibrium in the public management policymaking process. Disequilibrium results from such interlocking factors as a major change in problem definitions and a modification of policy subsystem, and from such contributory factors as impulses produced in the political stream and policy entrepreneur's beliefs and opportunities. Partial equilibrium is explained by stability in the 'policy subsystem, domain structure and stability in the issue image'.<sup>20</sup>

The processual view of public management policymaking and reform outside his benchmark cases has recently been further developed by Barzelay (2003) which can be claimed as the most codified process model of public management policy change produced so far. In explaining the process dynamic of public management policy making, Barzelay places Kingdon's framework in a wider methodological context and has advanced a framework for explaining the trajectories and outcomes of public management policy change by emphasising the role of 'mechanism'. His theoretical core, which is presented in his 'Theoretical Framework for Analysing Episodes of Public Management Policy Making' (Barzelay, 2003) as part of the synthesis article in a symposium edition of the *International Public Management Journal* volume 6 (3), rests on the operation of causal (social) processes, mechanisms and context factors at work in the public policy making process. The characteristics and merit of this theoretical framework are best summarise in his own terms:

First it pursues the strategy of disaggregating policy making into component processes, while preparing the ground for insights into how agenda setting, alternative specification, and decision-making are dynamically linked. Second, the [Framework] sorts the vast number of oft-mentioned influences on policy making into two large categories: generic social processes and mechanisms on one hand, and process context factors on the other. Third the [Framework] incorporates the fine-grained conceptual distinction between social processes and mechanisms.

<sup>19</sup> Kingdon built the concepts on the work of Cobb and Elder (1983).

<sup>20</sup> The meaning of these factors is elaborated by Barzelay (2001). Policy subsystem refers to the institutional venues where policymaking activities occur. Domain structure refers to the conceptual

Drawing upon a six-country analysis,<sup>21</sup> Barzelay develops an analytical understanding of similarities and differences in public management policymaking processes using an explicit explanatory framework. His explanations centre on 'social mechanisms', examples of which are, attribution of opportunity, certification, performance spirals, brokering, and other mechanisms based on the logic of appropriateness. These mechanisms operate in relation to 'institutional contexts' and 'contexts-in-motion' through the flow of individual and collective effort. Barzelay's tentative conclusions about the agenda setting process are that the heads of government have a pivotal role in including public management policy issue on the government policy agenda, which usually takes place during the 'honeymoon period' of the government. Heads of government also influence the issue formulation process though their influence over this is somewhat muted compared with issue inclusion. Related to the agenda setting process is the status of the public management policy issue on the government agenda. Although the initial issue status is typically a political decision, it can decline or be enhanced over time depending on, for example, factors such as linkage to other policy issues on the government agenda, changes in political streams and the evolution of the alternative specification process.

In terms of the alternative specification process, Barzelay concludes that there is tremendous variation in the process both in terms of the intensity of the reform effort and the time scale of such effort. The degree of contact between top-level executives and the alternative specification process, affects issue status and momentum. High-ranking government officials may have modest influence on the details of the public management reform design, but can affect the momentum of the reform issue and the pace of specifying reform alternatives. When it comes to the decision making process, Barzelay's explanations rests on whether reforming public management policy requires legislative change and whether political leaders are willing to invest effort and run the risks of the legislative process on the public management issue at hand.

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organisation of public policy making which reflects beliefs about the interrelatedness of various policies. Issue image refers to the face of the issue or the dominant conception of the policy problem.

<sup>21</sup> Germany, Spain, Mexico, Brazil, Thailand and U.S.A.

### 1.3 Theoretical Compass and Principal Research Questions

Having reviewed the literature on both the institutionalist view of 'administrative reform capacity' and the processual view of public management policy change, I will now develop the theoretical compass for this thesis. My theoretical framework follows two strategies, which are compatible but so far have not yet integrated. The first strategy is to use Knill's framework of administrative reform capacity but not apply it as a strict 'law'. The second strategy is to follow Barzelay's processual analysis of public management policy change. Bringing both conceptual strategies to analyse of civil service policy in Thailand should provide sufficiently full and theoretically relevant explanations to answer the thesis questions: *What explains stability and change in Thai Civil Service policy? What explains the variation of trajectories and outcomes within Civil Service policy across the last two decades of the twentieth century and across its sub-domains?* It also helps overcome the historical puzzle established in section 1.1.3 when the analysis only takes into account Knill's institutionalist ideal types of administrative reform capacity. As Kingdon (1995) warns, institutions, actors and process make some reform outcomes possible and other outcomes unlikely and 'scholars need to avoid opting for one or the other view, and to do more work on specifying the conditions under which and the way in which policy making works'.

In pursuing the first strategy of applying Knill's framework, two central questions emerge: Why does Knill's ideal types of administrative reform capacity apply in the historical case of Thai Civil Service policy change, when it does apply? When Knill's ideal types of administrative reform capacity does not fit with the historical Thai case, why not? Answering the second question requires the second strategy of processual analysis, which takes into account process, and context factors at work in the public management policymaking process, as well as the interplay of actors and their efforts in reform episodes. In this respect, unlike Knill, I consider 'administrative reform capacity' against a theoretical backdrop of processual analysis, so that it is conceived as an emergent property of the 'institution-in-motion' through which collective civil service reform choices are made. Redefining administrative reform capacity in a processual way leads to another crucial question which is instrumental in understanding stability and change in Thai Civil Service policy: what makes 'reform capacity' change or fluctuate over the period of study?

Weaving together a dynamic process understanding of public management reform, and Knill's institutionalist concept of ideal types can be called an 'institutional processual'

approach to public management policy change.<sup>22</sup> I use the term ‘institutional processual’ analysis in this thesis to emphasise the importance of both institutions and processes in shaping the trajectories and outcomes of Civil Service policy reform, rather than as a label for a new and different approach to understanding and explaining public management policy change. In this light the thesis will make explicit the dialectic interplay between institutional arrangements and the reform process via ‘public management reform capacity’ – the opportunity and risk for making public management policy. The contextual richness of the processualist explanation will be enhanced by the rigour and robustness of institutionalist explanations.

## 1.4 Researching Civil Service Policy Change in Thailand

As mentioned earlier, this thesis examines the evolution of a sub-domain of Thai public management policy namely civil service human resource management policy, which is characterised by a long period of stability punctuated by some episodes of more far-reaching change. It examines some of the most recent reform efforts between 1980, when the first significant change was introduced, and 1999, when more radical reform was introduced in the wake of the 1997 Asian economic crisis. This section provides the justification for the selection of Civil Service downsizing and reforming Civil Service pensions as the cases to be studied. It also develops a research design that is capable of providing insight into changes in these two sub-domains of Civil Service policy in Thailand.

### 1.4.1 Case Selection

Civil service human resource management policy change in Thailand between 1980 and 1999 is represented in this thesis by two issue areas relating to civil service employment and welfare benefits: civil service downsizing and civil service pension reform.<sup>23</sup> Both policy areas have evolved around striving for efficiency improvements resulting from the efficient use of

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<sup>22</sup> I have borrowed the term from Barzelay (2004) who calls for a new label for attempts to develop institutional processual explanations. Unlike new (historical) institutionalism, institutional processualism is a process oriented research programme that views politics as creative, intelligent and ‘interpretive’ activities. It focuses on the dynamics of change by exploring and explaining how action and context aspects influence each other. It is interested in how structural and agency factors affect the reform process, its trajectories and outcomes.

managerial resources: personnel and money. These two areas or 'cases' have been selected for their historical and analytical significance. Historically, reforming public sector human resource management is one of the most important areas of civil service reform and has been undertaken by most governments around the globe (McCourt, 1998, 2001; Dunsire and Hood, 1989; Peters, 1988; Nunberg, 1989). In Thailand downsizing in particular has been seen as the first and the most sustained government civil service reform initiative and has been on the agenda of successive governments since 1980s. This has led many practitioners, observers and Thai civil servants themselves to equate civil service reform with downsizing. The same phenomenon has been pointed out by McCourt (1998) in his study of downsizing in some African countries. The historical importance of the reform of Thai Civil Service pensions is its degree of its success. It has been widely seen as a success and has been praised for this by academic observers, reformers and politicians alike.

Analytically, the two cases have been selected because they exhibit different 'reform outcomes' that allow comparisons between cases within the same policy domain of public management in a single country. Although the reform outcomes of the two cases can be classified as modest and limited in comparison with other civil service reform,<sup>24</sup> there is variation between them. Comparatively between the Thai cases, the outcome of the policy on civil service downsizing is piecemeal in the sense that despite repeated efforts, downsizing policy initiatives have never been radical, nor have the resultant numbers of civil servants and government personnel, on average, radically decreased. In contrast, the outcome of civil service pension reform was greater change in the sense that it successfully introduced a new pension arrangement; a defined contribution element was added to the existing defined benefit pension system.

Another point of analytical interest arising from researching civil service downsizing and pension reform is their longevity over almost two decades from 1980 to 1999 in the case of downsizing and between 1992 and 1996 in the case of civil service pension reform.

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<sup>23</sup> For a definition of downsizing and pension reform see above in the overview.

<sup>24</sup> Several Governments have undertaken radical public management reform which included downsizing and pensions. These include the U.K., New Zealand and some other OECD countries. With regard to downsizing for example, the UK government between 1979 and 1984 aimed to cut personnel from 732000 to 630000 (McCourt, 1998; Dunsire and Hood, 1989). The Thai experience of reforming Civil Service pensions by shifting to market-based and less state intervention can be seen in the experience of some OECD governments. See the accounts of pension reforms in the UK, USA, Germany, Japan, Sweden, Italy and Spain in Reynaud (2000).

During these periods they went through multiple policy cycles. The longevity of the two reforms enables an examination of the evolution civil service policy change over a long period, which provides more precise general insight into public management policy change in Thailand than short and episodic studies.

#### 1.4.2 Research Design: Analytic Narrative Instrumental Case Studies

The research design of this thesis is largely framed by and congruent with an institutional processualist framework. Designing a research inquiry in the light of an ‘institutional processualist’ conceptual guide requires a combination of case study and narrative, which is defined in this thesis as an ‘analytic narrative instrumental case study’. An analytic narrative instrumental case study combines two well-established and overlapping research traditions: processual analysis and instrumental case study. Such a design is appropriate because it can accommodate inquiries from both research traditions by demonstrating and explaining the impact of institutional arrangements and processual factors as well as the relationship between them, on public management policy change. Their symbiotic relationship is discussed below.

Processual analysis can be defined at its simplest as a sequence of events that describes how things change over time; “a sequence of individual and collective events, actions and activities unfolding over time in context” (Pettigrew, 1997). It emphasises the dynamic. Though agency is at the heart of processual analysis actions are embedded in contexts; both have to be considered. The interchange between agents and contexts takes place over time and is cumulative. Processual analysis goes beyond case histories to produce case studies that identify patterns in processes, mechanisms which shape patterns and underlying mechanisms, which drive processes.<sup>25</sup>

Pettigrew emphasises five key elements: embeddedness, temporal interconnectedness, explanation of context and action, holistic explanations and linkage between the analysis of process and outcomes. Processes are deeply embedded in both the contexts that produce them and are produced by them, such as the economic, social and political environments as well as internal institutional contexts. In addition to understanding the sequence and flow of events across time, temporal interconnectedness considers the

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<sup>25</sup> This aspect of processual analysis shares some similarities with instrumental case study research design.

influence of the past on the present and future. Context and action need to be examined together because they are “inseparably intertwined”. Together these three elements result in a holistic explanation. Identification of clear outcomes and building them into the research design focuses studies and enables the impact of variations in context and process on outcomes to be observed, thus fulfilling the aim of processual analysis to show understanding of “why and how outcomes are differently shaped by processes”.

Pettigrew’s processual analysis is similar to that of Bennett and George, and Bates *et al.* Bennett and George (1997) who built on the work of historian Clayton Roberts, have discussed ‘process-tracing’ as a method of explaining causal mechanisms. They make a distinction between process-tracing and historical narrative, arguing that process tracing adds an ‘analytical explanation’ using theoretical variables identified in the research design to historical explanation. This idea is shared by Bates *et al* in their work on analytic narrative whose work has been described as a “bold new project [in social science history]” (Carpenter, 2000). Bates *et al* (1998) state that “theory linked to data is more powerful than either theory or data alone”. Their approach is narrative in that “it pays close attention to stories, accounts and context” and analytic “in that it extracts explicit and formal lines of reasoning, which facilitate both exposition and explanation”. Even its critics acknowledge analytic narrative’s “usefulness of applying strategic theories to historical processes” and that in some cases “theoretical concepts can be effectively applied” (Skocpol 2000).

Bates *et al* argue that analytic narrative emphasises agency and choice and dynamic processes where there is an important temporal dimension, a processual element where there are sequences of decisions and events that need to be analysed to explain an outcome. Analytic narrative has value because it reconciles evidence and concepts. It draws evidence from the narrative and is analytical because it is theoretically informed; theory is embedded in the narrative” (Bates *et al*, 2000). In their recent reconsideration of analytic narrative Bates *et al* (2000) have called for it to be applied more widely, beyond the game theory they initially applied. It has been increasingly widely used. Macintyre has applied it using institutional theory in his study of south-east Asian poltiics. It has also be applied to economic theory to explain global patterns of economic growth (Rodrik, 2003).

Many scholars have demonstrated the merits of analytic narrative when used in an instrumental case study. The analytic narrative approach, as proposed by Bates (1998), Kingdon (1995), Allison and Zelikow (1999), Pettigrew (1997) seeks to explain the process

of change in public management policy by using a dialogue between historical evidence and theoretical frameworks. Traditional historical narrative accounts have been valued for being 'description rich'<sup>26</sup> and taking into account context to make sense of an experienced studied. Analytic narrative, as well as having the advantages of historical narrative also provides causal explanations by identifying the causal processes in the experience studied.<sup>27</sup>

An analytic narrative is what Ragin (1987) would call a case. The case study is essentially a narrative-based account of a limited number of selected instances, which belong to a social or behavioural phenomenon as it occurs in its natural setting (Hakim, 1992; Yin, 1994). Ragin (1987) supports the view that case oriented research using a narrative method is an appropriate and effective research method when the goal is to understand policy and organisational processes or change and is mainly concerned with instrumental case studies. He defines a case as an entity or experience studied to understand a historical phenomenon and the term 'case outcome' as that which needs to be explained. Above all, he argues that cases must be treated and understood holistically and not used simply as data to test a hypothesis. Like Ragin, Stake (1995) identifies two types of case study design: intrinsic and instrumental.<sup>28</sup> His instrumental case study is closely related to analytic narrative in the sense that it devises narrative to gain insight into the wider analytical questions. It can be argued from these methodological works that analytic case study designs are (analytic) narratives, though are not necessarily limited to them.

In short, this thesis adopts the analytic narrative instrumental case study as its research design. It employs analytic narrative as the mean for an instrumental case study to examine civil service human resource management policy change in Thailand in the light of an institutional processualist conceptual compass. Such a research design helps illustrate theoretical arguments that permit the construction of a limited generalisation on public

<sup>26</sup> One of the inherent strengths of case study method is the ability to provide detailed analysis, or what Guba and Lincoln (1981) term 'thick description'. This is vital for exploring complex themes or theoretical issues because the case study can potentially explore a wide array of scenarios and situations that are relevant to theoretical discussions.

<sup>27</sup> Explanation building can grow out of simple narratives or more analytical case studies which attempt to reflect theoretically significant ideas (Yin, 1994). Derthick (1972) illustrates the way case analysis can be analysed to build 'emergent explanations'.

<sup>28</sup> Intrinsic case studies concern entities, have a single case where the research design is practically orientated, theory is used implicitly and narratives are thin; quantitative data is collected and analysed. Instrumental case studies concern processes, have comparative cases where the research design is scientifically orientated, theory is used explicitly and narratives are rich; qualitative data is collected and analysed.

management policy change without engaging in any strict testing or falsifying of the theories that have been reviewed above. Moreover, the analytic narrative instrumental case study can facilitate comparisons between the two chosen cases in this thesis, as well as other studies. These comparisons will enable the thesis to make what Ragin calls a modest generalisation about historically defined phenomena or a limited historical generalisation. Yin (1994) terms this kind of generalisation that emerges from comparing two cases over time as an analytical as opposed to a statistical generalisation. As well as achieving instrumental value and limited generalisation, which are the primary aims of this thesis, the case studies on downsizing and pension reform have their own 'intrinsic historical value' in the sense that they provide a 'rich description' of the evolution of civil service human resource management policy in Thailand over a long historical period. It is hoped that this kind of research design will facilitate an inquiry that will lead to a richer, fuller and more rigorous explanations about the Thai civil service in general and its public management policy change in particular.

## 1.5 Sources of Historical Evidence

The historical evidence used in this study consists mainly of archival material from the civil service, Thai newspaper reports and interviews with key personnel and are listed in Appendix 1. Archival material was the single most important source of information. It includes minutes of meetings of relevant reform committees, reform proposals, cabinet submissions, internal memos, reports, research papers and other documents. The databases of several newspapers were searched for reports on civil service reform issues.

Interviews with key personnel provided valuable complementary and supplementary material to the archive material. In this thesis key personnel are defined as those closely involved with or having ownership of the issues. They comprise two groups, members of various working committees on Civil Service reform and other relevant officials. The most important of the first group were the secretaries of these committees because they had ownership of the issues and were well informed about decision-making because of their pivotal role on the committee. They serviced committees, and were responsible for researching and preparing materials and reform proposals, as well as usually writing the minutes. Most secretaries were senior members of central agencies of the civil service. All secretaries were asked to be interviewed and most agreed. Four secretaries of downsizing committees and three secretaries of pension reform committees representing each of the

main central co-ordinating agencies involved were interviewed. They have provided the principal interview material used in this thesis. Other relevant officials, while not usually members of committees were often officials in the central agencies and directly involved with the reform issues. They researched, prepared and wrote the papers and materials submitted through the secretaries to the committees.

The decision to interview these key personnel was taken because of the nature of the decision making structure in the Thai Civil Service, which is a closed system in which those outside the central agencies played a minimal role. This is reflected in the list of interviewees. No politicians were interviewed, except Abhisit Vejjajiva who served as a minister in the Prime Minister's Office during Chaun's second administration. In order to ensure balance in the range of evidence used, the official archival documents were used to present voices of politicians as well as civil servants.

A total of twenty-five individuals were interviewed. A list of individuals interviewed and the dates is contained in Appendix 2 for downsizing and Appendix 3 for pension reform. A semi-structured interview was used because it gave scope for wide ranging responses beyond the parameters of a tightly structured interview questionnaire, producing 'thick descriptions' and allowing fuller discussion of the context of reform. Civil Service experience shows that in structured interview questionnaires civil servants tend to respond as representatives of their organisation not as individuals and to give the organisation's view even if they personally disagree with it. Unstructured interviews suffer less from this problem. This format has enabled me to pursue issues in greater depth and bring out the 'real' issues or events rather than the 'official' ones.

In order to encourage participation and honest and insightful responses on what were sensitive and recent, or in the case of downsizing, current issues, anonymity was offered to interviewees. In this way valuable information that would not otherwise have been available was gathered. Interviews were usually recorded but when anonymity was offered written notes were made by the author. A number of the key personnel interviewed are quoted anonymously as well as by name.

After the author conducted the initial research he spent eighteen months working for the Office of the Civil Service Commission (OCSC). During this time he was able to interact with many officials who were involved with or had knowledge of downsizing policy and pension reform both in the OCSC and other central co-ordinating agencies. Supplementary

information was collected from them and used to both complement and verify material from archives and interviews. This material is referred to as personal communication and the individuals concerned are listed in Appendixes 2 and 3.

## 1.6 Thesis structure

This thesis consists of four parts. Chapter 2 of Part I provides a background of the government system and institutional foundations for public management policy-making, and the political and economic development of Thailand between 1980 and 1999 during which the two reform experience took place. These are stable contexts and contexts in motions. Chapters on downsizing the civil service are in Part II and are structured around important “reform outcomes”, the deliberate policies or schemes to contain the size of the civil service. Chapter 3 deals with the emergence of an early attempt to downsize the civil service, which was become known by the Thai reformers as “the two per cent policy”. Chapter 4 examines a rationalisation programme and the adoption of a freeze on public sector employment in 1991-2. Chapter 5 tracks the development of “measures to control the size of the civil service”, a mechanism used to curb the civil service size that was in place between 1992 and 1995. Chapter 6 examines the continuity of downsizing policy through the head counting practices and the reinforcement of downsizing policy in the wake of Asian Financial crisis. Chapter 7 explores how the Thai government turned the Asian financial crisis into an opportunity for civil service reform in general and downsizing in particular.

Part III of this thesis deals with civil service pension reform. Chapter 8 examines the emergence of the civil service pension reform issue. Its progression is then further investigated in chapters 9 and 10. Chapter 9 deals with the process of specifying civil service pensions reform alternatives. Chapter 10 focuses on the decision making process of important design elements of civil service pensions which led to the development of a single unified reform proposal.

Part IV contains the conclusion, Chapter 11, which reflects on and is grounded in the historical and analytic narratives exhibited in Parts II and III. This chapter recalls the analysis of reform trajectories and outcomes from both case studies. General explanations for such trajectories and outcomes will be provided using an institutional processualist approach, engaging the thesis findings with the wider literature on public management

reform in order to make a modest generalisation to contribute to the literature. The chapter ends with some limitations of the thesis and suggests opportunities for future research.

# Chapter 2

## The Institutional Foundations and Contexts

### For Public Management Policy Change in Thailand

#### Overview

The institutional settings and wider politico-economic environments within which civil service human resource management policy change between 1980 and 1999 took place need to be clearly identified. These form the contexts for public management policy change in Thailand. This thesis identifies two broad categories of contexts: firmly established institutional contexts and contexts-in-motion. The former is described in terms of structure of governance characterised by the system of power separation, as well as the structure of public policy decision-making institutions. The latter involves the political and economic developments which took place during two decades covered by this study.

The aim of this chapter is to lay the groundwork for examining the influence of institutional arrangements and contexts on the dynamic process of public personnel management policy change in Parts II and III. In so doing it familiarise readers with the governance and political economy of Thailand in which the institutional structure of civil service human resource management policy decision-making takes place. The final section of the chapter sketches the narrative history of Thai governance, giving particular attention to the time period covered in the case studies examined later in the thesis.

#### 2.1 The Structure of Government: A Brief Review

Thailand is a unitary state and her sovereign power is shared between the executive, the legislature and the judiciary. It is a constitutional monarchy with the king as Head of State, Upholder of Religion, and Head of the Thai Armed Forces. The monarch is above politics,<sup>1</sup> and HM Government headed by the Prime Minister is responsible for overall day-to-day administration and setting public policy. Since there is an abundance of material on the

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<sup>1</sup> The monarch's formal powers include the issuing of royal decrees that are constitutional, declare martial law, declare war with a two-third majority in parliament and make treaties. Other royal prerogatives are ceremonial.

governance of Thailand and its contexts,<sup>2</sup> this section will concentrate on the institutional contexts of the executive branch within which civil service human resource management policy –downsizing the civil service and civil service pension reform— have been made and are likely to continue to be made. Less attention will be paid to the legislature and the judiciary because legislative and judicial processes did not play a large role in initiating public policy change and therefore are not the focus of this thesis, though some elements of the former are present in the case studies. In this review of the system of government both the formal structure of government and its operation will be discussed.

### 2.1.1 The Executive: The Prime Minister and the Cabinet

The prime minister and the cabinet play a crucial role in making public policy decisions including civil service management policies. The prime minister, who is typically the leader of the largest party in the ruling coalition, possesses institutional authority for making final decisions on matters of public policy.<sup>3</sup> In this sense the Thai prime minister is more than *primus inter pares* among cabinet ministers. The Prime Minister's Office is the institutional base for his authority, in the form of legal access and control in the bureaucracy (Wilson, 1962). This includes control of strategic development policies and direction as well as managerial resources such as budgets and personnel through bureaucratic agencies within the Prime Minister's Office. The institutional locus of these managerial resources will be reviewed separately below.

The Thai cabinet, which is chaired by the prime minister, is at the heart of government decision making. The prime minister appoints deputy prime ministers, ministers and deputy ministers, all of whom are members of the Council of Cabinet Ministers, the cabinet. It has the authority to specify both routine and strategic matters that would require its approval. As observed by Blanchard et al (1958), “[The cabinet] not only formulates legislative proposals but also makes frequent pronouncements on issues of the day. All important bills require its approval for passage through the legislature. Often the cabinet concerns itself with small matters that in other governments would be left to subordinates”.

<sup>2</sup> For good accounts of political and economic development see Xuto (1987), Boonbongkarn (1987), Samudavanija (1987), Laothamatas (1992, 1994), Warr (1993), Warr and Nidhiprabra (1996) and Pongpaichit (1980, 1982).

<sup>3</sup> According to the 1997 Constitution the prime minister must be nominated by one fifth of the House of Representatives and receive the support of over half of both Houses of Parliament.

In day-to-day routine operations, it acts as an administrative committee to which many decisions must legally be submitted. Most cabinet decisions rely on information and analysis made available by ministries or departments. Painter (2004) has described the Thai cabinet as a “highly formalised, legalistic rubber stamp for decisions taken elsewhere”. However, in more strategic issues involving the allocation of resources, the cabinet also acts as arbitrator (Wilson, 1962).

Authorisation for issues to be deliberated in cabinet rests with the prime minister, deputy prime ministers and other ministers who are allowed to raise issues. Most issues are usually delegated to sub-committees, which filter, coordinate and make decisions on important policies such as economic and social issues. These sub-committees, such as the Council of Economic Ministers and the Social Affairs Committee, which are usually permanent but not established by law in the constitution, consist of relevant ministers and senior bureaucrats from ministries and the central co-ordinating agencies. The cabinet is serviced by the Cabinet Secretariat, an office within the Prime Minister’s Office, headed by the cabinet secretary one of whose responsibilities is to act as a gate keeper for strategic issues, though this role is constrained by the ability of cabinet ministers to raise issues.<sup>4</sup>

Ministerial portfolios are allocated among senior politicians from the parties in the governing coalition. All recent Thai governments have been coalition governments, even when the country was under authoritarian rule. This is because in the 1980s and 1990s political parties were too weak and too numerous to win a majority in elections. They lacked clear ideologies and policies and as a result personalities rather than parties tended to determine election results. Governing coalitions are usually formed by the largest party. Ministries are allocated according to the bargaining power of coalition parties based on the numbers of votes in parliament they bring to the government.<sup>5</sup> In the allocation of ministries

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<sup>4</sup> The Cabinet Secretariat administers cabinet meetings by co-ordinating between the cabinet and the king, managing cabinet submissions, preparing agendas and minutes of meeting, monitoring the implementation of cabinet resolutions, co-ordinating the legislative drafting process, and publishing and distributing laws and the Royal Gazette.

<sup>5</sup> Borwornwattana (2001) classifies ministerial portfolios according to their importance to politicians. Grade A ministries, the most important, are those that provide opportunities for ministers to exercise power and control over budgets and personnel as well as key policy areas from which they can extract rents. In disputed allocations senior politicians of the leading coalition party, usually the prime minister, may assume ministerial posts themselves or offer them to outsiders, non MPs. For example, the post of finance minister, which needs experience and technical expertise, is frequently given to technocrats and professionals.

it is common to find the posts of minister and deputy minister shared between politicians of two or three different political parties. The more potential posts a ministry provides, the more likely it will be controlled by several parties. Within ministries, the minister has full control over the ministries' jurisdictions and remits. "The ministry then becomes his constituency, and he represents it in the Cabinet. He fights for its budget, and he protects its employees. The success with which he does this depends upon his relative position within the ruling clique, although the best he can expect is a compromise with his fellow ministers" (Wilson, 1962). Ministers also have discretion over the allocation of departments within their ministries to their deputy ministers.<sup>6</sup> Though ministers have full autonomy and normally operate without intervention from the prime minister, they often face intervention from their own party leaders who usually assume the posts of deputy prime ministers (Borwornwattana, 2001). These deputy prime ministers are usually responsible for overseeing ministries under the control of ministers from their own parties.

In consequence most policy decisions in the Thai government are made in the context of coalition cabinets. This context not only provides opportunities and risks for any policies, programmes, and projects that need cabinet approval, it also shapes the nature of the 'public service bargain' or relationship between politicians, who are government ministers, and senior bureaucrats. Such relationships contribute to both the day-to-day running of ministries and to strategic decision making on important issues.

### 2.1.2 The Legislature: The Houses of Parliament

Thailand has a bicameral legislature, the House of Representatives and the Senate. Parliament is the venue for enacting new legislation, approving emergency decrees and amending and repealing existing laws. Since 1997 members of both houses are elected.<sup>7</sup> Apart from legislative functions, parliament can check and control the government by way of reviewing and approving the government's annual budget proposal, as well as initiating a vote of no confidence against government ministers. The House of Representatives appoints more than twenty select committees to scrutinise the government including, to name but a

<sup>6</sup> The rule of departmental allocation is the same as that of ministerial posts. Ministers keep most potential grade A department for themselves and deputies ministers from their parties. Less important departments are offered to deputy ministers from other parties.

<sup>7</sup> Under the 1992 Constitution the Senate was an appointed body. See below for a comparison of the 1992 and 1997 constitutions.

few, Agriculture and Cooperatives, Foreign Affairs and Banking and Finance. The speaker of the House of Representatives is also the president of the houses of parliament. The Senate plays checking and balancing roles in parliament. Apart from its legislative role, it also has the power to appoint members of the many independent committees specified by the Constitution.

Through the lens of veto power, MacIntyre (2003) argues that the Senate only has the power to delay rather than veto. Only the House of Representatives carries veto power as control of the House is fragmented due to the number of political parties which results in coalition government. In this sense all coalition parties in the House constitute veto players because they are all components of the majority necessary to pass legislation which results in a high degree of dispersal of decision-making authority (MacIntyre, 2003).

### 2.1.3 The Judiciary: The Courts

Though the Thai judiciary has no direct place in the structure of policy decision-making, it has recently begun to have some influence on it. The judiciary comprises three tiers of courts, the Supreme Court, the Court of Appeals and Courts of First Instance, and operates with a relatively high degree of independence. With the appointment of independent Administrative Courts, the judiciary has interpreted government policy in response to individual cases. The establishment of the Administrative Court in 1996 has increased the judiciary's role in public policy making. Although the direct influence of the Administrative Court on public policy decision making has not yet been widely felt, in the past few years, the government and the Civil Service have been more careful when deciding on important issues affecting individual rights after some government agencies were sued by affected parties. The court is also popular among government personnel for resolving cases of alleged unfair treatment by their superiors. Since trade unions are not allowed in the Civil Service, the Administrative Court is seen as institution that protects their rights. The role of the Administrative Court in making public policy is expected to increase as its rulings set precedents for government agencies.

## 2.2 The Civil Service

In the Thai context, the 'Civil Service' specifically refers to both civilian and military bureaucracies characterised by a traditional organisational pattern of ministries and departments. This thesis focuses mainly on the 'Civil Service' in this sense. The foundation of the modern Thai Civil Service system was laid a century ago by King Chulalongkorn, Rama V. Modelled on the British and French civil services, the existing 'medieval bureaucracy' was transformed into a professional civil service characterised by specialised ministries and departments where administrative powers were highly centralised, and hierarchies were complex. Civil servants served the king, a tradition that continues to today. Thai civil servants still regard themselves servants and guardians of the state rather than the government of the day. In terms of Hood's public service bargain, the Thai civil service is characterised by a 'trustee bargain' (Hood, 2000).

### 2.2.1 Levels of Administration in the Civil Service

Thailand is a unitary state and the Thai administrative system, which is structured by legislation, is highly centralised. Most administrative powers are concentrated in central government. Central administration includes ministries, departments and other central coordinating agencies. Ministries are headed by ministers and deputy ministers who may or may not be politicians. The operations of ministries are overseen by permanent secretaries or senior bureaucrats with the same rank. Ministries are normally subdivided into departments, which are legal entities, whose powerful chiefs are 'director generals'. While permanent secretaries have a broad overseeing responsibilities and normally co-ordinate departments, it is director generals who are legally and constitutionally responsible for carrying out departmental mandates, exercising departmental jurisdiction and are accountable to their political masters, ministers, the cabinet and parliament. Both permanent secretaries and director generals are in the senior bureaucratic cadre, the Senior Executive Service (SES). Departments are normally further subdivided into divisions and sections headed by division managers and section heads who are middle management in bureaucratic rank. In short, the Thai Civil Service has strong departmentalism.

The administrative system comprises three levels, central, provincial and local. Provincial administration, which can be seen as a regional arm of central administration, consists of provinces. A province comprises many districts and sub-districts and below them

townships. Provinces are headed by provincial governors assisted by one or two deputy governors and an assistant governor. Although governors are at the top of provincial administration, their roles deal mainly with coordinating various ministries and departments located in provincial areas. They do not have full and direct authority over the functional and personnel management of officials belonging to departments other than the Ministry of Interior. Districts and sub-districts are managed by district chief officers who are assisted by district officers. These provincial and district officers are appointed, and their careers are centrally managed by the powerful Ministry of Interior.

The third level of state administration is local administration. It consists of various levels of self-governing bodies including 'Provincial Administrative Organisations', municipalities, sanitary districts, and 'Sub-District Administrative Organisations'. Although these local administrations are elected, they rely heavily on the Department of Local Administration in the Ministry of Interior for fiscal assistance since the revenue they can raise locally is small. Hence the Ministry of Interior retains its influence over the forms, structure and management of these local bodies.<sup>8</sup>

Within these levels of administration power lies with central government. Line ministries have their own officials carrying out their responsibilities in provinces and at local level. These officials are outside the control of provincial governors. At the time of writing, the Thaksin government has attempted to empower and consolidate the authority of provincial governors, giving them more authority over the administration of provinces and the personnel management of officials working in the provinces. Some provincial governors have been selected to join a pilot scheme creating 'provincial chief executives'.

### 2.2.2 The Civil Service Structure

The structure and organisation of the Civil Service is determined by legislation which provides frameworks for organising government functions and jurisdictions, administrative forms, structure and numbers as well as process within ministries, departments and divisions. The restructuring of ministries and departments, which is normally part of civil service reform efforts, requires legislative change. Over the past thirty years the number of government organisations, ministries and departments in Thailand has increased. Since this

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<sup>8</sup> See Samudavanija (1987)

thesis is substantially about 'downsizing the Civil Service' it is appropriate at this stage to give an account of government structural proliferation and duplication.

### A. Structural Proliferation

Between 1970 and 1978, when the economy was strong despite the adverse affects of the first oil shock in the early 1970s, the notion of 'the bigger the Civil Service, the better' seemed to encapsulate the attitude of civil servants. The government and its civil servants tended to believe that the sheer size of the Civil Service mattered. If government departments were to function well, it was necessary for them to expand their agencies by increasing personnel and budgets, as well as establishing new administrative units. As Table 2.1 shows the size of the Civil Service grew significantly between 1933 and 2000, especially from the late 1950s. Divisions and departments grew particularly rapidly.

**Table 2.1 Numbers of Civilian Ministries, Departments and Divisions: 1933-2000**

Year	Ministries	Departments	Divisions
1933	7	45	143
1941	10	49	317
1957	12	90	550
1969	12	113	827
1979	13	131	1264
1992*	13	122	1665
1996	15	125	1874
2002**	20	139	n/a

**Source:** Data 1933-1979 is taken from Chandarasom (1980). The rest is compiled by the author from the Government Organisation Acts 1992\* and 2002\*\*.

The proliferation of government agencies has been seen as a result of the development-led-growth policy of successive governments, leading to the rapid expansion of the Thai Civil Service up to 1980. Many new departments and divisions established during

the first and second national development plans were not based on job requirements that emerged from the new developmental environment; only six out of nineteen new departments and 210 out of 713 divisions established were the result of new task requirements (Chandarasorn, 1980). Instead, bureaucrats in collaboration with politicians took the liberty 'to expand their empires' in the name of 'development purposes'. They recruited more staff and created new posts by way of diversification of existing tasks, some of which were duplicated with similar kinds of jobs in other ministries. At a seminar held by the National Institute of Development Administration in 1969, participating senior civil servants spoke explicitly of the availability of more and more personnel and larger budgets: "Departments wanted unlimited expansion of their tasks which would lead to a budget increase, power, positions, and working facilities and new instruments. The increase in these resources would enable them to be self reliant and less dependent on other agencies."<sup>9</sup> This led to a 'bureau maximising view' of government growth.

## B. Structural Duplication and Overlapping Jurisdictions

Although Thai public administration is organised around departments that are legal entities established by act of parliament, the boundaries between some departments are not always clearly drawn in the legislation. As a result, there are overlapping departmental responsibilities. This can be seen where different departments have initiated quite similar projects and competed for budgets. The overlap among Thai central departments is also the result of very broad government policies which has enabled more than one department to claim responsibility.

As a result of structural duplication and overlapping jurisdictions new policies, issues and problems require 'co-operation' from various departments and collective action. Hence most decisions are made in inter-departmental committees. As Samudhavanich (1987) observes, "The typical response to a new problem is to form a committee. The cabinet has a committee for every conceivable type of problem. Some committees exist on a permanent basis; others are formed for *ad hoc* purposes such as deciding on the location of a new highway". Morell (1974) argues that senior civil servants support joint decision making in

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<sup>9</sup> Summary of Executive Seminar Programme Class 25-26, NIDA 1969.

interdepartmental committees because they are sources of additional income since Ministry of Finance regulations provide for a special honorarium to be paid for attendance at committee meetings. For some senior bureaucrats, their meeting allowances in a month are much more than their monthly salaries. In this situation non-routine issues such as the reform agenda emerge and require collective action to solve problems. This type of overlap is demonstrated in the roles of both inter-departmental committees and those concerned with macro policy, such as the National Economic and Social Development Plans (NESDB Plans).

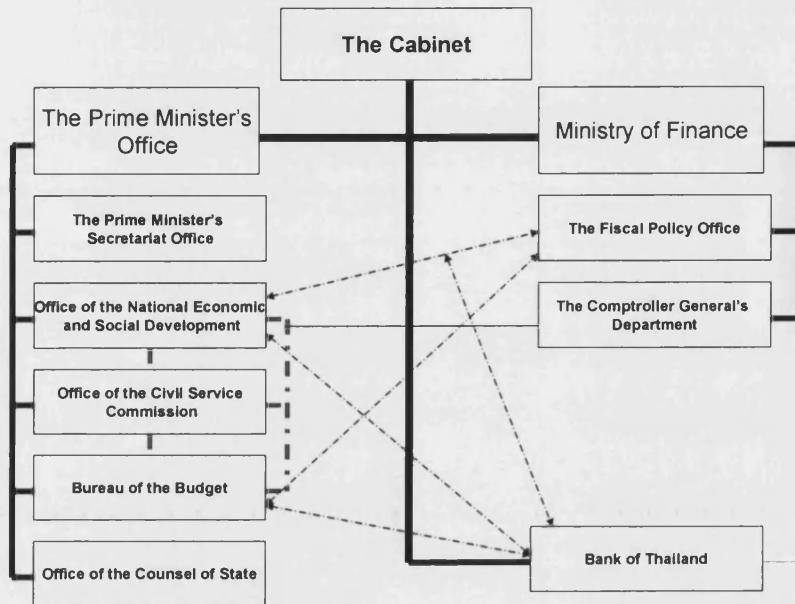
The central co-ordinating agencies, which are part of the problem, have realised that structural and jurisdictional overlapping needs to be reformed. NESDB Plans usually incorporate a chapter on 'improving the efficiency of central agencies in co-ordinating and facilitating development projects'. Recently the Office of the Civil Service Commission announced a policy to work in partnership with line ministries, departments and other central public personnel agencies to achieve greater co-ordination (OCSC Policy Pamphlet 1998).

### 2.3 Managing Civil Service Resources

In the Thai Civil Service the three key functions of public sector management, personnel, finance and strategic direction, are carried out by 'overhead agencies'. Central co-ordinating agencies are responsible for developing the country's development framework, managing public finance and budgets and public personnel. The institutional locations for these functions are: the Office of the National Economic and Social Development Board (NESDB), the Office of the Civil Service Commission (OCSC), the Bureau of the Budget (BOB), and the Comptroller General's Department [CGD] in the Ministry of Finance. In civil service pension reform and additional co-ordinating agency, the Fiscal Policy Office [FPO] was also involved. As depicted in Figure 2.1 these agencies form the structure of civil service management policy. A 'gang of four', the NESDB, FPO, BOB and the Bank of Thailand, the country's independent central bank, are the principal economic policy making institutions. Civil service management policy making is carried out by the OCSC, NESDB, CGD and BOB and sometimes the Prime Minister's Secretariat Office. Supervision of these

agencies is exercised by the Prime Minister's Office and the Ministry of Finance: the former supervises the OCSC, NESDB and BOB, the latter the FPO and CGD.

**Figure 2.1: The Structure of Public Policy Decision Making Institutions**



**Note:** ■ Organisational Hierarchy ..... Supervision  
 ←→ The economic policy making institutions, the 'Gang of Four'  
 ----- The Civil Service Management Policy Making institutions

**Source: The author**

The responsibilities of these five principal central co-ordinating agencies are summarised in Table 2.2. The primary responsibility of the NESDB is for strategic development planning. It formulates the country's five-year development plans and co-ordinates, monitors and evaluates their implementation. Recent plans have included measures related to civil service management and structure. The OCSC is responsible for research on civil service personnel administration and the training and welfare of civil servants. The BOB provides the government with fiscal advice and is responsible for drawing up the annual budget. The CGD is the government accounting office. It is

responsible for disbursing the budget and for civil servants' pay and pensions. The FPO is principally concerned with providing the government with advice on fiscal matters, taxation, monetary policy, savings and investment. It should be noted that some of these co-ordination agencies are also institutional actors in economic and other sectoral policy decision-making; the BOB, Bank of Thailand, NESDB and Ministry of Finance are required to work together to advise on fiscal policy.

**Table 2.2: Responsibilities of the Central Co-ordinating Agencies**

Agency	Institutional Location	Responsibilities
NESDB	Office of the Prime Minister	<ul style="list-style-type: none"> <li>➢ Formulation of five year plans.</li> <li>➢ Recommendation of solutions to development problems.</li> <li>➢ Co-ordination of implementation of plans.</li> <li>➢ Evaluation and monitoring of plans.</li> </ul>
OCSC	Office of the Prime Minister	<ul style="list-style-type: none"> <li>➢ Research on civil service personnel administration.</li> <li>➢ Welfare policies for civil servants.</li> <li>➢ Education and training of civil servants.</li> </ul>
BOB	Office of the Prime Minister	<ul style="list-style-type: none"> <li>➢ Advice on fiscal policy.</li> <li>➢ Preparation and execution of annual budget.</li> <li>➢ Evaluation of governmental agencies' programmes.</li> </ul>
CGD	Ministry of Finance	<ul style="list-style-type: none"> <li>➢ Government accounting systems.</li> <li>➢ Formulation of fiscal regulations.</li> <li>➢ Management of Treasury reserve balance.</li> <li>➢ Disbursement of budget.</li> <li>➢ Civil servants pay and pensions.</li> </ul>
FPO	Ministry of Finance	<ul style="list-style-type: none"> <li>➢ Research and advice on fiscal, tax, monetary, financial, savings and investment and economic policies.</li> </ul>

**Source:** Government websites ([www.thaigov.go.th](http://www.thaigov.go.th)).

The operations of these overhead central co-ordinating agencies affect both the performance of line ministries and departments and reform capacity. Hence there are some tensions and conflicts over resource allocation between central agencies and line ministries and departments. The criteria by which departments' performances were assessed were how many staff they had and how much money they received from the government. By the same

token, deficiency and sufficiency of personnel and financial resources were to blame if management failures occurred. The primary excuse was usually “We don’t have enough manpower or budget”. The following sections deal mainly with institutional actors involved in civil service human resource policy and management.

### 2.3.1 Managing Civil Service Personnel

The term ‘government personnel’ includes all officials and personnel working in the public sector, while ‘civil servants’ only refers to officials whose terms of employment, contracts and official status are specified in the Civil Service Act, and the equivalent acts for other occupational and professional services. Those who work in the Civil Service but do not possess the official status specified by such acts are termed ‘government employees’. Employees who have tenure are called ‘permanent employees’ and those who do not are ‘temporary employees’. The aggregate term ‘civil service personnel’ in this thesis refers to both civil servants and employees.

### A. Fragmented Public Personnel Policy and Management

Public personnel policy and management in the Thai Civil Service is fragmented. ‘Civil service personnel’ consist of eleven occupational and professional groups. Each group has its own ‘commission’, a high level committee responsible for personnel management. These central personnel commissions handle policy issues fundamental to management control: who can be hired, who can be fired, who is promoted, and how much each is paid. Historically, there was only one Civil Service Commission responsible for the whole of public personnel management, but some occupational and professional groups argued for a more tailored approach that took into account their professional uniqueness. As a result, there was a multiplication of occupational and professional groups as shown in Table 2.3. Separate occupational and professional services acts were promulgated with their own ‘commissions’ independent from the Civil Service Commission (CSC).<sup>10</sup> Each commission also has its own secretariat office tasked with the preparation and implementation of its own personnel policy.

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<sup>10</sup> The Thai Civil Service Commission dates from 1928. The logic behind an independent Civil Service Commission is that the implementation of public personnel policy should be removed from

Table 2.3 Central Personnel Commissions

Commissions	Established Years	No. of Personnel	%
Civil Service Commission	1928	372,700	30.71
Judicial Service Commission	1934	1,434	0.12
Teachers' Council Commission	1945	512,738	42.25
Universities' Officials Commission	1959	42,478	3.50
Public Prosecutors Service Commission	1960	1,765	0.15
Provincial Administration Commission	1966	5,647	0.47
Municipality Officials' Commission	1973	31,134	2.57
Bangkok Metropolitan Officials' Commission	1973	31,134	2.57
Legislative Body Officials' Commission	1975	653	0.06
District Sanitation Officials' Commission	1978	172,727	14.24
Police Officials' Commission	1978	172,727	14.24
<b>Total</b>		<b>1,213,214</b>	<b>100.00</b>

Source: The Civil Service Commission Office. Numbers of personnel taken from 1996 estimates.

The number of civil service personnel belonging to each commission signifies the opportunity and risk for the government to make and implement across the board public personnel policy reforms, since the affected commissions need to be consulted. These commissions in effect act as interest groups within the public personnel policy domain. For example, anecdotal evidence shows that commissions responsible for high numbers of civil servants such as the Teachers' Council Commission have stronger negotiating power over pay and employment benefits than other commissions.

Despite the multiplicity of central personnel agencies, the Civil Service Commission (CSC), second only to the Teachers' Council Commission in the number of personnel it is responsible for, is seen by the government as the leading central personnel commission. Unlike the other commissions, which tend to focus their responsibilities on their respective

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the realm of electoral and partisan politics. An independent commission would ensure that public

occupational and professional groups, the Civil Service Commission plays a wider and more important role. The Civil Service Act provides it with the right and responsibility to provide the cabinet with public personnel policy recommendations.<sup>11</sup> Its leading role can be seen in the precedents it sets for public personnel policy and practices, most of which have been adopted voluntarily by the other commissions. These commissions may be forced to adopt important public personnel policies and practices developed by the Office of the Civil Service Commission (OCSC), its secretariat office, and enforced by cabinet resolutions. Downsizing policies and reform of civil service pensions are good examples of this. The OCSC has gained more experience and expertise than any other commission and has developed organisational capacity for making and implementing public personnel policy.

## B. Civil Service Employment

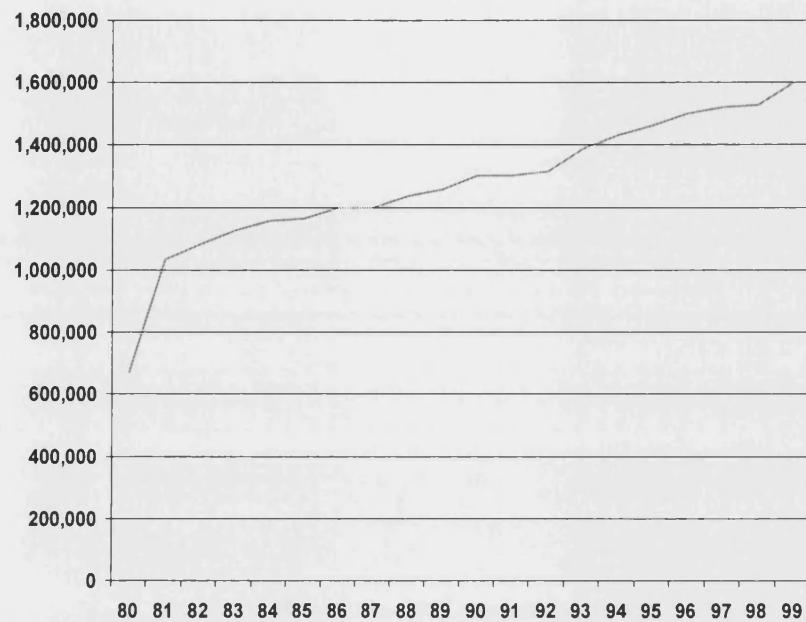
Since 1980, the number of civilian civil service personnel has grown steadily. As shown in Figure 2.2, it increased from 1,032,800 in 1981 to almost 1,600,000 in 1999 when the period of the study ends. After a period of rapid growth until 1981 there has been slower growth but a continuous upward trend resulting in a fifty per cent increase in size. This has significantly increased public personnel costs and budgetary pressures. Figure 2.3 shows the growth rates of civil service staff by categories over the last two decades of the twentieth century with the average rate around three per cent per annum.

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personnel administration was divorced from politics.

<sup>11</sup> The Civil Service Act is central to the management of the Civil Service as it defines the rights and responsibilities of civil servants, as well as their public personnel administration system ranging from recruitment and selection, position classification, remuneration and career development, to performance management and disciplinary action. The legal framework for the management of the civil service between 1980 and 1999 was the Civil Service Act of 1975 and its replacement the Civil Service Act of 1992. The first Civil Service Act of 1928 was the result of a bureaucratic modernisation effort. It introduced standardised pay scales, positions and career advancement, a unified disciplinary code and the Royal Service Commission to implement it. After the establishment of a constitutional monarchy in 1932, a new Civil Service Act of 1933 introduced a rank classification system based on job evaluation and replaced the Royal Service Commission with the Civil Service Commission (CSC). The Civil Service Act of 1933 remained in force until 1954 with only minor amendments. A new Civil Service Act of 1954 lasted until 1975.

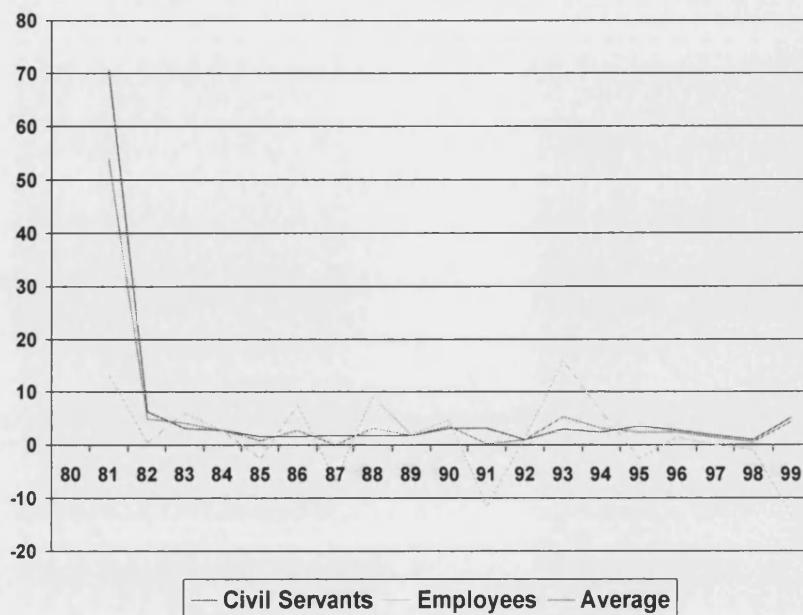
**Figure 2.2 Number of Civil Service Personnel 1981-1999**



Source: Office of the Civil Service Commission

**Figure 2.3 Percentage of Civil Service Personnel Growth 1981-1999**

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Source: Office of the Civil Service Commission

Expansion of the civil service is regulated by a 'manpower management process', a bureaucratic procedure to control numbers of personnel, positions and financial resources related to personnel as well as to ensure the efficient use of civil service personnel. The process involves many of the central government agencies responsible for managing personnel and financial resources including the NESDB, OCSC, BOB, as well as a dozen personnel agencies. When government agencies want to increase their staff they need to fulfil statutory requirements in relation to the nature of the increased task and job burden. All requests for creating new positions resulting in an increase in civil service personnel are processed jointly by the OCSC and BOB. The OCSC analyses requests and classifies and assigns appropriate grades for new positions to ensure increases in personnel match the increasing job burden as prescribed in the position classification system. The creation of new positions is also subject to the availability of financial resources in the prospective annual budget since all positions in the Civil Service are financed by the government budget, a decision resting with the BOB. New positions or administrative units are only created when requests are approved by both. In most cases requests are approved resulting in uncontrolled civil service expansion.

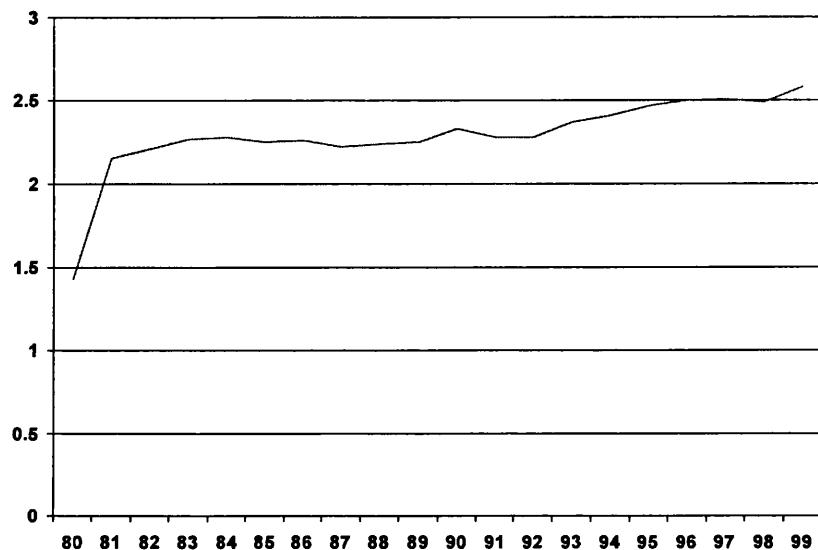
The civil service manpower management process is weak and ineffective. Its manpower control mechanisms are fragmented, as no single agency has a direct mandate or jurisdiction over the determination of the size of the Civil Service. It is also unco-ordinated. The NESDB, the OCSC and the BOB, each have their own different clearly defined purposes based on their professional and legal standards, and process requests for manpower increases separately. The process is further weakened by a lack of operational capacity in the central co-ordinating agencies. They receive large numbers of requests and have other functions to perform. As a result requests are only crudely and slowly scrutinised. Frustration with the process causes politicians to bypass the system by using 'special requests' direct to the cabinet for manpower increases which are invariably approved without input from the central co-ordinating agencies. The result of this is steady and uncontrolled expansion in civil service numbers.

Whether the Thai Civil Service is too large or too expensive requires a comparative study. In terms of overall size based on numbers of personnel employed, the Thai public sector is not excessive. The Asian Development Bank (1999) estimated that in 1992, the Thai public sector accounted for only 15.4 percent of GNP which was lower than any other ASEAN countries. A long term review of civil service employment over the twenty-year period 1981-99 shown in Figure 2.4, indicates that the Thai Civil Service employed on an average less than two point five civil servants per hundred population. In a comparative study of civil service capacity in five Southeast Asian countries and the OECD countries, Nunberg (2002) concludes that all countries [including Thailand] have contained general government employment between 1980 and 1999 at fewer than three per cent of total population. However, in terms of public sector employment distribution across levels of administrations, more than ninety percent of civil service personnel are employed by central government.<sup>12</sup> A snapshot review in 1993 reveals that the ratio of central-local administration employment in Thailand was 12:1, while that of South Korea, Japan, the UK and USA were 2:1, 1:4, 1:2 and 1:5 respectively.

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<sup>12</sup> Historically, the share of public employment in regional and local administration comprised little more than five per cent of total government employment. The share of government expenditure currently stands at about fifteen percent although the government plans to increase the share to forty per cent in the next decade (Asian Development Bank, 1999).

**Figure 2.4 Civil Service Personnel  
as Percentage of Total Population, 1981-1999**



Source: Office of the Civil Service Commission. Compiled by the author

### C. Problems of the Civil Service Workforce

The Thai Civil Service faced three problems during the 1980s and 1990s: an unbalanced age profile; low pay by comparison with the private sector; and increasing manpower loss, the so-called 'brain drain'. As Table 2.4 shows, the age profile of the Thai Civil Service was unbalanced with nearly sixty per cent aged between 31 and 45. On current trends as the workforce aged there would be a substantial future increase in pension costs. Until 1996 the Thai Civil Service pension was a defined benefits scheme the full cost of which was borne by the government and paid from current personnel expenditure. The age profile of the Civil Service had important implications for future personnel costs. The problem was already evident in the late 1980s and early 1990s when the number of retirees gradually increased (See Table 2.5).

**Table 2.4 The Aging Civil Service: Number of Civil Service Servants, 1990\***

Age Distribution	Number of Civil Servants	% of Sample
Below 20	86	0.21
21-25	2,096	5.10
26-30	5,463	13.30
31-35	10,013	24.38
36-40	8,702	21.19
41-45	5,958	14.51
46-50	4,172	10.16
51-55	3,027	7.37
56-60	1,443	3.51
Above 60	111	0.27
<b>Total</b>	<b>41,071</b>	<b>100.00</b>

**Source: Office of the Civil Service Commission**

**Note:** \* The survey was conducted in 1990 and samples were taken from four government agencies representing around five per cent of civilian workforce.

**Table 2.5 Number of Retired Civil Servants, 1988-92**

	1988	1989	1990	1991	1992
Officials and permanent employees	1,798,422	1,776,939	1,826,491	1,858,895	1,878,841
Rate of Increase(%)	-	(1.2)	2.8	1.8	1.0
Pensioners	153,786	159,780	166,461	173,341	179,009
Rate of Increase(%)	-	3.9	4.2	4.1	3.3
Ratio of Pensioners to workers	8.6	9.0	9.1	9.3	9.5

**Source: The Comptroller General's Department, Ministry of Finance**

Compared with the private sector Thai civil servants were poorly paid. This was implicitly recognised in the generous pensions and other allowances they were entitled to. Table 2.6 shows that the differences were most marked at middle and senior levels where private sector pay was on average fifty per cent higher in the middle ranks and almost 200

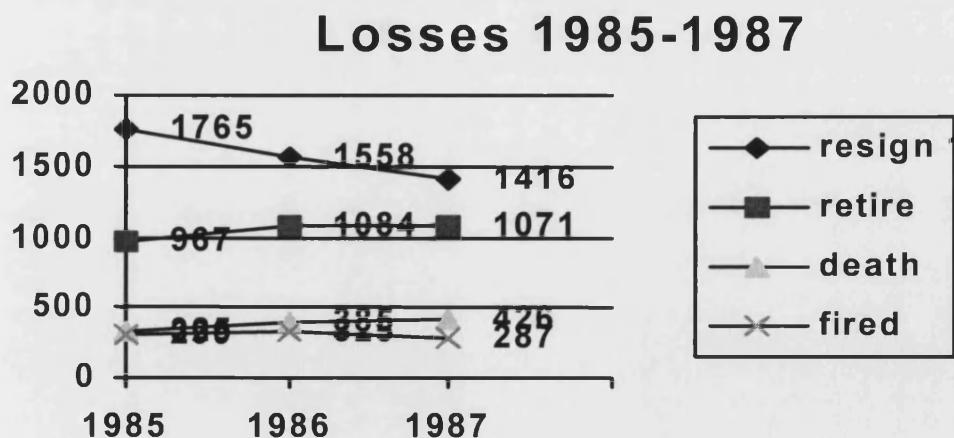
per cent at the most senior. Low pay levels made it difficult for the Civil Service to retain its more experienced and skilled staff, resulting in a 'brain drain'. Figure 2.5 shows that in the mid 1980s voluntary resignations, though falling, were the main reason for leaving the civil service. It was widely accepted in the Civil Service and by successive governments that the 'brain drain' was a major problem.

**Table 2.6 Comparison of Private Sector and Civil Service Salaries in the early 1990s**

Position Level	Average Age	Private Sector Salary (Baht/month)	Civil Service Pay Schedule Mid-Point	% Difference
7	38	49,192	17,165	186.6
6	36	28,032	14,090	99.0
5	33	17,433	11,355	53.5
4	30	15,186	9,109	65.2
3	31	8,097	7,480	8.2
2	28	6,671	5,935	11.5
1	30	5,038	4,675	7.8

Source: Private data from Thailand Management Association (TMA) Survey; and the Office of the Civil Service Commission

## **Figure 2.5 Civil Service Manpower**



Source: The OCSC, compiled by the author

### 2.3.2 Managing the Civil Service's Financial Resources and Personnel Costs

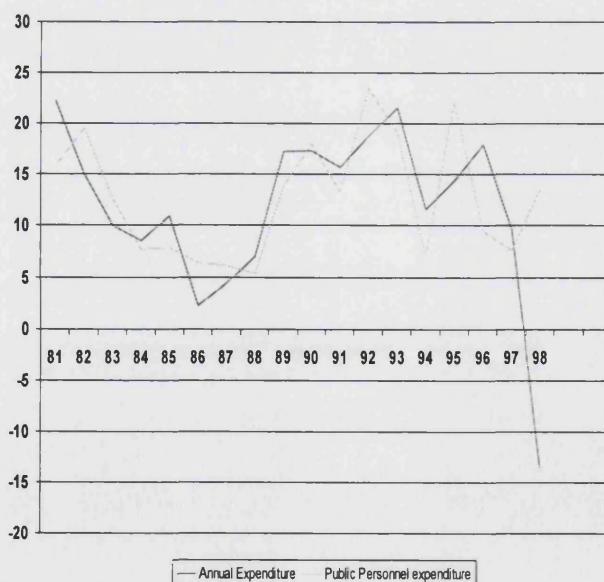
Budgets are one of the most important managerial resources and means used by the Thai government to control the Civil Service; personnel costs reduction was a major element of human resource policy. The Thai budget system is highly centralised and embodies a long-standing set of arrangements, rules and procedures that enable governments to exert discipline on aggregate fiscal management. Line ministries and departments are granted little autonomy over their budgets. The budgetary process is managed by a 'gang of four' central coordinating agencies, the Office of the National Economic and Social Development Board (NESDB), the Ministry of Finance (MOF), the Bureau of the Budget (BOB) and the Bank of Thailand (BOT). These agencies have considerable control over the budget process by controlling the level of overall annual spending and deficit. The powerful BOB performs two separate types of activities: budget preparation and budget administration or oversight. Once a budget is approved, the overhead system stays in business by monitoring and oversight. The disbursement of the budget is the remit of the Comptroller General's Office (CGD) in the Ministry of Finance. Together with the BOB, the CGD exercises extensive control over departments' annual expenditure by setting ceilings on seven major categories of public outlays such as wages and salaries, operation and maintenance. The 'gang of four', particularly the BOB and the NESDB, are able to encourage the efficient use of resources by line ministries and departments.

Fiscal discipline especially the public spending ceiling imposed by these budget bureaucracies is strictly observed. The formal budgetary rules set out a legal limit that in any particular year public borrowing cannot exceed twenty per cent of total public expenditure plus eighty percent of the amount earmarked for the repayment of domestic and external public debts. Although the cabinet may recommend changes in expenditure, such changes normally do not lead to changes in the aggregate ceiling. Even parliament's Budget Scrutiny Select Committee, chaired by the finance minister and charged with scrutinising the government's budget proposal, tends to focus on redistributing budget allocations between ministries rather than changing the spending ceiling. This is a result of a regulation that prohibits parliament from increasing the government's proposed budget. After detailed scrutiny by the Budget Scrutiny Select Committee, it is almost mandatory for parliament to pass the budget.

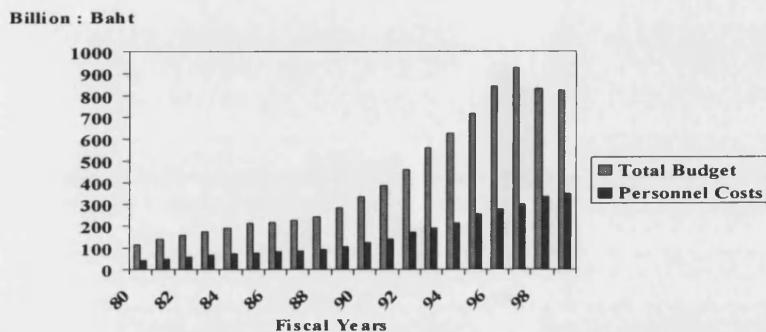
Although ministries and departments are required to submit budget reports on the implementation of projects and programmes, the BOB and other audit bodies such as the National Audit Office, do not have the capacity to evaluate their budget performance, nor the accuracy of the information submitted to them. Ex-ante budget allocations and ex-post expenditure are not systematically reconciled. Moreover, the priority of government expenditure is mainly capital and investment budgets. Recurrent and administrative budgets are set separately on an annual basis.

As will be seen in the in both the downsizing and pension reform case studies, it was the growth of personnel costs as a percentage of total annual expenditure that particularly concerned reformers in the overhead agencies and led to the imposition of streamlining measures. Figure 2.6 shows the unbalanced and sometimes reversed trajectory of growth of public personnel expenditure and annual budgets. Figure 2.7 indicates that the Thai Civil Service has spent almost forty per cent of total annual expenditure on personnel costs, leaving the 'development budget' only sixty per cent.

**Figure 2.6 Percentage Increases in Annual Budgets and Public Personnel Expenditure, 1981-1998**



**Source:** Bureau of the Budget

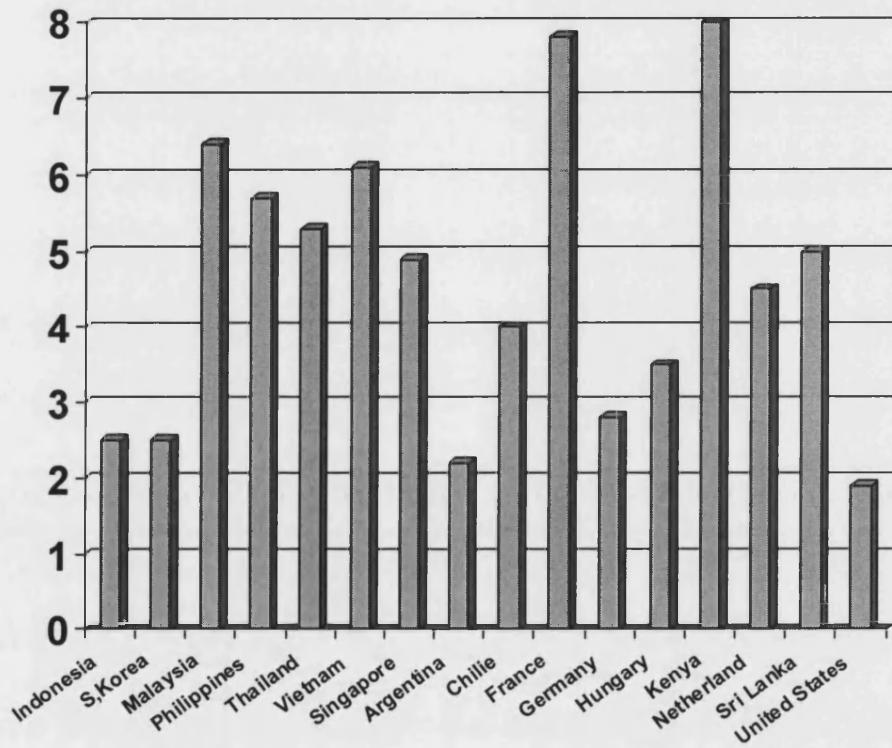
**Figure 2.7: Public Personnel Costs/Total Budget Ratios**

Source: Compiled by the author: Total Annual Budgets from the Bureau of the Budget.

Total public personnel costs are from the Comptroller General's Department.

Though the public personnel costs of the Thai Civil Service are reasonable by international standards, they have been perceived as very high by Thai reformers. Using a conventional measure of head counts and personnel costs over a thirty-year period from 1970 to 1999, shown in Figure 2.5, Nunberg (2002) has concluded that although the wage bill has risen over the past ten years, the Thai Civil Service, along with those of other ASEAN neighbours, has 'performed reasonably well' in the sense that it can keep its personnel expenditure relatively low compared with the average of OECD countries.

**Figure 2.8: Government Wage Bill as Percentage of GDP**  
**The ASEAN and Selected Countries, 1970-1999**



Source: Nunberg (2002), Civil Service Quality after the Crisis, Asian Journal of Political Science, Volume 10 Number 2, (December 2002)

One category of personnel expenditure that concerned governments, particularly in the period 1980-93, is non-salary costs including civil service pension costs and civil servants allowances, both of which, shown in Tables 2.7 and 2.8, could be substantial. Pension costs more than doubled between 1988 and 1993. In addition, both civil servants and retirees were entitled to a wide range of special allowances, the cost of which also rose during this period.

**Table 2.7 Pensions and Allowances for Retired Civil Servants, 1988-93**

Types of Benefits	1988	1989	1990	1991	1992	1993
<b>Pensions</b> (lump sum and monthly annuity)	6,377	7,263	8,652	10,071	11,938	14,786
Rate of increase	13	19	16	18	24	24
<b>Other allowances</b>	627	323	401	508	628	833
Rate of increase	20	24	26	23	33	33

Source: The Comptroller General's Office, Ministry of Finance. Unit: Million Baht.

**Table 2.8 Allowances for Civil Servants and Retirees**

Civil Servants	Pensioners (Retired Civil Servants)
<b>Civil Servants' Allowance</b>	
1. Extra pay at Police Academy	1.Extra pay for military and police operating in a combat zone
2 Extra pay for vocational education teachers	2.Injury benefit for military and police
3. Extra pay for government officials stationed aboard	3. Consolation payment for civil servants and employees
4. Extra pay for Malaysian Language speakers	4. Extra payment for death during employment
5. Extra pay for hazardous positions	5. Regular pension
6. Extra pay for hazardous work	6. Special pension
7. Extra pay for hardship	7. Lump-sum pension
8. Extra pay for living expenses in the South	8. Survivors' benefit
<b>Southern Thailand Working Expenses</b>	
1.Rent	9. Extra payment in case of pensioner's death
2. Representation for governors	10. Education benefit for the children of pensioners
3. Repair of official vehicles	11. Medical care benefit for pensioners
4. Telephone service	
5. Utilities for official residences	
6. Subsistence allowance	
7. Hotel expenses for travel within country	
8. Clothing expenses for travelling abroad	
9. Domestic help	
10 Representation abroad	
11. Committee meeting	
12 Reward expenses for examination committee	
13. Reward expenses for officials	
14. Other reward expenses	
15. Special lecture expenses	
16. Bribe expenses	
17. Bounties	
18. Food expenses for overtime	
	<b>Pensioners' Allowances</b>
	1. Children's Education
	2. Fund for children
	3. Fund for Medical Benefit

Source: Office of the Civil Service Commission

### 2.3.3 Managing Strategic Plans and Direction

Strategic development planning in Thai Civil Service management, particularly the allocation of resources, is framed by the middle-term national strategic development plan developed by the National Economic and Social Development Board (NESDB) one of whose major remits is to prioritise government projects and programmes. The NESDB ensures that the budgetary requests of line ministries and departments are consistent with the objectives of the five year plan, which it prepares in consultation with the prime minister and a cabinet committee.

The NESDB was set up as a permanent planning agency to carry out economic studies and draw up national development plans in 1959 when the government became increasingly active in the economy. The establishment of the NESDB had economic and political implications. Economically, the underlying philosophy behind its national planning is market orientated and intended to promote the smooth operation of markets with minimum government intervention or control. Politically, the NESDB has helped to institutionalise the prime minister's authority and control over the Civil Service by providing government strategic priorities. The institutional location of the NESDB in the Prime Minister's Office allows its 'technocrats' not only to exert their ideas on government policy, but also gain places on various national policy committees.

So far the NESDB has drawn up eight plans, each of which has its own focus and development strategies which have evolved to meet the changing needs of the economy. Table 2.9 summarises the NESDB plans implemented over the period 1980-99. Although the influence of the NESDB has fluctuated across regimes, it has created an institutional context that can both constrain and facilitate the management of the Civil Service. Specifically its plans have become a policy frame of reference that every government agency has to observe, particularly when they want to acquire more resources for new projects and programmes. In this sense the NESDB has become a civil service human resource policy making institution.

**Table 2.9: National Economic and Social Development Plans 1976-2000**

Plans/Years	Focuses and Strategies	Governments
The Fourth Plan 1976-1980	Major restructuring of the economy to enable it to recover from the effects of the world economic recession.  Greater social awareness and economic readjustment.	Thanin Kriangsak Prem
The Fifth Plan 1981-1985	Emphasis on the quality of growth rather the rate of growth and improvement of the quality of rural life.  Reforming the public development administration system to facilitate rapid economic development.	Prem
The Sixth Plan 1986-1990	Addressing the economic problems the country faced in the mid 1980s.  Improving the administrative structure of the government to increase the role of the private sector.  Reducing the savings-investment gap.	Prem Chatchai
The Seventh Plan 1991-1995	Developing financial system and markets aiming to be a regional centre.  Increasing domestic savings.  Increasing private sector roles in delivering public services.  Law reform and improving public personnel management.	Chatchai Anand Chaun I
The Eighth Plan 1996-2000	Emphasis on developing human resources and protecting the natural environment.  People centred development focusing on good governance, greater participation in policy formulation, bureaucratic responsibility.	Banharn Chavalit Chaun II

**Sources:** Summarised from the NESDB Plans by the author.

### 2.3.4 Managing Politician-Bureaucrat Relations

In addition to resource management, managing relations between government politicians and bureaucrats within the context of coalition governments need to be set out to better understand public management policy change in Thailand. The relationship between government politicians and civil servants in Thailand is shaped by formal and informal institutions. In principle, government politicians make policies which are informed by senior civil servants subject to political requests. Professional and technocratic bureaucrats in ministries, departments and the central co-ordinating agencies are supposed to provide ministers with informed sources of advice and best policy recommendations based on their expertise. In return, ministers reward, appoint, promote and transfer civil servants within the public personnel legal framework. Most Civil Service Acts prevent political interference in civil service day-to-day management by only allowing ministers to appoint, promote and transfer the highest ranking civil servants, secretary generals of ministries.

However, the nature of coalition government and the pattern of allocating ministerial portfolios mentioned earlier affect the way the civil service operates. The web of control from multiple parties in one ministry makes it difficult for a ministry to have a coherent management style. Bureaucrats from different departments within a ministry which is controlled by politicians from different parties have difficulty keeping their 'neutral competence' practice across the ministry. In this sense, bureaucrats in line ministries are normally 'politicised' and have to adjust themselves to different political masters who tend to have short periods in office due to the instability of coalition governments and the threat of a cabinet reshuffle. As a result, the government politicians tend to form their cliques with senior bureaucrats which further exacerbate an already fragmented bureaucracy. This leads to factionalism in the Civil Service as Borwornwattana (2001) and Wilson, (1962) have observed.

The nature of coalition cabinet in general and multi-party political control of ministries in particular poses a threat to reform capacity in the sense that comprehensive reforms are difficult to initiate and implement. It is difficult for a ministry to initiate or carry out comprehensive reform programmes introduced by central coordinating agencies since any reform needs to be negotiated by different politicians and bureaucrats in different remits in the ministry. As a result, most successful policies are those that involve particular sectors.

So far the 'firmly established institutional context' for civil service human resource management policy decision-making has been established. The three most important managerial elements, personnel, money and strategic direction, are managed by four overhead central co-ordination agencies, the OCSC, the BOB, the CGD and the NESDB, and they have become major actors in making and implementing Civil Service human resource management policy.

## 2.4 The Dynamics of Political and Economic Development, 1980-1999

This section outlines the 'dynamic contexts' of political and economic development within those institutions operated during 1980 and 1999. As Thelen and Steinmo (1992) argue, the impact of institutions on political outcomes can change overtime in subtle ways in response to shifts in the broader socioeconomic or political context.

Between 1980 and 1999 Thailand experienced three types of political regime, quasi-democracy, military authoritarianism and democracy. For much of the post war period Thailand was governed by a succession of military regimes. From the 1970s to the 1990s it went through a series of turbulent and sometimes violent cycles of authoritarian and democratic government that ultimately led to what seems to be the secure establishment of democracy. The 1973 student uprising led to the establishment of democratic government. Three years of unstable democratic government provoked the return of the military in October 1976. They created a quasi-democratic regime in 1978 that lasted until 1988. It was followed by three years of democracy from 1998 to 1991. A military coup in 1991 led to a brief period of authoritarian rule after which a fully democratic regime was established. Though there has been a succession of short-lived coalitions, democratic government has been sustained since 1992 and there have been no further military interventions. Between 1979 and 1999 Thailand's economy went from crisis to boom, and from boom to bust. Table 2.10 and 2.11 show the country's economic fundamentals in this period. The following sections provide a snapshot review of the politico-economic development in the last two decades of twentieth century.

Table 2.10: Thailand, Selected Economic Fundamentals 1980-1990

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
<b>Populations (Millions)</b>	46.11	46.96	47.87	48.84	49.51	50.58	51.79	52.97	53.87	54.96	55.89
<b>GDP Growth (%)</b>	4.8	5.9	5.4	5.6	5.8	4.6	5.5	9.5	13.3	12.2	11.2
<b>Consumer Price Index</b>	42.6	48.0	50.5	52.4	52.8	54.1	55.1	56.5	58.7	61.8	65.5
<b>Export (% Change)</b>	21.31	7.8	-1.4	-7.4	15.9	-2.7	23.9	31.8	37.1	25.2	15.1
<b>Import (% Change)</b>	24.0	6.5	-15.2	21.4	0.0	-8.8	1.1	41.5	48.9	27.3	29.8
<b>Trade Balance</b>	-2.8	-3.0	-1.6	-3.9	-2.9	-2.2	-0.5	-1.6	-3.9	-5.3	-9.8
<b>Current Account Balance</b>	-2.1	-2.6	-1.0	-2.9	-2.1	-1.5	0.3	-0.3	-1.5	-2.4	-7.1
<b>Current Account Balance (% of GDP)</b>	-6.4	-7.4	-2.8	-7.3	-5.0	-3.9	0.7	-0.6	-2.4	-3.3	-8.3
<b>Balance of Payments</b>	0.3	0.1	0.1	-0.8	0.4	0.5	0.4	0.9	2.5	4.0	3.8
<b>Gross Domestic Investment (GDI)</b>	193.1	225.6	223.2	276.1	291.2	298.4	293.3	362.3	508.4	651.2	903.0
<b>Gross Domestic Savings (GDS)</b>	145.8	159.7	188.8	202.8	222.5	244.5	276.9	357.5	499.5	633.0	721.1
<b>GDI-GDS Gaps (Billion Baht)</b>	662.5	760.4	841.6	921.0	988.1	1056.5	1133.4	1299.9	1599.8	1857.0	2183.5
<b>International Reserves (Billion \$US)</b>	3.1	2.8	2.7	2.6	2.7	3.0	3.8	5.2	7.1	10.5	14.3
<b>Total Debts (Billion \$US)</b>	8.7	11.1	12.2	14.0	15.7	17.5	18.3	20.0	21.1	22.9	29.3
<b>Exchange Rates (Baht: \$US)</b>	20.5	21.8	23.8	23.0	23.6	27.2	26.3	25.7	25.3	25.7	25.6

Source: Office of the National Economics and Social Development Board.

Table 2.11: Thailand, Selected Economic Fundamentals 1991-1999

	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Populations (Millions)</b>	57.03	57.62	58.44	59.24	59.28	59.90	60.50	61.20	61.80
<b>GDP Growth (%)</b>	8.6	8.1	8.3	9.0	9.2	5.9	-1.4	-10.5	4.4
<b>Consumer Price Index</b>	69.2	72.1	74.5	78.2	82.8	87.6	92.5	100	100.3
<b>Export (% Change)</b>	23.6	13.8	13.4	22.1	24.8	-1.9	3.8	-6.8	7.4
<b>Import (% Change)</b>	15.6	6.1	12.3	18.4	31.9	0.6	-13.4	-33.8	16.9
<b>Trade Balance</b>	-9.5	-7.9	-8.5	-8.7	-14.7	-16.1	-4.6	12.2	9.3
<b>Current Account Balance (% of GDP)</b>	-7.4	-6.1	-6.1	-7.8	-12.2	-14.3	-3.1	14.3	12.5
<b>Balance of Payments</b>	4.2	3.0	3.9	4.2	7.2	2.2	-10.6	1.7	4.6
<b>Gross Domestic Investment (GDI)</b>	1073.9	1131.3	1266.2	1462.1	1742.8	1919.0	n/a	n/a	n/a
<b>Gross Domestic Savings (GDS)</b>	869.1	956.2	1081.5	1262.7	1462.1	1524.5	n/a	n/a	n/a
<b>GDI-GDS Gaps (Billion Baht)</b>	2506.6	2830.9	3170.3	3630.8	4188.9	45983	n/a	n/a	n/a
<b>International Reserves (Billion \$US)</b>	18.4	21.2	25.4	30.3	37.0	38.7	27.0	29.5	34.8
<b>Total Debts (Billion \$US)</b>	37.9	43.6	52.1	64.9	100.8	108.7	109.3	105.1	95.1
<b>Exchange Rates (Baht: \$US)</b>	25.5	25.4	25.3	25.2	24.9	25.3	31.4	41.4	37.8

Source: Office of the National Economics and Social Development Board.

#### 2.4.1 Semi-Democracy, Structural Adjustment and Recovery: Prem, 1980-88

The 'quasi-democratic regime' established by the 1978 constitution gave the appearance of democracy by establishing an elected lower chamber in parliament but ensured that it had limited powers. The military and senior bureaucracy retained power through the appointed upper chamber, the Senate, which controlled the appointment of the prime minister. The 1978 constitution did not immediately provide stable government. After the 1979 election General Kraingsak was selected by the Senate to form a government. It proved unstable because it was dominated by Kraingsak's confidants at the expense of elected representatives. When the government announced oil price increase in February 1980 it provoked widespread protest and a vote of no confidence in parliament. Kraingsak resigned and in March 1980 General Prem Tinsulanond was appointed prime minister.

General Prem, a respected army general who had served as defence minister in Kriangsak's government, was not an elected MP but had the confidence of both the military and the main political parties. His regime was subsequently dubbed 'Premocracy'. Throughout his period of office, he successfully managed to share power between the coalition parties, the military and the civil service. While the military and civilian bureaucracy controlled important policies through the powerful appointed Senate, Prem maintained his influence over the appointment of cabinet ministers particularly defence, finance and interior. These positions were at the heart of the Thai Civil Service and strategically important to the stability of the government and the security of the country. Other portfolios were shared among MPs from coalition parties. Prem survived several political crises including attempted coups, cabinet reshuffles and elections.

Prem came to power facing a severe economic crisis caused by world wide recession and high oil prices. He carried out a series of far reaching reforms that laid the foundations for Thailand's economic boom in the late 1980s. Economic policy was formulated by able technocrats who controlled the key economic bodies. Prem's policies aimed to move the economy away from protectionism to an export-driven economy. A combination of exchange rate policy, significant devaluation of the baht which led to an increase in exports, tax and tariff reform, export promotion, and sectoral reform brought economic recovery. Manufacturing exports rose as did inward foreign investment. By 1988 Thailand's economic growth was ahead of other Southeast Asian countries with an annual growth rate of nearly seven per cent.

Prem's ability to balance the interests of the military, the bureaucracy and the political parties enabled him to retain power for eight years, longer than most post war governments. This was period of stability, continuity, strong government and economic recovery. In 1988 Prem resigned rather than face a damaging personal scandal and vote of no confidence, though after the general election he was again offered the premiership which he declined.

#### **2.4.2 Democracy and Economic Boom: Chatchai, 1988-91**

At his resignation Prem called for his successor to be chosen from elected representatives. His successor, Major General Chatchai Choonhawan, leader of the Chart Thai Party, led a fully democratic government, having won the 1988 election, the first prime minister to do so since 1976. Chatchai's government, however, was relatively short-lived, lasting three years, and did not mark a long-term return to democracy. It was overthrown by a military coup in 1991 partly precipitated by unacceptable levels of government corruption. Chatchai's administration saw the most rapid economic growth in Thai history, though the boom was accompanied by widespread corruption.

Chatchai was the beneficiary of Prem's economic reforms of the early 1980s. There was double digit economic growth for three successive years from 1988 to 1990. Exports, mainly manufacturing and the agribusiness sector rose by over twenty per cent a year, except in 1990. The boom was largely the result exchange rate policy, pegging the baht to a falling dollar, which resulted in a thirty per cent depreciation between 1986 and 1990, and strong inward investment. There was significant relocation of light manufacturing to Thailand from elsewhere in East Asia.

#### **2.4.3 Military Authoritarianism, 1991-2**

The February 1991 military coup was provoked by widespread protest at the scale of corruption in Chatchai's government and his attempt to downgrade the political role of the military. The coup leaders, Generals Suchinda Kraprayoon and Sunthorn Kongsompong, established the National Peace Keeping Council (NPKC) to run the country, installed an interim government led by Anand Panyarachun, and promised elections within six months. Anand, a former diplomat and businessman, was a widely respected figure. His government, like Prem's, was made up of the military, technocrats and businessmen. It set about wide

ranging economic reform and subsequently gained a reputation as an effective reforming government. Politically, however, it was less successful. The new 1991 constitution caused widespread opposition and the March 1992 elections, won by the pro-military 'Devils' coalition with the unelected Suchinda as its leader, led to a crisis in May. The brutal suppression of mass demonstrations by the army provoked a rare intervention by the king. This marked the failure of military rule. Anand was re-appointed in his second interim role, the army was quickly restructured and new elections were called. A new democratic government led by Chuan Leekpai, leader of the Democrat Party, took office in September 1992 after winning the election. So far the 1991-2 failure has proved to be the last direct military intervention in Thai politics.

High economic growth continued during the early 1990s though not at the exceptional rate of the late 1980s; there was a growth rate of eight per cent in 1991 and 1992. Anand, advised by technocrats, liberalised the economy beginning a three-year plan of liberalisation which continued under the Chuan government of 1992-5. Relaxing banking regulations and restructuring tariffs attracted increasing amounts of overseas investment.

#### 2.4.4 Democratic Institutionalisation and Economic Bust: 1992 Onwards

A longer period of democratic government has followed since the 1991-2 military regime, even though governments have tended to be short-lived unstable coalitions. The September 1992 election was won by the Democrat Party led by Chuan, a former minister and committed democrat. His coalition government consisted of the 'Angel' anti-military parties. Though the Democrats promised social justice in their election manifesto the government achieved few reforms. Its greatest achievement was to provide a period of political stability after the crisis years of 1991-2 in which democracy was strengthened and economic growth promoted. Chuan's government lasted for nearly three years, from September 1992 to July 1995, a relatively long period for Thai governments of the 1990s. It was brought down by instability within the coalition, when the Palang Dharma Party withdrew accusing the government of corruption.

The 1995 election was won by the Chart Thai Party led by Banharn Silpa-archa, known as 'the walking ATM'. His coalition government lasted barely a year before it was forced out of office by a rising tide of corruption and political intrigue within the coalition. The 1996 election, called by Banharn as a political manoeuvre against his coalition partners,

was particularly corrupt with widespread vote buying in rural constituencies. It was won by his former coalition partner Chavalit Yongchaiyudh, leader of the New Aspiration Party. Chavalit's government was a brief as Banharn's. He resigned in November 1997 overwhelmed by the Asian economic crisis. While in office Chavalit promised political reform in response to the increasing public revulsion against the scale of corruption and frustration with unstable coalition government. Despite his half-hearted commitment there was radical political reform and a new constitution was drawn up in 1997. Selected features of the new Constitution are summarised in Table 2.12 below.

Table 2.12: Selected Features of the 1991 and 1997 Constitutions

1991 Constitution	1997 Constitution
<ul style="list-style-type: none"> <li>• 393 MPs from multimember constituencies.</li> <li>• 270 senators appointed by the king on the prime minister's recommendation.</li> <li>• Cabinet ministers can serve as MPs.</li> <li>• No minimum education requirement for MPs.</li> <li>• Elections controlled by the government through the Ministry of Interior.</li> <li>• Votes counted at polling stations.</li> <li>• Courts can order closure of media</li> </ul>	<ul style="list-style-type: none"> <li>• 400 MPs from single member constituencies plus another 100 MPs from party list.</li> <li>• 200 senators directly elected.</li> <li>• Cabinet ministers must relinquish their seats in parliament.</li> <li>• MPs must have a university degree.</li> <li>• Elections controlled by independent Election Commission.</li> <li>• Vote counted centrally at Election Commission Office</li> <li>• Press freedom is guaranteed.</li> </ul>

Source: Summarised from the 1991 and 1997 Constitutions by the author.

The new constitution was intended to reduce corruption and increase the stability of coalition governments. Democracy was strengthened by making the senate an elected instead of an appointed body, allowing greater participation in local government, guaranteeing individual rights and political freedom and increasing government accountability.

In November 1997 Chavalit was replaced as prime minister by Chuan who formed a new coalition without having to call new elections. The second Chuan administration's priority was to tackle the economic crisis. The International Monetary Fund was called in

and strong but often unpopular measures were introduced. By 1999 there were signs of economic recovery. Chuan remained in office until 2000 when he was constitutionally bound to call new elections. The January 2001 elections were won by Thaksin Shinawatra's Thai Rak Thai Party, the first to be held using the new 1997 constitution.

Economically, strong growth continued during the mid 1990s. Growth rates remained high at eight per cent a year from 1992 to 1995. Export growth also continued, rising above twenty per cent in 1994 and 1995. High levels of inward investment, facilitated by the ongoing programme of financial liberalisation begun by the Anand government, contributed significantly to this prosperity. In 1996 the first signs of an impending crisis, a loss of competitiveness in international markets and a banking collapse, became evident. The country's economic problems were worsened by policy and political failures by the Banharn and Chavalit governments. Exchange rate policy, the refusal to devalue or float the baht, undermined confidence in the economy, and deterred overseas inward investment. Political instability in the Banharn and Chavalit coalitions prevented a decisive response to worsening economic conditions. Recognising this Chavalit brought in former prime minister Chatchai, as minister of Commerce and Amnuay as finance minister to build public confidence and win much needed credibility on the economic front. Amnuay accepted only on condition that he was given *carte blanche* to implement his own economic policies and the right to appoint his own team. His resignation in June 1997 was followed in July by the unleashing of the full force of the economic crisis when more than fifty financial institutions in difficulties were suspended and the baht was allowed to float. The government was forced to ask for assistance from the IMF.

In August 1997 the IMF put together a rescue package worth US\$ 17 billion that required deep cuts in government spending, tight control of inflation and the opening up of financial institutions to foreign ownership. Chuan's second administration had the political determination carry out the IMF package despite the high political cost. Interest rates were kept cripplingly high at twenty per cent to protect the baht. Unemployment doubled to over two million as struggling businesses shed workers and inflation reached ten per cent, nearly double the average before the crisis. By mid 1998 the economy had reached its nadir. Six months later there were signs of recovery as the baht stabilised and inflation and interest rates started to fall. In October 1999 Chuan was able to forgo US\$ 4 billion of the IMF rescue package.

Table 2.13: The Political and Economic Development Contexts

Prime Ministers	Regime Types	Coalition-led Party	Economic Conditions	Episodes of Public Personnel Policy Reform
General Prem Tinsulanond (Mar.1980 - Apr.1988)	Semi-Democracy		From weak growth and structural adjustment to recovery	The Emergence of the Downsizing Issue. (Chapter 3)
Maj. General Chatchai Choonhawan (Apr.1988 - Feb.1991)	Democracy	Chart Thai	From recovery to double digit growth	Paying Lip Service to Downsizing (Chapter 3)
Mr Anand Punyarakchun (Feb.1991 - Sept.1992)	Military - authoritarianism	Military and technocrats	Stable growth	Rationalising the Civil Service (Chapter 4)  The Emergence of Civil Service Pension Reform (Chapter 8)
Mr Chaun Leekpai (Sept 1992 - July 1995)	Democracy	Democrats	Stable growth	Curbing the size of the Civil Service (Chapter 5).  Civil Service Pension Reform Stalemate (Chapter 9)
Mr Banharn Silapa-Archa (July 1995 - Nov 1996)	Democracy	Chart Thai	From growth to the brink of crisis	Playing with Numbers: Downsizing (Chapter 6)  Breaking the Service Pension Reform Logjams (Chapter 10)
General Chavalit Yongchayudth (Nov.1996 - Nov. 1997)	Democracy	New Aspiration	Outbreak of the Asian economic crisis	Playing with Numbers: Downsizing (Chapter 6)  Breaking the Civil Service Pension Reform Logjam (Chapter 10)
Mr Chaun Leekpai Nov 1997 - 2000	Democracy	Democrats	Economic retrenchment	Accelerating Downsizing: Turning a Crisis into an Opportunity (Chapter 7)

Source: Compiled by the author.

## 2.5 Conclusion: Situating Episodes within the Contexts

This chapter provides details of the institutional foundations for public policy decision making in Thailand, as well as the dynamic of political and economic developments between 1980 and 1999. Together they provide a basis for examining the influence of 'institutions' and their interactions with 'processes' in producing change and stability in Thai Civil Service human resource management policy between 1980 and 1999. The episodes within the two reform experiences, downsizing the civil service and reforming civil service pensions are situated within the politico-economic contexts as show in Table 2.13.

# Part II

## Downsizing the Thai Civil Service

*‘We have had a National Committee on Public Sector Reform for over 20 years.  
But there is a joke that the idea of cutting red tape is not new, we were cutting it sideways’*

*Rt.Hon. Abhisit Vejjajiva,  
Minister of the Office of the Prime Minister  
14th Jan 1999*

## Chapter 3

### Containing Civil Service Growth: The Emergence of 'Downsizing' Policy, 1980-1991

#### Overview

At the beginning of the 1980s Thai Civil Service personnel numbered approximately one million. The administrative budget, which included personnel costs such as wages and salaries, reached more than fifty-seven per cent of the total national annual budget, leaving less than forty three per cent available for developmental purposes. In the 1980s the administration of General Prem Tinsulanond started to address the problem of civil service growth and employed measures to contain the size of the Civil Service. These important measures included the imposition of a two per cent per annum growth limit, and the introduction of manpower planning practice. The former, which was known in the Thai Civil Service as the 'two per cent policy' was compulsory and applied to the whole Civil Service. The latter was a combination of changes in civil service manpower planning practices including the introduction of a voluntary three-year manpower plan for ministries and departments. This was the first time that the issue of downsizing and wide ranging civil service reform reached the government agenda. The two per cent policy was the first attempt to control the size of the Civil Service and reversed a thirty-year trend of unlimited Civil Service expansion. Under Chatchai (1988-91) downsizing had a lower priority and only lip service was paid to it.

This chapter seeks to explain why the issue of downsizing<sup>1</sup> emerged for the first time on the government agenda during Prem's administration, how it evolved and why its status fluctuated during the period 1980-91. The chapter will also examine why civil service reform was defined as excessive growth in size on the specialised agendas of the central co-ordinating agencies. It will also consider why downsizing had a higher status during Prem's government than Chatchai's and why the issue survived despite a change in the institutional arrangements for decision making. This chapter is divided into two consecutive periods related to the governments in power. The first period covers the eight years of the premiership of General Prem Tinsulanod from 1980 to 1988 and the second period the democratically elected but briefer government of Major General Chatchai Choonhawan from 1988 to 1991.

### 3.1 The Emergence of the Civil Service Reform Issue

The issue of 'Civil Service reform' gained the attention of both government politicians and bureaucratic reformers after General Prem Tinsulanond became prime minister in March 1980.<sup>2</sup> Like most Thai prime ministers before the 1990s, Prem's initial interest in the civil service issue was an attempt to control and maintain his influence over the bureaucracy, particularly the three most important portfolios: Defence, Finance and Interior. But Prem also came to office with a reform agenda – albeit a broad and vague one. In his inaugural address to the National Legislative Council, as parliament was then known, on 28 March 1980, Prem made an hour-long speech a small part of which set out his administrative policy and outlined remedies for current civil service problems. The problems he identified, bureaucratic inefficiency, overlapping jurisdictions and responsibilities and the duplication of functions, were frequently complained of by both the general public and public administration academics. Prem's administrative policy aimed "to reform the Civil Service and increase its efficiency, to delegate and decentralise administrative power to regional agencies, to reorganise its structure in order to solve the problem of the overlap and duplication of duties, and to promote the autonomy of local administration."<sup>3</sup>

The prime minister's administrative policy statement was not only motivated by the broad public perception of civil service inefficiency, but also the need to adjust the Civil Service in order to cope with the global economic turbulence of the early 1980s. As an oil importer and with an economy closely tied to international markets, Thailand was seriously affected by the global economic downturn that began the year before Prem came to power. Between 1979 and 1980, the Thai economy was hit by the second international oil price rise shock and the price of farm products slumped. The 1979 annual GNP growth rate fell significantly. The oil crisis had major adverse effects and resulted in a high current account deficit and low international reserves. When General Prem came to power in March 1980, the ratio of current account deficit to GNP had risen to an average of 7 per cent, from 4.2 between 1976 and 1978. The inflation rate rose from 6.7 per cent to more than 9 per cent.

Prem's first month in office was spent restructuring the country's economy as the major macro economic indicators deteriorated. In response to the economic pressures, Prem's government sought outside advice from international bodies, namely the International Monetary Fund (IMF), which had been in close contact with the government since the late 1979 advising

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<sup>1</sup> See the definition of downsizing in chapter one.

<sup>2</sup> See a brief political development of this period in chapter two.

<sup>3</sup> Prem's policy statement to parliament 28 March 1980.

on policies to cope with the economic turbulence. The previous government had already decided to seek assistance from the World Bank (Mosley, Harrigan and Toye 1991).

In February and March 1980 a World Bank mission visited Thailand to evaluate the economic situation and discuss policy responses that would put the Thai economy back on track and offer long-term growth prospects. The Bank's analysis, set out in its subsequent report to the government, indicated that the pressing problems of inflation, foreign borrowing and budget deficits were only partly due to external factors, the global economic turmoil. Internal problems, particularly the previous government's policies to intervene and distort market forces, were also responsible. The World Bank's recommendations included major reforms in the areas of resources allocation in the public sector, monetary policy, energy policy, industrial policy, and agricultural policy. These recommendations were accepted by Prem's government as senior bureaucrats in the National Board of Economic and Social Development (NESDB) in whom Prem confided and on whose advice concerning economic and social policies he relied throughout his tenure, shared the same policy stance as the Bank. They agreed with the Bank's policy advice to rely on exports as a way to reduce trade deficits, and advised that most of its recommendations should be implemented. As a result, between the late 1979 and the autumn of 1980, Thailand implemented the Word Bank's recommendations unilaterally.

However, the unconditional unilateral implementation of World Bank's recommendations was not sufficient to take Thailand out of the economic hardship. Six months later, in the autumn of 1980, General Prem's government decided to formulate a structural adjustment programme, and to initiate negotiations for a Structural Adjustment Loan (SAL) from the World Bank. During the formulation of the first Letter of Development Policy (LDP) for a Structural Adjustment Loan (SAL), the economic policy making agencies particularly the NESDB, Ministry of Finance and the Bank of Thailand took the view that the country's primary aim was to solve the problem of '*rising current account deficits*'. They proposed in the LDP that the strategies earlier recommended by the World Bank's mission geared towards export promotion would help the country reduce the current account deficit (Mosley, Harrigan and Toye, 1991; Muscat, 1994).

The process of formulating and negotiating the structural adjustment loan took almost a year and a half during which officials in the economic policy making agencies and the Bank's officials worked closely together. They came up with reform strategies, some of which were such radical reform measures as restructuring personal and corporate income tax, the reform of general tariffs, the establishment of export processing zones, and the reform and restructuring of the Customs Department. In February 1982, the World Bank agreed with Thailand's proposal

for a Structural Adjustment Loan (SAL-I) not only on the grounds of necessity, but also because of the country's commitment to its conditions, which had already been unilaterally implemented since the onset of the crisis (Mosley, Harrigan and Toye, 1991). The determination of Prem's government to solve economic problems, which was one of the key success factors for adjusting the economy structurally, also led to the approval of a second LDP for SAL (II), almost a year later, on 7 March 1983.

The issue of 'civil service reform' appeared as a minor condition for both SAL agreements but in different ways and with different degrees of emphasis. Civil service reform was referred to in the loan conditions as 'improving public sector management and institutional development'. In the SAL-I, the issue of Civil Service reform was included by the NESDB as part of wider economic measures. The specific proposal was to restructure the government economic agencies including the Customs Department whose operation affected the flow and costs of imports and exports. In a more general but less detailed measure, the first SAL stipulated "the Prime Minister's Office would initiate studies of the organisation, management and remuneration of the Civil Service during the fiscal year 1982."<sup>4</sup>

The issue of 'civil service reform' was emphasised more in the second SAL (1983) however. After the world economy worsened in the years 1982-1983, the proposed economic reform strategies were more austere and the public sector was required to adjust itself substantially as the government was forced to be more stringent in its fiscal policy. The issue of 'civil service reform', which fell under the heading of 'improving public sector management and institutional development', focused more on effective administration and the efficient use of public finance resources.<sup>5</sup> These included such 'institutional development measures' as fiscal management reform by improving revenue collection and administration, increasing capacity for budget projection, and reducing the ceiling of annual public borrowing from overseas by approximately fourteen per cent from US\$ 2400 millions to US\$ 2060 millions. The longer-term measures included the privatisation of public enterprises and foreign debts (Mosley, Harrigan and Toye, 1991). To increase institutional capacity more widely than in fiscal management, the SAL-II also emphasised 'the need to study the organisation, remuneration and personnel administration of the Civil Service, and identify weaknesses in the government machinery in departmental reorganisation procedures and process'.<sup>6</sup>

By the end of the fiscal year 1983, the issue of civil service reform, also described as 'improving public sector management and institutional development', became part of the

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<sup>4</sup> LDP 4 February 1982.

<sup>5</sup> LDP, 7 March 1983

<sup>6</sup> LDP 7 March 1983.

government economic structural adjustment programme and a minor condition for both SAL-I and SAL-II. Incorporated within the loan conditions were no more than two sentences related to the broad issue of public sector management. Despite the low priority of the issue, these minor conditions became the genesis of civil service reform in Thailand, and set course for the reform in subsequent decades.

### 3.2 Formulating the Civil Service Reform Issue

The issue of civil service reform, despite its low priority as a minor and indirect condition for the structural adjustment loans, received government attention outside but closely related to the realm of the Structural Adjustment Programme. As Prem's administrative policy statement to parliament in late March 1980 was announced against a background of austerity measures, it was mainly concerned with how government ministries and departments would be efficiently administered.

To deliver his promise on administrative improvement, on 21 May 1980, Prem set up the Civil Service and State Administration Reform Committee (CSARC). The CSARC was an *ad hoc* high profile committee under the chairmanship of the deputy prime minister.<sup>7</sup> As Prem recognised and relied very much on the advice of leading civil servants, the so called 'technocrats' in the central government co-ordinating agencies,<sup>8</sup> and university experts, its members were mainly drawn from these two communities. University scholars in the areas of administrative law, political science and public administration and senior officials represented central coordinating agencies with civil service management related responsibilities, including the OCSC, the Comptroller General's Department (CGD), the NESDB, and the BOB were appointed.

The CSARC was primarily tasked with reforming the Civil Service. Unlike the Prime Minister's Consultative Committee on Public Administration and Administrative Orders

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<sup>7</sup> During his eight years in power, Prem appointed three different deputy prime ministers as chairmen following cabinet reshuffles. These included the leader of a main coalition party, and two of Prem's advisers. However, there is no evidence that changes in chairmanship affected the work of the CSARC.

<sup>8</sup> Most of these influential agencies were within the jurisdiction of the Office of the Prime Minister with the exception of the Ministry of Finance (MOF) and the Bank of Thailand (BOT). They gave advice on relevant matters and were important in General Prem's decision making. As well as the secretary of the office of the National Economic and Social Development Board (NESDB) who also served as the chairman of the Prime Minister's Economic Consultative Committee, the secretary of the Office of the Civil Service Commission (OCSC) and the director of the Bureau of the Budget (BOB) also played important parts in the prime minister's policy on matters related to civil service human resources and budgets. See chapter two for more details.

appointed by previous prime ministers to ‘screen administrative issues’ prior to decision making,<sup>9</sup> the CSARC was required to perform a new function. It was to “reform the Civil Service” by “examining Civil Service problems, suggesting solutions, and overseeing the reform process.”<sup>10</sup> The CSARC was not merely a consultative committee; it was equipped with “the discretion to summon civil servants or individuals, and organisations for information.”<sup>11</sup> This made the CSARC the first civil service reform committee in modern Thai administrative history.

### 3.2.1 Defining the Bureaucratic Inefficiency Issue

The broad issue of ‘civil service reform’ used in the prime minister’s address to parliament in March 1980 was redefined by members of the CSARC at their first meeting on 5 June. Since it was the first time that such a committee was required to make civil service reform proposals, the CSARC’s members spent most of the session debating the problems of the Civil Service.<sup>12</sup> Without any information about civil service reform before the session, they broadly agreed that Prem’s speech to parliament should be the basis for civil service reform.

Reformulating civil service reform as ‘improving Civil Service efficiency’ was put forward at the CSARC meeting by representatives from central co-ordinating agencies, namely the OCSC and the BOB. Supported by research and statistics, the OCSC showed a pattern of sustained expansion, especially from the late 1950s when the Civil Service was used as a machine for social and economic development.<sup>13</sup> It pointed out that in the early phases of implementing NESDB plans, government agencies had proliferated and the number of civil service personnel surged. Between 1969 to 1979, the number of departments increased from 113 to 131, and the number of divisions rocketed from 827 to 1264. In this same period, the number of government officials increased from 434,000 to 788,000, an expansion rate of seven per cent per annum, while population growth was only 2.2 per cent per year. In addition the number of permanent employees increased from 93,000 to 190,000 and that of temporary employees rose from 80,000 to 315,000.

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<sup>9</sup> It had been a tradition of Thai government since the early 1960s, that prime ministers, appointed a high profile consultative committee to advice on civil service issues and general administration. These were usually called the *‘Prime Minister’s Consultative Committee on Public Administration and Administrative Orders’*. The chairman was usually a deputy prime minister, or in some cases the prime minister’s most trusted men. Experts in law, public administration, and political science were usually appointed as committee members. Its functions were to screen critical issues related to civil service administration and suggest courses of action. This kind of committee was usually *ad hoc* and short-lived, disbanding when the prime minister left office.

<sup>10</sup> Prime Ministerial Order 80, 21 May 1980.

<sup>11</sup> Ibid.

<sup>12</sup> Minute of Meeting, the CSARC, 5 June 1980.

<sup>13</sup> See chapter 2 for the discussion of this.

The increase in the number of government personnel had a major impact on the government budget. The BOB pointed out to the CSARC's members that personnel costs were too high as wages and salaries, which made up 16 per cent (4,156 million Baht) of the total Government budget (22,000 million Baht) in 1973, increased to 20 percent in 1980. If other welfare payments and allowances were included, it made up to 40 per cent of the total annual budget. According to the BOB, this reduced the investment budget, which was considered vital for development programmes.

At the CSARC meeting on 5 June 1980, the issue of civil service efficiency was narrowly defined as the excessive growth of civil service employment and the proliferation of government administrative units. Members of the CSARC, particularly university academics who formed the majority of the committee, accepted the evidence provided by the OCSC and the BOB, and concluded that the number of civil servants was growing faster than the population as a whole and that public personnel costs amounted to nearly forty per cent of the total government budget. The figures provided by the OCSC and the BOB reflected the widely held opinions of Thai society and public administration academics who had long highlighted the problem of bureaucratic expansion in the Thai Civil Service.<sup>14</sup> Members of the CSARC concluded that the Civil Service had expanded uncontrollably and this 'obesity of the Civil Service' was to blame for civil service inefficiency.<sup>15</sup> It was at this meeting that the issue of the size of the Civil Service was formally addressed for the first time and became a crucial issue for civil service reform attempts in subsequent periods.

By the end of 1980, the issue of civil service reform was included in the policy agenda of Prem government as a result of two factors. The first was Prem's general concerns over the administrative problems, and the second was the economic crisis facing his government. The conditions set by the World Bank for assistance in solving the economic crisis required civil service reform although it appeared only as a small element in the World Bank's Structural Adjustment Programme. Budgetary constraints on government spending, of which civil service personnel costs made up about twenty per cent, reinforced growing concern about the growth of the Civil Service. By 1980 there was a well established trend of unchecked Civil Service growth because the mechanisms for controlling civil service size were fragmented, uncoordinated and lacked capacity.

<sup>14</sup> Academic interest in Civil Service expansion can be found in Chadarasorn (1980). See chapter two for Civil Service growth statistics.

<sup>15</sup> Ibid.

### 3.3 Formulating a Civil Service Reform Proposal: Containing Civil Service Growth

Less than three weeks after the CSARC had agreed on the problem of civil service efficiency, the central co-ordinating agencies with personnel and financial related responsibilities, led by the OCSC, recommended to the CSARC's chairman that a *Proposal for Reforming the Civil Service Organisation and Staffing* should be formulated to restructure the Civil Service organisation and improve its human resource management. On 23 June 1980, only a month after the CSARC had been established, its chairman, Praman, accepted their recommendation and appointed two sub-committees to develop reform proposals to improve civil service efficiency in line with the problems the CSARC had identified.

The two subcommittees were the Sub-Committee on Structure and Organisation Reform and the Sub-Committee on Civil Service Personnel Administration Reform. The first, chaired by a leading public administration academic, Professor Amorn Raksasat, was to look into ways of increasing civil service efficiency and create savings. Its assigned task was to review the system of public administration and civil service structure, as well as to suggest ways to reform, combine, create, abolish, diversify, regroup and privatisate civil service functions. The second, chaired by a senior bureaucrat in the Prime Minister's Office, Choochart Pramuanpol, was tasked with reviewing the civil service human resource management system. This sub-committee was required to recommend improvements in the public personnel system that would enable civil servants to serve the public better. Specifically it was to look at such personnel issues as career management, fringe benefits, merit protection, competency and quality development, as well as ethical issues. Members of the Sub-Committee on Structure and Organisation Reform were exclusively academics and civil servants, while those of the Sub-Committee on Civil Service Personnel Administration Reform were mainly representatives from central personnel agencies.

In formulating *Proposal for Reforming the Civil Service Organisation and Staffing*, the CSARC and its two sub-committees relied heavily on the central co-ordinating agencies, particularly the OCSC and the BOB, especially because the CSARC was *ad hoc* in nature, it did not have its own office, staff or budget. The administration and policy making of the two sub-committees, which carried out the actual operation of the CSARC, was substantially influenced by these two agencies. A senior BOB official was appointed to serve as secretary of the Sub-Committee on Structure and Organisation Reform and a senior OCSC official was appointed servicing secretary to the Sub-Committee on Civil Service Personnel Administration Reform.

The two subcommittees of the CSARC spent six months between June and December 1980 jointly developing a proposal. During this period of study, research and debate, the OCSC

and the BOB provided members of the subcommittees, which they served with information related to the proliferation of government administrative units and rising wages and salaries. These two agencies not only provided relevant information to but also drafted reform proposals for the CSARC. In effect, the agendas of the CSARC subcommittees were effectively controlled by the two central co-ordinating agencies, the BOB and the OCSC. The next sections examine how alternatives for controlling the Civil Service growth were specified by the CSARC.

### 3.3.1 Specifying Alternatives for Controlling Civil Service Growth

In specifying solutions for controlling what they termed 'obesity', unchecked growth in size and the consequent problems, the OCSC, the BOB, and the NESDB one of whose responsibilities was to approve requests for increasing personnel and establishing new administrative units, proposed to their sub-committees that 'manpower management process' needed to be improved. The OCSC and the BOB raised the issue that excessive increases in Civil Service personnel, the surge in personnel costs and proliferation of government administrative units were the result of weak and ineffective manpower management processes.<sup>16</sup>

The Sub-Committee on Structure and Organisation Reform attacked the proliferation of "administrative divisions", which its research showed had grown from 827 divisions in 1969 to 1264 in 1979, an increase of more than fifty per cent. Regarded by the subcommittee as a serious problem, a large proportion of these newly established divisions functioned as "auxiliary or staff divisions", rather than "line divisions" responsible for service delivery. This contributed to the imbalance between the number of line and staff functions in the Civil Service. From 1957 to 1979, as the subcommittee's study showed, auxiliary and staff divisions grew faster than the line divisions because most units wanted, for example, their own research and development and inspections units. This resulted in the duplication of responsibility within the same department or ministry. Accordingly the numbers of division directors and middle managers increased substantially and unnecessarily. Expansion by setting up new divisions was a common practice for government ministries and departments when they needed to increase their personnel or budgets since the process was the least complicated. It did not involve the deliberation of parliament, only cabinet approval was required, which was invariably given. The cabinet tended to act as a rubber stamp accepting ministerial requests for new divisions.

In early December 1980, Sub-Committee on Structure and Organisation Reform and Sub-Committee on Civil Service Personnel Administration Reform completed their studies and submitted to the CSARC their *Proposal for Reforming the Civil Service Organisation and Staffing*. The

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<sup>16</sup> See Appendix IV for the details of manpower management processes.

aim of this proposal was to contain the size of the Civil Service as a remedy for the 'obesity problem' that had been identified by the CSARC. It also called for a smaller, but more efficient Civil Service. In this respect, downsizing the Civil Service naturally became a reform solution for members of the two subcommittees. Although the term downsizing was problematic because it encompassed many sub-categories ranging from laying-off personnel to privatisation, it allowed the OCSC and the BOB to formulate a 'working definition' in accordance with their own respective responsibilities and jurisdictions. To downsize, therefore, meant to reduce the number of government personnel and to cut budgets, as the size of the Civil Service was largely determined by these personnel and financial resources.

This proposal comprised two reform plans. The first plan included measures to control the proliferation of civil service administrative units. The second plan focused on staffing and manpower management and control. These plans, masterminded by the OCSC and the BOB respectively, equipped the CSARC with recommendations to make to the cabinet on the issue of establishing new government units and increasing civil service personnel. In making such recommendations, "the CSARC would send budget analysts [from the BOB] and personnel analysts [from the OCSC] to critically review the needs and rationales of ministries and departments to expand their organisational structures and increase their staff."<sup>17</sup>

If adopted by the full committee and the cabinet the proposal would also reinforce the mandate of the OCSC and the BOB. It stated, "The OCSC and the BOB would be the agencies representing the government in the review and monitoring of manpower utilisation and budget execution to make sure that these resources were channelled to the achievement of government projects and policies."<sup>18</sup> The proposal called for immediate action to curb the expansion of the Civil Service. It included delaying the employment of new staff, and the establishment of new administrative units' with immediate effect from 1 October 1980 onwards. Thus, vacancies, which had not been funded by the BOB, would be frozen. Only a few exceptions could be made such as the admission of government-sponsored graduates. On the personnel expenditure side, line departments would not be allowed to redirect budget surpluses from other projects or different budget categories to fund new employment.

#### **A. Controlling the proliferation of administrative structures**

In terms of streamlining civil service structures in the longer term, the Sub-Committee on Structure and Organisation Reform recommended new and tighter conditions for structuring and organising administrative units. Essentially, new establishments would only be allowed if

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<sup>17</sup> CSARC Memo to cabinet, 23 December 1980.

they aimed to carry out new task requirements with a clearly defined scope. This measure aimed to prevent even more overlapping and the duplication of functions among administrative entities. To discourage the establishment of new divisions, the Sub-Committee on Structure and Organisation Reform proposed “the establishment of new divisions was to be subject to review and initial approval by the CSARC before a final decision was made by the cabinet. Ministries and departments would not be allowed to set up new divisions at will.”<sup>19</sup> The subcommittee also recommended the expansion of services in or to local administration, stating “restructuring administrative units in regional administrations should be a priority if they would increase public service delivery to people effectively. Expansion should not be undertaken for the benefit of civil servants.”<sup>20</sup>

#### **B. Controlling the increase in personnel number: the ‘Two Per Cent Policy’**

To contain the number of government personnel, the Sub-Committee on Civil Service Personnel Administration Reform proposed the imposition of a growth limit on the Civil Service by putting a ceiling on civil service employment. Accordingly, increases in government personnel would not be allowed beyond two per cent per year. This control target became widely known as the *‘two per cent policy’*. Instead of new employment, the subcommittee required ministries and departments to make maximum use of their existing human resources by way of personnel reassignment and redeployment. Reassignment and reallocation of personnel from over-staffed units to understaffed units within the same ministries was encouraged. It also recommended management techniques, such as management by objectives (MBO) and Zero Based Budgeting, as means to help line ministries and departments align their manpower with their missions and government policies and programmes.

The secretary of the Sub-Committee on Civil Service Personnel Administration Reform, a representative of the OCSC, persuaded the sub-committee as a whole that successful containment of civil service size required effective “manpower planning”. As a result the subcommittee proposed that the approval of requests for new staff or units should be made in aggregate terms by the CSARC, removing the uncoordinated practice of approving request by request by the BOB and the OCSC. However, as one OCSC personnel analyst put it, “the CSARC’s decisions would still very much rely on the information and results of job analysis

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<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

performed by us. The CSARC in fact acted as a buffer between the OCSC, the BOB and line ministries and departments.”<sup>21</sup>

The proposal of Sub-Committee on Civil Service Personnel Administration Reform considered that staffing and manpower management was the responsibility of line ministries and departments, while the government through the CSARC would oversee civil service manpower in holistic terms, not agency by agency. Controlling civil service manpower in holistic terms would enable the CSARC to make decisions on re-allocating personnel among different organisations across the Civil Service without being constrained by department boundaries. As the CSARC would oversee macro-service wide manpower, ministries and departments would be allowed to manage their own personnel flexibly.

To achieve flexible manpower management at the ministerial level, the subcommittee suggested that every ministry should set up a “Ministerial Manpower Development Committee” (MDC) to review its human resources and oversee the implementation of the CSARC’s ‘Proposal for Reforming Civil Service Organisation and Staffing’. The MDC was to consider whether its ministry was under-staffed or over-staffed in comparison with output and personnel operating costs. They were then to report their manpower status to the cabinet with the consent of line ministers. Manpower reports were to be approved by the cabinet before being implemented by ministries themselves. The CSARC, however, was to provide some technical assistance if requested. The MDC was supposed to develop a framework for revising overall manpower every five years along the same lines as the NESDB plan. This was to ensure that manpower was aligned with national policies and plans. Ministerial MDCs were to consist of representatives of the office of permanent secretary and departments within the ministry. Representatives from the OCSC or relevant central personnel agencies, the NESDB, the CGD, and the BOB were also to be present.

Apart from focusing on controlling number of personnel and attempt to streamline the Civil Service, the two subcommittees also considered additional alternatives, which could contribute to curbing the growth of the government workforce. They suggested contracting out some unskilled labour jobs including cleaning, driving, gardening and security services was mentioned, albeit this was not the main focus of their attention. The CSARC argued, “This [contracting out] would reduce the need to recruit new civil servants or employees. All government agencies were encouraged to contract out to the private sector as long as it would not threaten their performances.”<sup>22</sup>

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<sup>21</sup> Interview, anonymous OCSC official.

### 3.4 Approving and Readjusting the 'Proposal for Reforming the Civil Service Organisation and Staffing'

Members of the CSARC agreed unanimously with the 'Proposal for Reforming the Civil Service Organisation and Staffing' jointly written by the two sub-committees and submitted it to the cabinet on 23 December 1980. Only two days later, on 25 December 1980, Prem's cabinet convened to consider, among other things, the CSARC's proposal. The presence in the cabinet meeting of the prime minister, who set up and supported the CSARC, and the deputy prime minister chairman of the CSARC, helped secure the approval process. The cabinet agreed and approved the 'Proposal for Reforming Civil Service Organisation and Staffing'. The CSARC's proposal became a Cabinet Resolution dated 25 December 1980 with immediate effect for implementation across the Civil Service.

Six months later, in June 1981, there had been no reduction in demands for manpower increases. This created operational problems for both the OCSC's personnel analysts and the BOB's budget analysts whose jobs dealt with the analysis of manpower requests. The OCSC and the BOB agreed that the manpower management process should be adjusted further since approving requests year by year, as currently practised, was time consuming, wasting financial resources and undermined the government's development plans. At a Civil Service Commission meeting in June 1981, the OCSC put forward a proposal to introduce a "three year manpower plan" for the Civil Service. According to this proposal, line departments would be required to formulate manpower plans based on their projected needs for more personnel in the next three years, and on the utilisation of current manpower. The three-year manpower plan should reflect the future missions and tasks, which was in correspondence with the NESDB plan. The BOB also agreed with the OCSC's proposal that it would approve funding for employment in advance, in accordance with departments' three-year manpower plans.

Despite the effort of the OCSC and the BOB to impose effective control over the growth of civil service manpower, the cabinet ruled in their meeting in July 1981 that the development and implementation of departmental three-year manpower plan would be voluntary, not compulsory.<sup>23</sup> As an OCSC's official reported, "What we could do from 1981 was to assist line departments in formulating the agency's three year manpower plans. We provided them with a concept of manpower planning and tools such as the department's personnel information system. It's was not compulsory for them to do so, though."<sup>24</sup>

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<sup>22</sup> CSARC Memo to cabinet, 23 December 1980.

<sup>23</sup> Cabinet Resolution, 20 July 1981

The attempt of the OCSC and the BOB to develop an effective measure to control the growth of the Civil Service continued as line ministries and departments still requested more than two per cent increases for new staff. After three years implementing the “two percent policy” the OCSC’s statistics for 1984 showed that number of civil servants and employees had not been reduced. Officials from both the OCSC and the BOB believed that most departments used a loophole in the CSARC’s proposal to request more staff beyond the target ceiling of two per cent by claiming increasing workloads. Some departments, through their ministers, bypassed the CSARC by making requests for more staff or new administrative units direct to the cabinet. This convinced the OCSC and the BOB that the CSARC’s authority needed be consolidated and strengthened, and that the manpower approval procedure should be standardised.

On 1 February 1984, the cabinet agreed with a CSARC proposal that all requests for increasing personnel more than two per cent limit must be first submitted to be screened by the ministerial MDC. The CSARC was authorised by the cabinet to approve manpower requests only after they had been approved by MDCs. This revised measure remained in place until early 1988 when Prem, facing renewed political pressure both from within and outside his coalition government and the prospect of exposure in a personal scandal, stepped down from office.

The eight-year period of Prem’s administration allowed the issue of civil service reform in general, and the measures to control the civil service growth in particular to emerge and progress, although little was achieved. An OCSC official reflected in hindsight, “It was the first and the most concrete and measurable policy to control the growth of the Civil Service. No matter how ineffective it was, it remained in General Prem’s policy platform for eight years and all of us [civil servants] were familiar with it.”<sup>25</sup> The next section examines the issue of civil service policy under a shorter period of prime minister Chatchai Choonhawan, who succeeded Prem in 1988.

### 3.5 Chatchai’s Civil Service Policy 1988-91

Following his victory in the 1988 general election Chatchai was inaugurated as the new prime minister on 4 August 1988 and held office until February 1991. During this period Thailand witnessed a fully-fledged but short-lived parliamentary democracy for which there was a growing public demand, especially among the urban middle class. Chatchai was the first elected MP to be prime minister since 1976. His party Chat Thai had a strong tie with industrialists while their

<sup>24</sup> Personal communication, OCSC official.

<sup>25</sup> Interview, Head of Manpower Planning Unit, OCSC.

coalition partner the Democrats has close relations with financiers. A total of thirty-three of the forty-five cabinet ministers who served Chatchai had a background in one kind of business or another. Business influence during Chatchai period was prominent.<sup>26</sup>

### 3.5.1 Controlling the Growth of the Civil Service: Paying Lip Service

Chatchai's attention to civil service policy was not constrained by poor economic conditions as Prem's was. In the late 1980s, as Chatchai assumed office, the economic restructuring undertaken by Prem bore fruit. Chatchai's government presided over a period of the fastest economic growth in Thai economic history which was marked by double-digit growth. Between 1988 and 1991, the government avoided budget deficits and created surpluses in four consecutive years.

Lacking a public finance imperative, the government was not under the pressure to control the size of the Civil Service. As Chatchai's government preferred expansion to cuts, neither the size of the Civil Service nor the increase in the number of civil servants was seen as problematic. Rather than continuing the austerity programme in the public sector initiated by Prem's administration, Chatchai implemented policies that were popular among civil servants and government personnel. These policies included the improvement of civil service salaries and welfare benefits. A few months after taking office, in November 1988, Chatchai increased civil service salaries and allowances for all occupational groups.

Despite the government preference for expansion, Chatchai reinstated the Civil Service and Administrative Reform Committee (CSARC) on 14 September 1988 on the recommendation of the OCSC through the Civil Service Commission (CSC) over which he presided as a chairman. Chatchai put deputy prime minister Pong Sarasin at the CSARC's helm, while keeping eighteen members of the previous committee. The reinstatement of the CSARC enabled the OCSC and the BOB still to control the committee agenda through its joint secretariat. The Cabinet Resolution dated 25 December 1980 on 'Reforming the Civil Service Organisation and Staffing' including the two per cent policy also officially remained in force. In practice, the CSARC under Chatchai, as an OCSC's official observed, "was inactive and its reinstatement was seen as "an administrative symbol and ritual. The committee had no real political support."<sup>27</sup>

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<sup>26</sup> It was blamed for the widespread presence of "money politics" and corruption as political leaders exploited economic prosperity for personal gain. Many multibillion Baht public works projects were adopted without careful scrutiny, and it was widely believed that bribes, corruption and irregularities were involved. This led the media to dub Chatchai's administration the "buffet cabinet". Corruption allegations undermined the popularity and legitimacy of the government.

<sup>27</sup> Personal communication, OCSC official.

### 3.5.2 Improving Civil Service Delivery: Bureaucratic Realisation of Political Issues

The issue of improving civil service delivery emerged as an important element of civil service reform in September 1988 when the new CSARC was appointed. The stated responsibility of the new CSARC, apart from enforcing the cabinet resolution on limiting the growth of the Civil Service, was to recommend ways ‘to improve efficiency in civil service management, to review and make policy recommendations for improving bureaucratic rules and laws that restricted the Civil Service’s ability, as well as to manage and deliver public service effectively’.<sup>28</sup>

Recognising that Chatchai’s government emphasised the role of the private sector in driving the economy, as expressed in Chatchai’s vision of ‘letting the private sector lead’, the OCSC adjusted its civil service reform strategy effectively, aiming to shift the role of the Civil Service from an operator in the economy to a facilitator. Any civil service reform in this period ‘had to be geared towards the improvement of public services’.<sup>29</sup> The OCSC proposed to the prime minister that a high profile committee needed be appointed to facilitate and solve bureaucratic problems that prevented effective and efficient public service delivery. This committee was to review the performance of ministries and departments in delivering their services. It would also deal with the settlement of disputes and complaints originating from the civil service delivery process.

On 23 May 1989, Chatchai, welcoming the OCSC initiative, appointed the Committee on Civil Service Delivery (CCSD) to improve public service provision to citizens by government organisations including the Civil Service, ministries and departments as well as public enterprises. This reform effort would facilitate the improvement of government service, which would benefit the business sector and ordinary people. Chatchai appointed a minister in the Prime Minister’s Office, Meechai Ruchubhan, to head the committee. It had twelve other members of whom nine were senior bureaucrats from ministries providing direct services to citizens and three representatives from the private sector. The deputy secretary general of the OCSC served as the committee secretary. The committee set up another three subcommittees to deal with such issues as departmental delivery performance review and assessment, the settlement of citizen’s complaints, and training and development of service delivery. Although these subcommittees were chaired by senior bureaucrats represented in the Committee on Civil Service Delivery, all had OCSC officials as members and secretaries. The OCSC in effect, controlled the way in which the Committee on Civil Service Delivery operated.

The Operation of the CCSD did not meet Chatchai’s government’s expectations to make the Civil Service delivery more flexible and effective. It was expected to ‘remove the unnecessary

<sup>28</sup> Cabinet Resolution, 14 September 1988.

personnel and budgetary obstacles imposed by the OCSC, the BOB and the NESDB in establishing new administrative units'.<sup>30</sup> The government wanted flexibility in creating and abolishing administrative units because in a competitive economic environment. It wanted to be able to restructure and reorganisation the civil service so that it could respond promptly to the changing environment. An ability to do so would increase the government's capability to achieve its strategic development goals. As the CCS, which was controlled by the OCSC, focused on the margin of administrative process improvement rather than structural reform, it was not be able to deliver what Chatchai's government required - more power to change the administrative structure of the Civil Service without the constraints of bureaucratic legislation and regulations.<sup>31</sup>

To achieve more structural reform, Chatchai appointed an *ad hoc* Committee on Restructuring and Reorganisation of Ministries and Departments on 4 July 1990. This *ad hoc* committee had a higher profile than the CSARC since the prime minister himself was its head, with a minister in the Prime Minister's Office, Boonua Prasertsuwan appointed a deputy chairman. Senior bureaucrats from central co-ordinating agencies including the PMSO's secretary general, the OCSC's secretary general, the cabinet secretary, the director general of the Bureau of the Budget and two academics in public administration were given places on it. Unlike previous civil service reform committees, the servicing secretaries of this committee were Chatchai's own men, two members of the Prime Minister's advisory team known as the "Bann Pitsanuloke", Borwornsak Uwanno and Surakiat Sathirathai, both leading law academics. However, their secretariat work was assisted by representatives from the OCSC, the BOB and the CGD and the NESDB. Because the committee was very high profile and 'its members including the prime minister were normally occupied by other more pressing problems, they hardly met and no reform proposal was made'.<sup>32</sup>

Even so, the government attempt to overhaul the civil service structure continued without any active reform effort from central co-ordinating agencies. Early in 1991, Chatchai appointed a personal advisory team called the "Prime Minister's Administrative Advisory Team" led by a bureaucrat turned businessman, Anand Panyarachun. This team was supposed to deal with a broader picture of civil service reform than the CSARC. Its focus ranged from changing administrative procedures to redefining public sector activities. The ultimate aim, as an OCSC official said, 'was to facilitate businesses and citizens dealings with the Civil Service, as well as to

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<sup>29</sup> Personal communication, OCSC official.

<sup>30</sup> Cabinet Resolution, 23 May 1989

<sup>31</sup> Personal communication, OCSC official.

<sup>32</sup> Ibid.

look for opportunities to privatise public enterprises'.<sup>33</sup> The appointment of the Anand led 'Prime Minister's Administrative Advisory Team' led the government to disband the CSARC as the new advisory committee was supposed to perform the same function. However, the new team did not produce any policy initiatives concerning civil service reform before Chatchai's government was overthrown by a military coup in February 1991.

### 3.6 Conclusion: The Dynamics of Civil Service Policy Making

This chapter seeks to explain why the issue of downsizing emerged for the first time on the government policy agenda in 1980 during Prem's administration, how it evolved and why its status fluctuated during the period 1980-91. This concluding section explains why Prem's administration adopted the 'two per cent policy' as a solution for uncontrolled growth of the Civil Service, and why Chatchai preferred expansion and making the Civil Service more responsive by adopting the improvement of civil service delivery as his reform choices. Using the narrative, this section provides understanding to how different institutional and processual contexts affected the definition of civil service reform issues and the adoption of corresponding reform choices. To achieve this, this section looks closely at the civil service policy making process: agenda setting, alternative specification and decision making, and how these component processes affect the outcomes of civil service policy making in both periods.

#### 3.6.1 Agenda Setting

In terms of agenda setting, the issue of civil service reform reached Prem and Chatchai governments' policy agendas mainly as a result of the changing contexts of the economic environment, which affected the salience of the issue - how it was perceived by the government of the day. The economic crisis in the late 1979 put strong pressure on Prem's government to adjust the economy structurally leading to the adoption of an austerity programme that lasted until the late 1980s. The austerity programme, as required by the conditions for SAL-I and SAL-II led to the adjustment of the public sector through 'improving public sector management and institutional development'. In this way, the inclusion of the civil service reform issue on Prem's policy agenda was the result of reformers' perception that the issue needed to be technically linked to wider economic measures.

The presence of the issue of civil service reform on Prem's policy agenda was also due to its salience - how important the issue was perceived by the government. Outside the realm of

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<sup>33</sup> Interview, anonymous OCSC official.

economic policy making, particularly the formulation of the Structural Adjustment Programme, the issue of civil service reform also gained the attention of prime minister Prem because it was included in his 'administrative policy' statement to parliament in March 1980. The statement was made against the backdrop of the economic adjustment process initiated at the end of 1979. In this sense, the salience of civil service reform issue as addressed by the prime minister and its technical link to the wider economic adjustment programme reserved policy space on Prem's government policy agenda.

Despite its inclusion in the wider and more important and pressing economic adjustment programme, the status of the civil service issue can be said low as it was not central to solve the pressing economic crisis. However, the issue was given higher status outside the realm of economic policy making when the CSARC was established to deliver Prem's administrative policy address to parliament. With a deputy prime minister as head of the committee, the CSARC was high profile as was its sponsoring issue. The different status of the issue at the same time can be explained by how the issue was perceived by reformers in different policy making structures. In the economic policy making arena, whose participants included the NESDB and Minsitry of Finance, the issue of civil service reform was subordinate to the economic adjustment issue. Its contribution to the improvement of the economy was seen as indirect. In contrast, in the civil service policy-making arena where the central co-ordinating agencies with civil service policy related jurisdictions were involved, the issue of civil service reform gained higher status.

The dynamics of the economic situation also affected how the issue of civil service reform was formulated. The civil service reform issue under the economic austerity programme during Prem's administration was dealt with as a remedy for bureaucratic inefficiency. The economic recovery at the end of 1980s dispelled the pressing demand for austerity from Chatchai's policy agenda. But the economic boom at the beginning of 1990s also created a need for a new policy to respond to the competitive environment in order to maintain economic growth. Under economic recovery and boom, the issue of civil service reform with particular reference to controlling the growth of the Civil Service was not seen by the government as a priority.

Formulating civil service reform issues involves the manipulation of issue definitions and images. The issue of civil service reform was defined differently under the Prem and Chatchai administrations. Under Prem, when the government faced economic hardship, the civil service reform issue was defined as the problem of excessive civil service growth characterised by unchecked increases in civil service employment and the uncontrolled proliferation of the

government structure and administrative units. This definition and the image of 'bureaucratic obesity' were maintained under Chatchai but a new definition and image was also formulated when the economic situation had improved. The civil service reform issue was defined as 'improving civil service delivery'.

The issue and problem definition was also shaped by the institutional location of reformers and how these reformers appropriated the dynamics of the economic situation that evolved during the period 1980-91. During the Prem period, when senior bureaucrats and technocrats in the central co-ordinating agencies were given a high degree of autonomy in formulating public policy, the civil service issue was processed in the high profile CSARC. The issue was defined as bureaucratic inefficiency caused by excessive growth primarily because Prem's administrative policy statement reflected general public concern over the effectiveness of public administration as well as the need to respond to the structural adjustment programme that required the Civil Service to be rationalised. In the Chatchai period, the definition of civil service reform as improving bureaucratic efficiency by controlling the size of the Civil Service was sustained but a new competing issue definition also emerged and was 'incubated' in the CCSD and Chatchai's other committee.

The inclusion of Civil Service reform issue in and its status on governments' policy agenda was due mainly to its 'internal salience', the 'institutional venue' where the issue was processed and the dynamics of the economic situation during which civil service policy making took place. The three factors interacted in a dialectic way. The salience of the civil service reform issue - its perceived importance - can be affected by the pressing demand from the economic context, and depends on which policy making venue the issue is processed. Both the demand from the economic context and the institutional venue influenced the status and image of the civil service reform issue on the government policy agenda. It is the combination of these factors that explains the emergence and progression of the civil service reform issue as well as its fluctuating status over the period of 1980-1991. The next section explains the interrelated processes of alternative specification and decision-making.

### 3.6.2 Alternative Specification and Decision Making

This section addresses the question asked at the outset: why controlling civil service growth by imposing a two per cent per annum growth limit and introducing manpower planning practices became policy solutions during Prem's administration but gained only lip service from Chatchai's government. As the range of civil service reform alternatives is largely determined by how the issue is defined in the agenda setting process, only two sets of solutions for civil service reform

were developed. The first set of alternatives was a response to the problem of bureaucratic overgrowth, the second set of solutions was consistent with the emerging issue of improving public service quality during the Chatchai period.

On first examination, the civil service reform alternatives can be seen as how reformers in Prem and Chatchai's governments responded to the situations they are facing. The narrative in this chapter provides a case in point. The reform choices made by Prem and Chatchai's governments were shaped by the development of the economic situation of the country. Prem's structural adjustment programme allowed the stringent measures to streamline the Civil Service to be adopted. The same reform choice was not wholeheartedly advocated by Chatchai as the economic situation improved greatly. A new competing reform alternative of improving civil service delivery advocated by the government emerged because they did not have the imperative of public finance constraints and an austerity programme.

The development of the economic situation during Chatchai may bring a new reform alternative of improving service quality into the light, but measures to control civil service growth, the two per cent policy was maintained and the CSARC was reinstated. Maintaining civil service policy inherited from Prem was the result of two factors. First, the CSARC had made itself more than a policy advice consultative committee by engaging itself in the implementation and enforcement of the 'two per cent policy'. It became part of the manpower management process that was instrumental in fulfilling the organisational mandates of its dominant members, the OCSC and the BOB. In this sense, the CSARC became an indispensable committee for controlling the growth of the Civil Service. Second, senior bureaucrats from central co-ordinating agencies who were members of CSARC were also members of the CSC where the decision to sustain the two per cent policy and to reinstate its originator took place. It can be said that these members wanted to maintain their *status quo*.

Controlling such venues can also facilitate the adoption of one reform alternative over others. The presence of two reform choices during Chatchai's administration can be seen as a result of the competition to control civil service policy-making venues. Controlling such venues affected the reform process and how reform choices would be made. This episode saw a struggle by the CSARC to control the course of civil service reform. Leading members of the CSARC, particularly the OCSC, tried to maintain the momentum of its reform issue by initiating a new Committee on Civil Service Delivery in the hope that its 'ownership' over the civil service reform issue would be maintained. They failed to do so, however, since the CCSD did not deliver as much as the government wanted: the removal of unnecessary personnel and financial rules that prevented flexibility in establishing and abolishing administrative units which would facilitate

effective civil service delivery. The government reform agenda was, in fact, in conflict with the bureaucratic reformers as they considered the government's reform ideas as leading to the proliferation of administrative units, which only served political purposes. Restructuring the Civil Service was seen by politicians as a means of bypassing the restriction of the two per cent policy and its adoption marked the supremacy of politicians over civil servants.

On the politician's part, the episode saw an attempt to organise the institutional venue for the emerging issue of improving service delivery by Chatchai's government. It created an *ad hoc* Committee on Restructuring and Reorganisation of Ministries and Departments, which was controlled by his personal political and economic advisory team 'Bann Pitsanuloke',<sup>34</sup> and chaired by the prime minister himself. The government's sustained effort to control the civil service reform issue can also be seen in the appointment of the Prime Minister's Administrative Advisory Team whose responsibility superseded the previous reform committee, the CSARC, leading to its disbandment. Although it seems that the Chatchai government was successful in turning the image of the civil service reform issue around from controlling the growth of the Civil Service to improving civil service delivery, no real policy choice was made due to the committee's lack of administrative capacity. In the words of an OCSC official, "it did not develop significant reform proposals."<sup>35</sup>

This chapter provides understanding of the trajectories and outcomes of civil service policy making in Thailand between 1980 and 1991. It takes into account the how the dynamic contexts of economic conditions and the institutional bases of reformers in the government, or the Civil Service, affected the ways in which the civil service reform issue was defined and placed on the governments' policy agenda. It also explains how and why Prem and Chatchai's governments made different reform choices, controlling civil service growth or improving civil service delivery. The interaction of these institutional and processual factors constrained the pace and rate of civil service reform in the sense that change in manpower management practice was piecemeal leading to the unsuccessful implementation of the two per cent policy. Having had a break put on it, albeit an ineffective one, during Prem regime, the number of civil servants during Chatchai's period grew by 3.14% and 2.23 % in 1990 and 1991 respectively. With regards

<sup>34</sup> During Chatchai's administration the role of the central co-ordination agencies declined since the prime minister relied on his political and economic advisory team known as Team Bann Pitsanuloke. The team comprised Chatchai's inner circle of academics and businessmen whose views sometimes contrasted with those of civil servants who had once been regarded as the real policy makers. The rise of prime minister's personal advisors affected the government's priorities since Team Bann Pitsanuloke was behind most prime ministerial and cabinet decisions. They set the direction of government policies. During Chatchai's period, the government paid more attention to domestic and international economic policy than to the civil service related policies.

<sup>35</sup> Personal communication, OCSC official.

to the Chatchai government's reform effort, no concrete choice of reform was made although the government successfully turned the issue image towards its own end.

## Chapter 4

### Rationalising the Civil Service: Freezing Civil Service Employment, 1991-1992

#### Overview

This chapter examines the process of civil service policy change under the interim government of Anand Punyarakchun between 1991 and 1992. This period is historically significant because it was one of the most important civil service reform efforts in the history of modern Thai administrative reform. Despite the short life of the government, civil service policy during this period underwent considerable change. The outcome of Anand's civil service reform was a series of proposals related to civil service improvement, the most important of which was an employment freeze. Other reform initiatives included a medium term 'Plan for Improving the Civil Service System and Public Personnel Management' and the amendment of civil service related acts of parliament. These initiatives entailed changes in rules, routines and the practice of human resources management in particular. In this period the 'two per cent policy', which had been an instrument for curtailing the size of the civil service since the 1980s, was terminated. The Civil Service and Administrative Reform Committee (CSARC), the architect of the two per cent policy, which had served as an administrative reform policymaking body since General Prem's government, was not re-appointed.

This chapter seeks to explain why Anand's government was able to develop major civil service reform policies, programmes, and plans, which represent a significant departure of historical importance from the two previous administrations. The chapter traces the trajectory of the civil service reform issues and provides explanations of the following questions: "How and why did the organisation of the interim government affect the civil service policy making subsystem and hence the civil service reform process?" "Why did the issue of bureaucratic inefficiency and civil service growth remain on the government agenda despite the emergence of equally pressing issue of anti-corruption?, and How were these issues processed and progressed?

#### 4.1 Establishing an interim government

Civil service reform in this period took place in the aftermath of major political upheaval. In March 1991 a military coup, abrogated the constitution, dismissed Chatchai's elected government, and established the temporary National Peace Keeping Council (NPKC) as the supreme 'guardian' of the country.<sup>1</sup> The coup leaders also dissolved parliament and replaced it with an appointed 'National Legislative Council', whose members mainly comprised current and retired civil servants and military officers

Initially the NPKC did not face widespread public opposition, mainly because it raised expectations that rampant corruption in the government and Civil Service could be eliminated. Indeed, the urban middle class rendered some support, hoping that 'old fashioned politics' dominated by provincial politicians could eventually be improved, if not replaced, by new-style professional politicians favoured by the military and general public. Some foreign government agencies such as the U.S. Trade representatives also praised the coup as a way to clean up the rotten system of government and administration (Christensen and Siamwalla, 1993).

The broadly positive public response was a double-edged sword for the NPKC. On the one hand, it legitimised the coup and facilitated a smooth transition of power. On the other hand, it compelled the NPKC to deliver what the general public was expecting, 'clean and democratic' government. This expectation included demands for a fresh election from some pro-democratic groups including veteran political activists and academics that opposed the undemocratic means of a coup. The NPKC responded to this pressure by installing an interim government immediately after the coup as the first move to secure public support. They chose Anand Panyarachun, a bureaucrat turned businessman, to lead the government.<sup>2</sup>

The NPKC gave Anand considerable power, although not a completely free hand, to form an interim government. Anand appointed his cabinet mainly from civilian bureaucrats, but ensured that some strategic posts such as minister of the interior and minister of defence were secured for the NPKC's leaders. However, most military leaders who were members of the NPKC declined offers of ministerial posts in the hope of avoiding the allegation that they had staged the coup for their own benefit.

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<sup>1</sup> See chapter 2. The NPKC also claimed they were protecting the monarchy from a group of disaffected officers. Some observers' claimed that it was caused by Chatchai's intervention in internal military affairs.

## 4.2 Reforming the civil service: The Emerging and Recurring Issues.

The new government created an opportunity for civil service reform. The civil service reform agenda grew out of Anand's initial manoeuvrings to establish a policy and political agenda direction for his government. It was built around two administrative issues: corruption and rationalisation. Immediately after taking office in March 1991, Anand worked towards the NPKC's mandates, one of which was to curb corruption, which was widely considered to have got out of control during Chatchai's administration. Among the initial measures he adopted was to order the anti-corruption agency to investigate new allegations of corruption. Many politicians in Chatchai's cabinet and some high level civil servants were accused of 'unusual wealth' had their assets frozen unless they demonstrated legitimate sources for it. Some of the accused were put on trial and civil servants who were allegedly involved also faced disciplinary procedures.

The 'anti-corruption issue' came to dominate the interim government's agenda partly because the cabinet needed to be responsive to the NPKC, whose early promise of eradicating corruption raised public expectations. The prime minister promoted the issue himself by speaking publicly about a 'clean and transparent civil service'. His remarks were echoed and amplified in the mass media, which in turn reinforced the public mood. Although public attention on the anti-corruption issue remained high after the interim government assumed office, the new government was unable to make quick progress against corruption. It failed to prove that the accused were guilty of corruption, due mainly to the scarcity of evidence and the exploitation of legal loopholes. Faced with the prospect of lengthy and ineffective trials, Anand realised that the NPKC's promise on anti-corruption were not easily delivered.<sup>3</sup> In addition the short-term nature of his government would prevent him from solving the corruption problem before the general election promised by the coup leaders and scheduled for March 1992.

Abandoning the anti-corruption issue in the midst of high public expectation might not only trigger public discontent, but might also upset the NPKC to whom his government was accountable. Consequently, Anand decided that the issue should be kept on the government agenda, and that the government would endorse any legal

<sup>2</sup> Anand was a diplomat and later permanent secretary of foreign affairs. He was forced by the military to resign because of his pro-China policy and subsequently joined the Saha Union Group, a textile conglomerate.

<sup>3</sup> It was widely assumed that only an insignificant proportion of corruption cases were found guilty; only small fish got hooked.

processes pursued by relevant agencies such as the Anti-Corruption Bureau and the police. Anand judged that it would be politically unwise to tone down the significance of anti-corruption issues. By keeping them on its agenda, the government maintained popular support for being 'tough on corruption' and having a 'clean' and 'transparent image'.

The prime minister's interest in corruption issues proved fleeting in the face of other problems that directly affected the operation of his government. The most important problem was the emerging issue of budget constraint, which prompted the second administrative issue, rationalisation. On 2 April 1991, less than a month after its formation, Anand's cabinet convened to consider the government expenditure plan proposed by the Ministry of Finance for the fiscal year 1991.<sup>4</sup> At this meeting, Anand informed the cabinet that the government faced tight budget restrictions with a spending limit of 460,400 million baht, a reduction on previous years during which there had been incremental increases in the budget.<sup>5</sup> This expenditure plan was designed to balance the budget and introduce tax cuts intended to stimulate a competitive advantage, as well as to decentralise taxing powers to local authorities. The resulting decrease in tax revenues required tight spending limits. If the proposed expenditure plan was approved, Anand told the cabinet, government agencies had to be streamlined in order to reduce government outlays. As streamlining itself was not an easy task and the government could face bureaucratic resistance, to overcome potential resistance Anand insisted that the issue was unavoidable and argued that it could be a means of improving the notoriously low level of civil service salaries. He blamed over-manning in the Civil Service for the failure to raise salaries, and pointed out to the cabinet ministers at the meeting that:

The fast growing Civil Service has not only increased public personnel costs, but has also decreased the government's ability to improve civil service salaries and welfare benefits to the same level as the private sector. Uncompetitive salaries have contributed to the brain drain problem in the Civil Service.<sup>6</sup>

The urgent need to streamline the Civil Service came naturally to the prime minister as a solution to the reduced budget; civil service costs were about forty per cent of total

<sup>4</sup> The Thai Government fiscal year starts on 1 October and ends on 30 September in the subsequent year.

<sup>5</sup> The exchange rate during this time was 25 baht per dollar.

government spending. Streamlining, as Anand went on, would enable the government to improve civil service salaries and welfare benefits allowing civil servants to live a decent life. It could also be a way of reducing corruption in the Civil Service.

This new concern with wider civil service reform put a break on the dynamics of corruption issues on the prime minister's agenda. However, this reform would also help solve the corruption issue. Anand kept both 'anti-corruption issues' and 'bureaucratic inefficiency issues' on his government's agenda, albeit he started to see the former problem as less pressing than the latter.

Anand's concern over bureaucratic inefficiency, therefore, formed a large part of the Cabinet Resolution dated 2 April 1991. At this cabinet meeting he made explicit that the growing size of the Civil Service contributed to inefficiency in the public sector, a view that most academics and reformers in the Civil Service held. Anand proposed his solution and the cabinet agreed that immediate action was to be taken "to freeze Civil Service employment between fiscal year 1991 and 1992". In practice, this Cabinet Resolution, which offered stringent measures, simultaneously put an end to the 'two per cent policy' that had been used to limit the growth of the Civil Service since Prem's administration. Anand asserted that during his interim government:

An increase in government personnel would not be allowed, and the proposed increase in the number of civil servants and employees, which had already been approved through the three-year manpower plans, was also to be frozen.<sup>7</sup>

At the 2 April meeting Anand also laid out broad ideas about how government agencies were to deal with manpower problems that might arise during the course of implementing this resolution. He suggested that allocating or transferring personnel from over-staffed departments or projects, to understaffed ones, was a potential solution. Another simple-minded but logical solution he offered was the partial privatisation of government work. Drawing on his background experience as a diplomat and permanent secretary of the Ministry of Foreign Affairs, he was strongly convinced that both permanent and temporary personnel in embassies and diplomatic missions around the world could be substantially reduced.

The prime minister's views were shared by his cabinet. They generated extensive discussion, which expanded to include the issue of 'employment termination'. The

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<sup>6</sup> Circular letter from the Cabinet Secretariat dated 15 April 1991.

cabinet, many of whose members had pursued careers in the Civil Service, felt that the ongoing retirement system, which guaranteed life long employment, should be redesigned to enable the government to get rid of unwanted and inefficient staff easily. They also called for the introduction of an 'early retirement programme'.<sup>8</sup> The cabinet, with Anand's agreement, maintained that the problem of bureaucratic inefficiency could not be solved unless the civil service policymaking and implementation machine was reformed. Anand, as a result, assigned his deputy prime minister, Meechai Ru-chubhan, in co-operation with the finance minister, to review the roles and responsibilities of the Civil Service Commission (CSC) and its secretariat office, the OCSC.

So far, Anand was successful in keeping both the 'anti-corruption' issue and 'bureaucratic inefficiency' issue on his government agenda. The attempt to deal with both issues was evident in his first policy statement delivered to the National Legislative Council on 4 April 1991, two days after his budget meeting and a month after the coup. In the statement Anand outlined how his government would handle the multidimensional problems of the Civil Service. Incorporated in his speech was a policy that would make his government accountable for the political mandate dictated by the NPKC which would secure public support: "the promotion and exercise of preventive measures to suppress all forms of corrupt practices, as well as to punish the corrupt officials severely".

Although the prime minister added the 'anti-corruption' issue in his civil service policy, a large part of his administrative policy was still built around the problem of civil service growth and other problems related to public personnel administration:

... The government was to develop a system that would limit the number of civil servants and government employees, and increase Civil Service salaries, as well as to improve welfare benefits. The new work system would also be laid out to facilitate efficiency, which would result from the improvement of morale...<sup>9</sup>

Anand went on to call for administrative processes, which he claimed contributed to civil service growth and inefficiency problems, to be redesigned. Thus, the processes, which involved personnel, budgeting and planning, were to be improved to increase the speed and efficiency of governmental working practice and the effectiveness

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<sup>7</sup> Ibid.

<sup>8</sup> The thesis deals with this issue as part of downsizing the Civil Service.

<sup>9</sup> Prime Ministerial address to the National Legislative Council 4 April 1991.

of the provision of services to the people. To achieve this, Anand announced that information technology was to be used widely in government agencies.

Another issue related to the inefficiency problem involved excessive bureaucratic rules and laws. The prime minister saw legal reform as another remedy for 'bureaucratic illnesses'. According to his speech, administrative laws and procedures related to public personnel administration were to be amended. The aims of legal reform were threefold. First, personnel and financial powers were to be decentralised to both lower rank decision makers, and regional and local administrations. Second, bureaucratic red tape was to be cut and the problem of overlapping jurisdictions caused by legal ambiguity was to be solved. Third, outdated laws were to be reformed in accordance with the dynamics of the socio-economic development of the country.

#### **4.2.1 Reorganizing and politicizing the Civil Service policy machine**

The prime minister's shift of attention to the issue of corruption during his first few months in office resulted in the discontinuity of civil service manpower policy and its policy community. As has been mentioned, the 'two per cent policy', which had been an instrument for curtailing the size of the Civil Service since the 1980s, was terminated and the Civil Service and Administrative Reform Committee (CSARC), its architect, which had served as an administrative reform policy making body since General Prem's government, was not re-appointed.

During his term in office Anand did not depend much on inter-departmental committees to inform his decisions. The sense of urgency caused by the short-lived nature of an interim government forced him to deal directly with the individual central co-ordinating agencies responsible for particular aspects of civil service management. In this period central government agencies provided him with 'routine action channels' for formulating and managing civil service policy. These channels included the Civil Service Commission and its servicing secretariat, the Office of the Civil Service Commission (OCSC). The Bureau of the Budget (BOB) and the Comptroller General's Office (CGD) were also employed. Although these public personnel and public finance agencies were closely related in terms of their routine functions and operation, the OCSC was the lead organisation and at the centre of civil service policy making during Anand's administration because of its proximity to key members of the cabinet namely the prime minister and one of his deputies.

The prime minister's 'attention' to the civil service issue could normally be seen by the amount of time he allocated to civil service related committees. In spite of the strategic importance of the CSC and its secretariat office, Anand did not chair the CSC himself but assigned the job to his deputy prime minister Meechai, whose knowledge of administrative law assured him that the reform of the civil service policy machine discussed at cabinet on 2 April 1991 would be carried out effectively. Meechai was given a free hand in dealing with civil service issues: he served as the chairman of the CSC and oversaw the operation of the OCSC. But to accomplish what the government declared in the National Legislative Assembly, with regard to the civil service issue, Meechai saw the need to get the full co-operation from the OCSC's top executives in elaborating the government's ideas. Gaining senior civil servants' co-operation needed some intervention, which resulted in a brief conflict between the OCSC's chief and its political master.

In late March 1991, one month after Meechai was put in charge of the Civil Service, it appeared that the secretary general of the OCSC, Samran Thavarayus was not his favourite administrator. Meechai then transferred Samran whose remaining time in office was only 4-5 months, to an inactive advisory position in the Prime Minister's Office. When announced, the move triggered some criticism from civil servants, and the media spoke of the return of old fashioned patron – client conflict. Concern that this conflict could destroy the Civil Service's trust in the government led the prime minister to intervene. Anand, who also claimed to have experienced unfair treatment while permanent secretary of the Ministry of Foreign Affairs, used a television interview to defend his deputy's decision:

... The Civil Service and state administration needs and relies on the OCSC, to start with. And the OSSC's secretary general (Samran) is a good person but he has 3-4 months left before his retirement. It was on this ground that the deputy prime minister Meechai, who oversees the OCSC, wanted to transfer him, since he saw the need to implement the Civil Service reform and improvement project swiftly. Samran's short tenure could undermine the continuity of the project. Thus, appointing him as an advisor to the Prime Minister's Office did not degrade his position since it is the same PC level as the OCSC's secretary general. It is understandable that he is upset.<sup>10</sup>

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<sup>10</sup> Anand (1992).

Although Meechai got on well with the higher echelons of the OCSC, he did not choose any of them to replace Samran. Instead, he advised the prime minister to appoint Professor Wijit Srisa-arn, permanent secretary of the Ministry of University Affairs, as acting secretary general of the OCSC. Wijit emerged as the Meechai's first choice because of his past achievements. Apart from his experience as a senior bureaucrat, Wijit was seen as the most successful education administrator in Thailand. He served as rector of many universities before being promoted to head the Ministry of University Affairs. Throughout his career, he was energetically and creatively involved in the development and innovation in education. His image was clean and professional. His past achievements, leadership, commitment, vision and enthusiasm that attracted Meechai.

In the Thai Civil Service, inter-ministerial transfer and promotion was considered unusual during democratic regimes since the 'standard operating procedure' required that promotion to a higher position was normally reserved for qualified candidates 'from within' the individual ministry. However, Wijit's appointment helped the Meechai ward off the possible allegation of patronage in personnel practice that would have arisen if he had replaced the ousted Secretary General with one of the deputies at the OCSC whom he favoured.

Realising this was a politically motivated appointment, Wijit who still kept his post in the Ministry of University Affairs, made clear to the prime minister and his deputy that he would not accept any effort to make him permanent secretary general of the OCSC. His intention was clear when he declared that he would not intervene in the routine administration of the OCSC, and that deputy secretaries-general would run its day-to-day operations. He also delegated all administrative routines in the Ministry of University Affairs. The only mandate Wijit had to achieve was to realise the prime minister's policy statement concerning the '*efficiency and transparency of the Civil Service*'.

Wide ranging civil service reform reached the agenda of Anand's government because of his commitment to the NPKC anti-corruption pledge and his personal interest in the issue and clean, transparent and efficient government. Initially anti-corruption was the priority but this was replaced by other reform issues, particularly downsizing, partly as a result of difficulties implementing anti-corruption measures and partly as a result of budgetary constraints. The political circumstances of the appointment of his government as a temporary administration with extensive powers also contributed by giving a sense of urgency and the means to carry out reform. Political

control of the Civil Service reform policy machine was quickly achieved by the appointment of Wijit as secretary general of the OCSC.

#### 4.3 Formulating the “Civil Service Reform and Development Project”

When he took office at the beginning of April 1991 Wijit already had clear mandates from the government: to freeze civil service employment and to reform the civil service system. Freezing the number of civil servants and government employees in the fiscal years 1991 and 1992, initiated by the cabinet resolution dated 2 April, was seen by Wijit as urgent. He was also asked by the prime minister and deputy prime minister to develop a plan to overhaul the Civil Service system. These mandates were known as part of the *‘Civil Service Reform and Development Project (Project)’* aiming to turn the Prime Minister’s policy speech into concrete measures.

Since the prime minister did not appoint a Civil Service Reform Committee to work on the detail of reform proposals, as his predecessors had, the whole task was placed on Wijit’s shoulders. In working out the detail of the *Project*, Wijit formed a small Working Group on 29 April 1991. This group comprised exclusively high-level officials from the OCSC including the deputies and assistant secretary general. The BOB and the CGD which were normally present on Civil Service related interdepartmental committees were not invited. As a senior official on the Working Group said: “It was our [OCSC] business, not theirs.”<sup>11</sup> The absence of representatives from the other central co-ordinating agencies in this preparation stage allowed OCSC’s officials to shape the content and direction of the *Project* at will.

Although the OCSC’s Working Group announced that the *Project* aimed ‘to modernise the Civil Service, and to improve its efficiency, as well as the quality and standard of personnel within the Civil Service the subjects they discussed were mainly public personnel issues. These ranged from restructuring the Civil Service to shortening and speeding up work procedures, and from recruiting and promoting personnel to improving the civil service incentive system.<sup>12</sup>

While personnel issues related to the prime minister’s concern over ‘bureaucratic inefficiency’ were widely discussed, the issue of anti-corruption and civil service transparency, which were also part of his policy statement, were rarely mentioned. It was

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<sup>11</sup> Interview, anonymous OCSC official.

<sup>12</sup> Interview, Theerayuth Lorlertratana, OCSC.

at this stage that the anti-corruption issue was effectively pulled off the government agenda. Theerayudth Lorlertrat, a former deputy secretary general of the OCSC and a member of the Working Group not only described the situation as a matter of “where you stand is where you sit”, but also as a matter of “do-able”.<sup>13</sup> In other words, the OCSC did not have direct jurisdiction over anti-corruption issues and they lacked expertise on how to handle them. The *Project*, according to the OCSC, contained both a short-term, immediate response and long-term reform strategies.

#### 4.3.1 Freezing Civil Service employment and re-deploying staff

The short-term response was the freeze on civil service employment. Wijit had no difficulty in communicating the government policy on employment freezing and re-deployment to the OCSC's top officials since controlling civil service growth had been their main manpower policy since Prem's government. The OCSC's Working Group not only welcomed government policy but also enthusiastically pushed it further convincing Wijit that although the employment freezing and re-deployment policy applied only to 'ordinary civil servants and government employees' under the personnel jurisdiction of the CSC, it should be extended to cover all government agencies under the control of other central personnel agencies as well. The OCSC's Working Group also suggested that this policy could be effectively enforced if the OCSC were to have decisive power on requests for staff increases.

In the CSC meeting on 20 May 1991, Wijit raised the concerns of his Working Group and received full support from the chairman, Meechai. The CSC on that occasion, therefore, agreed that, “for the purpose of effective control over Civil Service growth, other central personnel agencies should adopt the employment freezing and re-deployment policy as well”. But those central personnel agencies would abide by this policy only if the cabinet ordered them to comply. Meechai, therefore, raised this issue in cabinet on 4 June 1991 and got approval with strong backing from the prime minister. The OCSC was successful in increasing its control over this aspect of manpower policy and consequently other central co-ordinating agencies lost their grip on increases in their staff.

The OCSC with the cabinet's approval further encroached on the jurisdiction of other central personnel agencies by reserving decisions on exemption from the Cabinet Resolution on employment. The cabinet decided on 30 July 1991, that government

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<sup>13</sup> Ibid.

agencies in real need of manpower increases, after attempting all possible alternatives of re-deployment must refer their 'unavoidable need for staff increase' to the CSC. The CSC would then inform the cabinet where unavoidable requests could be authorised.

Changing personnel jurisdiction related to 'employment freezing and re-deployment strategy' led to further changes in the structure of the CSC and its routines. On 9 September 1991, the CSC established a 'special sub-committee on staff increases' or the *Special Sub-Committee* to perform new tasks emerging from this newly acquired authority. According to a personnel analyst involved in the request approval process, the OCSC's analysts were exclusively responsible for this task:

In practice, when government agencies [outside the jurisdiction of the CSC] requested exemption from the Cabinet Resolution [on employment freezing and re-deployment policies] to employ new staff for the fiscal years 1991 and 1992, they had to send their requests to the CSC, and we [the OCSC] would analyse those requests and submit our opinion to the *Special Sub-Committee* to approve. However, if the requests came from agencies under the CSC, the *Sub-Committee on Positions and Salaries*, which was formally part of the CSC, would still be responsible for analysing them.<sup>14</sup>

To standardise the approval procedure for 'unavoidable need' manpower increases, the *Special Sub-Committee* met on 8 October 1991 and agreed on the definition of the term 'unavoidable need' to be used as a guideline for the approval of such requests. According to the '*Guideline for approval of unavoidable needs for manpower increase*', the *Special Sub-Committee* would approve if the requests involved: "(a) tasks that were specified by government policy, or assigned by the cabinet to fulfil legal requirements, and their budgets were already approved. Failure to perform these tasks could cause damage to the government and Civil Service, (b) tasks that could not be privatised or contracted out to private companies, (c) tasks recently equipped with new machinery or technologies that needed more personnel to perform them, (d) tasks that resulted from establishing new units, divisions or departments, and (e) tasks that emerged from the increase in government functions involving tax collection and health service provision."<sup>15</sup> By the end of 1991 when this guideline was implemented, the 'procedure for special request to increase staff for more than two per cent' was automatically cancelled.

<sup>14</sup> Interview, Laddawan Tantithaguranonda, OCSC.

<sup>15</sup> Minutes of meeting of Special Sub-Committee, 8 October 1991 (5/2534).

Since the OCSC got increasingly involved in the personnel request process of other central personnel agencies, it proposed that personnel analysts from the OCSC should be available to advise on how to effectively implement the policy on manpower freezing and re-deployment. By so doing, the OCSC offered ministries technical assistance involving, for instance, the techniques and methods of staff re-deployment and re-prioritisation of tasks. The aim of this assistance was to ensure that ministries maximised their existing staff before requesting more personnel.

The last aspect of procedural changes involved the report and monitoring system. The OCSC required that permanent secretaries of ministries undertaking staff reallocation or re-deployment, send their report to the OCSC within seven days of the ministries' Manpower Development Committees (MDC) approval of their re-deployment proposals. Tight control over the reporting system would enable the OCSC to monitor civil service manpower status effectively.

To make sure every ministry understood the policy on employment freezing and re-deployment and consequently abided by the same rules, the OCSC translated the two-page Cabinet Resolution into a thirty-four-page handbook. This provided detailed reasons for making staff re-deployment the first solution for staff shortages. It also contained procedures that ministries had to follow if they were to increase their staff. Handbooks were sent to every ministry on 21 May 1991.

After distributing the procedural handbook Wijit organised a meeting between the OCSC's top officials and heads of personnel divisions from all ministries on 31 May 1991. The aim of this meeting was to gain assurance that the policy message had got across to all ministries and that 'implementers' understood the new procedures. Wijit spelled out, in his opening session, the need for exercising tighter control over bureaucratic growth by reiterating the prime minister's remarks:

Although the 'two per cent policy' provides a framework for limiting growth, the Civil Service is still growing. If growth continues, it will be beyond the government's capacity to improve civil service salaries and welfare benefits to the same level as the private sector. The only way the government would be able to do so is to delay new employment.<sup>16</sup>

At this session Wijit suggested that ministries could avoid new hiring by four methods: "First, to prioritise and then selectively eliminate those unnecessary jobs.

Second, to simplify work processes and methods to reduce number of personnel needed to perform tasks. Third, to bring technology such as computers and other forms of information technology into government offices. Fourth, to privatise the jobs that private companies could probably perform better. These included cleaning, security and vehicle service and maintenance... ”<sup>17</sup> He closed his opening statement by emphasising the role of the OCSC as the lead organisation responsible for executing this policy, but he also pledged immediate action from ministries:

‘Manpower allocation and re-deployment both within and between departments and ministries was an urgent measure, and it had to be implemented in such a manner according to the cabinet’s will. Failing to do so would damage the Civil Service’.<sup>18</sup>

The discussion at the meeting was dominated by details of the new procedure. The OCSC team also stood firm in a Question and Answer session. At the end of the meeting, Wilas Singhawisai, deputy secretary general and the OCSC’s permanent secretary, admitted that this policy was not easy to implement: “Successful implementation had both arts and science elements. Leadership was so important that departments’ executives had to be very decisive on their own manpower issues.”<sup>19</sup>

#### 4.3.2 Formulating a medium term plan for Civil Service reform

As well as its short-term measure, the employment freeze, the government aimed to improving the ‘Civil Service system’, which was a longer-term project. “Improving the Civil Service System” was one of Anand’s policies in his speech to the National Legislative Council on 4 April 1991. It became the most important mandate that Wijit was determined to achieve on becoming secretary general of the OCSC. The point of departure for this reform project was to specify the direction of civil service reform and then to get cabinet agreement in principle. This was known among the OCSC’s staff as *Project Guideline*. Theerayudth Lorlertrat, one of the OCSC’s deputy secretary-generals on the Working Group, told how they went about formulating the *Project Guideline*:

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<sup>16</sup> Minutes of meeting 31 May 1991.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

First, we extracted the government's policy statement concerning public service improvement and broke it down into categories of issues in order to make it manageable and easy to consider appropriate solutions. Then we established working measures to achieve the improvement of the specified issues. These measures were precisely defined, and the methods or 'how to' were described. Lastly, we specified activities that needed to be carried out.<sup>20</sup>

This *Guideline*, as the same official recalled, was "developed from two combined sources: the prime minister's policy aspiration, and the OCSC's ideas of improving public personnel functions aiming to consolidate the public personnel authorities."<sup>21</sup> Wijit accepted this *Guideline* from the outset as he saw it would enable him to achieve the prime minister's mandate. Including the OCSC's own agenda in a large part of the *Guideline* would also please his senior officials carrying out the project.

Wijit and his Working Group managed to complete the *Project Guideline* within six weeks and it was published as a twenty-one-page booklet. It was composed of seven civil service policies, thirteen administrative issues, thirty-two measures and 109 'how to' activities. In mid June 1991, the OCSC submitted it to the cabinet. Again, with the full backing from the prime minister and deputy prime minister Meechai, the cabinet approved the *Guideline* and its proposed reform direction.

But approval of the *Project Guideline* was only a stepping-stone for the OCSC to achieve its reform agenda. To ensure that the crucial issues of consolidating fragmented personnel jurisdiction, downsizing the Civil Service and improving Civil Service salaries and welfare benefits were realised, the OCSC's Working Group saw the need to strictly control the process of translating the *Project Guideline* into actionable plans.

#### A. Formulating the Plan for Improving the Civil Service System and Public Personnel Management

As we have seen, the development of the civil service reform *Project Guideline* was exclusively the brainchild of the OCSC's senior officials, and other personnel related agencies were excluded from the process. After the cabinet endorsed the *Guideline*, the OCSC immediately set up another ten Working Groups comprising seventy-three middle and high-ranking officials drawn mainly from related divisions within the OCSC. These

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<sup>20</sup> Interview Theerayudth Lorlertrat, OCSC

<sup>21</sup> Ibid. The OCSC always opposed the diversification of central personnel agencies but failed to stop it. Some public administration academics in Thailand also called for their unification.

working groups were asked to study and propose ways in which the Civil Service could be improved. The OCSC also set a deadline of November 1991 for completion. It hoped that the cabinet would approve the reform proposal by the end of the year.

The tasks of these working groups were framed by the *Guideline*, which reflected the division of labour within the OCSC. In effect, they were instructed to formulate reform proposals in such narrow but important areas as the role and responsibilities of the CSC and the OCSC; the organisation and staffing of the Civil Service; the salary and welfare benefits system; the training and development system; the decentralisation of public personnel management; and the revision of the Civil Service Act. The target areas for reform were well defined.

In formulating the 'Plan for Improving the Civil Service' three main issues were considered, measures for controlling civil service growth, improving administrative processes and improvements in personnel management. For members of the OCSC's working group, the most pressing problem was the excessive growth of the Civil Service, though its size was not unduly large by Southeast Asian standards.<sup>22</sup> In 1992 the Thai Civil Service had approximately 1.2m employees, roughly two per cent of the total population. Improving the Civil Service, for them, initially involved making the Civil Service smaller or downsizing. The unanimous acceptance of 'problem definition' as well as their substantive knowledge of the issue directed the attention of the OCSC's working group to Civil Service manpower policy, the first area they sought to reform. As one personnel analyst who later became head of the manpower planning unit put it:

We are familiar with the issue and problem [of Civil Service growth]. We have information about the number of civil servants and employees, their position levels, and the increase in government structures. No doubt, that is to say, the OCSC already has the motivation to deal with this issue. And the transition to Anand's administration opened up the opportunity for us to rigorously control Civil Service growth."<sup>23</sup>

By applying their 'knowledge of organisational procedure' of Civil Service manpower policy, the OCSC dominated working groups effectively. The limited policy alternatives they discussed were: how to control the proliferation of administrative

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<sup>22</sup> In 1992 Thailand's public sector accounted for only 15.4 percent of GNP, lower than any other ASEAN country. Its Civil Service size was broadly similar to Singapore, Korea, Indonesia and the Philippines, and less than Vietnam and Malaysia (Asian Development Bank 1999).

structures, and numbers of civil servants and government employees. The working groups decided that one of the solutions to the problem of staff increases was to freeze Civil Service recruitment, which was the short-term measure that Anand had introduced during his first months in office.

Since freezing civil service employment was the most decisive policy that the Thai government had ever made in this area, these working groups agreed that Anand's initiative was to be continued for another five years: "throughout the period of the Seventh NESDB Plan starting from fiscal year 1992 to fiscal year 1997, the government would not employ more civil servants or employees."<sup>24</sup> These working groups also suggested, "Manpower reallocation and redeployment should be attempted as the first alternative to recruitment."<sup>25</sup>

In order to implement their recommendations effectively, the working group demanded that every government department reported the expected vacancies from retirement one year in advance to the CSC and related central personnel agencies. These central agencies, in turn, would examine and decide if the vacancies were to be filled, or to be allocated to understaffed units. The CSC, as its members argued in meetings, were to make decisions in relation to the task requirements of those government agencies.

As far as the diversification of administrative units was concerned, the OCSC's working group proposed that no new administrative units should be set up during the next five years between 1992-1997. However, the OCSC's desire to prevent the establishment of new administrative units at all levels was prevented by existing legislation related to state administration. As a result, the working group put forward the proposal that "establishing any new 'division' would not be allowed throughout the fiscal years 1992-1997."<sup>26</sup>

Another issue discussed by the OCSC's working group was exemptions. Despite the frustration caused by 'policy loopholes' that had contributed to the failure to implement reform in the past, the working groups acknowledged that the cabinet was to decide if the "unavoidable needs for employing new staff" requested by government agencies was to be approved. However, the OCSC insisted firmly "it was to be the only

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<sup>23</sup> Interview, Jarinee Iam-sa-ard, OCSC personnel analyst and head of manpower planning unit.

<sup>24</sup> OCSC cabinet submission.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

central personnel agency that advised the cabinet. Other personnel agencies wishing to be exempt from this restriction needed to submit such requests to the OCSC.”<sup>27</sup>

Effective curbing of civil service growth depended largely on the available manpower information. The Working Group raised the problem that this information was scattered among various government agencies: “If manpower information and its reporting was to be used as crucial tool for controlling the increase in government personnel and for effective manpower planning, a manpower information centre had to be created.”<sup>28</sup>

While controlling the manpower information and its reporting could have meant a symbolic victory over other agencies, the OCSC’s working groups were well aware that other central coordinating agencies, namely the CGD had equally significant information on the number of personnel and their costs. As much as the OCSC wanted to centralise the reporting system, it could not do so at will. As a result, the working group suggested that: “the OCSC and the CGD jointly were to be the centre for reviewing civil service manpower status, and analysing manpower utilisation and public personnel costs.”<sup>29</sup> They were also required to produce a yearly report for the cabinet.

Although the OCSC could not monopolise manpower information, the working groups agreed that the OCSC was to play a decisive role in determining and controlling the overall number of government personnel at the macro-level. Its immediate task, as the Working Group suggested, was to work closely with the NESDB to forecast and formulate a civil service manpower plan for the fiscal years 1992 – 1996. It was for this task that the OCSC claimed that a ‘Manpower Information Centre’ needed to be established under its umbrella, and that it was to provide ministries and departments with its standards and practice for manpower planning.

The OCSC’s working groups also discussed early retirement as a means of encouraging civil servants and government employees to leave voluntarily so as to downsize the Civil Service. This solution, previously discussed in the cabinet meeting on 2 April 1991, was strongly advocated by both the OCSC and the ministry of finance. However, since the idea was new to the Thai government it needed more careful thought. The working group therefore suggested that the OCSC and the CGD should work closely with related central personnel agencies to “study and formulate an ‘Early

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<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

Retirement Project' aiming to reduce the number of civil servants". It took more than five years for this project to move off the drawing board.

Although the 'Plan for improving the Civil Service system and public personnel management' consisted mainly of measures for controlling civil service growth other measures were also incorporated. As a former civil servant and executive in the private sector, Anand announced from the beginning that bureaucratic red tape was to be cut. Apart from advocating the notion of "transparency" that had become prominent previously, but later on faded on his agenda, Anand was well known for his "efficient approach to management". The prime minister's reputation was then translated into tangible actions by the OCSC's Working Group. They defined the "concentration of decision making power" at the top of departments and ministries as a potential source of bureaucratic red tape, and hence reduced administrative efficiency. They called for the delegation of decision making to lower levels. Another recommendation involved shortening the decision making process: "Any approval process needed to be redesigned in order that there were no more than two levels of filtering before issues reached decision makers."<sup>30</sup> To achieve this the working group agreed that the OCSC was "to systematise and standardise the decision allocation system for the whole Civil Service."<sup>31</sup>

As the prime objective of restructuring work processes was to improve public service delivery, the OCSC Working Group encouraged office automation by every government agency. Since this project contained both technical and managerial aspects, the working group suggested that the OCSC, BOB and the ministry of finance jointly conduct the feasibility study.

Among measures included in the Plan for Improving the Civil Service System and Public Personnel Management, issues involving personnel management processes were broadly recommended. The reason for this was given by one OCSC official as "a move to delegate personnel power at the operational level to line agencies and other central personnel agencies."<sup>32</sup> The OCSC's Working Group enumerated ways to improve recruitment, selection and appointment processes. They did not suggest anything other than "calling for every central personnel agency to improve what they had already been doing."<sup>33</sup> But strategically incorporated within this section of the proposal was a clause

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<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Interview, anonymous OCSC official.

<sup>33</sup> Interview, anonymous OCSC personnel analyst.

that gave the OCSC the leading role in improving 'the employment termination system' to enable the removal of under-performing civil servants and employees.<sup>34</sup>.

The last and most abstract part of the proposed reform plans involved training, development and maintaining the merit system. The working groups emphasized that training and development was to be considered as investment in human resources and that the OCSC was to be the centre for developing and improving training programmes. They also called for stricter disciplinary action, the promotion of public service ethics and maintaining the honour of a civil service career.

In October 1991, no more than four months after the reform project started, the OCSC's Working Group completed their draft proposal. During that period, the OCSC's acting Secretary General, Wijit showed strong leadership and commitment to the process. As one of the OCSC's senior officials reported: "He was well informed and regularly met with working groups to review the progress many times a week, including on weekends and after office hours."<sup>35</sup>

The downsizing reform outcome of the policy making process was an employment freeze, the 'Plan for Improving the Civil Service System and Public Personnel Management', initially as a short term measure but quickly adopted for the medium term. It was the result of strong political direction in the policy making process by Wijit and Meechai and the commitment of civil servants in the OCSC. Both politicians and the OCSC shared a common interest in and strong commitment to controlling civil service growth, at the expense of the other central co-ordinating agencies and line ministries. The OCSC was able to enhance its power and status by securing tight control over manpower policy in the reform proposal.

#### 4.4 Approving the Plan for Improving the Civil Service System

Since the draft proposal involved issues that could be controversial among the general public and civil servants in particular, the OCSC needed support to ensure the draft proposal was acceptable to all parties involved. To gain acceptance, the OCSC organised a two-day seminar at Pattaya on 19-20 October 1991. High-ranking bureaucrats from every ministry and central government agencies, and academics and experts on the Civil Service and public personnel management were invited. The aim was to make a final

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<sup>34</sup> OCSC cabinet submission.

<sup>35</sup> Interview, Theerayudth Lorlertrat, OCSC.

review before submitting the draft proposal to the cabinet. Deputy prime minister, Meechai, chairman of the CSC, presided over this two-day forum.

During the seminar, participants discussed many points and eventually agreed in principle with the OCSC's draft proposal. Consequently, the OCSC did not make any major changes to the draft and successfully secured its own reform direction, especially on employment freezing.

Another form of political support came from the prime minister himself. Although Anand was not present at the seminar, he was closely informed about the reform project. But the critical moment, as the then deputy secretary general called 'the opening of a window of opportunity', was on 2 December 1991 when the prime minister visited the OCSC. Wijit and his deputies took the opportunity during the lunch meeting between the prime minister and the OCSC's senior officials to brief Anand on the progress of the draft proposal. Anand was said to be satisfied with what was told.<sup>36</sup>

Having gained support from both civil servants and leading politicians, the OCSC was confident enough to submit the *Reform Proposal* to the cabinet for consideration. Without any hurdles, it gained approval on 7 January 1992. On 10 January 1992, the cabinet's Secretariat Office then circulated a formal Cabinet Resolution on 'Measures to Improve the Civil Service System and Public Personnel Management' to ministries, central agencies, and public personnel agencies. As the resolution was an executive order, all government agencies were obliged to abide by it.

The 'Resolution on Improving the Civil Service System' not only represented the fruit of the OCSC's effort over the past year, but also signalled the time for changing its leadership. Wijit, who had promised to return to his former post after completing the *Reform Project*, kept his promise by requesting Anand to transfer him back to his former role as permanent secretary of the Ministry of University Affairs. He resumed his old post on 3 February 1992, and the cabinet then appointed Wilas Singahavisai, an OCSC deputy secretary general as the OCSC's general secretary.

Wilas's path to the top of the OCSC might well have been smooth, but the path of implementing Cabinet Resolution on Improving the Civil Service System, a pet project jointly shaped by him when he was in the OCSC's Working Group, was not.

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<sup>36</sup> Ibid.

#### 4.5 Reformulating the Cabinet Resolution

A few months after the circulation of the ‘Cabinet Resolution on Improving the Civil Service System’ to all government agencies, it emerged that some agencies faced difficulties in implementing it. These difficulties stemmed mainly from the employment freezing and redeployment measures, an issue the OCSC wished to have a firm grip on. The action came from both central co-ordinating agencies with overlapping personnel jurisdictions and from some line ministries.

The problem first came from the BOB, which claimed that the Cabinet Resolution undermined its authority over public personnel management. In its memo dated 4 June 1992, the BOB reiterated its jurisdiction over and responsibility for hiring and firing “government permanent employees.”<sup>37</sup> But in the Cabinet Resolution based on the OCSC’s proposal, their responsibility was shifted and reassigned to the OCSC. The BOB wanted the cabinet to reassure it that its authority over this employment was not encroached on, and the Cabinet Secretariat to clarify its concern and inform government agencies accordingly.

A month after the BOB’s reaction, the University Affairs Minister wrote to the Cabinet Secretary in his capacity as chairman of the University Personnel Commission. In his letter dated 27 July 1992, he opposed what other central personnel agencies had accepted, the OCSC’s increased role in filtering requests for employing more staff. He wrote:

The Ministry of University Affairs has been very prudent in increasing personnel. The University Personnel Commission (UPC) had only approved requests that had real needs in order that we had enough staff to deal with our responsibilities. The Cabinet Resolution on Improving the Civil Service System by allotting to the CSC the authority to double check requests, has complicated the process and caused repetition since both the UPC and the BOB had already approved requests. This ran against the policy on cutting red tape and shortening work procedures that the government also wants to promote.<sup>38</sup>

This led the University Affairs Minister to ask the cabinet to review the Resolution and reconsider if “the double check process conducted by the CSC could be lifted.”<sup>39</sup>

<sup>37</sup> See chapter 2 for types of personnel in the Thai Civil Service.

<sup>38</sup> Ministry of University Affairs letter to the Cabinet Secretariat Office, 27 July 1992.

<sup>39</sup> Ibid.

Another problem of implementation, also brought up by the Ministry of University Affairs, was that the nature of its ministry was different from other government agencies, and that the Resolution on employment freezing could not be realistically applied. The minister therefore requested that the Resolution on employment freezing was not imposed on universities.<sup>40</sup>

Upon receiving counter arguments from the BOB and the UPC, the cabinet secretary asked the OCSC to draw up a response for the cabinet. The OCSC made clear its intention in its cabinet submission dated 6 August 1992 that “the need for the CSC to double check staff requests was a response to the failure to control manpower increases in the past.”<sup>41</sup> It argued that within a short period of implementation, the new practices had proved effective, although stricter control was still needed:

The cabinet had assigned the OCSC with the power to filter requests for real and unavoidable recruiting, in order to control civil service growth effectively. In the past fiscal year (1991-1992), the OCSC received 5241 such requests, but only 3217 of them or 61.38 % were approved. The rest were scrapped. <sup>42</sup>

The OCSC went on to argue for double-checking by pointing out other central personnel agencies, which were, in practice, not effective enough in controlling their personnel increases and filtering requests. As a result, government agencies always asked for exemptions. However, the OCSC responded to the remarks of the BOB and the UPC positively.

The OCSC agreed that the BOB should resume the role of controlling requests for increasing “government permanent employees”. It also took the UPC’s point about cutting administrative red tape further by suggesting that “the cabinet should allot power on this matter to central personnel agencies”, a move which reduced the cabinet’s power to approve requests for recruitment. It said: “To simplify the decision making process and relieve the cabinet’s burden, government agencies do not need to submit requests already approved by their central personnel agencies to the cabinet.”<sup>43</sup> The OCSC also supported this because by doing so government agencies and central personnel agencies would be motivated by a sense of self-responsibility.

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<sup>40</sup> In the Cabinet Resolution, requests for increasing teaching and research staff in competitive areas were allowed.

<sup>41</sup> OCSC letter to the Cabinet Secretariat Office, 6 August 1992.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

There were two points, however, that the OCSC insisted upon. First, although it agreed that “the policy on employment freezing and re-deployment was not to apply to medical personnel, as well as teaching and research staff in universities, administrative personnel working in universities were to comply with the Resolution.” Second, it insisted that “at the end of every fiscal year, other central personnel agencies must report to the OCSC numbers of requests for unavoidable recruitment requirements approved and any re-deployment cases. The aim of this was to monitor, analyse and evaluate manpower management from a macro perspective. It was also the OCSC’s responsibility to report on manpower utilisation in the Civil Service to the cabinet”.<sup>44</sup>

When the cabinet met on 8 September 1992, they approved the OCSC’s submission. To reinforce this, a cabinet ruling generated two changes in manpower practices. First, central personnel agencies were successful in preventing the OCSC’s attempt to encroach their jurisdiction. This resulted from the fact that the cabinet and the OCSC allotted them power over the approval of requests for unavoidable needs to increase personnel. Second, when such responsibility was handed back to other central personnel agencies the *Special Sub-Commission*, set up as part of the CSC to consider special requests from other central personnel agencies, was disbanded.

The resolution on ‘Improving the Civil Service System’ was the last of its kind before the general election was held in March 1992. But before Anand handed over to the new elected government, which was expected to be inaugurated in May 1992, he managed to amend the Civil Service Act, 1975. This was one of the most important events in the history of reform in the Thai Civil Service.

At the decision making stage there was a ‘turf war’ between the OCSC and other central co-ordinating agencies and line departments over control of manpower. The OCSC was forced to make concessions by the cabinet and allow them control over ‘unavoidable needs’ increases in personnel. Ironically though the employment freeze was in part the result of political control of the policy making process one of the consequences of it was that the cabinet specifically and politicians in general lost their power to control the increase in civil service staff.

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<sup>44</sup> Ibid.

#### 4.6 Amending the Civil Service Act (1975) and Related Acts

Most of the issues incorporated in the *Plan for Improving the Civil Service System*, as we have seen, were carried out by Cabinet Resolutions and Prime Minister's Orders. Since most of those issues involved changes in the executive branch, the cabinet reserved the right to change or cancel these resolutions or orders as they wished. However, some issues, which the OCSC's Working Group had suggested, required changes in legislation concerning the jurisdiction of government agencies. This kind of change normally needed parliamentary approval.

The idea of reforming civil service legislation was familiar to OCSC officials.<sup>45</sup> When Wijit was appointed as acting secretary general in April 1991, he was told by his senior bureaucrats that: "If the civil service reform project was to be carried out effectively and yield good results, the OCSC needed to be empowered."<sup>46</sup> The reform-minded acting general secretary was convinced by the OCSC's senior officials that *the Reform Project*, which was his most important mandate, would not achieve its intended aims unless civil service legislation was reformed.

In persuading Wijit of the need for legal reform the OCSC's senior officials related the issue of civil service employment freezing, high on the prime minister's agenda, to the need for legislative amendments. They claimed that "failure to control the proliferation of administrative units resulted from the fact that central agencies had no clear legal responsibility to carry out administrative restructuring, despite that fact, the OCSC had to deal with the consequence of the Civil Service's overgrowth."<sup>47</sup>

The two acts the OCSC's officials wanted to see amended were the Organisation of State Administration Act (1932) and the Civil Service Act (1975). These provided the legal basis for organising and structuring government institutions, as well as managing public personnel. According to the OCSC, changing some articles of these acts to increase its jurisdiction would be essential for effective civil service reform.

Wijit agreed with the OCSC on this on the grounds that it was consistent with government policy. One of Anand's strategies was to cut down bureaucratic red tape and inefficiency. As he declared to the National Legislative Council on 4 April 1991, there was a need to reform outdated legislation. Wijit also believed that his immediate boss Meechai who was also involved government-wide legal reform would lend full support.

<sup>45</sup> The Civil Service Act had had minor amendments in the past.

<sup>46</sup> Personal communication, OCSC officials.

#### 4.6.1 Amending the State Administration Act (1932)

The OCSC and the BOB used the amendment of the Organisation of State Administration Act and the Civil Service Act as a tool for strengthening the power of the Civil Service in general, and for expanding their domains over civil service policy and public personnel management. In the past, neither the BOB nor the OCSC had direct responsibility over the establishment of new government agencies above divisional level. If the government wanted to set up new departments or ministries, the Prime Minister's Secretariat Office initiated the administrative procedure. This involved seeking the OCSC's and the BOB's opinions in relation to personnel and budgetary matters respectively. In contrast to the earlier period when the Prime Minister's Administrative Reform Committee existed and played a crucial role in providing advice for the cabinet, there was no reform committee in 1991-1992.

The need to control the burgeoning of governmental organisations led the OCSC's senior bureaucrats on Wijit's Working Group to assert that increasing the OCSC's role by having more say on the issue of setting up new ministries or departments would increase their capacity to deal with the problem of civil service growth and to position itself as the true guardian of the Civil Service and merit system.

To make the amendment acceptable to the cabinet, the OCSC's Working Group formed alliances with the BOB, which shared the same interest in controlling bureaucratic diversification. OCSC's officials raised the issue in May 1991. They encouraged representatives from the BOB who were invited to discuss this particular issue to join them in changing the Organisation of State Administration Act (1932). They agreed that it needed to be amended in order that the OCSC and the BOB had the legal right to advise the cabinet directly on the issue of restructuring governmental organisation. One of the OCSC officials saw this as logical move since both agencies were involved in controlling human and financial resources.<sup>48</sup>

After agreeing on the proposed changes, the OCSC's Working Group started drafting the amended bill. After working closely with deputy prime minister Meechai in the drafting process, their proposals for the new bill were fully endorsed and the cabinet agreed to proceed with the deliberation process in the National Legislative Assembly. On 6 March 1992, the Assembly passed the new Organisation of State Administration Act (1991) in which Article 7 stipulated that the OCSC and the BOB had the duty to advise the cabinet on the structural design of government departments. The new act not only

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<sup>47</sup> Ibid.

re-emphasized the role of the OCSC in providing necessary manpower and the BOB in allocating budgets, but ultimately also provided considerable administrative power for both agencies to inform cabinet decisions. After working closely with line departments, the OCSC and the BOB would submit their opinions to the cabinet for approval.

#### 4.6.2 Amending the Civil Service Act (1975)

The Civil Service Act (1975) was a major source of the OCSC's jurisdiction. It provided the legal basis for all aspects of personnel management in the public sector. Amending the Civil Service Act therefore was another important activity that the OCSC's Working Group aimed to achieve as part of their reform project.

The OCSC's Working Group began reviewing the act in April 1991. As the single central agency responsible for implementing this Act, the OCSC's Working Group could propose changes to their own advantage without involving other central agencies. Their aim was, reported one OCSC official, "to expand our authority over the management of the Civil Service, and reduce political influence over the appointment of senior bureaucrats."<sup>49</sup> To expand its authority, the OCSC's senior officials wanted to incorporate in the act that their office should oversee the whole issue of civil service management. This, according to an OCSC's deputy secretary general, would shift the OCSC's role from performing personnel administration at the operational level as they had in the past, to performing an advisory role on wider civil service policy issues for the whole Civil Service. They also proposed that the scope of the new act was expanded to include all kinds of government civilian personnel regardless of their respective central personnel agencies.

During the drafting process, the OCSC's Working Group was concerned to ensure that particularly important issues such as human resources planning and structural and procedural reforms across governmental organisations were subject to the OCSC's jurisdiction. This placed the OCSC at the gateway to the cabinet. As a result, the OCSC was to be the single agency to advise the cabinet and the prime minister on all issues related to the management of the Civil Service.

The OCSC not only attempted to expand its jurisdiction, but also to increase its responsibility within the Civil Service as a whole, by reducing politicians' power to appoint senior civil servants. It claimed that civil servants especially those in senior ranks had long suffered from unfair treatment by their political masters. According to article 44

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<sup>48</sup> Interview, anonymous OCSC official.

of the Civil Service Act (1975), ministers could appoint or transfer permanent secretaries of ministries, director generals and deputy director generals of departments. The OCSC echoed the opinion of the majority of civil servants that political interference in the neutrality of the bureaucracy was a serious problem.

Political interference over the appointment and transfer of senior bureaucrats, according to the OCSC's Working Group, should be reduced by limiting ministers' powers of appointment to the most senior posts in ministries, permanent secretaries and secretary-generals only. Permanent secretaries were to have their own managerial right to appoint or transfer their own staff. This suggestion was to make permanent secretaries accountable to ministers on the one hand, but also to increase power of the former and was seen by the Working Group as a way to insulate civil servants from ill-intentioned politicians. These changes appeared in article 25 of the bill.

After months of drafting, the cabinet agreed to the draft legislation at a meeting in July 1991. The bill was then sent to await the approval of the National Legislative Council where hundreds of other bills were in a queue. Eventually the Assembly passed the new Civil Service Act (1992) on 6 March 1992 and it became effective on 1 April 1992 when Thai civil servants were celebrating the 64<sup>th</sup> Civil Service Day. The new formal jurisdiction acquired from these two amended acts prompted many senior OCSC officials including Theerayuth, then deputy secretary general, to claim that "all matters regarding administrative and structural reform [establishing new departments] were the sole responsibility of the OCSC."<sup>50</sup>

The legislative stage of Anand's civil service reform policy was a triumph for the Civil Service in its struggle with politicians. The State Administration Act (1991) and the Civil Service Act (1992) strengthened the Civil Service in general and the central co-ordinating agencies in particular, especially the OCSC. Together these acts reinforced the Thai Civil Service's position as an 'autonomous' bureaucracy with a 'systemic public service bargain'.

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<sup>49</sup> Interview, anonymous OCSC official.

<sup>50</sup> Interview, Theerayudth Lorlertrat, OCSC Borwornwattana (1994), secretary of the SADC in the mid 1990s, noted that some senior OCSC officials showed strong resistance to the creation of the Administrative Reform Committee, an alternative source of advice to the Prime Minister on administrative reform. Borwornwattana also recorded the first test case of Civil Service power the Ministry of Industry in January 1993. The secretary general of the Industry Ministry exercised the power conferred on him by the new Civil Service Act by refusing to remove the director general of the Department of Mineral Resources who was in conflict with the Industry Minister. The only way the minister could remove him was to ask the cabinet to transfer the secretary general to an inactive post and replace him with his own candidate.

## 4.7 Conclusion: The Dynamics of Civil Service Policy Making

This chapter provide a narrative of rationalisation of the Thai Civil Service during 1991-1992. It traces the trajectory and outcome of civil service policy making under Anand's authoritarian government. The trajectory and outcome of civil service policy making in this period is historically significant because it was one of the most important civil service reform efforts in the history of modern Thai administrative reform. Despite the short life of the government, civil service policy during this period underwent considerable change. Such change included major civil service reform policies, programmes and plans as 'Plan for Improving the Civil Service System and Public Personnel Management'.

To gain insight into the civil service policymaking process in this period, this concluding section elaborates explanations for the development of the reform trajectory and outcome by making a dialogue between the narrative evidence and the institutional and processual conceptual compass. In this light the analytical components of public policy process, agenda setting, alternative specification and decision making, will be recapitulated.

### 4.7.1 Agenda Setting

The civil service reform issue gained political attention and was included on the government's policy agenda from the outset of the interim government established by the military coup leaders. Immediately after Anand assumed office as prime minister, the civil service reform issue was formulated solely in terms of the creation of clean and transparent government with the ultimate aim to deter and punish corruption. However, a few months later, another civil service reform issue emerged: the rationalisation of civil service management with particular focus on the improvement of public personnel management. In this period, both issues of government transparency and bureaucratic rationalisation attained high status on Anand's government agenda during an intense nine-month period of civil service policymaking process.

The civil service reform issue was included on Anand's government agenda was a result of the political dynamics of organising the interim government by the NPKC. It can be said that the 1991 coup and the establishment of an interim government opened up a 'window of opportunity' for civil service reform issues in general (Kingdon, 1984) and hence its high status and salience. The explanation of the high status of the 'transparency issue' reflects the fact that the issue was the coup's principal justification. Such justification helped retain its inclusion and status on the agenda even when the

'rationalisation the Civil Service issue' was emerged due to a new development, tight budget restrictions. The issue also gained high political attention and hence its high status on Anand's policy agenda.

The co-existence of these two civil service reform issues with equally high status can be explained by the characteristics of the issues themselves as well as how Anand's government appropriated the imperatives of the situation facing his government. With regards to the first explanation, the issues of civil service rationalisation and 'anti-corruption' were 'non-contradictory' which allowed them to have their own 'issue careers'. Since these issues were to process in different 'policy venues' (Baumgartner and Jones, 1993), the rationalisation issue in the civil service policy subsystem and the corruption issue in the legal enforcement agencies including the Anti-Corruption Bureau, the Attorney General, the police and the courts, there was no 'bottleneck of attention' (Simon, 1985). As a result, the two issues co-existed.

The co-existence of the 'transparency issue' and the 'rationalisation issue' is also explained by the way in which prime minister Anand appropriated the dynamics of the situations he faced and how he responded to them. Such situations included the realisation of the coup's rationales and the emergence of new fiscal problems. After a few months attempting to 'clean up' corrupt politicians and civil servants, Anand foresaw a gloomy situation resulting from lengthy, complicated and ineffective legal processes and eventually came to the view that fighting corruption would be futile.<sup>51</sup> However, the incorporation of the new 'rationalisation issue', which was perceived by Anand as equally important on his policy agenda, did not result in a status change of the 'corruption issue' due to its issue salience. Together, both issues made the status of civil service reform high in this short authoritarian period.

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<sup>51</sup> At the Round-Table Discussion of Harvard Club Thailand, on 5 September 1991, Anand showed his disappointment with the legal processes: 'I couldn't remember how many ministers, permanent secretaries, directors, or military officers were found guilty of corruption and got punished. I thought less than ten. We have never had a legal or administrative structure to investigate and punish corrupt officials. In addition, if there are still bribe givers and receivers, and if we still respect rich people notwithstanding their sources of wealth, whatever legal or administrative structure we create would not solve the corruption problem. I am sad. I have no further answer...' Anand also brushed the issue aside when asked if he had any plan to promote transparency: "I don't want people to think that the transparency policy belongs only to this government. Policy regarding public transparency must be embedded in every government. We need to establish some framework to work towards this aim... Even if we have this, my government and I are not in a position to impose any anti-corruption measures that can change the minds of those who are inclined to be corrupt."

Before proceeding to discuss the dynamics process of alternative specification and decision making, the 'images' of civil service reform issues need to be considered since the narrative indicates that 'issue images' shaped reform choices. The appropriation of the pressing problem of realising the 'anti-corruption issue' and the emerging issue of fiscal restriction gave rise to two issue images: clean and transparent government and bureaucratic efficiency. As discussed above, the first image was politically driven and shaped; the second image was formulated by the central co-ordinating agencies especially the OCSC. As a people and organisation centred central agency, its role, missions and jurisdictions concerning efficient civil service management and good manpower management practice played a crucial part in formulating the issue image. Translating the government's problems with budget constraints into an 'efficiency image' can be seen as the OCSC's aspiration to realise its own jurisdictions one of which was curtailing the growth of the Civil Service which had not been achieved despite the enforcement of the two per cent policy since Prem's administration in early 1980. By putting forward the definition and image of reform this way, the civil service reform alternatives were expanded greatly from Anand's initial rhetoric of efficiency improvement, the private management recipe that Anand tried to bring to the Civil Service.

#### 4.7.2 Alternative Specification and Decision Making

The narrative of Anand's civil service reform reveals that the pace and rate at which the proposal for reforming the Civil Service was developed was fast resulting in the effective development of major reform plans including 'Plan for Improving the Civil Service System and Public Personnel Management' within nine months. The fast process of alternative specification in this episode helped maintain the momentum of the civil service reform issue and its possibility that the issue would be adopted in the decision making process. This section explains in the light of an institutional and processual analysis how and why reform choices of improving bureaucratic efficiency and containing the growth of the Civil Service were adopted and why the alternative specification process progressed in a fast manner.

The reform choice of improving bureaucratic efficiency and the fast paced process of developing the 'Plan for Improving the Civil Service System and Public Personnel Management' within nine months can be attributed to the certification of reform agents and the intensity of their reform effort. The bureaucratic efficiency improvement issue was assigned to the OCSC with a clear political message of the prime

minister's reform aspiration. The process was carefully crafted by certifying (McAdam, Tarrow and Tilly, 2001) principal reformers including Deputy Prime Minister Meechai and the choice of the newly appointed OCSC's secretary general, Professor Wijit. In this sense, Anand utilised the usual 'action channels' such as the CSC and its secretariat the OCSC for making and implementing civil service policy.

The certification of the OCSC as the main reform agency shaped the reform choices leading to the adoption of a rationalisation programme. Rationalising the Civil Service became a quick reform choice because of the combined impact of the perceived need to respond to the short term situation of budget constraint, as well as the fulfilling the agency's role of managing civil service manpower. Its role was largely built on the prudent fiscal tradition of the Thai government implemented since the early 1900s and long been advocated by the central co-ordinating agencies including the OCSC, the BOB and the CGD. Certifying the OCSC helped invoke and adopt programmatic reform choices embedded in the role and routines of managing the Civil Service and its manpower.<sup>52</sup> Although adopting the OCSC's programmatic reform choices limited the possibility of adopting other reform alternatives, it explains the fast paced development of the 'Plan for Improving the Civil Service System and Public Personnel Management' as a solution for reform, which had been embedded in the OCSC's routines and standard procedures.

The reform pace during Anand's period can also be explained by the intensity of the certified reformers' efforts. The certified reform actors served as main reform agents for the prime minister in the civil service policy domain. They were committed to their assignment and engaging themselves in the development of reform proposal process. As the narrative shows, this intensity was evident in the design process in the frequent and lengthy meetings between responsible bureaucrats in the OCSC and its acting secretary general Wijit, a political choice. In addition, Wijit and his deputies maintained the momentum of reform alternative specification process by organising multiple meetings where work in progress was discussed with Deputy Prime Minister Meechai, and a culminating event where Prime Minister Anand was briefed in detail by bureaucrat

<sup>52</sup> Bureaucratic routines are ways of organising and performing work in the Civil Service. They are patterns of behaviour that are constrained by rules, roles and resources. Embedded within bureaucratic routines is both substantive and procedural knowledge about human resources management and organisation of the Civil Service. This knowledge promptly specifies the OCSC with the role of taking care of the human resources issue in the Civil Service. For the general concept of routines see Allison (1999) and Cyert and March (1963) on standard operating procedures; March and Simon (1993) on performance programmes; and Nelson and Winter (1982) on organisational routines.

reformers in the OCSC. The successful maintenance of process momentum by timely feedback contributed to the completion of a major reform proposal in the specified time frame, which was successfully adopted by Anand's government as the government, was the main reform sponsor.

By tracing the alternative specification and the adoption of 'Plan for Improving the Civil Service System and Public Personnel Management', the narrative reveals the effective performance of certified reformers on both the government and the Civil Service sides. These reformers can be considered as 'reform entrepreneurs' as they invested their resources and energy to influence the civil service reform proposals. In effect, they shaped the reform trajectory and outcome of civil service reform during Anand's administration by promoting the reform issue, manipulating the issue formulation process and organising the reform alternative specification process. The narrative reveals that at least two types of entrepreneurs existed: 'political and administrative entrepreneurs'.<sup>53</sup> Anand and Meechai played an entrepreneurial role in the pre-decisional stage of civil service reform by promoting reform issues and images of anti-corruption and efficiency improvement as well intervening in organising and certifying reform actors can be described as 'political entrepreneurs'. Wijit and senior bureaucrats in the OCSC played important roles in translating political aspirations into a reform proposal. They exploited the opportunity by expanding and realising the broad but ambiguous bureaucratic efficiency issue with their own advocacy of 'downsizing related programmes and improving related human resources management practices' and can be dubbed as bureaucratic entrepreneurs.<sup>54</sup>

The dynamics of civil service policy making under Anand's administration, especially the rationalisation of the Civil Service, operated against a background of

<sup>53</sup> Administrative entrepreneur is defined as the holder of an office in the Civil Service who is instrumental in the promotion, adoption and implementation of new combinations of policy, process and organisational innovations. Political entrepreneur is defined as the holder of an office in government or a politician certified by the government who is instrumental in promotion, adoption and implementation of new combinations of policy, process and organisational innovations. The distinction is analytically useful since, in large measure, different types of entrepreneurs contributed to different processes of Civil Service reform.

<sup>54</sup> They can also be called 'issue entrepreneurs' as they were mainly involved the facilitation of the issue translation process (Eyestone, 1987). Campbell (1989) points out that issue sponsorship in most cases is taken on by agencies and most policy entrepreneurs are bureaucrats. Identifying individual bureaucratic entrepreneurs in the reform narrative of the Thai case is problematic as entrepreneurial functions were often filled collectively. It would therefore be best to refer to an 'institutional entrepreneur'. See Tabb (1995) for the concept of institutional entrepreneur. Agencies that play entrepreneurial roles are therefore called 'entrepreneurial agencies' (Brintnall, 1979).

competition to control the Civil Service by the government and the Civil Service, albeit implicit competition. In this competition, Anand's government was successful in reorganising the civil service policymaking structure by changing and certifying leading reform actors, which resulted in the successful development of the 'Plan for Improving the Civil Service System and Public Personnel Management'. This plan represented Anand's administrative policy after the corruption issue was left with high status but without much intervention and action. On the bureaucrat reformers' side, the OCSC was successful in creating routines in manpower planning and reporting practices, which would be instrumental in controlling the growth of the Civil Service, and hence reducing personnel costs. It also successful in institutionalising and increasing bureaucratic powers by amending the Civil Service Act that provided the rules of engagement between the two. Such success resulted in an increase in the capacity for making and implementing civil service policies. Although the narrative and the discussion above gives credit to both political and bureaucratic entrepreneurs in moving civil service policy forward, in this episode it seems that bureaucrats won the 'reform battle' by shifting away decisions for reform from politicians.

## Chapter 5

### Curbing the Size of the Civil Service: Administrative Reform as an Alternative to Political Reform, 1992-95

#### Overview

At the end of military rule in 1992 democratic governance was resumed when Chaun Leekpai, leader of the Democrat Party, won the general election in September 1992 and formed a coalition government.<sup>1</sup> Civil Service reform under Chaun's government between 1992 and 1995 was characterised by the coexistence of two policies a broad effort to 'democratise civil service administration' and specific 'changes in human resource management policy'. The outcome of the former effort was a reform package aiming to reform the state administration in line with democratic principles. These included restructuring the Civil Service, improving its performance and service quality, decentralising administrative powers to regional and local administrations and promoting public-private partnerships in social and economic development. The outcome of the latter included the 'Measures to Control the Size of the Civil Service' aiming to downsize Civil Service personnel. The measures included the prevention line ministries and departments from recruiting new staff by imposing complicated personnel rules, as well as an effort to institutionalise manpower policy and planning in the Civil Service.

The primary aim of this chapter is to trace the development of civil service reform trajectories and outcomes under Chaun's government. It seeks to explain why, despite the government's comprehensive effort to 'democratise the civil service administration', downsizing, specifically the 'Measures to Control the Size of the Civil Service', was the only sustained reform effort resulting in piecemeal and incremental public management reform during the period? How and why did the two issues, democratising and downsizing, coexist?, and why the former was short lived and the latter sustained?

#### 5.1 Reforming the Civil Service: Getting On Chaun's Government Agenda

On becoming prime minister on 23 September 1992, Chaun received a warm welcome from the public since his coalition government marked a return to democratic

government.<sup>2</sup> Like most elected civilian prime ministers who had not pursued careers in it, Chaun strove to control the civil service policy making machine himself, to make sure that the bureaucracy would carry out his government's policies. Immediately on taking office he took the helm of the civil service policymaking machine, the Civil Service Commission.<sup>3</sup> As he subsequently explained:

I have agreed to be chairman of the Civil Service Commission and devote my time to attend its meetings once a month because I wish to see government policy achieve its intended consequence. Although politicians, for the most part, determine and announce policies, it is civil servants who are the government's means to achieve them. They [civil servants] are leaders and the most important coordinators of policy implementation. I therefore give importance to both civil servants and the civil service system.<sup>4</sup>

Chaun saw that presiding over the CSC meetings was a direct way of communicating with senior bureaucrats: "Not all, but several permanent secretaries are members of CSC, and I could hopefully use this [CSC] meeting to communicate what the government needs and wants to them. I hope the government's policy will get across if they convey my message to their own staff."<sup>5</sup>

Chaun's policy on the Civil Service was first spelled out on 21 October 1992 in his policy statement to parliament. Like previous prime ministers, Chaun made a broad statement that would appease and appeal to civil servants, stating that he wished "To improve Civil Service remuneration and welfare benefits, and restructure ministries and departments in accordance with socio-economic change, especially economic growth."<sup>6</sup> By incorporating Civil Service related issues into the government policy statement, the CSC could secure Chaun's interest in civil service policy. However, a specific Civil Service reform initiative was not yet ready to be put forward. Although the CSC's

<sup>1</sup> See chapter 2 for an account of political developments in this period.

<sup>2</sup> Chaun's decision to allocate most ministerial posts to politicians on the basis of their capabilities and experience rather than their political influence despite pressures from coalition parties met public expectations. The invitation to well known technocrats such as the banker Tharin Nimmanhemin, to head the strategically important ministry of finance gave the public confidence that Chaun's government would be politically and economically competent. There was a general air of jubilation during the 'honeymoon period' of Chaun's government.

<sup>3</sup> See chapter 2 for the composition of the CSC. The prime minister or assigned deputy prime minister is the only politician who, according to the Civil Service Act, is a member of the CSC.

<sup>4</sup> Chaun's speech to the annual meeting of Civil Service Administrators 21 January 1993.

<sup>5</sup> Ibid.

members occasionally discussed broad issues of civil service reform, when such discussions took place, they were predominantly about the issue of salary adjustment, a feel good issue but a difficult one to realise.

At its first meeting after the election of the new government on 26 October 1992 he CSC's members were cautious about pressing the government further on salary adjustments partly because of the hostile criticism they had received from both politicians and the general public after the Anand government had raised salaries in 1992.<sup>7</sup> Members were reminded by Wilas Singha-Wisai, the new OCSC secretary general, that these latest Civil Service salary increases led "many people to cast serious doubt on whether civil servants were worth these rewards [salary increases]."<sup>8</sup> The point was shared by the prime minister who agreed that improving civil service efficiency must be their first priority since it would provide a basis for other reforms of civil service welfare benefits, particularly future salary increases. Without improving civil service efficiency, he argued, increasing civil service salaries would not be justifiable. The new OCSC secretary general expressed concern about a reform effort that only aimed to continue gradual increases in civil service efficiency which had appeared in most previous reform proposals. For Wilas efficiency could only be increased if the role and scope of public sector as a whole was redefined. He also had radical views on changing the roles of the CSC and the OCSC. Publishing his views on this issue in a daily newspaper, Wilas stated,

In the past we focused on the control of government agencies. We centralised public personnel management power. We have played the role of watchdog of the merit system and behaved like a policeman trying to catch villains. Our new role now, as I envision it, is to advise, assist, consult, and encourage government agencies to manage their own internal personnel affairs.<sup>9</sup>

At the CSC meeting in October 1992, Chaun agreed with Wilas's idea that civil service reform had to be viewed in the context of overall public sector reform.<sup>10</sup> Despite a broad agreement on civil service efficiency improvement, the term "efficiency", as conceived by the CSC, was broad and open to different interpretations. While the prime

<sup>6</sup> Chaun's policy statement to parliament 21 October 1992 .

<sup>7</sup> Anand's cabinet made further increases in civil service salaries conditional on pension reform.

<sup>8</sup> Simachokedee, 1998.

<sup>9</sup> Ibid.

<sup>10</sup> Minutes CSC meeting 26 October 1992.

minister spoke of “letting the private sector do the job if they perform it better and more efficiently than us [the Civil Service]”, the OCSC’s chief focused on the way the CSC and the OCSC worked in relation to other government agencies and departments: “the CSC and the OCSC were to work in close co-operation with other government agencies in order to restructure the Civil Service organisation, to shorten work processes, to focus on core tasks and to privatise peripheral activities.”<sup>11</sup>

However, during the first months of Chaun’s government, the CSC’s operation under his chairmanship was routine. It was occupied with approving and filtering public personnel issues before their submission to the cabinet. The CSC was unable to agree on common ground for developing a specific civil service reform proposal. As a result neither the CSC nor the OCSC produced any specific civil service reform proposals.

The issue of civil service reform got on Chaun’s government agenda in late 1992 almost automatically primarily a result of the prime minister’s attempt to control the civil service policy-making institutions. Chaun’s eagerness to involve himself in the CSC also reflected his often criticized ‘rule-based decision making style’ which resulted in a high degree of dependency on the advice of senior civil servants. The underlying reform idea of ‘improving efficiency’ emerged as a rationale for reforming the Civil Service. This reform rationale reflected the routines and jurisdictions of the central co-ordinating agencies, including the OCSC, and was a recurrence of reforms previously attempted by the Prem and Anand governments. However, no specific civil service reform proposal – the ‘how to do’ of reform, was put forward, thereby delaying the rate at which civil service reform could be carried out. The widow of reform opportunity usually open during government honeymoon periods was not seized by the CSC. This slow response to the government’s policy statement provided an opportunity for players outside the usual Civil Service policy circle to take advantage of another available channel – the *ad hoc* reform committee – to put forward their own reform projects to achieve their political ends.

## 5.2 Democratising Civil Service Administration: Politicians’ Issues

In November 1992, before the CSC had drawn up any specific civil service reform proposals, the PMSO, the prime minister’s political arm whose chief was a political appointee and under the direct supervision of prime minister, proposed that the prime minister should appoint a State Administration Development Committee (SADC) to

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<sup>11</sup> Ibid.

carry out civil service reform tasks as declared in parliament by the government. This reform committee was also to be responsible for developing a civil service reform package that aimed 'to improve the efficiency of state administration in accordance with democratic principles'. The PMSO's hoped that the appointment of the SADC would reduce the growing pressure for democratic reform.

With the return of democracy in 1992 social activists, academics, NGOs and the media expected Chaun's government to seize the chance to press for further political reform to strengthen democracy now that the military had stepped back from politics. Their demands for more democratic and transparent governance included the reduction of the power of the unelected Senate, and the decentralisation of administrative powers to local government and grass-root communities. On the transparency front, they pressed for a mechanism to create and maintain non-corrupt government. Such radical changes required major amendments to the 1991 Constitution, an issue that the Democratic Party and its 'angel' allies had promised during the election campaign.<sup>12</sup>

The PMSO's proposal to set up the SADC was formally approved by the prime minister on 20 November 1992 because Chaun was convinced that it would be a channel to deliver the Democrat Party's election campaign promises.<sup>13</sup> He also appointed Banyat Bantadhan, a deputy prime minister and Democrat Party chairman, to head this committee.<sup>14</sup> Its aim, following the PMSO's suggestion, was to advise the government on issues related to civil service reform, and to improve the efficiency of state administration in accordance with democratic principles. The SADC aimed to achieve the improvement of the Civil Service's potential for social and economic development.<sup>15</sup>

The PMSO broke with the 'reform-from-within' idea widely held by central coordinating agencies making clear that civil service reform was now a political project and its success depended largely on political support. Having taken the initiative, the PMSO both selected members of the SADC and set the agenda for the committee. Unlike previous reform committees, the SADC's members consisted mainly of politicians and academics. Although representatives from the central co-ordinating agencies were included, they did not serve as the secretary of SADC, a strategic position they had held on previous reform committees. Instead, the deputy prime minister and

<sup>12</sup> See chapter 2 table 2.6 for details of the 1991 Constitution.

<sup>13</sup> Prime Ministerial Order 247/1992 dated 20 November 1992.

<sup>14</sup> Appointing a deputy prime minister to chair a Civil Service reform committee was another tradition Chaun observed.

<sup>15</sup> Prime Ministerial Order 247/1992 dated 20 November 1992.

the PMSO's secretary general proposed Bhidya Borwornwatta, a professor of public administration at Chulalongkorn University, take up this important position.

Having been invited by two senior government politicians, Bhidya accepted the appointment attracted by the opportunity to turn himself from "a university lecturer to an influential practitioner in Government House."<sup>16</sup> Ideologically, he shared the government's view that "if civil service reform was to be successful, politicians must take the lead."<sup>17</sup> Hence he advocated the government's plan to set up a politically controlled SADC:

Reforming the Civil Service has to be carried out by politicians through special bodies. It cannot be done by civil servants themselves. While central agencies with civil service related responsibilities should perform supporting roles for politicians, the decision to reform the Civil Service must be made by politicians particularly the prime minister.<sup>18</sup>

The appointment of the SADC by Chaun's government shifted influence over Civil Service issues from central co-ordinating agencies, the OCSC, the BOB and the CGD, to politicians and confined the central co-ordinating agencies to their routine functions rather than reform and innovations. Some of their officials saw the SADC as a "political project, rather than administrative reform as usual" and were reluctant to participate fully in it.<sup>19</sup> This led the SADC to develop its own organisational capacity to undertake the tasks that had been assigned by the government.

### 5.2.1 Institutionalising Politicians' Reform Process

In January 1993 the prime minister issued an order to establish a secretariat office for the SADC as a response to its operational problems. Although SADC had gained high status as a high profile state reform committee, its mandate to develop a 'Reform Package for Democratising the Civil Service Administration' could not be easily achieved. As an *ad hoc* committee whose members were mainly drawn from outside the Civil Service, the SADC did not have sufficient administrative resources including staff, budget, and offices to undertake the reform of state administration. The SADC's

<sup>16</sup> Bcwornwattana, 1995.

<sup>17</sup> Personal communication, Bhidya, SADC.

<sup>18</sup> Ibid.

members realised that their work would be more effective if a secretariat office was set up as part of the Prime Minister's Office. Its aim was to facilitate their work and co-ordinate the civil service reform effort.

On 4 January 1993 the Prime Minister issued an order to establish a Secretariat Office for SADC, and Bhidya, the SADC's secretary, was assigned to head it. The SADC's secretariat office – the first of its kind in the history of the Thai administrative reform – was supposed to be “the co-ordinating centre for the study, analysis and monitoring of the implementation of policy generated by the SADC.”<sup>20</sup> Its other mandates included reporting to and advising the prime minister and cabinet on the problems, policies, strategies and measures concerning change in the Civil Service and state administration. To facilitate the SADC's work, the prime minister equipped its chairman with powers to summon representatives from any government agency to provide information and advice.

Immediately after the establishment of the secretariat office at the beginning of January 1993, deputy prime minister Banyat set up eight sub-committees to facilitate the work of SADC, each of which was responsible for specific reform projects. All of these projects aimed to deliver the government's election promises. In fact, the idea for reforming state administration came directly from the prime minister. Deputy prime minister Banyat, the SADC chairman, had taken members to meet him on 23 December 1992, a month before the secretariat office was created. At this meeting Chaun told the members of the SADC that they should concentrate on six issues: the reorganisation of ministries in accordance with socio-economic expansion; the improvement of civil servants' performance to provide better services to people; the development and training of civil servants and the improvement of their morale; the decentralisation of administrative powers on budget management, environmental management, education and health services, to regional and local administrations; the empowerment of local administration by promoting elected councils at all levels; and the promotion of public-private partnerships in social and economic development.<sup>21</sup> The issues the prime minister asked the SADC to consider were geared towards the delivery of campaign promises rather than mere administrative improvement. Of the eight sub-committees, four were seen by the government as the most important and vital for democratic reform, and were headed by ministers in the Prime Minister's Office. The four sub-

<sup>19</sup> Interview, anonymous former deputy general secretary OCSC.

<sup>20</sup> Prime Ministerial Order 1/2536 dated 4 January 2536.

committees were tasked with mandates to reform public personnel administration, establish an Administrative Court, improve the public service delivery system and reform Prime Ministerial Orders.

Although the SADC exercised a firm grip by appointing senior politicians to head the sub-committees, which were essential to deliver the government's election promises, it allowed senior bureaucrats from central co-ordinating agencies to steer two subcommittees whose tasks needed specialised knowledge. The OCSC's secretary general was assigned to head the Sub-Committee on Civil Service Re-organisation and the secretary general of the Council of State, the government's legal officer, chaired the Sub-Committee on Drafting the Administrative Court Procedure Bill.<sup>22</sup> The SADC also allowed leading academics to head the Sub-Committee on Decentralising Administrative Powers and the Sub-Committee on Public-Private Partnership.<sup>23</sup> The former was generally perceived as a difficult task prone to resistance from civil servants. The later needed a mediator from outside government to forge relationships between the public and private sectors prior to privatisation.

### 5.2.2 Developing a Reform Package for Democratising Civil Service Management

From its inception in November 1992, the SADC and its sub-committees were involved in studies for its identified projects and made at least nine important proposals to reform state administration. The aim was to produce a reform package to democratise civil service administration based on four democratic principles, open government, accountability, decentralisation, and efficient provision of public services. The package included proposals for establishing an administrative court, managing and regulating official data, improving the Anti-Corruption Bill, decentralising administrative powers, improving civil and public service and public enterprises, reforming local administration, restructuring and improving the efficiency of the Police Department, restructuring the Attorney General's Administration, and drafting Prime Ministerial Rules on public-private partnerships. These proposals shared the same aim of making the country's governance more democratic, responding to the reform direction laid down by Chaun.

Despite its high status and endorsement from government politicians, which made its proposals acceptable, the SADC could not sustain its role. Although it derived its authority from a Prime Ministerial Order, and had a budget and working office, it still

<sup>21</sup> Bowornwattana, 1995.

<sup>22</sup> This agency is responsible for drafting government legislation.

<sup>23</sup> Professor Vijit Sri-Saarn and Professor Kamol Tong-Thammachart.

could not cope with the operational and political problems it faced, mainly because it did not have sufficient qualified staff to deal with the reform process. As the SADC's secretary, Bhidya, recalled: 'We didn't have our own staff. Most of them were on secondment from central co-ordinating agencies such as the OCSC and the BOB. Representatives from these two agencies were asked to act as my assistants'.<sup>24</sup>

Since most of SADC's proposals to democratise the Civil Service required legislative change, their fate depended on the government's determination to push them through parliament, a lengthy process. However, Chaun's government downgraded reform of the constitution and shifted its status from the public agenda to the governmental specialised agenda of the SADC and processed it in a closed circle of politicians and experts. The government was temporarily able to divert public demands for constitutional amendment by avoiding open public political debate and claiming that action had already been taken. Only one of the SADC's proposals, on local administration reform, completed its passage through parliament; the democratisation and decentralisation of local administration was part of the government's wider political reform agenda. The rest ended up as cabinet resolutions and were not implemented, though as an OCSC's officials who participated in the SADC observed this was "a starting point for subsequent reforms".<sup>25</sup>

It can be concluded at this stage that the politically dominated SADC was successful in setting the reform agenda and proposing reform alternatives. The SADC influenced how the issue of civil service reform developed in at least two ways. Firstly, it broke the "Civil Service policy monopoly" and became "policy owner" by taking the role of setting the reform agenda away from bureaucrats in central government agencies. To secure this position, the SADC sought to increase its "policy making capacity" and successfully received both political and financial support from the Prime Minister's Office. The establishment of the SADC's secretariat office was the result of such support. Secondly, in terms of generating alternative reform proposals, the SADC expanded the notion of Civil Service reform, which had been narrowly defined by previous reform committees as efficiency improvement to include wider aspects of reform. Consequently, the civil service reform issue was high on the political agenda.

In the short run, this enabled Chaun's government to steer the course of state administration reform towards its own political objectives which were seen by the

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<sup>24</sup> Interview, Bhidya, SADC.

<sup>25</sup> Interview, anonymous OCSC official.

general public as part of the government's attempt to reform democracy at the macro-political level. In effect it can be seen that the Civil Service policy proposed by the SADC was partly a spill over of the constitutional and political reform movements. However, implementing these proposals required parliamentary approval and the delay in the legislative process provided an opportunity for central agencies to restore their positions as owners of civil service policy. Hence, the SADC's victory in setting the reform agenda was challenged by the traditional civil service policymaking machine namely the CSC.

### 5.3 Downsizing the Civil Service: Bureaucrats' Issues

In January 1993, almost three months after the SADC was appointed, the OCSC started to promote the "downsizing issue" again. At a CSC meeting on 27 January 1993, the OCSC brought to the attention of CSC members that "bureaucratic inefficiency" was the result of Civil Service overgrowth. It also argued that previous policies and measures to control civil service growth were not effective enough mainly because line ministries and departments neither understood nor took the policy seriously. This, as the OCSC concluded, led to a policy failure and a serious effort to downsize the Civil Service was needed.<sup>26</sup>

#### 5.3.1 Developing Measures to Control the Size of the Civil Service

At the January CSC meeting the OCSC called for tougher controls over the growing size of the Civil Service by proposing 'Measures to control the size of the Civil Service'. The measure aimed to increase civil service efficiency by controlling public personnel costs.<sup>27</sup> The OCSC successfully convinced the CSC, whose members mainly comprised civil servants, that by doing so, civil service salaries could be increased. This measure had two components. The first involved controlling the increase in total public personnel costs without reducing average annual pay increases and maintaining salary levels. To achieve this, the OCSC proposed that 'reducing head counts' by limiting the number of government staff, which had been introduced by Prem's administration, should be

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<sup>26</sup> The Bureau of Research and Development within the OCSC carried out a survey on the manpower re-deployment practices introduced by Anand's government just a month before Chaun took office. They found that most of heads of personnel administration in line ministries knew of the policy but many neither agreed with it or understood it. They also reported that most respondents faced implementation difficulties because senior officials in line ministries did not support the policy.

<sup>27</sup> Minutes of CSC Meeting 1/2536, 1 February 1993.

complemented by controlling public personnel costs. Controlling both numbers of personnel and their costs would be a yardstick for assessing the efficient use of civil service manpower.

The second component was to encourage line ministries and departments to maximise the utilisation of their manpower. This could be achieved if line departments changed the way in which they managed manpower. According to the OCSC's proposal, government ministries and departments needed to concentrate more on quality rather than quantity in Civil Service human resources. Government agencies would be encouraged to utilise their existing personnel efficiently, rather than simply to acquire more staff to meet their manpower requirements; existing regulations made the transfer of staff from one position to another difficult. The OCSC believed that if these two measures were achieved, the size of the Civil Service would be reduced substantially and hence its efficiency would be increased.

Convinced by the OCSC, members of the CSC finally accepted the 'Measures to control the size of the Civil Service'. On 1 February 1993 the OCSC submitted its proposal to the cabinet but had to wait until May until it was scheduled for discussion. In cabinet it faced hurdles as there was a reluctance to accept it. At the cabinet meeting on 11 May 1993, many ministers raised concerns over the proposal fearing that line ministries and departments might object. Their objections stemmed from two controversial measures contained in the submission:

Firstly, from 1 February 1994, government agencies would not be allowed to recruit more staff except to replace retired civil servants. It was estimated that between 1994 and 1996, only 16,000 new staff would be replaced. Secondly, government agencies would be required to abolish their entry-level positions or any other position if needed to ensure the number of new appointments was equal to the numbers of retirees.<sup>28</sup>

Prime Minister Chaun, though he agreed with the need to downsize the Civil Service, was cautious about the OCSC's proposal. He feared that it might create an 'uneasy feeling' among senior bureaucrats who favoured continuing the pattern of staff increases. Chaun also cast doubt about the implementation of these measures, which might face bureaucratic resistance. After discussing these points of great concern in the meeting, the

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<sup>28</sup> OCSC cabinet submission, 27 January 1993.

cabinet ruled that it would reconsider the OCSC's proposal if it gained the support of senior bureaucrats after a series of 'bureaucrat hearings' had been held.<sup>29</sup>

At the 11 May 1993 cabinet meeting deputy prime minister Banyat, the SADC chairman, suggested, and the cabinet agreed, that the opinion of the SADC, the most visible civil service reform committee at that time, should be sought first. In an attempt to increase the SADC's role in this issue, he proposed that the Prime Minister's Secretariat Office (PMSO), which provided political and financial support for the SADC, should be responsible for reviewing the OCSC's proposal and reporting back to the cabinet. Eventually the cabinet assigned both the OCSC and the PMSO to review the OCSC measures. This was to ensure that senior bureaucrats rendered full cooperation if the measures were to be implemented.

Involving the PMSO and the SADC in reviewing the OCSC's proposal unavoidably caused delays since the OCSC could not proceed by itself in its own direction. On 28 June 1993, the PMSO organised a meeting with permanent secretaries of all ministries and invited the prime minister to chair the session in which problems that could arise from implementing the OCSC measures were extensively discussed. Despite their wish to increase their influence over the downsizing issue, the SADC and the PMSO left the issue 'on hold' since it was not the agency's priority or part of their jurisdiction. Almost three and a half months later on 14 October 1993, the PMSO, which was responsible for gathering the opinions at the meeting of permanent secretaries, concluded, in line with the cabinet's stance, that strict control over manpower would cause some discontent among senior bureaucrats despite the need to curb public personnel costs. Banyat, chairman of the SADC, then formally informed the OCSC of the PMSO's recommendations that it should revise and relax its proposal to avoid this problem before resubmitting to the cabinet.

On receiving these recommendations, the OCSC agreed that the replacement rules for vacant posts from retirement should be relaxed as it needed to get a quick solution to downsizing in place. In its revised proposal, the OCSC agreed that the replacement of vacancies must not exceed the number of retirees during 1994 –1996. It also suggested a voluntary measure, urging ministries and departments to redeploy their existing staff by allocating personnel from low priority to high priority tasks. The OCSC also offered to transfer its personnel authority to line ministries and departments if personnel redeployment was deterred by central personnel rules and regulations. As with

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<sup>29</sup> Minutes of cabinet meeting, 11 May 1993.

the previous proposal, the OCSC also encouraged government agencies to identify jobs that could be privatised.

Before resubmitting the revised proposal to the Cabinet, prime minister Chaun wanted to ensure full bureaucratic support and demanded a second meeting with permanent secretaries. Following this the OCSC then held a meeting on 13 December 1993 to make final revisions. Since the proposal was a compromise on the original version, and the prime minister was present at the meeting, all permanent secretaries agreed with the revised proposal. In its revised submission, which was then sent to the Cabinet on 27 January 1994, the OCSC reported: 'most permanent secretaries agreed with these measures'.

The Cabinet approved the revised "Measures to Control the Size of the Civil Service" at its meeting on 8 February 1994. The most important measure was that "government agencies would not be allowed to employ new civil servants except to replace retirees".<sup>30</sup> However, it encouraged government ministries and departments to redeploy their personnel by allocating them to high priority jobs so that manpower waste in low priority jobs could be eliminated. Identifying jobs that could be privatised was another supporting measure suggested by the OCSC. This revised measure replaced the Plan for Improving the Civil Service System and Public Personnel Management issued by Anand's government.

In short, the 'Measures to Control the Size of the Civil Service' was an outcome of the OCSC's attempt to regain its "Civil Service policy territory" after the SADC was certified by the government to be the lead committee for State Administration Reform. After almost two years of dormancy dealing with routine personnel management, the OCSC through the CSC was able to pursue its interest in improving civil service human resource management, though its proposed downsizing measures were more relaxed than originally intended. By adjusting its reform proposal through the course of negotiation with the government and SADC, the OCSC was able to move the policy forward. Since the downsizing issue involved a service wide operation, the OCSC's influence over personnel management policy of other central personnel agencies was expanded.<sup>31</sup>

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<sup>30</sup> Cabinet Resolution, 8 February 1994.

### 5.3.2 Institutionalising Civil Service Manpower Policy and Management

Competing for and maintaining political attention towards civil service policy required a concerted effort by the central agencies with related personnel jurisdiction, as well as political backing. While the OCSC proposals were being revised in the second half of 1993 the CSC decided that the OCSC should invite the other central agencies, the Comptroller General's Department (CGD), the Bureau of the Budget (BOB), and the National Board of Economic and Social Development (NESDB) to meet and consider activities that would support and promote the new manpower policy and measures and thereby strengthen its own manpower policy. At a meeting in July 1993 they came up with a proposal 'to form a formal body which would be responsible for the enforcement of manpower control policy'. They also discussed the wider issue of 'downsizing the Civil Service'. At the macro level, representatives shared the view of the OCSC and the NESDB that the role of the Civil Service needed to be redefined if the functions of the state were to be expanded, reduced or privatised. Identifying the role of the state would lead to the reallocation of civil service human resources from overstaffed to understaffed functions. They also proposed establishing an incentive scheme to support the government's privatisation programmes to promote the role of the private sector in public service provision.

The July 1993 meeting provided an opportunity for representatives from central coordinating agencies, especially the OCSC, the BOB and the CGD to reiterate the administrative reform alternatives they had been advocating. These included the introduction of new technology to replace manpower, shortening work process and reducing the time of service delivery, and decentralising manpower management to the local authorities closest to the points of service delivery. It also proposed to study and develop a medium term plan to downsizing the Civil Service by introducing an early retirement scheme that would allow flexible employment termination but retain capable and competent officials.

The group submitted their recommendations to support the successful implementation of the 'Measure to Control the Size of the Civil Service', each of which was linked to the policies of the central co-ordinating agencies, to the prime minister on 14 July 1993. The most important measure was to establish a high profile committee to oversee the policy, which would sustain the formal status of civil service human resource management policy on the government agenda. To make this committee comparable to

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<sup>31</sup> All central personnel agencies were required to abide by the Cabinet Resolution of 8 February

the SADC, the OCSC suggested that prime minister himself or one of his deputies should lead it, since the policy covered all types of government personnel.

The prime minister passed these recommendations to SADC, which was currently in charge of overall administrative reform. The SADC saw that the OCSC proposal overlapped with its own mandate and was unwilling to see 'another civil service reform committee' run by civil servants. The recommendations therefore went back and forth between the OCSC and the SADC for almost a year. Eventually, in May 1994, the OCSC's secretary general, who chaired the SADC subcommittee on the reform of public personnel administration, successfully argued that the OCSC's recommendations were compatible with and complemented SADC's mandate and convinced it to accept the new committee.

On 19 May 1994 the Prime Minister signed the order to set up the Civil Service Manpower Policy Committee (CSMPC), the first of its kind. However, on accepting the OCSC's proposal, 'SADC still regarded the newly proposed Civil Service Manpower Policy Committee (CSMPC) as an inferior committee.'<sup>32</sup> The tension between the two committees was mediated by the presence of some individuals on both committees. Deputy prime minister Banyat, the SADC chairman, was appointed a chairman of the CSMPC. At the CSMPC's first meeting on 5 July 1994, Banyat reiterated that downsizing was part of the government reform programme. The government, as a consequence, saw the downsizing issue as equally important as the other reform issues dealt with by SADC:

Controlling the growth of Civil Service Manpower was one of the most important issues, which formed part of the government's attempt to reform the public sector [currently undertaken by SADC]. Members of the CSMPC should be reminded that it was an honour [for them] to carry out this rather difficult task.<sup>33</sup>

The CSMPC was designed to be a working committee in which details of manpower management were discussed, and problems and disputes over increases in the number of civil servants and government employees were resolved. The committee was also more diverse in terms of its membership than the SADC. Apart from senior bureaucrats representing central government agencies, who were allies of the OCSC,

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<sup>32</sup> Interview, anonymous official, OCSC.

<sup>33</sup> Minutes of CSMPC meeting 5 July 1994.

other members were drawn mostly from other parts of the bureaucracy including those who represented other personnel agencies.<sup>34</sup> In addition, for the first time personnel and management experts from the private sector were appointed members of a committee involving the Civil Service. These experts were nominated to the CSMPC by the deputy secretary general of the OCSC, Tipavadee Meksawan.

The CSMPC was high profile because it was headed by a deputy prime minister. Central co-ordinating agencies also regarded it as an important committee through which their mandates or pet projects could be realised. They agreed that, unlike previous reform committees, a joint secretariat comprised mainly of senior bureaucrats representing central coordinating agencies should be created. The secretariat was staffed mainly by senior officials, among them the OCSC's deputy secretary general, the BOB's deputy director, the NESDB's deputy secretary general and the GCD's deputy director general. Most of them had already worked closely together, for example the OCSC's deputy secretary general, Tipavadee, worked closely with her opposite number in the GCD.

Though the CSMPC was scheduled to meet once a month to consider requests for increases in manpower by government agencies, full committee meetings were not often held. During Chaun's administration the full CSMPC only convened twice, on 5 July 1994 and 9 February 1995. Deputy prime minister Banyat chaired both sessions. Time constraints forced members of the secretariat team to meet regularly outside formal sessions to discuss the approval of personnel requests. From the beginning the CSMPC did not function well, which led the OCSC to take over its operations. Despite good working relations between its members, the joint secretariat tended to deal with issues concerning their own agencies; the OCSC with 'civil servants', the BOB and the GCD with 'government employees' and the NESDB with 'policy priorities'. None of these agencies, apart from the OCSC, had a sense of full ownership over the whole downsizing policy. Another problem stemmed from the lack of full time personnel. As an *ad hoc* working committee, the CSMPC did not have their own staff to process requests and the secretariat members found themselves overloaded with manpower requests. This led to the OCSC's deputy secretary general, Ms. Tipavadee, becoming involved in solving operational and administrative problems, which helped increase the role of the OCSC within the CSMPC.<sup>35</sup>

<sup>34</sup> See chapter 2 Table 2.3.

<sup>35</sup> Interview, Ms Tipavadee, OCSC. She was a downsizing advocate whose career dealt mainly with manpower planning as head of the Manpower Planning Division and Director of the Bureau of Personnel Research and Development.

The increase in the OCSC's role in civil service manpower planning and management was noted by Chet Boonpratuang, director of National Human Resources Planning Bureau of the NESDB who served as a joint secretary. Chet confirmed the leading role of the OCSC in the CSMPC and the decline of his agency's involvement in public sector human resource planning:

In 1970s and 1980s the NESDB had played the leading role in the manpower planning of the country of which the Civil Service was a part. But recently, its role has been reduced because the OCSC has developed enough capability to deal with the manpower planning process. Importantly, the OCSC was directly responsible for the management of public sector workforce. As a result, we [the NESDB] dealt mainly with research including the determination of civil service growth in relation to the GDP and total employment, the changing role of the public sector and so on... <sup>36</sup>

To solve the administrative and operational problems of the CSMPC, Tipavadee assigned the Director of the Bureau of Organisation and Position Classification of the OCSC, whose job was to specify positions and organisational structure, to oversee the request approval process and facilitate the CSMPC. Some five staff from this bureau worked full time screening manpower requests. To overcome the strict division of responsibility, which prevented joint efforts, the OCSC proposed that joint decisions were taken on manpower requests. The OCSC in effect laid down the rules of the CSMPC's operation. An OCSC member of the secretariat team pointed out that:

We [the OCSC] called and administered the CSMPC meetings. We would propose decisions for requests, case by case. So we laid down criteria for approving requests and spent a lot of time convincing other members of the CSMPC. <sup>37</sup>

A major part of the effort to institutionalise the Civil Service manpower policy and planning was communication. The OCSC was responsible for getting line ministries, departments and other central personnel commissions to understand and comply with the 'Measures to Control the Size of the Civil Service'. The OCSC published a 'Question

<sup>36</sup> Interview, Chet Boonpartuang, director of National Human Resource Planning Division, the NESDB.

<sup>37</sup> Interview, Laddawan Tantithavarangkura, personnel analyst CSMPC secretariat.

and Answer Manual' aimed to clarify the rationale behind this policy and provide guidelines for implementing the measures. Personnel administration divisions in line ministries and central personnel agencies were directly informed. However, the 50-page manual avoided using the term downsizing explicitly. It emphasised instead 'the importance of efficient manpower utilisation and the allocation of manpower from lower priority to higher priority areas of administration.'<sup>38</sup> To ensure the policy message got through to all government agencies, the CSMPC agreed that a public relations campaign should be launched. A sub-committee for public relations was then set up and a senior NESDB official from the joint secretariat team was appointed to head it. Its mandate was 'to convince all government departments and agencies not to request the replacement of vacancies resulting from retirement.'<sup>39</sup>

At the CSMPC's first meeting, the joint secretaries raised their concern over the effectiveness of this policy as they were still receiving a steady increase in manpower requests. Since this policy was to be enforced across the whole civil service, they suggested that political support in all ministries and departments was the key to success and had to be secured. Deputy prime minister Banyat therefore agreed to inform all ministers with portfolios to ensure that their ministries followed this policy strictly. At the same time, the CSMPC secretariat reassured them by sending reminders that central public personnel agencies shared the same understanding.

The emergence of the CSMPC was the result of a win-win negotiation between reform minded politicians and senior civil servants. On the one hand, it increased and further institutionalised the role of bureaucrats in central government agencies in civil service human resource management policymaking and implementation. On the other hand, the CSMPC could coexist with SADC and became another government mechanism to reform state administration.<sup>40</sup>

In short, the central coordinating agencies led by the OCSC were successful in placing the issue of civil service human resource management policy on Chaun's government agenda. Its reform proposal, 'Measures to Control the Size of the Civil Service' was geared towards downsizing the Civil Service and was seen by the government as part of wider state administration reform currently being undertaken by

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<sup>38</sup> Manual on Measures to Control the Size of the Civil Service: Explaining the Cabinet Resolution. OCSC, June 1994.

<sup>39</sup> Minutes CSMPC meeting 5 July 1994.

SADC. The institutionalisation of civil service manpower policy and planning through the creation of the CSMPC was a real triumph for the OCSC as the committee played an important part in making and implementing civil service human resource management policy in the future.

#### 5.4 Enforcing and Adjusting the Measures to Control the Size of the Civil Service

Although this thesis does not aim to deal with the implementation of civil service human resource management policy, problems arising from enforcing the policy had an impact on future civil service policy-making processes. The rest of this chapter looks at the policy enforcement effort as part of the policy reformulation process.

The CSMPC became “the negotiation forum between senior bureaucrats from ministries and departments arguing for staff increases and representatives from central agencies with personnel jurisdictions who wanted to curb civil service growth and control public personnel expenditure.”<sup>41</sup> This created conflict between line ministries and central coordinating agencies. The latter were largely seen by the former as ‘a group of control freaks’ masterminding a downsizing plot.<sup>42</sup> Despite the public relations campaign, the CSMPC found itself in trouble with its manpower policy. By October 1994, only eight months after the enforcement of the Measure to Control the Size of the Civil Service, the CSMPC had been inundated with almost 100,000 requests for new positions, while fewer than 3,000 positions had been abolished. This raised doubts about the effectiveness of the manpower control policy specifically and the credibility of the CSMPC in general.

The CSMPC’s attempt to prevent increases in manpower requests created tensions with line ministries and departments. The first major challenges came from Ministry of University Affairs (MUA) and the Revenue Department in the Ministry of Finance. The MUA argued that it replacing retired teaching personnel with new recruits in scarce subjects was unavoidable. Since a shortage of lecturers and professors would prevent it meeting its commitment to produce graduates, it demanded that the regulation on the replacement of retirement vacancies should not be applied to teaching personnel. However, it suggested a compromise solution: ‘it would eliminate administrative posts in

<sup>40</sup> Most of members of CSMPC’s joint secretariat team interviewed saw little link between their policies and those of SADC, while SADC’s members believed that the CSMPC was their ‘technical committee’ dealing with the details of their reform agendas.

<sup>41</sup> Interview, anonymous CSMPC member.

<sup>42</sup> Personal communication, Bowornwattana.

favour of teaching posts, if that would satisfy the 'head-counting rule' imposed by the CSMPC.<sup>43</sup> The CSMPC at its second meeting on 9 February 1995 barely argued against this and allowed the MUA to proceed with its compromise proposal. The Revenue Department also voiced discomfort with the personnel control measures. It pointed out that the government's plan to collect more tax would be jeopardized if its vacancies from retirement were not filled. According to the Revenue Department about 180 new tax officers were needed to meet the government's ambitious target to increase tax revenue. It argued that, despite its effort to reprioritise and reorganise its jobs, vacancies arising from retirement had to be filled.

Another obstacle to the success of the manpower control policy was the ongoing supply of recruits from government's training institutions for the police, and health and education services. Together they added about 20,000 personnel annually to the Civil Service. This total made it impossible to freeze the number of civil servants and government employees at the 1 January 1994 level, which was treated as a base year. The CSMPC responded that these training institutions needed to plan to reduce their production over three years. By the end of the fiscal year 2000, they were to have scaled down their numbers to twenty-five per cent of the current level.

A related issue was the ratio of health and teaching personnel working in the public and private sectors. The CSMPC put forward the NESDB's case that 'eighty per cent of health personnel belonged to the Civil Service and their wages and salaries made up eighty-eight of the health service budget'.<sup>44</sup> Likewise, 'ninety per cent of teachers worked in state schools but relative to neighbouring countries, their productivity was lower'.<sup>45</sup> The CSMPC strongly urged both the Health and Education ministries to reduce their roles by allowing private companies to operate in these areas. The CSMPC also criticised the Police Department for the steady increase in police force numbers without considering its real needs.<sup>46</sup> They suggested that these agencies should improve their own productivity with reference to international benchmark standards as a means of fully using their manpower. Above all, the CSMPC wanted to see some parts of the health, education and police services privatised or contracted out to private operators.

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<sup>43</sup> Minutes of CSMPC meeting 5 July 1995.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> Subsequently the Police Department was reorganised and placed at arms length from the Ministry of Interior. While there is some evidence that the CSMPC's comment contributed partly to this, I regard it as sectoral reform and it is not included in this thesis.

The problems the CSMPC faced and the reactions of the affected ministries and departments, however, provided an opportunity for the OCSC, the BOB, the NESDB and the CGD to widen the scope of their responsibilities and strengthen their agencies' mandates. In August 1995, the CSMPC supported a proposal from these agencies to set up two subcommittees. The first, the subcommittee on public sector manpower planning', was charged with the study, analysis, and development of manpower indicators and benchmarks, that would be used as tools for making the Civil Service leaner and smaller.<sup>47</sup> Representatives from NESDB and the OCSC in the CSMPC's secretariat team were co-secretaries and a representative from the private sector who advocated a leaner administration, was chairman. The second sub-committee was responsible for promoting contracting out to the private service.<sup>48</sup> This subcommittee involved mainly agencies with finance-related jurisdiction including the CGD of the MOF and the BOB, because contracting out jobs in the public services usually required the relaxation of government's financial and budgetary rules. To highlight the importance of their initiative, these central government agencies emphasised the link between privatisation, which they supported, and a redefinition of the state's functions: 'what the state should and should not do. What the state should not do should be left to the private sector'. The operation of these two subcommittees was financed by the BOB, which allocated them a three million Baht budget.

The reaction of line ministries and departments led the CSMPC to redefine its 'Measures to Control the Size of the Civil Service' by relaxing its personnel and financial rules and regulations. Line ministries and departments had criticised the OCSC and other central public personnel agencies for creating complicated personnel rules, which made it difficult for them to manage their staff efficiently. The complexity of the personnel rules threatened the effective implementation of the 'Measures'. At the CSMPC meeting on 5 July 1994, members urged the OCSC to decentralise and transfer their personnel power to line ministries and departments. They saw this as the key to the successful accomplishment of the CSMPC's policy. The OCSC had no choice but to agree:

To support the CSMPC's policy and measures, the Manpower Development Committee of individual ministries (MDC) should have full power over the creation and elimination of positions, the appointment, promotion and

<sup>47</sup> Minutes of CSMPC meeting 5 July 1995.

<sup>48</sup> The idea of contracting out public services had been around since Prem's administration but was not taken up by ministries and was largely considered a failure.

transfer, as well as the re-deployment of their own personnel lower than C-Level 8. This would enable flexibility in manpower utilisation and allocation within and between ministries and departments.<sup>49</sup>

Though it lost some of its power over personnel policy, the OCSC retained its status as the personnel information gatekeeper by taking control of the development of the public sector personnel database. It called for support on this from the CSMPC, warning that without a proper personnel database, human resource planning in the public sector would not be successful. The OCSC was willing to take on this major task because, as the OCSC's deputy secretary general put it, 'it would help us to develop further our Department Personnel Information System (DPIS) project, making it more thorough, more accurate and more current to help establish government manpower planning policy and management'.<sup>50</sup> The CSMPC eventually endorsed the OCSC's DPIS project and this helped maintain and strengthen the status of the OCSC as the controller of manpower information, which was essential for effective manpower utilisation and successful public sector human resource planning.

## 5.5 The Failure of Civil Service Reform as a Substitute for Political Reform

Just as widespread demands for political reform enabled civil service reform and downsizing to get on the agenda of Chaun's government in 1992 as a diversionary tactic the same demands halted the progress of reform by bringing down the government three years later.

Chaun's civil service reform and downsizing efforts came to an abrupt end with the collapse of his government in May 1995 when the largest coalition party, the Palang-dhama Party, withdrew its support. Chaun failed to convince MPs and defend his government in a parliamentary vote of confidence and decided to dissolve parliament. Snap elections were announced on 2 July 1995. The immediate cause of the withdrawal of the Palang-dhama Party was a corruption scandal in the government land reform programme. However, the underlying cause was the government's failure to satisfy the growing pressure for far reaching political reform. The strength of public pressure for reform led parliament to set up the Democracy Development Committee. By April 1995

<sup>49</sup> OCSC memo to central public personnel agencies 11 August 1995

<sup>50</sup> Interview, Theerayuth Lorlertart, OCSC. The DPIS Project was a pet project of the OCSC.

it had drawn up a detailed programme of radical constitutional reform, which was later implemented in the 1997 Constitution.<sup>51</sup> Chaun's failure to respond to this contributed to the collapse of his government.

From its formation in September 1992 Chaun's coalition had been fragile and under pressure to introduce wide ranging political reform.<sup>52</sup> Initially his government tried to tone down the pressure for macro political reform. This strategy worked well during his honeymoon period as the government could show that steps had been taken to democratise elements of civil service administration through the establishment of the SADC. However, by 1995 reliance on the SADC as a substitute for macro political reform was no longer sufficient to shield the government from the widespread pressure across Thai society for effective democratic reform.

## 5.6 Conclusion: The Dynamics of Civil Service Policy Making

This chapter has provided a narrative of civil service reform under the democratically elected Chaun government between 1992 and 1995. Civil service reform was characterised by two related issues of 'democratising the civil service administration' and 'downsizing the Civil Service' through the 'Measures to Control the Size of the Civil Service'. This section explains why the two issues became Chaun's government civil service reform choices and how they contributed to the trajectory and outcome of civil service reform in this period in general. Like previous chapters, this section puts the analytical components of civil service policymaking process under close scrutiny. It will examine how institutional and processual factors shaped the choices for civil service reform through the process of agenda setting, alternative specification and decision-making.

### 5.6.1 Agenda Setting

The issue of civil service reform was included in Chaun's administrative policy at the beginning of his administration in September 1992. It reached a high status on his government policy agenda partly because of his personal interest in the issue of Civil Service management and control. He was willing to serve as head and spend time with members of the Civil Service Commission, a remit that he could have passed over to one of

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<sup>51</sup> See chapter 2 Table 2.6.

his deputy prime ministers. The high status of civil service reform issue was also due to other institutional and contextual factors, the effects of which can be traced in the process of issue formulation.

Like the Chatchai period, the civil service reform issue under Chaun between 1992 and 1995 has two 'faces' or two 'dimensions' promoted by two competing civil service policy-making subsystems. The first issue, which represents continuity in civil service policy from Prem's government, is 'downsizing the Civil Service' advocated by the central co-ordinating agencies led by the OCSC. The second issue, representing a new reform effort, is 'democratising the civil service administration' advocated by the PMSO. The different faces of civil service reform was the result of different interpretation of civil service reform issues by different 'issue sponsors' resulting in different policy images. It is the change of 'policy image' that disrupted the continuity of civil service policy, which initially focus on improving bureaucratic efficiency through the prudent management of resources.

During Prem's administration, the changing 'face' of civil service reform issues was the result of contextual changes, and the way in which reformers appropriated such changes through particular courses of action when a widow of opportunity for civil service reform opened. Under Chuan a window of opportunity for civil service reform policy opened in the existing civil service policy making venue, but the opportunity was not promptly seized by the CSC due to changes in the reform ideas of its key members. The newly appointed secretary general of the OCSC preferred rethinking of the role of the Civil Service to a 'ready made' proposal for improving efficiency in the Civil Service. As 'rethinking' a new issue image took time, the CSC failed to influence the definition of the reform issue, which normally shaped choices of civil service reform by the government. This inaction during the honeymoon period of Chaun's government was also due to the perceived possible public criticism, which prevented CSC members from raising other reform issues, particularly those associated with increasing Civil Service salaries. The bureaucrat reformers in effect failed to influence the course of civil service policy.

The failure to seize the window of opportunity for civil service reform by bureaucrat reformers provided a chance for government politicians to propose and introduce a new dimension to civil service reform: democratising the civil service administration. This new dimension of reform was incubated within the high profile

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<sup>52</sup> Two other parties, the Social Action Party and the New Aspiration Party, left the coalition

politically backed State Administration Development Committee (SADC), which was controlled by the PMSO. The new issue image introduced by government politicians was due mainly to the political situation of Chaun's government. As the democratic successor to a military coup backed administration, Chaun's government was under pressure from the electorate to undertake major political reform including amendment of the country's constitution. Adopting the policy image of democratising the Civil Service could satisfy the government's commitment to political reform.

In sum, the civil service reform issue was interpreted differently by government politicians and bureaucratic reformers due to the situations they faced. Taking advantage of the widow of opportunity during its honeymoon period, Chaun's government politicians could place the new dimension of civil service reform, which immediately gained greater political attention and support than the issue of the established civil service policy-making agencies. From the outset of Chaun's administration, the status of other reform issues was lower than democratising the Civil Service.

### **5.6.2 Alternative Specification and Decision Making**

The process of specifying civil service reform alternatives during the Chaun administration can be seen in the operation of two competing civil service policy making institutional venues: the newly created SADC and the CSC. Their operation shows how these 'policy subsystems' shaped the reform choices adopted by Chaun's government and how their operation in the context of political developments led Chaun's government to adopt two reform alternatives: democratising the Civil Service and controlling the size of the Civil Service.

The creation of SADC brought change in civil service policy through a new reform image underlined by democratic principles, which displaced the long-standing civil service policy advocated by bureaucrats in central coordinating agencies. While the well established CSC's reform stance was organised around efficiency improvement and downsizing ideas which, was an 'inside out view of change', the newly established SADC took an 'outside in approach' by looking for new problems and solutions from the dynamics of political context surrounding and putting pressure on the government. Different approaches, which were characterised by different policy images as mentioned earlier, offered different choices of civil service reform as shown in the narrative. The different reform choices offered by the newly established SADC in late 1992 can be seen

as Chaun's government's effort to break the monopoly of civil service policy of the bureaucrat reformers.

The dynamics of specifying and deciding civil service reform proposals were constrained by the dynamics of the 'reform battleground' - a site where government politicians and bureaucratic reformers in central co-ordinating agencies competed with each other to control the reform process. During its first year in office, Chaun's government won this reform battle because government politicians could 'match their political problem of pressure for amending the country's constitution with the solution of democratising the civil service administration'. Specifically the creation of SADC as a vehicle for delivering some elements of political reform and constitutional amendment helped the government to water down the pressing demands for constitutional amendments by adopting piecemeal reform of state administration as a 'camouflage'. This was a 'killing two birds with one stone' strategy.

Although the operation of the SADC upset the equilibrium of civil service policy, the pace and rate of developing and realising the reform programme to democratise the Civil Service was constrained by its lack of administrative resources and capacity. This constraint resulted in the SADC only providing rough guidelines and proposals for reforms in the form of cabinet resolutions, most of which were not implemented since they needed parliamentary approval. When the pressure for radical reform of the constitution mounted in 1995, the SADC failed to be an effective machine for democratic reform.

The dynamics of the adoption of civil service reform alternatives within the established civil service policy-making institution provides a different picture. When the window of opportunity for reforming civil service policy was opened during Chaun's honeymoon period, the opportunity was not promptly seized. As mentioned earlier, a 'ready made' proposal for improving efficiency in the Civil Service was not put forward as it had usually been in the past, leading to the failure to re-establish a reform image. The window of opportunity passed and they lost the civil service reform territory to the PMSO, the sponsor of the SADC, before regaining it soon afterwards.

The OCSC's successful reclaiming of civil service reform ownership was due to the SADC's failure, which resulted from a lack of capacity. The CSC as a civil service policy-making subsystem was reactivated and the reform issue emphasizing bureaucratic efficiency improvement and downsizing was revived. Its reform choice 'Measure to Control the Size of the Civil Service' was promptly developed but its adoption by the

cabinet was not without a struggle. Competition between the politically backed SADC and bureaucrat reformers was once again re-activated as the former was brought in by the cabinet to scrutinise the CSC's proposal which feared creating tension in the implementation process.

Understanding the process of specifying and deciding on the civil service reform proposals requires an account of reformers entrepreneurial actions. In a very broad sense, both the political agency of the PMSO and the bureaucratic agency of the OCSC, as collective entities, performed entrepreneurial roles at different periods. The entrepreneurial role of government politicians through the PMSO can be clearly seen at the beginning of Chaun's administration when bureaucrat reformers were still indecisive with their reform initiatives. Responding promptly to the government's major concern with constitutional reform, government politicians successfully seized the opportunity, manipulated the new face of the reform issue and moved the reform programme forward, even though their effort was not sustained and ultimately failed in the face of strong pressure for effective political reform.

Other key aspects of the decision making process is why Chaun's government adopted both reform issues, democratising the Civil Service and controlling the size of the Civil Service and why the government's reform effort to 'democratise the civil service', amounted to only piecemeal change in civil service human resource management policy. The coexistence of two reform issues was a direct consequence of the existence of two institutional venues, the SADC and the bureaucratic dominated CSMPC, with different conceptions of reform problems and proposed solutions. Each committee had a different reform capacity, which affected its effectiveness in developing concrete reform proposals that could be realised. As the narrative shows, the bureaucratic dominated reform committee, the CSMPC, was better equipped with administrative and technical expertise than the SADC, which possessed more political capital and support.

The co-existence of reform choices, as the narrative indicates, can also be seen as the joint ownership of the civil service reform process by government politicians and bureaucrat reformers. Competition over the ownership of the two policy venues was mediated by the structure of their common membership. Both the SADC and the CSMPC, the reform committee that regulated the manpower management process, were chaired by the same deputy prime minister, and both comprised members representing central co-ordinating agencies who played key roles in providing technical and

administrative support to both committees. With the same chairperson and shared membership, the two reform issues co-existed.

The co-existence of SADC and the CSMPC helped expand the scope of civil service reform in Thailand by introducing a new issue image and corresponding choices of reform solution. Competition for the ownership of the reform process, can on the one hand restrain the direction of civil service reform since there is no unified direction and no reform monopoly. On the other hand, it maintained the momentum and high status of civil service reform issues, generally defined, on the government agenda. The retention and maintenance of such issues in turn helped institutionalise civil service reform and created 'reform capacity' – opportunities for both government politicians and bureaucrat reformers to pursue their reform objectives and approaches.

This episode also saw the central co-ordinating agencies, particularly the OCSC and its senior bureaucrats, defend civil service reform policy from encroachment by politicians. The OCSC in this sense can be regarded as 'an institutional entrepreneur'. By initiating the 'joint secretary system' as a framework for making decisions within the Civil Service Manpower Policy Committee, the OCSC successfully mobilised support from its allies, the central co-ordinating agencies with financial and personnel responsibilities, and from the private sector. The OCSC was an institutional entrepreneur because it invested resources and time, assigning its staff to work full time to serve the CSMPC. It also took risks by giving up some of its authority over public personnel management, particularly the appointment of certain levels of civil servants, to ministries and departments, in exchange for the possible successful achievement of its manpower control policy. This 'trade off' can be best described as an entrepreneurial act.

This chapter has provided a narrative of civil service reform in Thailand on the one hand, and recounted the development of the measure to control the size of the Civil Service on the other. It provides explanations for the co-existence of the political issue of democratising the Civil Service and bureaucrat reformers' issue of downsizing and why the political strategy to substitute political reform for administrative reform failed. In the light of the institutional and processual analysis, the chapter accounts for the impact of the situation of pressing demand for constitutional reform and institutional structures, the venues for civil service reform, on the choices of reform adopted by Chaun's government.

## Chapter 6

### ‘Playing with numbers’: Downsizing 1995-1997

#### Overview

This chapter provides an account of the civil service downsizing effort made by two governments, namely Banharn’s from July 1995 to November 1996 and Chavalit’s from November 1996 to November 1997. Though both Banharn and Chavalit had their own wider civil service reform agendas and drew up ambitious reform programmes, downsizing policy in this period is largely characterised by continuity. Banharn’s programme, set out in his decree ‘Improving Service Quality for Citizens’, sought to improve the quality of civil service provision. Chavalit’s ‘Master Plan for Reforming the Public Sector’, the first comprehensive reform programme of the Thai civil service, aimed to increase civil service efficiency through stringent streamlining policies and by setting an ambitious staff reduction target, a twenty per cent reduction in government personnel within ten years. However, both programmes remained unrealised, whereas the measures used to control the size of the civil service inherited from Chaun’s first government [1992-5] continued to be implemented. The ‘numbers game’ continued, counting heads to cut personnel costs, as did the resulting tensions over downsizing between central government agencies on the one hand and politicians and line ministries on the other.

The primary aim of this chapter is to explain how and why the Banharn and Chavalit governments allowed the policy inherited from Chaun’s government to continue. It also tracks the processes in which new visions for the civil service workforce and more stringent downsizing policies were drawn up. These downsizing policies will be examined against the background of the wider civil service reform agenda and political and economic developments. The period 1995 to 1997 was one of relative political instability and worsening economic conditions, which culminated in a major regional crisis. Both governments were short lived and Chavalit’s in particular had to face the full force of the Asian economic crisis in 1997.

## 6.1 Inadvertent Downsizing: The Banham Era, 1995-1996

Banham's adoption of the previous Chuan government's measures to control the size of the civil service was inadvertent. In late July 1995, after only a month in office Banham's government had not yet had time to pay attention to the issue of civil service reform in general. However, Banham was keen to get involved in controlling the civil service particularly at the higher levels. After taking office, although he delegated much of the prime ministerial remits to his deputies, he reserved the chair of the CSC for himself. His motive, like that of most of his predecessors, "was to ensure the prime minister could influence public personnel policy and the appointment and promotion of senior civil servants to strategic posts".<sup>1</sup> Influencing CSC decisions on such important matters meant the government could ensure senior bureaucrats of their own choice to carry out the government's policies.

As the new government took office without any clear ideas on civil service reform, it was receptive to programmes put forward by the central government agencies with personnel related jurisdiction. While the prime minister and government politicians were primarily interested in the immediate issues of promotion and appointment of senior bureaucrats, the task of introducing civil service reform was left to the CSC's secretariat and reform-minded officials in the OCSC. Because the government needed to include civil service reform in its policy address to parliament, a "ready-made reform prescription" already drawn up by the OCSC was incorporated into Banham's administrative policy statement. On 26 July 1995 Banham announced in parliament that his government would undertake comprehensive civil service reform:

First, the government will modernise the central, regional and local administrations by means of restructuring ministries, departments and government offices. We will increase public sector efficiency by downsizing the Civil Service, improving bureaucratic processes and eliminating duplication in jurisdictions and responsibilities. Secondly, the government will decentralise power to local people and encourage them to participate in solving local problems. Thirdly, this government will

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<sup>1</sup> Interview, anonymous OCSC official.

introduce local elections at all levels, and lay down steps and procedures to decentralise administrative power to local administrations. The government aims to distribute income to local areas. Lastly, bureaucratic corruption will be eliminated, and anti-corruption personnel will be trained to increase their capacity to perform their duties effectively.<sup>2</sup>

The government's administrative policy was normally followed by the appointment of a national civil service reform committee that would propose reform measures and oversee the reform process. However, the *ad hoc* State Administration Development Committee (SADC) set up by the previous government was disbanded with the departure of Chaun and the head of the Prime Minister's Secretary's Office [PMSO], its architect. The new head of the PMSO, a senior government politician, did not suggest either reinstating the old committee or appointing a new one, as he did not consider reforming the civil service his main responsibility. The PMSO was mainly occupied with political reform. In this early transitional period, therefore, matters related to civil service management and reform were returned to the usual central government agencies with personnel and budget management related jurisdictions, namely the OCSC, the BOB and the CGD.

#### **6.1.1 Regaining reform authority but losing control over the downsizing issue: Appointing the CSRC**

Under Chaun's administration, the PMSO, headed by a politician, played the leading role in reforming the civil service. But the PMSO from the beginning of Banharn's period was pre-occupied with the task of political reform and the amendment of the constitution. The retreat of the PMSO from an active role in reforming the civil service prompted civil servants, in particular the OCSC to reclaim their civil service reform territory, which had been lost to the PMSO during Chaun's administration. This territory became embedded in the new national reform committee set up to modernise the civil service and improve its efficiency. As the prime minister had addressed parliament on the issue a special committee was needed to implement reforms. Three months after the new prime minister took office, the OCSC proposed the appointment of a new Civil Service Reform Committee (CSRC) "to

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<sup>2</sup> Banharn's Administrative Policy Statement to parliament 26 July 1995.

study, analyse, advice, and formulate strategies as well as measures for reforming civil service management".<sup>3</sup>

Prime minister Banharn approved the OCSC's proposal to set up a new committee and on 28 September 1995 the Civil Service Reform Committee (CSRC) was established by prime ministerial order. The OCSC specified the areas of administrative reform that the new CSRC would deal with. Though the CSRC's mandates were derived from and reflected Banharn's administrative policy statement to parliament, the OCSC identified only a limited range of reforms to create an efficient and smaller civil service. The first reform area to contribute to the downsizing of the Civil Service involved restructuring ministries and departments. This followed the redefinition of the state's mission and the regrouping of government businesses. "The Civil Service could be smaller if it did only what it was supposed to do, and left what it was not supposed to do, or what it did not perform well, to the private sector. This can help slim down the civil service."<sup>4</sup> Together with structural reform, the OCSC also programmed the CSRC to improve work processes and human resource management in the public sector. The third mandate was reform of the laws related to public personnel management, budget management and procurement. The last mandate was to improve Civil Service remuneration, which would be contingent on successful downsizing. Civil servants would receive greater remuneration, including better salaries and other benefits, if they were more productive and implemented government policies successfully. Four working committees were established to carry out these reform tasks. These were working committees on Restructuring the Civil Service and Public Enterprises, Developing Managerial and Administrative Systems, Reforming Public Personnel Administration, and Decentralising and Delegating Administrative Powers.

Somboon Rahong, chairman of Chart Thai party and a deputy prime minister, was appointed to head the CSRC. Two other senior party members, Pokin Palakula and Chumpon Silpa-Archa, were appointed deputy chairmen. Pokin, a law lecturer and a close aide of Banharn, was rewarded with a ministerial post in the Prime Minister's Office. Chumpon, Banharn's brother, was a political scientist and Chart Thai party strategist with a special interest in political reform. Several leading public administration academics were appointed to the CSRC. It was serviced by the OCSC and one of its deputy secretary

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<sup>3</sup> OCSC memorandum to Prime Minister's Office 2 September 1995.

generals, Suparat Chotikayarn, was appointed its secretary. Like most interdepartmental reform committees, representatives from the NESDB, the BOB and the CGD were also included.

However, the CSRC did not operate as the OCSC intended. Its political members wanted the CSRC to be an instrument of the government's political reform projects, namely the amendment of the constitution. Political reform was a major election promise of Chart Thai Party.<sup>5</sup> The CSRC deputy chair, Chumpon, who represented the liberal wing of the party, had been a leading figure in the movement for democratic reform after the 1991 coup and campaigned for substantial constitutional change in 1993-1994.<sup>6</sup> He was responsible for including political reform in the party's election campaign strategy. To the CSRC's political leaders, amending the country's constitution was more pressing for the government than downsizing and administrative improvement. They convinced its members that any civil service reform proposal needed to contribute to the delivery of political reform promises. As a result, the CSRC's reform direction shifted to the improvement of democratic governance, which aimed to increase citizens' and customers' satisfaction with government services in terms of speed, accuracy and equality, accountability and transparency.

The OCSC representatives, fearful of losing their grip on the reform direction, suggested that these democratic governance reform principles could be achieved if line ministries and departments reformed their own operations and improved their performance and efficiency. The OCSC wanted to change laws that prevented government agencies from working efficiently. It blamed the State Organisation and Administration Act (1991), which set out civil service administrative processes and structures, as the root of administrative problems. Reforming this law, the OCSC argued, would enable flexibility in civil service management, facilitate the decentralisation of administrative powers including personnel and

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<sup>4</sup> Prime Ministerial Order, 28 September 1995.

<sup>5</sup> During the general election campaign there was strong pressure for political and constitutional reform fuelled by the failure of the Chaun government to address the issue. Banharn's Chart Thai Party promised to implement the political reform package proposed by the Democracy Development Committee, though most political parties distanced themselves from it because it was difficult to carry out. The Chart Thai Party's commitment to political reform was seen by its opponents as a strategy for winning the urban vote. A medium sized rural based party based in central Thailand, it sought support from cities, particularly Bangkok.

<sup>6</sup> See Connors (1999).

budgets to local administrations, and improve the way public organisations delivered their services to citizens.

The OCSC also attempted to keep the attention of the CSRC's members on their own reform agenda by disseminating new but often untested proposals on a range of administrative issues such as restructuring government units, best practice for improving efficiency and streamlining the Civil Service.<sup>7</sup> Most issues directly related to democratic governance reform, which were of greatest concern to the leaders of the CSRC, were not discussed. The political members of the CSRC and some of its academic members, who had experience serving on previous reform committees, were worried that the government would waste its time making only limited piecemeal changes suggested by the OCSC. This would undermine the government's effort to fulfil its political reform mandate. For them, the democratic elements of governance deserved their own space.

#### **6.1.2 Shifting focus away from downsizing: Appointing the ISQC**

Banharn was more interested in expanding and improving public services to citizens than downsizing and service streamlining. Like most provincial politicians, he preferred bureaucratic expansion, which would increase public services, rather than cuts. Expanding public services and thus increasing the number of officials would help him gain the support of government officials in rural areas, the power base of the parties in the government coalition. Expanding public services, putting more personnel into government units and spending larger budgets on popular projects were also part of the Chart Thai Party's mandate to deliver better services to citizens, and hence empower them. Banharn's idea was re-emphasised when he requested a meeting with ministers and their permanent secretaries on 4 August 1995. Banharn portrayed his government as one that served needs of the people.

As the country has expanded economically and socially, the need for public services followed. I want to stress that departments and agencies that are directly responsible for providing services to people must improve their capability to deliver a better quality of service in a fair, equal and transparent manner. We must change our administrative idea

from governing the people to servicing the people and from commanding governance to civic governance.<sup>8</sup>

After only a few meetings, at which OCSC administrative issues had been discussed but not concrete proposals democratic governance reforms, the political leaders of the CSRC its political leaders realised that it would not serve as an effective vehicle to implement Banharn's political reform promises. They decided that a new effort for democratic governance reform needed to be initiated with the PMSO, whose chief was a member of the CSRC, responsible for the issue. Following their request, in November 1995 the PMSO proposed that the prime minister establish a new Committee on Improving Service Quality to Citizens (ISQC). He agreed and appointed Pokin Balakul, a minister in the PMSO who had already served as a deputy chair of the CSRC, as chairman. The secretary general of the PMSO was appointed secretary of the ISQC. Unlike the CSRC, most members of the ISQC were reform-minded academics who specialised in public administration. Executives and management professionals from the private sector were also appointed. However, representatives from the OCSC, the BOB and the CGD also secured places on the ISQC because these agencies would be needed to implement reform initiatives.

Working in a separate committee with a clear direction and political mandate, the ISQC was able to focus its working agenda on the improvement and delivery of better public services to citizens. The ISQC worked intensively and quickly. It sought examples of 'best practice' on improving 'customer service' from countries that had undergone reform. The UK's Citizen's Charter was studied and analysed together with Vice President Al Gore's 'Reinventing the U.S. Federal Government' programme, and the reforms of the Australian and New Zealand governments. The academics private sector representatives on the ISQC played an important part in this process. Within two months, in January 1996, the ISQC had formulated and agreed a proposal.

The proposal contained two key features. First, it encouraged government departments and agencies dealing directly with "customers" to establish a one-stop service. The ISQC also enumerated strategies and guidelines for improving service quality, which were based on such principles as the empowerment of frontline managers, transparency and

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<sup>7</sup> Interview, anonymous OCSC official.

accountability in the operation of government agencies, citizens' participation in service provision, and competition between service providers. The second feature of the ISQC's proposal was the government's declaration that 1996 was to be the 'Year of Serving Citizens' by the Civil Service. This aimed to promote and encourage government agencies to serve their users with speed, transparency and responsiveness, equality and efficiency. Increasing customer satisfaction and quality of life is a corner stone of this government'.<sup>9</sup>

In March 1996 the ISQC's proposal, 'Improving Service Quality to Citizens', was presented to the cabinet by the minister for the Prime Minister's Office, who was also its chairman. The proposal was approved by the cabinet on 19 March 1996 and became the Prime Minister's Decree on Improving Service Quality for Citizens. The decree gave the ISQC authority to decide if administrative processes in line ministries and departments were conducive to the provision of quality services, propose improvements. However, such decisions required input from the central co-ordinating agencies, the BOB, the OCSC and the CGD because the operation of the ISQC was constrained by complex laws and regulations on personnel, budgets and procurement which prevented line departments and ministries from carrying out the ISQC decree. Line ministries and departments and agencies found it difficult to improve work processes to improve service quality and started to see the ISQC decree as an added burden. At this point, the central agencies, the OCSC, the BOB and the CGD became involved to help solve practical problems. These central agencies were tasked to look into the technicalities of laws, rules and regulations that restricted departments and ministries and suggest changes.

The active involvement of the central agencies, particularly the OCSC, in the implementation process led them to re-assert that improving the efficiency of departments and ministries formed the core of civil service reform. In this regard, the OCSC used its expertise on organisation and management, which the PMSO did not possess, to increase its role in consulting and facilitating line ministries, departments and agencies to carry out their process improvements. The OCSC claimed that the ISQC Decree could not be realised without its assistance. In addition to acting as a consultancy, in 1996 the OCSC published and distributed to all government agencies a series of self-improvement "manuals for improving service quality for citizens". The aim of these manuals was to encourage and

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<sup>8</sup> Banharn's Administrative Policy Address to ministers and permanent secretaries 4 August 1995.

provided guidelines for government agencies to modernise themselves. It covered such techniques as restructuring and reinventing agencies, analysing activities and work process, benchmarking, carrying out stakeholder analysis, surveying customer satisfaction, developing strategic visions and missions, and prioritising and solving problems. The OCSC was successful in linking its efficiency driven reform idea with the political initiative on reforming democratic governance in the Civil Service through improving service delivery. For the OCSC, improving service delivery required internal efficiency improvements. Its role became prominent as the indispensable driver in Banharn's reform effort.

In short, government politicians were successful in formulating the Prime Ministerial Decree on 'Improving Service Quality for Citizens', which was in line with the government's attempt to empower people as part of its political reform mandate. The PMSO which acted as the political agent, also enjoyed support from Banharn's government as it was granted the authority to monitor how government departments and agencies delivered their services.

### 6.1.3 Engaging the downsizing process and dialogue

While the CSRC was being established as a high-level committee for civil service reform, the OCSC continued to exercise tight control over increases in government personnel. When Banharn assumed office in July 1995, the Chuan government's measure to control the size of the civil service, a ban on recruiting new staff except to replace retirees enforced by the Civil Service Manpower Committee (CSMPC), was already in place. Although the change in government brought a new chairman to the CSMPC, the routine procedure for approving requests from ministries and departments for increasing personnel was continued by the interim CSMPC secretariat, made up of representatives from the OCSC, the BOB, the CGD and the NESDB.

Despite addressing the issue of modernising the civil service, Banharn was reluctant to adopt the OCSC's policy on limiting civil service growth and reducing civil service staff. His cabinet ministers and their permanent secretaries told him that their ministries needed more staff rather than fewer and that the downsizing policy could backfire on the government; hence his reluctance to adopt the downsizing policy.<sup>10</sup>

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<sup>9</sup> Cabinet Resolution 19 March 1996.

<sup>10</sup> Interview, anonymous OCSC official.

In the absence of a clear prime ministerial policy on downsizing, at the first meeting of the Civil Service Commission (CSC) in August 1995, the OCSC secretary general asked the prime minister if he wanted to continue with the Chaun government's measures. Despite his reluctance, due to his political preference for civil service expansion and pressure to increasing staff from ministers, Banharn could not argue against the fact that public personnel costs, as the OCSC's secretary general pointed out, were still increasing. He allowed the downsizing policy to continue, as long as staff shortages did not result. Banharn also expressed concern over the failure of the policy in the past, stating that: "As far as I know cabinet ministers, permanent secretaries and director generals of most government departments are not aware of this policy or do not understand it. If it is to be successfully implemented, their co-operation and agreement would be the key success factor".<sup>11</sup>

Banharn's interest and involvement in downsizing policy increased after cabinet ministers complained about staff shortages in their ministries. Most complaints were about the rejection of requests for increases in personnel by the interim CSMPC, run by the OCSC and its allies. The rejections were the result of the CSMPC's strict application of the criteria for increases in personnel. Ministers, secretary-generals and director generals, whose requests had been rejected, always raised the issue in cabinet and with the prime minister personally. At his August 1995 meeting with ministers and permanent secretaries he had said "If problems related to personnel, budget and law cannot be solved within your departments, please report them to the cabinet so that solutions can be found".<sup>12</sup> Ministers and permanent secretaries also claimed that downsizing ran counter to drive to improve service delivery outlined at the August meeting.

Pressure also came from members of the governing Chart Thai Party, particularly from the education minister whose request for increasing teacher numbers was only partially approved by the cabinet. In September 1995 the Ministry of Education made a request for a huge increase in personnel, an additional eighty-four new teaching posts, 5,669 replacements for retirements, and an additional fifty per cent increase above retirement replacements in subsequent years.<sup>13</sup> Such a request obviously ran against the downsizing policy and the CSMPC could only allow the replacement of vacancies resulting from staff retirement in the

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<sup>11</sup> Minutes CSC meeting, August 1995.

<sup>12</sup> Banharn's policy address to ministers and permanent secretaries 4 August 1995.

<sup>13</sup> Ministry of Education Cabinet Submission, 15 September 1995.

last year. The education minister argued that partial approval would interrupt the operation of his ministry and could aggravate the problem of teacher shortages in rural areas. He specifically attacked the measure to control the size of the civil service blaming it for preventing the recruitment of more teaching staff for schools. Banharn could not ignore these complaints because “teachers in provincial and district areas were one of the occupational groups from which substantial support [for the Chat Thai Party] could be mobilised”.<sup>14</sup>

The combined pressure of cabinet ministers and senior bureaucrats forced the government to address the issue of controlling civil service growth. Two months later, on 10 October 1995, Banharn issued a prime ministerial order to appoint a new CSMPC to oversee and monitor the implementation of the ‘Measure to control the size of the civil service’.<sup>15</sup> Most members of this new committee were re-appointed from the old CSMPC except deputy prime minister Amnuay Veerawan who was appointed to lead the committee. Amnuay was a technocrat and member of the New Aspiration Party, part of the government coalition. As a banker and former permanent secretary in the Finance Ministry, Amnuay was familiar with the way the Civil Service was managed and how to deal with representatives from the central co-ordinating agencies. Appealing to his experience as an executive in the private sector, the OCSC and its central agencies allies found it easy to convince him that their downsizing effort was a way to improve efficiency. However, Amnuay realised that the government would face a backlash from ministries and departments whose manpower requests had been turned down by the CSMPC. As he warned members of the CSMPC in his first meeting:

At early cabinet meetings after Chart Thai Party formed a coalition government, many ministers opposed and attacked the downsizing policy. I suspected that these ministers got reports from their permanent secretaries. We had a fierce, heated argument. I had to explain to them that increasing personnel was not the only solution to the problems in their ministries.<sup>16</sup>

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<sup>14</sup> Interview, anonymous CSMPC official.

<sup>15</sup> Prime Ministerial Order 22/2538, 10 October 1995.

<sup>16</sup> Amnuay closing remarks at National Conference on manpower policy 16 June 1996.

Although the CSMPC had survived the change of government, it ceased functioning as a public personnel policy machine. Most of the issues related to civil service reform were taken up by the recently appointed CSRC. The CSMPC therefore refocused its mission and scope mainly on the approval of manpower requests. In effect, the OCSC, and the BOB could exercise their strict streamlining measures by deciding whether departments' requests for personnel increases would be approved. The tasks of the CSMPC became operational and routine. They were carried out by three subcommittees appointed the following year on 23 January 1996: manpower planning, reviewing the roles of the civil service and outsourcing, and public relations. They were headed by senior officials from the central government agencies and each consisted of between ten and fifteen members, comprising academics and representatives from different occupational groups in the civil service. Representatives from the OCSC, the CGD, the BOB and the NESDB controlled the subcommittees through their joint secretariat positions.

Although the prime minister was convinced by the CSMPC that the policy to control manpower increases should continue in order to keep personnel costs below forty per cent of the government budget, he was dissatisfied with the strict and sometimes non-negotiable way the CSMPC operated. At the meeting of the CSMPC on 8 November 1995, Amnuay expressed Banharn's worry that the downsizing policy could backfire on the government. He proposed that the OCSC should organise a conference on the issue for the cabinet, permanent secretaries of every ministry, and director generals of all departments. This conference, according to Amnuay, would "provide an important opportunity to make key people from line ministries aware of and understand the need for and rationale of the downsizing policy as well convince them to accept it. The success of the downsizing policy depends very much on the cooperation of these people, particularly the director generals of departments who implement it".<sup>17</sup>

Continuing pressure from cabinet ministers led to high-level interventions by both Amnuay and Banharn himself, for fear of losing the support of senior civil servants in line ministries. On 29 December 1995, Amnuay invited all permanent secretaries, who were regarded as the key people in making downsizing successful, to attend a 'buy-in' briefing at Government House. At the meeting Amnuay and representatives from the CSMPC,

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<sup>17</sup> Minutes of CSMPC meeting 8 November 1995.

including the OCSC, the BOB and the CGD, made a plea for all departments and ministries to co-operate in the implementation of downsizing measures. The permanent secretaries were told, "It was inevitable that the government would exercise strict control over manpower increases as public personnel costs had been surging."<sup>18</sup>

Complaints from cabinet ministers and senior bureaucrats from line ministries were seen as a high stake issue for Banharn. Three and a half months after Amnuay met the permanent secretaries, Banharn announced that he himself would chair the CSMPC meeting on 10 April 1996 because he wanted to learn more about the process of approving manpower requests. At the meeting he claimed that ministers and their senior officials were not satisfied with the way in which requests were approved.

The CSMPC regularly sent reports to the CSC of which I am a chairman. I also received complaints from many departments that there have been staff shortages in their departments making it difficult for them to carry out government policies. This is of course because their requests for filling vacant positions resulting from retirements as well as requests for employing new personnel were often turned down, or have not yet been decided by the CSMPC.<sup>19</sup>

Banharn also made harsh comments on the CSMPC's methods of operation, reflecting his frustration with the downsizing policy. He first requested that, although downsizing was inevitable, the CSMPC should reconsider its 'universal approach' of enforcing this policy across the board and take into account the differing conditions in and specific needs of individual departments. He wanted the criteria for approving the employment of new staff to be responsive to the needs of individual departments. The presence of the prime minister at the CSMPC's meeting encouraged representatives from departments making requests for personnel increases to press their claims more vigorously. "As a result, 1523 vacant posts resulting from retirement, which should have been scrapped at that meeting were allowed to be refilled and 2490 new posts were created".<sup>20</sup>

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<sup>18</sup> Interview, Anonymous OCSC official, interview.

<sup>19</sup> Minutes of CSMPC meeting 10 April 1996.

<sup>20</sup> OCSC Memorandum 22 April 1996.

At the meeting on 10 April 1996, Banharn also urged the CSMPC to speed up the approval process and to communicate more with departments. In response to his comments, Tipavadi, who represented the OCSC in the CSMPC, argued that the CSMPC should have comprehensive approval authority. The policy provided some leeway for ministries and departments that had a real need for staff increases and allowed them to submit 'special requests. As a result most requests were classified by departments as 'special requests' and were referred to the cabinet for a final decision. Tipavadi successfully convinced members of the CSMPC to support her argument that to shorten the approval process, the final decision for all cases should rest with the chairman of the CSMPC, who would in turn inform the cabinet of decisions.

On 7 May 1996, two weeks after the prime minister had attended the CSMPC's meeting, Amnuay was able to convince his cabinet colleagues that "downsizing policy, namely the 'Measure to control the size of the civil service', would continue in force, and the vacant posts from staff retirement must be aborted".<sup>21</sup> In order to speed up the operation and approval process, "the CSMPC would have comprehensive power to approve all requests for personnel increases from departments and agencies. The cabinet would only be informed of decisions made by the CSMPC or its chairman".<sup>22</sup> Although most cabinet members were convinced by Amnuay's case, Banharn was still concerned about how fully senior bureaucrats understood the policy and practice of controlling the growth of civil service staff. As he had promised sufficient resources for carrying out the government policies, downsizing must not create staff shortages in line departments. He requested a conference of senior bureaucrats and ministers, first suggested by Amnuay in November 1995, which should be held as soon as possible. As the conference needed to be held urgently, Banharn instructed the PMSO, which was present at the CSMPC meeting, to organise it conjunction with the OCSC.

The conference on downsizing policy was an important opportunity for both the government and the CSMPC. The government intended to use it as a listening process: "The downsizing policy might be modified if not cancelled if the majority of senior bureaucrats disagreed with it, and the government would be able to discard it".<sup>23</sup> The involvement of the

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<sup>21</sup> Cabinet Resolution 7 May 1996.

<sup>22</sup> Ibid.

<sup>23</sup> Interview, anonymous OCSC official.

PMSO by the prime minister was, according to one OCSC official, “encouraging them [the PMSO] to increase their role in the downsizing policy because they were expected to sum up the report and make a policy recommendation at the end of the conference. Their report could reverse our downsizing policy.”<sup>24</sup> On the other hand, the OCSC and the CSMPC saw the conference as a potential venue for them to allow civil servants to participate in “brainstorming sessions aiming to make civil servants understand and co-operate”.<sup>25</sup>

The national conference on civil service manpower policy took place on 15-16 June 1996 at a resort hotel in Pattaya, where almost 600 participants including the prime minister, cabinet ministers, senior politicians, senior bureaucrats, including permanent secretaries and department director generals, civil servants representing every occupational group, academics and the media convened. It provided an opportunity for both the government and central government agencies represented on the CSMPC to mobilise support from government personnel. The government could convey its message to civil servants and the public that downsizing was instrumental for improving civil service remuneration. In his opening speech, initially drafted by the OCSC, Banharn saw increasing public personnel expenditure as the root cause of poor civil service salaries, which could be solved by downsizing measures.

My government and I are concerned about low civil service salaries, especially those of junior grades, which are insufficient to cover their costs of living and maintain a good quality of life. The government intends to raise civil service salaries and other welfare benefits to a more appropriate level. If we [civil servants] can stop the growth of the number of government staff and public personnel costs, it would be possible to improve civil service remuneration.<sup>26</sup>

The national conference also aimed to show that the government was fair and open-minded in allowing civil servants to have their say on downsizing policy. Lacking understanding of downsizing policy, according to Banharn, contributed to confusion in the implementation of measures to control the size of the civil service at ministerial and departmental levels. He hinted that the OCSC should take the opportunity to fix the alleged

<sup>24</sup> Interview, anonymous OCSC official.

<sup>25</sup> Ibid.

“lack of communication with line ministries and departments”<sup>27</sup> Banharn re-emphasized the problem saying:

Some government agencies are not even aware this policy exists. They don't know how to make a request for replacing vacancies [from retirement]. If their requests are rejected, they do not know why or what to do next. Some departments have told me that they submitted requests two years ago but nobody knows where they are now. I want you to hear all the details from the OCSC and we would also like to know your opinion on this policy.<sup>28</sup>

The central government agencies on the CSMPC also had an opportunity to convince politicians and civil servants of their downsizing policy. Amnuay and senior bureaucrats from the agencies, including the OCSC's deputy chief, the NESDB secretary general and BOB director and a senior official from the CGD, presented their visions for civil service manpower policy. Deputy Prime Minister Amnuay convinced participants that downsizing, which had been proved elsewhere, could be successful in Thailand. He particularly referred to the downsizing of the American Federal Civil Service, which had reduced staff by ten per cent. Reforming, reinventing, re-engineering and restructuring which had been successfully used to downsize the American public services, was the heart of his civil service reform effort.<sup>29</sup>

At the conference, the four central government agencies, the OCSC, the BOB, the CGD and the NESDB, co-operated and expressed a strong commitment to streamlining. The OCSC, which took the lead in the conference, claimed that a survey it had conducted prior to the conference showed that eighty per cent of government personnel agreed with the downsizing policy. However, it made some concessions proposing that the CSMPC might customise the enforcement of the policy to the needs of individual government departments or occupational groups. The BOB and the CGD played supporting roles confining their presentations to the issue of outsourcing, which at that time had not

<sup>26</sup> Banharn's address to the conference on Public Sector Manpower Policy 15 June 1996.

<sup>27</sup> Interview, Chalerm Sripadoong, OCSC deputy secretary general.

<sup>28</sup> Banharn's address to the conference on Public Sector Manpower Policy 15 June 1996.

<sup>29</sup> Ammnuay, key note speech, Pattaya conference, ‘The future role of the civil service and its workforce’, 15 June 1996.

progressed much because of the complexity of civil service financial regulations. The NESDB focused more on the macro-level of national manpower planning, widening the scope of the issue of civil service downsizing. For the NESDB, downsizing the civil service could be achieved if the state redefined and minimised its role.

As the conference was also meant to be a listening process and dialogue between policy makers and 'implementers', participants were divided into four groups. Each group was asked to discuss and provide opinions on issues pre-selected by the OCSC to ensure there would not be any direct attacks on the policy by participants.<sup>30</sup> The result of the conference was predictable, a diplomatically expressed agreement in principle with the policy. The general response of participants was: "The principle of downsizing is agreed, but it would be difficult to implement unless more practical and flexible solutions were provided".<sup>31</sup> Participants also suggested ways in which the civil service and its workforce should be managed in the year 2020: "We needed a more efficient and smaller civil service. It must not be rule bound. Administrative procedures must be simplified. Goals and targets must be clear and above all responsive to citizens' needs."<sup>32</sup>

Representatives from line ministries and departments and the private sector were encouraged to voice their opinions and have a dialogue to 'let off steam' about the problems of down sizing. While recognising the need for downsizing, many bureaucrats from departments that had experienced staff cuts called for a more customised approach. A senior bureaucrat from the Ministry of Education called the downsizing policy "unrealistic and should be adjusted to departmental environments, conditions and realities".<sup>33</sup> Another attacked the OCSC: "The conflict, misunderstanding and rows over downsizing policy were the result of a lack of proper communication".<sup>34</sup> The chief of the Irrigation Department mentioned "the rigid and universal approach to downsizing" arguing for more autonomy for

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<sup>30</sup> Topics for discussion included suitability of downsizing policy, problems of implementing downsizing measures, the reduction of the role of the state and outsourcing, the development of success criteria for assessing workforce utilisation, and visions towards civil service workforce in the year 2020.

<sup>31</sup> Interview, Laddawan, CSMPC member.

<sup>32</sup> Ibid.

<sup>33</sup> Chamras Sudanich, Secretary General of the National Education Commission, interview note by NESDB officials.

<sup>34</sup> Jintana Pakstriwong, Director General of the High School Education Department, interview note by NESDB officials.

departments to make decisions on their staff cuts<sup>35</sup> Some participants saw the downsizing policy as inappropriate as it dealt mainly with the government's short-term problem of rising personnel costs. For them, "workforce policy needed to consider the long term demands from the environment and the changing roles of the state".<sup>36</sup>

Banharn's government did not last long enough for the outcomes of the national conference to change the way the CSMPC approved departmental requests for manpower increases. During his year in office the full CSMPC met only three times and the OCSC and the BOB jointly made most decisions on staff increases, leaving it as little more than a rubber stamp. Three months after the Pattaya conference, in November 1996, a political crisis brought down Banharn's fragile coalition government after barely a year in office. After a three day televised censure motion debate in parliament and threats from his coalition partners to defect, the prime minister dissolved parliament and called a general election.<sup>37</sup>

Downsizing got on the agenda of Banharn's government, despite the reluctance of politicians, as part of a wider civil service reform agenda. In the 'reform battle' between politicians and civil servants, politicians resisted downsizing, preferring expansion, and wanted to shift civil service reform to the issue of service quality, which was part of their political reform agenda to improve the quality of democratic governance. The appointment of the ISQ reflected the priorities of politicians. Civil servants in the central co-ordinating agencies wanted to continue downsizing. Budgetary pressures forced the politicians continue downsizing measures and shifted the 'reform battleground' to discussion of the application of downsizing measures at a national conference. The short-lived nature of Banharn's government prevented any progress on downsizing.

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<sup>35</sup> Roong-ruang Chulachart, Director General of the Irrigation Department, interview note by NESDB's officials.

<sup>36</sup> This view was shared by many participants such as Orapin Sopchokchai of the Thailand Research and Development Institute, Sippanon Ketutad, chairman of the NESDB, and Apinan Pavanarit, director general of the Europe Affairs Department; interview notes by NESDB officials.

<sup>37</sup> See Chapter 2.

## 6.2 Downsizing and Efficiency Improvement: The Chavalit Era, 1996-1997

The 1996 election was won by the New Aspiration Party, a former coalition partner in the outgoing government and its leader, General Chavalit Yongchaiyooth, a former deputy prime minister in Banham's government, became prime minister on 29 November 1996. Unlike most previous governments which came into office with no pre-conceived ideas about the issue of bureaucratic improvement, the New Aspiration Party led coalition government arrived with a broad idea of civil service reform. This was outlined in its manifesto *The New Aspiration for Civil Service Reform*. Published in booklet form and distributed among politicians and senior bureaucrats, it outlined Chavalit's ideas and placed particular emphasis on the need to improve the performance and efficiency of the civil service.

Civil service reform is one of the most significant conditions for the development success of the country. Most past research and studies point to the same direction confirming that it was not a lack of natural resources that prevented the country from achieving a higher degree of developmental success, but the lack of good and efficient public administration. Without reforming the civil service, which is the mechanism for implementing government policy, political reform that aims to enhance the country's development success, to protect the right of citizenry, to increase the quality of people's lives and to raise our country's competitiveness internationally cannot not be achieved.<sup>38</sup>

Chavalit personally identified himself with civil service reform. His enthusiasm for the issue and desire to be involved in the policy and management of the Civil Service was due to his legacy as an army modernizer, and pressure from the country's deteriorating economy. Chavalit's reform legacy was evident from his attempt to downsize the army in 1986-7 when he served as Army chief and supreme commander of the Thai military. His reform programme was a response to cuts in the military budget by the government. According to Chavalit, "The army must be small, efficient and ready for combat. Undertaking an army modernisation programme amid scarce resources was difficult. Many systems within the army related to the management of military personnel, weaponry and

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<sup>38</sup> Chavalit, Civil Service Reform Manifesto, 1996.

technology had to be simultaneously improved.”<sup>39</sup> As far as army downsizing was concerned, “The reduction of the army workforce was particularly painful. Nevertheless, I had to bear this pain myself and it [downsizing programme] should not be passed to my successors. Otherwise, the modernisation policy would not have been successful.<sup>40</sup>

Reform of the civil service was considered essential by the Chavalit government as a severe economic crisis loomed. When it took office in mid November 1996, the country’s major macroeconomic indicators were falling: the stock exchange index fell by nearly a quarter, imports fell by ten per cent, and business confidence fell as manufacturing output and private consumption rates declined. In addition the Baht came under pressure from speculators.<sup>41</sup> In these difficult and worsening economic circumstances civil service reform became a crucial issue on the government’s agenda. Downsizing and streamlining the civil service would make an important contribution to fiscal policy by reducing government expenditure. These areas were the responsibility of the new finance minister, Amnuay Virawan, a member of the Banharn government and deputy prime minister responsible for civil service reform.

#### 6.2.1 Visioning the civil service workforce

Immediately after assuming office in November 1996 Chavalit appointed himself chairman of the Civil Service Commission (CSC). He was keen to be at the helm of the CSC, the central civil service policy-making mechanism, as he shared the assumption of most of his predecessors that leading the CSC would ensure the prime minister’s control over the appointment of senior bureaucrats. Chavalit’s enthusiasm for civil service reform was seen by the OCSC as a green light for putting forward civil service reform plans and improvement measures. The OCSC promptly suggested that a new Civil Service Reform Committee (CSRC) should be appointed to implement *The New Aspiration for Civil Service Reform*. On 9 January 1997, one and a half months after becoming prime minister, Chavalit appointed a new CSRC with himself as the chairman.<sup>42</sup> The new CSRC was “to develop the strategies and measures to improve the civil service and advise the Prime Minister on civil

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<sup>39</sup> Work and Life of General Chavalit Yongchaiyooth, Pap-pim Publications 1997

<sup>40</sup> Ibid.

<sup>41</sup> See chapter 2.

<sup>42</sup> Prime Ministerial Order 12/2540: 9 January 1997.

service related matters".<sup>43</sup> Pokin Balakhul, a minister in the Prime Minister's Office who held the same office in Banharn's government and was deputy chairman of the previous CSRC, was re-appointed deputy chair. The OCSC appointed one of its deputy secretary-generals, Suparat Chotikayarn, to service the new CSRC.

In late January 1997 the CSRC established three principal sub-committees to discuss civil service reform. They were designed by the OCSC to consider three important related issues to set the course of civil service reform toward a leaner and more efficient Civil Service. These issues were reorganising and restructuring the civil service management system, improving public personnel management, and developing information technology and management information systems. Minister Pokin was appointed to chair the committee on the reorganisation and restructuring the civil service, a difficult and controversial issue, which normally involved legislative change. The OCSC's secretary general led the sub-committee on improving public personnel management, its own jurisdiction. Another minister in the Prime Minister's Office, Surasak Nananukul was in charge of the subcommittee on developing information technology. In addition, a fourth sub committee was established to ensure progress by monitoring and evaluating civil service reform initiatives. The appointment of a former chief of the OCSC as its chairman safeguarded the OCSC's interests.<sup>44</sup> A fifth subcommittee on public relations to mobilise public support for the reform programme was also set up chaired by the head of the government's Public Relations Department. The working structure and the functioning of the CSRC were designed and controlled by the OCSC.

The CSRC spent the first half of 1997 working towards the development of its proposal. Having seen the failure of previous reform attempts, the OCSC shifted its reform focus from a piecemeal and uncoordinated approach to a comprehensive one. The master plan, therefore, was intended to overhaul the whole system of the Civil Service as well as public enterprises. The CSRC attacked the administrative philosophy characterised by centralised administrative authorities and expansion of administrative and monopolistic power bases that had governed the Civil Service for more than a century.<sup>45</sup> It claimed that "Such a governing philosophy created administrative problems that prevented government

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<sup>43</sup> Ibid.

<sup>44</sup> He had been transferred by Anand's administration. See Chapter 4.

<sup>45</sup> Problem Statement, Master Plan for Reforming the Public Sector 1997-200, CSRC.

after government from delivering better public services. These problems were specifically related to the obesity of the Civil Service, manpower empire-building and the complexity of rules and regulations".<sup>46</sup>

The CSRC completed its proposal, the 'Master Plan for Reforming the Public Sector (1997-2001)' within six months. It was drawn up by a small group of public administration academics, who were appointed technical advisors to the CSRC, and senior officials from the OCSC who worked quickly and effectively together.<sup>47</sup> The plan was for the medium-term and built upon two important reform strategies, redefining and downsizing public organisations and improving civil service work systems and procedures. The plan also identified twenty-two methods for achieving these strategies within a time frame of one to five years. Before submitting its plan to the cabinet, the CSRC requested its secretariat to organise public hearings to gather opinion from civil servants, the private sector, academics and media and public opinion. Seven public hearings were then held in Bangkok and the provinces with selected groups of civil servants, local officials and the business community. The OCSC and the authors of the master plan organised the public hearings, which were new to the Thai context.

The 'Master Plan for Reforming the Public Sector' was submitted to the cabinet in early June and approved at its meeting on 17 June 1997. Cabinet approval was given because "it would lead to the downsizing of public organisations by improving the efficiency of government personnel and introducing information technology to improve the civil service work system".<sup>48</sup> In this regard, the cabinet agreed with the targets proposed by CSRC that "government personnel will be reduced by ten percent within five years (1997-2001) and by twenty percent within ten years. Simultaneously, the retirement system must be made more flexible to simplify the employment termination process".<sup>49</sup> To control the structural diversification of government departments and units, the cabinet agreed that "central government should only perform core policy functions and decentralise service delivery functions to local authorities or privatised or outsource them to the private sector. This would

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<sup>46</sup> Ibid.

<sup>47</sup> These included Professor Voradech Chandrasorn, Professor Supachai Yavaprabhas, Charnchai Sawangsak, Suparat Chotikayan and Vanida Nuanboonruang.

<sup>48</sup> Cabinet Resolution, 17 June 1997.

<sup>49</sup> Ibid.

make central government leaner and more strategically focused".<sup>50</sup> Thus, by June 1997, the Chavalit government had managed to form a new vision for civil service manpower policy as well as announce a target for staff reduction, the first of its kind in the modern democratic history of the Thai Civil Service.

### 6.2.2 Continuing Head counting Practices

In early January 1997, soon after the Chavalit government had established the CSRC to serve as the national committee responsible for public sector reform, the OCSC proposed that the Civil Service Manpower Policy Committee (CSMPC), which had previously dealt with controlling civil service growth, should be re-appointed. Chavalit agreed and appointed Sookwit Rangsitpol, one of his deputy prime ministers and education minister, to lead it. Sookwit had previously been chief executive of a multinational oil company before accepting Chavalit's invitation to become secretary general of the New Aspiration Party. His experience in the private sector made him familiar with efficiency improvement techniques including downsizing. Most members of the CSMPC and its sub-committees remained largely unchanged. Representatives from the OCSC, the BOB, the CGD and the NESDB again served as joint secretaries.

The appointment of Sookwit as chairman of the new CSMPC ensured that issue of controlling civil service growth and specifically the approval of manpower requests for personnel increases gained the direct attention from Chavalit's government. His commitment to the issue was demonstrated at the first meeting he chaired on 31 January 1997 when he was accompanied by a deputy finance minister. The presence of two senior politicians at the meeting, including one from the Finance Ministry signalled how important the government considered downsizing. Sookwit requested that, to monitor the progress of the CSMPC, two meetings a week should be held. Having heard that in the past the CSMPC's methods of controlling increases in government manpower had often led to rows between ministers, senior bureaucrats and the committee, he suggested that the CSMPC should be more policy oriented, as it was originally intended to be. As he put it, "The CSMPC has the role and authority to determine the size of the civil service by setting targets for controlling the government workforce. So far, it has not properly performed its policy

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<sup>50</sup> Ibid.

role of workforce planning. Its work has largely been routine".<sup>51</sup> Sookwit described the new role of the CSMPC as "making big picture policies that would lead to a reduction in the size of the Civil Service. Such policies involved improving work processes, outsourcing and contracting out public services, redeployment of the workforce, and developing information technology for the civil service".<sup>52</sup>

Sookwit's agenda for the CSMPC was similar to that of the CSRC as he believed that the missions of the two committees were closely related. At a meeting on 18 March 1997, he suggested that the CSMPC should work hand in hand with the CSRC to improve the management of line departments, which he described as "riddled with lack of co-ordination resulting from their traditional vertical management structures, division of labour and specialisation".<sup>53</sup> According to Sookwit, the result of such problems was that "no one knows or cares about accomplishing the overall goals and policies of their ministry, no mission priority is set, there is no clear responsibility and accountability because of a culture of buck passing; decisions are left unmade or delayed because insufficient information is available."<sup>54</sup> Sookwit also made a plea for co-operation between civil servants and members of the CSMPC: "Politicians try to solve a lot of problems including such important issues as education reform and of course civil service reform. But our term in office is short and limited. Civil servants must co-operate and help politicians to deliver reform successfully. I want to emphasise the importance of horizontal management, which is addressed in the Prime Minister's *New Aspiration for Civil Service Reform*".<sup>55</sup>

However, during Chavalit's year-long administration, between November 1996 and November 1997, the CSMPC met only five times, far less than Sookwit had wanted because of his busy schedule. Despite Sookwit's wish that the committee should become a policy machine, much of the CSMPC's work remained routine, concerned with approving requests for manpower increases from line ministries and departments. The CSMPC continued to 'headcount' as personnel requests kept being made. Most requests were from the Ministry of Education where Sookwit himself was political master as minister. The ministry requested a substantial increase in the number of teachers, claiming that this was in line with government

<sup>51</sup> Minutes of CSMPC meeting, 31 January 1997.

<sup>52</sup> Ibid.

<sup>53</sup> Minutes of CSMPC meeting, 18 March 1997.

<sup>54</sup> Ibid.

policy to expand free education to nine years, which required new secondary schools and the employment of many thousands more teachers. However, the CSMPC only approved some requests arguing that the ratio of teachers and students adopted by the Ministry of Education was unrealistic.<sup>56</sup> The CSMPC argued that “Teaching in Thai schools focused on lecturing rather than tutoring. If the ratio between teachers and students was increased, there would be enough teachers even though schooling years had increased”.<sup>57</sup> It turned down many requests, only approving 890 more teachers in 1997, far fewer than the 4000 originally requested by the Ministry of Education. Despite this, the CSMPC’s secretaries were disappointed and blamed Sookwit for not being committed to downsizing.<sup>58</sup>

Sookwit, of course, disagreed with the partial approval of manpower requests, arguing that ministries and departments would not be able to accomplish their missions if only a portion of their requests were approved. Frustration with the way the CSMPC approval process worked led him to suggest the imposition of a new method to control civil service manpower increases in April 1997.

Decisions to increase departments’ staff should be made by line departments within their gross budget frameworks approved by the cabinet on the advice of the BOB. They should make decisions on how much of their budget they want to spend on personnel. The CSMPC should not interfere with numbers of staff they wanted to employ. The job of the CSMPC was to provide a broad manpower framework for individual ministries and departments. The benefit of this approach, would be an increase in participation by ministries and departments in civil service manpower policy.”<sup>59</sup>

Sookwit’s suggestion required legislative change and was, as a result, not implemented. At the same time, the government was forced to attend to the more serious issue of economic crisis, which required spending cuts and retrenchment. The CSMPC’s

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<sup>55</sup> Ibid.

<sup>56</sup> The requests based their calculation on a teacher-students ratio of 1:10. If the ratio increased to 1:50, there would be no teacher shortage.

<sup>57</sup> Minutes of CSMPC meeting, 28 April 1997.

<sup>58</sup> Interview, Laddawan Tantithavarangkura, CSMPC secretariat.

<sup>59</sup> Minutes of CSMPC meeting, 28 April 1997.

main function remained approving requests for manpower increases and it continued its strict 'head counting' practices.

### 6.3 Crisis Driven Downsizing: Cutting Personnel Expenditure

The government's civil service reform and downsizing policies operated in the context of the country's worsening economic situation. At the beginning of February 1997, as the CSRC started working on its Master Plan for Public Sector Reform, there was renewed speculation against the Baht and Thailand's international debt rating was downgraded. In March and April the government was forced to introduce a package of measures to shore up banks and finance companies. During the summer of 1997 the economic crisis worsened significantly. By the end of May foreign currency reserves had fallen by a record US\$ 4 billion, in June the finance minister resigned and by the end of July the Baht had depreciated by 20 per cent. Facing an economic crisis it could not longer manage, on 5 August 1997 Chavalit's government agreed to seek assistance from the International Monetary Fund. On 11 August 1997 the Thai government and the IMF reached agreement on a rescue package.

Though the economic crisis placed huge pressure on the government it reinforced the downsizing and streamlining policies the central co-ordinating agencies had been advocating for long time. The IMF's rescue package prescribed a stringent fiscal policy to reduce expenditure, which had important implications for civil service management. It required urgent streamlining of the Civil Service and cutting public expenditure. The package called for a fiscal surplus of one per cent of GDP to meet the anticipated costs of financial sector restructuring. To achieve this the government needed to raise revenues equivalent to 2.8 per cent of GDP. As well as cutting expenditure, the IMF suggested the surplus could come from increasing value-added tax from seven per cent to ten per cent.

The BOB moved quickly to cut government expenditure. On 19 August 1997, a week after reaching agreement with the IMF, Chavalit's cabinet approved its proposal to slash 59 billion Baht from its public expenditure for the fiscal year 1998, reducing the budget from 982 billion Baht to 923 billion. The OCSC was required to co-operate with the Ministry of Finance and the BOB to formulate a plan to improve the Civil Service by increasing efficiency and downsizing, increasing productivity by motivating personnel with improved incentives and preventing political interference in the management of the civil

service.<sup>60</sup> The BOB also proposed a series of further budget cuts on 14 October 1997 to bring down public expenditure for the fiscal year 1998 by another 100 billion Baht.

In addition to proposals to scrap infrastructure projects that were not strictly in line with the NESDB Plan for 1997-2001, to cancel any projects and activities whose aims and objectives were not congruent with the present needs and situations, and to discontinue projects and activities that required foreign currency, the BOB also recommended measures to downsize the Civil Service. These measures included the decentralisation of functions to local authorities, the privatisation of some services better managed by the private sector, the abolition of peripheral functions and refocusing the core government businesses. Another BOB policy recommendation was to prevent or delay the establishment of new administrative units in the civil service and government public enterprises involved the jurisdiction of the OCSC.<sup>61</sup> Slashing public expenditure in general and personnel costs in particular created greater reform awareness among civil servants and government personnel.

By the end of 1997 there was widespread public discontent at the inability of Chavalit's government to tackle the country's economic problems. The loss of public confidence came mainly from Chavalit's inability to manage his coalition partners and impose strict financial discipline on the economy. The diversity of interests of the parties in his coalition prevented the adoption of far-reaching and effective reforms to alleviate the crisis. After eleven months in office and six months of political and economic turbulence, Chavalit resigned. His resignation came while parliament was still revising the constitution and the country faced the prospect of an interim prime minister until 1998 when elections could be held under the new constitution. However, Chaun Leekpai, the opposition leader and head of the Democrat Party and prime minister from 1992 to 1995 managed to forge a new coalition government with a parliamentary majority and assumed his second term as premier in November 1997.

Civil service reform gained an immediate place on the Chavalit government's agenda because it was already part of the ruling New Aspiration Party's election manifesto. This focused on civil service efficiency reform in order to make the Civil Service a better mechanism for implementing government policy, especially development policy. Alongside this downsizing continued through the routine control of requests for manpower. The 1997

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<sup>60</sup> Memo from Finance Minister to Prime Minister, 19 August 1997.

economic crisis gave downsizing much greater urgency; substantial budget cuts required significant downsizing. The result was an OCSC formulated 'Master Plan' to streamline and downsize the Civil Service which set ambitious targets, a ten per cent personnel reduction in five years and a twenty per cent reduction in ten years.

## 6.4 Conclusion: The Dynamics of Civil Service Policy Making

This chapter provides a narrative of continuity and change in the civil service downsizing policy adopted by two governments of Thailand between 1995 and 1997, the period that led up to the Asian financial crisis of 1997. The continuity of civil service policy in this period is characterised by the adoption of Chuan's *Measure to Control the Size of the Civil Service* by the Banharn and Chavalit governments. The introduction of new issues, improving service quality to citizens by Banharn's government, and the formulation of the Master Plan for Reforming Public Sector in which the ambitious target for streamlining the Civil Service by Chavalit's government, represent change in civil service policy. This section provides explanations for civil service policy change by looking at the components of the reform processes namely agenda setting, alternative specification and decision-making. The following sections elaborate on how the institutional and contextual factors affected these processes leading to the trajectories and outcomes of civil service policy making in both periods.

### 6.4.1 Agenda Setting

Civil service reform on Banharn's government policy agenda involved two competing issues 'downsizing' and 'improving service quality for citizens'. The latter gained more political attention from the government than the former. Hence its status was higher than downsizing, which remained on the specialised agenda of civil service policy-making agencies. The emergence of the two reform issues on Banharn's government agenda can be seen as the combined influence of the structure within which these issues were originated and processed, and the dynamics of the political and economic situations, as well as the legacy of the prime ministers themselves.

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<sup>61</sup> BOB Cabinet Submission 13 October 1997.

The inclusion of two competing civil service reform issues on the Banharn government's agenda was the result of two processes of issue formulation each in different institutional venues. The civil service policy-making agencies, led by the OCSC, the BOB and the CGD, maintained the issue of controlling the size of the Civil Service inherited from Chaun's government. The salience of this issue and its 'negative impact' on the way in which ministers and senior bureaucrats in line ministries and departments managed their own manpower attracted the attention of government politicians including prime minister Banharn. As a result, the downsizing issue inadvertently gained government attention because it wanted to respond to complaints about the process of approving the employment of new personnel, a major hurdle imposed by the downsizing policy. Despite its salience, the status of the downsizing issue was not seen as high by the government because Chart Thai Party led government in general, and Banharn, himself had a legacy of expansion of public services. In this sense, Banharn's government legacy of service expansion constrained the progress of the downsizing issue.

During the Banharn period, the more strategic issue of improving and delivering better quality services to citizens gained considerable attention from the government. As it became the priority of his government's civil service reform effort, its issue status was high. The issue was strategically important to the government mainly because of the imperative for political and constitutional reform, which was an election promise of the ruling Chart Thai Party. The issue was seen as part of and instrumental in achieving some political reform aims particularly the constitutional right of citizens to receive quality services from the state. The issue, which dominated Banharn's policy agenda, was fostered and processed by the PMSO, a political agency in the bureaucracy through the ISQC. In this sense, the PMSO was the certified reformer of Banharn's government.

In the Chavalit period, the civil service policy making agencies became active again as it control the Civil Service reform agenda on the government's policy space. Like Banharn, Chavalit had a policy legacy, which affected which issues reached the government agenda. In Chavalit's case the legacy was his role as a strong advocate of army modernisation and downsizing champion. This allowed the OCSC and its allied central co-ordinating agencies to elevate the status of efficiency reform and downsizing the Civil Service on Chavalit's government agenda. The narrative evidence for its high issue status can be seen in the

formulation of the Master Plan for Reforming Public Sector and the ambitious target for reducing the number of Civil Service personnel.

It can be concluded at this stage that the political attention and the resultant status of the downsizing issue in both Banharn and Chavalit period was shaped largely by the development of political and economic contexts in the mid 1990s. The context-in-motions, political developments during the Banharn period and the economic crisis during Chavalit's, shaped the way political attention was allocated to and the progress of the downsizing issue. Under Banharn the political demand for constitutional reform limited the government's attention to the downsizing issue. Under Chavalit the deteriorating economy enabled the issue of downsizing and streamlining to progress quickly. The 1997 economic crisis contributed to the pace and depth of downsizing policy as indicated by many studies on the literature of crisis-driven and conditionality related civil service reform. This point will be illustrated more fully in the next chapter.

#### 6.4.2 Alternative Specification and Decision Making

Like the earlier episodes in this thesis, reform alternatives were associated with issue definitions. Specifying reform alternatives during the Banharn period was characterised by the process of accommodating reform alternatives in the government reform programme. The coexistence of both downsizing and improving service quality for citizens involved strategic action by a leading bureaucratic reformer, the OCSC. As the narrative shows, the OCSC's attempted to link the issues of downsizing and improving service quality together in the hope that the latter would be brought under the umbrella of the downsizing policy. The OCSC claimed that improving and delivering service quality to citizens required improved efficiency within government departments and ministries. The two issues could be processed within the same institutional venue, the CSRC. However, the issue of improving service quality would be difficult to realise if the bureaucratically controlled CSRC was the only certified reformer.

The structure of the institutional venues where reform issues were processed affected the pace and rate at which the reform alternatives, in this case, reform proposals, were developed. The Banharn government's decision to set up the ISQC not only secured the strategically and constitutionally important issue of service delivery, but also helped speed up the pace of formulating the Proposal on 'Improving Service Quality to Citizen,

which was completed by within two months of the ISQC's creation. The dynamic of alternative specification process was due mainly to the structure of the ISQC, which was composed of the government's men and enjoyed strong political support.

Developing civil service reform proposals in the CSRC and implementing manpower control measures in the CSMPC, most of whose members were senior bureaucrats from central co-ordinating agencies, took place at a slower pace and involved dialogue with and pressure from cabinet ministers and their senior bureaucrats in line ministries and departments. The adoption of Measures to Control the Size of the Civil Service involved a dialogue between bureaucratic reformers and government politicians which led to the politicisation of the manpower management process, as seen in the attendance of prime minister Banharn at a CSMPC meeting. The decision to adopt downsizing measures by the Banharn government was also constrained by political pressure. As a result, the OCSC, the BOB, the CGD and the NESDB had to convince both the government and line ministries and department to accept the measures. This effort included the strategic use of policy dialogue through the 1996 national conference on civil service manpower policy. Both the government and the CSMPC utilised the conference to justify their actions. The national conference therefore represented symbolic action by both parties in the reform process to 'mobilise support' for their own policy stance.

During the Chavalit period, the process dynamic of specifying reform alternatives with regard to downsizing advanced at a quicker pace with fewer constraints. The civil service policy-making agencies were given more autonomy by the Chavalit government than the Banharn government. The CSRC and the CSMPC, which can be seen as the puppets of the central co-ordinating agencies, were able to consolidate their authority over downsizing policy. The issue of downsizing, which was not contested, emerged and secured high status on the government policy agenda. Certified by the government, the OCSC and other central co-ordinating agencies were encouraged to pursue measures to control civil service growth as their roles were effectively invoked. The invocation of role expectation, which led to the intensity of reform effort, not only acted as an enabling factor for progressing the downsizing issue, but also facilitated the emergence of a new vision for manpower policy and a more stringent target for staff reductions. This was the first time in modern Thai administrative history that staff reduction targets were publicly announced.

Another dimension of the institutional venues that constrained and facilitated the process dynamics of adopting reform alternatives in both the Banharn and Chavalit period was their common membership. As shown in the narrative, there was common membership of politicians and representatives of central government agencies, including the OCSC, the BOB, on civil service reform related committees, the CSR, the CSMPC and the ISQC. This allowed the downsizing issue to be addressed in different venues and hence increased the possibility of government action.

Another constraint within the process of adopting reform alternatives is whether the political heads of related reform committees belonged to the leading party of the government coalition. During the Banharn period, the CSMPC was controlled by deputy prime minister Amnuay, who was member of a junior party in the governing coalition rather than Banharn's Chart Thai Party. Such a structure, on the one hand, attracted half-hearted support from the prime minister whose predisposition was against staff reduction. On the other hand, the structure of the CSMPC helped sustain the strict application of the criteria for approving requests for increasing manpower from line ministries and departments. The structure provided a buffer that could reject some requests from government politicians. In contrast, although the CSMPC during the Chavalit period was controlled by a deputy prime minister from Chavalit's own party and enjoyed government support, its work was not effective. Its head, Sookwit, faced a conflict of interest when processing applications for personnel increases from line ministries. As chair of the CSMPC he sought to apply strict criteria to limit increases but as minister of education he made requests for large increases in manpower, which his committee then approved. As a result, downsizing in this period was dubbed insincere by the central co-ordinating agencies.

This chapter provides narrative explanations for continuity and change in civil service policy during two short-lived governments between 1995 and 1997. Such change and stability was characterised by both coexistence and competition between the issues of controlling the size of the Civil Service and improving service quality to citizens as well as the imposition of more stringent measures to curb the size of the Civil Service. It highlights the impact of the dynamic contexts of political and economic development on the emergence of reform issues on the Banharn and Chavalit government agendas. The chapter also provides explanations for the different paces in developing and adopting reform proposals in the two periods by accounting for the combined impact of the structure of

institutional venues where the alternative specification took place, and the legacies of the governments and their political leaders.

## Chapter 7

### Turning a crisis into an opportunity: Accelerating downsizing 1997-1999:

#### Overview

This chapter provides an account of the downsizing effort of Chaun's second administration from the onset of Asian economic crisis in mid 1997 and forms the closing episode in the downsizing experience of the Thai civil service. This period saw continuity in downsizing policy, which was reinforced by subsequent streamlining measures introduced between 1998 and 1999, but also significant change in policy effectiveness. Downsizing measures were more stringently applied than in previous periods and included the abolition of retirement vacancies and the launch of a voluntary early retirement programme. The former compelled line ministries and departments to delete up to eighty per cent of vacancies. The latter helped the government to reduce the civil service by 20,000. For the first time in its modern Thai administrative history, the size of the civil service fell.

It seeks to examine how the context of the economic crisis affected the process of downsizing and its outcome. It traces how the crisis provided an opportunity for downsizing and civil service reform in terms of the effectiveness of downsizing policy and the institutionalisation of the reform effort. The chapter also examines how the economic crisis also provided an opportunity for the central co-ordinating agencies to institutionalise the process of civil service reform through the creation of a permanent office of civil service reform and how they were able to consolidate their power and build their capacity to make and manage civil service reform.

#### 7.1 Crisis Driven Civil Service Reform

Chaun's second administration (1997-2001) emerged from the political and economic crisis that brought down the Chavalit government in November 1997. Chaun, leader of the opposition and head of the Democrat Party, the second largest party in parliament, managed to put together a new coalition and avoid calling new elections. The new government gave civil service reform a high priority on its agenda in order to meet the political and economic demands it faced. It was part of the government's response to the severity of the economic

crisis facing the country but also contributed to the need for improvements in governance required by the new 1997 constitution. Chaun set out his aims in a policy statement to parliament on 20 November 1997. This primarily called for co-operation by all parties in the country, public, private and civic, to tackle the economic crisis which had caused widespread social problems and falling living standards. His administrative policy addressed the government's constitutional requirement to protect citizens' rights and freedoms and to carry out justice in an efficient and equitable manner.

Chaun's administrative policy invited the public to participate in the management and delivery of public services. In his policy statement to parliament he announced that "public sector organisations and state enterprises would be more open to public participation and administrative authorities and responsibilities would be decentralised to local communities".<sup>1</sup> The government would also reform the Civil Service and public enterprises and transform them into an open system. The statement went on to say that the public would be encouraged to participate in the management of government businesses.

Chaun also promised to remove structural and procedural rules that prevented the effective delivery of public services. In this regard, the complicated rules and regulations and the uncoordinated, fragmented and overlapping jurisdictions of public sector organisations that restricted the ability of the Civil Service to carry out government policies would be reformed. Chaun specifically proposed to expedite the restructuring of legal frameworks and work processes to increase the Civil Service's capacity to deliver public services to citizens in an efficient and fair manner. Unnecessary procedures would be eliminated.

Incorporated within Chaun's administrative policy statement were proposals to redefine the role of the state. He announced that his government would "reduce state involvement in various public enterprises and encourage the partial or complete privatisation of such enterprises in a systematic and tangible manner".<sup>2</sup> Such a policy would serve the government goals of upgrading the efficiency of public service, reducing the burden of state investment and refraining from being monopolistic in the economy<sup>3</sup>. Chaun also wanted to transform the Civil Service into a high performance organisation emphasizing results, quality,

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<sup>1</sup> Chaun Policy Statement to parliament 20 November 1997.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

honesty, integrity, public mindedness and neutrality in the performance of its duties".<sup>4</sup> He promised to introduce a blueprint for high quality personnel development in the Civil Service and boost the morale of civil servants.

As the demand for remedying the ailing economy was pressing, Chaun's administration focused on implementing policies inherited from Chavalit's government. Most of these had been developed in response to the IMF's loan conditions. In terms of administrative policy, Chaun uncritically adopted the reform measures that had been introduced by the Chavalit government. On the recommendation of the OCSC, on 9 December 1997, Chaun reinstated the Civil Service Reform Committee (CSRC), though he replaced its political leadership and appointed a new deputy prime minister, Pichai Rattakul, chairman of the Democrat Party, as its head. A minister in the Prime Minsiter's Office, Abhisit Vejjajiva, was appointed a deputy chair. The direction of civil service reform was shaped by the OCSC, which drafted the prime ministerial order requiring the new CSRC draw up proposals "to recommend to the cabinet to redefine the state's roles and duties in line with the goals of the country's development".<sup>5</sup>

Chaun requested the CSRC to suggest "a programme to restructure and improve work processes and administrative procedures of public organisations".<sup>6</sup> His Prime Ministerial Order on 9 December 1997 instructed members of the CSRC to develop a *Master Plan for Reforming the Civil Service*, and oversee its implementation in line departments and ministries. The CSRC's other responsibilities included monitoring and evaluating of the implementation of the master plan, reporting problems and making policy recommendations to improve the effectiveness of the policy. As the previous CSRC had recently completed its *Master Plan for Reforming the Civil Service*, Chaun's CSRC did not waste time developing a new one, but adopted the existing one. As Minister Abhisit recalled, "When I attended the CSRC as a deputy chair, we already had the *Master Plan for Reforming the Civil Service* that had been developed by the committee during Chavalit's government. We did not formulate the plan but focused on its execution."<sup>7</sup> He went on, "The adoption of the master plan was urgent and the government would spend time implementing till it achieved the intended results".<sup>8</sup>

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<sup>4</sup> Ibid.

<sup>5</sup> Prime Ministerial Order 384/2540, 9 December 1997.

<sup>6</sup> Ibid.

<sup>7</sup> Vejjakiva (2003)

<sup>8</sup> Personal communication, Abhisit.

During the first half of 1998 the CSRC worked on a limited range of interrelated areas of reform which it considered the most important: the redefinition of the role of public sector, the restructuring of government administrative units, downsizing and improving the efficiency of the Civil Service, and the decentralisation of administrative powers to local authorities. Though it did not give much attention to other important issues such as privatisation, in May 1998 it drew up a modest outsourcing programme. The proposal required "all government agencies to report their outsourcing activities as well as the problems they faced to the CRSC within three months" and encouraged them to expedite outsourcing their tasks.<sup>9</sup> Outsourcing was intended to remove the 'permanent employees' employed by most government agencies to do their clerical and manual jobs. The proposal was submitted to the cabinet and approved on 26 May 1998. The cabinet also requested that the CSRC, the BOB and Ministry of Finance to look into possibility of outsourcing other tasks in addition to cleaning, driving, gardening, security guard and other seasonal jobs and activities, which so far had not been achieved. It was convinced that outsourcing was a way to reduce the size of the Civil Service because after outsourcing, significant numbers of permanent employees could be made redundant. To achieve this, the cabinet agreed with the CSRC that incentives and budget compensation should be granted to those ministries and departments that voluntarily reduced their staff.

The CSRC concentrated its efforts on restructuring the Civil Service, which included making decisions on proposals to create or diversify government administrative units. On 18 August 1998 the CSRC convinced the cabinet that the "internal restructuring of ministries and departments could be only allowed if it did not lead to increases in staff and public personnel costs or the creation of new positions".<sup>10</sup> As with other CSRC proposals this was submitted to cabinet and formally adopted. Theerayuth Lorlertrat, the OCSC deputy secretary general who served as secretary of the CSRC, summed up its achievement, "we have convinced the cabinet that the proliferation of twenty districts and sub-districts per year, which had become the norm in the Civil Service, must be stopped." To avoid the creation of new bureaucratic organisations, the CSRC paved the way for establishing 'executive agency' style of public organisations, which would be more autonomous and not bound by Civil Service rules and regulations.

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<sup>9</sup> Cabinet Resolution, 26 May 1998.

<sup>10</sup> Cabinet Resolution, 18 August 1998.

Unlike most of previous reform committees, the CSRC opened itself to public participation by organising public hearings during August 1998. The aim of these public hearings was “to gather opinions and recommendations on Civil Service reform, its reform strategies and critical success factors that would contribute to their successful implementation”.<sup>11</sup> Five target groups, senior civil servants, politicians, experts and academics, representatives from the private sector, and the media, were invited to attend. The CSRC used the *Master Plan for Reforming the Civil Service* as the basis for discussion. Most discussion focused on the issues of redefinition of the state’s role, efficiency improvement, downsizing, privatisation and the political commitment of the government.<sup>12</sup> As discussion was largely confined to the *Master Plan for Reforming the Civil Service*, most participants were led by the CSRC to agree with its reform plan adding only minor recommendations to improve it. According to an OCSC’s official who observed the hearings, “These public hearings were used to promote the work of the CSRC”.<sup>13</sup>

The economic crisis provided an opportunity for the CSRC together with its main sponsor the OCSC to introduce two new ideas for reforming the civil service: good governance and the New Public Management approach to civil service reform. On 11 May 1999 the OCSC proposed to the cabinet that all government departments and agencies should adopt its *Framework for Good Governance System* to improve their management and operations. According to an OCSC official,

The framework was modelled on the concept of best practice which has been toyed with by the academic and business communities. We believed that a good governance system should be developed and integrated into the management of business and government. The economic crisis might have been less severe if we had more good governance. Introducing the idea of good governance to public sector management would be a nice gesture in our civil service reform effort.<sup>14</sup>

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<sup>11</sup> Public Hearings Report on Civil Service Reform, OCSC, August 1998.

<sup>12</sup> Ibid.

<sup>13</sup> Interview, anonymous OCSC official.

<sup>14</sup> Interview, Chalerm Sripahdoong, OCSC.

To implement the Good Governance Framework in the Civil Service, the CSRC requested line ministries and departments to assess, plan and report on their management and operations using its “good governance criteria”. These included the rule of law, transparency, participation, accountability and value for money.<sup>15</sup> The cabinet accepted the proposal which was issued and implemented as the Prime Minister’s Office Regulation on Good Governance.

At the same cabinet meeting, on 11 May 1999, the cabinet also approved the *Public Sector Management Reform Plan* proposed by the CSRC. The plan introduced fundamental and comprehensive changes, which aimed to overhaul the whole operation of the Civil Service. According to the CSRC, its reform effort was “to gear the civil service management towards New Public Management characterised by performance orientation, measurable outputs and outcomes, transparency, accountability, flexibility and responsiveness”.<sup>16</sup> Unlike the *Master Plan for Reforming the Civil Service*, the *Public Sector Management Reform Plan* focused on the operations and processes of management in the Civil Service, dealing with its structure, process, budget and finance and personnel. It specified five areas of reform, reform of the role of the state and public sector management systems and procedures, budgetary, financial and procurement reform, public personnel reform, legal reform and civil service culture and values.<sup>17</sup>

The *Public Sector Management Reform Plan*, which was designed to contribute to the fulfilment of the conditions in the IMF’s loan agreement, required financial assistance to be realised. Minister Abhisit, the vice chairman of the CSRC accepted that,

We are faced with the problem that we do not have at this time of economic crisis the kind of resources to run [reform] schemes like buying out and paying compensation for those reforms. But we are hoping to overcome that by working closely with the World Bank to obtain a Public Sector Reform Loan Programme with policy conditions set...<sup>18</sup>

<sup>15</sup> Cabinet Resolution, 11 May 1999.

<sup>16</sup> CSRC, Public Sector Management Reform Plan.

<sup>17</sup> Ibid.

<sup>18</sup> Abhisit, address to Global Forum on Reinventing Government, 14 January 1999.

As Abhisit expected, the Ministry of Finance was successful in negotiating with the World Bank. The Thai government was granted a Public Sector Reform Loan of \$US 400m. A condition of the loan was that the government was required to submit a Letter of Development Policy, providing the government's vision for institutional change. The deal was agreed on 20 June 1999. The loan agreement encompassed five related reform areas that were already underway including poverty-based budgeting, public expenditure management, civil service administration, tax administration and fiscal decentralisation.

The CSRC made the restructuring of human resources management its main priority in civil service administration. Its programme included the modernisation of the roles and organisational structure and processes of line ministries and departments, the development modern performance-based human resource management systems for the Civil Service, the development of a well motivated, politically neutral, cross-governmental senior cadre to lead a Civil Service renewal programme, and the development a regulatory framework for autonomous public organisations.

By the summer of 1999 extensive civil service reform was underway in Thailand with two major reform plans drawn up and being implemented. The reform process was closely monitored because a progress report was required by the World Bank as a condition for its Public Sector Reform Loan Programme. In this period of effective and more far reaching reform the CSRC in conjunction with the OCSC and Ministry of Finance played the leading roles.

A combination of economic and political pressures put civil service reform high on the agenda of Chaun's second government. The severity of the 1997 economic crisis made the issue urgent and reform was a condition of the IMF loan. In addition the new 1997 Constitution required improvements in governance. A new CSRC worked quickly and in six months had drawn up a Public Sector Management Reform Plan to make the Civil Service more efficient. At the same time the OCSC used the economic crisis to convince the government to adopt its Framework for Good Governance using 'good governance criteria'.

## 7.2 Crisis Driven Downsizing

The Asian economic crisis was the driving force behind a series of downsizing policies introduced by Chaun's government between 1997 and 1999. They comprised three measures:

streamlining public personnel expenditure, controlling the growth of positions in the Civil Service, and the introduction of an early retirement programme. Each measure entailed specific changes in rules and regulations and targets regarding public personnel management practices. As the scope of the issue of civil service downsizing was extended from the usual head counting to include public personnel cost cutting, the issue was then dealt with and processed in by many bodies, the Civil Service Commission [CSC], the Civil Service Reform Committee [CSRC], the Civil Service Manpower Policy Committee [CSMPC], and individual central co-ordinating agencies with personnel and budget related jurisdictions.

### **7.2.1 Streamlining Public Personnel Expenditure**

Chaun's government regarded the issue of streamlining as part of the government's downsizing effort, which was part of the economic renewal programme agreed with the IMF. The loan agreement stipulated that the government should adopt a budget surplus equivalent to one per cent of GDP by increasing revenue and cutting government's expenditure. As revenue from taxes was expected to decline, the government needed to cut public spending. When Chaun arrived in office in late November 1997, the proposed budget for the Fiscal Year 1998 had already been adjusted three times. The original budget proposal of 982 billion Baht was finally reduced to 800 billion Baht, a reduction of almost fourteen per cent from the previous fiscal year. However, most of the budget reduction, about seventy per cent came from the "investment budget", with about thirty per cent coming from cuts in the administrative budget. Although the overall budget for the fiscal year 1998 was substantially cut, public personnel expenditure, which amounted to 342.21 billion Baht, remained untouched. Almost eighty per cent of public personnel costs were spent on wages and salaries, and the remaining twenty per cent on pensions and medical services. Though the overall government budget for fiscal year 1998 was reduced, public personnel costs increased to almost forty three per cent of total government expenditure, exceeding the forty per cent limit the CGD had set.

The fiscal constraints faced by Chaun's government not only allowed the BOB to propose a series of overall budget cuts, but also required prompt action by other central government personnel and budget agencies, such as the OCSC and the CGD. The increase in the ratio between public personnel costs and the overall annual budget prompted the OCSC and the CGD to proposed measures to reduce and streamline public personnel

expenditure. The OCSC acted quickly. At its first meeting with the new prime minister on 8 December 1997, when Chaun presided over a meeting of the CSC, it proposed a series of "Action Plans for Adjusting the Civil Service during the Period of Economic Crisis [Action Plans]", to the new government.

In formulating the Action Plans the OCSC, which was designated by the cabinet to take the lead in improving the Civil Service to fulfil the conditions of the IMF loan, had already initiated discussions with the BOB and Ministry of Finance in November 1997. The two organisations broadly agreed with the OCSC's proposed Action Plans, "... All line ministries and departments must adjust themselves quickly to help the government solve the economic crisis. With the limited resources and fiscal constraints, ministries and departments must rethink the way they manage and operate in order to add value to the Civil Service. They must also improve their working systems and methods to improve efficiency and effectiveness".<sup>19</sup> Chaun agreed with the OCSC's proposal and instructed that his cabinet ministers needed to be informed since he intended to have the OCSC's proposed Action Plans, implemented across all government departments.

Chaun's cabinet approved the OCSC's Action Plans on 30 December 1997. The plans included six measures that would lead to streamlining and downsizing the civil service. Incorporated within the Action Plans were measures suggested by the OCSC to reduce the role of the state in the economy that would result in a reduction of government staff. It also recommended improvements in bureaucratic organisation and work systems, the development of civil servants' skills and competencies, the suppression and prevention of bureaucratic corruption and the decentralisation of administrative power to local authorities. To implement these measures, the OCSC drew up twenty-eight plans to help line ministries and departments deliver services that could be measured objectively using the criteria of value for money and acceptability to citizens.<sup>20</sup> At the same meeting, the cabinet approved a measure to downsize government offices overseas. Ministries with overseas offices were encouraged to merge their functions so that resources could be pooled and used efficiently. As most of the plans and measures proposed by the OCSC required close co-operation between the BOB and the Ministry of Finance, the cabinet agreed that these agencies should jointly monitor their implementation.

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<sup>19</sup> OCSC Cabinet Submission 22 December 1997.

<sup>20</sup> Ibid.

In December 1997, the OCSC and the CGD also pursued another measure to streamline public personnel expenditure by jointly proposing the 'Measure to Reduce Public Personnel Expenditure'. This was developed in the National Committee on the Public Sector Wages and Salaries (CPSWS), which was chaired by finance minister and serviced, by the CGD and the OCSC. Representatives from the BOB, the NESDB and the central personnel agencies were also members. The CPSWS's main responsibility was to review and advise the government on wages and salaries policy. On 24 December 1997, the CGD and the OCSC convinced members of the CPSWS of the need to cut public personnel expenditure: "Eventually the government will be pressured by the public to reduce its staff costs if revenue collection targets are not met".<sup>21</sup> Although the OCSC and the CGD wanted to reduce public personnel costs radically by using such measures as salary cuts and staff redundancies, most members of the CPSWS argued that the adoption of such measures, though common practice in the private sector during economic downturns, might not be appropriate in the Civil Service culture. They argued:

Salary cuts in particular would aggravate the civil servants' economic hardship because their wages and salaries were relatively low compared with private sector workers. Downsizing by laying off needs more careful thinking. The government may end up with huge spending on severance and pension payments, which in the short run would make the government fiscal status worse. Downsizing needs careful planning and should be done as part of a major and comprehensive reform of the Civil Service.<sup>22</sup>

Objections by a majority of its members led the CPSWS to adopt a less radical measure to streamline public personnel costs. The OCSC and the CGD agreed with the majority that cuts in public personnel expenditure should apply across the board to every occupational category of civil servants. However, any cuts should, where possible, not affect the majority of civil servants particularly lower ranking officials with low wages and salaries. They agreed that only supplementary allowances such as positional allowances, extra payments for particular skills, and hardship, compensation and overseas allowances, which

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<sup>21</sup> Minutes of CPSWS meeting, 24 December 1997.

<sup>22</sup> Ibid.

only a minority of civil servants received, should be scrapped while basic salaries should remain untouched. The CPSWS opted for less radical streamlining measures than that originally proposed by the OCSC and the BOB.

The cabinet on receiving the CPSWS proposal approved the 'Measure to Reduce Public Personnel Expenditure' on 3 February 1998. It contained streamlining measures to control public personnel costs and eliminating waste. To contain public personnel costs, the government banned changes in their remuneration structures including increases in wages, salaries and positional allowances. Departmental personnel costs had to be kept at the level of the fiscal year 1998. Departments were required to propose plans to reduce personnel cost, eliminate subsidiary activities and improve efficiency. The elimination of waste in the administrative structure, based on the OCSC's proposals, prevented the diversification of administrative units in ministries and departments for the years 1998 and 1999. To ensure this measure was carried out effectively the OCSC proposed to the prime minister at the CSC meeting on 9 February that line ministries and departments should be required to restructure their organisations. The CSC agreed that all government agencies would implement the following restructuring:

First, duplication and overlapping of missions must be eliminated and departments with main the responsibility to carry out those missions should be given priority to undertake them. Second, missions related to local service delivery must be transferred to local authorities. Third, missions that can be better managed by the private sector should be privatised. Fourth, new forms of administrative units such as executive agencies should be established to replace traditional bureaucratic structures. Fifth, missions not relevant to the present situation must be discarded.<sup>23</sup>

Five months after the 'Measure to Reduce Public Personnel Expenditure' had been implemented, the BOB proposed further cuts in public personnel costs, in addition to the CPSWS proposal. On 18 June 1998 it proposed to Chaun that in the fiscal year 1999, civil servants should received an average annual pay rise of five per cent on their basic salaries, a reduction of one per cent on the six per cent usually awarded. This was due to the expected

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<sup>23</sup> OCSC Cabinet Submission, 25 February 1997.

rise in public personnel costs to forty two per cent of government expenditure in the year 1999. According to the BOB, "this amount would leave the country with a smaller capital and investment budget that could further slow down an economy already in crisis. The lower five per cent pay rise would save 2.5 billion Baht in the fiscal year 1999. It would also restrain the increase in public personnel costs in subsequent years."<sup>24</sup> The BOB's proposal adopted by Chaun's cabinet in July 1998.

The 'Measure to Reduce Public Personnel Expenditure' was strictly enforced by government ministries and departments in the fiscal year 1998. On 12 November 1998 the OCSC and the CGD met the CPSWS and convinced it to continue the measure until the fiscal year 2001. The 'Measure' was then sent to the cabinet in early December 1998. At its meeting on 29 December 1998, the cabinet endorsed it and allowed the measure to continue in force. The cabinet considered it an effective measure because 'it portrayed civil servants in sympathy with and joining the rest of the country to fight the economic crisis by saving public money and increasing efficiency.'<sup>25</sup>

The OCSC believed that the 'Measure to Reduce Public Personnel Expenditure' was the first effective downsizing measure since 1980. It contained the growth of the civil service by reducing 500 civilian personnel from the service.<sup>26</sup> In 1998 public personnel expenditure growth fell from an average annual rate of twelve per cent to just over four per cent, the first time that public personnel expenditure growth was below five per cent. The cabinet also convinced by the CPSWC's calculation that despite the effectiveness of this measure, the ratio of public personnel costs to the government expenditure was expected to increase from forty per cent in the fiscal year 1998 to forty two per cent in 1999. The projected increase resulted in a further five billion baht cut in public spending in the 1999 budget plan. On this basis the 'Measure' was continued for another three years until 2001.

### 7.2.2 Controlling the Growth of the Civil Service

Although many new streamlining and personnel cost cutting measures were initiated in response to government budget constraints, the policy to control the size of the civil service by counting heads and controlling the employment of new staff continued. The 'Measure to

<sup>24</sup> BOB Submission to the prime minister, 18 June 1998.

<sup>25</sup> Cabinet Resolution, 12 November 1998

<sup>26</sup> This figure excludes military personnel, local authorities' officials and political appointees.

'Control the Growth of the Civil Service', which had been introduced by the first Chaun government in 1994 and survived several changes in government, was re-adopted by Chaun's second government. The re-adoption of this measure, which aimed to restrict the replacement of vacancies on retirement, also meant the reinstatement of the Civil Service Manpower Policy Committee (CSMPC). A month after assuming the office, on 17 December 1997, Chaun re-appointed all members of the CSMPC and appointed a new chairman, his deputy prime minister Pichai Rattakul, chairman of the Democrat Party.

Pichai, who was also the chairman of the CSRC, met members of the CSMPC on 16 January 1998. In his opening statement, he expressed his concern over the relative failure of the CSMPC stating that:

It has been four years since the measure for controlling the size of the Civil Service was introduced in February 1994. The CSMPC has not been very successful in curbing the growth of the civil service. It has had limited success in delaying the recruitment of new staff and restricting the replacement of vacancies on retirement. However, as the government is facing fiscal and financial crisis, the CSMPC must be more careful about approving requests for manpower increases from line ministries and departments. Our ultimate aim is to reduce public personnel costs. Restricting the increase in government personnel alone will not be enough. The CSMPC must find ways to actually downsize the number of civil servants.<sup>27</sup>

The issue of controlling the size of the civil service was not confined to restricting the growth of the number of public sector employees. Nor the CSMPC was the only committee that dealt with the issue. The CSRC, re-appointed by Chaun on 9 December 1997, also set out to deal with it as part of its downsizing target announced in the Master Plan for Reforming the Civil Service. Like deputy prime minister Sookwit during Chavalit period, Pichai chairman of the CSRC wanted the CSMPC to be a vehicle for achieving wider civil service reforms. Pichai emphasized that in order to realise the 'Action Plans for Adjusting the Civil Service during the Period of Economic Crisis' approved by the cabinet on 30

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<sup>27</sup> Minutes of CSMPC meeting, 16 January 1997.

December 1997, the CSMPC had to include wider reform measures which would “help line ministries and departments to cut operating costs and create savings”.<sup>28</sup>

Realising that there were few signs of economic recovery and that the economic crisis would continue to have a serious impact on the government’s fiscal status for several years, the CSMPC proposed two downsizing measures. First, an employment freeze, which had been used in 1991-2, would be reintroduced and enforced between fiscal years 1999 and 2001. No government agencies would be allowed to recruit new staff for the next three years. Exceptions were only to be granted to departments that were legally bound to admit their own scholarship students. The second measure was that all vacancies caused by retirement should be abolished, except the posts of senior executives, technical experts and professionals that were difficult to recruit in the labour market. The CSMPC’s proposals were considered at the cabinet meeting on 23 April 1998 when only freezing public employment was endorsed. The measure to abolish all retirement vacancies was deferred because it could lead to potential personnel shortages in line ministries and department delivering services.

After failing to get cabinet approval to scrap retirement vacancies, the OCSC’s representative Theerayudh Lorlertrat, secretary of the CSMPC, took the issue to the CSRC where he served as secretary. He pointed out that if the government was to achieve its goal to make the Civil Service smaller, serious action including the abolition of retirement vacancies needed to be taken. According to Theerayudh, “The abolition of retirement vacancies had been attempted before and was not new. But most government ministries and departments continued to request replacements as if there was no such measure. Most such requests were allowed because of claims of serious personnel shortages, or political pressure. The government needed to impose strict measure on this.”<sup>29</sup> Members of the CSRC were convinced of the need for strict limits but taking into account the cabinet’s rejection of the original CSMPC proposal suggested a lower rate of abolition, that eighty per cent of retirements should not be filled.

The CSRC’s revised proposal on abolishing retirement vacancies was resubmitted to the cabinet within a week and approved on 28 April 1998. The cabinet ruled that “eighty per cent of vacancies on retirement in ministries and departments will be compulsorily abolished.

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<sup>28</sup> Ibid.

<sup>29</sup> Interview, Theerayudh Lorlertrat, OCSC.

Only twenty per cent of vacancies can be replaced".<sup>30</sup> However, replacements at the new twenty per cent level would not be automatic since the CSMPC would generate a pool of vacancies collected across all government departments and agencies, from which posts would be allocated according to the essential requirements ministries and departments."<sup>31</sup> If there were any vacancies left after the allocation process, they would be abolished.

The new measure to abolish eighty percent of vacancies required the CSMPC to process manpower requests in a more careful and strict manner. However, most government ministries and departments continued to request twenty per cent of their vacancies to be refilled without justifying their real needs. This put the CSMPC in a difficult situation and led to the adoption of an uncompromising approach to processing requests for personnel increases. At its meeting on 11 August 1998, the CSMPC emphasised, "The government had tried to control the size of the Civil Service and reduce public personnel costs since 1982, but it was not effective. Now the country was facing an economic crisis, the CSMPC would only allow the minimum number of replacement possible. There should not be exceptions in our consideration.<sup>32</sup>

Because the restriction on retirement vacancy replacements was seen as an important downsizing measure by the government, the prime minister appointed minister Abhisit Vejjajiva, a deputy chair of the CSRC, to be a deputy head of the CSMPC on 15 September 1998.<sup>33</sup> Two months after Abhisit's appointment to the CSMPC, on 4 December 1998, its chairman Pichai ordered that Abhisit was to head a subcommittee on scrutinising requests for replacing retirement vacancies.<sup>34</sup> This subcommittee was to filter, check and analyse applications for increasing manpower and recommend alternative measures to downsize the civil service. They processed requests for replacing retirement vacancies and personnel increases very strictly. The secretary of the CSMPC recalled,

We strictly observed the cabinet resolution, which applied to all categories of government personnel. We were challenged by the parliament office, which had

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<sup>30</sup> Cabinet Resolution 28 April 1998.

<sup>31</sup> Ibid.

<sup>32</sup> Minutes of CSMPC meeting, 11 August 1998.

<sup>33</sup> Prime Ministerial Order 169/2541, 15 September 1998.

<sup>34</sup> Order of CSMPC's chairman, 4 December 1998.

employed new staff without the consent of the CSMPC. But in the end they had to give up because the CGD did not pay their salaries.<sup>35</sup>

In another important instance, when the Office of Education Commission, recently established in accordance with the new constitution, made a request for more staff direct to the prime minister, Chaun insisted that the CSMPC had to be consulted. The operation of the CSMPC's sub-committee was so strict that its head Minister Abhisit had to deal with complaints from his cabinet colleagues that it was "too strict and not flexible".<sup>36</sup>

Like civil service reform, downsizing was high on the government agenda because of the economic crisis and the consequent severe fiscal constraints imposed by the IMF rescue package. The central co-ordinating agencies, particularly the OCSC, the BOB and the CGD, speedily produced Action Plans and the Measure to Reduce Public Personnel Expenditure. These streamlined and downsized the Civil Service putting in place an employment freeze and early retirement scheme.

### 7.2.3 Introducing An Early Retirement Programme

A successful early retirement programme was introduced in 1999 and enabled the Thai government to make a huge reduction in the number of the government personnel. By the end of 1999 20,000 had voluntarily left the civil service with equitable retirement benefits and 'golden handshakes'. Downsizing the civil service by encouraging government personnel to leave the service voluntarily was not a new idea in the OCSC. During Anand's administration in 1991-2, the cabinet had also instructed that an early retirement programme should be devised as a mean to release excessive personnel from the civil service. Since then the OCSC had studied the technicalities of implementing the programme.

The cabinet decision's on 29 June 1999 to introduce an early retirement programme was underlined by the need to downsize the civil service effectively and to achieve the reduction target of twenty per cent by 2001. The stated aim of the programme was "to create a small but flexible and efficient Civil Service consistent with the 'Master Plan for Civil Service Reform'. The programme would facilitate the reduction of public personnel costs in the long run which would contribute to meeting the terms for improving the civil service

<sup>35</sup> Interview, Theerayudth Lorlertat, OCSC.

<sup>36</sup> Personal communication, Abhisit.

agreed with the IMF".<sup>37</sup> The voluntary early retirement programme devised by the OCSC was for government personnel either aged fifty or over those with twenty-five years service or more.<sup>38</sup> Since the programme aimed to downsize the civil service, replacement of retirement vacancies and reinstatement of retired personnel was not allowed. However, the government reserved the right to authorise requests to ensure there were no skill shortages in vital areas.

The early retirement programme was strongly endorsed by the BOB and Ministry of Finance who gave assurances that the government would be able to fund it. As the programme was to be implemented across the board, all occupational groups of civil servants were consulted. Most agreed in principle with the programme but expressed concern over the restriction of vacancy replacements. Teachers expressed concern over a possible shortage of teachers in rural areas. Only the judiciary decided to opt out. On 29 June 1999, the cabinet agreed in principle to the early retirement programme but since it was new to the Civil Service and might pose a political risk to the government instructed the OCSC, the BOB and Ministry of Finance to administer the programme jointly.

The OCSC, the BOB and the Ministry of Finance agreed that three consecutive early retirement programmes should be implemented for the years 1999, 2000 and 2001. The personnel reduction targets for each year were 40,000, 50,000, and 120,000 respectively. At the end of 2000, the OCSC, which evaluated the implementation of the programmes, reported that 36384 government personnel had voluntarily left the service. The figure for 1999 was 20,702 and 15,685 left in 2000. This was the biggest staff reduction in the modern history of the Thai civil service.

### 7.3 Institutionalising civil service reform

The economic crisis not only provided an opportunity for central government agencies such as the OCSC, the BOB and the CGD to realise their reform programmes, it also provided a secure platform for the OCSC to claim that a permanent office for civil service reform should be established to co-ordinate the various reform efforts. The attempt to set up a

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<sup>37</sup> OCSC Cabinet Submission, 10 May 1999.

<sup>38</sup> The golden handshake included a lump sum equivalent to seven times the final month salary and a supplementary sum to compensate for pension loss.

permanent office for civil service reform was a project that politicians and civil servants, particularly the OCSC, had competed to establish since 1992. Control of a permanent office would allow them to exert influence over and steer the course of reform to their own direction. Chaun had set up a secretariat office for civil service reform, the State Administration and Development Committee, in 1992 during his first term in office but it was unsuccessful and did not survive his government.<sup>39</sup>

A second attempt was made by the Chavalit government acting on an OCSC proposal. On 23 September, just two months before Chavalit resigned, his cabinet approved the OCSC proposal and it was incorporated in the government's Master Plan for Reforming Civil Service. The OCSC proposed that the office should come under its umbrella and be headed by one of its senior officials of deputy secretary general rank and equipped with its own budget and personnel. However, the establishment of new government units was subject to the approval of the CSMPC, which rejected its request new staff. Despite this the OCSC managed to convince the CSRC that a new permanent office be established without increasing staff and drafting a prime ministerial regulation to establish an Office of the Civil Service Reform (OCSR) was started but completed before Chavalit's resignation in November 1997.

Progress towards establishing a new permanent office during Chaun's second government was slow. This was partly because the process of drafting a constitution for the new office was lengthy and partly because most members of the CSRC, especially its political leaders, were reluctant to proceed with the setting up of a new government administrative unit. They argued that diversification of the structure of government at the time of economic crisis was inappropriate. However, the urgent need to co-ordinate multiple civil service reform efforts at a time of crisis reinforced the case for establishing a permanent office. On 7 August 1998 the Prime Minister's Office Regulation on Civil Service Reform 1998 was issued. It provided the constitution for a permanent office of civil service reform and granted the CSRC overall responsibility to manage civil service reform with considerable authority to intervene in the operations of line ministries and departments. It also established an Office of Civil Service Reform [OCSR] as a permanent secretariat office for the CSRC, which became an administrative unit in the Civil Service with its own fulltime personnel and

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<sup>39</sup> See chapter 4.

budget. This regulation provided continuity in the civil service reform effort by replacing the usual *ad hoc* reform committees with the permanent one. The OCSR, which had been proposed by the OCSC, helped institutionalise the civil service reform effort and increased the authority of the OCSC over the reform process.

Membership of the CSRC, which deliberately had equal numbers of political appointees and civil servant representatives, was the result of bargaining between the government and the OCSC. According to the new regulation, only three politicians were allowed seats on the committee, the prime minister, a deputy prime minister or a minister in the Prime Minister's Office assigned by the prime minister, and the prime minister's secretary general. However, the prime minister reserved the right to appoint up to fifteen experts on civil service management, public personnel management, public enterprises management, law, science and technology, information technology and public relations to the CSRC. These expert members, though appointed by the prime minister, would normally be suggested by the OCSC, and had four-year tenure on the committee.

Permanent members of the CSRC included representatives from the central co-ordinating agencies, the secretary general of the OCSC, the secretary general of the NESDB, the director general of the BOB, and the director general of the CGD. The secretary general and a deputy secretary general of the OCSR, appointed by the prime minister from a pool of senior OCSC officials, were also members. One official each from the OCSC, the BOB and the PMSO was also appointed as assistant secretaries. Overall, the OCSC had more of its own staff on the committee than any other government agency.

The OCSC was successful in establishing a permanent Office of Civil Service Reform and hence consolidated its reform authority. Two of its senior officials, Theerayudth Lorlertrat, a deputy secretary general, and Dr Chalerm Sripadoong, a senior personnel policy analyst, were appointed the OCSR's first secretary general and deputy secretary general respectively. However, the OCSC did not escape criticism, particularly from politicians and academics. When the CSRC organised public hearings on civil service reform in August 1998, politicians criticised its composition, complaining that it had too many civil servants. They wanted its membership to be more diverse and include representatives from all sectors of society and argued that the Office of the Civil Service Reform should not be part of the

OCSC because “civil servants would not reform themselves and the Civil Service”.<sup>40</sup> Theerayudth, secretary general of the OCSR, defended the OCSC’s position preferring “the reform from within approach since radical reform would never be accepted by and consistent with the norm and culture of the Thai Civil Service”.<sup>41</sup>

## 7.4 Conclusion: The Dynamics of Civil Service Policy Making

This chapter provides a narrative account of the second Chaun government’s effort to downsize the civil service from 1997 to 1999, after the onset of the Asian economic crisis. It also serves as the termination point of the discussion of downsizing in this thesis. Consideration of this period helps provide a better understanding of the civil service reform process in Thailand. Having traced how Chaun’s government dealt with the issue of civil service reform, this section elaborates the impact of institutional and contextual factors on the trajectory and outcome of civil service policy reform. The outcome was characterised by continuity in downsizing policy, which was reinforced by a concerted effort, which resulted in the swift introduction in 1998 and 1999 of streamlining and downsizing measures. In the light of an institutional and processual analysis, the following sections make sense of the chapter’s narrative through an examination of the process components of civil service policy making: agenda setting, alternative specification and decision making. Attention will also be paid to the process of reform capacity building.

### 7.4.1 Agenda Setting

The civil service reform issue was included in Chaun’s government policy agenda as part of the government’s attempt to steer the country out of the economic crisis. The crisis, which imposed constraints on the government budget, not only gave a high status to the issue of fiscal austerity on Chaun’s government agenda. It also helped elevate the status of the civil service reform issue as these issues had a technical link and shared the same economic rationale, austerity. The ‘salience’ and high ‘status’ of the Civil Service reform issue in this period was mainly the result of the impact of the Asian financial crisis.

<sup>40</sup> OCSC Public Hearings Report on Civil Service Reform, September 1998.

<sup>41</sup> Interview, Theerayudth Lorlertrat, OCSR secretary general.

The period saw a more unified issue definition process, which was a result of a response to the demands and threats posed by the economic crisis. Both government politicians and bureaucratic reformers perceived such demands and threats in the same way and shared the same view that it was unavoidable for the country to adopt the austerity programme, which was supported by the international lending institutions including the IMF. The dynamics of the economic context helped strengthen the interpretation of the issue of civil service reform of the leading central government agencies with personnel and budget related responsibilities. In this sense, the impact of the economic crisis accentuated the need to downsize the Civil Service by controlling civil service growth in both personnel and monetary terms, as well as reducing number of government personnel. Sustaining and strengthening issue definitions in this way helped secure downsizing policy on Chaun's government agenda.

#### **7.4.2 Alternative Specification and Decision Making**

This episode provides insight into the dynamics of alternative specification and decision processes. Such processes are encapsulated by the intensity of the reform effort and a sense of urgency to respond to the threats and seize reform opportunity brought about by the economic crisis. These process characteristics led to more far reaching change in civil service policy in terms of its scope, depth and pace than in earlier periods.

In terms of the intensity of the reform effort, during a short period at the beginning of Chaun government, plan after plan to adjust the Civil Service and measure after measure to cut public expenditure was proposed by the OCSC and the BOB as well as other reform committees such as the CPSWS and the CSMPC. Most reform proposals and measures were adopted by the cabinet and implemented. The intensity of effort in terms of the swift formulation and adoption of reform measures can be explained by how the dynamics context of economic crisis activated the actions of the government and bureaucratic reformers in the central co-ordinating agencies. Such intensified reform effort and actions were motivated by reformers' perception of the opportunities and threats posed by the economic crisis.

For Chaun's government, the Asian financial crisis was primarily a major threat that caused fiscal constraints leading to the adoption of an austerity programme. For bureaucratic reformers in the central co-ordinating agencies, the OCSC, the BOB and the CGD, the crisis

opened a window of opportunity for them to fulfil their mandate as head counting agencies. The crisis was seen as opportunity for them to propose 'streamlining measures' that would also serve the austerity purposes. In this sense, reformers from both camps shared the same reform ideas and choices leading their reform effort to be concerted and intensified. This enabled them to impose losses on the Civil Service by adjusting, streamlining and downsizing the Civil Service, which would be difficult to achieve in times of economic normalcy.

Related to the intensity of the reform effort is the scope of civil service reform and the variety of downsizing 'choices' adopted by Chaun's government. Before the economic crisis, the scope of downsizing was limited to 'reforming public personnel management' - attempts to control the proliferation of new government administrative units and restrictions on employing more staff by line ministries and departments. The financial aspects of personnel management such as limiting public personnel costs had not previously been a reform focus. Only internal targets for budget related agencies like the CGD and the BOB had been set and no serious action had been taken. As a result, line ministries and departments placed less emphasis on limiting personnel costs and more on head counting measures. However, the economic crisis provided an opportunity for bureaucratic reformers, particularly the BOB and the CGD, to address both 'personnel' and 'financial' aspects of civil service policy reform leading to the imposition of stringent personnel cost reduction measures. Consequently, line ministries and departments were forced to become more aware of the issue of excessive public personnel costs and had to take responsibility for reducing them.

The activation of mandates by a context of fiscal constraint affected the reform alternative specification process. This resulted in deeper downsizing and made the downsizing effort more enforceable and hence more effective. Downsizing measures that had been primarily used to "contain the size of the civil service" were transformed into measures that could "reduce the size of the civil service". As the narrative shows, it was the first time that the number of government personnel actually declined, albeit slightly, through such programmes as abolishing eighty per cent of retirement vacancies and the buy-out early retirement programmes. The effort of bureaucratic reformers in central government agencies can be seen as acts of self-fulfilment leading to the successful realisation of their

organisational mandates and an increase in their capacity to make and manage civil service reform policy.

Although most reform decisions made in this period were characterised by agreement between government politicians and bureaucratic reformers, on 'issue definition', 'issue images' and 'reform choices', such agreement operated against a background of competition to control the civil service reform process. A case in point is the intense competition to control the establishment of a permanent office for civil service reform. Control of a permanent secretariat office would increase reformers' influence over the content, scope, pace and rate of civil service reform. This episode shows that the OCSC successfully seized the opportunity offered by the Asian financial crisis to put forward a proposal to set up the Office of Civil Service Reform claiming that such office would help co-ordinate the intensified reform effort already underway.

It is appropriate now to account for the actions of bureaucratic reformers particularly the OCSC in moving the civil service reform programme from the onset of the 1997 economic crisis. The OCSC successfully maintained reform momentum by exploiting the opportunity provided by the crisis to expand the reform issue to include the introduction of good governance reform, strengthen the 'downsizing programme', and institutionalise the civil service reform effort by establishing the OCSR. Such actions, which contributed to the content, scope and pace of civil service reform after the crisis, can be characterised as 'entrepreneurial acts'. Hence the OCSC can be regarded as 'reform entrepreneur'. Such entrepreneurial action helped increase capacity for civil service reform.

The narrative also indicates that the context of economic crisis facilitated the process of building capacity for reforming the Civil Service within the central agencies. In part, the IMF and World Bank's loan agreements incorporated measures to build capacity for the central co-ordinating agencies to manage civil service resources—money and personnel—effectively. One major source of reform capacity originated from the opportunity for the same or complementary reform issues to be processed in different institutional venues. As has been seen in this episode, senior bureaucrats from the OCSC took advantage and proposed their reform solutions in the different institutional venues where reform choices were originated, proposed and processed. As Theerayudth, secretary of the CSRC observed, "The establishment of the permanent office provided a clear direction for future reform and added another stage for the OCSC to act on. In addition to the CSC, the CSMPC and the

CPSWS it now had the OCSR and all four stages complemented one another. The CSC was concerned with improving public personnel management, the OCSR with civil service reform, the CSMPC with downsizing and the CPSWS with public sector pay.<sup>42</sup> In this sense the crisis context provided opportunities for them to consolidate their administrative powers in the management of the reform process.

This chapter has examined how the context of economic crisis helped accelerate the civil service reform effort by the Thai government by providing opportunities for reformers to realise their mandates and turn their long standing and relatively ineffective efforts into an important if limited success in downsizing the Civil Service in particular and overall civil service reform in general. Theerayudth and other members of the CSRC and the CSMPC agreed that the economic crisis had a positive impact on the reform effort saying, “We had been thinking about and trying to do what we are doing now. But under normal economic circumstances the effort was seen as swimming against the prevailing tide”.<sup>43</sup> Minister Abhisit shared the same interpretation, asserting, “We had been travelling in this reform direction before the crisis, but at a slow pace. The task [of downsizing] would have been much more difficult without the economic crisis. We can pursue a more comprehensive civil service reform programme by ourselves. Most of our reform efforts were not part of the IMF’s loan agreement”.<sup>44</sup>

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<sup>42</sup> Theerayudth interview September 1999.

<sup>43</sup> Interview, Theerayudth Lorlertrat, CSRC secretary. Chainarong Indrameesup, a member of the CSMPC also shared this view.

<sup>44</sup> Personal communication, Abhisit Vejjajiva.

# Part III

## Reforming Civil Service Pensions

*'The Kingdom's administration has grown and expanded more rapidly than it did in the recent past. As full time civil servants, they are supposed to devote most of their time and efforts to the Royal Service. They, therefore, do not have time to collect some wealth and earn money from other means nor save for their lives after retirement'.*

*King Rama V, Ratanakosin Year 120.*

## Chapter 8

### The Emergence of Civil Service Pension Reform, 1991-2

#### Overview

In September 1996, after nearly five years effort, the Thai civil service pension system was reformed. There was shift from a non-contributory defined benefit system based on final salary to a mixed system, which allowed civil servants a choice between the existing non-contributory scheme and a new contributory scheme. This was a major public management policy change during the 1990s. Part III of this thesis, chapters 8, 9 and 10, will trace the change process of civil service pension policy in Thailand in the period 1991 to 1996 during which the process took place.

This chapter is concerned with the period 1991-2, the interim Anand administration, when civil service pension reform reached the government agenda for the first time. It seeks to explain how and why the issue of pension reform reached the government agenda and why it had a relatively low status. It also considers why the first reform proposal was unsuccessful despite having a government mandate. It should be also borne in mind that this chapter is not an economic analysis of pension reform. Technical aspects are not central to this thesis.

#### 8.1 The Pre 1991 Civil Service Pension System

Civil Service pensions were first introduced in Siam, as Thailand was then called, in 1901 by King Chulalongkorn, Rama V of the present Chakri dynasty, as part of his endeavour to reform and modernise the state administration. One of his most important reform initiatives was to promote professional career bureaucrats, and the establishment of a pension system for royal servants was intended to provide income security for them when they retired from the service so that they could live dignified lives free from poverty.

Rama V's pension proposal was considered necessary since civil servants' earnings were significantly lower than their counterparts in the private sector. The first Royal Service Pension Act was promulgated in 1901 as a result, and was widely considered to have served the civil service well for half a century surviving the upheavals of the transition from absolute to constitutional monarchy in 1932. Civil Service pensions were seen as an important incentive to join the Civil Service. Income security

after retirement provided a source of motivation for officials. Pensions were seen as an income supplement for civil servants and brought their financial status on a par with their counterparts in the private sector. Employment in royal service was seen as superior to work in the private sector. The phenomenon was reflected in the Thai proverb: “support from ten businessmen was incomparable with being protected by the lords in the Royal Service”.

Almost twenty years after the establishment of democratic government in Thailand, the Royal Service Pension Act 1901 was replaced by the new Civil Service Pension and Annuity Act in 1951. This act provided a legal framework for civil servant pensions. The legislation established distinct pension schemes for civil servants, judicial officers, public prosecutors, teachers, the military and the police. The differences in pension plans reflect differences in the remuneration schemes for each category of government official. Overall responsibility for administering civil service pensions was placed with the Comptroller General Department (CGD) in the ministry of finance while ministries keep benefit records for, and made payments to, its pensioners or former officials. However, there was also a decentralised administration of benefit payments and some record keeping. Furthermore, there was no centralised database of current and prospective pensioners. The CGD, though tasked with most pension operations, was not the only government department involved in pension administration. The Office of the Civil Service Commission (OCSC), which oversaw the overall remuneration policy for civil servants in which pensions were included, also shared responsibility at the policy level.

As the main purpose of civil service pensions was to protect the standard of living of retired government personnel, as King Rama V intended, the state was responsible for paying pensions from its own coffers. The Civil Service pension scheme was financed on a Defined Benefit Pay-As-You-Go basis out of general government revenue. Outlay on the pension scheme is reflected in the budget line for ‘wages and pensions’ in the central government expenditure category. Retirement benefits according to the Civil Service and Annuity Act of 1951 were paid in two forms: either a “lump sum pension” or “a monthly annuity”. Lump sum payments were calculated based on the last monthly salary and length of service. It was paid to retired officials who did not qualify for receiving monthly annuities and it accounted for about one half of government pension expenditure. The monthly annuity was equal to the final month’s salary times the length of service divided by 50 or 55. The denominator 55 was applied to civil servants

with less than 25 years service. Moreover, civil servants who started their service at the age of 20, worked for 40 years and retired at the age of 60 received a pension equal to 80 per cent of their last month's salary. It was obvious that annuities were more popular among officials who were entitled to this option of retirement benefit.<sup>1</sup>

The pension system remained virtually untouched for forty years with only minor changes; the basic defined benefit, Pay-As-You-Go approach to pension administration remained. The attempt to change civil service pensions by introducing a contributory pension scheme for civil servants in 1990s represented a major shift in civil service policies of the Thai government.

## 8.2 The Civil Service Pension Reform Agenda

The issue of civil service pension reform gained attention for the first time from the Anand government of 1991-2 as part of the solution to wider problems of civil service pay.<sup>2</sup> The establishment of any new administration in Thailand usually provided an opportunity for central government agencies to put forward their preferred policies and reform proposals. Raising civil servants salaries was one of the issues usually proposed to incoming governments. The advent of Anand's government was no exception and provided an opportunity for the issue of civil service pay to be considered. In December 1991 the OCSC submitted a proposal to the cabinet, drawn up by its Task Force on Brain Drain Prevention, for salary increases as a solution to the problem of low civil service pay and the consequent brain drain of high calibre civil servants.

### 8.2.1 Formulating the Reform Issue: Low Pay and Brain Drain Problems

In 1990, just before the appointment of the Anand government, the OCSC, which monitored the problems of manpower losses, set up an *ad hoc* Task Force on Brain-Drain Prevention. Its members consisted of officials representing the OCSC, the Comptroller General's Department (CGD), the National Economics and Social Development Board (NESDB), a group of experts on public personnel management and academics from universities. The task force was asked to investigate the problem of low and

<sup>1</sup> Officials who qualified for annuities included: civil servants whose post was abolished or were dismissed without misconduct; those medically unfit; those reaching the retirement age of 60; those over 50 who choose to leave government service; government employees with 25 years service who choose to leave the service.

<sup>2</sup> Anand's government was an interim administration appointed after the 1991 military coup. See chapter 2.

uncompetitive salaries and the consequent loss of high calibre and key staff of the civil service, as well as to propose measures to retain civil service personnel.

By the late 1980s the rate of manpower losses from the Thai Civil Service became alarming to the OCSC and politicians. The Task Force estimated that between 1985 and 1991 considerable numbers of key personnel left the Civil Service through voluntary resignation.<sup>3</sup> Voluntary resignations made up between forty and fifty per cent of the total terminating cases in which normal retirements, death and sacking were counted.<sup>4</sup> These key personnel included middle-ranking officials running the day-to-day business of government departments, and officials whose skills and qualifications were in dire need, and scarce in the labour market. The statistics also showed that more than ninety per cent of the staff who voluntarily left the civil service went to work in the private sector where salaries were twice as high as those of the civil service. The Civil Service was said to have lost its attraction to prospective graduates as well as its competitive advantage to private firms, which were enjoying a booming economy. Civil service pay and remuneration especially for the front line and middle ranking officials, was well below that of the private sector.<sup>5</sup> Salary gaps between the two sectors ranged from around eight per cent to almost 200 per cent, depending on the civil servants' grades.<sup>6</sup> As salary gaps were increasing, recruiting graduates to the Civil Service, particularly highly qualified personnel and those with scarce expertise, was extremely difficult. It was also difficult to retain high calibre civil servants.

In late 1991 the *ad hoc* task force it published its proposals. The consensus among its members was that increasing salaries and remuneration was vital to attract, retain and improve the quality of civil servants. The task force was convinced that significant upward salary adjustments were warranted. It proposed a process of doubling civil servants' salaries in five stages over a number of years, each stage matched with different pay scales. It also proposed that the scheduled pay rises should be used as an opportunity to review and reform additional allowances many of which were seen to be of a dubious nature intended largely to increase remuneration on a selective basis.<sup>7</sup> In return for the adjustment, the task force proposed that position allowances based on rank that were currently outside the salary scale should be phased out.

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<sup>3</sup> See Figure 2.5 chapter 2.

<sup>4</sup> Ibid.

<sup>5</sup> See Table 2.6 chapter 2.

<sup>6</sup> Ibid.

<sup>7</sup> There are at least forty allowances, which included job-related allowances, working conditions allowances, and pensions-related allowances. See Table 2.8 chapter 2.

Much though the cabinet wanted to increase the salary for ordinary civil servants as requested by the OCSC Task Force on Brain Drain Prevention, it could not do so. Despite a general sympathy towards the proposal, the cabinet had a political 'hot potato' on its hands. As one journalist reported:

The Government faced difficulties in making decisions about pay rises requested by all types of government officials. If the Civil Service's pay scales were approved, it would be forced to increase salaries for other powerful groups of government officials who had connections with the members of Legislative Council and the NPKC. Anand's Government could not afford to lose votes when the Bill was read.<sup>8</sup>

The cabinet debated the proposal at length. Increasing salaries for ordinary civil servants would make the government popular among 200,000 or so personnel and have long term effects on recruiting, maintaining and productivity. However, a pay increase designed only for 'ordinary civil service' would create unnecessary tensions with other categories of government officials including powerful judiciary staff, prosecutors, teachers, police and military personnel. Taking into account the limited budget and other fiscal reasons the government would not be able to afford across the board pay rises.

Having carefully weighed up the risks and problems, the cabinet, though it agreed in principle that the Task Force's proposal was an urgent and necessary measure to deal with the loss of high calibre civil servants, only allowed the first of the five salary scales for ordinary civil servants to be introduced. The cabinet, in its resolution dated 30 December 1991, also imposed the strict condition that: "adjusting to the second pay scale would only be possible if the civil service pension system was reformed. Moreover every adjustment to the new scale in the future must be resubmitted and approved by the Cabinet".<sup>9</sup>

The emergence of civil service pension reform issue did not come entirely out of the blue. Previous democratic governments had considered but avoided the issue because it was politically sensitive. Reforming civil service pensions would involve changes in benefits and the status quo of civil service personnel as well as changes in the jurisdiction of the government agencies responsible for pension administration. Previous

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<sup>8</sup> Personal communication Kittipong Soonprasent, August 1999.

<sup>9</sup> Cabinet Resolution 30 December 1991.

administrations did not initiate a reform for fear of losing support from their bureaucratic subordinates.

However, in its discussion of the proposed salary increases the Anand cabinet accepted the widely held view in government and the civil service that it was fair for its pension schemes to be relatively generous because civil service pay was comparatively low. They also accepted the view that pensions tended to be seen by civil servants as compensation for comparatively low pay during pre-retirement, even though the civil service provided considerable job security.<sup>10</sup>

In its discussions the cabinet was aware that improving civil service salaries was largely dependent on the government's ability to pay, which was determined by its fiscal position. One of the factors that contributed to the fiscal status of the government was administrative or "back office costs", which included public personnel costs, of which civil service salaries and pensions were a major part. Considering the total remuneration perspective, the cabinet agreed, "increasing pay warranted a review of pension policy". This was seen as a means to offset a surge of uncontrolled personnel expenditure caused by the increasing numbers of the civil service personnel.<sup>11</sup> At the end of 1991 when the cabinet made future pay rises dependent on pension reform, the government workforce was made up of over 575,000 civil servants and permanent employees, 556,000 military, 520,000 teachers, 180,000 police with the rest being made up of small numbers from other groups such as university personnel, the judiciary and public prosecutors. Between 1988 and 1992, numbers of civil service personnel grew from 1.2 million to 1.3 million.<sup>12</sup>

What concerned former technocrats in the cabinet, among them the prime minister, his deputy and the minister of finance,<sup>13</sup> who had experience of civil service reform, particularly administrative cost cutting and salaries and pensions, was that salaries and pensions were directly related because pension benefits were calculated based on the final monthly salary and years of service. Any adjustments to salary scales would inevitably lead to an increase in pension outlay and overall central government expenditure. Central government budgetary outlays on wages and salaries accounted for

<sup>10</sup> Interview, Wisoot Prositsiriwongse, OCSC.

<sup>11</sup> See Figure 2.2 chapter 2.

<sup>12</sup> Ibid.

<sup>13</sup> Many senior ministers were current or retired senior bureaucrats with diplomatic, financial and legal experience. The prime minister himself was a former ambassador and permanent secretary of the Ministry of Foreign Affairs. Meechai Ruchubhan, Deputy Prime Minister, was a leading lawyer and Suthee Singsaneh, Minister of Finance, was a senior official in the Ministry of Finance who had served as a capable finance minister in previous administrations.

thirty-four per cent of total expenditure, a significant and comparatively large share representing over five per cent of the GDP of Thailand.<sup>14</sup> As pension costs were a significant part of government personnel expenditure, reducing personnel costs in general and reforming the civil service remuneration package specifically, as seen by Anand's cabinet, could be achieved by reducing pension costs. The cabinet meeting also discussed how the savings made from civil service pension reform could be in turn be earmarked for raising civil service salaries. Pension reform was seen by the cabinet as one way to reduce personnel costs.<sup>15</sup> In short, the cabinet was acutely aware of the increase in the long-term pension burdens that would follow a substantial salary increase.

Anand and other economic liberals in his cabinet saw civil service pension reform as part of the government's wider economic liberalisation policy. Pension reform would provide an opportunity to reduce the role of the state and increase the role of the private sector. Business interests were strongly entrenched in the government. There were eight leading financiers and businessmen in the cabinet. While in office, between March 1991 and September 1992 Anand introduced several measures of economic and fiscal reform and an economic liberalisation programme. Important measures included the introduction of value-added tax, floating fuel prices and the reform of securities and stock exchange law.

The government saw the issue of Civil Service pension reform as part of a wider efficiency improvement project, though it was a less urgent measure. According to the cabinet, civil service efficiency could be increased if only competent candidates were admitted to the Civil Service, and the incompetent ones were easily dismissed. The OCSC as a central personnel agency was therefore required to improve the quality of civil service personnel by "imposing stricter criteria for recruiting new staff while staff dismissal and employment termination procedure should be shortened".<sup>16</sup> The pay increases would not be warranted and approved by the public if the civil service could not prove that its efficiency was improved.

This cabinet decision to allow only one salary scale increase with the attached pension reform condition was seen as a time buying strategy by some OCSC officials.<sup>17</sup> Not approving all five civil service pay scales for ordinary civil servants would help reduce tensions between the government and other groups of officials, and help the

<sup>14</sup> See Figures 2.5 and 2.7 chapter 2.

<sup>15</sup> Interview, anonymous CGD official.

<sup>16</sup> Ibid.

<sup>17</sup> Interview, anonymous personnel analyst, OCSC Salary Division.

government retain some support from the Civil Service. Most importantly, it diffused the demands from pay rises by shifting civil servants' attention from the pay rise issue to the issue civil service pension reform. The government also made it clear to the public that such an important and high impact issue as further increases in civil service salaries would be left for the incoming elected government to decide. It also agreed in principle that 'a high level committee would be established to consider matters related to civil service pay and remuneration in the future'.<sup>18</sup>

The government gave the issue of pension reform a low profile on its agenda by ensuring a limited amount of media publicity and involving a small numbers of agencies. It was careful in its handling of such a sensitive issue as civil service pension reform could trigger discontent among civil servants who always suspected that the government had tried to destabilise their security of tenure. Information about the pension reform issue, as a result, was released as part of the story of pay increase and was not the focus of media reports.<sup>19</sup> All documents and minutes of meetings throughout the process of civil service pension reform were classified as "confidential". Only the government agencies where pension issues were institutionally and administratively rooted were informed. These included the CGD and the OCSC. The CGD, responsible for government accounting systems and disbursement of the budget, directly managed civil service pensions. It kept records of retirees, provided budgets for pension costs, and control and authorise the remission of pensions and annuities to entitled retirees or their beneficiaries. The OCSC, although it was not directly involved in pension administration, was in charge of government policies concerning human resource management. Its legal status as "the government personnel manager" granted it the right to make suggestions for changing or improving policies with regards to welfare and other benefits issues including pensions.

Thus, civil service pension reform reached the agenda of Anand's government as part of the solution to wider civil service problems, low pay compared with the private sector and the consequent brain drain and loss of efficiency. It was made a condition of further salary increases. Pension reform also reached the government agenda because of rising personnel costs to which pensions based on final salaries contributed. It thereby also contributed to the wider civil service reform agenda of increasing efficiency by cutting headcounts and personnel costs, dubbed as downsizing the Civil Service.

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<sup>18</sup> Cabinet Resolution 30 December 1991.

### 8.3 Searching for and Redefining Problems: Rising Pension Costs

After the cabinet decision to reform pensions, the CGD set out to 'find the problem' to match its solution. Civil service pension reform was seen by the CGD entirely as a political initiative of Anand's cabinet. "The CGD, the only department where pension administration was legally and operationally based, did not have a clear idea or plan to reform pensions for civil servants until the cabinet resolution of 30 December 1991".<sup>20</sup> This unexpected political mandate prompted the Public Finance Practice and Regulation Section, a sub-unit within the CGD, to review the current system of civil service pensions. By reflecting the crucial point made by the cabinet, the CGD came up with the problem of rising pension costs, a crucial issue, which formed part of its wider concerns over the surge of personnel and administrative costs.

The department's statistics, which had recently been collected, indicated a projected increase in pension costs from thirteen per cent in 1989 to twenty-four per cent in 1993.<sup>21</sup> This alarming figure caused concern among senior officials in the finance ministry and the CGD was forced to impose a limit on pension expenditure. In the early 1990s the CGD set its own internal benchmark that annual civil service pension expenditure should not exceed forty per cent of total personnel costs in the Civil Service. This limit was used by the CGD as a benchmark for managing and monitoring administrative costs.

Closely related and contributing to the increase in pension expenditure was the increasing numbers of retired government personnel. The CGD recorded in 1992, when civil service pension reform became the subject of attention, that there were approximately 173,190 retired government officials receiving pensions and the number was expected to grow substantially. Although there was only limited growth in the number of government employees from 1988 to 1992, most of them, about 1.5 million of the 2 million government employees, were vested in the pension scheme. Given the age distribution of the workforce, which showed that the Civil Service was an ageing organisation, this problem was going to worsen. Over the next twenty to thirty years the CGD projected that, there would be a substantial increase in the number of pensioners, and hence pension costs.

As the department responsible for managing the administrative running costs of the government, the CGD was able to calculate associated costs, which contributed to

<sup>19</sup> Matichon Newspaper Database.

<sup>20</sup> Interview, Orranuch Wainusit, CGD official.

<sup>21</sup> See Tables 2.5 and 2.7 chapter 2.

the ballooning of the pension expenditures. As well as their salaries, the CGD argued, many civil servants received additional allowances for housing, the education of their children, health care, hardship, and many other purposes; some occupational groups received extra pay.<sup>22</sup> In some cases these allowances were equal to twenty or thirty per cent or more of base salary. Although many of these ceased on retirement, some of the most costly, such as medical care, continued and contributed to the overall total of pension outlays. The CGD considered the increase in pension expenditure and allowances for retired civil servants was an unfunded liability.

The most detrimental feature of the pre-existing scheme, according to the CGD was that pension calculations were based on the final month's salary. The implications of this were twofold. Firstly it tended to result in pensions that were disproportionate in relation to the average lifetime earnings of retirees. It also created perverse incentives for civil servants to seek 'end of career promotions' to raise their pension base.<sup>23</sup> The resulting higher pensions can thus be said to be unfair and to cause inefficiency. Secondly, the improvement in salaries was, therefore, tightly constrained by the direct linkage between changes in civil service pay and civil service pension outlays. A CGD senior official put it in the following terms:

On unchanged policies, increased Civil Service pay could result in an eventual ballooning of pension expenditure. As our department is responsible for managing the government's cash flow and reserves, we need to control the disbursement of money strictly. Pension costs are indeed another cost category in which we see potential problems.<sup>24</sup>

Another 'indicator' of particular concern to the CGD's was the problem of pension debt. In 1992, the CGD estimated that current pension debt was in excess of 148 million Baht. As wages and salaries, in which pension outlays were included, accounted for about thirty-four per cent of total central government budget representing over five per cent of the country's GDP there was little room for improving the quality of civil servants and the efficiency of public services without remuneration reform. This in turn was both affected by and impacted on pension policy. Due partly to the perceived

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<sup>22</sup> See Table 2.8 chapter 2.

<sup>23</sup> Interview, anonymous OCSC official.

<sup>24</sup> Interview, Napong, CGD official.

budgetary risk posed by the existing Civil Service pension system, there was a need to contain Civil Service pension expenditure.

The cabinet decision to make future salary increases dependent on pension reform put the issue firmly on the government agenda. But it was only a decision in principle. The CGD, the central co-ordinating agency mainly responsible for civil service pensions, had no clear plan and so set about identifying a problem, rising pension costs, and then looked for a solution to this problem.

#### 8.4 Seeking Ideas: New Approaches to Financing Civil Service Pensions

From January 1992, the CGD was actively engaged in searching for a new more efficient way to administer civil service pensions. If personnel expenditure kept increasing, the CGD would not have been able to achieve its targeted control benchmark, as agreed with the Ministry of Finance. As the Government debated raising salaries at that time to make the Civil Service more attractive, the liability would balloon in the future. The CGD believed that one possible way to control the level of future liability was to change the way civil service pensions were financed and managed by moving from the pre-existing unfunded pension scheme to a funded scheme. To start with, the CGD and its staff with pensions responsibility in the Bureau of Financial and Fiscal Regulations had only vague ideas about how to realise this reform alternative. A novel concept to the Thai civil service, only a few staff were familiar with the alternative ways of financing civil service pensions. One of the department's key staff who took active part in the pension reform process recalled how his former director general, Chatumongkol Sonakula advocated the funded approach to the civil service pensions: "By throwing a book on the practice of the Singaporean Central Provident Fund on my desk and asking me to study it, he encouraged me to pursue a new way of financing the civil service pensions."<sup>25</sup> However, such reform ideas had not yet been institutionalised in the CGD.

The cabinet resolution of 30 December 1991 also created a sense of urgency for the CGD to propose options for reforming the long established civil service pensions system. For the CGD any pension reform proposal would have to meet its two stated objectives in "refinancing pensions". It must aim to control pension outlays and reduce, if not eliminate, the pension burden on the government. The reform proposal must enable the government to manage the budget more efficiently. To achieve these

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<sup>25</sup> Interview, Napong CGD official.

objectives, the CGD searched for a quick solution to refinance and reorganise the civil service pension system from the ideas already being considered in academic circles and by experts and practitioners.

Previously, during the late 1980s and early 1990s, most discussion of pension reform focused on two alternative methods of providing pensions: Defined Benefit (DB) and Defined Contribution (DC). The CGD only considered these two approaches, which had different strengths and weaknesses, making them more or less suitable in a particular context.<sup>26</sup> A DB plan usually provided certainty with regard to the value of the pension, while enabling employers of the plan to manage the investment of funds and the scheduling of the contributions needed for the ultimate payment of pensions. While pensions provided by a defined benefit plan can be 'pre-funded', they are generally paid on an ongoing basis out of current receipts. A DC plan generally gives employees control over the investments and greater certainty of the receipt of promised pensions, since a fund they control has of necessity been created. However, in this scheme the final value of pensions was uncertain and dependent on market forces. Locking in the alternative strengths and weaknesses of the DB and DC plan, the CGD's officials believed that "moving the civil service pensions from a defined benefit plan to a defined contribution plan would help the government achieve its reform objectives, particularly the reduction of future liability and personnel costs".<sup>27</sup> The CGD then simultaneously explored pensions schemes and arrangements practised in the private sector in Thailand and those of neighbouring governments in South East Asia.

#### 8.4.1 Ongoing Social Security Reform

In drawing up civil service pension reform proposals the CGD drew on previous government experience. Almost a decade earlier the Thai government had initiated a major reform of the social security system, which entailed the creation of a pension system in the private sector. The reforms were intended to address its concerns over inequalities in the distribution of wealth arising from the country's rapid economic development. During the boom years of the mid 1980s and early 1990s the private sector grew so rapidly that income distribution and workers' welfare became the centre of the government's attention. Income growth in some segments of the population was apparent because of the expansion of the manufacturing and service sectors. The

<sup>26</sup> Taken from minutes of CGD meetings, January-February 1992.

<sup>27</sup> Interviews with CGD staff involved pension reform showed they shared a consensus on what they were doing.

Government made its aspiration clear in the Seventh National Economic and Social Development Plan (1992-1996) that the country needed a shift in public policy towards increased emphasis on distributional aspects of economic growth. Social security should be provided for those workers who contributed so much to the growth of the economy.

As a result, the Central Provident Fund (CPF) was first created in the 1980s to provide some retirement benefits for employees of companies, which opted to join the CPF. Later on the Social Security Act in 1990 led to the establishment of the Social Security Office and the Social Security Fund (SSF). The new act introduced a comprehensive social security programme with a clear implementation schedules.<sup>28</sup> The SSF in particular provided some social guarantee for workers in registered companies and the schemes were based upon a voluntary fully funded defined contribution principle (FFDC). As civil service personnel already had their own defined benefit pension system, they were not included in the SSF. The establishment of the SSF was seen as a success as the rate of participation in these schemes by private companies and public enterprises was high, making the SSF the biggest in the Thai capital market. For the CGD, the private sector social security pension scheme with its independent fund, and the tripartite contributions from employees, employers and the government, could be used as a model for civil service pensions.

#### 8.4.2 Regional Best Practice

Another immediate solution to transform civil service pensions to a pre-funded defined contribution system adopted by the CGD was to look across national boundaries and see if ideas could be borrowed. As well as the Singaporean model of pension management, the CGD considered ideas came from other countries in the region, which had experienced pension reform. It found three other ASEAN countries, Indonesia, Malaysia, and the Philippines, were implementing defined contributions schemes administered separately by independent pension funds. This quick scan of neighbouring countries' public service pensions provided basic information including alternative levels of contributions and replacement rate per basic salary, which was seen by the CGD as crucial making an initial reform proposal. This search for information provided some degree of confidence for the CGD's staff to adopt the defined contribution approach to civil service pensions. The CGD was particularly "inspired by the Singapore Central

<sup>28</sup> These included the introduction of sickness, invalidity, maternity and death benefits in March 1991 and September 1993; voluntary insurance in September 1994; old-age pensions and child allowances in January 1999; and unemployment benefits in 2003.

Provident Fund and the Malaysian Provident Fund models. The attractiveness came from the belief that creating a separate fund would serve the CGD's reform objectives well.”<sup>29</sup>

Under pressure from the cabinet the CGD urgently needed a pension reform proposal. It drew on two main ‘ready made’ sources, the ongoing Thai experience of developing a social security system begun in the late 1980s, and regional best practice. From these is developed a preference for shifting from a defined benefits system to a defined contributions one.

### 8.5 Seizing and Missing the Opportunity: Proposing Civil Service Pension Reform

After the cabinet ruling that civil service pensions must be reformed if salaries were to be raised, the CGD spent most of January 1992 producing a pension reform package. Its preference was for the Singaporean and Malaysian practices. The director general of the CGD worked closely with his staff to put forward a proposal because the finance minister Suthee Singhasaneh was committed to the cabinet resolution and wanted a reform proposal for early consideration by the cabinet. “The department director general would have been seen as incapable and unaccountable in the eyes of the finance minister, unless he responded quickly to his commitment.”<sup>30</sup> The CGD saw a need to respond promptly to the cabinet while the issue of reforming civil service pensions was still fresh on the government agenda. It’s ‘strike while the iron was hot’ approach was confirmed by the CGD officials involved in the reform process, one of whom reported that:

We believe that an interim cabinet like this [Anand’s] would not wait for long since its term in office depends on how soon the general election would be called. If we put our proposal through, the cabinet would be likely to approve it. More importantly, the reform idea came from them. We didn’t think they would reject it.<sup>31</sup>

Despite the time constraints, the CGD managed to produce its own reform proposal from the jigsaw of ideas and practices it had collected. In February 1992, only two months after the cabinet had made pension reform as a condition for future salary

<sup>29</sup> Interview, Napong, CGD official.

<sup>30</sup> Interview, anonymous senior CGD official.

<sup>31</sup> Interview, Ms Venus, CGD official..

increases, the CGD made its first reform proposal to the finance minister. At this stage, the relevant agencies concerned with personnel and budget related matters were not consulted. The proposal was to replace over time the current unfunded defined benefit pension system with a defined contribution scheme that would operate through an autonomous public entity separate from the central government's budget. Contributions by the government, as well as its civil servants and permanent employees, would accumulate in individual capitalisation accounts, along with interest and other capital earnings. The CGD also proposed that a Central Pension Fund (CPF), modelled on the Singaporean scheme should be set up to manage these accounts and control funds invested to produce earnings. The most important measure in the CGD's proposal, which would transform the Thai civil service pension system, was that future pension payments would be based on contributions to and the earnings of the CPF. The CPF would therefore provide the means for the government to eliminate its open-ended responsibility for pension payments under the existing defined benefit pension scheme.

On receiving the reform proposal from the CGD, the finance minister, Suthee, adopted it and instructed that it was to be submitted to the cabinet for approval. It was discussed at the cabinet meeting on 10 March 1992. The CGD's reform proposal put the cabinet in a difficult situation.<sup>32</sup> They saw the GCD's proposal as a radical initiative which, if adopted, it would involve changing role of the government in civil service pension administration. Without detailed accounts comparing the pension benefits of the current system with the newly proposed one, the cabinet feared that civil service personnel would not be convinced to accept the new pension scheme. The cabinet also foresaw that some problems might arise from shifting state responsibility to provide pensions to a shared responsibility between the government and individual civil servants. The CGD's initial proposal was also seen by most members of the cabinet as a threat to retirees' income stability since retirement benefits would be determined solely by the investment rate of return of the proposed new fund. They feared that the new scheme would put civil servants into a risky situation and the implementation of the new scheme might be difficult since most civil servants are risk- averse.<sup>33</sup>

The cabinet at its meeting on 10 March 1992 rejected the CGD's reform proposal and decided that a more careful and detailed analysis of the pension alternatives was needed.<sup>34</sup> The CGD's initial proposal only contained broad principles of the new

<sup>32</sup> Interview, anonymous OCSC official, Salary and Benefit Policy Division.

<sup>33</sup> Cabinet Resolution 10 March 1992.

<sup>34</sup> Ibid.

scheme and its administration. It did not provide details of how retirement benefits would be designed and calculated, which were seen by the cabinet as important aspects and vital for the implementation of the new scheme.

Despite rejecting the proposal, the cabinet provided crucial comments and guidance, which set the course for the subsequent revised proposal. It wanted the CGD to ensure that civil servants' retirement benefits did not deteriorate and become worse than the existing system. The cabinet also expressed some concern over the transition period. It suggested that civil servants hired after the effective date of establishment of the new plan would automatically be covered by the Government Pension Fund. Difficult issues arose with respect to the coverage of existing employees despite the CGD's inclusion of several formulas in its proposal for a Central Provident Fund modelled on the private sector, the most notable of which related to the equivalency of implicit returns under the existing and proposed scheme. In effect, the cabinet ruled that 'existing civil servants should receive returns, under the new plan that were essentially equivalent to those under the defined benefit plan'.<sup>35</sup>

Although the rejection of the CGD's proposal was due mainly to the potential losses to the retirement benefits of existing civil service personnel, some members of the cabinet, including the prime minister and some senior ministers, were concerned that it would not be legitimate for them to rush such a major decision on pension reform since their government was an interim one. The decision should be left for the new government after the general election scheduled for September 1992. For the interim government, "civil service pension reform was not really urgent, although they themselves initiated the reform issue in the first place. The government raised the pension issue only in the hope that it would be able to postpone the decision on salary adjustments requested not only by ordinary civil servants but also other categories of government employees including the judiciary, prosecutors and teachers."<sup>36</sup> The future progress of the civil service pension reform issue would therefore depend on the new government that emerged after the elections held in September 1992.

The CGD, anxious to take advantage of the reform opportunity provided by the Anand government, put forward its pension reform proposal to move from a defined benefits system to a defined contribution, which would reduce pension costs effectively. It was rejected by the cabinet because it was politically too risky and might alienate civil servants concerned about potential losses to their pensions. However, the issue of

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<sup>35</sup> Ibid.

pension reform was kept alive by the cabinet's request for a more detailed exposition of the proposal.

### 8.6 Pension Reform Hibernation: Preparing for New Windows of Opportunity

The rejection of the civil service pension reform proposal by the cabinet in March 1992 postponed the chance of moving from the well-established defined benefit pay-as-you-go pension system to the defined contributions one advocated by the CGD. However, a new window of opportunity was expected to open when the new elected government came to office in September 1992. Although the reform issue seemed at least dormant if not off the interim government's agenda, the CGD sought to maintain the momentum of the issue. A key group of its officials continued working on pension reform. Most comments from the cabinet meeting on 10 March 1992 were incorporated in their revised proposal. In the draft-revised version of its revised proposal, the CGD included two alternative schemes, with different degrees of departure from the current system, from which the cabinet could choose.

The first option for a reformed civil service pension scheme resembled the one recently rejected by the cabinet. The CGD proposed that a Central Pension Fund (CPF) should be set up to manage retirement benefits for retired civil service personnel. One radical proposal, which remained in this option was that only one type of pension benefit, an accrual of contributions and interest in the CPF, would be allowed. It would not allow civil servants to choose between a "lump sum pension" and a "monthly annuity pension", choices that civil servants could make in the existing system. The level of retirement benefits, another major departure from the current system, would be solely determined by accumulation through the proposed fund. The initial contribution reflecting the past service of existing members would be based on the formula used to determine the lump sum pension. This was to ensure that civil servants would not be worse off if the new system was to be adopted.

The CGD's second option provided for a Central Provident Fund in which the government would make an initial notional investment covering a portion of members accrued benefits, supply the remainder in stages and contribute over the period of service of the beneficiary a certain percentage of salaries, supplemented by the beneficiary's own contributions. The CGD proposed that pension and retirement benefit payment for existing civil servants would be a combination of defined benefits and contributions.

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<sup>36</sup> Interview, anonymous OCSC official, Wage and Salary Policy Section.

The defined benefit would be calculated on the basis of salaries frozen on the date of change to the scheme. The provident fund benefit would be based on contributions and interest in the future. Existing civil servants would receive both but new entrants would receive only the defined contribution benefit.

In July 1992, almost four months after the cabinet's rejection of its initial proposal, the CGD presented the draft-revised proposal to the permanent secretary of the ministry of finance for future consideration by the new incoming elected government. The director general of the CGD also considered that technical advice from experts on civil service pension reform was needed in order to strengthen and legitimise its revised proposal. He proposed that a consultative session with experts from the World Bank should be held, to which the permanent secretary of the ministry of finance agreed. However, the proposed visit should not be arranged until the advent of the new government as it would not be difficult for them to be certain about the stance of the new administration.

## 8.7 Conclusion: The Dynamics of Civil Service Policy Making

This chapter provides a narrative of the genesis of civil service pension reform in Thailand in the early 1990s. The concluding section primarily provides explanations for the emergence of civil service pension issue on Anand's government agenda and the failure to maintain the momentum of the issue by the reformers inability to use a window of opportunity for reform. In effect, this section explains the agenda setting and alternative specification processes in the light of an institutional and processual analysis.

### 8.7.1 Agenda Setting

The issue of the civil service pension reform emerged unexpectedly from the Anand's cabinet meeting as a means of avoiding a decision on the pay increase requested by the 'ordinary category' of civil servants.<sup>37</sup> As refusing to double civil service pay scales could lead to unpopularity among government personnel and hence declining support from the civil service, Anand created a causal story (Stone, 1989) linking the increasing pension costs with ballooning personnel costs making the government's fiscal management difficult. By doing so, Anand's cabinet could alleviate the possible hostile response from the Civil Service by considering salary increases as part of the wider context of managing

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<sup>37</sup> The occupational groups of the Thai Civil Service are set out in chapter 2.

costs and improving civil service efficiency. If anything could be blamed for not being able to authorise civil service pay rises, it was the surge of pension costs. This kind of cabinet causal story and the resultant civil service pension reform solution helped Anand's government "avoid blame" (Weaver 1986) for not increasing civil service salaries.

Not only could the political strategy to delay salary increases avert political pressures and demands for pay increases from other categories of civil service personnel, it also gave rise to a new issue, civil service pension reform on Anand's government agenda. However, Anand's government did not raise the profile of the pension issue leading to its low issue status. Consequently, the issue neither gained much political nor attracted wider public interest, since it was considered politically sensitive. Despite this, the civil service pension reform issue was high on the specialised civil service policy-making subsystems. These included the government departments and agencies responsible for policy and administration of the civil service salaries and pensions, namely the CGD and the OCSC. The low issue status of pension reform and issue processing in the closed policy subsystems was evident in the lack of reports in the newspapers on the issue during 1991-1992, when the issue emerged, was being discussed, and went back and forth between the CGD and the cabinet.

The way in which the issue of civil service pension reform emerged in the cabinet meeting led to a doctrinal search - finding a problem to a given solution. The formulation of the civil service pension reform issue can be characterised as an attempt to search for problems, which would justify the political reform solution. At this stage, the problems to which this Anand's cabinet resolution could be attached were not readily identified, and the cabinet no clear understanding of the problems of the pension system apart from the prospect of rising pension costs. In formulating the issue, the CGD became the principal reformer since its jurisdiction directly involved the administration of civil service pensions. The 'solution for pension reform' was therefore looking for problems embedded in the venue of the CGD, which was seen by the cabinet as its certified reformer.

In defining problems to match the political mandate of pension reform, institutional rules, routines and practices regarding the management and control of the government administrative 'running costs' overwhelmingly led the CGD's officials to pinpoint the pressing problem as the rising personnel costs they faced. The issues of salary increases and civil service pensions were interpreted by the CGD as belonging to

the same category of 'civil service remuneration' as appeared in central government expenditure. These two issues were seen as technically linked. They therefore justified civil service pension reform as a measure to contain personnel costs in the Civil Service. Using Kingdon's term (1995), although the window of opportunity for pay rises was closed at least for the period of Anand's administration, its appearance for the pay rise issue increased the probability that another window would open for similar or related subject, in this case, civil service pensions.

### 8.7.2 Alternative Specification and Decision Making

Being the only certified reformer, the civil service pension reform solution the CGD subsequently proposed was geared toward the achievement of its missions, reflecting the organisational process of matching the department identity of the CGD to the fiscal and financial management problems they had. Viewing the issue from a new perspective (Jones, 1994; Donovan, 1993) relevant to its identified problem, the issue of pension reform originally initiated as a condition for pay increase as an instrument for preventing and solving brain drain problems became legitimate on its own, while the latter subsided. This is because the CGD considered itself having full ownership of the pension issue, whereas it was only a marginal key player in the issue of brain drain problems and pay rises.

The episode reveals a sense of urgency and time constraints in the alternative specification process resulting from the brief window of opportunity opened by Anand's interim government. The constraints and the commitment to complete the reform proposal by quickly seizing the opportunity forced the CGD to adopt a 'go it alone strategy' which limited the alternative specification process to what has been called the 'inside initiative model' (Cobb, Ross and Ross, 1976). This involved bypassing the usual concurrent process normally participated in by government agencies with stakes and jurisdiction in the issue. The CGD's proposal did not have the support of other central co-ordinating agencies, particularly the OCSC which also had jurisdiction over government remuneration policy. The OCSC could not yet claim, as the CGD could, that it was certified by the cabinet. The role of the OCSC will be more prominent in the next episode.

The fast pace of developing a civil service pension reform proposal by the CGD was also due to the adoption of a reform idea and 'ready made' reform solution from elsewhere. Under time constraints and with a sense of urgency, the CGD adopted the

quickest approach, to produce a workable reform proposal from existing reform ideas, and looking across national boundaries to see if ideas could be borrowed (Wolman 1992). In fact, a few officials, who played an active part in formulating a reform proposal, were already familiarised with the idea of introducing a contributory approach to civil service pensions. The window of opportunity opened by Anand's cabinet allowed these ideas to surface and be realised. Although officials claimed that reform ideas and best practices had been sought from the Singaporean model and elsewhere, it is difficult, from the narrative evidence in this chapter, to establish that 'intensive search' or 'vicarious learning' took place. In short, the intensity of reform effort of the CGD's officials contributed to the progress of the proposal to and on the government's decisional agenda.

Although a speedy response to a brief window of opportunity was achieved, the CGD's first reform proposal was not carefully formulated and was criticised by the cabinet as 'too radical'. Its rejection by Anand's cabinet reflects a situation where knowledge of the problem and solutions for civil service pension reform within the CGD were limited as the issue of civil service pension reform was new to them. By the end of January 1992, the issue of civil service pension reform was off Anand's policy agenda as the reform proposal needed to be reformulated. The failure of coupling within the brief window of opportunity is similar to Kingdon's observation: If the solution or problem is not available or is not sufficiently compelling, or support is not forthcoming from the political stream, then the subject's place on the agenda is fleeting (Kingdon, 1984).

This chapter provides narrative explanations for the emergence of the issue of civil service pension reform, which emerged unexpectedly from Anand's cabinet as a political strategy to avoid a political decision on pay rises. Despite its low political support and its resultant issue status, the reform issue occupied a high status on the agenda of the specialised civil service policy-making subsystem, the CGD. The episode also shows how the agenda setting and alternative specification processes were shaped by the institutional and processual factors. Although this episode tells a story of institutional and processual constraints leading to failure to seize the reform opportunity, it is significant in the sense that it established the issue of civil service pension reform on the agenda of both the government and specialised civil service policy sub-system. The next two chapters will trace how the issue progressed.

## Chapter 9

# The Development of Civil Service Pension Reform Proposals: A Policy Stalemate 1992-94

### Overview

This chapter examines the progress of the civil service pension reform issue during Chaun's administration from its re-emergence in 1992 to the stalemate reached by June 1994. Despite the fall off in political attention of Anand's government towards the issue of civil service pension reform, the commitment of officials in the Comptroller General's Department [CGD] to the issue did not wane. Instead, they continued working to improve their earlier proposal, which had been rejected by the Anand cabinet, to strengthen it and to make it ready for the new administration, which they hoped, would open a new window of opportunity for civil service pension reform. Although the new government was attracted to the issue, it was not entirely convinced by, and did not agree with the reform options proposed by the CGD. This led to the inclusion of other government departments and agencies in the process of specifying reform alternatives. As a result, several different reform options were proposed by different actors. Stalemate was reached when no unified reform proposal could be agreed.

The aim of this chapter is twofold. First, it seeks to explain why the issue of Civil Service pension reform re-emerged and was taken up and pursued by Chaun's government. Second, it explains how and why different proposals for civil service pension reform came about and how it was not possible to reach agreement on a single reform option. Essentially, its focus is on the process of specifying competitive civil service pension reform options; how the relevant government central agencies and external organisations made sense of their pension reform choices and influenced the process of formulating Civil Service pension reform options.

### 9.1 Strengthening the Pension Reform Proposal

The parliamentary elections of September 1992 led to the formation of a new coalition government led by Chaun Leekpai, leader of the Democrat Party. His cabinet included some well known and reputable professionals who were non-MPs, a reflecting the Democrat Party's long standing good relations with the banking and financial sectors.

Among the cabinet members who played an important part in the government's economic policy and management were Supachai Panijabakdi, a well-known technocrat and banker, and Tharin Nimmahemindra, former CEO of the Siam Commercial Bank. The former won a seat in a Bangkok constituency and was appointed a deputy prime minister. The latter, a non-elected member of parliament, became finance minister and played an important role in civil service pension reform.

After the election, the director general of the CGD and the permanent secretary of the ministry of finance agreed that the draft revised proposal for reforming the civil service pension needed to be legitimised on technical grounds if it was to be taken up by the new government. They agreed that the advice of the experts on pensions from the World Bank should be sought. As the CGD argued part of the World Bank's mandate was to assist countries to develop pension schemes that would strengthen their fiscal management and hence reduce poverty.<sup>1</sup> The World Bank approach was consistent with the model that the CGD proposed. In particular, the Bank's recommendation that fundamental pension reform should contain some elements of 'individual pensions financed by pre-retirement savings, which are privately managed' was inline with its initial proposal.

The CGD invited experts on pension reform from the World Bank who then agreed to make a week long visit to Bangkok from 25 January to 1 February 1993 to meet and discuss the draft reform proposal with the CGD's officials. Both sides made explicit in the terms of the Technical Assistance Mission that:

[T]he World Bank would assess with officials of the CGD the feasibility of various options outlining the Government of Thailand's plan to move from the defined benefit (pension promise) plan to a defined contribution plan (i.e. provident fund); the mission findings and recommendations are based solely on the discussion with the CGD officials and a number of fund managers.<sup>2</sup>

During the mission the CGD and World Bank experts discussed two reform options included in the CGD's draft revised proposal. The first was a complete overhaul of the pension system by introducing a central provident fund while the second was a combination of the central provident fund and some elements of the existing system. The CGD asserted that either option would have to satisfy the goal of reducing

<sup>1</sup> See Holzmann, 1998.

<sup>2</sup> Unpublished World Bank Mission Memorandum, 1993.

budgetary outlays on pensions while treating current and future civil servants equitably. The Bank's staff suggested that three criteria should be considered in order to evaluate the CGD's pension reform options. These criteria were the cost of the plan to the government, equity for civil servants under the existing scheme and the new plan, and simplicity as a means of making the scheme attractive for current civil servants. However, the World Bank's experts also suggested that the impact of establishing a new government pension fund, an issue that had not yet been addressed by the CGD, should be taken into consideration. They postulated that the new civil service pension scheme would provide a critical mass for the development of capital markets, as a pension management industry could be sprung up along the line.<sup>3</sup>

The World Bank set out its recommendations in a detailed memorandum. It advised that "the second option proposed by the CGD would be the most appropriate for the Thai situation".<sup>4</sup> Its report, which applied a variety of "economic simulations" based on different assumptions and conditions such as civil servants' service years, set out six principle reasons for this. First, the Thai Government would be able to move from an unfunded to a funded pension scheme. Second, it would share investment risks with civil servants. Third, by freezing salaries and years of service in the calculation of pension benefit accruing from the pre-existing plan, with adjustments for inflation, the purchasing power of the CGD's second option would be preserved. The experts also asserted that, by such calculation, no group would be disadvantaged if inflation were to go up or down. Fourth, as far as the forms of retirement benefits were concerned, the CGD's proposed second scheme would continue to honour pension contracts with pre-existing civil servants by providing a lump sum or monthly annuity. Fifth, new entrants could expect to receive the same real level of pension benefits as the old scheme given a similar category of staff and service profiles. Lastly, the scheme would be easy to sell to pre-existing as well as new entrants since their interests in the final amount of pension are preserved.

## 9.2 Regaining Political Attention

After the Work Bank mission left Thailand, the CGD incorporated the opinions and comments of its experts into its revised-draft reform proposal and in May 1993

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<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

presented its reform proposal with the Bank's assessment to the permanent secretary of the ministry of finance.

Before making its submission the CGD consulted the Office of the Civil Service Commission (OCSC) in February 1993 and subsequently claimed that its revised proposal was supported by the OCSC. This was part of the CGD's go-it-alone strategy bypassing other central government agencies when it thought it had monopolistic jurisdiction over the civil service pension issue. As the department with direct jurisdiction over civil service pension administration and relevant knowledge and information about the pre-existing pension system, the CGD saw other central government agencies including the OCSC as outer players. Aware that the OCSC also claimed the right to contribute to and be consulted about civil service remuneration policies, the CGD decided to invite the OCSC to attend a meeting on 11 February 1993 after it had revised its civil service pension reform proposal in line with comments from Anand's cabinet and the World Bank mission.

The meeting on 11 February 1993 was referred to by the CGD as the consultative session. In the formal invitation letter, the CGD clearly stated "The OCSC could give opinions about the civil service pension reform programme developed by the CGD before the CGD concluded its proposal".<sup>5</sup> The OCSC sent its Deputy Secretary General, Tipavidi, whose responsibility was to oversee the overall civil service remuneration policy to attend the meeting on its behalf.<sup>6</sup> At the meeting, the CGD's director gave Tipavidi a brief presentation of its proposal, as it was the first time that the OCSC's representative was invited to participate in the CGD's process of formulating civil service pension reform options. Without much knowledge and expertise on the technicalities of the pension system, Tipavidi could only provide a broad opinion about the sustainability of pension rights of the civil service personnel, arguing, "The right of civil servants to the same forms and level of pension benefits must be protected."<sup>7</sup> Although the meeting on 11 February 1993 was the only time when the OCSC was consulted with regard to the issue of civil service pension reform, the CGD claimed in its draft-reformulated proposal that "the OCSC had already been consulted".<sup>8</sup>

The CGD believed that if the civil service pension reform proposal was to gain cabinet approval, it must be immediately endorsed by the finance minister. As a result,

<sup>5</sup> CGD Letter of Invitation to OCSC, 2 February 1993.

<sup>6</sup> The Bureau of Personnel Research and Development, an office within the OCSC was responsible for the development of civil service remuneration policy.

<sup>7</sup> Minutes of CGD meeting, 11 February 1993.

the permanent secretary signed the proposal and passed it to Finance Minister Tharin on 28 May 1993. Since assuming his post in October 1992, Tharin had been fully briefed by the CGD's director general about the development of civil service pension reform and the recent visit of World Bank's experts. Upon receiving the revised civil service pension reform proposal, Tharin invited senior officials in the CGD and finance ministry for discussions. After several briefings given by senior finance officials, Tharin expressed interest in and understood well the key issues related to the reform proposal and the ongoing debate and disagreement about the details of the proposed pension schemes. He regarded the issue as a politically and economically important one but he wanted the CGD's officials to reconsider their revised proposal. Politically, he was convinced by the previous Anand government's cabinet resolution reemphasizing that the CGD's proposal could pose some potential risks if accepted.

Radical civil service pension reform as outlined in the CGD's first submission, would be politically difficult because parliament would not endorse the new Pension Reform Bill if it proposed to cut civil servants' right to receive a lump-sum annuity. As a non-elected member himself, he could not be sure about parliamentary support.<sup>9</sup>

For Tharin reforming civil service pensions was not simply a condition for raising the civil service salaries as argued by Anand's cabinet, but had macro-economic importance. As a former banker with considerable experience in financial and capital markets, he was interested in the wider issue of pension reform and its implications for his economic policy, rather than introducing a measure that could earmark pension savings for increasing the civil service salaries. He was attracted by the World Bank's suggestions included in the CGD's proposal. In particular, he expected the impact of the new central pension fund on the development of capital markets would be substantial. Tharin anticipated that any civil service pension reform proposal needed to address its contribution to fiscal as well as macro-economic policy and management of the government.

For almost four months between May and September 1993, the finance minister and the CGD's senior officials engaged in periodic discussions of the reform proposal.<sup>10</sup>

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<sup>8</sup> CGD Submission to the Finance Minister, 28 May 1993.

<sup>9</sup> Interview, Director of PFAS.

<sup>10</sup> Interview, anonymous CGD official.

These discussions helped bring to the fore that Tharin's interest in pension reform was motivated by and reflected wider macro economic policy issues. His emphasis on the macro economic aspects of civil service pension reform rather than the attempt to reduce the government's pension burden sent a strong signal to the CGD that their responsibility for the civil service pension reform issue might be reduced and no longer confined to their jurisdiction. Considering itself as the sole owner of pension administration, the CGD wanted to get its reform proposal approved without modification as quickly as possible in order to insulate itself from outside agencies' influences. "We needed to convince the finance minister to agree with our reform option and send to the cabinet before he turned to involve other departments particularly our neighbour agency, the Fiscal Policy Office (FPO), which might provide him with different approaches to civil service pensions."<sup>11</sup>

The rigorous and "continuing push" through discussions of the reform proposal by the CGD helped secure a place for the issue on the finance minister's agenda. Tharin accepted the CGD's May 1993 proposal as it was, but he would not present it to the cabinet until the contribution of the proposed new pension fund to macro-economic policy and management could be realised.

At this stage, he [Tharin] did not show any disagreement with our proposal despite his wish to see the establishment of a new central pension fund as a means to promote the pension fund industry and fund management businesses to develop the capital markets. His stated aims for pension reform remained the same as that originally proposed by the CGD, to reduce the civil service pension costs and the future liability of government pensions.<sup>12</sup>

Though the CGD was able to bring the issue of civil service pension reform to the attention of the finance minister it faced difficulty taking it further. Discussions with finance minister revealed that the CGD's exclusive responsibility for carrying out the civil service pension reform project might be constrained and the involvement of other government departments and agencies might be unavoidable. Tharin also realised that his aspiration to take advantage of the reform proposal as a means of developing the capital markets could not be achieved through the CGD alone. Its limited jurisdiction over macro-economic policy, strict observance of its departmental mandates, and its

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<sup>11</sup> Interview, former director of PFPB.

<sup>12</sup> Interview, anonymous CGD official.

wholehearted commitment to its ultimate reform objectives to reduce civil service pension costs and improve civil service remuneration, made it unsuitable. Tharin wanted to add new dimensions to civil service pension reform and told the CGD to look further into economic policy and management.

Thus pension reform re-emerged on the agenda of Chuan's government for two reasons. First, the new finance minister, Tharin, was interested in it as a vehicle for his macro-economic policies. Secondly the CGD continued to work on its reform proposal in the light of the comments of the Anand government. The CGD presented a revised proposal to the new finance minister, which he took up.

### 9.3 Expanding Civil Service Pension Reform Issues

#### 9.3.1 The Macro-Economic Issue: The Fiscal Policy Office

In May 1993, after receiving the CGD's proposal, Tharin wanted to expand the issue of civil service pension reform to include the macro-economic impact of the reform programme. He turned to the Fiscal Policy Office (FPO) as a potential source to orientate pension reform in his direction. The FPO was seen by the government and public as the 'brain' of the Ministry of Finance. In their discussions, Tharin informed its director general that the FPO was to look into the possibility of extending the reform issue reform beyond the CGD's original proposal. Specifically, the FPO was required to propose how to design a new pension fund that would contribute to the country's wider economy. Unlike CGD, which was unfamiliar with economic policy, the FPO did not have any difficulty in accommodating Tharin's idea, which was consistent with its mandate to develop and oversee the country's overall fiscal and macro-economic policies. It was therefore easy to mesh Tharin's reform idea with its mission. As one official described it:

One of the FPO's missions is to research, study, suggest and oversee economic policy regarding capitalisation in the economy". The accumulation of savings as proportion of investment is an area we keep an eye on closely since the ratio between the two affects our economic fundamentals and the country's potential economic growth.<sup>13</sup>

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<sup>13</sup> Interview, anonymous FPO official.

The issue of civil service pension reform was familiar to FPO officials. They had experienced a similar reform programme that resulted in the establishment of the Central Provident Fund in 1980, the first of its kind in Thailand: "We have encouraged the establishment of saving funds, as well as the recently formed Central Provident Fund for private sector workers".<sup>14</sup>

After the finance minister brought the FPO in the civil service pension reform process, it spent four months, from May to September 1993, preparing its policy recommendations. Two divisions in the FPO, the Savings and Investment Policy Unit and Capital Market Development Policy Unit, had direct responsibilities, which would gear the civil service reform proposal towards Tharin's aims. Not only did officials in these units share Tharin's idea that setting up a new civil service pension fund would encourage the development of capital markets in the country, they also anticipated that the intended fund would help solve the FPO's growing concern over the increasing gap between savings and investment. The FPO's officials' claim was substantiated by statistics indicating that "The country's Gross National Saving was in alarming and unsatisfactory state".<sup>15</sup>

The FPO's research showed that in 1993 gross national saving accounted for only thirty-four per cent of Thailand's GDP, while the growth of domestic investment went up to almost forty per cent.<sup>16</sup> The numbers caused concern to the FPO as they indicated a potential gap between domestic savings and investment. If the gap continued and widened as they projected, the FPO feared that the economic basis of growth would deteriorate and international debt would increase. The FPO convinced the finance minister of the magnitude and seriousness of the increasing saving and investment gap: "the [finance] minister paid great attention to this problem because the increasing magnitude of the problem. If we can solve it, our dependence on foreign currencies and the risks from exchange rate fluctuations would be substantially decreased."<sup>17</sup> The establishment of a civil service pension fund would address this problem by increasing savings.<sup>18</sup>

In the short term, when the immediate impact of the proposed new civil service pension fund could easily be seen, the FPO and the finance minister shared the same idea that capital markets in Thailand would greatly benefit. They believed wholeheartedly

<sup>14</sup> Interview, Kanigar, FPO official.

<sup>15</sup> Ibid.

<sup>16</sup> See chapter 2 Table 2.6.

<sup>17</sup> Interview, Kanigar, FPO official.

that the establishment of a new civil service pension fund would serve as an instrument to develop the country's fledgling capital markets since it would inject a tremendous sum of money into the market.

The experience of providing policies for establishing the Central Provident Fund in 1980 and the recent Social Security Fund in 1990 reinforced the FPO's beliefs. In particular, the successful introduction of the Central Provident Fund (CPF) had been highly praised by politicians, academics and international advisors. Since its establishment in 1980, the CPF had grown substantially in terms of the number of the companies registered, the numbers of workers covered and the amount of capital accumulated. By 1991, within a decade of its foundation, the number of private companies registered increased from 159 to 3094 resulting in an increase in workers covered from 28,413 to 641,023. The amount of capital increased from 561 million baht in 1980 to 50,742 million baht in 1991.<sup>18</sup>

Moreover, at the time when it was brought into the civil service pension reform process, the FPO had already been engaged in the development of a policy to extend social security benefits to the old, and a programme to develop old age pensions. The programme was part of the comprehensive Social Security Act of 1990 which included a commitment that "the state would provide old age pensions by 1999". As groundwork for this the FPO started conducting a feasibility study in 1993. Many experts, including those from the International Monetary Fund (IMF) were invited to workshops "to provide technical assistance in regard to social security in general and to the expansion of the system to old-age pensions in particular."<sup>20</sup> With these responsibilities and experience, therefore, the FPO had established itself as an influential advocate of social security reform for private sector workers.

Even though it became interested in accommodating the issue of civil service pension reform into its departmental jurisdiction and the potential impact of the proposed new pension fund on the economy could mesh well with its policy targets, the FPO did not formulate its own comprehensive reform package:

The FPO did not possess the knowledge of either pre-existing civil service pensions or the problems associated with public personnel administration. Pensions were not our main priority. So we had to rely on the CGD draft

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<sup>18</sup> See chapter 2 Table 2.6.

<sup>19</sup> Figures supplied by Thai Farmers Bank Research Centre.

<sup>20</sup> IMF Letter to Ministry of Finance, 15 August 1993.

proposal to start with. Our job was to use the economic models to assess the impact of various alternative pension schemes. We prepared information for the finance minister.<sup>21</sup>

Overall, the FPO's statutory responsibility as well as its previous successful experience dealing with the establishment of the CPF provided good reasons for the finance minister to involve it in the civil service pension reform issue.

### 9.3.2 The Pension Rights Issue: The OCSC's Parallel Attempt

The discussion of the issue of civil service pension reform was not confined to officials in the ministry of finance. It was also regarded as a matter of serious concern by the Office of the Civil Service Commission (OCSC).<sup>22</sup> Being formally excluded from the finance ministry's Joint Working Committee on Civil Service Pension Reform did not prevent the OCSC from pursuing its own pension reform agenda, which it had begun to before the JWC was established. The progress of the finance ministry's reform was followed and monitored in order that the OCSC would not be left behind the reform process. Deputy secretary general Tipavadi requested her close aide in the Salary and Remuneration Section to monitor the MOF's progress via media coverage. Newspaper cuttings were gathered and analysed and regular informal discussions took place between Tipavadi and staff in the Remuneration Policy Section. Having good personal relationships with some officials in the CGD, which had developed over years of working together, on some occasions Tipavadi and her staff could manage to obtain discussion papers or minutes of meetings of the JWC.<sup>23</sup> She even received a copy of the CGD's May 1993 revised proposal. Tipavadi and her staff to managed to keep informed throughout the reform process.

Alerted by the brief consultation by the CGD in February 1993 and concerned about the future direction of pension reform, especially annuity benefits, at the beginning of March 1993 Tipavadi, set up the OCSC's own internal task force on civil service pension reform, which she headed. An OCSC personnel analyst working with Tipavadi justified its parallel task force arguing that the OCSC had a right to be properly consulted. "As the Civil Service Act 1992 provides us [the OCSC] with the authority to

<sup>21</sup> Interview, Somkid, FPO official.

<sup>22</sup> Interview, anonymous OCSC official.

<sup>23</sup> Formally, the two agencies worked closely at both policy and operational levels on Civil Service personnel administration. Tipavadi also had an informal network with senior bureaucrats in the CGD.

deal with Civil Service remuneration policy, it would be legitimate for us to raise the issue within the Civil Service Commission. This Commission was chaired by the prime minister and the permanent secretary of the Ministry of Finance is an ex-officio member of the Commission.”<sup>24</sup> Even if the CGD took advantage by rushing to submit its proposal to the cabinet, other agencies particularly the OCSC would be required in the concurrent process because it was a personnel management related issue. “But we don’t want to wait until then, although this was a standard and formal procedure for filtering issues for cabinet meetings.”<sup>25</sup>

Unlike the finance ministry task force, which exclusively comprised of senior officials from the CGD and FPO, the OCSC’s Task Force was more diverse in its membership. The eight members of this task force were drawn from the OCSC, the ministry of commerce, and the private sector.<sup>26</sup> The four representatives from the OCSC included two heads of sections directly involved with remuneration policy for civil servants: the Remuneration and Welfare Section and the Salary and Remuneration Section. Tipavadi also included another OCSC personnel analyst aide as a member. As the pension system was highly technical and required specialised knowledge, which the OCSC did not possess, Tipavadi invited two middle-ranking officials specialising in insurance and actuarial science the Insurance Department of the ministry of commerce to join. The other two members were a consultant and a senior officer from the financial and insurance sectors. Many other OCSC public personnel analysts and representatives from other financial companies were also invited to contribute to discussions in meetings as observers.

As the aim of the OCSC’s task force was to scrutinise the CGD’s proposal, as well as to make further recommendations to improve civil service pensions, its members used the CGD’s proposal as a starting point for developing alternative pension schemes. The OCSC Task Force met four times between March and May 1993 and its agenda was dominated by issues concerning the design of the new scheme. It paid most attention to the issue of benefit design. OCSC representatives stressed the importance of civil servants’ right to receive the same forms and levels of retirement benefit in any new scheme and that they must not be worse off in any new scheme. Discussions focused on the calculation of different forms of retirement benefits, replacement rates and contribution rates. The task force paid less attention to the organisation and management

<sup>24</sup> Interview, Visoot Prasitirivong, OCSC official.

<sup>25</sup> Ibid.

<sup>26</sup> Compiled from minutes of OCSC Task Force meetings.

of the new central pension fund, as they agreed with the CGD proposal, and hardly discussed the economic and fiscal impact of civil service pension reform.

As the preservation of the civil servants' pension rights was a major concern of the OCSC's task force, many insurance and pension simulation models were tried out to develop the right scheme. These technical exercises were chiefly done by representatives from financial companies and officials from the Department of Insurance.<sup>27</sup> As for the management of the new fund, the task force agreed that a member from a private consultancy firm was to work out the management system because they were familiar with how private pension funds and insurance companies operated. Representatives from the OCSC helped, providing broad assumptions and information about current benefits and pay increases to be applied as part of the calculations.

Following four intensive meetings over two and half months from the middle of March to the end of May 1993, the OCSC task force formed a clearer view of the civil service pension reform issue and developed its own policy stance. It shared the CGD's reform aim to reduce government pension expenditure particularly in the long term. It also agreed with the CGD proposal that a new pension fund needed to be established. The stark differences came from the design of retirement benefits. The OCSC insisted that the right to receive a lump sum annuity must be preserved and by any calculations civil servants' retirement benefits must not be worse off in the long term. It was on this ground that the OCSC could not agree with the CGD's proposal, arguing that "the longer civil servants were members of the CPF, the less benefit they would get. There was a flaw within the CGD's proposal and retirees' pension benefits would be eroded."<sup>28</sup>

Like the FPO, the OCSC did not produce a comprehensive civil service pension reform proposal. Instead, it prepared a paper outlining its stance ready for further discussions. It argued that any civil service pension reform proposal would be only acceptable if agreement could be reached on three principal issues. First, existing employees must receive retirement benefits under the new plans that were essentially equivalent to those under the pre-existing defined benefit plan. Second, civil servants must be allowed to choose between a 'lump-sum-pension' and a 'monthly annuity'. The *status quo* on this must not change because "the monthly annuity was the most attractive option for the majority of civil servants. More than ninety-five per cent of retired civil

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<sup>27</sup> They were asked to provide proposals for the form of pensions and retirement benefits, replacement rates as percentage of base salaries, contribution rates for civil servants and the government and investment rates of return to ensure the new fund remained solvent, and membership of the new scheme.

servants choose a monthly annuity.”<sup>29</sup> Third, the OCSC advocated the involvement of the private sector in the management of the civil service pension fund. This reflected the influence of representatives from the insurance and financial companies on the OCSC task force. The OCSC proposed that financial companies should play an important role in managing the new funds. It also supported the establishment of a fund similar to the Central Provident Fund.

The scope of pension reform expanded from the CGD’s priority to cut pensions costs as part its attempt to limit overall government personnel costs as the FPO and the OCSC became involved in the issue. The FPO took a macro-economic stance and wanted to use the proposed pension fund to strengthen savings and develop the financial markets. The OCSC was primarily concerned about protecting the pension rights of civil servants and developed its own policy stance.

#### 9.4 Getting Agencies to Work Together

On October 11 1993, finance minister Tharin established an *ad hoc* Joint Working Committee on Civil Service Pension Reform (JWC), in order to ensure the different agencies involved in pension reform worked together. This principally involved getting the CGD to work with the FPO. Aware of the equal status of the two agencies and the different approaches they might advocate, Tharin appointed Kovit Posayanon, a chief economist responsible for economic and public finance from the Ministry of Finance’s Permanent Secretary’s Office, to head this task force and act as a rapporteur. Senior officials from both the CGD and the FPO were appointed as working members of the committee and it was balanced in both numbers and levels of seniority. They included the Director General of the CGD, the Director General of the FPO, the director of the CGD’s Public Finance and Accounting System Section and the director of the FPO’s Capital Market Policy Section. The last two members acted as co-secretaries to the task force.

Tharin asked the Joint Working Committee to develop a comprehensive civil service pension reform proposal.<sup>30</sup> The Finance Ministerial Order of October 1993 required it to produce a single coherent reform proposal and provide policy recommendations for cabinet approval. Tharin also set a clear deadline. He wanted a

<sup>28</sup> Minutes of OCSC Task Force meeting 15 March 1993.

<sup>29</sup> Civil Service Commission Survey, 1994.

<sup>30</sup> MOF Order No 105/1993, dated 11 October 1993.

draft bill ready to introduce in parliament by September 1994. The committee was asked to consider five related areas. The most important issue remained the same: the direction of reform and any innovations in pension funds. He also instructed the JWC to look into the structure and operating system of the proposed funds: whether the funds should be part of the bureaucracy or independent. As reforming the civil service pensions would involve legislative change, this committee was required to draft a new Civil Service Pension Bill and/or amend existing pension and pension related laws. Tharin emphasised that the reform proposal had to address the impact of the proposed new central pension fund on the economy as a whole and on the financial and capital markets specifically. Should there be any other issues relating to the establishment of the central pension fund, it needed to be included in the Joint Working Committee's proposal.<sup>31</sup>

Initially the JWC consisted of the CGD and the FPO and excluded the OCSC but in December 1993 the OCSC was formally invited to join to represent the interests of civil servants. As early as July 1993 it was clear that the finance ministry's work on pension reform could no longer be shielded from outside comment and criticism. The issue of civil service pension reform started to appear in domestic news coverage, particularly in national newspapers. The focus of media attention was the potential change of retirement benefit designs and the general progress of reform, issues that reflected the concerns of the OCSC. These points were amplified by academics in universities and experts on social welfare and social security programmes, whose conservative views went against the "private style of civil service management" for fear of uncertain retirement benefits in the future. Equally serious criticism came from the Civil Servants Association, whose membership consisted mainly of senior civil servants, which reflected the opinion of the civil service as a whole. The association provided a socialising forum for members to raise matters of their concerns over the unfair treatments in the government departments to ensure that civil servants' rights were not abused.<sup>32</sup> Khajad-pai Burootpat, the association's president reminded relevant government departments that:

Given that pensions, both lump sum and annuity, were extremely important to civil servants, any reform project should not affect pre-existing civil servants. Besides any decision on the pension reform issue should be made transparent

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<sup>31</sup> Ibid.

and open and all government agencies should be consulted and allowed to express their opinions. This would result in the right approach to reform and fairness for all.<sup>33</sup>

Though well insulated from scrutiny, the JWC perceived criticism from relevant agencies such as the OCSC and outside bodies, particularly the Civil Servants' Association, as a threat. The head of the JWC was worried that its civil service reform programme would be jeopardised. Should there be any objections to or constraints on the reform process, their aims for civil service pension reform might not be successfully achieved within the lifetime of Chaun's government even though they had strong support from the finance minister. Recent governments had been short lived and one attempt at reform during the Anand administration had already failed. Members of the JWC agreed to invite the OCSC to attend its meetings in an attempt to prevent the OCSC raising its own version of civil service pension reform in any other high profile committee such as the Civil Service Commission and the cabinet. The JWC hoped to keep the reform process short and to achieve its reform objectives without much delay. Officials in the finance ministry saw a further advantage in bringing in the OCSC because it had the capacity to mobilise support from the other central public personnel agencies and civil servants who would be affected by the reform programme. They believed the implementation of the new pension scheme would be difficult without the co-operation of the OCSC.

On 27 December 1993, two months after the JWC was set up, the OCSC's deputy secretary general, Tipavadi and her personnel analyst aide attended their first JWC meeting. Their active participation and the new initiatives they contributed were so impressive that Tharin demanded their regular attendance at all future meetings. Attaining a place in the decisional venue for civil service pension reform opened up an opportunity for the OCSC's stance and its concerns and ideas to be considered and adopted. By the end of 1993, the CGD, the FPO and the OCSC had become the spearhead of civil service pension reform. However, there were substantial differences in their stances, objectives and approaches, which remained to be resolved.

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<sup>32</sup> The Civil Servants Association was comparable to a trade union but did not negotiate employment conditions or personnel management issues. Trade unions are not allowed in the Thai Civil Service.

<sup>33</sup> Matichon Newspaper, 12 July 1993.

## 9.5 Seeking Expertise and Best Practice

For six months, from January to June 1994, the CGD, FPO and OCSC worked together in the JWC at the finance minister's request to produce a pension reform proposal that would be mutually acceptable to the members of the JWC and the finance minister. In the course of this they drew on a range of domestic expertise, the experience of the FPO in establishing the Central Provident Fund, the Insurance Department of the ministry of commerce and the public sector. International experience was also collected in overseas study visits and the IMF was consulted.

During this period, when it met at least once a month, eight meetings took place. Despite rigorous examination of the issues it was not possible to reconcile the often wide differences between departments. In their discussions the JWC came to the view that more information, particularly knowledge and expertise not available from the participating central agencies, was needed to design a new civil service pension system. As a result, they decided to consult and to seek pension related information, domestically and from overseas, from organisations and individuals from both within and outside government bureaucracies.

### 9.5.1 Seeking Domestic Expertise

From within the Civil Service, the JWC acquired information about life expectancy, which was fundamentally necessary for dealing with insurance, from the Insurance Department. The civil servants' household survey, which was essential for calculating and determining the savings and contribution rates in the new pension scheme, was obtained from the National Statistics Office. Representatives from these agencies only provided the information requested and did not attend the meetings on a regular basis.

From outside the civil service the JWC invited experts from the private sector including senior officers of the major finance company on the OCSC task force. Their contribution was confined to the design of the retirement benefit package. Their proposal was similar to that offered by the Central Provident Fund for the private sector workers. Expertise from the private sector was needed because they had superior specialised knowledge of fund management businesses and technological tools:

First, they [representatives from the private sector] were experts in the field [insurance and fund management] since they had experience managing the

Central Provident Funds and other funds in the private sector. We [the CGD] only knew about our current system. More importantly, the work involved simulating and processing huge and complicated actuarial statistics and we did not have the instruments such as computers and software to undertake these very tiresome calculations.<sup>34</sup>

Representatives from private companies injected best practice from the private sector to the JWC even though they did not regularly attend meetings, attending only when invited or their assignment on retirement benefit design was discussed. The idea of bringing in the private sector to design the new civil service pension system was widely accepted by members of the committee. Even though no specific benefit design package from a private company was adopted, their input and involvement reinforced and convinced members of the JWC that private sector style of pension fund management could be a potential solution for reforming the civil service pension system.

### 9.5.2 Seeking International Best Practice

Members of the Joint Working Committee claimed that reforming civil service pensions, like many new policy issues adopted by past Thai governments, “required careful study of how other countries did and what problems those countries had”.<sup>35</sup> With the approval of the finance minister, the JWC planned three short study visits to countries, which had experienced civil service pension reforms. The three countries chosen had a long tradition of a welfare state and a legacy of reform successes. The United Kingdom and Germany matched these criteria and Singapore was added because the CGD’s original proposal was influenced by its Central Pension Fund and successful defined contribution pension system.

The visits were rapidly organised and took place between March and May 1994. The JWC, conscious of the instability of recent Thai governments was anxious to make its proposal to Tharin as quickly as possible. It visited the U.K. Cabinet Office in March and went to Germany in April and Singapore in May. Its members, who were sympathetic to the compulsory defined contribution pension system, wanted to learn how civil service pensions in these countries were designed, financed and managed.

On their return to Thailand in May 1994, the director of the Capital Market Policy Division of the FPO, a member of the JWC study party, reported back to the

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<sup>34</sup> Interview, Head of Public Finance and Accounting System, CGD.

<sup>35</sup> Interview, Ms Venus, CGD official.

finance minister. His report was seen simply as a necessary requirement of any overseas visit and did not generate any particular interest. It contained a description of the multi-tier pension systems in the U.K., Germany and Singapore but also included the new issue of providing supplementary income benefits in addition to standard pensions. "Public sector employees in England and Germany had a basic pension from the state as guaranteed retirement benefits, in addition to the savings from defined benefit schemes". However, this issue was largely ignored by members of the Joint Working Committee because:

We already had a solution in mind. Most of them [members] agreed in principle that the compulsory defined benefit provident fund option was likely a reform solution for adoption. The remaining points of disagreement were mostly confined to technical matters such as who and how much money to contribute to the new pension fund.<sup>36</sup>

The new idea of providing supplementary income did not seem to fit with the JWC's reform intentions. This issue and the report itself was not closely considered and sent to the finance minister in accordance with standard civil service procedures for overseas study visits.

In an attempt to find a reform solution that could be successfully implemented and reconcile differences between members of the JWC, the FPO suggested that the IMF should be invited to examine the draft reform proposal. The FPO had already been in the consultation with the IMF on the development of old age pensions. Despite the fact that no pension reform proposal had yet been agreed for the IMF to scrutinise, the JWC accepted the FPO's suggestion and IMF officials visited Bangkok on 22-24 April 1994. Their stated aim was to assess the proposal for reforming civil service pensions developed by the Thai Finance Ministry.

The IMF's experts were critical of the economic implications of the proposal. After reviewing the JWCs proposal to shift to a defined contribution system from the defined benefit scheme, the IMF officials shared the view of the JWC that the proposal had contrasting implications for the government on the one hand and civil servants on the other. They also pointed out that after a transition period, the government budget would bear a fixed cost in relation to wage bills. Although the reform would guarantee future retired officials' pensions from politically or fiscally motivated reductions, this latter risk would be replaced by inevitable uncertainty about the level of pensions under a

defined contribution plan. In effect, the level of future pensions would depend significantly on the rate of return from investments. They concluded that: “The proposal nevertheless creates risks and uncertainties that might reduce its acceptability and, hence, the ability of the government to implement reform effectively”.<sup>37</sup>

Instead the IMF mission proposed a “two-tier alternative civil service pension scheme”, which, as they claimed, “could achieve many of the same goals but with fewer uncertainties for the government and its officials.”<sup>38</sup> Their proposed two-tier system was a combination of redesigning the existing defined benefit plan with partial funding and the introduction of a voluntary defined contribution with matching contributions. According to the IMF’s officials, their alternative proposal would achieve three economic objectives of major concern to the JWC, the introduction of a substantial element of funding, stimulating savings, and removing pensions from salary constraints. However, they made a reservation that their version of the proposal was “based on incomplete data and a full specification of the parameters would require considerable empirical work, which was not possible with the currently available data.”<sup>39</sup>

To address the need for reducing government fiscal burden, the IMF urged the JWC to redesign carefully the existing defined benefit pay-as-you-go plan to make it more efficient and equitable while lowering its overall cost and provided technical suggestions.<sup>40</sup> The IMF shared the JWC’s view that a government pension fund should be created to pre-fund the benefits already earned by civil servants under the existing plan. They suggested the government should capitalise its proposed government pension fund by transferring reserves from the Bank of Thailand. This would benefit civil servants by securing their future retirement benefits and pension payments with assets. Capitalising the proposed new pension fund would help removing some risks that government fiscal constraints could pre-empt expected pensions in future, a risk that concerned the JWC. However, the IMF had different view on the management and investment of the proposed fund recommending that it should be managed and invested

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<sup>36</sup> Interview, Somkid, FPO official.

<sup>37</sup> Unpublished IMF Report to the Ministry of Finance, April 1994.

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

<sup>40</sup> This could be done by “(a) basing pensions on an average of the last five years of salary, instead of last month salary as calculated by the existing system, (b) introducing explicit, albeit not necessarily full, indexing which would raise the real value of pensions, and (c) replacing the system of extra-credits with early retirement penalties and add-on credits for delayed retirement” (ibid).

decisions by government representatives. The IMF also made detailed recommendations on the government's contribution rate, which had to be sustainable in the long term.<sup>41</sup>

The most important aspect of civil service pension reform that the IMF's experts and the JWC agreed on in principle, but not in detail, was the introduction of a defined contribution tier. The IMF suggested of a new voluntary tier, which would provide an incentive for savings by civil servants and allow them to top up their income in retirement. This tier was similar to the existing employer-provided provident funds developed for private sector workers in the 1980s by the FPO with the technical assistance of the IMF. However, the IMF introduced alternative methods, which had not been fully applied by the provident funds in the private sector.<sup>42</sup>

Embedded within the IMF's technical advice were implications for the capital market, which were in line with Tharin's aspirations and the mandate of the FPO to develop savings. The IMF proposed that the government pension fund should allow civil servants to direct the investment of their individual accounts and the fund could offer a range of alternatives with varying risks. This was practiced in countries with well-developed capital markets, where employees were often given five, ten or more options.

Overall the IMF's representatives argued that their two-tier civil service pension system would provide more secure defined benefit pension to civil servants and encourage savings via voluntary participation in the defined contribution tier. They

<sup>41</sup> It should be set by taking into account overall budgetary and fiscal considerations. The amount of the contribution would depend on the amount of the initial transfer and projections of earnings on the transferred amount over a period of some 20 or 30 years. As the control of investment of these funds would remain with the government, it should provide investment options and portfolios that could balance risks and rewards. The government needed to decide whether the funds should be held in secure fixed income investments such as bank deposits, money market instruments, or bonds or used for investing in infrastructure that might produce higher rate of social return. The IMF's officials also endorsed the ideas of the finance minister and FPO officials that some or all of the government pension fund should be privately managed to earn true market returns and produce a competitive yardstick to measure the performance of the fund. However, they warned that strict financial oversight would be needed as it was for the employer-sponsored provident funds that were emerging in Thailand (*ibid.*).

<sup>42</sup> One example of these methods was matching contributions. This would require the government to make a fixed two per cent contribution to an individual account in the government pension fund for each official. Thus all civil servants would have an individual retirement account established whether or not they elected to contribute themselves. The government would then allow them to choose annually to contribute up to three per cent of their salary and matched by the government with up to an additional three per cent. Civil servants contributing three per cent would have an additional five per cent contributed by the government, a total of eight per cent of their salary. Civil servants could contribute further with government matching. Another example given was a government contribution of up to five per cent with a matching five per cent civil servant contribution. In this case, establishment of civil servants' individual retirement account would be dependent on their decision to contribute (*ibid.*).

claimed that their proposal would help reducing pension expenditure in the long run and could minimise more risks for future pensions than the proposal being discussed in the JWC.

Many of the technical mechanisms and alternative reform options proposed by the IMF were familiar to the JWC. As an FPO official recalled:

We had already considered and discussed the possibility of changing the calculation of the formula of existing defined benefit pensions using the average last five years of salary and establishing a Singaporean style central pension fund long before the IMF came. We were quite clear, even if the IMF had not come, that our reform proposal would follow this path. The IMF recommendations only reassured us that we were in the right track.<sup>43</sup>

As a result the IMF's proposals were only selectively incorporated in the JWC proposal.

## 9.6 Reaching Stalemate

Despite six months effort the JWC was unable to agree on a unanimous reform proposal. Under pressure from Tharin, who still intended to introduce a bill in parliament in September 1994, and its chairman, Kovit, the JWC submitted an incomplete reform proposal to the finance minister on 15 June 1994. It consisted mainly of broad principles and a range of alternative options and lacked detailed recommendations on key issues. Only two issues had been agreed in detail, the retention of monthly annuity pensions and membership of the scheme, and even these had only been resolved by the intervention of the finance minister after deadlock in the JWC.<sup>44</sup> Two other key issues, benefit design and capitalisation of the proposed fund, remained unresolved in the proposal and awaited a decision by the finance minister.

The details of many issues agreed on in principle still remained unresolved. One such issue was contribution rates. The chairman, Kovit, disagreed with the IMF recommendation of equal matching of contribution rates insisting "the government should contribute more than officials".<sup>45</sup> The Joint Working Committee did not make a

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<sup>43</sup> Interview, Somkid, FPO official. Similar views were expressed by almost all those interviewed who insisted that the influence of the IMF was minimal.

<sup>44</sup> The decision making process on these two issues is discussed in chapter 10.

<sup>45</sup> Poo-Chatkarn Newspaper, 3 May 1994.

decision on the IMF's recommendation for equal contributions, which it regarded as a new dimension of civil service pension reform. Other IMF recommendations caused disagreement, the establishment of a voluntary defined contribution tier with matching contributions by the government and civil servants, and the right of pension fund members to direct the investment of their individual accounts. Rather than putting forward a single agreed proposal the JWC decided to put forward alternative options:

We would put forward our proposal, which advocated the defined contribution, Central Provident Fund style, to the finance minister since we had been working towards this end from the outset. However, we would also inform him about the IMF's opinion on the establishment of a two-tier scheme, which combined defined benefits with a defined contribution scheme. If the finance minister preferred the IMF's, then we would incorporate it and adjust our proposal.<sup>46</sup>

Thus by June 1994 the JWC had reached stalemate in formulating a pension reform proposal.

## 9.7 Conclusion: The Dynamics of Civil Service Policy Making

This chapter provides a narrative account of the progression of the civil service pension reform issue. The episode recounts why the issue of civil service pension reform, which had fallen off Anand's government policy agenda, re-emerged and was taken up by Chaun's administration. It also provides a detailed narrative of a long "softening up period" of specifying alternative pension reform options, which led to nothing but a reform stalemate. In the light of an 'institutional processualist' framework, this concluding section addresses two themes: the re-emergence of civil service pension reform issue on the Chaun administration's agenda and the process of developing civil service pension reform proposals leading to a reform stalemate.

### 9.7.1 Agenda Setting

The issue of civil service pension reform, despite being put on hold by Anand's cabinet, regained political attention during the Chaun's administration, an elected government.

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<sup>46</sup> Minutes of JWC meeting 8 June 1994.

The survival of the pension reform issue rests on the coupling of factors in the politics and policy streams (Kingdon, 1995).

The coupling of the policy and political streams contributed to secure a place for the civil service pension issue on the Chauhan's government agenda, albeit at ministerial level when the issue revived. With regard to the political stream, the new government brought a new finance minister, Tharin, a banker and financier-cum-politician. Tharin was interested in the issue of reforming civil service pensions and saw it as a potential instrument to accomplish his macro-economic policy. Independently in the policy stream, the CGD, whose civil service pension reform proposal was turned down by the previous Anand government, continued its commitment to put forward a reform proposal. The original proposal was made ready for the new administration by incorporating the comments of Anand's cabinet, eliminating the perceived weakness of the proposal, as well as legitimizing it by using supporting comments from the World Bank. The new interest in the politics stream coupled with the ready-made solution in the policy stream accelerated by a commitment and drive to fulfil the CGD's jurisdictional and Tharin's policy aspiration, together opened a new policy window for the issue of civil service pension reform. The issue status was also high in the Ministry of Finance, which was an institutional venue for making the reform proposal.

### 9.7.2 Alternative Specification and Decision Making

This episode provides an account of how and why a unified civil service pension reform proposal was not achieved resulting in a "reform stalemate", representing a long 'softening up' in the policy stream (Kingdon, 1995). The long gestation period resulted in a slow pace developing a consensus on the reform approach and proposals, despite the intense effort of reformers. This slow pace can be explained by a combination of situational and institutional factors.

Although civil service pension reform attracted the political attention of the finance ministry, the issue was expanded beyond the jurisdiction of the CGD resulting in the incorporation of new reformers in the alternative specification process. These new actors included the FPO whose role was invoked by finance minister, and the OCSC who claimed jurisdiction over civil service pension policy. The participation of these actors created competing venues for developing reform proposals in line with the 'reform images' conceived by reformers in those venues (Baumgartner and Jones, 1993). The case evidence shows that incongruence between images of civil service pension

reform led to irreconcilable reform choices – aims and means – advocated by different reformers.

Alternative specification for civil service pension reform involved the re-interpretation of the reform issue by reformers within different institutional venues. This involved examining different dimensions of the civil service pension reform in the context of the department's jurisdiction, ideology and experience. The issue dimension that mainly concerned the CGD, as well as Anand's cabinet, was the budgetary implications of changing the existing pension arrangement; changes could alleviate budgetary pressures. The CGD translated the Anand cabinet resolution in the context of their departmental jurisdiction as many CGD officials involved in the reform process reiterated the need to achieving their internal constraint to limit salaries, including pensions, to forty per cent of central government expenditure. Civil service pensions were regarded exclusively by the CGD as its legal domain.

The civil service pension reform alternative advocated by the FPO was based on a different issue re-interpretation. Being activated by the finance minister, the FPO could align its department's remit with the finance minister's policy aspiration related to the achievement of his macro-economic policy. In this case, the FPO brought the new dimension of macro-economic policy by accommodating finance minister's policy aim with its own remit: the development of capital markets via fostering economically sound domestic savings and investment ratios. Not only was its role invoked and certified as one of the main reformers, its legacy of successful social security reform in the private sector, made the FPO an effective venue for the issue of civil service pension reform proposal to be developed.

The expansion of the issue of civil service pension reform was also due to pension domain overlapping in the Thai Civil Service, which allowed both the CGD and the OCSC to claim responsibility for the civil service pension reform issue. The adoption of a go-it-alone strategy by the CGD and the setting up of the OCSC's internal task force to investigate the CGD's reform proposal and develop its own reform version are clear examples of these competing venues. Domain overlapping among different institutional venues resulted in differences of reform image, means and ends, which made it difficult for the CGD to retain and exploit its monopoly over the reform issue. The issue image depicted by the OCSC, although not completely different from the CGD, focused more on the implications of pension reform as a condition for salary adjustment and on securing the pension rights of civil servants.

As the alternative specification process was constrained by different reform stances, the pace of developing a unified proposal for civil service pension reform was slow. Attempts to harmonise proposals and speed up the process led to the establishment of the finance ministry's Joint Working Committee for Civil Service Pension Reform (JWC). The influence of the finance minister in the alternative specification process can be counted as entrepreneurial act. This consisted of drawing the CGD, the FPO and the OCSC together around either a long term common strategic agenda including the realisation of departmental missions and jurisdictions or a short-term common strategic initiative such as the fulfilment of the finance minister's aspiration.

Getting departments and agencies to work together reveals that Tharin had the skills needed for managing networks of departments. He was able to steer interaction processes aimed at developing a unified civil service pension reform in general and channel the interests and attentions of participating departments and agencies towards the economic dimensions of pension reform in particular. This involved activating the departments and agencies involved to tackle particular problems or issues, establishing *ad hoc* organisational arrangements, bringing together solutions, problems and parties, promoting conditions for joint action, and conflict management (Kickert and Kooenjan, 1997). Unlike exchange networks, where agencies voluntarily interact with each other in order to realise their individual or mutual goals, the CGD, the FPO and the OCSC were obliged and motivated by their mandates to participate in reform of civil service pensions.<sup>47</sup> In short, joining the civil service pension reform process would help these central agencies to achieve their departmental and functional mandates.

Whether or not Tharin could be considered as a policy entrepreneur, however, remains to be seen, as many reform elements were not resolved successfully by members of the Joint Working Committee. At this stage, although members of the JWC shared the broad idea of and favoured shifting the defined benefit pension system toward the defined contribution one, a unified civil service proposal was not achieved and a stalemate was reached. Much of the work of this committee therefore involved trying to reconcile differences over the technicalities of the previously mentioned issues.

The final point of discussion that has emerged from this episode is the role of policy transfer in shaping civil service pension reform proposal in the policy stream.

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<sup>47</sup> Raelin (1980) and Hall, Clark, Giordano, Johnson and Van Roekel (1977) have called this kind of inter-organisation relation a 'mandated network' since the mandate itself is an incentive for them to interact.

During the time Thailand was reforming its civil service pensions, reform options were already floating around. Referring to other countries' practices was a routine process in developing policies in Thailand. This can be clearly seen from the reference made by some members of the JWC to the Singaporean central provident fund as a potential model for reforming the Thai Civil Service pension system. Another example is the study trips to the U.K. and Germany in order to learn from their reform experiences. However, these activities might not be judged as 'real policy transfer' in the narrowest meaning, imitating or copying the design of pension system without thorough consideration. Most of the agencies' representatives also cast doubt on the impact of these study visits abroad because "by the time the study trips took place, most members of the JWC had already agreed on the broad principle of turning civil service pensions to the system of defined contribution pensions".<sup>48</sup> A junior official who serviced the committee rightly reflected that study trips abroad, which have become institutionalised for senior officials developing new policies, made a pitiful contribution and were "an excuse to travel abroad by senior members of the JWC".<sup>49</sup> Another middle ranking economist sarcastically said, "the trips were wasteful and served as rewards for members to go on holidays abroad."<sup>50</sup> As the idea of a defined contribution pension system was already floating around and easy to grasp, it is difficult to assess if a real learning process or lesson drawing took place in the case of civil service pension reform in Thailand.

Nor did the transfer of civil service pension reform take place through the injection of reform ideas from supra-national organisation. Unlike most countries in Latin America or Eastern Europe, Thailand's civil service pension reform project was not part of the World Bank's structural adjustment or Investment Lending Programme. Despite the engagement of experts and officials from the World Bank and the IMF in this episode, neither the CGD nor the Joint Working Committee included or adopted recommendations made by those international organisations in their proposals. However, the involvement of international experts served as both political and technical tools for the JWC. Politically, it helped sustain the life of the civil service reform issue as well as to strengthen its reform position since Thai governments generally accepted advice from supra national organisations uncritically. Technically, their involvement supplied the JWC with broader and new aspects of pension reform that members of the committee had not

<sup>48</sup> To assess the influence of foreign expertise, members of the JWC interviewed were asked 'to what extent foreign expertise affected Civil Service pension reform policy'. Minutes of JWC meetings and consultation papers submitted by the JWC also provide evidence on this matter.

<sup>49</sup> Interview, anonymous CGD official.

paid sufficient attention to. In this case, international institutions served as commentators and assessors on their own proposal, which in turn help strengthen their reform proposals and hence the reform status and credibility of the programme on the government agenda.

This chapter explains the re-emergence of civil service pension reform issue on the Chaun government's specialised agenda taking into account the interest in the issue of finance minister and the ability of the CGD to seize the opportunity to put forward its revised proposal. The emergence of the issue came with the expansion of the reform issue as new reformers were brought in. As a result, the issue underwent reinterpretations in competing institutional venues where their roles and mandates were activated by the issue. The pace of the reform in this episode was therefore constrained by the incongruence of reform goals and means, as well as the search process including seeking expertise and best practice that might be applied. This episode is in fact characterised by a long gestation process leading to the intervention of finance ministry to establish a mediating working committee, the JWC. Despite all the efforts of participants in the reform process, a unified proposal was not achieved creating a stalemate and delaying the progress of the reform issue to the government's decisional agenda. Whether or not this stalemate would be broken is the subject of the next chapter.

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<sup>50</sup> Interview, anonymous economist, FPO.

## Chapter 10

### Civil Service Pension Reform: Breaking the Logjam and Decision Making 1994-96

#### Overview

In August 1994 the Chuan cabinet approved a proposal to reform civil service pensions. This was the culmination of a lengthy but inconclusive process of deliberation by the Joint Working Committee (JWC), which had resulted in a stalemate, which was only broken by the intervention of the finance minister. Nine months intensive discussion within the JWC between October 1993 and June 1994 had failed to produce a single unified proposal. But with the active intervention of the finance minister a reform proposal was agreed and presented to the cabinet in August 1994. The proposal consisted of “the introduction of defined contribution pension schemes and individual retirement accounts into the existing defined benefit pension systems.” Two years later, in September 1996, the reform proposal endorsed by the cabinet was translated into legislation in the Government Pension Fund Act.

This chapter focuses primarily on the decision making process, particularly how the “civil service pension reform stalemate” reached in the previous chapter was broken. It tracks how the participating departments and agencies of the JWC, the Comptroller General’s Department (CGD), the Fiscal Policy Office (FPO), the Office of the Civil Service Commission (OCSC) as well as the finance minister agreed on a unified civil service pension reform proposal. To unpack how the reform proposal was decided, the process of reconciling differences on four key issues, benefits, membership, contributions and capitalisation will be examined. Each will be narrated separately. To a lesser extent, this chapter will also track the career of the reform proposal in the legislative process since changes in the civil service pension system required the amendment of the Civil Service Pensions and Annuities Act 1951. Examining such changes made in the legislative process will provide an overall picture of the civil service pension reform process. This will also help us to understand better the efforts of relevant central government departments and agencies in their reform endeavours, which continued during this stage of the reform process.

## 10.1 Joint Problem Solving: A Protracted Process

Before tracking the process of breaking “the civil service pension reform logjam” a brief review of reform goals of the participating departments and agencies of the JWC and the committee’s progress to June 1994 will be provided. Each of the departments represented in the JWC had their own goals, which they wanted secure in any new civil service pension system. While the CGD’s reform aim was to reduce the current fiscal burden and the future role of government in providing civil service pensions and retirement benefits, the OCSC wanted to improve the overall level of civil service welfare and benefits including salary increases. The FPO, whose aim was shared by the finance minister, expected pension reform to contribute to macro-economic policy by promoting the accumulation of savings in general and more specifically to the development of the capital market by promoting pension fund businesses.

Though members of the JWC reported that their individual goals could coexist and be achieved and the CGD’s director general claimed that “members of the committee generally agreed on the basic principle of civil service pension reform”, developing a single coherent reform proposal was a protracted process.<sup>1</sup> By June 1994, after six months work, stalemate had been reached. On 8 June JWC submitted an incomplete proposal to the finance minister. Instead of a unified single proposal, a required by the finance minister, it contained broad principles and put forward alternative proposals. Only two issues had been agreed in detail, benefits and membership and agreement on these issues had only been reached after the intervention of the finance minister.

Although the finance minister, the CGD, the FPO and the OCSC shared the same view that civil service pensions needed to be changed, they did not agree on the specific details of the reform approach. The most difficult issues to resolve included benefits, membership, financing and capitalisation. The technical elements of designing a new civil service pension system required not only a detailed knowledge of the pre-existing pension system and its associated problems, but also specialised technical knowledge and information that was not available in the departments and agencies participating in the JWC. Rather than jointly develop a single reform proposal each agency proposed its own individual solution based on the information available to it using its own methods and frameworks and shaped by its own thinking, problems and

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<sup>1</sup> The author’s analysis of the minutes of JWC meetings reveals no evidence that any participating department or agency tried to make their own goals more important than those of others; Minute of JWC Meeting 24 November 1993.

conditions.<sup>2</sup> Other members of the JWC then challenged and criticised these initial proposals because they were based on incomplete data and information. The more technical issues, such as financing the new civil service pension schemes, required more complex information than individual agencies had access to, which resulted in a lengthy discussion process.

The work of the JWC became a self-perpetuating process as problems and unresolved issues were repeatedly raised for further discussion.<sup>3</sup> Members often called for more information, research and in depth analysis to inform their decisions. Representatives from each agency were asked to provide detailed analysis and information related to their respective departments and present it to the JWC. Proposed solutions were debated, tested and substantiated with new data and conditions, but left undecided, leading to the reworking and revising of solutions. The process was necessarily lengthy and repetitive because members of the JWC needed to “seek reform solutions from all participating departments and agencies”.<sup>4</sup>

The involvement of the finance minister speeded up the process of decision-making. He wanted to speed up the process so that draft legislation could be introduced in parliament in September 1994. Deciding on a civil service pension reform proposal would have taken much longer if the Finance Ministerial Order of October 1993 had not set a deadline and required a single coherent reform proposal for cabinet approval. This requirement led members of the JWC to co-operate. They were committed to achieving a single agreed reform proposal, a point emphasised by a member of the JWC:

Every agency wanted reform. We were under the same banner of civil service pension reform. As our responsibilities (for pension reform) were determined by related laws in general and by the MOF's ministerial order specifically, what we had to do was to work together to reach the best solutions.<sup>5</sup>

Members of the JWC were also required by the finance minister to regularly inform him of reform progress. This close political monitoring often led the chairman of the JWC, Kovit, to push members of the JWC to reconcile their differences. He would often ask,

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<sup>2</sup> Analysis of minutes of JWC meetings.

<sup>3</sup> Ibid.

<sup>4</sup> Interview, anonymous official, FPO.

<sup>5</sup> Interview, Kanikar, FPO official.

“When are we going to report progress to the finance minister?”<sup>6</sup> These progress report meetings became another forum where reform issues that had not been agreed on by members of the JWC were raised and scrutinised. As a CGD official recalled:

He was a hands-on minister who got into the details. We also had long meetings with him in his office over several hours, sometimes until late at night. We can see that he committed himself so much to Civil Service pension reform. Meeting with him usually took a long time, maybe until late evening. In such case, he sometimes treated us to dinner.<sup>7</sup>

However, these progress report meetings unintentionally contributed to the protracted nature of the reform process since Tharin always wanted all the alternatives reinvestigated or other reform possibilities explored before reaching decisions:

After meeting with him we always had more homework to do. This homework was the examinations of different aspects of the reform proposal that we had not properly considered, or information that we had not come across before. We [representatives from the finance ministry and the OCSC] were asked to work jointly to find the best solution for particular concerns that he [the finance minister] raised. We conducted a range of simulations based on different assumptions and conditions hypothesised by him.<sup>8</sup>

The October 1993 Finance Ministerial Order led to a high level of commitment to pension reform in participating departments and agencies. Large numbers of staff were directly engaged on the issue, especially in the Public Finance and Accounting Standard System Section of the CGD and in the FPO, where up to eighty per cent of staff in the Capital Market Policy Unit worked on pension reform.<sup>9</sup> Between December 1993 and June 1994 pension reform became the dominant project in agencies and staff worked hard. At their meetings as well as the six members of the JWC, who formed an “inner circle”, there were many other staff in attendance, who formed an “outer circle”. These “outer circle” staff included mainly finance-related officials such as accountants

<sup>6</sup> Interview, anonymous official, FPO. See also minutes of meetings, which usually recorded the chairman’s deadline for reporting progress to the finance minister.

<sup>7</sup> Interview, Ms Venus, CGD official.

<sup>8</sup> Interview, anonymous official, GGD.

<sup>9</sup> Interviews, CGD and FPO officials. The involvement of the OCSC staff is mentioned in Chapter 8.

and fiscal analysts from the CGD and economists from the FPO, though there was only one from the OCSC.<sup>10</sup> Legal officers from the CGD and FPO were also present. Almost twenty “outer-circle” officials not only attended meetings but also gathered and analysed information and drafted reform proposals that were fed into meetings. They were encouraged to contribute to discussions, but decision-making remained with “inner-circle” members.

Resolving differences among participating departments and agencies was a lengthy process lasting from December 1993 to August 1994, when the JWC met almost twice a month. Unresolved issues were passed over to the finance minister for his consideration at progress report meetings. The involvement and commitment of the finance minister in the development of the civil service reform proposal was praised by members of the JWC because “he was an arbitrator who broke deadlock and disagreement within the JWC”.<sup>11</sup> To understand how disagreements were resolved, the following sections will track four key decisional events related to the design of the new pension scheme, benefit forms, contributions, membership and capitalisation.

#### **10.1.1 Preserving Pension Choices: Monthly Annuity Pensions**

The issue of benefit forms, the retention of monthly annuity pensions, was one of the first to be decided and was one of the few concrete measures in the incomplete JWC reform proposal of June 1994. In January 1994, at a meeting of the JWC, Finance Minister Tharin ruled that they should be retained. The right to continue receiving the retirement benefits of the existing scheme was a crucial issue for large numbers of civil servants. After extensive discussion between the JWC and the finance minister and despite the determination of the CGD to introduce a defined-benefit system giving civil servants a one off lump sum retirement benefit, the final reform proposal retained civil servants’ right to choose between a lump sum and annuity pensions.

Annuity pensions were a controversial issue from the beginning of the reform process. In 1992, when the CGD first started working on the development of civil service pension reform proposals, rumours abounded in the Civil Service that the monthly annuity pension would be scrapped. Instead a lump sum gratuity would be paid out of the new proposed central pension fund to civil servants on their retirement and

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<sup>10</sup> These officials were said to be the real policy makers. They actually worked out the details of pension reform options, prepared minutes of meetings, and worked on assignments or problems arising from meetings.

<sup>11</sup> Interview, anonymous official, FPO.

the amount of benefit would be contingent on the uncertain rates of the return of the investment fund.

The CGD's attempts to end civil servants' choice to receive either form of retirement benefit not only created tension with the OCSC but also with civil servants in general. As seen in the previous chapter, the OCSC at its first meeting with the CGD on 11 February 1993 asserted that the civil service pension reform should leave the right to the monthly annuity intact because a monthly annuity was a more popular form of retirement benefits than a lump sum gratuity.<sup>12</sup> Its survey showed that seventy per cent of government personnel chose to receive a monthly annuity since it provided a guaranteed income for the rest of their lives. The OCSC also argued that the preservation of the monthly annuity would avoid breaking employment contracts and thereby enable the government to manage its human resources effectively. It believed that this form of pension was an incentive to work in the civil service, making it attractive at a time when it was not the first choice for new graduates, and the brain drain problem remained unresolved.

In contrast, the CGD wanted to redesign retirement benefits in order to contain of central government administrative costs. Monthly annuities were part of the employment contracts between the government and retired officials and their families because in some cases associated-pension benefits could pass to their descendants. Moreover, some pension- associated costs including medical care did not end at the point of civil servants' retirement. Retirees continued to be entitled to these welfare benefits creating a long-term fiscal bind. Estimating from the pre-existing pension formula, the GGD pointed out that the total annuity pension expenditure was 1.6-2.0 times higher than that of lump-sum pensions. Accordingly, it argued that monthly annuity pensions, which contributed most the growth of central government personnel expenditure, should be terminated.

In response the OCSC had little choice but to show that reforming civil service pensions could be done without abandoning monthly annuity pensions and the consequent potential hostility of civil servants. On 20 April 1993 the OCSC's civil service pension reform task force, set up as a parallel effort to the finance ministry's JWC, strongly determined to keep this popular form of pension: "According to the reform proposal developed by finance ministry, civil servants would not be provided with monthly annuity benefits. Our proposal must demonstrate that even though pensions

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<sup>12</sup> Minutes of CGD meeting 11 February 1993.

would be administered by the proposed new pension fund, such a fund would be able to provide choices of retirement benefits including a monthly annuity and a lump sum gratuity.”<sup>13</sup> Working closely with representatives from finance and insurance companies invited to join the task force, the OCSC produced a feasibility report showing that such choices could be provided by the new central pension fund and other financial institutions in partnership with the fund.<sup>14</sup>

The controversy over the CGD’s proposal to abolish monthly annuity benefits was not confined to central departments and agencies. On 1 July 1993, the chair of the Civil Service Association voiced its concern through the national media, echoing the concerns of the OCSC.<sup>15</sup> He reminded reformers that abandoning monthly annuity pensions needed more careful consideration and called for the government to spell out its intentions clearly. Widespread concern from civil servants, the remarks of the chair of the Civil Service Association and the opposition of the OCSC led the CGD to reconsider its proposal and look at the possibility of the new fund providing monthly annuity pensions. Despite this, no solution was reached, and on 15 August 1993, the finance ministry issued a press release to calm civil servants’ concerns, reassuring them that “the rights of existing civil servants to choose monthly annuity pensions would be maintained”.<sup>16</sup> However it asserted “new civil servants who entered the Civil Service after the effective date will be obliged to join the new system”.<sup>17</sup>

Having been successful in brushing away most of the allegations that the JWC tried to cancel the monthly annuity benefits, its chairman asked the CGD and the FPO to examine how monthly annuity pensions could possibly be provided, given that a new pension system was in place. The two departments were asked to examine specifically “to what extent the new civil service pension system would be able to provide monthly annuity pensions as well as lump sum retirement benefits accumulated from the contributions of the government and civil servants and the investment returns of the fund”.<sup>18</sup> They were asked to look into the possibility of “financial institutions including provident funds and insurance companies in the private sector could be involved in managing annuity pensions”.<sup>19</sup> The issue was discussed several times in JWC meetings between November 1993 and January 1994 but not decided until it was brought to the

<sup>13</sup> Minutes of OCSC Task Force meeting 20 April 1993.

<sup>14</sup> Ibid.

<sup>15</sup> See Chapter 8 for his remarks.

<sup>16</sup> Finance ministry press release 15 August 1993.

<sup>17</sup> Ibid.

<sup>18</sup> Minutes of JWC meeting 27 December 1993.

consideration of the finance minister. At the progress report meeting on 17 January 1994 Tharin decided to keep annuity pensions. Having heard all the concerns and criticism of civil servants and the OCSC, he expressed his sympathy with the preservation of the 'annuity pension' form of benefit to avoid unnecessary political problems and persuade civil servants to accept the new scheme.

Allowing monthly annuities to continue served Tharin well both in economic and political terms. Economically, Tharin expected that the provident funds, pension funds, and insurance companies, which formed one of core businesses in the financial market, would be stimulated, especially if the management of civil service monthly annuity was privatised in the future. At the meeting on 17 January 1994, Tharin was informed by representatives of the CGD and the FPO, who had been looking into the possibility since December 1993 and had consulted the Department of Insurance, insurance companies and provident funds, that financial institutions in the private sector could manage the provision of civil service pensions including monthly annuities. However, they warned that the administrative cost would be as high as five per cent of the monthly annuity. They successfully convinced Tharin to let the CGD and its network of fiscal and financial units across the country to manage them out of the funds accumulated in the proposed new pension fund to lower administrative costs.

In political terms, keeping popular monthly annuity pensions was advantageous for the passage of the reform proposal, which required cabinet approval. As the secretary to the JWC reported:

Civil Service pensions were a delicate issue and it was the last life-line after retirement. Abolishing the 'annuity pension' would affect the feelings of civil servants as well as the general-public. As a non-elected MP, he was not sure that such radical reform would gain enough support from parliament. Besides, the government could not afford to let the bill fail.<sup>20</sup>

Tharin's decision to maintain the choice of annuity pensions for civil servants came at a price. The JWC, particularly the CGD, was concerned that the government would have to continue financing annuity pensions. This was in conflict with the overall aspiration to reduce pension costs and personnel expenditure, the original goal of the JWC and the CGD. However, this problem had been anticipated by the JWC. To offset

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<sup>19</sup> Ibid.

<sup>20</sup> Interview, Ms Venus, former head of the PFAS, CGD.

the future pension liability that could balloon because of the continued financing of annuity pensions, the JWC returned to the IMF's suggestions on improving and streamlining the existing defined benefit tier. A consensus was reached within the JWC and with the finance minister that future annuity pensions would not be as generous as those calculated by the existing system. As an "outer-circle" official recounted, "We decided to reduce pension costs by changing the formula for annuity pensions from the last month's salary to an average of the last five years' salary".<sup>21</sup> The JWC hoped this would help, "Although pension expenditure so far would remain at the same level it would hopefully fall in the long run since the pension formula had been changed".<sup>22</sup>

However, recalculating annuity pensions using an average of sixty months salary rather than the final month would reduce the retirement benefits of civil servants by between twelve and fifteen per cent.<sup>23</sup> The JWC suggested that the equity of the new system would depend on the second pillar, the defined contribution, and compensation from the government for current civil servants who opted for the new system. According to the JWC, "the amount of retirement benefits gained from the two tiers and government compensation should account for a replacement rate of almost seventy per cent, which was about the same level as that of the existing system".<sup>24</sup>

#### 10.1.2 Deciding Membership Issues

The second issue to be decided was membership of the new pension scheme. It was also agreed at the January 1994 meeting of the JWC. Disagreements between the CGD and the OCSC on the issue of membership of the new proposed fund were settled at the meeting between the JWC and Finance Minister Tharin on 17 January 1994. As a result, the proposal extended membership of the scheme to cover all categories of government officials. Apart from 'civil servants' the scheme was intended to cover teachers and university personnel, the police, military, judiciary, and public prosecutors. However, politicians and elected local government employees were excluded. The new scheme was

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<sup>21</sup> The formula was then: Annuity Pension = Average final 60 monthly salaries X Service Year / 50". However, if civil servants choose to receive a lump sum pension, the level of benefit is still determined by the following formula: Lump Sum Pension = (Final Monthly Salary X Service Years) + Savings and Government contributions including interest. If officials choose to receive an annuity pension, the total amount of pension would not be greater than 60 per cent of the average value of the final 60 months salary.

<sup>22</sup> Cabinet submission 11 August 1994.

<sup>23</sup> Minutes of JWC meeting 17 January 1994.

<sup>24</sup> Ibid.

to be compulsory for all new recruits, but current officials would be given the choice of staying with the pre-existing defined benefit scheme or subscribing to the new scheme.

Since February 1993, before the JWC was established, the CGD and OCSC had been engaged in long discussions about membership of the new pension fund. The most important issues were which occupational groups of civil servants should be included in the new pension scheme and whether or not the new scheme should be compulsory for all existing civil servants. The OCSC, one of whose responsibilities was to oversee remuneration policy for ordinary civil servants in central government departments, proposed that the new scheme be applied to this group and suggested that the CGD should extend the coverage of the new proposed pension fund to include "permanent government employees" making the new scheme consistent and easily managed.<sup>25</sup>

The CGD disagreed and suggested wider coverage for the new pension scheme to include all categories of occupational groups in the Thai civil service including civil servants in central government departments, teachers, judges, state attorneys and university personnel. Based on its legal mandate in the Civil Service Pension Act of 1951 the CGD insisted that applying the new pension system to all categories of civil servants was the fulfilment of its responsibility to control pension payments. It also dismissed the OCSC's request to include only permanent government employees in the new scheme suggesting that at the introductory stage of the new pension fund only those who had civil servants status, not permanent government employees, should be first enforced. As for whether or not the new scheme should be compulsory for all existing civil servants, the CGD proposed that the new pension system should only be applied to those who entered the civil service after the effective date of the new system.

At the third JWC meeting, on 27 December 1993, when the OCSC was invited to attend for the first time, its deputy secretary general, Tipavadi, put forward the OCSC's argument in the following terms:

The new civil service pension system, which was in the design process, should apply to all existing civil servants and permanent government employees, as well as new personnel who would be recruited to the civil service after the introduction of the new system. All civil servants should be provided with the same uniform pension system. As pension reform was a condition for possible

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<sup>25</sup> See Chapter 2 for types of Thai government personnel.

future pay rises, creating different tiers of pensions for different groups of government personnel would make salary increases more complicated.<sup>26</sup>

A senior fiscal economist, Kovit, who chaired the JWC responded to Tipavadi that it was the policy of the finance ministry to make the new pension system compulsory for new civil servants.

This was to ward off a furore by existing civil servants over the new pension system. However, the finance ministry would encourage existing civil servants to voluntarily participate in the proposed new pension fund by designing pension and benefit schemes that would be equitable to existing retirement benefits.<sup>27</sup>

Kovit also made clear to Tipavadi at the December meeting that establishing the new pension fund was not seen by finance ministry as a form of welfare benefit for civil servants and therefore the issue of future pay rises should be considered separately.<sup>28</sup> Although the OCSC's secretary general was convinced that the voluntary approach should be applied to existing civil servants, she also wanted to see as many existing civil servants as possible join the new scheme. The new system would not lead to the achievement of any aims shared by members of the JWC if only new civil servants joined because from the OCSC's estimate, some 3,600 new personnel were recruited annually. This number would not enable the government either to reduce pension expenditure or increase savings. She called for an intensive public relations programme to convince as many as civil servants as possible to opt for the new programme because the higher rate of participation would lessen the difficulty of managing two different pension systems in the transitional period.

The long argument over membership of the new pension fund was settled on 17 January 1994 when the JWC met the finance minister to report its progress on the reform proposals. Tharin agreed in general with the CGD's proposal that the new scheme should cover all occupational categories of government civil servants except political appointees whose tenure in the civil service was uncertain. Getting all categories of officials into the new scheme would generate a huge fund that could have positive contributions to the wider economy and promote fund management businesses.

<sup>26</sup> Minutes of JWC meeting 27 December 1993.

<sup>27</sup> Ibid.

However, he supported the CGD's proposal that permanent government employees should be excluded at this stage and suggested that separate central provident funds for them should be established modelled on the private sector. According to the finance minister, forcing existing civil servants to join the new scheme could break their employment contracts and destroy the long established expectation of generous civil service pensions. As a result, the new civil service pension scheme would be compulsory only for new civil servants who were admitted to the civil service after the effective date of the new system while existing civil servants should be allowed to choose whether or not to join the new pension scheme.

While endorsing most of the CGD's proposal, the finance minister also acknowledged the OCSC's argument that without across the board enforcement, the new civil service pension system would not enable the government and participating departments and agencies in the JWC to achieve their aims, particularly the promotion of savings and the development of financial markets. "His main concern was that the new pension scheme should be acceptable to civil servants. He wanted the new scheme to attract the majority of government officials, which would consequently promote domestic saving. He believed that the more officials joined the new scheme, the bigger the impact of the Pension Fund on the economy would be".<sup>29</sup> To offset the possibility of a low level of participation because of the voluntary approach, Tharin was convinced by the OCSC that an intensive public relations programme was necessary to provide understanding of the new system and encourage existing civil servants to join it. Tharin with the consent of members of the JWC, agreed that the target for participation in the new scheme should be a minimum of sixty per cent of existing civil servants. Although the target was an internal working milestone for members of the JWC, which was never officially published, it was later on used as a yardstick for assessing the success of the new scheme.

One important issue that recurred in the discussion of incentives for joining the new government pension fund was the link between pension reform and salary increases made by the Anand government in 1992, particularly salary adjustments up to the second scale. The OCSC argued that the original motive for reforming civil servant pensions was as a condition for improving civil service salaries. A representative from the OCSC emphasised, "People [and civil servants] learned that the two things [reforming civil

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<sup>28</sup> Ibid.

<sup>29</sup> Interview, FPO economist.

service pension and salary increases] were related and they expected it".<sup>30</sup> Indeed, some newspapers between July and August 1994 had already published stories speculating that civil service pension reform would be followed by salary increases. The focus of the press coverage was on the fiscal constraints, however. Another incentive also discussed and well received by the JWC was that the ministry of finance should provide incentive mechanisms such as a tax privilege regime for the fund and its members' earnings. Moreover, the defined contribution part of the scheme could allow borrowing by civil servants for specified purposes such as housing or education related spending.

To encourage high participation in the new fund, the JWC did not completely rule out the possibility of using salary increases as an incentive. Its members agreed with the undisputable fact that a reduction of civil servants' income would discourage participation. The issue of pay increases also arose from the finance minister's interest in how public enterprises, which had shifted their pensions from a defined benefit to a defined contribution system in the provident fund reform in the private sector, managed the transitional period. The secretaries of the JWC were assigned to consult the human resources directors of these public enterprises on how they maintained harmonious industrial relations. One of the methods used was "timely increases in employees' salaries to compensate for the amounts they would be deducted from their payslips".<sup>31</sup> Other measures included effective communication. However, no decision on civil service pay rises was made at this time.

#### 10.1.3 Choosing a Pre-Funded Combined System

The issue of funding the new civil service pension was finally settled in July 1994 when finance minister Tharin ruled that the new system would consist of two tiers comprising the existing defined benefit pensions and a new defined contribution pension. Moreover, the new pension system would be pre-funded. This was the most important change in civil service pensions in 1996. It was one of the last and most difficult issues to be resolved in the reform process because of its technical complexity and far reaching financial consequences.

At the outset of its discussions, in October 1993, members of the JWC had been convinced by the CGD that securing retirement benefits for civil servants would be dependent on securing future finances for pensions. Under the existing civil service pension system, pension outlays were paid from the government's annual budget without

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<sup>30</sup> Interview, OCSC personnel analyst.

proper planning. Given the projected growth of pension expenditure, the CGD and other members of the JWC were concerned about the risk posed to civil servants' retirement benefits of a fiscal crisis in which the government was unable to pay pensions. The CGD put forward a proposal that the new civil service pension scheme should be pre-funded and financed by contributions from the government as employer and civil servants as employees and follow the defined benefit central provident fund system as practised in the private sector and by some foreign governments such as Singapore. Although the defined contribution pension scheme had gained a lot of attention in the JWC, most members, except the CGD's representatives, were undecided about whether to replace the defined benefits scheme with the defined contributions scheme. As a result, the issue remained on the agenda of JWC meetings for many months without any decisive solution.<sup>32</sup>

This indecision was a result of the concerns of some members of JWC who regarded the CGD's proposal as too radical. Representatives from the OCSC in particular argued that "moving the current pension system to the defined contribution one would impose a financial burden on civil servants, though it would help reduce the Government's fiscal burden on increasing pension expenditure in the long run".<sup>33</sup> The OCSC explicitly opposed a complete overhaul of civil service finance arguing, "The proposal would destroy civil servants' morale since their take home income would be reduced. Civil servants' retirement benefits would be at risk because of uncertainty about the level of retirement benefits that in future would be determined by the investment rate of returns of the newly proposed central provident fund".<sup>34</sup> The OCSC also raised its concern over the potential problems that might occur if civil servants opposed the new scheme.

Concern over a complete overhaul of the civil service pension system increased after the assessment of the finance ministry's pension reform proposal by the IMF experts who visited Thailand between 22-4 April 1994. Their assessment report, which recommended the Thai Government should modify its proposal by introducing a two pillar pension system combining the existing defined benefit pensions with the new defined contribution system,<sup>35</sup> reinforced the concerns of representatives from the OCSC and the FPO and led to a split between the CGD and other members of the JWC.

<sup>31</sup> Minutes of JWC meeting 2 July 1994.

<sup>32</sup> Survey of JWC's agendas and minutes of meetings.

<sup>33</sup> Interview, Wisoot, OCSC.

<sup>34</sup> Ibid.

FPO officials, who had been working closely with the IMF officials on the ongoing project of social security reform, shared the OCSC's view on this issue. Leaving the issue undecided until the beginning of June 1994, the chairman of the JWC was pressed by the finance minister to conclude the JWC's reform proposal. He then decided that the current proposal, in which the CGD's radical pension redesign was the main policy recommendation, would be presented to the finance minister in its current form. Changing the proposal would be too time-consuming. As a result, the IMF suggestions were not incorporated in JWC proposal. Nevertheless, a separate report on the IMF recommendation was produced to inform the finance minister.

On receiving the proposal and IMF report, Tharin responded quickly to the JWC's reform proposal since the design issue lay at the heart of the civil service pension reform process and a speedy decision was needed in order to meet his legislative deadline in September. On 2 July 1994, he called a meeting to discuss the issue with members of the JWC. He expressed concern over the new scheme's acceptability among civil servants and its political implications. As a senior member of the JWC stated, "He believed that such radical change in the civil service pension system would not be endorsed by the cabinet or parliament, and its implementation would fail if civil servants did not join the new scheme".<sup>36</sup> Tharin shared much of the OCSC's concern over the political risk of the proposal. During the course of discussion, a multi-pillar system combining defined benefit and defined contribution schemes, as proposed by the IMF, was raised again by OCSC and FPO representatives of the JWC. They drew on the report on study visits to the U.K., Germany and Singapore, which entailed international experience of transforming pensions to a multiple layer pension systems and had previously largely ignored, to support their argument. They saw that a combined system, a compromise between the CGD's proposal and their choice of combined design, would be the most practical solution. At the end of the meeting on 2 July 1994, Tharin ruled that the new civil service pension system would be pre-funded as suggested by the CGD. However, it should be built on the combined system preserving the existing defined benefit pillar and introducing the new defined contribution element.

#### 10.1.4 Capitalising and Financing Civil Service Pensions

The last element of the pension reform proposal to be decided, capitalisation, was decided in August 1994. Sufficient start-up capital was essential to guarantee future

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<sup>35</sup> See Chapter 9 for the IMF recommendations.

pensions and retirement benefits regardless of the government's fiscal status, and to make the new civil service pension system acceptable to civil servants, both of which were major objectives of civil service pension reform. The JWC estimated that if all officials chose to be members of the new scheme, the value of the new Fund would reach 80,000 million Baht.<sup>37</sup>

Throughout its existence the JWC was engaged in determining sources of funding and sufficient initial capital for the new pension fund. Its members were unanimously that: "It would be compulsory for the government to capitalise the reserve account of the government pension fund. Our estimates suggest that the government remit twenty five per cent of its budget for pensions to the proposed fund until it reaches three times total government pension expenditure".<sup>38</sup> They also proposed, bearing in mind the security of the new fund, that the government should be obliged to maintain a similar level of reserve money. The JWC believed this capitalisation would be of substantial benefit to civil servants since it would secure assets for their future pension payments, which were presently subject to the risk of government fiscal constraints.

The launch of the new pension fund had two further fiscal burdens, compensation and incentives to ensure that existing civil servants as well as the new comers would not be worse off in the new scheme. The JWC proposed that the government pay "initial capital" and "compensation money" to civil servants who subscribed to the fund. For the former, the JWC proposed an obligation on the government to transfer money from government coffers to members "individual accounts". The amount of this initial capital was to be two per cent of the total salaries of all the years they were in service, and would be paid out only when members retired or resigned from the civil service. For the latter, the government will remit to the proposed government pension fund at the rate of two per cent of their monthly salaries. Compensation would be paid on the termination of membership and if the monthly annuity was chosen. The JWC also suggested that new civil servants who entered the civil service after the enactment of the new legislation should also be compensated for the reduction in annuity pensions due to the adjustment of its formula. The government

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<sup>36</sup> Interview, anonymous OCSC official.

<sup>37</sup>The JWC estimated that in the first year of the implementation, the government would have to transfer 63,679 million Baht from the Bank of Thailand to capitalise the Fund. In addition, 3,000 million Baht for the Fund's block account, and another 7,715 million Baht as part of the government's contribution in the first year, would be required.

<sup>38</sup> JWC Report 1994.

would need to remit to the fund every month a sum equal to two per cent of new civil servants' salaries.

Contribution rates for the government and civil servants were another important issue. The JWC and finance ministry both agreed that contribution rates had to be made attractive to civil servants but the actual rates were not decided until August 1994. The JWC strongly believed that the attractiveness of the defined contribution scheme depended on low contribution rates for civil servants. This belief was shared by the OCS's representatives who felt that civil servants would not be able to contribute to the new fund at high rate since their salaries were already low. The JWC had spent almost a year, from October 1993 to August 1994, working out appropriate contribution rates, using a series of mathematical simulations and analyses of actuarial information. It favoured an average basic rate of three per cent for civil servants and a much higher rate of ten per cent for the government.<sup>39</sup> Any suggestions for higher rates were set aside. As has been seen in chapter 9, the chairman of the JWC dismissively rejected the IMF's recommendation of equal matching contributions without realising that the JWC would need to reconsider the equal matching contribution option again only a month later.<sup>40</sup>

While the JWC positioned itself as a passionate defender of civil servants' interests trying to keep the contribution rate affordably low, the finance minister feared that the unequal lower contribution rate would increase the government's burden in mobilising the huge sum needed to capitalise, compensate civil servants and contribute to the new pension fund. If the government was unable to do this, the civil service pension reform programme would have to be shelved. Tharin believed that the only way the government could meet its fiscal obligations was for it to make an equal matching contribution to civil servants despite their preference for a much higher government rate. On 10 August 1994 Tharin and the JWC agreed that the government would contribute three per cent to match civil servant's contribution, and that this was reasonable given that the government would also provide the initial capital and compensation to ensure that "by all calculations the retirement benefits of the new system would be comparable or even better than that of the existing system".<sup>41</sup>

Considering all the expenditure involved, the government would still bear a huge fiscal burden. If all existing civil servants joined the new pension fund, its value would be almost eighty billion baht, and the government would bear costs of almost seventy five

<sup>39</sup> Summarised from JWC simulations.

<sup>40</sup> Poo-Chatkarn Newspaper, 3 May 1994. See also the IMF suggestions in chapter 9.

<sup>41</sup> Minutes of JWC meeting, 15 August 1994.

billion baht.<sup>42</sup> This huge amount would put a serious fiscal burden on the government and how to meet it had been under continuous discussion by the JWC and the finance minister for several months. Back in May 1994, Tharin had suggested that channelling national reserves from the Bank of Thailand, the central bank, which remained at 100,000 million baht, might be a solution as the government would not have large enough annual budgets to capitalise the new pension fund. However, using national reserves would create legal and political problems. The legal obstacle stemmed from the law governing national reserves, which prevented the use of reserves outside its regulations. Capitalising the civil service pension fund was not within the regulations. Tharin realised that any attempt to channel the national reserves would lead to political criticism. When in opposition his party, the Democrats, had frequently attacked the previous government for ignoring legislation and he wished to avoid being accused of double standards. Careful drafting of the proposed legislation could provide a solution to both problems. Tharin realised that if the new Government Pension Fund Act had a clause that allowed the new pension fund to use the national reserves, the use of national reserves would therefore be lawful.

Tharin's idea of transferring national reserve money to capitalise the government pension fund was supported by the CGD and the OCSC on the grounds that this would secure future pension payments. For them security of the Fund was one of the most important incentives for current officials to join the new scheme. But they were cautious about how the fund would spend such a large amount of transferred capital. They wanted to set very tight conditions for the use of this money for fear that 'it could be taken out and used wrongly by politicians which would destabilise the Fund and future retirement benefits'. However, representatives from the FPO did not share this view. They argued that since the amount of reserve money would be tremendous, it would not be economically useful if the money were kept inactive. Such a large capital sum could increase liquidity and stimulate the economy. They wanted the conditions for the use of the pension fund reserve money to be flexible.

Although the CGD and the OCSC were not convinced by the FPO's argument the finance minister was. On 15 August 1994 the issue was settled when he accepted the FPO's suggestion. The FPO then bypassed the JWC by sending Tharin with "a personal note and reminder" providing him with information and arguments to defend the conditions for the use of the transferred national reserve money. The message

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<sup>42</sup> Cabinet submission from Finance Ministry, 11 August 1994.

insisted, "The new government pension fund should be allowed to spend their transferred reserves if there was an urgent need that was consistent with the long term plans of the finance ministry to replace the unfunded and partially funded pension system with a fully funded one."<sup>43</sup> The term "urgent" was deliberately left ambiguous to provide discretion for the Finance Minister to reinterpret it in the implementation phase of reform.

Decision making on pension reform came only after a protracted stalemate in the JWC caused by inefficient working methods and rivalry between the central co-ordinating agencies. A key role was taken by the finance minister in breaking the logjam and making decisions. The result was moderate rather than radical reform and in August 1994 there was an agreed proposal to submit to the cabinet. The proposal had four key elements, a two tier system containing the existing defined benefits and the new defined contribution schemes, the retention of monthly annuity pension, a pension fund capitalised from Bank of Thailand reserves and wide membership open to all government employees on a voluntary basis for existing employees.

## 10.2 Securing Cabinet Support

By early August 1994 virtually all the important issues had been decided and on 11 August the finance ministry formally submitted the pension reform proposal to the cabinet; the final details of capitalisation were agreed between the finance minister and the FPO a few days later, on 15 August. The reform proposal consisted of: a hybrid form of defined contribution and defined benefit system, the retention of civil servants' choice to receive a lump sum gratuity or a monthly annuity pension, funding and capitalising the new government pension fund in an autonomous agency using Bank of Thailand reserves, and voluntary membership for existing civil servants and compulsory membership for new civil servants. The proposal was discussed by the cabinet on 16 August 1994 and endorsed without amendment.

Securing the passage of the proposal through cabinet had begun earlier, in July 1994, before the final technical details of the capitalisation had been settled, with the writing of the cabinet submission. This was a routine process in which the owner of the issue was identified and would sometimes influence the content of the submission. Writing the submission on the civil service pension reform was intended to be jointly conducted by members of the JWC namely the CGD and the FPO. However, the FPO

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<sup>43</sup> FPO Memo to finance ministry, 15 August 1994.

rushed the process writing its own cabinet submission, which it passed to the finance minister because "it mainly involved economic issues on which the FPO had been advising him."<sup>44</sup> Even though reforming civil service pensions had been its pet project from the beginning a representative from the CGD called this "opportunistic and unacceptably rude behaviour."<sup>45</sup>

In writing the cabinet submission the FPO re-prioritised pension reform objectives. In the submission the most important objective, representing the FPO's aims, was to achieve good fiscal management by means of pre-funding civil service pension expenditure, rather than applying a crude estimate to allocate pension budgets on an annual basis. Good fiscal management was accompanied by two other objectives, one of which was an emphasis on the need to provide safeguards for future retirement benefits regardless of the fiscal status of the government. The last objective, which reflected the policy aspiration of the FPO, was to promote domestic savings and to encourage investment in and the development of the capital markets. Neither the CGD's strongly advocated aim to reduce pension expenditure nor the OCSC's plan to improve civil service remuneration was explicitly stated in the submission. This shift in and re-prioritisation of the aims of civil service pension reform was noticed by representatives from the CGD and the OCSC but it was not seen as an important enough issue for them to disown the proposal since they had already agreed on the content of the reform.<sup>46</sup>

To secure the smooth passage of the reform proposal through cabinet, the JWC agreed with the OCSC's suggestion to submit its proposal to the prior scrutiny of the Public Personnel Management Review Committee. This *ad hoc* committee, set up by the prime minister, chaired by deputy prime minister Banyat Bantadthan, and serviced by the secretary of the OCSC, was responsible for filtering all human resource management related submissions before consideration by the Civil Service Commission or the cabinet. Review committee met on 26 July 1994 and approved the proposal.

Taking the civil service pension reform proposal for consideration in different venue opened up another opportunity for the issue of salary increase to re-emerge on the government agenda after further pay rises had been blocked by Anand's government in 1992. On 26 July 1994, the same day the Public Personnel Management Committee approved the pension reform proposal, the OCSC also requested this committee to approve its proposal for increasing civil service salaries. It argued that increasing civil

<sup>44</sup> Interview, Somkid, FPO.

<sup>45</sup> Interview, anonymous senior official CGD.

<sup>46</sup> Interview summary personal note.

service salaries not only satisfied the condition set by Anand's cabinet in 1992 that future pay rises would only be allowed if the civil service pension system was reformed to bring down its costs, it would also help offsetting a possible backlash from civil servants. The likely negative impact that would be stirred by the decrease in their take home incomes because of the contribution schemes could be mitigated by means of salaries increase. This point was supported by the JWC insisting that public enterprises whose pension systems had been transformed into the defined contribution systems, adopted the same strategy successfully.

At the meeting, the OCSC proposed an average fifteen per cent increase in civil service salaries. It principally aimed to improve the salary scales of junior officials who made up of seventy-five per cent of total government personnel. "By doing so, the ceiling of their salaries would be broadened and advancement through salary scales would be enhanced".<sup>47</sup> The OCSC also proposed to standardise salary scales of across different occupational groups in the civil service by setting up the National Salary and Remuneration Committee. The committee whose members composed mainly of representatives from central government agencies including the OCSC, the CGD, the BOB and the NESDB would be chaired by the finance minister, "who would help clear the way to and convince the cabinet to approve future pay rises."<sup>48</sup> In defending the civil service salary increase, the OCSC also invited Khajadpai, president of the Civil Service Association to give his opinion. He supported the OCSC, "Although it could have been more, the proposed pay increase of fifteen per cent was appropriate taking into account the limited budget and the government's fiscal constraints. We do expect further pay rises in the future. The Association absolutely agreed that civil servants' efficiency must be improved in line with salary increases. The Association is ready to support this scheme".<sup>49</sup>

On 26 July 1994, the Public Personnel Management Review Committee approved both the civil service pension reform proposal jointly developed by the JWC and the OCSC, and the OCSC's proposal for increasing civil service salaries. The approval process was facilitated and secured by the OCSC's and the CGD's senior officials, a servicing secretary and members of this review committee. As a result, no amendment to either proposal was made. Having the green light from what was seen as "the cabinet's gate keeper", the JWC and the OCSC confidently submitted these

<sup>47</sup> OCSC cabinet submission 16 August 1994.

<sup>48</sup> Interview, Visoot, OCSC official.

<sup>49</sup> OCSC cabinet submission 16 August 1994.

proposals to the cabinet. The cabinet scheduled the civil service pension reform proposal to be first considered by mid August 1994, followed by the salary increase proposal.

On 16 August 1994 the cabinet approved the civil service pension reform proposal presented by the finance minister and agreed that the draft legislation on the Government Pension Fund should be deliberated in parliament in the next session in September 1994, in less than a month time. It instructed that finance ministry and the Office of the Counsel of State to draft a new Government Pension Fund Act, and propose amendments to the 1951 Civil Service Pension Act, which would continue in force for those civil servants who decided to remain with the old pension scheme. The cabinet also acknowledged "the finance ministry and the OCSC were co-owners of the reform and that they must jointly conduct a public relations campaign to mobilise support for the legislation in the civil service".<sup>50</sup> As implementation of the reform would involve the injection of many billion Baht into the economy, the Bank of Thailand was also asked to evaluate its fiscal impact to prevent inflation.

Two weeks after approving the civil service pension reform proposal, on 30 August 1994 the cabinet approved the OCSC's proposal for increasing civil service salaries by fifteen per cent. The new pay scaled was to be implemented on 1 October 1994. However, the cabinet demanded "the OCSC and central personnel agencies reduce civil service personnel since this salary increase brought the ratio of personnel costs and total public expenditure close to forty per cent, the upper ceiling allowed by the government."<sup>51</sup> The OCSC was also required by the cabinet "to effectively downsize the civil service pursuing existing measures and introducing positive measures such as the transfer of government personnel to the private sector".<sup>52</sup> One of the many goals of civil service pension reform that had been out of the JWC's agenda for almost two years was attained, while the fate of the pension reform proposal would depend on the approval of parliament.

An agreed proposal for submission to the cabinet was not the end of decision-making in pension reform. In the process of submission the proposal was reprioritised by the FPO to reflect its concerns. At the cabinet submission stage salary increases and downsizing re-emerged on the reform agenda and were linked to pension reform. The cabinet agreed to civil service salary increases, as originally proposed by the Anand

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<sup>50</sup> Cabinet Resolution 16 August 1994.

<sup>51</sup> Cabinet Resolution 30 August 1994.

<sup>52</sup> Ibid.

government in 1992, but only on condition there was effective downsizing. The cabinet also approved the pension reform proposal without amendment.

### 10.3 Enacting the Government Pension Fund Act of 1996

Civil service pension reform required legislative change and the legislative process was a further opportunity to influence the decision making process. In late September 1996, almost two years after the draft civil service pension reform bill was sent to parliament, the new Government Pension Fund Act of 1996 was passed. The act, which reflected the compromise reform proposal suggested by the JWC, brought only moderate change. The pension schemes provided by the Civil Service Act 1951 survived alongside the new Government Pension Fund Act of 1996, which brought in the new defined contributions elements and some technical changes creating a compromise two-tier pension scheme.

The length of the process of turning the reform proposal agreed by the Chaun cabinet into new legislation was due to detailed scrutiny by the select committees of both houses of parliament, and the interruption of the parliamentary session caused by the unexpected collapse of the Chaun's government in May 1995.<sup>53</sup> A new coalition government led Banharn Silapa-Archa was formed in September 1995. The civil service pension reform bill survived the change of government.

#### 10.3.1 Drafting the new Government Pension Fund Act

Preparation for the passage of the civil service pension reform programme through parliament began while the JWC was still deciding the design elements of the new pension system. On 30 March 1994 Tharin appointed a committee to drafting the Government Pension Fund Act and the CGD's director general was appointed chairman. Members of the drafting committee were drawn from eight middle ranking "outer circle" officials: five from the CGD, two from the FPO and one from the OCSC. Their task was to reform the Civil Service Pension Act 1951 which gave pension jurisdiction to the CGD.<sup>54</sup> Working parallel to but in co-operation with the JWC, this drafting committee turned what had been agreed in the JWC into draft legislation.

After Chaun's cabinet endorsed the JWC's reform proposal in August 1994, the formal process of drafting the Government Pension Fund Bill had to be completed within a month, as the cabinet wanted it ready for the next parliamentary session starting

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<sup>53</sup> See chapter 2 for political developments during this period.

<sup>54</sup> Finance Ministerial Order, 30 March 1994.

in September 1994. The draft bill was sent to the Office of the Council of State, a government body attached to the Office of the Prime Minister, for detailed scrutiny. The JWC realised that their draft reform bill would not be ready for the forthcoming session if they followed the routine procedure of vetting by the Council of State Drafting Committee. They requested the cabinet to set up a Special Drafting Committee. Of the eight members, four were experts in economics and public finance from the finance ministry including the JWC's chairman and the rest were legal experts from the Council of State itself.

The Council of State Special Drafting Committee, dominated by finance ministry officials, not only provided a safe passage for its draft reform bill but also a chance to amend the reform proposal. During the course of three scrutiny sessions, seventeen amendments were made.<sup>55</sup> Most of them were minor such as the clarification of legal and technical terms. However, some major adjustments were also made including the form and control of the new government pension fund, and its financial security. These were the result of a struggle between politicians, particularly the finance minister, and civil servants, members of the JWC, to control the new fund.

Decisions over the form and control over the new government pension fund caused controversy between finance minister and the JWC. The finance minister wanted close control of financing and supervision and wanted the new pension fund had to be part of the government structure. The JWC, however, wanted to make the new fund autonomous and, more importantly, free from politics. They realised that if it was part of the government apparatus it would be less efficient and flexible, and less able to compete effectively in a business environment and competitive financial market. Members of the committee were convinced by the chairman of the JWC that the fund needed to be autonomous and independent from the government apparatus. To overcoming the technicalities of the Government Organisation and State Administration Act, a clause was added giving the fund autonomy and independent status.

The chairman of JWC was also successful in reducing political influence over the new government pension fund by preventing politicians from becoming secretary general, the chief executive officer of the fund. The legislation prevented members of parliament, executive members or advisors to political parties from being secretary general. The right to appoint the secretary general belonged to the Fund's Board of Management with the approval of the cabinet. The role of the Finance Minister was

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<sup>55</sup> Review of the Council of State Special Drafting Committee.

limited to oversight functions: appointing an authority to investigate an abnormality within the Fund and requesting the fund's board of management to suspend or terminate the employment contract of the fund's secretary general.

The fund's financial security was the cause of further disagreement between the finance minister and the FPO and the rest of the JWC. Although the finance minister agreed to deposit reserve money from the Government's coffers in the Fund's reserve account he also expressed a desire that the government should be allowed to appropriate that money if the need arose.<sup>56</sup> This was seen by the majority of JWC as a threat to civil servants' retirement benefits. Members of the Special Drafting Committee were convinced by the JWC chairman that conditions for reimbursing reserve money in the fund had to be clear and precise, not simply the finance minister's definition of "urgent government need". They agreed that the reserve money would be "paid out from the fund as pensions for civil servants and only when the country faces financial crisis".<sup>57</sup> This money was to be invested in secure financial transactions such as government and public enterprise bonds.<sup>58</sup>

### 10.3.2 Seeking Parliamentary Approval

Although the Special Drafting Committee of the Council of State had completed its vetting process and Chaun's government had sent the bill to parliament by September 1994, it was not immediately read because there was a backlog of bills. The Government Pension Fund Act had to wait in a queue for parliamentary scrutiny. However, the process was suddenly interrupted by the unexpected collapse of the Chaun's government in May 1995.<sup>59</sup> A new coalition government was formed after a general election in September 1995 and Banharn Silapa-Archa, leader of Chart-Thai Party, became prime minister. Despite its short-lived fifteen months in office and three different finance ministers in quick succession the civil service pension reform bill survived largely intact and the major design components, the combined defined benefits and defined contributions and Government Pension Fund, were not affected.

Banharn's government did not try to withdraw or change the draft legislation on the Government Pension Fund. Instead, it adopted the bill and reinstated it on the parliamentary agenda on 20 September 1995 during its first month in office. Despite the

<sup>56</sup> To secure the fund financially, the cabinet agreed to provide 20 per cent of Civil Service pension expenditure until the Fund's reserve account reached three times pension expenditure.

<sup>57</sup> Article 72 of the Government Pension Fund Act.

<sup>58</sup> Ibid.

fact that Banharn's government in general and its finance ministers in particular were widely thought to lack financial expertise and as a senior member of the JWC noted, "Banharn's finance ministers were preoccupied with the worsening economic situation" which developed in the Asian economic crisis of 1997, progress was made on pension reform legislation.<sup>60</sup> The legislative process took a year; parliament passed the Government Pension Fund Act on 27 September 1996. After five years effort to the legal basis for changing the civil service pension scheme was in place.

Like the drafting process, the legislative process, which depended the scrutiny on the select committees appointed by the House of Representatives and the Senate, was open to another round of influencing the bill. Members of the JWC continued competing to influence the content of the bill for their own ends. However, most of the changes made by parliament were limited and did not erode the core proposal of a pre-funded combined defined benefits, and defined contributions scheme with the preservation of a choice of retirement benefits.

The attention of both politicians in the House of Representatives Select Committee and members of the JWC was focused on the finance and management of the new government pension fund. The House Select Committee was concerned over the use of public money to capitalise the fund. It believed it would not be beneficial to the economy as a whole economy if a huge amount of money were left inactive in the reserve account with limited use, as suggested by the JWC, to secure the fund financially. "The less the government had to remit money to the Fund, the more the budget could be allocated to their ministries, projects or constituencies"<sup>61</sup>. As a result, it ruled that the total amount of public money that the government would be obliged to transfer to and capitalise the new pension fund should be equivalent to three times pension expenditure, and no more.

Another example of a small change made by the House Select Committee was the calculation of contribution rates. Its members claimed that it would not be fair to base civil servants' contribution rates on civil servants' gross income consisting of basic monthly salary plus other allowances. The change aimed to make the scheme equitable to civil servants who did not receive any allowances nor had allowances that were not paid on a regular basis.

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<sup>59</sup> See chapter 2 for political developments during this period.

<sup>60</sup> Interview, anonymous CGD official.

<sup>61</sup> Interview, Ms Venus, CGD.

It was not only politicians in the House Select Committee who wanted to amend the bill for their own ends. Members of the JWC also tried to change those clauses in the bill, which they had only reluctantly agreed with in the earlier stages of reform. The CGD, for example, successfully persuaded the House Select Committee to extend the subscription period for membership of existing civil servants from the six months originally proposed by the JWC to a year. The CGD did so because it expected that the workload during the transition period, which they had to undertake, would be tremendous. A six-month extension would provide time to lay down the managerial foundations of the fund.

The CGD also exercised influence over the control of the management of the proposed fund. As an OCSC personnel analyst noted, “The MOF, especially the CGD, never gave up attempting to reduce the role and influence of other agencies in the reform process”<sup>62</sup>. The JWC had initially proposed that the OCSC’s secretary, who was an ex-officio member of the Fund’s Board of Management, would chair the Membership Sub-Committee of the fund, but this was changed because the CGD convinced members of the House Select Committee at first reading of the bill that issues concerning membership should be undertaken by the fund’s executive team. However, the OCSC fought back at second reading, persuading the Select Committee that its secretary general should head the fund’s membership subcommittee because no other members of the fund’s management board specialised in civil service welfare and benefits. Keeping this sub-committee, the OCSC’s representative argued, would facilitate the work of the Office of the Government Pension Fund. Consequently, the Select Committee agreed to re-instate this clause and the OCSC retained its role in the new fund.

A similar process of scrutiny and amendment took place in the unelected upper house, the Senate, about half of whose members were former senior civil servants, military officers and police officers. The upper house was therefore controlled by senators representing retired bureaucrats. The issues that interested senators most involved their own turfs. The Senate Select Committee was particularly concerned about the calculation of benefits for ex-officials who were re-appointed after resigning from the civil service. They rejected the JWC’s proposal to exclude previous service years from the calculation and also ruled that the definition of “service years” was to be altered to include any “extra years” that were normally given as rewards for service to certain groups of officials, particularly the military and police.

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<sup>62</sup> Interview, Visoot, OCSC.

The Senate select committee also changed the components of the government pension fund's board of management. They considered that the board was too dominated by ordinary civil servants in central government and ruled that the fund's board of management had to have equal numbers of representatives from other occupational groups of government personnel including the military and police. Consequently, the number of officials' representatives increased from six to eight. The Senate also increased the number of ex-officio members on the board in response to the increase in the number of occupational representatives. The secretary general of the National Economic and Social Development Board and the secretary general of the Stock Market Regulations Board, were added increasing the total number of the fund's Board members to twenty-one.

Decision-making continued during the legislative process in the course of drafting and parliamentary scrutiny. JWC members, notably the CGD and the OCSC, continued to compete for influence over the pension reform proposal. There was also rivalry between civil servants and politicians for control of the new pension fund. Despite this competition, parliamentary scrutiny and a change of government the original proposal approved by the cabinet was passed in September 1996 with only minor changes.

#### 10.4 Epilogue: Post Decision Making

Six months after the passage of the legislation, on 27 March 1997 the Government Pension Fund started its formal operations. This was regarded by the JWC as a success in terms of its accumulation of assets and membership.<sup>63</sup> The huge endowment of nearly 70,000 million baht transferred from the government budget and the national reserve made the Government Pension Fund second only in size to the Social Security Fund and attractive to many banks and financial institutions.<sup>64</sup>

The involvement of the JWC should have ceased with the passing of the 1996 Act. As one official recalled, "Our job, according to the 1993 Finance Ministerial Order was to develop a civil service reform proposal. We did the research and provided information for the cabinet to decide. Our job was done when parliament passed the

<sup>63</sup> Personal notes from interviews. See Appendix 3.

<sup>64</sup> It was reported that 40 financial institutions were bidding to manage its funds (See *Thurakij* Newspaper 28 Jan 1997).

new act".<sup>65</sup> However, the influence of the JWC and the OCSC did not wane after the GPF was set up because the new act, which they had designed, provided them with a legal basis to manage the GPF in the start-up period. For them, the success of the new Government Pension Fund depended on a good management system and infrastructure during the start-up period, as well as the GPF's relations with its members.

#### 10.4.1 Managing the transition

Successful management of the transition from a defined benefit system to a combined defined benefit and defined contributions scheme relied very much on the control of the new Government Pension Fund and recruiting the right chief executive. The CGD, the FPO and the OCSC were well aware of this and saw that the new act gave them the authority to ensure this. The heads of these central government agencies took control the GPF's board of management. The permanent secretary of the MOF was an ex-officio member and chairman, while the secretary general of the OCSC, the director general of the CGD, and the director general of the FPO also had permanent seats on the board. According to the new act, the board of management's responsibility was to formulate and prescribe policies, rules, and regulations related to the operations of the GPF. These included managing and supervising the GPF on such important matters as setting investment policy, selecting and employing the chief executive of the GPF, and approving the budget for running the GPF.<sup>66</sup>

Former members of the JWC were particularly influential in two core activities of the GPF investment and membership. The policies related to these activities were decided by the Investment Sub-Committee and the Membership Sub-Committee, which were headed by the chiefs of the FPO and the OCSC respectively. The powers of the Investment Sub-Committee and the Membership Sub-Committee included advisory and insight functions.<sup>67</sup> The Investment Sub-Committee advised the GPF's board of management on all matters related to the investments of pension funds including the formulation of criteria for the selection of financial institutions to manage them.<sup>68</sup> Its insight functions included monitoring the operations of the financial institutions chosen to manage the Fund's capital, and reporting on the performance and outcome of

<sup>65</sup> Interview, Kanikat, FPO.

<sup>66</sup> Section 26, Government Pension Fund Act 1996.

<sup>67</sup> Section 32, The Government Pension Fund Act of 1996

<sup>68</sup> The FPO issued investment guidelines for the GPF. The ministry of finance required "The GPF [to] spend at least 60 per cent of its assets in low risk investments. Investment in high risk schemes must not exceed 40 per cent" (MOF's order No. 4 /1997).

investment operations. The Membership Sub-Committee acted as a media between the GPF and its members. This included the membership relations schemes to provide better understanding of the new system by disseminating information and news. Another important function involved making recommendations to the board of management for the provision of other welfare benefits.

The CGD was intensively involved in the operation of the GPF. Its director general was appointed to head the GPF in the start-up period until the new GPF's chief executive was appointed. The CGD played a greater role than other former members of the JWC because some of its pension related work was to be transferred to the GPF. To ensure a smooth transitional period, the CGD and the FPO agreed to supply the GPF with their own staff on secondment many of whom later became permanent GPF staff. These staff contributed to laying the groundwork of the GPF in many areas.

Controlling the GPF's board of management provided some assurance for the FPO and the OCSC that civil service pension reform would develop as they wished. As the GPF was, according to the new pension act, to be managed by a professional executive, officials in the finance ministry wanted to select the right person who would ensure their management policies were continued. The recruitment of the new chief executive was a classic example of providing "jobs for the boys". The appointment was made by a recruitment committee whose members consisted mainly of former members of the JWC: the CGD's director general served as chairman and the director general of the FPO and the assistant secretary general of the OCSC, were members. The selection process was "informal". Using networks in the Capital Market Development Trust Fund where he also presided, the CGD's director general nominated an experienced banker and former member of staff of the Bank of Thailand, Ms Navaporn Reungsakul, for the job. Navaporn was in fact the only nominee and was appointed.

#### 10.4.2 Managing civil servants' participation

During the first year of the GPF's operation membership reached 1,079,335, about 71 per cent of total number of government officials. This was considered successful, as the secretary of the JWC commented, "What we had in mind was that about 60 per cent of Government officials would join the new pension scheme. In fact, 70 or more per cent did which was beyond our expectation and it was a success".<sup>69</sup> Overall membership increased gradually every year except 1999 when the government adopted an early

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<sup>69</sup> Interview, Ms Venus, CGD.

retirement programme to downsize the Civil Service. This was, as the director general of the CGD claimed, “the result of intensive campaigning by the Ministry of Finance”.

The OCSC also claimed some credit for the high participation rate. Mobilising support from civil servants began before the cabinet decision in August 1994 to launch a campaign. In 1993 the OCSC planned a survey of civil servants’ opinions on pension reform to be carried out by the National Office of Statistics. Though there was some discussion of the design of the questionnaire in JWC meetings the survey was never conducted.

The campaign to encourage civil servants to join the new scheme relied on members of the JWC. It was done quickly because the legislation allowed only 180 days to put the new pension scheme in place and complete the admission process. Central government departments and agencies co-operated to meet the deadline. The CGD posted senior officials to the country’s seventy-four provinces, to communicate with officials at regional level. The OCSC appointed communication teams of personnel analysts and the FPO also provided staff to support the campaign.

The campaign organised lectures by members of the JWC to government officials in central and regional administration. It was not a consultation campaign. The aim was to provide information for civil servants to decide whether to join the new scheme. It provided straightforward and frank recommendations pointing out “Those who would be losers if new scheme was adopted, who could choose not to join, and encouraging the majority who would be better off, to join in. They had two choices: take it or leave it.”<sup>70</sup> The JWC through the CGD also communicated through newspapers and radio stations. The frank and intensive nature of the campaign increased civil servants’ confidence in the new scheme and contributed to the high participation rate of seventy-one per cent. Former members of the JWC are still proud of their success today.

## 10.5 Conclusion: The Dynamics of Civil Service Policy Making

This chapter primarily provides understanding of the process dynamics of decision-making that led to the adoption of a single unified civil service pension reform proposal by the Thai government. This proposal later became the new Government Pension Fund Act 1996 that introduced elements of a defined contribution pension design to a half-

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<sup>70</sup> Ibid.

century old defined benefit civil service pension system. In this respect, the Thai civil service pension system became a two tier scheme consisting of defined benefits as provided by the surviving Civil Service Pension Act of 1951 and defined contribution pensions provided by the Government Pension Fund Act 1996. The new combined system therefore represented a moderate change in the civil service pension system and its administrative processes.<sup>71</sup>

This section grounds explanations for the successful development of a unified civil service pension reform proposal on the key decisional events leading to the design of the new pre-funded pension system, the preservation of pension choices, the capitalising and financing of pensions, and membership issues. It deals exclusively with the processes of alternative specification, which culminated cabinet approval the proposal in August 1994. Although the narrative touches upon the legislative process after the cabinet decision, it is not central to the discussion in this concluding section.

#### 10.5.1 Alternative Specification and Decision Making

This section provides explanations for the intensity of the reform effort by members of the JWC, the pace of reform in reaching a unified proposal, as well as the actions of reform entrepreneurs in shaping the content, direction and pace of the reform process. These will be viewed in the light of an institutional processual framework.

The intense effort to reform civil service pensions lasted almost six years with the issue both active and dormant and both on and off the government agenda. Agreement on the design of the reform programme was not reached until August 1994. The protracted nature of the decision-making process can be conceived of an endeavour by participating civil service pension reformers to craft the reform proposal within the dynamic situation around them.

Working within the interdepartmental JWC provided both a constraining and an enabling context for pension reform decision-making. The JWC also provided a site for bureaucratic politics to operate. Lying at the heart of the decisional site was co-operation, conflict and competition between the goals and means of civil service pension reform proposals advocated by the CGD, the FPO, the OCSC and the finance minister. The institutional context of JWC enabled the alternative specification and decision-making process by promoting a co-operative environment. Such an environment was structured by the 1993 Finance Ministerial Order to formulate a unified civil service pension reform

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<sup>71</sup> But it can be seen as far reaching change if compared to other outcomes of civil service reform

proposal. The JWC context also compelled participants to find a common solution leading to the co-existence of different but reprioritised reform aims and the avoidance of conflict. In this sense, the JWC provided opportunity for participants to realise their mandates and jurisdictions in a win-win situation.

The context of working within the JWC's "rules of the game" also constrained the decision making process and the pace of reform. It contributed to the length of the process in which sometimes difficult and contentious issues were left unresolved. Accommodating the take-it-for granted different departmental goals in the pension reform programme created ambiguity in the decision making process. Consequently, participating agencies competed to dominate the decision-making by convincing other members of their own reform alternatives. Although it was hard for any participating agency to claim to be a "champion" of the whole process of decision-making, some room was available for them to declare themselves a "local hero". The CGD, for example, claimed to be the reform owner, asserting, "Information available in our department was enough to do the job."<sup>72</sup> Such claims and attempted claims, in return, prevented a consensus in developing a coherent civil service pension reform proposal and led to piecemeal solutions.

Attempts to unify and reconcile competing piecemeal solutions created a "repeated cycle of information processing" resulting in a self-perpetuating process and slow pace of alternative specification. In all decisional events related to the design of the new civil service pension system, participating central government departments "compared notes rather than shared information". They provided and presented their own departmental related information, which was then discussed, debated, and challenged by new information from other members of the JWC, finally leading to modification, rejection, and calls for more and new information. Officials who participated in JWC meetings described the way in which disagreements were resolved: "They compared their solutions for particular problems in the joint meetings. The JWC would first jointly decide whose solution was sound or best. If they could not decide unanimously, then the agencies in conflict would be asked to work together and report to the committee in subsequent meetings."<sup>73</sup>

The technical and interconnected nature of information on civil service pension issues aggravated the "repeated cycle of information processing". Participants in the JWC

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in different issue areas including downsizing.

<sup>72</sup> Interview, Napong and Ms Venus, CGD.

<sup>73</sup> Interview, anonymous official, CGD.

meetings recalled, “In some cases, a particular issue needed to be agreed on first, another issue would be then discussed. In another case, information about one issue was used as a basis for working on other related issues. If a change had been made to one agency’s information, the whole process needed to be reworked.”<sup>74</sup> This kind of problem was present during all eleven meetings of the Joint Working Committee.<sup>75</sup> As a result, most design issues were not decided by the JWC. Stalemate was reached on most of the important design issues of the new pension system. This required the intervention of the finance minister.

The institutional context of the JWC also constrained the pace of alternative specification and decision-making as participants in the process possessed a ‘veto power’<sup>76</sup>. To stretch Tsebelis’s concept (1995) to explain the behaviour of reformers in a civil service policy subsystem, actors who can be classified as having veto powers included the CGD, the FPO, the OCSC, the minister of finance, the Public Personnel Review Committee and the cabinet itself. The number of veto actors reflected the fragmentation of and overlapping jurisdictions in the management and provision of civil service pensions. The narrative shows that the number of “veto actors” contributed not only to the lengthy decision making process, but also moderate change in the civil service pension system, as participating central government departments and agencies could not exercise their strategies to attain their reform goals without constraints from others.

The institutional constraint was mediated by the action of the finance minister who can be clearly identified as policy entrepreneur (Kingdon, 1995). The narrative evidence in this chapter contains many entrepreneurial acts which justify this assessment. Such acts, which enabled members of the JWC to agree on a unified reform proposal, included the expansion of the reform issue to accommodate his economic policy aims, the reorganisation of institutional venues for developing a unified proposal for pension reform, and investing his time in the reform programme. More conventional forms of entrepreneurial strategy can be seen from his commitment to the reform issue and his mediating and brokerage roles.

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<sup>74</sup> Ibid.

<sup>75</sup> “repeated cycle of information processing”.

<sup>76</sup> The role of actors with “veto power”, especially at the macro-political level, has been increasingly been popular in studies of decision-making processes on pension reform in both developed and transitional economies. As Tsebelis (1995) noted, the number of actors may have an impact on policy outcomes if there are many veto actors and the distance between them is great.

Seen as a hands-on minister, Tharin utilised 'process mechanisms' to enable the reform proposal to be accomplished, progressed and finally approved in the decisional venue, the cabinet. These mechanisms include performance monitoring, mediating and brokering conflicts within the JWC, as well as mobilising support from the Public Personnel Review Committee and the prime minister. As the narrative evidence shows, he invested his time in meetings and monitoring the progress of the JWC. The progress report meetings between him and the JWC provided opportunities for him to influence the content of reform proposals and to break reform impasses by brokering between conflicting agencies within the JWC. He also speeded up the reform process imposing a sense of urgency by aiming to move the issue to the decisional venue, the cabinet in 1994. In short, Tharin undertook two overlapping roles simultaneously, as a promoter of civil service pension reform and the problem solver for the JWC.

In conclusion, the narrative presented in this chapter reveals that decision-making *processes* account for the more moderate change that occurred in civil service pension system than originally proposed by the CGD's reformers. Such processes operated within the institutional and processual contexts, and were mediated by the role of a policy entrepreneur. The institutional factors such as the institutional context of the JWC both constrained and enabled the alternative specification and decision-making process. They structured the environment within which alternative specification and decision making processes operated, shaped the content of civil service pension reform proposal and progress to the decisional agenda leading to change in the civil service pension system. Such change, however moderate it was, represents a major shift the sub-domain of the Thai civil service policy.

# **Part IV**

## **Managing Civil Service Reform**

## Chapter 11

### Managing Civil Service Reform in Thailand: Conclusions

#### Overview

Having provided analytic narratives of the two cases studies of civil service policy change namely downsizing the Civil Service and reforming civil service pensions, it is now appropriate to elaborate on the thesis arguments. The aim of this chapter is to develop general explanations for public management policy change in Thailand by addressing the principal thesis questions: What explains stability and change in Thai civil service policy? and what explains the variation of trajectories and outcomes of civil service policy change across the period of 1980 and 1999, as well as across cases of civil service downsizing and reforming civil service pension? By grounding explanations in the two case studies, this chapter develops 'limited historical generalisations' (Ragin, 1987). Using an 'institutional processualist' conceptual framework, which guides the main research questions, this chapter brings to the fore the effects of differences in institutional arrangements and the process factors on public management policy change. These institutional and processual influences will be woven into a coherent explanation using a common thread, 'reform capacity', the opportunity and risk, for public management policy change. Where appropriate, this chapter compares, albeit implicitly, some aspects of the two cases.

This chapter first provides a summary of the outcomes of civil service policy reform drawn from the narratives in Part II and Part III. From an institutional and processualist perspective, it then provides explanations for limited, piecemeal change in Thai Civil Service policy in general and variations within the reform trajectories and outcomes over time and across the two case studies.<sup>1</sup> In line with the literature that influences this thesis, as well as standard arguments presented in the narrative chapters, this chapter sheds light on the analytic components of public policy process with particular emphasis on agenda setting, alternative specification and decision making.

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<sup>1</sup> As Yin (1994) suggests, [modest] generalisation can emerge from comparing two cases from which insight into the question of what explains the variation of outcomes between two different reforms in the domain of public management policy can be derived.

As a major argument of this thesis bases civil service policy change on 'reform capacity', this chapter argues, based on evidence drawn from the narrative chapters, that reform capacity is emergent and fluid rather than static as presumed by the institutionalists. It argues that Knill's static notion of national administrative reform capacity needs to be re-conceptualised in the light of institutional and processual analysis. The chapter also relates the pattern of civil service reform in Thailand to the wider scholarly discussion and argues that reform capacity and its resultant public management policy change is influenced but not necessarily determined by what I call dualities of approach in public management evident in the Thai case: a techno-bureaucratic approach and a political approach. The dualities lie within the principal reform actors, reform issues, reform process and mechanisms, and the tensions between these elements as well as the reform contexts that affect the trajectories and outcomes of public management reform. This chapter ends with a discussion of some of the thesis' limitations and future research opportunities in this area.

### 11.1 Summary of Outcomes: Change in Thai Civil Service Policy

This section will summarise the outcomes of Thai Civil Service policy change and the routinisation of the process of change. Civil service policy in Thailand in the period of study can be in general characterised by 'limited change' although there are some variations between different periods as well as between downsizing and pension reform. This pattern of change and variation can be described by referring to changes in the principal reform outcomes, goals and targets, instruments and measures, as well as relevant reform committees (Hall, 1993).<sup>2</sup> Table 11.1 summarises the outcomes of the policy on downsizing

<sup>2</sup> Defining the outcomes of public management reform this way, the Thai case can be conceptually meaningful as an object of academic study if it is comparable to other reform experiences across countries. Scholars of public management and organisational theories have classified reform or change trajectories and outcomes in many ways. Pollitt and Bouckaert (2000) conventionally distinguish between the 'what trajectory' and the 'how trajectory' of administrative reform. The 'what trajectory' includes the main components or substance of reform such as finance, personnel, organisation and performance management. The 'how trajectory' includes organisational and administrative choices made during the public management policy making and implementation process and is characterised by top down versus bottom up, legal dimensions, organisational processes and so on. Painter (2004) has developed a reform typology for Southeast Asian countries focusing on the 'how trajectory' shaped by the interaction between demands for administrative reform and the bureaucratic capacity. These interactions created reform outcomes that would result in one or overlapping typological forms: gridlock/negotiated reform, mandated reform, status

the Civil Service between 1980 and 1999. Table 11.2 provides overall outcomes of the Civil Service pension reforms between 1991 and 1996.

As shown in Table 11.3, the outcomes of downsizing policy are limited and piecemeal. During the twenty years of this study, the goals of civil service reform were stabilised as 'downsizing and rationalising' the Civil Service with additional and often equally important goals of democratising, 'responsibilising' and improving service quality and delivery which emerged in the early 1990s. Thai Civil Service downsizing policy reform in the 1980s can be classified by a Hall's typology (1993) as 'first order administrative reform' in which reform goals and scope were slightly expanded but policy images, instruments and driving ideas were stable. A shift from first order to 'second order administrative reform' can be seen from the mid 1990s onwards when wide-ranging reform goals and scope were added and the underlying reform ideas were different from the beginning of the decade. These changes were introduced while the existing ones continued to operate.

Civil Service pension reform presents a slightly different picture of civil service policy change. Reformers successfully introduced a defined contribution pension scheme and individual retirement accounts into the existing defined benefit pension system leading to the establishment of a two-tier pension system. Such an outcome can be classified as moderate change, which falls between second and third order administrative reform using Hall's terminology. The goals, instruments and ideas behind the provision and management of civil service pensions substantially departed from the existing pension scheme.

The reform instruments chosen by reformers were mainly public personnel management tools and organisation and method techniques. The former aimed to increase civil service efficiency by maximising the utility of existing manpower and controlling numbers of staff and personnel costs. Such instruments ranged from conventional head

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quo/incremental adaptation and status quo/continuous self-improvement. The reform trajectory explains the shift from one typological form to another. Another approach to classify outcomes is to consider the degree of change and innovation brought about by reform programmes or 'organisational interventions'. This approach is common among organisational theorists and public policy scholars. Hall (1993) explains changes in the outcomes of Britain's macro-economic policy making based on changes in the policy goals, policy instruments and policy paradigm. Based on these policy change parameters, Hall has developed a three level typology of policy change that can be applied across different policy issues. His first order reform involves only changes in policy goals and targets. The second order change is characterised by both changes in policy goals and instruments, while the third order can be seen as a paradigm shift since policy goals, instruments and underlying ideas change.

counting, imposing a manpower growth ceiling and restricting the replacement of vacancies from retirement, to the implementation of an early retirement scheme. The latter included the introduction of manpower planning, work process improvement and restructuring civil service organisations.

The relatively stable goals and instruments correspond to the reform scope of reformers. Table 11.3 shows that civil service reform in Thailand during the 1980s and early 1990s was confined to the area of human resource management leading to limited reform scope. However, from the early 1990s the reform scope was expanded from the public personnel arena to other areas including quality and service delivery, deregulation, privatisation and democratisation. Although, with the onset of the Asian financial crisis, civil service policy in Thailand became more comprehensive in the sense that reform efforts included wide ranging issues to overhaul the operation and management of the public sector as a whole and the Civil Service specifically, public personnel reform issues were stable and in some cases strengthened.

Related to the outcomes of civil service policy reform is the emerging pattern of routinised reform cycle.<sup>3</sup> The cycle began as soon as the government took office. All governments appointed reform committees during their honeymoon period to carry out the process of making and, if the governments were in power long enough, implementing public management policy. These reform committees were *ad hoc* but high profile since senior politicians such as deputy prime ministers were usually assigned by the prime minister to be chairmen of the committees. The committees drew up reform proposals, often based on existing proposals, which were then sent to the cabinet for approval, which was invariably given. But before the measures can be implemented the coalition government collapsed, often after less than two years in office. When a new coalition government came to power the reform cycle started again. Borwornwattana (2000) found the same pattern, which he has described as a 'vicious cycle' of civil service reform in Thailand.

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<sup>3</sup> The routinised cycle of civil service reform involved the certification of individuals and institutions responsible for making administrative reform projects. Certified reformers could control the reform process by recruiting members of reform committees and sub-committees, and setting their reform agendas. The process of establishing reform committees usually involved assembling a team of officials and experts in public administration, and getting approval for members and mandates from the prime minister in the form of a prime ministerial order.

Table 11.1 Summary of the outcomes of the Civil Service reform effort in Thailand: 1980-1999

Administrations	Principal Reform Outcomes	Reformers' Specific Reform Goals	Reform Instruments/Measures	Specific Targets	Reform Committees
Prem Tinsulanond	Proposal for Reforming Civil Service Organisation and Staffing	To rationalise and downsize the Civil Service	Controlling numbers of Civil Service personnel (headcounts) Restricting the proliferation of administrative units	Two per cent limit for manpower increases (Manpower ceiling)	CSARC
Chatchai Choonhawan	Proposal for Improving Service Quality for Citizens	To restructure the Civil Service and deregulate its rules to enable better public service provision.	Reviewing and assessing performance of departmental service delivery Settling the citizens' complaints	No specific targets	CCSD CRMD
	<i>Adopting Proposal for reforming Civil Service organisation and staffing</i>	<i>To downsize the Civil Service</i>	<i>Controlling numbers of Civil Service personnel (headcounts) and restricting bureaucratic expansion</i>	<i>Two per cent limit for manpower increases</i>	CSARC
Anand Punyarachun	Proposal for the Civil Service Reform and Development Projects	To modernise and improve the Civil Service	Freezing Civil Service employment and redeploying staff	Recruitment freezing between 1991-1992	CSRC
	Proposal for Improving the Civil Service System and Public Personnel Management	To rationalise and downsize the Civil Service	Privatising public services and utilities Amending the Civil Service Act and related administrative Acts	Encouraging the public services outsourcing Changing appointing powers of government ministers.	
	Combating corruption	To promote transparency in the government and Civil Service	Public relations, disciplinary investigations and legal procedures	No specific target	No committee established.

Table 11.1 Summary of the outcomes of the Civil Service reform effort in Thailand: 1980-1999 (continued)

Administrations	Principal Reform Outcomes	Reformers' Specific Reform Goals	Reform Instruments/Measures	Specific Targets	Reform Committees
Chaun Leekpai	Reform package for democratising the State Administration	Democratising the Civil Service administration	Improving Civil Service performance and service quality Decentralising administrative powers	No specific target	SADC
	<i>Measure to Control the Size of the Civil Service</i>	<i>To downsize the Civil Service</i>	<i>Controlling Civil Service recruitment and vacancy replacement</i>	No specific target	CSMPC
Banharn Silapa-Archa	Proposal for Improving Service Quality to Citizens	To expand and improve public service quality to citizens	Improving administrative process involving public service provision and delivery	No specific target	ISQC
	Prime Ministerial Order on Administrative Reform.	To downsize and rationalise the Civil Service	Downsizing, restructuring and redefining the roles of the Civil Service	No specific target	CSRC
	<i>Adopting 'Measure to Control the Size of the Civil Service'</i>	<i>To downsize the Civil Service</i>	<i>Controlling numbers of Civil Service personnel</i>	No specific target	CSMPC
Chavalit Yongchaiyudth	Master Plan for Reforming the Public Sector, 1997-2001.	To rationalise and downsize the Civil Service To streamline public personnel costs	Controlling numbers of Civil Service personnel Cutting personnel expenditure.	Targeting staff cuts in Civil Service personnel by 10% by 2001, and by 20% by 2010.	CSRC
	<i>Adopting 'Measure to Control the Size of the Civil Service'</i>	<i>To downsize the Civil Service</i>	<i>Controlling numbers of Civil Service personnel</i>	No specific Target	CSMPC

Table 11.1 Summary of the outcomes of the Civil Service reform effort in Thailand: 1980-1999 (Continued)

Administrations	Principal Reform Outcomes	Reformers' Specific Reform Goals	Reform Instruments/Measures	Specific Targets	Reform Committees
Chaun Leekpai	Public Sector Management Reform Plan	To introduce comprehensive Civil Service reform.	Improving the structure, process, budget, finance and personnel system in the Civil Service	No specific target	CSRC
	Framework for Good Governance	To provide guidelines for improving departmental performance	Assessing departments' management operations using 'good governance criteria.'		OCSC
	Measures to Reduce Public Personnel Expenditure	To streamline public personnel costs	Removing supplementary allowances and freezing the Civil Service salary structure	No specific target	CSRC CSMPC
	<i>Adopting 'Master Plan for Reforming the Public Sector'</i>	<i>To nationalise and downsize the Civil Service</i>	Implementing early retirement programme	More than 200,000 personnel were expected to leave the Civil Service	CSRC CMSPC
	<i>Adopting 'Measure to Control the Size of the Civil Service'</i>	<i>To downsize the Civil Service</i>	<i>Controlling numbers of Civil Service personnel</i>	Freezing Civil Service employment  80% of vacant posts to be scraped.	CSMPC

Table 11.2 Summary of the outcomes of the Civil Service Pension reform effort in Thailand: 1991-1996

Administrations	Principal Reform Issues/Outcomes	Reformers' Specific Reform Goals	Specific Reform Targets/Measures/Instruments	Issue Images	Actors/Venues
<b>Anand Punyachun</b>	Cabinet Resolution on Reforming Civil Service Salary Scale making civil service pension reform a condition for further pay rises.	To reduce government public personnel costs	No specific targets	Excessive personnel costs	CGD and OCS
	Proposal for Civil Service Pension Reform	To reduce public personnel costs and pension burdens on the government	Overhauling the Civil Service pension system by setting up the Central Provident Fund to manage retirement benefits for government personnel	Efficiency in managing civil service pensions and reducing public personnel costs	CGD
<b>Chaun Leekpai</b>	Proposal for Reforming Civil Service pensions	To reduce public personnel costs and pension burdens on the government	Reforming pension system by replacing unfunded defined benefits with funded defined contribution system operated through proposed new Central Provident Fund	Efficiency in managing civil service pensions and reducing public personnel costs	CGD
	Proposal for Comprehensive Civil Service pension reform	To reduce public personnel costs and pension burdens on the government	Introducing pre-funded defined contribution pension benefits to the existing defined benefit pensions which is jointly managed by the new Government Pension Fund and the CGD	Efficiency in managing civil service pensions	CGD and OCS
		To make the civil service pensions contribute to the country's macro-economy by narrowing the saving and investment gap.		Improving the macro-economy	Finance Minister and FPO

Table 11.2 Summary of the outcomes of the Civil Service Pension reform effort in Thailand: 1991-1996 (Continued)

Administrations	Principal Reform Issues/Outcomes	Reformers' Specific Reform Goals	Specific Reform Targets/Measures/Instruments	Issue Images	Actors/Venues
Banham Silpa-Archa	Draft Bill on Government Pension Fund Act	<p>Reprioritised Goals:</p> <p>To achieve good fiscal management by pre-funding civil service pensions.</p> <p>To provide safeguards for future retirement benefits for government personnel</p> <p>To promote domestic saving and encouraging the pension fund management businesses.</p>	Introducing pre-funded defined contribution pension benefits to the existing defined benefit pensions which is jointly managed by the new Government Pension Fund and the CGD	Multiple images of good practice of pension management, and safeguarding future retirement benefits as well as improving macro-economy	Finance minister FPO, CGD and OCSC

Table 11.3 Stability and Change in the Thai Public Management Policy, 1980-1999

Regime Types	Issues/Goals	Instruments	Scope	Images	Venues
Semi democracy (Prem)	Stabilised as downsizing	Personnel management and organisation and method tools	Limited to public personnel management	Efficiency	Single Venue
Democracy (Chatchai)	Promoting service delivery improvement while allowing downsizing to continue	Organisation and methods and personnel management tools	Limited to public personnel management with emergence issue of improving service delivery	Responsiveness VS Efficiency	Multiple Venues (3)
Authoritarianism (Anand)	Improving efficiency through downsizing, rationalisation and deregulation with a mandate of transparency reform	Personnel management and organisation and method tools	Limited to public personnel management and rationalisation with a focus on privatisation	Efficiency and Deregulation	Single Venue
Democracy (Chaun)	Democratising the Civil Service administration while allowing downsizing and civil service pension reform to continue	Personnel management and organisation and method tools	Expanded from public personnel management to democratic governance reform in the Civil Service	Responsiveness VS Efficiency	Multiple Venues (2)
Democracy (Banham)	Improving service quality to citizens while allowing downsizing and civil service pension reform to continue	Personnel management and organisation and method tools	Expanded from public personnel management to service quality improvement	Responsiveness VS Efficiency	Multiple Venues (3)
Democracy (Chavalit)	Stabilised as downsizing with added emphasis on overall improvement in public management functions	Personnel management and organisation and method tools	Wide Ranging from public personnel management to include financial and budget, procurements, structure and process (Comprehensive)	Efficiency Effectiveness Responsiveness	Multiple Venues (2)
Democracy (Chaun)	Downsizing with added emphasis on overall improvement in public management functions and good governance	Personnel management and organisation and method tools	Wide Ranging from public personnel management to include financial and budget, procurements, structure and process to good governance	Efficiency Effectiveness Responsiveness Accountability	Multiple Venues (3)

The case of civil service pension reform was similar in the sense that the reform effort was sustained over a five-year period between 1991 and 1996. Despite the change from Anand's authoritarian government to democratic governments of Chaun and finally Banharn, bureaucratic reformers in the central co-ordinating agencies continued to be committed to reforming the existing Civil Service pension system as part of their attempts to realise and fulfil their political mandates and agencies' jurisdictions. Such commitment can be seen from repeated cycles of formulating and reformulating reform proposals in which reform goals, instruments and solutions were defined, refined and redefined. The technical nature of the civil service pension issue and the fragmented civil service policy making structure within which pension reform process took place led to a lengthy and self-perpetuating process, and a decision to produce a single unified reform proposal was difficult to reach. This issue will be dealt with more fully when discussing the decision making process.

In short, reforming civil service policy in Thailand in the 1980s and the 1990s only achieved limited change. It mainly involved what might be called 'managerial reform' (Borwornwattana 1994, 2000) with particular focus on civil service human resource issues. Incremental changes in civil service policy can be classified by Hall's typology as falling somewhere between 'the first-order and second order reform' in the case of downsizing, and between second and third order reform in the case of civil service pensions. Having briefly reviewed the outcomes of civil service policy change in Thailand, it is appropriate to recall the principal thesis question: what explains such outcomes and their variations across time and cases? Attempts to provide answers for these questions can be found in the following sections.

## **11.2 Institutional Processualist Explanations for Civil Service Policy Change in Thailand**

This section elaborates the explanations for stability and change in the Thai Civil Service policy drawing on the narrative evidence in both case studies and the institutional processual theoretical compass that guides this thesis. It argues that the components of civil service policy making process namely agenda setting, alternative specification and decision making

which operated within the institutional contexts and the dynamics of situations faced by reformers, shaped the variations in the trajectories and outcomes of civil service reform.

However, as has been seen in the narratives, civil service policy formulation is not neatly deconstructed into 'stages' as each stage has some overlapping points of reference.<sup>1</sup> They are characterised by a multiple and sometimes repeated self-perpetuating cycles in which component parts are not linked in a linear fashion, where agenda setting precedes alternative specification which is followed by decision making. The counterfactual evidence found in the narratives illustrates these messy processes when 'civil service reform solutions' were first specified and then followed by the search for their 'problems' or rationales, as problems cannot be well defined until solutions become available.

This thesis treats alternative specification and decision-making process as one large process of making reform choices. Such treatment is justified by the fact that the boundary between the two processes in the Thai context is not clearly identified and sometimes formal decision making in the cabinet, which was the executive decision arena, was only a certification of a decision already implicit in the specification of the reform alternative. As Painter (2004) has noted, the Thai cabinet is a "highly formalised, legalistic rubber stamp for decisions taken elsewhere",<sup>2</sup> when agreement on alternative specification could not be reached the cabinet acted as arbitrator and made the decision (Wilson, 1962). The cabinet decisional venue was also a place where consensus on public management reform was confirmed, and the interests of those involved and affected by the proposed reform programme were not jeopardised.

In order to overcome this 'stage heuristic' and to retain a broad picture of the civil service policy making process by acknowledging its interconnectedness, the analysis in this section treats the component parts of agenda setting, alternative specification and decision making as a unified process in which the boundaries between stages are not and cannot be clearly drawn. As Zahariadis (2003) has argued, the benefit of 'non-distinction' is the 'ability to develop concepts and processes that are internally consistent and meaningful across stages'. Treating the civil service policy decision making process in a non-stage distinction way promotes theoretical links between stages, provides a better and clearer view of the

<sup>1</sup> Sabatier (1999) and Sabatier and Jenkins-Smith (1993) argue that 'stage heuristic' is not a causal theory but a taxonomy that can mislead researchers because each stage proceeds without reference to work in other stages. Accordingly each stage is often affected by others.

larger process and elaborates on causal mechanisms that give rise to theoretical coherence. This thesis therefore identifies two interactive analytic components that provide insight into a process understanding of public management reform: the emergence and retention of reform issues, and the making of civil service reform choices. The first encompasses the traditional agenda building process, and the second combines the interrelated and overlapping processes of alternative specification and decision-making. The end result of establishing non-distinctive but interrelated process components as a field for processual analysis is 'the ability to explain more with less' (Zahariadis, 2003). These two elements and their explanatory characteristics will be now discussed in turn.

### 11.2.1 Agenda Setting: The Emergence and Retention of Reform Issues

To obtain process understanding of civil service reform in Thailand, the process by which the reform issue reach the governments' agenda needs to be explained because agenda building is the prelude for civil service policy decision-making (Dutton, 1988, 2002; Kingdon, 1995; Cobb and Elder, 1983; Down, 1972). Table 11.4 summarises the attributes of the civil service reform issue on Thai governments' agendas. Reviewing the profile of civil service reform issues raises two major analytical questions instrumental in explaining stability and change in Thai civil service policy. First, how the issues of efficiency driven downsizing and rationalisation and other wider issues of democratising and improving public service quality got selected and included on the government agenda? Second, why downsizing and efficiency improvement were sustained on the government agenda throughout the period of study?

In answering these questions, I consider two sub-processes that together explain placement of an issue on the government agenda, namely 'issue selection and inclusion' and 'issue retention'. The former involves the process of getting or including the issue on government agendas, the latter refers to the process by which issues of civil service reform were retained on the government agenda and sustained over time. These are characteristics of process components that explain the civil service reform trajectories and outcomes. From an institutional processualist perspective, these sub-processes need to be considered within the institutional and wider political and economic contexts.

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<sup>2</sup> See Chapter 2

Table 11.4 Attributes of Agenda Setting Processes and their Contexts

Administrations	Reform Issues	Issue Salience	Issue Sponsors	Issue Status
Prem	Downsizing	High	Politically and bureaucratically backed CSARC	High
Chatchai	Service delivery	High	Politically backed CCSID and CRMD	High
	<i>Downsizing</i>	<i>Low</i>	<i>Bureaucratically backed CSARC</i>	<i>Low</i>
Anand	Rationalisation	High	Politically and bureaucratically backed CSRC	High
	<i>Downsizing</i>	<i>High</i>	<i>Politically and bureaucratically backed CSRC</i>	<i>High</i>
	Civil Service Pensions Reform	<i>High</i>	CGD with weak political support	<i>Low</i>
Chaun	Democratisation	High	Politically backed SADC	High
	<i>Downsizing</i>	<i>High</i>	<i>Bureaucratically backed CSMPC</i>	<i>Low</i>
	Civil Service Pension Reform	High	Ministry of Finance dominated JWC	High
Banharn	Service delivery	High	Politically backed ISQC	High
	<i>Downsizing</i>	<i>Low</i>	<i>Bureaucratically backed CSMPC</i>	<i>High</i>
	Civil Service Pension Reform	High	Ministry of Finance dominated JWC	High
Chavalit	Rationalisation	High	Politically backed CSRC	High
	Streamlining	High	Politically backed CSRC	High
	<i>Downsizing</i>	<i>High</i>	<i>Bureaucratically backed CSMPC</i>	<i>High</i>
Chaun	Rationalisation	High	Politically backed CSRC	High
	Streamlining	High	Politically backed CSRC	High
	<i>Good governance</i>	<i>High</i>	OCSC	<i>High</i>
	<i>Downsizing</i>	<i>High</i>	<i>Bureaucratically backed CSMPC</i>	<i>High</i>

### A. Issue Salience, Issue Sponsorship and Issue Status

Understanding the 'issue inclusion' process involves explaining why the issue is seen by reformers as salient and who provides the political foundation for reform issues. 'Issue salience' and 'issue sponsorship', which can be seen as 'process factors' for public management policy change, operate within the institutional and wider context in which civil service reform took place. It is clear from the narrative evidence summarised in Table 11.5 that two set of issues, downsizing, rationalisation and streamlining on the one hand, and wider issues of democratisation and service quality improvement on the other hand, have occupied the civil service reform agenda of Thai governments since the 1980s. Under authoritarian regimes and semi-democratic regimes issues of downsizing and rationalisation almost exclusively dominated the government agenda for civil service reform. However, a dichotomy of reform issues always occurred under democratic governments.

The salience of the 'downsizing and rationalisation issue' *vis-à-vis* the 'democratising' and 'improving service quality issue' can be high or low depending on 'issue sponsorship' which in most cases is closely related to the government regime. As summarised in Table 11.5, issue salience was relatively high when reform issues were sponsored by both government politicians and bureaucratic reformers or at least political support for reform issues was evident. The salience of downsizing, and other efficiency driven reform issues, and their resultant status were high under Prem's semi-democratic and Anand's authoritarian regimes, and also during governments experiencing the Asian financial crisis. The issue enjoyed political as well as bureaucratic support as can be seen from its sponsorship such as the CSARC and the CSRC. The CSARC was the only reform committee certified by Prem's administration while, the CSRC under Anand's enjoyed similar status.

In most democratic regimes, the salience and status of the downsizing issue was lower than other wider issues of democratising civil service administration to make it more responsive and accountable in terms of improving service delivery. These periods saw the supremacy of politically backed reform committees over the bureaucratic reform machine. The CCSD and CRMD during Chatchai's administration toned down the issue of downsizing by promoting the issue of improving public service quality and administrative deregulation. Like Chatchai, Banharn preferred improving service quality to downsizing. By

politicizing the downsizing issue, the existing bureaucratically backed policy, 'Measures to Control the Size of the Civil Service' was undermined.

However, the salience and high status of reform issue is also dependent on the political and economic situations faced by the government of the day. The high status of downsizing and related reform issues during the Chavalit and Chaun administrations in the late 1990s can be explained by the wider economic imperatives that required these governments to introduce more comprehensive reform to streamline, downsize, and rationalise as well as improve wider issues of democratic governance. In the same vein, Banharn's promotion of public service quality and delivery, and the advocacy of Chaun's first government of democratisation of the Civil Service can be explained by the dynamics of the wider political situation. Both administrations were under political pressure to reform the macro-politics of the country by amending the constitution. Both sought administrative reform as an alternative to political reform. Though it proved ineffective in the long run when both governments were forced to support the democratic reform movement in the mid 1990s, the 'buying time strategy' worked in their honeymoon periods as the reform issue was attended to by politicians and its status was high on the governments' policy agenda.

The situation-in-motion is also better suited for explaining the emergence and status of the civil service pension reform issue. The civil service pension reform issue, which emerged in Anand's period, can be seen as salient because it was used by Anand's cabinet to diffuse the pressure for Civil Service pay rises. However, its status during a short-lived government was low since it lacked sufficient real political support. During Chaun's democratic regime, the issue of civil service pension reform gained support from the finance minister who saw its potential contribution to the macro economy. The JWC supported by Tharin, the finance minister, was entrenched and played important part in maintaining the momentum of the issue. Accordingly, the status of the issue was elevated on Chaun's government agenda and continued on the agenda of his successor Banharn, whose government allowed Chaun's proposal to become law in 1996.

## **B. Issue Image and formulation**

The civil service reform issue during the last two decades of the twentieth century was formulated in terms of reducing costs and improving civil service management, as well as democratising civil service management making it more accountable and responsive to the

public. The image of the civil service reform issue is closely linked to the reform sponsorship mentioned above. As shown in Table 11.3, during almost all periods of the study, the reform images are dualistic – the co-existence between what might be termed ‘efficiency image’ and ‘responsiveness image’. These images were advocated by different reform sponsors who tended to operate in different venues for making civil service policy. In this sense, the existing ‘reform venues’ and their operation in different periods shaped the images of civil service reform. Under the semi-democratic and authoritarian governments of Prem and Anand, the reform image was exclusively ‘efficiency’ and operated in a single venue. Under democratic governments, the twin images of efficiency and responsiveness existed as a result of multiple venues sponsored by different reform actors.

The image of the civil service pension reform issue, although it can be classified as ‘efficiency’, reinforces the argument that issue sponsorship influences ‘issue image formulation’. The image of civil service pension reform created by Anand’s cabinet was excessive public personnel cost (See Table 11.2). However, the image evolved and expanded from a single image of efficiency in managing civil service pensions and reducing public personnel costs, to improving the macro economy and ended up with the multiple images including best practice pension management and safeguarding future retirement benefits. In this case, reform actors – the finance minister, the FPO, the OGD and the OCSC - with different reform aims, interests and ideas competed to shape the image of the civil service pension reform issue.

This section has examined the prelude to the civil service policy change process and provided explanations for the emergence of civil service reform issues on government policy agendas drawn from the narrative evidence. The following section seeks to explain how the momentum of the reform issue was sustained which increased the possibility of reform to be moved onto the governments’ decisional agenda.

### C. Issue Retention

The second question of empirical and analytical importance is: why was downsizing and the related efficiency driven reform issue retained on government agendas over a twenty year period while other issues emerged as ‘topics of the day’ and faded away when the sponsoring governments left office? Why did the issue of civil service pension reform remain on the agendas of three different governments over a five-year period?

An explanation for issue retention can be seen in committed action by issue sponsors, which in the case of downsizing were reform committees such as the CSARC under Prem, the CSRC under Anand and the long-lived CSMPC. These committees were the brainchild of the central co-ordinating agencies with personnel and finance related jurisdictions. The committed action of these agencies can be explained by mandate-induced actions and how bureaucratic reformers appropriated their roles and organisational jurisdictions and responsibility. This explanation can also be applied to pension reform where the ministry of finance dominated JWC and the OCSC were given leverage and support by the finance minister.

Another explanation for issue retention, especially downsizing, on successive government agendas involves the institutionalisation of the issue into an organisational unit's practices or goals (Dutton, 1988). As well as the routinised reform cycle discussed above, bureaucrat reformers had tried and finally succeeded in institutionalising their reform efforts by sustaining the CSMPC as a vehicle for 'incubating' and processing the downsizing issue, and setting up a permanent secretariat office for civil service reform during Chavalit's government. These institutionalised the effort to downsize the Civil Service by creating an 'agenda structure' which facilitated it and similar efficiency driven reform initiatives but constrained the ability of new reform issues to get on government agendas. In this sense, the structure of the reform agenda also entailed what Hilgartner and Bosk (1988) term 'carrying capacity'<sup>3</sup>

It can be concluded that the dichotomous issues of downsizing and other reform issues competed to reach and remain on governments' civil service reform agendas. Variations in the salience and status of civil service reform issues are shaped by both institutional arrangements, namely the strategic location of issue sponsorship which varied across government regimes, and the wider political and economic situation faced by the government, which can be seen as contexts-in-motion. The retention of the downsizing issue on the government agenda is mainly the result of committed action by central co-ordinating agencies, which were framed by their own routinised mandate and practices, and the institutionalisation of the civil service reform effort. Analysis of agenda setting helps provide explanations for the institutionalised civil service reform efforts and limited change

in reform outcomes in the 1980s and 1990s. However, the agenda setting process, as many scholars have argued, has an important effect on decisional outcomes. These are the subject of the following sections.

### 11.2.2 Alternative Specification and Making decision on Civil Service Reform Choices

The reform outcomes reviewed in section 11.1 pose analytic questions of why various measures of 'downsizing' and 'responsibilising' the Civil Service became potential alternatives for civil service reform and received considerable attention from both government politicians and bureaucratic reformers. A similar question can also be asked with regard to the civil service pension reform case: why were elements of the defined contribution pension added making Thai Civil Service pensions a two tier system? Overall, why was the reform choice in the case of downsizing limited and piecemeal and in the case of pension reform moderate? This section therefore focuses on the process of making and adopting reform choices by those involved in the reform processes, namely government politicians and bureaucratic reformers. This is in line with Kingdon (1995) who proposes that understanding the alternative specification process requires the examination of 'policy stream' and hidden participants in particular policy areas.

In the light of an institutional and processualist conceptual guide, this section demonstrates how the choice making process and institutional contexts affect 'choices' of measures for civil service reform selected by government politicians and/or bureaucratic reformers. From the analytic narratives it can be argued that the 'pace and rate' at which the civil service policy reform was decided was influenced by the combined impact of the institutional structure of civil service policy making, the softening-up and coupling processes, and the dynamic of the economic and political contexts. The following subsections demonstrate how these explanatory factors, which support the findings of Kingdon (1995), Zahariadis (2003), Baumgartner and Jones (1993) and Durant and Diehl (1989), affect the specification of reform content, the adoption of certain measures, and the pace of civil service reform in Thailand.

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<sup>3</sup> Hilgartner and Bosk (1988) argue that different social arenas have different carrying capacities that "limit the number of social problems that they can entertain during a given period".

### A. Specifying and Adopting Reform Alternatives

This thesis supports existing literature in the sense that alternatives for civil service reform were specified in specialised policy communities; in this study the civil service policy making institutions. The main argument of this thesis is that the institutional arrangements of civil service policy making influence *the process of making reform choices*.<sup>4</sup> However, the institutional structure within which downsizing and pension reform operated are different both across policy issues and time. The variation does not necessarily mean that the civil service policy-making institutions completely changed. But such structures or issues could be more volatile in one period than another depending on the wider context-in-motion within which civil service policy-making institutions operated.

In authoritarian and democratic regimes, as clearly seen in the case of downsizing, the civil service policy-making institutions are quite stable and characterised by a close-knit and highly integrated group of central co-ordinating agencies with personnel and financial jurisdictions. In democratic regimes where government politicians attempted to increase their influence over the Civil Service, the structure of civil service policy making was more volatile due to the leverage and access politicians had and the degree of political involvement, the 'politicisation', in formulating and implementing civil service policies. In pension reform, the structure of the JWC was tight as it was dominated by bureaucrats from the Finance Ministry. In this sense the structure of pension reform was cohesive and less fragmented than that of downsizing where actors were drawn from government politicians, and representatives from the OCSC, the CGD, the BOB, the NESDB, university academics and representatives from the private sector.

The different institutional and structural arrangements for civil service reform affect the adoption of particular reform approaches and measures in both cases. In the downsizing case choices for civil service reform were normally specified as 'downsizing' reflecting the close ties between personnel and budget related central coordinating agencies with a 'purse string mentality'. These tight networks also specified narrow reform goals, measures and instruments, exclusively related to human resource management. But when the structure of civil service policy-making was more volatile, as in democratic periods, additional issues of

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<sup>4</sup> Kingdon (1995) argues that alternatives and proposals are generated in communities of specialists such as budget or staff related agencies. Some communities are tight, some are close knit.

‘responsibilising’ the Civil Service were usually added with expanded and sometimes different scope, goals, measures and instruments. In the pension reform case, the monopoly of the CGD over the policy and management of the civil service pensions was broken as the FPO, which was activated by the finance minister, and the OCSC were brought in. Although the community of the JWC was stable throughout the period of study, the different goals and reform approaches advocated by its members led to the production of a moderate reform outcome, the adoption of a combined two tier pension system. Had the CGD retained a monopoly over pension policy and management it had in the Anand period, the reform outcome could have been more radical because the CGD wholeheartedly supported a complete overhaul of the pension system, a point confirmed by a key participant in the pension reform process. It can be concluded that the communities of civil service policy making in both cases affected the generation and adoption of reform alternatives for downsizing and pension reform. These communities contributed to the piecemeal and moderate change in both policy areas.

### B. The Reform Pace: The Softening-Up Process

The pace of civil service reform in Thailand, particularly downsizing and pension reform, was affected by the gestation or ‘softening-up’ period (Kingdon, 1995) and the coupling modes (Zahariadis, 2003). According to Kingdon (1995), “a long softening up process is critical to policy change. Windows of opportunity pass quickly and are missed if the proposal has not already gone through a long gestation process before the window opens. The work of floating and refining is not wasted if it does not bear fruit in a short run”.

The case of downsizing reflects a long gestation period over twenty years during which Thai governments attended to the issue of civil service expansion and manpower overgrowth. This lengthy period of softening-up not only familiarised members of the socially and professionally tight knit personnel and budget related central co-ordinating agencies, it also made downsizing a legitimate issue within the civil service policy making institutions.<sup>5</sup> The gestation period bore fruit when bureaucratic reformers could promptly

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Community members share one thing: ‘specialisations’ and ‘acquaintance with the issue’ in particular policy areas.

<sup>5</sup> Interview evidence shows OCSC, CGD, BOB and NESDB officials spoke the same language regarding problems, rationales, solutions and techniques for downsizing the civil service.

Table 11.5 Examples of Civil Service Pension reform choices situations: Making Reform Choices

Reform Dimensions	The CGD	The OCSC	The FPO	Finance Minister	Agreement/ Mechanism
Choices of retirement benefits	Providing only lump sum benefits paid on the retirement.	Maintaining choices between monthly annuity and lump sum benefits.	No specific interest.	Maintaining choice between monthly annuity and lump sum benefits but looking for alternative benefits administration i.e. through private pension funds	Choice of retirement benefits maintained as a result of the Finance Minister's mediation. He doubted the acceptability of civil servants if the existing choices were eliminated (July 1994).
Financing Civil Service pensions	Pre-funded.	Pre-funded.	Pre-funded.	Pre-funded.	Consensus was reached at the beginning of the reform process
Design of Benefits	Replacing existing defined benefit pay as you go pension system with defined contributions.	Two tier system mixing existing defined benefit pay as you go pension system with defined contributions to avoid political risk of being rejected by civil servants	Two tier system mixing existing defined benefit pay as you go pension system with defined contributions	Two tier system mixing existing defined benefit pay as you go pension system with defined contributions	Mediated by the Finance Minister who took the compromise path suggested by the IMF (July 1994).
Contribution Rates	Government contributed more than civil servants.	Government contributed more than civil servants.	Government contributed more than civil servants.	Equal contributions between government and civil servants.	Finance Minister ruling in favour of his own alternative due to the possible fiscal impact.

Table 11.5 Examples of Civil Service Pension reform choices situations: Making Reform Choices (Continue)

Reform Dimensions	The CGD	The OCSC	The FPO	Finance Minister	Agreement/ Mechanism
Pensions Administration	Singaporean style of Central Provident Fund responsible for all aspects of Civil Service pension administration	Independent Government Pension Fund not part of the government bureaucracy	Independent Government Pension Fund like the Provident Fund for private sectors workers not part of the government bureaucracy	Independent Government Pension Fund like the Provident Fund for private sectors workers not part of the government bureaucracy	Consensus was reached at the beginning of the reform process.
Membership: Types of Civil Servants	All occupational groups of civil servants but excluding permanent employees whose separate pension funds would be established	Only 'ordinary civil servants' including permanent employees	No specific interest	All occupational groups of civil servants but excluding permanent employees whose separate pension funds would be established	Finance Minister's intervention (January 1994)
Membership:	Retrospective approach for all civil servants	Compulsory for only newly recruited civil servants, the existing personnel were allowed to stay with the old system	No specific interest	Compulsory for only newly recruited civil servants, the existing personnel were allowed to stay with the old system  But public relation campaign needed to ensure high participation rate.	Finance Minister's intervention (January 1994)

propose their long-standing reform solution when windows of opportunity opened during the honeymoon periods of most incoming governments. This ability to seize an opportunity helped sustain the leading role of the civil service policy-making institutions, and hence place the issue of downsizing on governments' agendas.

A long softening-up period did not occur in the pension reform case, however. This resulted in the CGD's failure to seize the opportunity to put forward its not yet institutionalised radical ideas of replacing defined benefit pay-as-you-go pensions for civil servants with the wholly new idea of a defined contribution pensions systems. Despite the failure of the CGD to seize an opportunity to put forward its own radical proposal, it formed part of the single unified proposal adopted in 1994 and made law in 1996, which represented a more significant shift in civil service policy than any produced by the downsizing policy. Using Kingdon's proposition, one might argue that the JWC's reform proposal later went through a softening up period during the three years of Chaun's administration before it was deliberated in parliament in 1996. But it can also be argued, in line with Durant and Diehl (1989) that significant civil service policy change may not necessarily need a lengthy process of softening up as happened in the case of downsizing. Building a typology to characterise trajectories of 'alternatives' based on mode and tempo, Durant and Diehl propose that policy change can fall into one of four categories: the gradualist, the emergent, the convergent and the quantum.

Based on the narrative, this thesis agrees with Kingdon that a softening up period does contribute to the adoption of reform choices and the length of the reform choice making process, as evident in the case of downsizing. But Kingdon's stance on a long softening up process in the policy community tending to produce piecemeal change cannot be substantiated by the fact that the shorter gestation period in pension reform produced more far reaching change in the Thai civil service pension system. The pension case conforms more with Durant and Diehl's typology pointing out that reform solutions that were made in the policy stream or 'policy community' need not be incremental.

### **C. The Intensity of Reform Efforts: The Coupling Process and Specifying Reform Alternatives**

Related and possibly contributing to the adoption of civil service reform choices is the intensity of the reform effort. This intensity of effort, as has been seen in the narrative

chapters, largely involved the intervention and effort of principal reformers to influence the decision making process and the adoption of particular reform choices. The intensity of the reform effort usually leads to the coupling of problems, policy and politics in a particular area of reform. As commentary has already been made on individual episodes with regard to the actions of reformers in influencing the civil service policymaking process, this section examines the 'coupling mode', which amounts to how choices of civil service reform are adopted. The way in which coupling take places also contributes to the pace and rate of the reform process.

Extending Kingdon's multiple streams model, Zahariadis (2003) identifies two types of couplings, doctrinal and consequential, depending on where the window of opportunity opens. Doctrinal coupling takes place when windows open in political streams. As the political stream is receptive to solutions but the problem is missing, it promotes searching and inventing a problem to an already existing solution: the policy is in search of rationales.<sup>1</sup> In contrast, when windows open in the problems stream, coupling is likely to be consequential finding a solution to a given problem.

The coupling modes that emerge from the two narrative cases, which fit well with Zahariadis' propositions, contributed to the adoption of civil service reform alternatives by government politicians and bureaucratic reformers, as well as the pace of civil service reform in Thailand. Civil service reform is characterised by both the doctrinal and consequential coupling modes. The domination of one mode over another depends on the political regimes within with the reform effort took place. When bureaucratic reformers gained relatively high autonomy in formulating civil service policy reform proposals, the coupling mode tends to be consequential as reformers sought solutions for their perceived long standing civil service problems including bureaucratic inefficiency, excessive manpower and high personnel costs. Reform committee after reform committee was set up to develop 'reform measures' that would match their interpretation of bureaucratic problems. As a result, efficiency driven reform solutions were introduced, adopted and reintroduced and readopted by subsequent governments leading to a protracted reform process, despite the

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<sup>1</sup> Hirschman and Lindblom (1962) argue that in policy making, 'ends [problems] are chosen that are appropriate to available or nearly available means [solutions] rather than the other way round. It is easier to scan for solutions than for problems. There are too many problems for policy makers to solve. Raising problems first can also be costlier than focusing on solutions. Technological change and spillover effects also support the argument for doctrinal search and coupling (Zahariadis, 2003).

'acceptance in principle' of most of their reform proposals by governments during their honeymoon periods.

Although bureaucratic reformers tried to maintain the consequential mode of alternative specification during democratic regimes, the doctrinal mode of coupling was more visible. Most democratically elected governments came to office with their own reform agendas, which were normally wider than those of bureaucratic reformers. Government politicians' reform agenda, which was normally characterised as 'responsibilising' the Civil Service to carry out election campaign promises, can be seen in Chaun's democratising the civil service project, and Banharn's improving service quality to citizens. By adopting doctrinal mode coupling, reform proposals were quickly developed and reform committees were swiftly established to find rationales for the political pet projects and promises.

Election campaign promises were seen as approval for enacting promised policy as demanded by the public. The downsizing case provides the same insight into doctrinal mode couplings as Zahariadis found in his case studies of the choice to sell British Rail in the mid 1980s. Enacting election promises as Chaun and Banharn did is a visible way to show that the promise is delivered and policy change is taking place. It is politically more important than actually solving any problems. Doctrinal coupling exemplifies the broad picture of making reform choice in the situation which government politicians and bureaucratic reformers competed to represent their interests in and tried to exert control over the ownership of the reform process without paying much attention to the detailed technical quality of reform choices and or their availability. The doctrinal coupling process contributes to the pace of civil service reforms despite the fact that such efforts were usually short lived due to the instability of Thai coalition governments.

The doctrinal mode of coupling also operated in the case of civil service pension reform when Anand's cabinet proposed the improvement of the pension system as a 'reform solution' for future pay increases. However, the civil service pension reform issue is more complicated than downsizing in the sense that specifying and adopting reform options was left to the discretion of bureaucrats in the ministry of finance and the OCSC. When the issue of pension reform arrived at the community of bureaucratic reformers, they started to redefine the problem and search for solutions to technical details of the new Civil Service pension system. In short, there was a switch from doctrinal mode to consequential mode of alternative specification.

Unlike downsizing, pension reform provides a close-up view by illustrating the reform choice making process in more detail. As shown in Table 11.5, it typifies how the new pension design was specified and decided in a very tight network of civil service policymaking institutions. The consequential mode of making choices for pension reform is characterised by a self-perpetuating process with repeated cycles of information processing. As the participating actors in the reform process did not have complete information on the new design of the pension systems due to partial and fragmented jurisdiction over the civil service pension administration, decisions on significant issues of pension choices and rights, membership, finance and capitalisation were not made as one short discreet event but in a series of events over a period.

The slow pace of making civil service pension reform choice was due partly to the interconnection of pensions' issue dimensions (Baumgartner and Jones, 1993). Making a choice on one issue affected the adoption of choices on other issues. For example, the decision to allow a choice of a lump sum pension or monthly annuity, which was not conducive to the fulfilment of the CGD's aim to reduce pension costs. Maintaining choices of retirement benefits affected the way the pension benefits would be calculated by changing the pension formula from the final month salary to a five-year average. Changing the way pensions were calculated unavoidably led to a reduction of pension benefits. To maintain equitable benefits, the JWC reconsidered the IMF's recommendation to create a two-tier system in which in the second contributory tier would make the pension benefit remain the same. However, the introduction of the second tier pension system would take away money from civil servants' to contribute to the fund. This might affect the acceptability of the new system and 'impose losses' on civil servants. It was at this point that the issue of increasing civil service pay, which was the genesis of pension reform issue but had been replaced by other goals, re-emerged. In this sense, the Civil Service salary was adjusted as a compensatory mechanism to increase the acceptability of pension reform among civil servants.

Another aspect of decision-making involves how conflicts and disagreements on the new pension design were resolved. The case of pension reform reveals that decision-making was achieved by two mechanisms: mutual adjustment brokered by the finance minister and mobilisation of support. The issue of maintaining the monthly annuity pension advocated by the OCSC was decided on the grounds that this form of retirement benefit was highly

popular among government personnel since it provided a stable income in retirement. The mobilisation of support involved forming an alliance between the OCSC and the Civil Service Association, whose opinion was conveyed to the JWC by the OCSC. As a result, the finance minister decided not to adopt the CGD's proposal to provide only sumptuous pension benefits.

A similar decision mechanism can be seen in the negotiation over membership issues between the OCSC and the CGD. In this case the finance minister adopted the CGD's proposal to include all occupational groups of civil servants into the new pension design, which would only be compulsory for new entrants; existing civil servants could remain in the existing if they wished. Unlike the OCSC's proposal, the CGD's proposal, which excluded 'permanent employees', was well received by the finance minister since he saw an opportunity to achieve his macro economic policy aims in the establishment of more separate pensions funds for 'permanent employees'.

### 11.2.3 Attribution of Reform Opportunity: The Contextual Pressures

The narrative reveals that reform processes in both downsizing and pension reform operated within the contexts of changing demands of economic and political developments. Some scholars such as Pollitt and Summa (1997) argue that political and economic pressures are the 'starting point' for public management reform. As the thesis has adopted an 'institutional processualist' view, it would be more analytically interesting to inquire if economic and political pressure helped shape the content, scope, pace and timing of civil service reform. Keeler (1993) who extends Kingdon's concept of windows of opportunity to explain the 'pattern of extraordinary policy making' conceives such economic and political pressures as 'mandate' and 'crisis' which serve to open a window for reform and link to reform choices. Mandates affect reform choices through three mechanisms: authorisation, empowerment, and party pressure mechanism, while crisis operates through the urgency mechanism (Keeler, 1993). His 'macro window' opens as a result of a combined effect of the severity of the crisis and the size of mandate.

#### A. Political Mandate: the Content and Pace of Civil Service Reform

The political mandate and crisis can be seen as providing a macro window for civil service reform. The Anand's government, which was appointed by the NPKC after a military coup

in 1991, bore the most significant mandate to make the Civil Service clean and transparent to fulfil the coup's rationale. Applying Keeler's authorisation mechanism, Anand was authorised with 'transparency reform' to combat political and bureaucratic corruption, as narrated in chapter four. Chuan's government after the resumption of democracy in 1992 was also authorised to carry out constitutional reform. Reluctantly it adopted a 'democratising the Civil Service' reform programme as a time buying strategy. Nonetheless, such political authorisation had a spillover effect to the area of administrative reform. Likewise, both authorisation and party pressure mechanism operated in the process of specifying alternatives for civil service reform leading to the politicisation of civil service policy making institutions by setting up reform committees whose work was in line with the government's election campaign promise to further amend the country's constitution. Through these mechanisms, Banharn's civil service reform proposals, like those of Chaun, were geared toward the democratisation of civil service management focusing on the improvement of public service provision. In short, the adoption of these reform proposals was fast paced during the governments' honeymoon periods and can be characterised by Keeler's 'mandate driven civil service reforms'.

#### **B. Economic Crisis: the Content and Pace of Civil Service Reform**

Economic crisis can affect the content and pace of civil service reform. Crises can be what Kingdon (1995) calls 'focusing events', like the 1997 Asian economic crisis, or changes in some economic and social indicators that are perceived by policy makers as serious problems, which need to be fixed. Economic crises can have immediate impact on reform proposals as Pollitt and Summa (1997) argue in their comparative study of two Westminster style administrations – the U.K. and New Zealand, and two Nordic countries – Finland and Sweden, there is little doubt that a perceived need to restrain the rate of growth of public spending was a significant influence on reform programmes in these countries. Pollitt and Summa share with Keeler the focus on how economic pressure shapes the timing of policy reform. Keeler in particular proposes that windows for reform opportunity open when economic crisis strikes creating a sense of urgency for reformers based on the assumption that the identified problems will be exacerbated if appropriate actions are not promptly taken.

The narrative cases of downsizing and civil service pension reform reveal that the economic crises helped identify alternatives for civil service reform and accelerated the pace

of reform through Keeler's urgency mechanism. In downsizing it is clear that the demands from the bust and boom economic situations were reflected in the governments' civil service programme. The economic crisis and the subsequent structural adjustments during Prem's administration in the early 1980s gave birth to the issue of downsizing and improving civil service management reflecting the stringent measures which the government pursued with the recommendation of international lending institutions. The Asian financial crisis in the mid 1990s also shaped the content and scope of civil service reform as can be seen from the development of more comprehensive public sector reform proposals under Chavalit and Chaun's second government. The content of these reform proposals not only reflected the need to alleviate the fiscal and financial constraints on the government, but also aimed to overhaul the overall operation of the Civil Service.

While economic crisis tends to affect the content of civil service reforms which were normally driven by the general concept of 'efficiency', the economic boom of the late 1980s and early 1990s shifted the attention of government politicians from 'cost cutting and streamlining issues' to reform issues that would make the civil service more responsive and accountable to the citizens they served. In the Chatchai and Banharn administrations government politicians paid more attention to measures for improving the public service and service quality as well as the way the Civil Service operated in providing services to citizens particularly businesses, which were seen as one of the most important drivers behind the boom.

In the case of pension reform the content of the new pension design also reflected the economic problems that governments faced. Reducing public personnel costs and the pension burdens on the government provided rationales for the CGD and the OCSC to commit themselves to the pension reform programme, while the widening gap between savings and investments, one of the most important indicators of the country's economic sustainability, provided a platform for the FPO to affect the content of the reform proposal.

The impact of economic crisis or boom which is regarded by Kingdon (1995) as 'focusing events' or 'changes in indicators', and by Keeler (1993) as crisis, not only affects the content but also the pace of development of reform proposals. The fast reform pace can be seen as a result of urgency to deal with the crisis.<sup>2</sup> Crisis can accelerate the reform pace

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<sup>2</sup> However, how well the reformers respond to the crisis may be dependent on the institutional contexts within which reformers operate. MacIntyre (2003) analyses the impact of institutions, namely

because it helps reformers identify problem worth examination, as attention is scarce among reformers and hence generate a prompt response because the window of opportunity opened by the crisis is brief.

So far, this concluding chapter has provided institutional processualist explanations for civil service policy change and stability in Thailand elaborating how and why the analytical elements of the civil service policy making process – agenda setting, alternative specification and decision making – operate. The next section recalls the intellectual puzzle identified in Chapter One regarding the impact of ‘reform capacity’ as an explanatory factor for public management policy change. The next section demonstrates how public management reform capacity might be re-conceptualised in the light of institutional and processual analysis.

### 11.3 Re-conceptualising Public Management Reform Capacity

The narrative case evidence presented in Part II and III of this thesis provides a more complex and sometimes contradictory view of reform capacity than the traditional institutionalist concept of reform capacity, of which Knill’s ideal configuration is part. As seen in Table 11.6, this thesis shares the institutionalist view that high ‘reform capacity’ usually produces more far-reaching public management policy change than low reform capacity. But ‘reform capacity’ can be conceptualised differently in the light of an institutional processualist framework.

Public management reform capacity, which is defined in this thesis as opportunities and risks for formulating and enacting civil service policy change by imposing losses on, and innovating in civil service management, can be seen as emerging from the institutional and processual factors, the dynamic relationship between them, and the dynamic relationship between them the wider socio-politico-economic context. Conceiving ‘public management reform capacity’ this way can overcome the rigidity of the ‘structural possibility thesis’ that has been advocated by institutionalists. In effect, my thesis argues that it is pivotal for understanding reform capacity to consider it as an ‘ability’ of governments and therefore emergent and fluid, and not a ‘fixed structural entity’ which is pre-conditioned and rigid.

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the degree of dispersal of decision-making powers, on the ability of Southeast Asian governments to

This re-conceptualised public management reform capacity maintains that although the institutional structure tends to have certain potential for enabling and promoting public management policy change, such potential is always constrained by the actions of reformers and their dynamics relationship to the contexts within with the reform process takes place. Therefore, reform capacity should not be viewed as being a product of the configuration of national administrative structures as Knill and other institutionalists conceive it.

Table 11.6 Re-Conceptualising Reform Capacity

Governments (Types/Regime)	Strength of Executive Leadership	Entrenchment of Administrative arrangement	Political Influence of the Bureaucracy	Dynamics Of Contexts/ Situation	Reform Capacity	Civil Service Policy Change
Prem: Semi-Democracy	High	Entrenched	High	Crisis	High	Moderate
Chatchai: Elected democracy	Low	Fragmented	Low	Stable	Low	Piecemeal
Anand: Authoritarian	Higher	Entrenched	High	Crisis	Higher	Far reaching
Chuan I: Elected democracy	Low	Fragmented	Low	Stable	Low	Piecemeal
<i>Tharin</i>	<i>High</i>	<i>Entrenched</i>	<i>High</i>	<i>Stable</i>	<i>High</i>	<i>Far reaching</i>
Banharn: Elected democracy	Low	Fragmented	Low	Stable	Low	Piecemeal
Chavalit Elected democracy	Low	Fragmented	High	Crisis	Medium	Moderate
Chuan II: Elected democracy	Low	Fragmented	High	Crisis	Medium	Moderate

Note: 1. *Civil Service Pension Reform* in italic  
 2. Degree of high medium and low, as well as piecemeal, moderate and far reaching  
 change represents a rough comparison between governments.

respond to the Asian financial crisis.

To be conceptually useful, this thesis re-interprets Knill's components of administrative reform capacity by incorporating both institutional and processual elements. Table 11.6 shows how his components of reform capacity – the strength of executive leadership, the entrenchment of administrative arrangement, and the political influence of the bureaucracy – operate in dialectical ways within the dynamics of political and economic developments. From this the degree of 'reform capacity' as well as its corresponding public management policy change can be identified. The following paragraphs reinterpret elements of Knill's framework drawing on the narrative evidence presented in this thesis.

### 11.3.1 Strength of Executive Leadership

This thesis argues, with most scholars, that the strength of executive leadership rests on the concentration of power in the executive at both the macro and micro level. The concentration of power at the macro level is embedded in the government regime type, and at the micro level involves the influence of political leadership and certified politician reformers. At the macro level, the case evidence shows that power concentration or dispersal depends on the government regime. The authoritarian government of Anand and semi-democratic government of Prem both had concentrated power, while all the democratic regimes had less concentrated power due to the nature of coalition government, where power was always shared among several ruling political parties. These coalition parties in practice acted as veto points both in the cabinet where most civil service reform proposals were decided and in parliament if legislative change was needed. At a more micro level, the concentration of power can be seen in how much influence the political leadership or certified politician reformers have on the trajectory and outcomes of civil service reform. Examples can be seen in the roles of Anand in promoting efficiency issues, and Tharin's in processing the narrower issue of pension reform. By identifying different levels of power concentration as determinants of the strength of executive leadership, variations in reform capacity and its consequent public management policy change in different issue areas can be clearly explained.

### 11.3.2 Entrenchment of Administrative Arrangement

The strength of executive leadership can affect the entrenchment of administrative arrangements. Rather than viewing the administrative structure of the Thai bureaucracy as a

unified configuration organised around rigid bureaucratic rules, this thesis looks particularly at the level of administrative policy subsystems. These subsystems include the civil service policy-making agencies such as the central co-ordinating agencies and other institutional venues for civil service policy making. The justification for considering these policy subsystems is two fold. First, most civil service reform proposals were made in these subsystems. Second, these policy subsystems can change and often did leading to the public management policy change and stability.

A high degree of administrative entrenchment can be seen as the domination of civil service policy by a single policy venue. A low degree of administrative entrenchment can be seen in the fragmentation of and competition among reformers in multiple institutional venues. In this sense, the entrenchment of administrative arrangements is inevitably affected by different government regime types, which can rearrange and reorganise civil service policy subsystems and certify particular reformers or institutional venues to be in charge of the reform programme.

### 11.3.3 The Political Influence of the Bureaucracy

The third characteristic of Knill's ideal types of administrative reform capacity that needs to be re-interpreted is the political influence of the bureaucracy: how far bureaucrat reformers are able to shape the outcome of public management policy change. Bureaucratic influence over civil service policy making depends on the degree of autonomy which they are granted by different government regimes. In this sense, bureaucratic autonomy is mainly a result of the nature of the politico-administrative relationships in any given government regime. The narratives provide a good basis to argue that regimes types affect the nature of the politico-administrative relationships or 'public service bargain', defined in this thesis as the specific pattern of relationship and relative power sharing between government politicians and senior bureaucrats in the central co-ordinating agencies to make and implement public management policy.<sup>3</sup> The political influence of the bureaucracy determines its discretion and autonomy in shaping the civil service reform process, as well as reform process ownership.

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<sup>3</sup> See Chapter 1.

Table 11.7 Regime Types, Nature of Politico-Administrative Relationship, Autonomy and Reform Ownership

Administrations	Regime Types	Nature of Politico-Administrative Relationships	Lead Reform Committees	Sponsoring Actors/Organisations
General Prem Tinsulanond (Mar.1980- Apr.1988)	Semi-democracy	High level of involvement by Central coordinating agencies	CSARC	OCSC and other central coordinating agencies
Chatchai Choonhawan	Democracy	High level of involvement by the Prime Minister's Advisory Team	CCSD CRMD	Prime Minister's advisory teams with the PMSO as an administrative device.
		Low level of involvement in Civil Service policy making by central coordinating agencies.	CSARC	OCSC and other central coordinating agencies
Anand Punyarachun	Authoritarian	Exclusive high level of involvement by military and civilian bureaucrats and technocrats	CSRC	OCSC became the lead agency with some involvement from other central coordinating agencies.
Chaun Leekpai	Democracy	High level of government politician involvement Central coordinating agencies played subordinate roles.	SADC	Government's politicians with the PMSO certified as an administrative device
		Low level of involvement in Civil Service policy making by central coordinating agencies.	CSMPC	OCSC and other central coordinating agencies

Table 11.7 Regime Types, Nature of Politico-Administrative Relationship, Autonomy and Reform Ownership

Administrations	Regime Types	Nature of Politico-Administrative Relationship	Lead Reform Committees	Sponsoring Actors/ Organisation
Banharn Silapa-Archa	Democracy	High level of government politicians involvements and intervention in public management policy	ISQC	Government's politicians with the PMSO was certified as an administrative device
		High level of involvement by central coordinating agencies in public management policy making and implementation	CSMPC	OCSC and other central coordinating agencies
Chavalit Yongchayudth	Democracy	High level of central coordinating agencies in making and implementing public management policy	CSRC CSMPC	Central coordinating agencies received high level of support from the government politicians, which was accompanied by high degree of politicisation.
		High level involvement of government politicians in initiating and intervening public management policy	CSRC CSMPC	
Chaun Leekpai	Democracy	High level of involvement in making and implementing public management policy central coordinating agencies and the government politicians	CSRC CSMPC	Central coordinating agencies received high level of support from the government politicians

### A. The Autonomy of Bureaucrat Reformers

The impact of different government regime types on the autonomy of bureaucrats in civil service policy reform is shown in Table 11.7. From this it can be argued that bureaucratic reformers under authoritarian and semi-democratic regimes gained much more autonomy in formulating reform proposals than their counterparts under democratically elected regimes. In authoritarian regimes like Anand's and in the semi-democratic regime of Prem, there was a fusion between government politicians and bureaucrats as some ministers were themselves civil servants appointed to political office. Prem and Anand allowed 'bureaucratic technocrats' to influence executive decisions, resulting in autonomous central co-ordinating agencies. Prem, who was not an elected member of parliament, relied on expertise and technocratic advice from economic policy making institutions, particularly the NESDB, as an effective way to mediate possible conflicts among coalition parties. Like Prem's government, Anand's administration, which was backed the NPKC, appointed by the leaders of the 1991 military coup, also provided more autonomy to the Civil Service as both present and retired civilian and military bureaucrats formed the majority of his cabinet. This in effect accentuated the superior role of senior civil servants in public policy decisions.

In contrast, in democratically elected regimes like those of Chatchai, Chaun, Banharn, and Chavalit, government politicians tried to exert control and influence over the Civil Service and its senior bureaucrats. Bureaucratic influence over executive decisions was attenuated since government politicians might not share the same views, interests and approaches to civil service reform as senior bureaucrats from the central co-ordinating agencies. As a result, bureaucrats' autonomy and their reform capacity were constrained by the actions of government politicians. This led to the emergence of new competing reform issues originated by politicians. However, the relative autonomy of government politicians and bureaucratic reformers in the central co-ordinating agencies was also mediated by political leadership. For example, Chaun's rule based decision-making style required bureaucratic advice, which resulted in decisions that were 'programmed' by bureaucratic rules, routines and regulations. Chavalit, whose background was in the military bureaucracy also tended to rely on 'programmed' bureaucratic decisions.

In short, semi-democratic and authoritarian regimes provided more autonomy for bureaucratic reformers than democratic regimes. The autonomy of bureaucratic reformers generated reform capacity allowing bureaucrats to pursue their reform interests. The

narrative indicates that such autonomy brought about effective change in the area of human resource management policy while other issues were excluded resulting in the limited scope of the civil service reform as a whole.

### **B. Ownership of Civil Service Policy Reform**

The politico-administrative pattern in different government regimes affects civil service reform owners, who would control the civil service reform process. Controlling the formulation of civil service policy is an intensely political subject since the rules of public personnel administration can have a significant impact on the nature of political leadership, political parties, and participation, and on the status quo of participants and affected parties, particularly government politicians, civil servants and citizens as well as other social groups. Thus, public personnel policy entails a dispute over the values that should be incorporated in public administration generally.<sup>1</sup>

Under authoritarian and semi-democratic regimes, the bureaucrat reformers were successful in taking control of the ownership of civil service reform. The CSARC under Prem's administration and the CSRC under Anand's interim government represent the sole institutional venues where bureaucrats in the central co-ordinating agencies controlled civil service policy making and implementation with the consent of unelected governments. These two reform committees reinforced the existing tight networks of civil service policy making institutions and allowed Prem's government to launch a reform programme to limit the growth of the Civil Service, 'downsizing', for the first time in modern Thai administrative history, while the bureaucratically controlled CSRC under Anand could pursue a far reaching reform programme as has been seen in Chapter Four.<sup>2</sup>

Similar observations can be made to the case of civil service pension reform. Although the issue of improving the pension system emerged as a cabinet decision to set

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<sup>1</sup> Perspectives on the normative qualities of public administration can be considered under three categories. Those who view public administration as management seek to maximise the value of efficiency, economy and managerial effectiveness, which include the structural arrangement, the promotion of specialisation, formalisation and hierarchy. Those who look at public administration as essentially a political and policy-making endeavour tend to argue for political representativeness, responsiveness, and accountability through elected officials and ultimately to the citizenry. Those who emphasise the legalistic or judicial nature of public administration tend to support the maximization of value pertaining to individual civil rights and liberties, equality protection, equity and procedural fairness.

<sup>2</sup> See Chapter Two.

conditions for future Civil Service pay rises, Anand's regime gave full autonomy to the CGD to develop a reform proposal as pension administration was the CGD's direct jurisdiction.

The certification of principal reform actors to whom reform ownership would be granted is a political decision. Competition to influence and control the reform process was evident in both cases, downsizing and civil service pension reform. The evidence suggests a 'two front battlefield' of competition, between government politicians and bureaucratic reformers in the central co-ordinating agencies on the one hand, and between central coordinating agencies on the other. Competition between government politicians and bureaucratic reformers can be clearly seen in the case of downsizing. The pension reform case was typified by the competition between central co-ordinating agencies.

In the downsizing case government politicians can be seen as 'outsiders' to the Civil Service and bureaucratic reformers the 'insiders'. Control of the reform process by either group tends to result in one of two reform trajectories: 'reform from within' or 'reform from outside'. Different reform approaches gave different emphasis to the 'reform venues' where reform ownership would reside. Political 'outsiders', who are rich in political resources but lack administrative capacity, usually employ their own administrative arm, the PMSO as a vehicle to achieve their reform goals. Bureaucratic reformers, in most cases, are from the public management policy-making institutions represented by the central co-ordinating agencies such as the OCSC, the CGD, the BOB and the NESDB.

In the pension reform case, competition between representatives from central co-ordinating agencies including those which were civil service policy-making institutions was more visible than competition between government politicians and bureaucratic reformers. Politician-bureaucrat competition in this case was on the inclusion of 'interests' in the reform proposals. Competition involved the invocation and certification of the FPO whose role in the civil service pension reform issue required political certification. The FPO became one of the principal actors in the process of pension reform. Through the FPO, government politicians' interest in the contribution of pensions to the macro economy was represented. However, the content and scope of pension reform as well as the nuts and bolts of reform proposals were largely determined by interaction among bureaucratic reformers from the central co-ordinating agencies.

The ownership of civil service reform creates degrees of 'policy monopoly' (Baumgartner and Jones, 1993). The structure of certified institutional venues limits who can

participate in the civil service policy decision-making process. The narrative reveals that the number of institutional venues where civil service policies were made varies across the period of study. Reforms under democratically elected governments took place in multiple venues while in the semi democratic regime of Prem and authoritarian regime of Anand, civil service downsizing policies were made in a single venue, or in a single government department, the CGD in the case of pension reform at its outset.

The multiple venues reflect the number of sponsors of reform programmes as these 'reform sponsors' created venues for their reform ideas to be 'incubated' and reform issues to be processed. Where only one institutional venue was certified as the leading civil service policy decision site as in the semi-democratic and authoritarian regimes, civil service policy reform tended to be stabilised as 'piecemeal' improvement of Civil Service human resource management. But the stability of civil service policy was usually disturbed and their monopoly over civil service policy making was usually broken under democratic regimes where politically backed *ad hoc* institutional venues were established as part of the civil service policy making institutions. The destabilisation of civil service policy-making institutions affected the content and scope of civil service reform.

In sum, drawing on the narrative chapters, the degree of political influence of the bureaucracy is dependent on the types of government regime. Different governments provide different degrees of bureaucratic autonomy and hence allow reformers who have more autonomy for reform, particularly those who are certified as leading reform agents, to control the Civil Service reform process. As discussed earlier, the recurrent battleground over ownership of the civil service reform process created a routinised cycle of civil service reform in Thailand in the 1980s and 1990s, which helped sustain the issue on the agenda of most governments.

This section has re-conceptualised Knill's ideal types of administrative reform capacity by redefining the elements of the strength of executive leadership, the entrenchment of administrative arrangement and the political influence of the bureaucracy. These elements, which are both institutional and processual, are interrelated and operate within the dynamics of wider political and economic contexts. As a result, the redefined framework can account for both stability and change in public management policy, as well as the variation in the outcomes of public management policy change and across administrative system. Related to the analytical theme of reform capacity, the next section places the pattern of Civil Service

policy change in Thailand within a wider scholarly discussion arguing that reform capacity and its resultant public management policy change can be associated with but not necessarily determined by what I call the dual approaches of public management change: a techno-bureaucratic approach and a political approach.

#### 11.4 Managing Dualities of Civil Service Reform in Thailand

Using an institutional processualist approach, the previous sections provide explanations for stability and change in Thai Civil Service policy in the 1980s and 1990s. This section develops a general pattern of Civil Service reform, bringing together those explanations of historical specificity, and integrating them into the wider discussion of public management reform. As shown in Table 11.8, civil service reform in Thailand is characterised by what might be called 'reform dualities' embedded in reform actors, issues, process and contexts leading to the adoption of two reform approaches: the techno-bureaucratic and the political.<sup>3</sup> The two approaches are fundamentally different in terms of principal reformers and their goals and motives. The techno-bureaucratic approach is 'reform from within' as bureaucrat reformers play the dominant part in formulating and implementing public management reform. The political approach, on the contrary, is essentially 'reform from outside', where politicians or actors who are certified as reform agents dominate the reform process.

Actions of principal reformers in both approaches which are constrained and facilitated by the institutional and processual factors and contexts, affect reform trajectories and outcomes. Different reform approaches attend to different reform issues or similar issues but with different reform perspectives, images, ideas, rhetoric and strategies. The reform efforts of most Thai governments over the last two decades were constrained by a duality of reform goals, the coexistence of 'downsizing' that aimed to make the Civil Service more efficient with other goals of making civil service more responsive to the public. These often competing goals (Cyert and March, 1992) are the manifestation of the dualistic

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<sup>3</sup> The term is borrowed from Halligan (2002).

Table 11.8 Dualities of Civil Service Reform in Thailand: The Reform Approaches

Reform Characteristics	Reform components	Techno-Bureaucratic Approach	Political Approach
Reform Actors	<ul style="list-style-type: none"> <li>• Principal Reformers</li> <li>• Reform Goals</li> </ul>	<ul style="list-style-type: none"> <li>• Bureaucrats in central coordinating agencies</li> <li>• To make the Civil Service more efficient</li> </ul>	<ul style="list-style-type: none"> <li>• Government Politicians</li> <li>• To make the Civil Service more responsible to citizens</li> </ul>
Reform Issues	<ul style="list-style-type: none"> <li>• Specific Reform Issues</li> <li>• Reform Images</li> <li>• Reform Rhetoric</li> <li>• Reform Ideas and strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Downsizing, rationalising, cost cutting and streamlining</li> <li>• Efficiency</li> <li>• Orthodox administrative theories</li> <li>• Economic efficiency and market driven strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Democratising the Civil Service and improving provision and delivery of service quality</li> <li>• Responsibility and accountability</li> <li>• Real Politik</li> <li>• Non-market driven strategy</li> </ul>
Reform Process and Mechanisms	<ul style="list-style-type: none"> <li>• Reform agenda building</li> <li>• Reform choice making</li> </ul>	<ul style="list-style-type: none"> <li>• Routines</li> <li>• Consequential</li> <li>• In touch with identity: Logic of appropriateness</li> <li>• Negative Feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Mobilisation</li> <li>• Doctrinal</li> <li>• In touch with reality: Logic of consequentiality</li> <li>• Positive Feedback</li> </ul>
Reform Contexts	<ul style="list-style-type: none"> <li>• Political and Economic Contexts</li> <li>• Institutional contexts</li> </ul>	<ul style="list-style-type: none"> <li>• Crisis and changes in indicators</li> <li>• Administrative autonomy: High degree of autonomy within Civil Service policy making institutions</li> <li>• Reform from within (internal adaptation)</li> </ul>	<ul style="list-style-type: none"> <li>• Mandates and promises</li> <li>• Political Supremacy: High degree of politicisation within Civil Service policy making institutions</li> <li>• Reform from outside (mandated instrumental)</li> </ul>

character of reform ideas, which were expressed through reform (policy) images (Baumgartner and Jones, 1993) rhetoric and strategies.<sup>1</sup> Such dualistic goals also limited the choice of reform instruments to personnel management tools and organisation and method improvement techniques, which were usually adopted.

The dualities of Civil Service reform approaches are shaped by the duality of the guiding reform ideas that drove different reform initiatives. These reform ideas were echoed in early explanations in which 'economic rationalism' and 'managerialism' (Aucoin, 1990; Hood, 1994; and Barzelay, 2001) were claimed to be the driving forces behind public management reform in the 1980s and 1990s. The 'efficiency image' which represents bureaucratic inefficiency was framed by economics driven reform ideas of maximising the utility of public resources, while other images of responsiveness, accountability and in the later period, good governance, represent 'non-market forces' for public management reform.

The reform ideas adopted by different sets of principal reformers also reflect the tensions between March and Olsen's (1989) reform rhetoric: 'orthodox administrative theories' and 'realpolitik'. The former was normally applied by bureaucratic reformers and the latter by government politicians. The dualities of actors and ideas led to the identification of two approaches of public management reform, the techno-bureaucratic and the political. The former is derived from orthodox administrative theory involving administrative design structure and procedures to facilitate bureaucratic efficiency and effectiveness. The latter regards administrative structure as a product of interests and reform as a political issue.

Moving to the realm of processual analysis, the two approaches to civil service reform are characterised by different ways of organising processes, which in turn tends to lead to different trajectories and outcomes of civil service reform. The two approaches explain the impact of agenda building and reform choice making processes on reform trajectories and outcomes through different 'process mechanisms'. These mechanisms which are dualistic in their nature include 'routine versus mobilisation', 'consequential versus doctrinal', 'in touch with identity logic versus in touch with reality logic', and 'negative versus positive feedback'.

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<sup>1</sup> Reform images are associated with the guiding reform ideas because they frame how civil service policy is understood and discussed by strategically portraying causal stories (Stone, 1989) which can be constructed from a mixture of empirical information and emotive and paradigmatic appeals.

The duality of 'mobilisation and routinisation mechanisms' explains the emergence and retention of reform issues on the government agenda. The mobilisation strategy which emphasises actions of government politicians or reformers who are certified by the government in agenda building and setting processes is similar to the entrepreneurial actions described by Kingdon (1984) and champions' behaviour in innovative research (Burgleman, 1983; Chakrabarti, 1974). The routinisation strategy views agenda setting as routines, arguing that institutional rules and routines determine scarce 'attentional resources' (Dosi, Nelson and Winter 2000; Feldman 1989b; March and Olsen, 1989). Both perspectives recognise the role of individual agency in the process of issue formation, selection, and inclusion but in different degrees. The mobilisation strategy perspective gives more importance to reformers' motives for manipulating and interpreting reform issues than the perspective which sees agenda setting as part of organisational routines.

In the techno-bureaucratic approach, bureaucratic reformers in the central coordinating agencies appropriated their jurisdictions, roles and responsibilities under conditions and pressures mainly administrative, fiscal and economic crisis. In contrast the political approach to Civil Service reform was adopted by government politicians as a way to fulfil their political mandates and pressures, and to deliver election promises (Kingdon, 1995; Zahariadis, 2003; Keeler, 1993). The first approach allows the logic of appropriateness while the second approach involves the logic of consequentiality. In the reform choice making process, a lengthy process of specifying and deciding on reform choices is usually associated with consequential coupling where a rational search for optimal solutions for highly technical reform problems is pursued. A swift, but not necessarily sustained process, is a characteristic of the doctrinal mode of coupling and searching for rationales and legitimate problems for politicians' reform solutions.

Reform outcomes, stability and change in public management policy, can also be explained by the tensions between negative and positive feedback (Baumgartner and Jones, 1993). The techno-bureaucratic approach allows the negative feedback mechanism to operate through the 'homeostatic or self correcting process' within a closed and mutually adjusting policy community that reflects competing ideas and interests and the relative strengths of principal reform actors concerned, as clearly seen in the case of civil service pension reform and downsizing policies under less democratic governments. The negative feedback and self correcting mechanism, which often reinforces 'policy monopoly' results in

the limited change in public management policy as the old policy images, ideas, rhetoric and strategies mentioned in previous paragraphs are maintained and strengthened. In contrast, in the political approach to Civil Service reform the positive feedback mechanism tends to play an important role. As Baumgartner and Jones (2002) argue, 'a positive feedback mechanism include a self reinforcing process that accentuate rather than counterbalances a trend', and 'self reinforcing processes can be explosive' compared with self correcting processes which by their nature inhibit dramatic [public management] policy change'. This is what Jones (1994) calls the 'serial shift' when principal reformers like government politicians shift attention from a long established human resource management policy of the public sector, to another reform issue of their own interest, or other dimensions of civil service reform. The narrative evidence shows that such shifts of attention in periods of democratic government usually expanded the reform scope.

A dualist classification of reform approaches reinforces a major argument of the thesis that Civil Service reform is a form of public service bargain over the control of reform ownership, which in turn affects the trajectory and outcomes of public management reform. Based on Hood's (2004) concept, this thesis asserts that shifting the nature of the bargain leads to the tendency to adopt one reform approach and not the other, generating a reversal of public management policy. In less radical, less comprehensive reform where a complete switch form one approach to another does not take place, reformers tend to be constrained by the tensions between the two approaches leading to the adoption of more elements from one approach than from the other approach.<sup>2</sup>

To summarise, routinisation mechanisms, consequential mode coupling, logic of appropriateness and negative feed back operated within the techno-bureaucratic approach tend to constrain the reform trajectories leading to stability in public management policy. In contrast the mobilisation, doctrinal mode of coupling, logic of consequentiality and positive feedback, which operate within the political approach, tend to produce public management policy change, sometimes radical change. In the light of institutional processualism, the

<sup>2</sup> Painter (2004) in his study of the politics of administrative reform in Thailand adopts the same explanation for civil service reform in Thailand arguing that the reform approach has moved from the techno-bureaucratic approach of incremental adaptation towards gridlock or negotiated reform representing a battle over the ownership of civil service reform specifically and control of the bureaucracy in general. He has also mapped out a growing trend that the reform approach taken by

tensions between these two approaches influence 'reform capacity' – the opportunity or risk for public management reform – which, in turn, is also shaped by the institutional 'public service bargain' and reform opportunities and risks posed by mandates and crisis within environments. This thesis argues that these tensions need to be effectively and complementarily managed if 'reform dualities' are to produce synergy leading to desirable policy change and innovations. It joins management academics, in arguing that dualities, trade off, paradoxes, and dilemmas are present in the choice of public management reform.<sup>3</sup>

Within the scant work on dualities and complementarities in the field of public management reform, some authors treat dualistic characteristics of public management as a constraint on the reform effort (Pollitt and Bouchaert (2000)). This thesis argues that the duality of public management reform need not be constraining forces as it can provide 'reform capacity', defined in chapter one as opportunities and risks for making reform policy. The narrative evidence in this thesis shows that in most periods, two reform issues could and did coexist. In some periods where demands from political and economic pressures, crisis and mandate were high, the scope of civil service reforms was expanded. Defining comprehensive reform as the breadth and depth of reform measures, it can be argued that dualistic characteristics of public management reform can lead to comprehensive reform where the reform scope is expanded and more new or recurrent reform elements and issues are incorporated. In this sense reform duality and its resulting complementarities can increase 'reform capacity' by generating reform synergy from two or more elements of reform content and process.<sup>4</sup> This argument is similar to that of Evan and Doz (1992) who argue, 'dualities should be viewed not as threats to consistency and coherence, but as opportunities to creative organisation development, learning and renewal'. Tracking the dualities of public management reform therefore puts another analytic focus on the institutional processualist approach to the study of public management policy change. This

<sup>3</sup> Thai reformers is increasingly the political approach, which he calls the 'mandate reform'. His argument is built from Knill's concept of instrumental bureaucracy. See chapter one.

<sup>4</sup> Many management scholars refer to different characteristics of dualities and the need to balance competing or contradictory ideas. Some characterise them as tensions of paradoxes (Quinn and Cameron, 1988; Handy, 1994); dilemmas (Hampden-Turner, 1990); competing goals and values (Cyert and March, 1992) and dualities (Evans and Genadry, 1990).

<sup>5</sup> Milgrom and Roberts (1995) define complementarities as existing when doing more of one thing increase the return of doing more of another. This creates 'synergy'. The concept has been extended and extensively applied to strategic management. Porter (1996) explains complementarities by visualising nets of interrelationships and defines it in terms of 'interconnected activities systems'.

argument raises the question of how these dualities can be managed in such a way that reform opportunity and capacity can be expanded and reform risks minimised. These questions deserve their own detailed inquiry into the duality of content and process in public management reform in future research.

## 11.5 Concluding Remarks

For more than half a century successive Thai governments have battled against a rising tide of bureaucracy and bureaucratic inefficiency but only limited change has been achieved. From the narrative case studies of Civil Service downsizing and reforming Civil Service pensions that took place during the 1980s and 1990s, this thesis provides explanations in the light of an 'institutional processualist' analysis, for overall limited change in Civil Service policy and the variations in trajectories and outcomes of reform efforts within the period of study and across cases. Underlying these explanations is the argument that different reform capacity promotes different trajectories and outcomes of Civil Service policy reform. The evidence from reform narratives allows the thesis to re-conceptualise 'reform capacity' which is a major analytical concept making Knill's framework more fluid taking into account the dynamics relationship between institutional and precessual factors.

This thesis has some limitations but also presents opportunities for future research. Although it is carefully designed, research into complex reform experiences over twenty years has some limitations. First, it deals mainly with the pre-decision and decisional stage of civil service reform but accepts that public management policy change requires the examination of both 'reform formulation' and 'reform implementation' processes. Tracking the implementation of downsizing policy over a long historical period would enable the assessment of 'policy legacy and feedback' from earlier periods to the civil service policy making processes of subsequent governments. This thesis has tried to mitigate the absence of the implementation process by referring to anecdotal and interview evidence and statistics, which indicate continuing rises in Civil Service personnel despite downsizing and justifies the assessment of downsizing as a 'chronic failure'. Future research on public management policy change should incorporate the 'implementation' phase of reform.

Secondly, as civil service reform is a continuous process rather than a one off episode, and there was a major structural change in the Thai Civil Service in 2002, the civil

service policy change process – both policy formulation and implementation – from 2000 onwards should be studied to ascertain whether later public management reform has similar or different reform trajectories and outcomes compared with the long period studied in this thesis. Such a study would also enable researchers to critically assess the impact of economic and political developments after the Asian economic crisis on the pace of reform implementation.

This thesis provides an opportunity for researchers to pursue their interests in Thai public management specifically and the ‘institutional processualist’ view of public management reform in general. First, in a country like Thailand where politicians’ personalities are more important than party ideologies, it would be intellectually interesting to examine how the personalities of political and bureaucratic reformers affected the trajectories and outcomes of civil service reform and compare them with ‘reform champions’ or ‘reform entrepreneurs’ in countries with strong executives. Secondly, as this thesis has noted, though dualities, trade off, paradoxes and dilemmas in public management reform have been observed by academics for some time, no systematic study of how the ‘duality’ of reform can be effectively managed and under what circumstances dualities can produce synergy for positive change and innovation in the public sector. Can reformers identify the optimal mix of these dualities that would lead to complementary policy change and innovation? Complementarities in public management policy deserve more serious attention.

In conclusion, this thesis has made modest empirical, theoretical and methodological contributions to the study of public management reform in Thailand in particular, and academic research on public management change and innovation in general. Empirically, the use of unexploited and relatively inaccessible archival evidence and the analysis of these ‘new facts’ not only provide access for further study of public management reform, but also provide more insight into public management in a developing country in the emerging market. Theoretically, it provides explanations for public management policy change by weaving two strands of literature, namely institutionalism and processualism that have underlined the arguments about policy and organisational change for decades. This combined ‘institutional processualist’ argument enables the community of public management scholars to move the discussion about public management policy change and innovation forwards by developing comprehensive explanations in a robust, systematic and coherent way. Methodologically, this thesis has applied an ‘analytic narrative instrumental case study’

which provides a theoretical compass which helps researchers overcome hurdles when researching a large process like public management policy change.

# Appendices

## Appendix I

### List of Historical Documents

The following documents, all in Thai, are cited and their references are made in the footnotes of the chapters.

1. Minutes of the Meetings – Joint Working Committee on Civil Service Pension Reform
2. Minutes of the Meetings – The Civil Service Manpower Policy Committee
3. Minutes of the Meetings – The Working Group on Civil Service Pension Reform, Office of the Civil Service Commission
4. Minutes of the Meeting – The National Pay and Compensation Committee
5. Cabinet Resolutions relevant to civil service reform, downsizing, civil service pension reform as specified in the chapters, in which reference is made at the footnotes of relevant chapters.
6. Orders issued by relevant agencies such as Office of the Prime Minister, Ministry of Finance, Office of the Civil Service Commission, and other civil service related reform committees.
7. Internal Memos and Communications within relevant government departments and central coordinating agencies.
8. Related papers and documents produced by relevant government departments and central coordinating agencies including various reform proposals, Cabinet submissions, concept papers, discussion papers, and research publications.
9. Thai Newspapers – Gather mainly from the Matichon Newspapers' Information. This centre, which is a paid service data bank, develops a computerised database from the Thai newspapers clippings.

## Appendix II

### List of Interviewees and Informants: Downsizing

#### 1.1 Duration:

August – December 1999, each face- to- face interview lasted one to two hours.

#### 1.2 Interview with the joint secretaries

Represented in the CSMPC by		
Director, Bureau of Management and Personnel System Development	Bureau of the Budget	Ms Sirmsook Chonvanij
Director, Bureau of Structure and Position Classification	Office of the Civil Service Commission	Ms Benjawan Srang-Nitorn
Director, Bureau of Public Expenditure Control and Administration	Comptroller General's Department, Ministry of Finance	Ms Sutheeporn Daung-To
Director, Bureau of Human Resource Planning	Office of the National Economic and Social Development Board	Mr Chet Boonpratuang

#### 1.3 Interview with other relevant officials and Personal Communication

Name	Position	Roles
Mr Theerayudth Lorlertrat	Deputy Secretary General, and the Deputy secretary general of the OCSR	Secretary general of the Office of Civil Service Reform Secretary of the CSMPC
Dr Chalerm Sri-Padoong	Former Deputy Secretary General, OCSC	Secretariat Staff for the CSMPC
Ms Darumee Boonsing	Deputy Secretary General	Secretariat Staff for the CSMPC
Ms Benjawan Srang-nitorn	Director of the Bureau of Manpower Audit , OCSC	Secretariat Staff for the CSMPC
Ms Laddawan Tantithavarangkura	Senior Public Personnel Analyst	Secretariat Staff for the CSMPC
Ms Jarinee Iam-Sa-ad	Head of Manpower Planning Unit, OCSC	Outer seat official – provider of manpower planning information in the macro-level
Ms Jantanee Popajit	Personnel analyst	Outer seat official – facilitating the CSMPC secretariat
Mr Chet Boonpratuang	Director of Human Resource Planning Division, NESDB	Member of the CSMPC and other CSC sub-committees
Ms Sirmsook Chonvanij	Director of Management and Personnel System Development Division, BOB	Member of the CSMPC and other CSC sub-committees

Ms Mutita Akoosuwan	Budget analyst	Outer seat official – preparing and providing budget information
Dr Bhidya Bowornwattana	Professor of Public Administration	Former SADC secretary general
Dr Supachai Yavaprabhas	Professor of Public Administration	Former member of various administrative reform committee
Dr Anusorn Limmanee	Professor of Political Science	
Mr Chai Narong Indra-meesap	Management consultant	Member of various administrative reform committee and CSC sub-committees
Mr Abhisit Vejjajiva	Minister, Prime Minister's Office	Vice chairman of the CSMPC and the CSRC in Chaun's government

### Appendix III

#### List of Interviewees and Informants: Civil Service Pension Reform

##### 1.1 Duration:

August – December 1999, each interview lasted one to two hours.

##### 1.2 Interview with the Joint Secretaries

Positions	Organisations	Represented or be available for the interview by
Director, Bureau of Capital Market Development	Fiscal Policy Office. Ministry of Finance	Ms Kanikar Eak-paopan
Director, Bureau of Accounting System and Fiscal Standard Development	Comptroller General's Department, Ministry of Finance	Ms Venus Ketkakomon
Head, Civil Service Pay and Compensation Unit	Office of the Civil Service Commission	Mr Wisoot Prasitsiriwong

##### 1.3 Interview with other relevant officials presenting/attending the meetings

Positions	Organisations	Represented or be available for the interview by
Director, Bureau of Capital Market Development	Fiscal Policy Office. Ministry of Finance	Ms Somkid Pata-kawong
Technical Assistance Corporation	Comptroller General's Department, Ministry of Finance	Mr Napong Sirikhanyayakul (Accounting System Specialist) Ms. Oranuch Wainusit (Fiscal Accounting Officer)
Head, Civil Service Pay and Compensation Unit	Office of the Civil Service Commission	Mr. Visoot Prasitsiriwong

##### 1.4 Personal Communications

Ms Sri-Bhanom Bunnak, a Senior Public Personnel Advisor specialising in Civil Service Pay and Compensations, Office of the Civil Service commission

Mr Visoot Prasitsiriwong, Head, the Civil Service Pay and Compensation, Office of the Civil Service Commission.

## Appendix IV

### Manpower Management Processes

Civil service manpower management is fragmented as no single agency has a direct mandate or jurisdiction over the determination of the size of the Civil Service. The process involves many of the central government agencies responsible for managing personnel and financial resources including the NESDB, the OCSC, the BOB, and a dozen personnel agencies. When government agencies want to increase their staff they need to fulfil statutory requirements in relation to the nature of the increased task and job burden. Increasing staff can take several different forms, the creation of new positions in the same administrative units, the establishment of new administrative units within departments, the creation of new administrative units within ministries, and the creation of new projects within ministries or department. In the last case, projects have first to be approved by the NESDB. Upon receiving a work plan from departments, the NESDB considers if the department's work plan or project are in line with the development guidelines of the NESDB Plan.

All requests for creating new positions resulting in an increase in civil service personnel are processed jointly by the OCSC and the BOB. The OCSC analyses requests and classifies and assigns appropriate grades for new positions to ensure increases in personnel match the increasing job burden as prescribed in the position classification system. The creation of new positions is also subject to the availability of financial resources in the prospective annual budget since all positions in the Civil Service are financed by the government budget, a decision resting with the BOB. The manpower management process consequently put the OCSC and the BOB into a 'lead position'. New positions or administrative units are only created when requests are approved by both. Disapproval by one results in the rejection of deferment, a frequent occurrence.

Approving requests for manpower increases is time consuming and involves a lengthy process of job evaluation. Job evaluation is carried out by analysts in the OCSC and the BOB requires job descriptions which have not yet been made for all Civil Service positions. It is difficult for analysts to evaluate whether requests from line departments are realistic and based on job requirements. Requests are not always strictly scrutinised. The OCSC's major concern is position classification rather than whether requests should be approved, whereas the BOB's only concern is whether the government has enough budget resources for its public spending priorities and approves requests on this basis.

In most cases, requests are approved resulting in uncontrolled civil service expansion. OCSC and the BOB officials acknowledge that the crude scrutiny of manpower requests also stems from their own lack of operational capacity. A personnel analyst in the Bureau of Organisation and Position Classification Development admitted, “Although my job was to ensure that the proposed positions were correctly classified using scientific techniques of job evaluation and classification crating equal pay for equal work and equal grades, we could not spend much time scrutinising requests.” She continued,

We were inundated with requests for creating new positions. Our desks were usually covered with requests. What we normally did was to approve requests with carefully assigned grade levels for them. We hardly ever said “no.., you can’t set up new positions or employ more personnel.”<sup>1</sup>

A member of the Manpower Planning Unit of the OCSC emphasised the OCSC’s workload dealing with the requests, “Since almost half of the OCSC’s staff were allocated to job evaluation for position classification, it was difficult for us to perform innovative functions.”<sup>2</sup> Like the OCSC, the BOB’s heavy workload prevents budget analysts processing requests thoroughly. The director of the Systems Development Bureau of the BOB reported that budget analysts concentrated on their main routine jobs rather than scrutinising requests for personnel increases,

Our budget analysts were overloaded by their routine jobs. I couldn’t imagine how we could carry out the approval process effectively. We were busy with budget allocation and administration, which took up most of our time. If you look at the budget calendar, we are active throughout the year. Performing tasks following the budget cycle and calendar kept us fully occupied. It was worse during the budget debate in parliament. Many of us had to stay overnight in our offices.<sup>3</sup>

The lack of operational capacity for processing requests for manpower increases results in compromises between line ministries and departments and central co-ordinating agencies. An official from the Bureau of Organisation and Classification

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<sup>1</sup> Interview, senior personnel analyst, OCSC.

<sup>2</sup> Interview, Head of Manpower Planning Unit, OCSC.

<sup>3</sup> Interview, Sermsook, BOB.

Development (BOCD), frustrated by the ineffective manpower management process and what he calls a vicious circle of approving manpower requests, commented:

If the BOCD evaluated requests strictly, the rejection rate would be high. In return, in subsequent years, line departments would come up with even more requests for new staff than they had in previous years. This was a negotiating tactic. We knew about this but all we could do was keep an eye on the growth statistics with some apprehension.

Because the NESDB, the OCSC and the BOB, each with their own different clearly defined purposes based on their professional and legal standards, process request for manpower increases separately, the manpower management process is uncoordinated. The use of a non-sequential approval procedure which allows line ministries and departments to choose which agency they submit their requests to first, adds further confusion to the process. It creates bureaucratic red tape and an agency which has approved a manpower increase can put pressure on the others to conform, and not reverse its decision. This contributes to ineffective control over civil service expansion. Furthermore, it is a common experience for line ministries and departments to have decisions to allow manpower increases reversed by either the OCSC or the BOB. This lack of co-ordination paralyses the manpower management process and the OCSC and the BOB have been criticised by line ministries for generating red tape. They also mock their officials in the 'tractor story', a classic tale in the Thai Civil Service.

In principle, the NESDB considers if new projects are in line with its Plan, and the OCSC is in charge of approving new positions, the BOB approves the budgets. There has been some attempt to co-ordinate and integrate 'work plans', 'people plans' and 'money plans', but I felt that little had been achieved. This is illustrated by the 'tractor story', widely told in the civil service, when the BOB agreed to fund a new tractor for a particular unit, but the OCSC did not approve the employment of the driver. So it was parked outside the unit because there was no new driver and no one could drive this tractor.<sup>4</sup>

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<sup>4</sup> Interview, Sermsook, Director of Systems Development, BOB.

The “tractor tale” not only reflects the co-ordination problems between the OCSC and the BOB, but also leads to bypassing the manpower management process making civil service expansion more uncontrolled. The voice of line ministries and departments whose manpower requests were rejected is often echoed by their political masters, ministers. For political reasons politicians prefer expansion to cuts and they compete for the budget to be allocated to their ministries and constituencies. As officials from both the OCSC and the BOB put it, “There are special requests from influential politicians or those who held important positions in the government. They either make requests directly to us, or in many cases, to the cabinet.”<sup>5</sup> Most of the time requests for more personnel and larger budgets are made with strong political support. As one advisor of the OCSC, later a member of Civil Service Reform Committee, explained:

This was because politicians (ministers) did not have good enough information about the departments they oversaw. As a result, they always ‘signed off’ the requests their senior civil servants made. Forty-eight per cent of requests for establishing new ‘divisions’ within departments went through a political channel direct from ministers to the cabinet for approval, without the opinions of the relevant central agencies. Only fifty-two per cent were considered through usual the channels, where requests started off from line departments to ministers, then to the BOB and the OCSC before being decided by the cabinet.<sup>6</sup>

The way ‘special requests’ are approved by line ministers reflects a loophole in the process of approving requests for increasing personnel. By operating in this way, politicians and bureaucrats are better off. Civil servants get more posts and larger budgets, while their political masters use the resources to achieve their political aims.

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<sup>5</sup> Interview, anonymous BOB official, corroborated by OCSC officials.

<sup>6</sup> Interview, anonymous OCSC official.

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