

# Getting on track: civil service reform in post-communist Hungary

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**ABSTRACT** This article explains Hungary's status as a front-runner of civil service reform in post-communist Europe and assesses the consequences of the first reform outcomes for the institutionalization of the politics–administration nexus. It examines the degree of formal politicization of the ministerial civil service inherent in the Civil Service Act of 1992 and argues that the formal legal framework provides important instruments for political intervention in civil service policy. Civil service reform had been on the agenda for almost a decade prior to the regime change, creating strong proponents of reform. The 1992 Act institutionalized a formally politicized politics–administration nexus and has shaped the practice of ministerial personnel policy and subsequent civil service reforms until 2001. The ideological divide in the party system and the absence of a 'tolerant policy entrepreneur' are likely to slow down the process of further civil service reform, while high levels of formal politicization are preserved.

**KEY WORDS** Civil service; Hungary; new institutionalism; politicization; post-communism; public administration.

## INTRODUCTION

Observers of the process of administrative transformation in post-communist Europe have long argued that administrative systems in the region are on a path towards gradual Westernization (Hesse 1993, 1998; König 1992; for a critique of this perspective, see Goetz 1995; Goetz and Margetts 1999).<sup>1</sup> More recent research on the 'state after communism' has demonstrated that public bureaucracies in post-communist Europe 'have proved strikingly resistant to wholesale transformation, dashing notions that modern, "western-style" administrations could be installed with minimal effort and maximal speed' (Nunberg 1999: 265). Furthermore, research that explicitly deals with the relationship between politicians and bureaucrats in post-communist central executives has found that politico-administrative relations are characterized by instability, as incoming governments show little willingness to continue to work with the administrative staff who had served their predecessors (Verheijen 2001).

This article investigates Hungarian exceptionalism in the realm of civil service reform, as one of the central components of administrative transformation in post-communist Europe. Hungary was a front-runner in civil service reform in that it was the only country in post-communist Europe to embark on a fast-track legal change immediately after its first democratically elected government came to power in 1990, leading to the adoption of a Civil Service Act in 1992 (Verheijen 1999). Although Hungarian civil service legislation has been amended since – marginally in 1997 and significantly in June 2001 – it is of interest to examine the factors that help to account for Hungarian exceptionalism in the early timing of civil service reform. Notwithstanding the adoption of civil service legislation, it has been argued that the introduction of legal frameworks has made only a limited contribution to the stabilization of post-communist public administrations (Verheijen and Rabrenovic 1999). This claim also applies to Hungary, where successive governments have taken advantage of their legal powers to change personnel in the ministries, in particular senior officials (Vass 2000, 2001). While this practice has created a debate among Hungarian academics as to its desirability (Szente 1999), it is not uncommon in western European executives, where it is usually discussed under the heading of ‘politicization’ (Rouban 1998; Page and Wright 1999; Peters and Pierre, forthcoming). In addition to the timing of civil service reform, this article, therefore, addresses the institutional dimension of politicization by assessing the degree of ‘formal politicization’ (Schnapp 2000) of the ministerial civil service inherent in the institutional arrangements established by the 1992 Civil Service Act.

The discussion is divided in two parts. The first part introduces the concept of ‘formal politicization of the ministerial civil service’ and examines the institutional arrangements governing the Hungarian civil service as they became law between 1990 and 1992. The second part identifies the historical roots of Hungarian civil service reform and the interests and negotiations that led to the early adoption of legislation. The conclusion briefly discusses the path-shaping impact of this first civil service reform on the practice of personnel policy and subsequent reform legislation of 1997 and 2001.

## FORMAL POLITICIZATION OF THE HUNGARIAN MINISTERIAL CIVIL SERVICE

In the present context, the institutionalization of the politics–administration nexus stands for the formal–legal authority relationship between politicians and bureaucrats. This relationship is analysed by assessing the extent to which actors functionally defined as political can exercise civil service policy authority over actors functionally defined as administrative. Four sets of civil service rules are included in this analysis: (i) rules that govern the allocation of civil servants within the administration; (ii) rules that define civil servants’ duties; (iii) procedures for the determination of civil servants’ remuneration; and (iv) their rights with respect to participating in civil service policy-making and to

invoking enforcement and arbitration mechanisms in case of conflict with their employer.

In principle, all four sets of civil service rules grant decision-making rights to political and/or administrative actors, and each procedure imposes either more or less restrictive constraints on the respective decision-maker(s). I define 'the degree of formal politicization of the ministerial civil service' as the extent to which the government of the day, or its ministers, has the formal-legal *possibility* to exercise civil service policy authority, and the extent to which the exercise of this authority is restricted by formal-legal procedural constraints.<sup>2</sup> The word 'possibility' is emphasized because the degree of formal politicization does not mean that the administration is politicized in practice. Second, both the delegation of civil service policy authority and the procedural constraints upon the exercise of this authority are two sides of the same coin. The delegation of decision-making authority is the key variable, but it is the procedural constraints, for instance entry criteria, which complete and help to differentiate degrees of formal politicization. It follows that as procedures become less restrictive, the degree of formal politicization increases. Therefore, an institutional arrangement that grants civil service policy authority to political actors and stipulates a minimum of procedural constraints is equivalent to the highest degree of formal politicization of the ministerial civil service. If administrative institutions are authorized to take civil service policy decisions, the same logic applies. The background is that politicians may be able to exercise some kind of *indirect* political discretion, the less confining the procedural constraints on a civil service policy decision are (see Figure 1). Some rules, however, do not define any decision-maker, as their essence is the restriction of certain activities, for instance in the case of civil servants' political activities. In such cases, behavioural restrictions are obviously the only means to differentiate degrees of formal politicization. Sometimes, it may be contentious whether a specific rule allocates decision-making authority to political or administrative actors. In many cases, several institutional actors formally share the right to exercise civil service policy authority, and formal procedures often stipulate that political and administrative actors take joint decisions. However, taking into account institutionalist theory in rational choice, we may assume that the 'hierarchical mode of interaction' between politicians and bureaucrats implies that the final decision-making outcome will correspond to or approximate the ideal point of the politician (Scharpf 1997).

Viewed from this perspective, the Hungarian politics-administration nexus institutionalized between 1990 and 1992 displayed high levels of formal politicization, which has only been decreased marginally by subsequent reforms in 1997 and 2001. There were two major relevant pieces of legislation during the first reform wave. In May 1990, the Hungarian Parliament adopted the Act on State Secretaries, which regulated the top two administrative positions of the ministerial hierarchy – Administrative and Deputy State Secretaries – with the exception of their remuneration (see Sándor and Kodela

Delegation of civil service policy authority to:	Procedural constraints	Degree of formal politicization	Civil service policy area
Political institutions	Low Medium High	<b>Highest</b>     	<ul style="list-style-type: none"> <li>• Allocation of civil servants within the administration</li> <li>• 'Duties' of civil servants</li> <li>• Remuneration of civil servants</li> <li>• Participation and enforcement and arbitration rights of civil servants</li> </ul>
Administrative institutions	Low Medium High	<b>Lowest</b>	

Figure 1 Formal politicization of the ministerial civil service

1992). In spring 1992, Parliament adopted the Act on the Legal Status of Civil Servants (Civil Service Act), which includes the ministerial civil service and also referred to state secretaries.<sup>3</sup> Thus, by 1992, the ministerial civil service had been newly institutionalized in the sense that a new legal framework had been put in place that formally separated administrative from political actors. The second reform wave in 1997 introduced the Act on the Legal Status of Members of the Government and State Secretaries. It substituted, but did not significantly change, the 1990 Act on State Secretaries, and marginally amended the 1992 Civil Service Act. The most recent reform, in June 2001, substantially amended the latter Act, but it did not in fact alter the degree of formal politicization of the ministerial civil service.

The new civil service system that had been created by 1992 looks, at first glance, like a classical seniority-based closed career system displaying comparably low levels of politicization. Recruitment, selection and appointment of the new civil servants in non-managing positions are under the formal, fairly unrestricted responsibility of Administrative State Secretaries in individual ministries. Promotions are primarily seniority-based and civil servants' remuneration is mainly linked to a detailed classification system. The dismissal of individual civil servants is restricted, as it can only occur as a result of a disciplinary process or when a civil servant has been judged incapable of performing his responsibilities; in both cases, the Administrative State Secretary has to prove the case by means of confining procedures. Finally, civil servants may be members of a political party, must not hold any official post in a party or appear in public on its behalf. They may run as candidates in parliamentary elections, but must resign from the civil service if elected.

There are, however, important provisions that are able to offset the general pattern of a closed career system and ultimately account for rather high levels of formal politicization overall. First, the highest degrees of formal politicization of the ministerial civil service apply to the appointment and dismissal of managing civil servants. Managing civil servants comprise Administrative and

Deputy State Secretaries, i.e. the first two levels of the administrative hierarchy, as well as other senior civil servants, including heads of department, their deputies and heads of divisions, i.e. levels three, four and five. The 1992 Civil Service Act defined senior civil servants as those who are assigned to their managing position by the minister for an indefinite period; but their assignment may be withdrawn at any time and without giving reasons. Hence, both the appointment and assignment and the dismissal and withdrawal of assignment of managing civil servants, who together make up 15 to 20 per cent of the ministerial staff, are effectively in the hands of either the Minister or the Prime Minister. At the same time, procedural constraints for the dismissal or withdrawal of assignment are minimal. Appointment has only become slightly more restricted since the coming into force of Government Decree 35 of 1998 which sets out a special examination procedure that managing civil servants have to pass prior to their appointment.

Second, the 1992 Act creates options for ministers to dismiss unilaterally groups of civil servants of all categories by means of different kinds of ministerial reorganization and restructuring, such as the dissolution of an administrative agency or unit without legal successor, the termination of the activities of an administrative agency, or the reorganization of a ministry. It is primarily the latter option of reorganization that provides ministers with almost complete discretion to dismiss civil servants, since ministers' right to reorganize the internal structure of their ministries is explicitly included in the Hungarian Constitution. Third, the incompatibility rules for other business activities of both senior and non-managing civil servants can easily be circumvented. For instance, senior civil servants may be appointed as members of the supervisory boards of private and state-owned companies, and non-managing civil servants may generally pursue other business activities with the consent of the Administrative State Secretary. Moreover, the 1992 Act grants ministers the right to define a 'personal remuneration' for 'public officials displaying outstanding performance' that differs from the rules governing the general remuneration system. The evaluation of 'outstanding performance' is down to the subjective judgement of the minister, with no procedural constraints, apart from the indirect restriction of limited ministerial budgets.

Despite a mixed overall picture, the early institutionalization of the Hungarian politics-administration nexus between 1990 and 1992 ultimately displays rather high levels of formal politicization. The ministerial civil service system may function according to the principles of a seniority-based closed career system, but only as long as political actors do not take advantage of their discretionary authority, which is added at the margins of the general system of civil service policy. Subsequent reforms have stabilized existing levels of formal politicization. The 1997 reform only marginally amended the Civil Service Act. The recent reform in 2001 has aimed at restructuring the grading system and raising civil servants' wages, as their wage levels had fallen seriously behind the private sector. Moreover, the reform has created a Senior Executive Service,

which comprises most managing civil servants, except state secretaries. Although general entry criteria to the Senior Executive Service have been made more restrictive to account for higher levels of expertise, decision-making authority has remained entirely in the hands of the government of the day, and the detailed procedures of admission will be made subject to a Government Decree. Thus, one could argue that the introduction of the Senior Executive Service has rationalized an institutional arrangement that formerly seemed to be almost like a 'gap' in the overall structure of the Act. High levels of formal politicization have, therefore, been maintained.

## NEGOTIATING CIVIL SERVICE REFORM

Civil service reform did not come on to the agenda in Hungary all of a sudden after the change of regime, but has a much longer history. In a broad interpretation, it originates in institutional reforms to strengthen the professional skills of the Hungarian state administration, such as the founding of the National School of Public Administration (NSPA) in 1977, which accompanied and followed the economic reforms of the late 1960s. In a narrower interpretation, the history of the 1992 Civil Service Act dates back to the early to mid-1980s, when first attempts to prepare civil service legislation and to introduce a civil service career system were made. Hence, well before the regime change in 1990, civil service reform had become an important issue and strong proponents of reform had emerged. They included the trade unions, but also academics from the NSPA, who were eventually appointed to key positions in the Ministry of Interior during the Németh government (1988–90) and retained their positions following the first free elections. Moreover, high-ranking bureaucrats, who turned from being opponents prior to 1989 to strong supporters of civil service reform thereafter, were crucial in promoting reform efforts. Finally, the transformation to constitutional democracy, the desire among the new political élite to follow western European examples, and the pragmatism of the members of the government fostered a fast-track reform. In the language of Kingdon (1984), the regime change in 1990 opened a 'window of opportunity' for the supporters of reform efforts. Opponents of accelerated civil service reform, particularly within the then governing coalition and among the opposition parties, could not stop the process, but merely delay it.

The 'entrepreneurship' of the Ministry of Interior and its affiliates was essential for brokering a deal within the administration and between the opposing political groups. As a consequence, the outcome of the first civil service reform in 1992 reflects the general principles of a closed career system as proposed by the Ministry of Interior; but the opponents were able to introduce amendments that opened the system, leading to overall high levels of formal politicization of the ministerial civil service. This section will trace the negotiations and the changing actor constellations that led to the adoption of the Act on State Secretaries in 1990 and the Civil Service Act in 1992.

## Reform attempts prior to the change of regime

The first initiative to reform the personnel system of the state administration was essentially triggered by an article written by Lajos Lőrincz (1982), at that time an academic at the NSPA, in 1982. His ideas were taken up by trade unions and eventually reached the government agenda. The reform proposal failed, however, because of resistance from both the Ministry of Finance and high-ranking bureaucrats. Lőrincz argued that the professionalization of the Hungarian state administration required a modernization of the administrative personnel system in the form of a career system based on merit and separated from politics. During the period of communist rule the state administrative personnel was governed by the Labour Code. The best-known feature of state administrative personnel policy under communism was the *nomenclatura* or cadre list. Under this system, selection and 'appointment to top-level positions of state administration was subject to the recommendation or approval of the party committee corresponding to the given level' (Balázs 1993: 55). A 'triple requirement' was applied to appoint and promote personnel to leading positions in the administration. This included academic and professional qualifications, personal suitability to the respective leadership position, and political reliability. The latter criterion dominated the selection of administrative personnel until the early 1970s. But when the economic reforms took root, the political leadership increasingly accepted that the administrative organization could not adequately perform without a professional staff, and professional and managerial requirements gained importance in managing administrative personnel (György 2000).

One of the reform steps taken to improve the professional skills of state administrators was the founding of the NSPA in 1977. Prior to 1982, research at the NSPA had begun to emphasize the study of contemporary Hungarian public administration in comparison to both the inter-war period and western systems of public administration. In this context, Lőrincz became the main advocate of the modernization of the personnel system along continental western European lines. However, it remained virtually a taboo until the change of regime in 1989/90 to advocate a legal framework for the governance of state administrative personnel, because it would have granted them a privileged status. This was regarded as incompatible with Marxist–Leninist ideology, although the Kádár regime pursued a soft interpretation of the guiding ideology (Lőrincz 1998). Lőrincz (1982, 1985a) sought to circumvent this constraint by introducing his suggestions under the heading of 'modernization' rather than emphasizing the need to pursue a wholesale reform that would lead to the adoption of a separate civil service act at the outset. The hope was, however, that modernization of the personnel system would eventually lead to a separate legal status for state administrators.

Although Lőrincz himself did not push his suggestions into the political debates of the day, they were taken up by journalists and, in particular, the important sectoral trade unions. The unions had themselves continuously

searched for modernization options in the West in order to cope with the impact of economic reforms. Their advocacy brought Lőrincz's proposal to the attention of the government. Hence, the ideas were not only considered in the Ministry of Labour, then responsible for employment affairs, but led to inter-ministerial negotiations and reached the government agenda. The discussions came to an abrupt end in 1985, when the Ministry of Finance vetoed the financial implications of a possible reform of the personnel system broadly along Lőrincz's (1982) original suggestions and the trade unions' view. Moreover, high-ranking state bureaucrats only partially supported the suggested modernization project. A second attempt by the trade unions to introduce a reform of the administrative personnel system in 1987 failed for broadly the same reasons.

There are indications that the ideas discussed by the government had some impact on the practice of personnel policy, even though a legal reform did not materialize. Balázs (1993), for instance, has argued that at the end of the 1980s the personnel system had increasingly begun to reflect features of a career system comparable to western European public administrations. Young state administrators were primarily recruited and appointed to the bottom positions of the administrative hierarchy on the basis of their professional skills and eventually pursued a career in public administration. Yet, the criterion of political reliability did not entirely disappear. Rather, changes in the ruling Hungarian Socialist Workers' Party (MSZMP) during the 1970s and 1980s favoured a combination of political and professional qualifications. For instance, Szalai (1999) argues that 'late-Kádárist technocrats' increasingly gained influence in the MSZMP during the 1980s. This group emphasized a set of liberal, pragmatic and technocratic values, had gone through Hungary's best educational institutions and had acquired outstanding professional skills. In this context, a career pattern evolved that led to the entry of young administrators at the bottom of the state bureaucracy, and their promotion to the lowest ranks of the managing positions of the ministries. At this point in their career, these young high-flyers were expected to join the party, which would give them the opportunity to work in the party headquarters and to acquire more 'political craft' (Goetz 1997). Eventually, they would be appointed to the top positions of the ministries, including head of department or deputy minister (Lőrincz 1985b).

By the late 1980s, the personnel system in the Hungarian state administration had, thus, already evolved towards a specific late-socialist version of a career system, which integrated career steps in the ruling party and the state administration and reflected a perceived need to professionalize and modernize both institutions. It is obvious that under these conditions many high-ranking state bureaucrats were opposed to the introduction of an encompassing career system, separated from politics and formalized by law. Such an institutional arrangement would have undermined the career prospects of the generations of officials who were at the top of the ministries, were taking their apprenticeship in the party headquarters or were close to joining the top ranks. Thus, the



most influential group of state bureaucrats had no interest in a major change of the system, as long as the one-party state continued to exist. Support would be limited to those elements of the proposals that fostered the professionalization of both the early stages of the career of future higher ranks and the lower and middle ranks of the state bureaucracy.

### **The Németh government and the negotiations at the Round Table Talks**

This situation changed significantly during the government led by Németh, who was appointed Prime Minister in 1988. In 1989, several academics of the NSPA were appointed to high-ranking positions and could pursue their reform agenda from within the government and the state administration. They enjoyed the support of senior state bureaucrats, while the parties of the democratic opposition were hesitant to embark on a fast-track reform process prior to the first democratic elections. At the turn of 1988/89, when it became increasingly obvious that the political system would change, Németh started to include more rigorous reform attempts in the realm of public administration next to the economic reforms of that period. One of the main decisions was to appoint Imre Verebelyi, an academic from the NSPA, as Deputy Minister in the Ministry of Interior. The Deputy Minister's task was to prepare the reform of public administration, in particular the reintroduction of local self-government. The units headed by the new Deputy Minister were granted a high degree of autonomy in preparing reform proposals. The new Deputy Minister recruited around thirty people from among trustworthy state bureaucrats and his university colleagues, including a young academic from the NSPA to head the unit in the Ministry of Interior that was supposed to prepare the reform of the public sector employment system. Hence, the academics from the NSPA gained a strong institutional position to pursue their reform agenda over the future shape of what was to become a civil service. Moreover, the strong informal connections between the unit in the Ministry of Interior and respective trade unions that advocated essentially the same kind of personnel system were maintained.

When, in spring 1989, the Round Table Talks between the MSZMP and the representatives of opposition parties began, the Németh government decided to prepare two 'baskets' of reform proposals. One 'basket' contained ready-made reform acts that would, in principle, only require the approval of a newly democratically elected parliament. The second 'basket' was filled with concept acts that consisted of guidelines and main principles of possible reforms. The Round Table Talks themselves consisted of several committees that prepared agreements for the reform of the governance of the future political, economic and social systems. Although there was a committee for public administration reform, headed by the Deputy Minister in the Ministry of Interior, this committee primarily dealt with issues of local government reform, while the reforms of the central government and the personnel system

were left to the decision of the first democratically elected government. However, the department in the Ministry of Interior that dealt with the reform of public sector employment began its preparations for the drafting of an encompassing public service act that would not only include state administrative personnel, but future public sector personnel in general. The result of these efforts entered the basket consisting of concept acts. Hence, further thinking was required, but the main principles of a future encompassing public service act were already put on paper. These efforts were not only supported by the trade unions, but to a considerable extent by middle- and high-ranking state bureaucrats. With the prospect of regime change looming, bureaucrats in managing positions were aware that the specific late-socialist career path outlined above would inevitably disappear. At the same time, a new government could easily dismiss them and future alternation of political parties in government would destabilize their positions unless they were protected by law. Hence, even before the first democratic elections in 1990, top bureaucrats already began to turn into supporters of civil service reform rather than opponents.

One of the main reasons not to continue the discussions about the establishment of a civil service was a division at the Round Table Talks between the modernizing wings of the MSZMP and the parties of the democratic opposition. The parties of the democratic opposition generally hesitated to support reform proposals that would aim primarily at modernization, without due consideration of their implications for political democracy. With respect to a civil service act, this meant that the parties of the democratic opposition were opposed to stabilizing the bureaucracy before being able to see whether or not state bureaucrats would serve the likely new power-holders. Therefore, the discussion about the timing and the shape of a civil service act was postponed, because it was seen to emphasize modernization without taking sufficient account of issues of democratization. This controversy already signalled the main divisions that would re-emerge after the elections of 1990.

### **The Act on State Secretaries**

The first democratic elections of spring 1990 brought to power a three-party centre-right coalition led by the Hungarian Democratic Forum (MDF). Before work on the civil service law was continued, Parliament first passed the Act on State Secretaries in May 1990. This Act was adopted with little controversy, although the main political divisions between a 'moderate' group within the governing parties, including the members of the government, on the one hand, and 'radical' groups within the governing parties in Parliament and the opposition, on the other, had already become apparent. The Act was initiated, drafted and passed by Parliament within a period of five to six weeks; it cannot be separated from the actual personnel decisions taken at that time. The initiative to define the status of state secretaries was taken by the designated Prime Minister József Antall. The importance of Antall's vision for

the reorganization of government cannot be overstated. He strongly advocated the creation of a government in which political leadership and professional management of the ministries were to be strictly separated. A separation of political and administrative spheres would not only bring Hungary back to continental European models of public administration, but would be the best arrangement for effective governance. Antall's views were combined with pragmatism in the sense that he represented a moderate strand in the range of different opinions about the treatment of state administrative personnel. He argued that it was impossible to fully 'cleanse' the Hungarian bureaucracy. Instead, in order to make the far-reaching reform ambitions of the first government work, it was imperative to continue to work with those senior bureaucrats of the former administration who were expert staff, but had not held formal positions in the MSZMP (see Balázs 1992). Therefore, having worked in the bureaucracy before 1990 or having been a member of the MSZMP was not regarded as a reason for exclusion, but expertise, experience and the ability to show political loyalty to the new government became the criteria of selection.

Antall decided to adapt the former ministerial structure to his own objectives. Until May 1990, the Hungarian ministries were headed by a Minister, a State Secretary and three to eight Deputy Ministers, who were responsible for managing specific policy areas. In the new structure, the position of State Secretary was divided into two positions: the Political State Secretary, who would be a political appointment, but would not have any role in managing the internal affairs of the ministry; and the Administrative State Secretary, who would be responsible for the professional management of the ministry. The position of Deputy Minister was transformed into the Deputy State Secretary position, responsible for the management of specific policy areas and subordinate to the Administrative State Secretary only. There was no major thinking about the implications of different appointment procedures and criteria. The 1990 Act was regarded as temporary from the outset, but was considered sufficient in so far as a formal separation of political and administrative positions and a definition of their respective functions had been achieved (Verebelyi 1993). Antall's motivation, his strategy to choose expert staff from within the higher and middle ranks of the former administration, and his personal involvement in the appointment of Administrative State Secretaries were, thus, simply formalized in the 1990 Act. Antall also had a word in the appointment of Deputy State Secretaries, but it was recognized that Deputy State Secretaries would be important policy managers primarily supporting their Minister, and their appointment was formally granted to Ministers.

The 1990 draft Act was introduced by the MDF parliamentary leadership to Parliament at its opening session. The discussion that followed was mainly driven by arguments about the need to separate politics from administration and to develop a depoliticized and professional public bureaucracy. No major disagreement over the shape and content of the Act emerged. Members of

Parliament (MPs) sought to commit the designated government to a practice of selecting experts to the ministries and not to politicize the top positions of the ministries; there is little doubt that Antall eventually selected senior personnel on the basis of his convictions. The matter of disagreement, though marginal, was rather about the question of whether any former party member and former member of the state administration could be trustworthy or whether Antall's moderate and pragmatist approach would be acceptable. In this respect, the debate was a first indicator of conflicts that emerged during the discussions of the Civil Service Act.

### **Brokering the Civil Service Act**

The preparation of the Civil Service Act began again in July–August 1990, i.e. just two months after the new government had taken office. One of the first decisions of the Antall government was to assign responsibility for public administration reform, including civil service reform, to the Ministry of Interior and to continue the work that had begun during the Németh era. This is best demonstrated by the appointment of the former Deputy Minister Verebelyi to the position of Administrative State Secretary in the Ministry of Interior. The first priority was the preparation of the Act on Local Self-government. Once this Act was passed by Parliament in July 1990, the Civil Service Act was the next major priority. This became a pressing issue because local self-governments had been created and local elections were scheduled for the autumn, but their employees still lacked a legal status. The first draft Act itself was written within a short period in August 1990 and after brief discussions it was submitted to Parliament in September 1990 marked 'urgent'. Legislation marked 'urgent' usually takes about three to four months to pass Parliament, but in the case of the Civil Service Act, the process took almost two years. Meanwhile, lengthy discussions took place on the floor of Parliament and in parliamentary committees, leading to the withdrawal of the draft Act by the government in December 1991 and a resubmission to Parliament soon after. In the meantime, discussions about the structure and shape of the Act continued at several levels, as it quickly became apparent that the adoption of the Act would take longer than initially anticipated. The Act was finally passed on 31 March 1992.

During the negotiations leading up to the adoption of the Act, several interests emerged and two main conflict areas arose, both of which can be subsumed under the heading of more or less flexibility.<sup>4</sup> One controversy referred to the shape of the future remuneration system and was mainly internal to the administration. The second took place in Parliament and its committees, mainly between the administration and 'moderate' groups of the governing parties, on the one hand, and 'radical' groups of the governing parties and the opposition, on the other. It concerned primarily the rules of allocating personnel in the administration and the transitory rules of admitting former state bureaucrats to the 'new' civil service. Advocates of 'minimal

flexibility' included the Ministry of Interior, notably its Administrative State Secretary and the specialists in the newly formed Civil Service Department. These protagonists of reform were either from, or at least closely connected to, the NSPA, although there was no longer a consensus among academics about the most suitable institutional arrangements for a future civil service system. The views of the Ministry of Interior coincided with the main interests of the civil service trade unions. Together they advocated a rather centralized closed career system, a uniform and transparent remuneration system in which pay was linked to promotion, and a civil service commission that would play a major role in personnel management decisions. The main purpose of this system was to create stability and a public bureaucracy based on expertise, depoliticized but loyal to the government of the day. Moreover, the Ministry of Interior shared Antall's view that past and present party membership should not lead to exclusion from the civil service.

### **Negotiations within the administration**

The first controversy arose over the shape of the remuneration system. It pitted the Ministry of Interior against the Ministry of Finance and several line ministries. The latter had already started to set up and reform their ministerial pay systems immediately after the new government took office in May 1990. For instance, the Ministry of Transport developed a highly differentiated grading system in which civil servants were allocated according to their workload, their responsibilities and the expertise they brought to the job. The number of years served in the administration was only a secondary criterion. Although pay systems differed in the early days after the change of regime from one ministry to another, other ministries pursued more or less the same principles and, thus, several line ministries became initially opposed to the proposal of the Ministry of Interior. However, during the negotiations at the inter-ministerial level and at the regular meetings of administrative state secretaries, views other than those propagated by the Ministry of Interior were denounced as 'conservative' and outside the 'European mainstream'. Hence, opposition to the proposals of the Ministry of Interior faded during the pre-Cabinet decision-making stages.

The Ministry of Finance was the only ministry that could sustain its opposition. It was principally opposed to the uniformity of the remuneration system that was to be created by the proposals of the Ministry of Interior. Put simply, the Ministry of Finance argued that more important and more highly qualified personnel needed to be granted higher pay. As a consequence, the Ministry of Finance not only supported a payment system that granted more flexibility in adjusting pay to performance and educational criteria, it also favoured the introduction of bonus payments and more flexible incompatibility rules, as the complete restriction on any business activities of senior civil servants would be untenable for its own higher civil servants. At the same time, the Ministry of Finance continued its pre-1990 opposition to the financial

implications of the Civil Service Act. The Ministry of Interior had suggested that pay should be uniform across the ministries. As no civil servant should receive a lower salary than before, this would mean that all salaries would be lifted to the highest level at that time. This created support for the original proposal among those ministries that were in line to receive higher salaries, while the ministries such as Finance, Industry and Trade, and International Trade were strongly opposed to what they perceived as 'negative egalitarianism'. Against this background, the compromise over the payment system becomes understandable. On the one hand, the Ministry of Interior prevailed with the introduction of the generally uniform structure of the civil service. On the other, the Ministry of Finance succeeded in relaxing incompatibility rules, in introducing general supplement payments for all central government civil servants (in contrast to all other civil servants), and in establishing a 'personal remuneration list of the minister'. Moreover, in order to lessen the financial burdens, the Ministry of Finance agreed that the wage increases for civil servants should be paid in stages over three years; hence, civil servants would only receive 100 per cent of their formally determined pay by 1995 (see Zsuffa 1998).

### **Political negotiations**

Although the government and the political parties in Parliament expressed an interest in the remuneration system, in particular the incompatibility rules, the conflict over rules relating to remuneration were primarily resolved at the administrative level. Controversial debate only started again after the draft Act was submitted to parliamentary debate and committee scrutiny. In a government meeting in September 1990, the Head of the Civil Service Department had presented the draft Civil Service Act to the government and the proposal passed without opposition or any major questions. Only Prime Minister Antall concluded that the Civil Service Act was a significant step forward in the creation of a professional and effective public administration, which was rooted in Hungarian history and would bring Hungary back into the European mainstream. During the debates in Parliament and in the parliamentary committees, the main concerns related to transitional rules in the Act and the degree of flexibility of the rules governing the allocation of administrative personnel. This issue was of little relevance in the inter-ministerial negotiations, because the senior administrators in the ministries all supported the creation of a stable public administration that would offer few possibilities for political intervention in decisions on appointment and dismissal. This perspective was broadly shared by Antall, most of the other members of government, and the moderate wing of the MDF in Parliament. This moderate MDF camp was supported by the parliamentary group of the Hungarian Socialist Party (MSZP), although the MSZP had very different motivations from those of the moderate MDF wing. As a result of the low turnover of administrative personnel after May 1990 and the pattern of recruiting senior administrators

from inside the administration, the MSZP continued to have strong support within the administration. Moreover, although the trade unions underwent a process of reorganization, their relationship with the MSZP continued. Hence, the MSZP strategy was much less driven by principled considerations than by its interest in representing specific constituencies that would benefit from the new Civil Service Act as proposed by the Ministry of Interior. At the same time, the MSZP was not a major force in the negotiation process, because it had only 8.6 per cent of the seats in Parliament, and other parliamentary parties did not initially seek co-operation with the MSZP.

On the other side of the debate were those parliamentary forces that favoured more flexible civil service arrangements and saw no urgency to adopt a Civil Service Act. The most important among them were the 'radical' wing of the MDF and, to a lesser extent, the 'conservative' wing of the MDF. Among the opposition, the Alliance of Free Democrats (SZDSZ), supported by the Alliance of Young Democrats (FIDESZ), was the major force advocating greater flexibility in the Civil Service Act. The MDF, originally founded as a movement rather than a political party, continued to keep several political currents of the centre right, moderate right and radical right under its roof. Antall was the main representative of a liberal-conservative, pragmatic political orientation. The 'popular-radical wing' was represented by István Csurka, who, having lost his bid for the MDF presidency against Antall, left the MDF in 1993 with twelve MPs to form the right-wing Hungarian Justice and Life Party (MIÉP) (Körösi 1998). As regards the Civil Service Act, the radical group was characterized by strong anti-communism and favoured the 'cleansing' of the state administration. Hence, strong opposition was not only a matter of detail, but there was a general, fundamental opposition to the introduction of a law as such, unless the administration was 'cleansed' of all former connections to the MSZMP and unless those remaining proved their support of the new regime. This point of view was supported by the more conservative currents within the MDF, represented by figures such as Sándor Lezsák, who later became president of the MDF. After the local government elections in autumn 1990, Lezsák had agreed with members of the conservative platform of the MDF that his home district of Lakiteleg should serve as a model for Hungary. He intended to dismiss all employees in one act and to re-employ the next day those who were clearly unconnected to the communist regime. This proposition was strongly opposed by the specialists in the Ministry of Interior and members of the government. The Ministry eventually took legal action against the local authority of Lakiteleg and the courts ruled against the 'Lakiteleg model'. As a consequence, there was little interest among the conservative and radical groups within the MDF to find quick agreement over the proposed Civil Service Act.

Moreover, after the taxi drivers' strike in December 1990, the government faced continuously low support in public opinion polls. This made it difficult to appease the radical and conservative wings of the MDF and boosted

SZDSZ and FIDESZ efforts to attack the government's proposal. The SZDSZ, a liberal party that had long been the main force of the democratic opposition prior to the regime change, shared the suspicion towards the state bureaucracy as the natural ally of the former ruling party, the MSZMP. Moreover, the liberal attitudes of SZDSZ politicians led them to favour more flexible institutional arrangements for the governance of the civil service rather than rigid seniority-based rules. They agreed with the moderate wings of the MDF that it was desirable to 'join Europe' with respect to the general public administration system, but favoured more flexible institutional solutions. Hence, suspicion towards the state administration, liberal values and a radical opposition strategy led to further complications for the government in bridging the divisions in Parliament and seeking cross-party coalitions.

Both the strong divisions inside the main governing party, the MDF, and the radical opposition of the SZDSZ, as the second largest party, towards the Civil Service Act are the main reasons why it was impossible to reach a quick agreement on the floor of Parliament and why the government was forced to withdraw the draft Act in December 1991. The second draft Act, submitted to Parliament in early 1992, again created major debate, as more than 200 amendments introduced by the parliamentary committees indicated. During the discussions in the parliamentary committees, it was mainly the State Secretaries and the senior civil servants of the Ministry of Interior who defended the government proposal. The main argument that finally convinced the opposing camps in the committees to support the government proposal, and not to further delay the adoption of the Act, was the prospect of bringing Hungary back in line with European systems of public administration rather than opting for a Hungarian *Sonderweg*. Hence, despite initially strong opposition, the top officials of the Ministry of Interior were ultimately able to gain support for the general principles of their proposed system; but major compromises had to be granted. For instance, restrictions on ministers' power to assign senior civil servants to managerial positions and to withdraw their assignment were taken out of the draft Act and options for the dismissal of civil servants on different kinds of reorganization measures were introduced. Moreover, the civil service commission originally suggested by the Ministry of Interior did not find support among MPs. The main reason was that such a commission was regarded as limiting the needs of ministers; in addition, MPs and the government could not agree on the appointment of a capable commission president with minimal affiliations to the former communist regime. In sum, although the original version proposed by the Ministry of Interior and the final version that became law differed in many respects, the general principles of a career system were left in place. At the same time, the amendments introduced in Parliament created the possibility of effectively offsetting the career system of the civil service, if ministers were willing to take advantage of the discretionary powers they were given as additional instruments of civil service policy.



## CONCLUSION

The preceding discussion has shown the main factors that led to Hungary's status as a front-runner of civil service reform in post-communist Europe and has accounted for the high levels of formal politicization of the ministerial civil service inherent in the first reform legislation. The ideological divide in the party system of how to deal with the communist past kept the outcome of the Civil Service Act close to the ideal positions of the radical and conservative camps within the MDF. It is also unlikely that any Act would have been passed if the Ministry of Interior had not realized that 'something is better than nothing'. Conversely, the presence of an ideological regime divide and the absence of a 'tolerant policy entrepreneur' make it in general unlikely that lasting coalitions for civil service reforms emerge or that politico-administrative relations are institutionalized that display low levels of formal politicization in post-communist executives.

An analysis of personnel policy practice and an assessment of subsequent Hungarian civil service reforms in 1997 and 2001 are beyond the scope of this article. However, Hungarian governments have applied their decision-making discretion, for instance in the area of allocating managing civil servants, with an increasing tendency since approximately 1993, i.e. one year before the second democratic elections. Eventually, both the centre-left coalition that succeeded the Antall government in 1994 and the centre-right coalition that took office in 1998 changed large numbers of administrative state secretaries as well as senior civil servants, leading to an increasing politicization of ministerial personnel policy.

Empirical research has so far revealed that this development primarily reflects a desire of Hungarian political leaders to increase policy competence and political loyalty of the ministerial civil service to their policy objectives. First, the organizational structure of the ministries (see above) chosen by the first government in 1990 and its implications for ministerial policy co-ordination have institutionalized a potentially influential role of the ministerial bureaucracy in the process of policy formulation. Second, the sheer amount and the enormous scope of public policy reforms pursued by Hungarian governments since the change of regime have provided further potential for bureaucratic influence in policy-making. Hungarian governments and their ministers have, therefore, often taken advantage of their personnel policy discretion granted in the Civil Service Act in order to compensate for control losses resulting from institutional and policy agenda-related factors. The tendency to rely on personnel policy instruments has been reinforced when governments have been confronted with high levels of issue polarization and uncertainty about future electoral prospects. Both features, generally characterizing the process of party system formation in post-communist Europe, have led Hungarian governments to focus on increasing political control in policy-making (rather than promoting policy continuity).

The first civil service reform between 1990 and 1992 thus created an institutional foundation of the Hungarian politics–administration nexus that has shaped the practice of ministerial personnel policy. Moreover, both the second and the third reform wave in 1997 and 2001 have not led to major alterations in the formal politicization of the ministerial civil service. The combination of an ideological regime divide in the party system and a lack of incentive as a consequence of institutional, political and policy specific factors have, until now, led Hungarian governments to retain the personnel policy discretion they were initially granted by the first civil service reform. The unwillingness to depoliticize the ministerial civil service is most visible in the introduction of the Senior Executive Service in June 2001, which has stabilized and formally institutionalized a politics–administration nexus that emphasizes instruments for enhanced political control over the ministerial civil service. Hungary has, thus, remained on the ‘track’ it initially chose in the early 1990s.

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## NOTES

- 1 The analysis in this article is part of an ongoing Ph.D. dissertation on ‘The Institutionalization of the Hungarian Politics–Administration Nexus between the Late 1980s and 2001’ at the LSE, Department of Government. It relies primarily on interviews with top civil servants and politicians conducted between February and June 2001.
- 2 This definition is close to, but broader than, Schnapp’s (2000: 29) definition of formal politicization as ‘the possibility for the government of the day, or its ministers, to pick their top bureaucrats at will without major procedural obstacles’.
- 3 The Civil Service Act also covers deconcentrated agencies with nation-wide authority and regional and local agencies of the central state administration. In addition, the Act applies to administrative agencies belonging to the sphere of local government, some non-governmental agencies, public corporations and a few other agencies.
- 4 In the remainder of this section, I shall follow the terminology used in the negotiations by the participants.

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