

Bringing Competition to the Top Civil Service

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The reforms during the past two decades have come a long way toward putting an end to the monopolies in India. For example, not only has the private-sector monopoly of the Ambassador and Fiat automobiles been dealt a decisive blow, the public-sector monopoly on telecommunications has also been stamped out. The results have been nothing short of spectacular. From the 1950s models, the automobiles produced in India have jumped into the 21st century, with more than 120,000 cars exported this past year. In the telecommunications sector, telephones used to be frequently without the dial tone or connected to a wrong number and yet the wait for a new line was several years long. Today, super-efficient cell phones are available on demand and growing at the astounding rate of 20 million sets a year.

Nevertheless, India is not fully free of monopolies. Foremost among the persisting monopolies is the Indian Administrative Service (IAS) that controls virtually all of the top civil service jobs in the central and state governments. The Service was created in the immediate post-independence era as a part of the All India Services that additionally included the Indian Police Service (IPS) and Indian Forest Service. At the time, there was a good case for a highly independent civil service that would deploy the brightest young men and women in the building of uniform public institutions across India. But that objective having been largely fulfilled, policy formulation having become highly specialized, and the Service having turned into a lobby devoted to

protecting its own narrowly defined interests, time is ripe for subjecting it to outside competition.

1 Guaranteed promotions for life

Sadar Vallabhbhai Patel who championed the creation of the IAS famously described it as the steel frame that would hold the country together. His vision was that a significant fraction of the officers in the Service would move back and forth between serving the center and their respective states. In doing so, on the one hand they will learn about the needs of the people at the grassroots level and bring that knowledge to bear on the policies formulated at the center and on the other carry the broader vision acquired at the center to the states. Patel also thought that the officers of the Service should have full independence to speak their minds. At his urging, the Constitution and the relevant legal framework were designed to give the officers maximum protection and job security.

Under the current rules, Indians between ages 21 and 30 compete for entry into the Service in a countrywide examination conducted by the Union Public Service Commission (UPSC), a Constitutionally empowered body. The upper age limit is relaxed for the members of the Scheduled Castes, Scheduled Tribes and Other Backward Classes (SC, ST and OBC). Originally, 22 percent of the positions were reserved for the applicants belonging to the SC and ST. In the mid-1990s, the OBC were added to the reserved category and the proportion of reserved seats was raised to 50 percent.

Each successful candidate is assigned to a state, which need not be his home state. He first undergoes extensive training with other successful candidates of his 'batch' and is then posted in the assigned state. His career path is reasonably predictable with one

exception: unless he is successful in getting himself selected as Joint Secretary at the right time, he spends much of his career in the assigned state.

The central government operates on a system of ‘empanelment’ whereby it places the officers with superior record on a panel from which it draws its top civil servants. Separate panels are drawn for the positions of Joint, Additional and full Secretaries. With occasional exceptions, an officer missing the Joint Secretary panel remains in his assigned state for the rest of his career. But even so, he can minimally expect to become full secretary in the state before retirement. Officers empanelled for Joint Secretary need not all become full secretaries at the center but they too are guaranteed to become secretaries in their assigned states.

The Service has managed to offer these guaranteed promotions by effectively reserving virtually all senior-level positions at the center and in the states for its members. One common device of the reservation has been to turn senior positions into “cadre” positions. Once this is done, only an IAS officer can fill the position. The original objective behind this provision was to empower the Service so that it could smoothly carry out its mandate to build uniform institutions nationally. But with the passage of time and the expansion of the number of IAS officers, guaranteed promotions and the maintenance of monopoly on the senior positions have become the primary objectives of the Service.

Even when a position is not a cadre position but requires empanelment, as is the case with most Secretary and Additional Secretary level positions at the center, the Service captures it by ensuring that only its members are empanelled. It is rare for individuals not belonging to the IAS to be empanelled for these positions. The expansion

of the government into diverse activities has given the Service further opportunities to extend sway well beyond what is justified by the qualifications of its members. For example, it has gone on to capture many of the top management positions in the public enterprises, banks and other financial institutions at the central and state levels.

Before I turn to the case for opening up the top jobs to outsiders, let me briefly mention two important recent developments. First, ironically, the indiscriminate expansion of the cadre positions at the state level has itself resulted in a decline of the Service. The conversion of meaningless positions such as the Director of Stationary and Stamps into cadre positions has led to a loss of the prestige of the Service. Moreover, they have made it easier for the politicians to remove an occasional “inconvenient” officer from more substantive positions to these “equivalent” positions.

Second, the original conception that a significant proportion of the IAS officers will alternately work at the local and central levels has largely been lost. At the center, the members of the more specialized Income Tax, Customs and Economic Services now fill the middle and junior-level positions, leaving mainly the top-level positions for the IAS officers. This means only a tiny fraction of the IAS officers actually get to work at the center. Thus, according to one estimate, there were only 25 Joint Secretary level vacancies for approximately 500 empanelled officers this past year. Correspondingly, the IAS officers who gained entry into the IAS through promotion from the state services or other channels and almost never get to serve at the center increasingly fill the positions of the District Collector. The idea that the top officers at the center have a deep knowledge of the local conditions and the top officers in the states have a broad national vision acquired while serving at the center is now largely fictional.

2 Why the top positions must be opened to competition

The IAS is inherently an institution that promotes general rather than specialized skills. The system of entry at an early age through competitive examinations, coupled with no lateral entry, makes general intellectual achievement a key to the success in one's career. In addition, the internal culture is outright hostile to the acquisition of genuine specialized skills. Youngsters within the Service who decide to go on leave to acquire highly specialized knowledge and skills are often told by their superiors upon return that they should not harbor any illusions that they can perform tasks that their counterparts who did not acquire their knowledge and skills cannot perform.

The anti-specialization bias of the Service is also reflected in the short tenure of the officers in a post. According to one study, on the average, approximately half of the officers in the 1990s were moved from their positions in less than one year. Approximately another quarter were moved in less than two years. The reasons for such rapid turnover are undoubtedly many including the whims of the politicians but a primary factor is probably the underlying assumption that the jobs do not require specialized knowledge and that an intelligent officer with common sense should be able to rapidly switch among them.

This emphasis on general skills made sense when the economy was relatively small and the task of administration simple. But today, with the economy grown manifold and globalization progressing at breakneck pace, the tasks of the government are far more complex, especially at the national level. For example, among other things, the Finance Ministry must determine a whole range of macroeconomic policies, oversee the working of the financial and capital markets, coordinate the center-state financial relations,

formulate trade and foreign investment policies, and carry out the government's disinvestments policies. Each of these tasks constitutes a highly specialized activity and encompasses several sub-areas of research in economics.

The same complexity also characterizes the tasks performed by the Ministry of Commerce. It must represent India in the trade negotiations at the World Trade Organization and forge multilateral agreements that impact the economy for decades to come. It must design, negotiate and implement free trade area agreements with different trade partners. It must design and implement the rules relating to anti-dumping, safeguards, intellectual property rights and Special Economic Zones. It must also negotiate bilateral investment treaties. Again, each of these subjects is specialized. WTO alone is a field that requires years of study and specialized knowledge.

One may assert that the job of the bureaucrat is limited to the implementation of the policies for which the generalized skills are all that is required. But this assertion is in error for two reasons. First, in the Indian Parliamentary system, ministers are chosen from among the Members of Parliament. Therefore, they are typically career politicians and lack the deep knowledge and expertise required to efficiently administer their portfolios. This is unlike the U.S. Presidential system in which the President can select his Cabinet from among the entire citizenry and is therefore able to appoint individuals with vast knowledge of the portfolios they hold. Our ministers therefore rely heavily on their secretaries for the formulation of policy. And when the secretaries themselves lack the specialized knowledge of the field, we run the risk of blind leading the blind.

The second reason why the assertion is wrong is that the implementation of policies is not a merely administrative task. Policymaking effectively continues beyond the

legislation passed by the Parliament. Ministries must design appropriate institutions to enforce and implement the legislation. For example, precisely how the anti-dumping directorate should function within the existing legal framework requires an understanding of the impact of anti-dumping on consumers, producers and overall national interest. Likewise, once a privatization policy has been adopted, its implementation requires an understanding of the benefits and costs of various modes of privatization. The same goes for the regulatory agencies whose role is proliferating with the end of the government monopolies in a number of service sectors.

Defenders of the Service, who invariably come from within it, also argue that these days the IAS officers can and do acquire specialized knowledge and skills. There is no doubt that this is beginning to happen and it is a healthy trend. The presence of specialized officers in the departments can provide useful necessary check on the policies being proposed and formulated at the top. Yet, this can hardly be the complete answer to the problem. For one thing, as I have noted before, among the ranks of the Service there remains deep suspicion of the generally younger officers who acquire such knowledge. But more importantly, in-depth knowledge required for the policy formulation at the top rungs of bureaucracy in many of the technical areas can simply not be acquired through short training programs extending to at most one or two years.

But specialized knowledge and expertise is only one reason why the IAS monopoly over top positions must be ended. There is a second and perhaps even more compelling reason for the change: competitive pressure is as much essential to promoting excellence in the top bureaucracy as elsewhere. For years now, I have argued that we must amend the Industrial Dispute Act to give employers the right to hire and fire the workers upon

the award of a reasonable severance package. The total absence of such rights from firms with 100 or more workers has left the workers in these firms no incentive to work productively. The firms have had to often resort to contract workers to perform the tasks that ought to be performed by the regular workforce.

The guarantee of automatic promotions and strong protection from adverse actions under virtually any circumstances has had a similar impact on the performance of the IAS officers. A wit might say that the Service that Patel had intended to be the steel frame of India has turned into a steel armor for the protection of its own members. The absence of any competition, punishment or accountability has made many officers arrogant and self-indulgent.

When confronted with these criticisms, the reaction of many IAS officers is to blame politicians for continuous interference. While politicians have indeed indulged themselves, this defense fails to cut ice for two reasons. First, the struggle between the politician and the bureaucrat is often about who will wield power. In a democracy, it is the politician that is ultimately answerable to the people and therefore should be given greater latitude. He is after all the one subject to the most draconian hire and fire policy: elections every five years. In contrast, the IAS officers are accountable to no one.

Second, in the struggle for power, sometimes the bureaucrat himself plays tactically, tying the politician in the complex regulatory knots about which he invariably know more than the latter. Acutely aware of this fact, some politicians retaliate with the only weapon they have—transfer of the non-compliant officer to a position that preserves his grade but otherwise renders him powerless. Harideo Joshi, perhaps the most dynamic Chief Minister to lead Rajasthan, used to confide in his friends that the secret of his success in

getting things done swiftly and efficiently was his formula of two Ws: knowing ‘What’ needed to be done and ‘Who’ could do it. If an officer tried to throw regulatory hurdles in his path, Joshi would pack him out in no time and replaced him by someone who knew how to jump the hurdles.

Indeed, one important reason why the officers feel maligned by the political interference is the absence of competition. Competition is a two-way street. In a system in which at least some of those who fill the top positions voluntarily come and go, the ability of politicians to ‘punish’ them is curtailed. By acting arbitrarily, they risk losing their best officers. Part of the problem today is that when an IAS officer is wrongfully exiled to fill an inconsequential position, lacking any specialized skills, he is unable to threaten exit from the civil service altogether.

3 The way forward

Two countries with political systems and civil services very similar to those of India that have tried civil service reforms are New Zealand and U.K. Traditionally, sacking and lateral entry were extremely difficult and unusual in both countries and the salary was unrelated to the performance. New Zealand carried out a wholesale reform in the late 1980s by breaking up its homogeneous civil service into a set of separate departments and state-owned enterprises. It placed a chief executive, appointed on a fixed-term renewable contract, in charge of each of these corporate units. The chief executive was made the legal employer of all staff in his unit with responsibility for hiring, firing, salary and discipline. Symmetrically, he was required to enter a performance agreement with his minister for the output he was expected to produce.

The U.K. reform has been less drastic in that it did not disband the career civil service. The key change there, introduced beginning 1989, was to break up the civil service into core departments and executive agencies. The departments were entrusted with policy setting, resource allocation and regulation responsibilities and executive agencies with service delivery under conditions specified in the framework agreements they signed with the departments. The agency chief executives (and some other professionals) came to be appointed on fixed term contracts and could be from either the regular civil service or outside. Their salaries were de-linked from the regular civil service salaries at levels substantially higher than the latter. The departmental civil servants retained the traditional tenure-type contracts.

In India, it is unrealistic to expect a drastic, New Zealand style civil service reform. But experimentation with some changes at the top is highly desirable. One minimalist approach would be to convert all Secretary and equivalent level positions (except perhaps those related to the maintenance of law and order and basic administration) at the center and states into fixed-term positions with negotiable salaries and explicit contractual obligations. The positions could then be opened to both insiders and outsiders based on a set of pre-specified criteria. Such a change will attract talented outsiders in the academic, business and financial fields to the top government positions. If properly administered, it will also allow the most talented officers within the Service to move to the top faster and thus infuse greater dynamism into policy making. Based on performance, contracts may be renewed. Those appointed from any of the civil services to these positions may be given the option to return to their regular civil service upon completion of the contract.

As I have argued for some years now, my own preference is for a more ambitious approach that opens all positions at the Joint Secretary and higher levels at the center (and equivalently in the states) to competitive recruitment. The key additional advantage of such an approach is that it would encourage the most talented young men and women to move back and forth between the government and outside employment. Just as in Sardar Patel's time it was crucial for the officers to move back and forth between the center and states, today, it is important for them to have the inside knowledge of both governmental and non-governmental worlds.

Currently, since there are no lateral entry points, the decision to enter the top civil service must be made at an early age. If lateral entry is available at the senior level, an individual can take up a position outside the government in the early parts of his career and yet enter the government later. Alternatively, under the current system, once an individual has entered the Service, the cost of exit is prohibitive since he will not be able to return to a top position in the government again.

It is important to understand in the area of civil service, the reform cannot be piecemeal in the sense that one entry here and one there to outsiders will produce no change whatsoever. On the contrary, it will give the reform a bad name. The Service functions like a monopoly and it is relatively easy for it to isolate solitary outsiders such that they are effectively reduced to spending their time reading the newspapers or writing their research papers.

The entry of outsiders will have to be complemented by two additional steps. First, even when the positions are not opened to outsiders because the IAS officers have the right qualifications, it will be desirable to precisely and explicitly define the duties

and qualifications of officers at the Joint Secretary and higher level at the center and Secretary and higher level in the states and make this information public. This will make the senior officers more accountable to the public. Second, it is highly desirable to start pruning the service through a more rapid exit in the case of irresponsible officers and reduced entry at all levels. The pruning should also be accompanied by the phasing out of many superfluous positions.

At the local levels of administration, there is no reason for the IAS or other civil servants to be the effective rulers. For example, the collector, who is an IAS officer, currently rules at the district level. The IAS officer is known to commonly complain that the local Members of the Legislative Assembly (MLAs) constantly interfere in the affairs of the district. On one hand, one can be sympathetic to the view that the officer cannot run the administration smoothly if the local MLAs from different parties pull him in opposite directions but on the other, the MLAs are the elected representative of the people. The point is that in a democracy, the elected representatives should head the administration and it is time to consider making that transition at the district and block levels.

The specific suggestions I have made are not panacea and the government will need to do a great deal of homework before it proceeds to undertake the reform. Yet, one thing that is certain is that some reform to subject the Service to greater outside competition and give increased role to the specialized talent is required. If you are not persuaded, I challenge you to go and look for the defenders of the Service. Chances are you will not find any. And when you do, they will likely be the members of the Service themselves!