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A Means of Reducing Corruption: Greater Openness in Public Service Recruitment System

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A Means of Reducing Corruption: Greater Openness in Public Service Recruitment System

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- Hiring former government officials can provide benefits in utilizing the accumulated knowledge, but also creates problems in that they can be abused as lobbying channels.
 - One of the primary causes of Korea's savings bank collapse was the hiring of former oversight agency officials and their prominent role in illegal lobbying.

- The primary reason for the usage of former government employees as lobbying arms is to the close, personal ties between former and current officials, reinforced by the closed recruitment system.
 - The possibility exists that retired officials with close ties to current officials may be used as lobbying channels.
 - Closed recruitment practices were also implicated in a recent controversy over nuclear power plant corruption.

* This paper is a revised version of Jaehoon Kim and Hojun Lee, *A Study on Recruitment Methods for the Public Service and Strategic Behaviors of the Public Servants* (Policy Research Series 2012-03, Korea Development Institute, 2012), with recent data added to supplement the 2012 analysis.

- In order to weaken the close ties between current officials and former officials and to utilize the skills of private sector experts in the public sector, it is imperative to adopt a more advanced HR system, expand the open recruitment system, and increase the number of private sector experts across all departments.
 - Open recruitment was introduced in January 2000, with 20 percent of the total senior official positions selected from a pool of candidates from both inside and outside the government. However, questions have been raised about the system's effectiveness in terms of attracting experts from the private sector.
 - An advanced version of civil service HR system and improvements on the current state of partial application of the open recruitment and private sector expert recruitment is essential. This should be followed by large-scale expansion and application.

1. Private Sector Poaching of Government Officials

- One benefit of hiring former civil servants is the utilization of the accumulated experiences that may be used as channels to lobby state agencies.
 - One of the primary causes of Korea's savings bank collapse was the recruitment of former financial oversight agency officials and their prominent role in illegal lobbying.
- Such problems may occur not only in the executive branches, but also in the judicial branches.
 - There have been cases where the hiring of former government officials from regulatory agencies by law firms or corporations has help strengthen the implicit bond between the “regulator” and the “regulated”.
 - Retired officials from procurement-related agencies who have transferred to private businesses have been found using their personal connections to influence the selection of contractors.
- The Korean government has attempted to correct this problem by adopting stronger regulatory measures concerning post-government employment.¹ However, such measures

¹ Article 17 of Korea's Public Service Ethics Act states that civil servants and employees of groups related to public service from certain job classes or with duties designated by presidential decree are prohibited for two

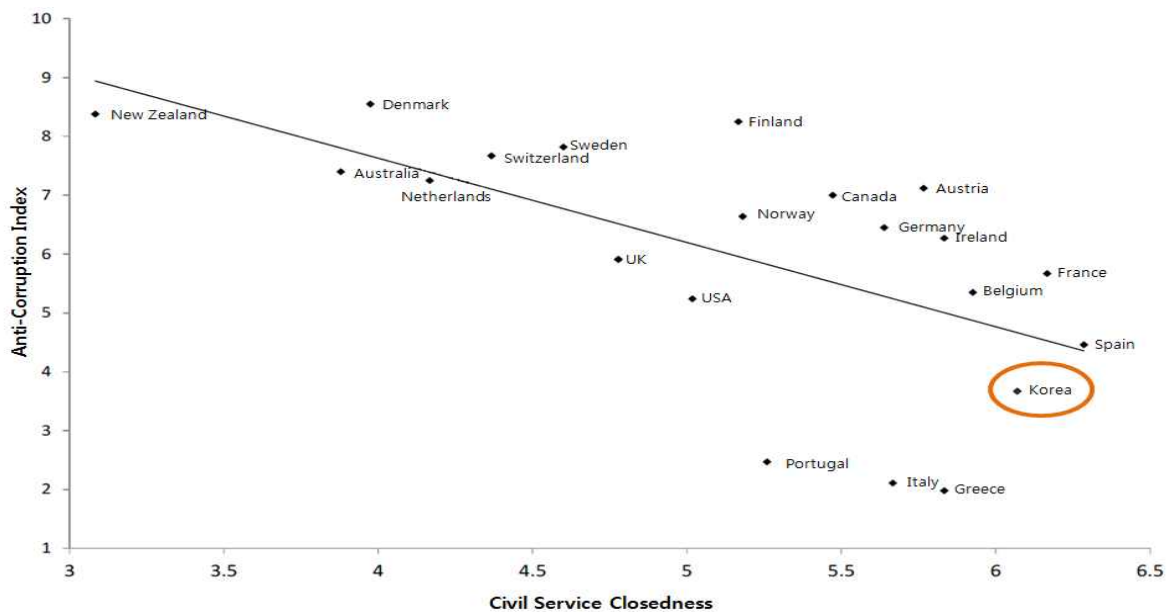
prove insufficient in tackling the fundamental problem.

- These measures are inadequate in addressing cases that involve temporary transfer to other departments, shortly followed by retirement or accepting positions at other affiliates, because in both instances the post-civil service regulations are inapplicable.

2. The Relationship between Recruitment System Closedness and Civil Service Corruption

- Analysis of data on civil service recruitment systems and bureaucratic corruption around the world shows a considerable linkage between corruption and recruitment system closedness (see Figure 1).

[Figure 1] Relationship between Civil Service Closedness and Anti-Corruption Index Rating²



Sources: QoG (The Quality of Government Institute); IMD, *The World Competitiveness Yearbook 2010*, 2010.

years after their departure from working at a private sector organization with close connections to any of the duties from their department for the five years preceding their departure.

- 2 Among the countries for which the Quality of Government Institute (QoG) provided index scores, transition economies had generally lower Anti-Corruption Index ratings than the nations of Western Europe, but showed a similar pattern in terms of the relationship between the anti-corruption rating and civil service closedness. In the empirical analysis, a distinguishing variable for transition economies was included to counteract for this. These economies were omitted from [Figure 1] in order to more clearly show the correlation between anti-corruption ratings and civil service closedness.

- The degree of closedness in a country's civil service recruitment system is calculated according to (a) the presence or absence of a regular civil recruitment examination, (b) the guarantee of retirement age, and (c) the presence or absence of laws regarding the status security of public officials. A higher value indicates a greater degree of closedness.³
 - Anti-Corruption Index values are calculated using questionnaire data from experts on the degree of civil service corruption. A higher value indicates less corruption and greater integrity overall.
 - As seen in [Figure 1], civil service corruption levels are lower and integrity ratings are higher in countries with more open civil service recruitment systems.
 - Korea had a closedness rating of 6.07 and an Anti-Corruption Index score of 3.67, indicating greater closedness and a lower anti-corruption rating than major advanced economies.
- Regression analysis of different countries' civil service recruitment systems and corruption ratings based on international data showed more serious levels of corruption when civil service recruitment was more closed (see Appendixes for an explanation of the analysis data and variable).
- Values for both the Anti-Corruption Index (International Institute for Management Development; Index showing the deterrence of public sector bribery and corruption) and Corruption Perceptions Index (Transparency International; Index showing general integrity in state functions) were found to decrease when civil service recruitment practices were more closed.
 - Efficiency of government spending (as rated by the World Economic Forum) and corruption control (as calculated by the World Bank) were also found to decrease when civil service recruitment was more closed (see Table 1).
- In cases involving sluggish private sector development — a product of a weaker economy — or increased chances of widespread nepotism, closed service recruitment structure demonstrated positive effects in that it increased fairness through uniform examination.
- ³ Ratings for civil service closedness were calculated and published using the QoG questionnaire. It should be noted that closedness ratings were only calculated for Western countries and former Eastern Bloc nations; the stated reason for this was that these are the only countries in which civil service closedness is perceived as a separate issue from bureaucratic expertise.

Table 1: Regression Analysis Results⁴

	(1) Anti-corruption index	(2) Corruption perceptions index	(3) Efficiency in gov't expenditures	(4) Control of corruption index
Civil service closedness	-0.651*** (-3.84)	-0.431*** (-3.74)	-0.205** (-2.50)	-0.174*** (-3.07)
Civil service expertise ⁵	1,500*** (8.81)	1,043*** (7.09)	0,402*** (3.72)	0,464*** (6.21)
Democracy index	-0.030 (-0.68)	0.048** (2.53)	-0.053*** (-3.33)	0.030*** (2.86)
Per capita GDP	1,053*** (6.36)	0,864*** (7.91)	0,148* (1.80)	0,384*** (7.12)
Dummy variable for former eastern bloc nations	-1,035*** (-3.10)	-0,436* (-1.54)	-0,257* (-1.67)	-0,230** (-2.00)
Constant term	-9,063*** (-4.83)	-5,294*** (-5.92)	1,739*** (2.67)	-4,339*** (-10.27)
<i>n</i>	51	88	86	88
<i>r</i> ²	0,848	0,833	0,409	0,818

Notes: Values in parenthesis represent *t* statistics.

+ $p < 0.15$; * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

- An exemplary case is the recruitment of officials through state examination in the early developmental period of the Korean government, marked by political, economic, and structural turmoil.
- Among the countries examined, the most similar cases were the former communist nations of Eastern European transition economies.
- For this reason, a separate dummy variable was used for former Eastern Bloc nations to control for this characteristic.

⁴ QoG ratings for civil service hiring system closedness were only calculated for Western and former Eastern Bloc nations. For this study, the same calculation methods were applied to countries that did not have scores tabulated, namely the nations of Asia and Africa.

⁵ An additional control variable of "civil service expertise" was used to distinguish the effects of so-called "parachute appointments" (the political leadership's installment of associates in major leadership positions at organizations for which they may or may not possess expertise) from those of open hiring. Values were found to be higher when more hiring was based on past performance, when there was less cronyism, when executive heads had less authority for hiring and firing, and when more promotions and hiring were decided internally.

- One potential shortcoming to this empirical analysis is the possibility of endogeneity between variables (that is, the potential for more corrupt nations to prefer closed civil service recruitment practices as a way of entrenching corrupt practices).
 - In such cases, a mutually reinforcing relationship may take shape between a closed recruitment structure and corruption ratings.
 - However, this also underscores the policy implications of this study, namely, the need for increased openness in civil service recruitment practices.

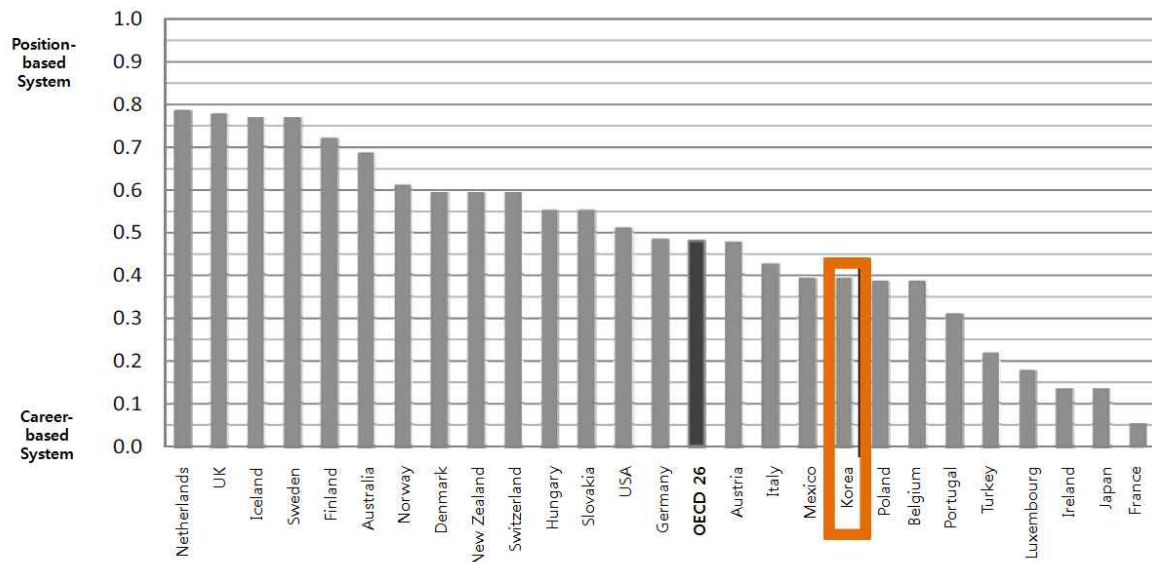
3. Current Open Recruitment Systems and Their Limitations

- Since the 1980s, the advanced economies of the OECD have strived to increase civil service recruitment system openness, offering greater opportunities for experts from the private sector to take positions within the government.
- Korea's rating for civil service recruitment openness falls short of the OECD average (see Figure 2).
 - Among the 26 nations in the OECD, Korea ranked in 17th place (below average) on openness criteria in civil service recruitment.
 - When openness is calculated with a formula assigning values between 0 and 1, where lower numbers represent a greater tendency toward a career-based system (closed recruitment)⁶ and higher numbers indicate a position-based system (open recruitment),⁷ Korea receives a rating of 0.392, which is lower than the OECD average of 0.478.
 - Korea was found to have a relatively more career-based (closed) system than other OECD nations.

⁶ A career-based (closed) hiring system is one in which competitive examinations are offered only for lower-level civil service positions, while opportunities for higher positions are made available only to those already employed at lower levels. In countries with such kind of system, a central personnel agency (the Ministry of Security and Public Administration, in Korea's case) is responsible for all tasks related to civil service recruitment. These systems are typically accompanied by civil service legislation with more enhanced employment security and retirement guarantees than those found in general labor law.

⁷ In a position-based (open) hiring system, people from inside and outside the civil service are able to apply for positions at all levels, based on an analysis of the duties associated with each level and position. In contrast to a career-based system, authority for hiring is given to individual agencies that are aware of the demand for necessary duties. Under this system, the terms of general labor law apply equally to civil servants.

[Figure 2] Indicators for Central Government Recruitment System Types in Major Nations



Source: OECD, *Government at a Glance 2009*, 2009, p.79.

- While Korea did introduce an open recruitment system in 2000 as part of an administrative reform push, it has been operated on a highly restricted basis.
 - In January 2000, an open recruitment system was adopted in which 20 percent of senior government officials (office/bureau directors in central government agencies) were to be recruited from the private sector.⁸
 - However, open recruitment has been applied only for a limited number of positions, which excludes a significant number of major positions.
 - The proportion of open recruits among all senior civil servants stands at around 15 percent; excluding internal hires, the percentage of outside experts recruited falls to around 7 percent, indicating a very limited range of application (see Table 2).
- Thus, the current open recruitment system faces considerable limitations in attracting and retaining private sector experts in civil service positions.

⁸ See Article 28 of the State Public Officials Act and Regulation on the Management, etc. of Open Positions and Recruited Positions.

Table 2: Civil Service Open Recruitment Results for Korea

Year	Senior officials (Levels 1~3) (A)	No. of designated positions (B) (B/A)	Recruiting (C) (C/A)	Recruitment Results	
				Internal recruiting (D) (D/A)	External recruiting (E) (E/A)
2006 ¹⁾	1,026	207 (20.18%)	166 (16.18%)	94 (9.16%)	72 (7.02%)
2007	1,133	220 (19.42%)	196 (17.30%)	86 (7.59%)	110 (9.71%)
2008	1,116	188 (16.85%)	136 (12.19%)	64 (5.74%)	72 (6.45%)
2009	1,114	182 (16.34%)	149 (13.37%)	82 (7.36%)	67 (6.01%)
2010	1,105	198 (17.92%)	157 (14.21%)	86 (7.78%)	71 (6.43%)
2011	1,115	246 (22.06%)	194 (17.40%)	108 (9.69%)	86 (7.71%)
2012	1,126	311 (27.62%)	235 (20.87%)	147 (13.05%)	88 (7.82%)

Note: 1) As of 2006, open recruitment practices have been used in the position of senior officials, as well as parts of department heads.

Source: http://index.go.kr/egams/sts/jsp/potal/sts/PO_STTS_idxMain.jsp?idx_cd=1020

"Ministry of Security and Public Administration Senior Official Recruitment Policies and Internal Data," *Ministry of Government Administration and Home Affairs Statistical Yearbook*, 2006~12.

- The following factors may account for the failure of Korea's open recruitment system to attract highly qualified private experts to senior government positions:
 - First, the 2008 decision to let agencies decide to independently determine issues concerning the open recruitment system led to candidates being directed towards less important positions.
 - Second, open recruitment positions are limited-term, contractual positions with substantial differences between regular positions and contractual positions.
 - Third, salaries tend to be less competitive than those in the private sector.

- A Level 5 recruit with substantial experience in the private sector hired for regular position would face stiff competition. This suggests that the differences in treatment between regular and contractual positions may be one of the chief factors behind the open recruitment system's failure to attract highly skilled private sector experts to senior civil service positions.

4. Policy Suggestions

- Great openness in the civil service recruitment system is essential in tackling corruption-related problems arising from recruiting ex-government officials.
 - Weakening the ties between former and current government employees may reduce the private sector's incentive to use former officials as lobbying tools.
 - The current civil service recruitment system, which is only applied to a limited number of positions, requires greater openness and structural improvement followed by large-scale expansion.

- Transition to a new system in which government organizations are able to find the right number of people with the right levels of expertise at the right time is essential to a cleaner and better-performing government.
 - The current problems of open recruitment implementation can be traced to the simple merging of the closed, career-based system that forms the bedrock of public service HR system with the new open recruitment system of “positional classification”.
 - An advanced version of civil service recruitment is required to reduce bureaucratic corruption by increasing the efficacy of the current open recruitment system and expanding its level of openness.

- At the same time, selection standards and processes should be made more transparent and executed in a manner that is in line with the purposes of the open recruitment system.
 - Preliminary efforts should be carried out on a transparent basis, with clear job descriptions including competencies and skills made available based on objective information obtained through rigorous job analysis.
 - The selection criteria and process should be designed to be open and transparent, with clearly specified distinctions between political appointees and those within the civil service, done in the interest of preserving the administration's political neutrality.

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〈Appendix Table 1〉: Regression Analysis Results (Using Raw QoG Data on Civil Service Closedness)⁹

	(1) Anti-corruption index	(2) Corruption perceptions index	(3) Efficiency in gov't expenditures	(4) Control of corruption index
Civil service closedness	-0.569** (-2.43)	-0.487*** (-3.59)	-0.393*** (-3.25)	-0.209*** (-3.48)
Civil service expertise	1.509*** (3.68)	1.022*** (3.40)	0.201 (0.98)	0.431*** (3.15)
Democracy index	-0.039 (-1.32)	0.140*** (7.18)	-0.030* (-2.01)	0.080*** (7.32)
Per capita GDP	0.781 (1.46)	0.514* (1.93)	0.136 (0.74)	0.207* (1.86)
Dummy variable for former eastern bloc nations	-1.468+ (-1.69)	-0.941+ (-1.54)	-0.583* (-1.75)	-0.508** (-2.08)
Constant term	-6.467 (-1.16)	-1.853 (-0.82)	3.634** (2.44)	-2.483*** (-2.80)
<i>n</i>	33	44	42	44
<i>r</i> ²	0.854	0.886	0.555	0.902

Notes: Values in parenthesis represent *t* statistics.

+ $p < 0.15$; * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

⁹ The QoG data used here for civil service closedness scores were calculated only for Western countries and former members of the Eastern Bloc.

〈Appendix Table 2〉 Explanation of Regression Analysis Variables

	Variable	Explanation	Source	
D e v e l o p i n g v a r i a b l e s	Corruption perceptions index (CPI)	General index for the level of corruption in a country	Transparency International (2010)	
		0 (very corrupt) to 10 (very clean)		
	Anti-corruption Index	Based on questionnaire data regarding bribery and corruption	IMD (2010)	
		0 (bribery and corruption present) to 10 (no corruption)		
Efficiency of government spending	Survey of perceptions on government expenditures	1 (very wasteful) to 7 (expenditures used efficiently for public services)	WEF (2010)	
Control of corruption index	Extent of public sector corruption and exploitation by private interests	-2.5 (high levels of corruption and exploitation) to 2.5 (low levels)	World Bank (2010)	
I n d e v e l o p i n g v a r i a b l e s	Closedness in civil service recruitment	Average of values related to test-based recruitment, retirement guarantees, and legislation related to civil servants (only for cases where all values are present)	Quality of Government Institute (QoG) survey data (2008~10)	
	Public service employment examinations	Hiring systems based on official tests		1 (almost none) to 7 (almost all)
	Civil servant retirement guarantees	Degree to which civil servants receive retirement guarantees		1 (almost none) to 7 (almost all)
	Legislation related to civil servants	Presence of separate laws to apply only to the hiring of civil servants		1 (almost none) to 7 (almost all)
	Civil servant expertise ¹⁰	Average of values related to extent of performance-based recruitment, spoils system hiring, presidential authority to hire and fire senior officials, and extent of internal promotions for senior officials (only applicable in cases where all values are present)		
	Performance-based recruitment	Individual's ability or performance as recruitment standard		1 (almost none) to 7 (almost all)
Cronyism	Political relationship as recruitment standard	1 (almost none) to 7 (almost all)		
Chief executive's hiring authority	Empowerment of chief executive to hire or fire senior civil servants	1 (almost none) to 7 (almost all)		
Recruitment through internal promotions	Whether senior officials are chosen from within the public sector human resource pool	1 (almost none) to 7 (almost all)		
C o n t r o l s	Per capita GDP	ln (GDP per Capital)	World Bank (2010)	
	Democracy index	Value from 0 to 10 (where 10 represents a maximally democratic state)	Polity IV (QoG)	

10 The civil service expertise variable calculates whether hiring and retention within executive agencies is based on expertise rather than political orientation. It is determined by subtracting the sum of scores for cronyism and chief executive's authority for hiring and firing from the sum of performance-based hiring and hiring through internal promotion. Scores are higher in cases where there is more performance-based hiring, less cronyism, weaker chief executive authority in hiring and firing, and more hiring through internal promotion.